

June 11, 2009

Honorable Jake Corman, Chairman  
Senate Appropriations Committee  
Room 281 Main Capitol Building  
Harrisburg, PA 17120

Honorable Dwight Evans, Chairman  
House Appropriations Committee  
Room 512-E Main Capitol Building  
Harrisburg, PA 17120

Honorable Jay Costa, Minority Chairman  
Senate Appropriations Committee  
Room 545 Main Capitol Building  
Harrisburg, PA 17120

Honorable Mario Civera, Minority Chairman  
House Appropriations Committee  
Room 245 Main Capitol Building  
Harrisburg, PA 17120

Dear Gentlemen:

This letter updates the Administration's request for appropriations for both the 2008-09 and 2009-10 fiscal years. These adjustments to the Governor's Executive Budget as modified by HB 1416 and HB 1417 result in a net increase of \$386.7 million in requested General Fund appropriations. Of the requested increase to General Fund appropriations, \$122 million is due to Pennsylvania receiving lower amounts of federal fiscal relief than originally estimated by the Federal Funds Information for States organization in January.

Also, as the recession has deepened it has resulted in an increased demand for services provided by the Department of Public Welfare and the Department of Aging and Long-Term Living, which account for the majority of the need. Additional justification for each change is included in separate attachments to this letter.

**Revisions to FY2008-09 General Fund Supplemental Appropriations** (*dollars in thousands*):

<i>Department/Appropriation</i>	<i>In 2009-10 Exec. Budget / HB 1417</i>	<i>June 2009 Update</i>	<i>Change</i>
<b>Education</b>			
Pupil Transportation	\$516,620	\$519,412	\$2,792
Nonpublic and Charter School Pupil Transportation	78,817	79,821	1,004
PA Charter Schools for the Deaf and Blind	36,053	36,374	321
Special Education—Approved Private Schools	96,100	95,779	(321)
<b>Education Total</b>	<b>\$727,590</b>	<b>\$731,386</b>	<b>\$3,796</b>

<i>Department/Appropriation</i>	<i>In 2009-10 Exec. Budget / HB 1417</i>	<i>June 2009 Update</i>	<i>Change</i>
<b>Public Welfare</b>			
Youth Development Institutions and Forestry Camps	\$70,163	\$73,204	\$3,041
State Centers for the Mentally Retarded	83,123	83,632	509
Payment to Federal Government – Medicare Drug Program	383,646	418,592	34,946
Medical Assistance – Outpatient	519,681	532,156	12,475
Medical Assistance – Inpatient	412,160	412,784	624
Medical Assistance – Capitation	2,479,408	2,515,028	35,620
Medical Assistance – Long-Term Care	581,767	597,758	15,991
Medical Assistance – Transportation	63,571	67,449	3,878
Early Intervention	114,653	114,989	336
<b>Public Welfare Total</b>	<b>\$4,708,172</b>	<b>\$4,815,592</b>	<b>\$107,420</b>
<b>TOTAL FY2008-09 CHANGES</b>	<b>\$5,435,762</b>	<b>\$5,546,978</b>	<b>\$111,216</b>

In addition, the amount of FY2008-09 budgetary reserve will decrease by \$34 million, including \$30.6 million in the Department of Public Welfare. The changes to amounts in budgetary reserve in the Department of Public Welfare are itemized in Attachments 7 and 8.

**Revisions to FY2009-10 General Fund Appropriations (*dollars in thousands*):**

<i>Department/Appropriation</i>	<i>HB 1416</i>	<i>June 2009 Update</i>	<i>Change</i>
<b>Aging and Long Term Living</b>			
Services to Persons with Disabilities	\$84,695	\$93,692	\$8,997
Attendant Care	104,548	109,879	5,331
<b>Aging and Long Term Living Total</b>	<b>\$189,243</b>	<b>\$203,571</b>	<b>\$14,328</b>
<b>Education</b>			
Pupil Transportation	\$520,324	\$521,943	\$1,619
Nonpublic and Charter School Pupil Transportation	76,520	78,876	2,356
<b>Education Total</b>	<b>\$596,844</b>	<b>\$600,819</b>	<b>\$3,975</b>
<b>Insurance</b>			
Children’s Health Insurance Administration	\$2,437	\$2,953	\$516
Children’s Health Insurance	94,600	103,324	8,724
<b>Insurance Total</b>	<b>\$97,037</b>	<b>\$106,277</b>	<b>\$9,240</b>

<i>Department/Appropriation</i>	<i>HB 1416</i>	<i>June 2009 Update</i>	<i>Change</i>
<b>Labor and Industry</b>			
Transfer to Vocational Rehabilitation Fund	\$43,083	\$43,303	\$220
<b>Military and Veterans Affairs</b>			
Veterans Homes	\$77,457	\$82,039	\$4,582
<b>Public Welfare</b>			
Information Systems	\$58,495	\$58,735	\$240
Youth Development Institutions and Forestry Camps	74,297	75,772	1,475
Mental Health Services	737,711	739,810	2,099
State Centers for the Mentally Retarded	80,089	81,522	1,433
Payment to Federal Government – Medicare Drug Program	462,232	458,594	(3,638)
Medical Assistance – Outpatient	769,189	786,216	17,027
Medical Assistance – Inpatient	399,684	398,729	(955)
Medical Assistance – Capitation	2,020,090	2,233,897	213,807
Medical Assistance – Physician Practice Plans	9,868	9,931	63
Medical Assistance – Transportation	63,013	70,301	7,288
Intermediate Care Facilities – Mentally Retarded	102,281	103,012	731
Community Mental Retardation – Base Program	170,470	168,747	(1,723)
Community Mental Retardation – Waiver Program	622,428	628,305	5,877
Early Intervention	114,653	122,310	7,657
Autism and Intervention Services	22,502	20,497	(2,005)
Child Care Assistance	210,074	203,862	(6,212)
<b>Public Welfare Total</b>	<b>\$5,917,076</b>	<b>\$6,160,240</b>	<b>\$243,164</b>
<b>TOTAL FY2009-10 CHANGES</b>	<b>\$6,920,740</b>	<b>\$7,196,249</b>	<b>\$275,509</b>

In addition to the programmatic changes noted above, General Fund tax refunds are higher than initially anticipated and will require an increase in Refunding Tax Collections by \$100 million in FY2008-09 and FY2009-10. Increased levels of tax refunds are typical during periods of economic downturn because actual tax liabilities are often less than expected, triggering higher-than-anticipated tax refunds.

A separate attachment requesting changes to various Federal appropriations is also included with this package. Thank you for your attention to these most important issues.

Sincerely,

Mary A. Soderberg  
Secretary of the Budget

Enclosures