



GOVERNOR TOM WOLF

Executive Budget In Brief

2022-2023



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

February 8, 2022

To the People of Pennsylvania:

When I took office seven years ago, no one could have predicted where we would be today. At that time, the commonwealth was facing a \$2 to \$3 billion deficit, and the Rainy Day Fund balance was \$231,000. To get us on a path to fiscal recovery, my administration focused on investments in education, increasing access to health care for all Pennsylvanians, and fair wages in high-quality jobs with career pathways. We have faced a pandemic, racial injustice, and political divides. But by investing in the people of Pennsylvania, we are not only weathering these challenges, but we are changing our future. This year, we will end the year with a \$3 billion surplus, and I will be able to leave the next governor of Pennsylvania with not only a balanced budget, but a surplus and the ability to further invest in a brighter future for our commonwealth.

I am proud to present a budget that continues my administration's priority to invest in Pennsylvanians. The 2022-23 budget invests an additional \$1.55 billion in basic education funding and an additional \$200 million in special education. In total, my administration will have increased education funding over \$3.7 billion, running an estimated 26.5 percent of all education funding through the Fair Funding Formula. We are also making significant investments in higher education to ensure access to high-quality, affordable college opportunities and job training programs that open career pathways.

The pandemic has put a harsh spotlight on our commonwealth's strained health care system. Worker shortages have limited access to critical services. In response, this budget proposal partially restores county mental health funding, increases funding for long-term facilities that have been hit hardest by the pandemic, and continues the incredible progress we have made to serve individuals with disabilities in their communities. All of this is in addition to rate increases and program improvements funded with \$1.2 billion in federal funding for home and community-based services.

Key proposals to reform our criminal justice system will increase the safety for all Pennsylvanians. Following the successful passage of the first Clean Slate Law in the country, this budget includes funding for women's reentry services and gun violence prevention coupled with policy reforms in law enforcement, bail, pretrial, and probation practices. Medical release reform will transition lowest risk individuals into the community while decreasing costs. This holistic approach will lead to improved outcomes for individuals in the criminal justice system and improved safety for our police, probation, and corrections officers.

As I present my last budget proposal to the people of Pennsylvania, I am grateful for the opportunity I have had over these last seven years to serve you, and support critical investments in the future of this great commonwealth.

Sincerely,

A handwritten signature in black ink that reads "Tom Wolf".

Tom Wolf



COMMONWEALTH OF PENNSYLVANIA

2022-2023 BUDGET IN BRIEF

Budget in Brief contains pages from the
Governor's Executive Budget.

For a complete copy of the
Governor's Executive Budget
and additional budget information,

visit our website:

www.budget.pa.gov

Budget Highlights

Over the past seven years, under Governor Tom Wolf's leadership, Pennsylvania has invested over a billion dollars in education, eliminated employment barriers by creating career opportunities for veterans and hard-working Pennsylvanians, and strengthened economic development initiatives to support Pennsylvania's resilient economic vitality.

As in other states, Pennsylvania continues to address the challenges created by the COVID-19 pandemic. Millions of vaccines and booster shots have been distributed and continue to prove effective in saving lives and mitigating the spread of disease. But there is still work to be done to ensure health care systems, human service providers, and the related workforce continue to meet the challenges so that citizens can better prioritize equity, fairness, accountability, and strategic investments to keep Pennsylvania moving forward.

The 2022-23 budget is an opportunity to address these challenges and leverage the commonwealth's strong financial position to keep Pennsylvania on a path to prosperity. The budget includes key investments in students, public health workers, families, veterans, the environment, and businesses.

Investing in Pennsylvania's Kids by Prioritizing Education at Every Level

- Invests in K-12 education by increasing funding for the Basic Education Fair Funding Formula by \$1.25 billion; \$300 million in Level Up funding; and \$200 million in Special Education Funding
- Provides \$60 million for Pre-K Counts and \$10 million for the Head Start Supplemental Assistance Program
- Provides \$1.2 million in funding to expand access to Early Intervention tracking by adding postpartum depression as a category for early identification
- Includes \$77.7 million in federal funds to support increased Child Care Works base rates to ensure continued stability for child care facilities and to make quality child care more affordable and accessible for families
- Utilizes \$44.3 million in federal funds to reduce co-payments for families enrolled in Child Care Works and proposes \$6.1 million to incentivize non-traditional child care to increase access for parents that do not have traditional work schedules

Advancing Fairness, Equity, and Quality in the Public Education System

- Reforms the Charter School Law to save school districts \$373 million by applying the Special Education Formula to all public schools (\$174 million) and establishing a Statewide Cyber Charter Tuition Rate (\$199 million annually). Also includes improvements to the redirection process
- Lowers the maximum administrative set-aside for scholarship organizations participating in the Opportunity Scholarship Tax Credit or Education Improvement Tax Credit programs from 20 percent to 5 percent, allowing up to \$41 million in additional scholarships without increasing taxpayer aid
- Proposes increasing the minimum teacher salary to \$45,000 per year to ensure the commonwealth can attract the highest quality educational talent

Supporting College Students and Postsecondary Pathways

- Proposes to invest \$200 million in the Nellie Bly Tuition Program which provides financial assistance for PASSHE and community college students whose focus involves programs in high-need sectors of the commonwealth such as health care, education, and public service
- Invests an additional \$125 million for higher education institutions, including a \$75 million increase for PASSHE
- Establishes a grant program to support the Hunger-Free Campus Initiative which addresses college hunger by investing \$1 million to combat food insecurity
- Invests an additional \$500,000 in the It's On Us PA initiative to better protect students from sexual violence
- Proposes a \$500,000 investment in Adult Education and Family Literacy program to provide support for adult learners and increase access to education and career pathways

Advancing Pennsylvania Economic Recovery through Business, Agriculture, and Workforce Investments

- Proposes increasing the state's minimum wage to \$12 per hour effective July 1, 2022, with an annual increase of \$0.50 per hour until all minimum wage employees earn \$15 per hour
- Cuts the corporate net income tax rate from 9.99 percent to 7.99 percent beginning January 1, 2023, further reduces to 6.99 percent in tax year 2026, 5.99 percent in tax year 2027, with a path to 4.99 percent, while strengthening addbacks to level the playing field for businesses
- Invests \$30 million for two new child care options for commonwealth employees
- Creates a new statewide data system linking information across child care, education, and workforce continuum to assist with future data-driven programming decisions by investing \$3.2 million

- Provides \$1.5 million in additional funding for the seven Industrial Resource Centers throughout Pennsylvania for the purpose of investing in new manufacturing, technology, and innovative programs
- Increases funding by \$1.5 million for the Partnerships for Regional Economic Performance Network, Small Business Development Centers, Local Development Districts, and Industrial Development Organizations
- Proposes to invest \$2.35 million in the Invent Penn State program which blends entrepreneurship-focused curriculum with business startup training and development
- Provides \$10 million in competitive grants for the Ben Franklin Technology Development Authority and \$2 million in additional direct support for each of the four Ben Franklin Technology Partners
- Invests an additional \$2 million in the Pennsylvania Agricultural Surplus System to further address food insecurity and access issues for families throughout the commonwealth

Keeping Pennsylvanians Safe through Criminal Justice Reforms

- Proposes a \$141 million increase of state General Fund funding to reduce the reliance on the Motor License Fund while enabling the Pennsylvania State Police to start two more cadet classes to graduate 300 new troopers
- Invests \$7.7 million in law enforcement technology to increase public and law enforcement officer safety with both mobile video recorders and body worn cameras
- Proposes \$35 million in grants and technical assistance through the Pennsylvania Commission on Crime and Delinquency for community-led gun violence prevention efforts
- Reforms the monetary cash bail policy and pretrial services for defendants while producing savings for county governments without negatively impacting public safety efforts throughout communities
- Assist county juvenile probation offices by investing \$425,000 for increased consulting resources
- Provides \$1 million for reentry services to assist women by giving them the best opportunity to start fresh and reduce recidivism
- Calls for expansion of the Clean Slate Law
- Supports the medical release of eligible inmates including the elderly to continue care in appropriate long-term care facilities or domiciliary care without posing a risk to the community and saving taxpayer dollars; and invests \$7 million in the Department of Human Services for the purpose of creating available beds for individuals leaving a state correctional facility with complex medical or behavioral health needs
- Directs \$1 million to PCCD to address indigent defense inadequacies throughout the legal system and to provide critical services to indigent defendants

Protecting the Most Vulnerable

- Supports the long-term care industry by increasing state funding by \$91.25 million (\$190.1 million in total funds) to Medical Assistance rates for skilled nursing facility providers beginning January 2023; proposes a \$14 million increase to the Department of Military and Veterans Affairs for all six veterans' homes to hire additional staff
- Increases personal care home supplementary payment program funding by \$50 million, lifting the monthly payment from \$439.30 to \$1,351.80
- Supports the behavioral health needs of Pennsylvanians by investing \$36.6 million additional funds in county mental health base funds on top of a \$75 million in federal funds for recruitment and retention payments to qualifying home and community-based service provider
- Invests an additional \$15 million in stabilization payments to substance use disorder treatment providers as part of the \$55 million in federal funding available through the Substance Abuse Prevention and Treatment Block Grant Program
- Increases SNAP benefits by \$14.3 million for low-income older adults and adults with disabilities from \$20 per month to \$35 per month
- Proposes \$280,000 to add Agency with Choice as a service for individuals with physical disabilities; \$18.8 million to provide services for individuals with intellectual disabilities and/or autism currently on the emergency waitlist; \$5.1 million to facilitate community transitions from intermediate care facilities; and \$1.25 million for 20 Community Hospital Integration Projects Program (CHIPP) discharges to reduce state hospital populations
- Increases staffing levels for the Department of Human Services by investing \$1.4 million in several program areas such as regulatory, licensure, budgetary, and administrative workloads
- Provides \$667,000 for additional staff within the Department of Aging to strengthen older adult protective services
- Prioritizes expanding access to health care and supportive services for parents through pregnancy, postpartum, and early childhood by investing an additional \$15 million to implement additional evidence-based home visiting and family support services throughout the commonwealth

- Invests \$1.8 million in the Court Appointed Special Advocate Program to better serve children who were victims of abuse or neglect and proposes \$291,000 to create a child welfare crisis response team within the Department of Human Services

Investing in Pennsylvania Public Health Workforce and Infrastructure

- Invests \$4 million to enhance the commonwealth public health workforce through increases in the Department of Health staffing levels, including at the state laboratory to improve the capacity of clinical laboratory infrastructure
- Includes \$7.2 million to better support the county and municipal health departments in Pennsylvania which provide public health services to 42 percent of the commonwealth's population
- Proposes a \$5 million investment in innovative gene and immunotherapy research to develop targeted cancer therapies

Protecting the Environment by Investing in Workers, Communities, and a Clean Future

- Provides \$100,000 to support development of a strategic plan for industrial sector decarbonization through deployment of Carbon Capture, Utilization and Storage and hydrogen technologies
- Proposes to fund new positions within the Department of Environmental Protection by investing \$5 million to fulfill critical programmatic and operational needs
- Invests an additional \$2.5 million into staff at the Department of Conservation and Natural Resources to support outdoor management, recreation, and safety

Expanding Critical Services for Pennsylvania's Veterans and Active Military

- Proposes an additional \$284,000 for the Department of Military and Veteran Affairs' Veteran Service Officer Grant program to allow for additional officers to bring mobile outreach services to more veterans in need
- Invests \$500,000 in the PA VETConnect system to establish resources, connect partners, and directly assist veterans and their advocates throughout the commonwealth
- Provides \$444,500 to DMVA to pilot a two-part model to enhance wellness and prevent suicide in active-duty PA National Guard members

Fiscal and Program Policy Direction and Budget Themes

Introduction

Over the past seven years, Governor Tom Wolf has invested billions of dollars in education, workforce, human services, and economic development initiatives to strengthen Pennsylvania's economic vitality and improve quality of life.

Under Governor Wolf's leadership, Pennsylvania has restored more than a billion dollars in cuts to the public education system. Pennsylvania has reformed the occupational licensure system to remove barriers to employment, opening more career opportunities for veterans and hard-working families across the commonwealth. The governor worked with the General Assembly to establish a medical marijuana program, pass the nation's first Clean Slate legislation, combat the opioid epidemic and substance use disorders, invest in farmers through the Pennsylvania Farm Bill, establish Pennsylvania's health and dental insurance marketplace, create a tuition repayment program for National Guard members, and establish a statewide broadband authority. These initiatives and smart investments have made Pennsylvania stronger and more resilient.

Pennsylvania continues to address the challenges created by the COVID-19 pandemic. Over the last year, Pennsylvania has distributed millions of vaccines and booster shots to save lives and mitigate the spread of disease. Yet COVID-19 continues to claim lives of Pennsylvanians, and the pandemic has exacerbated social and economic inequities while straining the health care system, human services providers, and the related workforce.

The 2022-23 budget is an opportunity to address these challenges and leverage the commonwealth's strong financial position to keep Pennsylvania on a path to prosperity. The proposed budget prioritizes equity, fairness, accountability, and strategic investments to keep Pennsylvania moving forward. The budget continues the governor's goal of fair funding for public schools and proposes leveling the playing field between charter schools and traditional public schools. Needed reforms will ensure all Pennsylvania students can access a high-quality education to prepare them for college, career, and community. The budget also proposes reforming the Educational Improvement Tax Credit program to provide greater transparency and adjust administrative allowances for companies receiving tax credits. These efforts will redirect millions of dollars to low-income students in need of scholarships. The budget also makes significant investments in the Pennsylvania State System of Higher Education (PASSHE) and other institutions of higher education to make college more affordable, minimize student debt, and prepare the future workforce.

The budget invests in businesses and aims to make Pennsylvania more competitive by lowering the Corporate Net Income Tax rate. By reducing the Pennsylvania State Police's reliance on the Motor License Fund, the commonwealth will be able to fully leverage additional federal funds to make additional infrastructure investments. It includes strategic investments across a spectrum of critical services including early childhood education, long-term living, behavioral health, STEM, workforce, agriculture, and the environment. The proposal includes continued funding for gun violence prevention and expanding the Clean Slate Law to cover more individuals. Legalizing adult use cannabis could create a new revenue source for continued investment in Pennsylvanians.

The budget proposes additional criminal justice reforms to build on bipartisan efforts to make Pennsylvania's system fairer and more efficient, including bail, probation, and medical release reform.

Vulnerable populations across Pennsylvania will be better served through expanded services and an investment in quality care. The budget supports key reforms such as increased staffing in nursing facilities, reduced waiting lists for individuals with an intellectual disability, increased access to behavioral health services, and the creation of a child welfare crisis resource team.

Finally, the budget proposes key investments into ensuring veterans have access to their service-earned benefits. This budget also provides critical resources to build resiliency in the wellness of both active-duty military and Pennsylvania's veterans as well as strengthen connections and resources available to meet any need of this population or their families.

This budget is an investment in Pennsylvania students, workers, families, veterans, and businesses. It supports the commonwealth's economic recovery, addresses the economic and public health consequences of the pandemic, and lays a strong foundation for a bright future.

Fiscally Responsible Budgeting and Corporate Tax Reform

During Governor Wolf's two terms as governor, the commonwealth has regained a strong financial position. After inheriting a \$2 billion to \$3 billion deficit, the administration's responsible fiscal policies have resulted in a surplus. In January 2015, the Rainy Day Fund had a balance of \$231,000. Through key investments of state and federal funds in the infrastructure, workforce, and people of Pennsylvania, the Rainy Day Fund has a current balance of \$2.865 billion. In 2018-19, roughly \$316 million was transferred to the Rainy Day Fund, and the end of 2020-21 allowed for an additional \$2.6 billion deposit. This budget continues this trend of fiscal responsibility while allowing unprecedented levels of investments in services that impact the everyday lives of Pennsylvania citizens.

Reducing the Corporate Tax Burden

Higher than expected revenue collections and steady fiscal standing allows for strategic investments and tax reforms. Complementing the previous elimination of the Capital Stock and Foreign Franchise Tax in 2016, the 2022-23 budget proposes to further improve the fairness and equity of Pennsylvania's corporate tax system by strengthening the corporate addback originally implemented in 2013. The budget proposes a reduction in the Corporate Net Income Tax (CNIT) rate from 9.99 to 7.99 percent on January 1, 2023, with a reduction to 6.99 percent in tax year 2026 on a path to 4.99 percent. By modernizing the current CNIT structure through reforms that level the playing field, paired with a rate reduction, the commonwealth becomes immediately more competitive with surrounding states and improves its business climate.

Prioritizing Education at Every Level

Governor Wolf's historic support of education across all levels is an investment in the well-being of families, communities, and economy. A good education impacts every part of life, including cultivating talents and strengths, empowering students to be engaged citizens, and developing skills for the future workforce.

In addition, the pandemic has highlighted the roles that educational institutions play in students' lives beyond academics. Schools provide a safe, welcoming space and an opportunity to ensure that children can access the resources they need – whether it's additional services for optimal learning, mental health support, or healthy meals.

Yet disparities in access to high-quality, fully resourced education systems, and educational outcomes still exist. Every child in Pennsylvania deserves access to a quality education, and continued investments support not only children and families, but also the educators who dedicate their careers to this mission.

During the past seven years, Governor Wolf has secured an additional \$1.8 billion in funding for pre-K through college, including more than \$1.1 billion for basic education, \$190 million for special education, and \$40 million for career and technical education. The innovative PAsmart program introduced new STEM and computer science programs into hundreds of schools across Pennsylvania, helping advance the commonwealth to fifth in the nation for the number of STEM graduates. Governor Wolf has sought to bridge the gap between the classroom and employment by supporting career and technical education and building a new apprenticeship program. Throughout his administration, the number of career and technical education students earning industry-recognized credentials has increased by 38.7 percent, while the number of registered apprentices has risen to 18,200.

The 2022-23 budget builds on these successful education and workforce development programs, further extending high-quality education to more Pennsylvanians; and laying a strong foundation for Pennsylvania's future workers, citizens, and leaders.

Investing in Pennsylvania's Kids

Expanding Access to Early Intervention Tracking

Early Intervention (EI) ensures that children birth to age five with developmental delays, or other established factors that put them at risk of substantial delay, have the best chance for healthy development. EI provides children with a range of developmental and social-emotional services, including speech and language, occupational and physical therapies, and social work services. Families also receive the coaching and support they need to further the gains their children make in therapy. EI serves children from all income levels and in every county across the commonwealth. The 2022-23 budget provides funding for the continuation of the three percent rate increase first made available with federal funds for EI providers serving children ages birth to three. With **\$1.2 million**, postpartum depression will be added as an eligible tracking category for early identification of need for EI services, which will improve well-being and health outcomes for infants and their families. With these resources in place, programs will be able to meet the needs of 63,000 children in this fiscal year.

Growing Access to Quality Child Care for Families

Access to quality, affordable child care is essential for a successful workforce. Parents need to know that their children are being taken care of in a safe, high-quality environment while they are at work. Unfortunately, the pandemic has negatively impacted access to these services and availability of staff. In order to support child care access and affordability for low-income working families, the administration has consistently increased payment rates for subsidized child care to keep pace with rates for private-pay families and ensure compliance with federal equal access requirements. The 2022-23 budget includes **\$77.7 million** in federal funds to support increased Child Care Works base rates, which was implemented January 1, 2022. This ensures the commonwealth Child Care Works reimbursement meets or exceeds rates at 60 percent of child care facilities – up dramatically from 25 percent just two years ago – which provides needed stability for child care facilities and makes quality child care more affordable and accessible for families. The budget proposal also includes federal funds of **\$44.3 million** to reduce co-payments for families in Child Care Works and **\$6.1 million** to incentivize non-traditional child care to increase access for parents that do not work a traditional schedule.

Investing in High-Quality Early Childhood Education

Children who participate in high-quality pre-K programs perform better in school, are more likely to graduate, and earn more throughout their lives compared to peers without access to early learning programs. The 2022-23 budget proposes **\$60 million** for Pre-K Counts to increase the rate for full-time slots to \$10,000 (\$1,250 increase per slot) and \$5,000 for part-time slots (\$625 increase per slot). Increased rates are necessary to support the workforce and rising costs to providers. An additional 2,308 slots will also be made available to enroll in the commonwealth's high-quality early learning programs. **\$10 million** for the Head Start Supplemental Assistance Program is also proposed to meet need and cover costs of the program. Over Governor Wolf's term, the commonwealth has more than doubled its investment in early childhood education, but more children need the opportunity to enter kindergarten ready to grow and thrive.

Continuing Fair and Equitable Investments in K-12 Education

Over the past seven years, the governor worked with the General Assembly to reverse cuts to education and make historic investments of nearly \$1.4 billion in new resources for Pennsylvania's K-12 public education system. The 2022-23 budget builds on this progress to ensure every Pennsylvania student is college, career, and community ready. The new investments for classroom funding include:

\$1.25 billion increase in Basic Education Fair Funding Formula. This investment enables all school districts to have the basic resources they need to provide a high-quality education for Pennsylvania students. With this increase, more than \$2 billion, or 26.5 percent, of total Basic Education Funding, will be distributed through the fair funding formula enacted in June 2016 to provide a more equitable and predictable allocation to school districts across Pennsylvania.

\$300 million increase in Level Up. This targeted investment provides more equitable funding to the 100 most underfunded districts and the students they serve. This investment, combined with the increase to the Fair Funding Formula, means that more than 30 percent of all Basic Education Funding will be allocated to school districts based on the demographics of students today.

\$200 million increase in Special Education Funding Formula. This investment ensures school districts have the basic resources they need to provide high-quality special education services to students with disabilities and special needs.

Advancing Fairness, Equity, and Quality in the Public Education System

Attracting and Retaining the Best Teachers

In the past 10 years, Pennsylvania has experienced a growing teacher shortage and shrinking pipeline of new teachers, especially in rural and urban districts, and hard-to-fill areas like special education, English language instruction, and STEM. One factor driving this trend is financial pressure due to low teacher salaries, as well as job requirements for college and advanced degrees.

Providing competitive wages is essential to attracting and retaining qualified education professionals. Pennsylvania arbitrarily sets minimum compensation for Pennsylvania teachers and other education professionals, including counselors and school nurses, at a 1980s-level of \$18,500 per year. This salary assumes a 40-hour workweek, even though most educators spend many hours out of the classroom preparing lesson plans and reviewing student assignments. The current statutory minimum salary fails teachers, students, and families. Increasing the minimum salary to **\$45,000 per year** will better align with competitive salaries and the cost of living, and ensure the commonwealth can attract the highest quality talent to educate Pennsylvania's children.

Reforming the Charter School Funding Formula

Pennsylvania's Charter School Law, passed in 1997, established public charter schools with greater flexibility to support innovation in partnership with the traditional public education system. Since then, some charters have strayed from this original purpose by engaging in questionable operational practices and exhibiting poor academic performance. Additionally, charter schools are a major uncontrolled cost-driver for local school districts, resulting in higher property taxes across the commonwealth.

The 2022-23 budget proposes comprehensive Charter School Law reform that will save school districts across the commonwealth an estimated **\$373 million** per year. These resources can be reinvested into students and educators, including meeting minimum teacher salary requirements. This package of policy and budget initiatives promotes innovation and choice in the charter sector while ensuring charter schools are providing a high-quality education, accountable for their academic performance and financial management, and are meeting the same standards Pennsylvanians expect from traditional public schools. The budget includes:

- **Applying the Special Education Formula to All Public Schools:** Currently, school districts receive funding for special education students through a three-tiered Special Education Funding formula, with funding increasing as the student's need for special education services increases. Special education tuition payments to charters, however, are calculated based on the outdated assumption that all school districts have a special education population of 16 percent, regardless of the level of services a student's Individualized Education Plan outlines. The governor's budget applies the tiered Special Education Funding formula to all charters to better align Special Education Funding with actual costs of providing services to special education students. This was a recommendation from the bipartisan Special Education Funding Commission and will save school districts an estimated **\$174 million** annually.
- **Establishing a Statewide Cyber Charter Tuition Rate:** Currently, cyber charter schools in Pennsylvania charge school districts between \$8,306 and \$36,204 per student per year. For comparison, the typical tuition rates an Intermediate Unit charges to provide a comparable online education is around \$5,400 per student per year. The governor's budget establishes a statewide cyber tuition rate of \$9,800 per student per year and will better align tuition with the actual costs of providing an online education. This reform will save school districts an estimated **\$199 million** annually.
- **Improving the Redirection Process:** Currently, if a school district does not pay the tuition for the students in its district who attend a charter school or there is a dispute between a school district and a charter on tuition payments, the charter school may petition the Department of Education to reconcile the dispute through the redirection process. This budget proposal provides clarification on the redirection process, including the basis for reported expenditures and the deductions included in the tuition rate calculation, to increase fairness, accountability, and transparency.

Supporting School Choice, While Creating Transparency in Education Tax Credit Programs

The Opportunity Scholarship Tax Credit (OSTC) and Educational Improvement Tax Credit (EITC) are popular programs. The 2022-23 budget lowers the maximum administrative set-aside from 20 percent to 5 percent for scholarship organizations participating in the EITC and OSTC, allowing up to an additional **\$41 million** in scholarships for students without an increase in any taxpayer aid. Scholarship organizations will be required to report more information on the students and families that receive scholarships and their educational outcomes, assuring taxpayers that their tax dollars are directed to students with the greatest need and that participating students receive a high-quality education.

Supporting College Students and Postsecondary Pathways

From high school graduates pursuing career pathways to adults making career changes and adapting to shifts in workforce needs, Pennsylvanians need affordable options and support to obtain postsecondary education. Postsecondary education not only improves lifetime earnings for individuals and households, it prepares an overall skilled workforce to participate in and navigate an evolving labor market. The State Board of Education established a goal for 60 percent of working-age Pennsylvanians to have a postsecondary degree or credential by 2025, with a focus on closing attainment gaps for historically underrepresented populations.

Investing in Students - The Nellie Bly Tuition Program

Direct investment in students through a need-based tuition program will support equitable access to and enrollment in PA State System of Higher Education and Pennsylvania's community colleges. The 2022-23 budget proposes a **\$200 million** investment in student tuition, funded by the Race Horse Development Trust Fund and federal funds. The program will provide financial assistance to full-time students with a focus on those pursuing programs in Pennsylvania's high-need sectors, including those facing shortages related to the pandemic like health care, education, and public service. Recipients must agree to stay in Pennsylvania after graduation for the same number of years for which they receive the benefit. This needs-based tuition will fill the gap between the students' financial aid and other financial assistance to cover the tuition, fees, and a portion of the real costs of college, including campus housing, books, supplies, and other expenses. The tuition converts to a loan if the student moves out of the commonwealth during the commitment period and can be deferred while the student pursues further education.

Investing in the Postsecondary Sector

Pennsylvania's diverse postsecondary institutions and options for career pathways continue to be some of the commonwealth's greatest assets. A **\$125 million increase** in funding for higher education institutions (5 percent for most entities) will continue to support effective operations and increase postsecondary access and completion.

- Community Colleges and Capital Fund – \$14.9 million
- Penn State University – \$12.1 million
- Pennsylvania College of Technology – \$1.3 million
- Transfer to Agricultural College Land Scrip Fund – \$2.7 million
- University of Pittsburgh (including Rural Education Outreach) – \$7.7 million
- Temple University – \$7.9 million
- Lincoln University – \$758,000
- Thaddeus Stevens College of Technology – \$935,000

In addition, the more than 100 private colleges and universities in Pennsylvania provide vital educational opportunities and research initiatives for students throughout the commonwealth. The budget proposes a **\$663,000** increase for Institutional Assistance Grants, which provide financial assistance to independent nonprofit postsecondary institutions based on the number of State Grant-receiving students. The 2022-23 budget also includes a **\$1.6 million** increase for the University of Pennsylvania's Center for Infectious Disease through the Department of Agriculture.

PASSHE must be affordable, high quality, and responsive to community and workforce needs across the commonwealth. Recent data demonstrates the important role of public higher education in social mobility. Support for PASSHE is an investment in local communities, as the majority of graduates stay in Pennsylvania following graduation.

Pennsylvania remains far behind other states in state share of funding for higher education. Solutions for efficient and effective operation of higher education institutions should not pass further costs on to students. To support PASSHE's continued organizational transformation and system redesign to operate sustainably and expand student opportunities and outcomes, the 2022-23 budget increases PASSHE's operating funding by **\$75 million**, further restoring funding to an appropriate operating level.

Addressing College Hunger

An estimated 36 percent of students know someone who dropped out of college due to food insecurity during the pandemic. Roughly 52 percent of students who faced food or housing insecurity in 2020 did not apply for support because they did not know how. Recognizing that many students need assistance meeting basic needs, institutions across Pennsylvania have increased resources for services such as food pantries and career closets. This budget includes **\$1 million** to establish a grant program to support the Hunger-Free Campus Initiative, which combats food insecurity at postsecondary institutions.

Expanding It's On Us PA for Safe Campus Environments

An additional **\$500,000** investment in the It's On Us PA initiative will expand resources and awareness to promote healthy relationships and protect students from sexual violence. Current grant funding is used to promote awareness, prevention, and reporting of sexual assault incidents; remove and reduce barriers to reporting or accessing resources; and demonstrate leadership to ensure a safe and welcoming culture on campuses. Additional funding will strengthen protections for victims and support-related resources.

Ensuring Basic Skills Competencies for All Adults

A significant number of adults in Pennsylvania need support to obtain basic skills and credentials, such as a High School Equivalency diploma and valuable digital skills, necessary to access postsecondary education, training opportunities, and sustainable employment. A **\$500,000** increase to Adult Education and Family Literacy will provide support for Pennsylvania's adult learners and increase access to education and career pathways.

Advancing Pennsylvania's Economic Recovery through Business, Agriculture, and Workforce Investments

The pandemic has interrupted the everyday lives of workers and small business owners. Economic shifts have led to new employer-employee relationships and investments in the workforce that lead to quality jobs. This demands better recruitment and retention practices, including higher wages, training, and flexible schedules. In October 2021, Governor Wolf issued the [Worker Protection and Investment Executive Order](#) outlining a range of action steps, as well as a call for passage of several pieces of legislation, to ensure safe workplaces and adequate pay and benefits. The governor has also modeled these investments in the commonwealth's own workforce including increasing wages, providing paid leave for state workers, supporting nursing parents, and implementing more inclusive hiring practices.

Businesses and workers need each other to thrive, and both are the key to economic recovery from the pandemic. Governor Wolf recognized the need to support businesses, which were significantly impacted by the pandemic. The governor distributed \$192 million in grants to more than 10,000 small businesses through the COVID-19 Relief Statewide Small Business Assistance Program to help small businesses survive the pandemic. He also directed \$145 million to the hospitality industry for COVID-19 relief.

In this budget proposal, the governor is doubling down on his commitment to make Pennsylvania the best place to live, work, and do business. Pennsylvania's economic vitality is dependent on swift and targeted action to ensure Pennsylvanians can access well-paying jobs in sectors that will lead the economy back to prosperity.

Increasing the Minimum Wage to \$12 per hour, with a path to \$15 per hour

As of January 1, 2022, 30 states have a higher minimum wage than Pennsylvania. The commonwealth is surrounded by states with the following minimum wages: Delaware (\$10.50); Maryland (\$12.20); New Jersey (\$13.00); New York (\$13.20); Ohio (\$9.30); and West Virginia (\$8.75). Pennsylvania's minimum wage of \$7.25 per hour has not increased since 2009, contributing to a child poverty rate of 17 percent, or 435,000 kids, in 2019. A full-time salary on Pennsylvania's minimum wage is \$15,080 per year. Many full-time workers earning minimum wage qualify for public benefits like food and energy assistance. Families cannot be supported at that wage, especially as the cost of living for Pennsylvanians increases and

purchasing power decreases. According to the MIT Living Wage calculator, every household scenario requires a wage higher than \$7.25 to meet basic life needs. On average, for one adult with no children, a living wage in Pennsylvania is \$13.39 per hour. An adult with dependents needs a living wage of more than \$25 per hour.

This budget proposes increasing Pennsylvania's minimum wage to \$12 per hour effective July 1, 2022, with annual increases of \$0.50 until the minimum wage reaches \$15 per hour on July 1, 2028. An increase to \$12 would directly benefit 765,000 workers, or more than 13 percent of the employed population. An increase to \$15 would directly benefit nearly 1.5 million workers, or 25 percent of Pennsylvania workers. Increasing the minimum wage means that workers in Pennsylvania can better meet basic needs including housing, groceries, transportation, and child care. This would reduce reliance on public benefits, improve equitable pay, and keep Pennsylvania businesses competitive. An increased minimum wage under this proposal would generate \$74.6 million in additional revenue in 2022-23 and \$214.2 million in additional revenue by 2028-29.

Reimagining Child Care for State Employees

As child care continues to be a barrier for working parents, it is imperative that employers address these needs to better support their employees and their families. Under Governor Wolf's leadership, the Commonwealth of Pennsylvania has taken steps to modernize its approach to work and position itself as a leading public sector employer for the 21st century. Building on the governor's actions to invest in the commonwealth's workforce by raising the minimum wage for state workers, implementing a telework policy, establishing paid parental leave, modernizing the hiring process, and positioning the commonwealth as a premier employer, the budget includes **\$30 million** in funding for two new child care options for state employees. To provide the additional support that working families need, the commonwealth will establish child care facilities for employees that will offer easily accessible, high-quality child care. Additionally, this initiative will include a progressive subsidy for parents who work for state government that can be used for child care expenses at a trusted provider of their choosing. These improvements mirror changes in the private sector and among other public sector employers, and put the commonwealth in a strong position to attract and retain top talent, while better supporting its workforce.

Leveraging Data and Evidence to Improve Education and Workforce Outcomes

As recommended by the Keystone Economic Development and Workforce Command Center, the 2022-23 budget creates a new statewide longitudinal data system that will link data sets across the child care, education, and workforce continuum. This data will be used to better understand education and workforce outcomes and use data to inform policy and programming decisions. An investment of **\$3.2 million** in this project will support technology services and solutions to bring the system to scale, creating a long-term tool to develop and implement evidence-based strategies.

Investing in New Manufacturing and Expanding Critical Recovery Support

Historically, Pennsylvania has been a leader in innovation. Today's economy is rapidly changing, and investment in innovation and technology are required to support economic development. A strong community and entrepreneurial network are crucial for success. This holds true for start-ups, as well as established businesses. Creating a holistic funding strategy fosters creation of new innovative companies and sees them through every stage of development. Attracting talented workers and retaining the students Pennsylvania's universities develop encourages innovative ideas and companies to locate and stay in the commonwealth.

This budget is structured on three fundamental building blocks: education, workforce development, and economic development. It cements Governor Wolf's dedication to creating the friendliest entrepreneurial environment in the country. This is achieved by fostering safe and vibrant communities to attract and retain talent, who in turn create businesses or aid innovative companies to grow and expand.

Manufacturing is critical to the health and prosperity of Pennsylvania's economy. Recognizing the importance of the manufacturing sector in Pennsylvania, Governor Wolf created the Manufacturing PA initiative to enhance the growth and competitiveness of manufacturing companies in Pennsylvania. This initiative supports the commonwealth's manufacturing community through strategic partnerships while emphasizing job training to career pathways. As such, Pennsylvania can emerge stronger than ever from the pandemic by expanding critical support services to the commonwealth's small- and medium-sized manufacturers. The commonwealth is home to some of the fastest growing technologies that are changing the way manufacturing processes increase competitiveness in the global economy. The seven Industrial Resource Centers (IRCs), located in a vast network throughout Pennsylvania, have historically provided critical services to the small- and medium-sized manufacturers that make up more than 92 percent of the commonwealth's manufacturing base. The IRCs help manufacturers respond to changing markets and new technology to remain competitive. The IRC network will receive a **\$1.5 million** increase, to be awarded competitively among IRCs that propose to partner with institutions of higher

education to deliver innovative services to new and existing manufacturers in areas such as talent pipeline, robotics utilization, 3-D printing, and advanced manufacturing techniques.

The Partnerships for Regional Economic Performance (PREP) Network, Small Business Development Centers, Local Development Districts, and Industrial Development Organizations will receive a **\$1.5 million** increase, to be awarded competitively among the partners, requiring regions to be creative and innovative in their applications for service and to partner with institutions of higher education. This will drive greater impacts to accelerator participation, entrepreneurial internships, decreased student outmigration, and business incubation, as well as to continue to provide critical services to assist Pennsylvania's businesses in their economic recovery.

Invent Penn State was launched in 2015, blending entrepreneurship-focused academic programs with business startup training and incubation. The program funds collaborations between Penn State University, community partners, and industry, training, and commercialization to turn research into products and services that benefit Pennsylvanians. This coordinated effort spans the university's 24 campuses and all academic colleges, including the College of Medicine and Penn State Law. Entrepreneurs enjoy free access to accelerator programs, working space, mentorship, prototyping, and funding. This successful program will receive **\$2.35 million** in the budget proposal.

The Ben Franklin Technology Partners have cultivated Pennsylvania's innovation economy, providing startup funding and technical assistance to companies throughout the commonwealth. Sending the message that Pennsylvania is the best location to start a business will take additional resources on the ground in communities to foster that entrepreneurial spirit. An additional **\$10 million** directed to the Ben Franklin Technology Development Authority will be driven out competitively to achieve new levels of innovation and collaboration with institutions of higher education. Additionally, each of the four Ben Franklin Technology Partners will receive a **\$2 million** funding increase to provide additional resources for critical seed funding to innovation companies.

Improving Food Security while Supporting Agriculture

An additional investment of **\$2 million** in the Pennsylvania Agricultural Surplus System (PASS) will further address food insecurity and ensure more Pennsylvanians have access to healthy meals for their families. Through PASS, the Department of Agriculture provides funding to cover the costs associated with harvesting, processing, packaging, and transporting surplus products including fruits, vegetables, eggs, dairy, meat, and grains for donations to the charitable food system. Current funding has provided healthy and nutritious surplus food in the charitable food system to nourish 2.18 million Pennsylvania households who struggle to put food on the table.

The 2022-23 budget also continues the governor's commitment to agriculture by maintaining integral funding for the programs created under the historic 2019 Pennsylvania Farm Bill – a bold, aggressive, and necessary investment in agriculture to grow opportunities and resources, remove barriers to entry, and inspire future generations of leaders in the industry.

Keeping Pennsylvanians Safe through Criminal Justice Reforms

Maintaining Adequate Statewide Police Coverage

The Pennsylvania State Police (PSP) has jurisdiction in all political subdivisions within the commonwealth and routinely aids municipal, state, and federal law enforcement agencies. Therefore, it is essential to find a solution that closes the funding gap caused by the decreasing reliance on Motor License Fund support. Additionally, maintaining a steady schedule of PSP cadet classes allows the agency to maintain staff levels throughout the commonwealth. The citizens of the commonwealth have come to expect a high level of service from PSP, and a regular cadet class schedule is critical in maintaining the necessary staffing levels to continue meeting these expectations. The Transportation Revenue Options Commission recommended elimination of transfers from the Motor License Fund to PSP. This budget proposes a **\$141 million** increase of state General Funds to reduce the reliance on the Motor License Fund while enabling PSP to start two new cadet classes with the target of graduating approximately 300 new troopers. This increased General Fund support allows for additional highway and bridge construction activities across the commonwealth and provides commonwealth resources to access historic federal infrastructure funding.

Supporting Law Enforcement Reform

Both mobile video recorders and body worn cameras are valuable tools for law enforcement to improve trust by recording and documenting traffic stops, arrests, suspect encounters, sobriety tests, crime scenes, interviews, and other interactions with the public. Law enforcement uses these resources in the resolution of both administrative and criminal complaints and in cases of civil liability. Mobile video recorders and body worn cameras are being increasingly deployed by law enforcement to create a clearer record of events and to protect both law enforcement and the citizens they interact with daily. This budget includes **\$7.7 million** to provide funding for technology necessary to increase public and law enforcement officer safety.

Preventing Gun Violence

Over the last three years, more than 4,600 Pennsylvanians have been killed with firearms. Gun violence continues to rise and threaten public safety in Pennsylvania communities. The Pennsylvania Commission on Crime and Delinquency (PCCD) provides violence intervention and prevention grants aimed at supporting local interventions and preventative measures. This budget proposes **\$35 million** for grants and technical assistance to support community-led gun violence prevention efforts.

Proposing Bail and Pretrial Reforms

Everyone has a right to a fair trial and not to be held in prison based solely on inability to pay, Pennsylvania must implement a best practices model for bail and pretrial services.

According to Pennsylvania's most recent Justice Reinvestment Initiative report and reports released by the Pennsylvania Interbranch Commission for Gender, Racial and Ethnic Fairness, bail decisions – and particularly the use of monetary cash bail – vary widely county-by-county and disproportionately impact minority defendants. To address this disparity, the report recommended that the Pennsylvania Supreme Court review court rules related to bail determination to encourage greater consistency in bail decisions across the commonwealth.

Research shows that less time spent in jail pretrial lowers the chances of committing another crime. The inability to pay bail leads to increases in the likelihood of conviction, increased guilty pleas, higher average court costs, and longer incarceration sentences. Bail amounts for misdemeanors and felonies can be 10 times higher in some counties compared to others, ranging from a low of \$1,000 to a high of \$10,000 for misdemeanors, and \$5,000 to \$50,000 for felonies. The amount of monetary bail is higher for black individuals than for white individuals – more than half of those with monetary bail are unable to post it.

Monetary cash bail reform should not only reduce the disproportionate impact on minorities in the criminal justice system, but also reduce the total number of indigent defendants held in jail pretrial, thereby producing savings for county governments without negatively impacting public safety.

Supporting Probation Reform and Reentry Services

Probation supervision in Pennsylvania is a complex system. One in 34 adults are under some form of community supervision in Pennsylvania compared to one in 53 nationwide. One-third of prison and jail beds are occupied by persons who violated probation/parole. Research shows that supervising people who are at low risk of reoffending increases their likelihood of recidivism.

There are many benefits of a strong probation system that promotes proper services for individuals while providing accountability as necessary for a limited period of time. The commonwealth must explore reform opportunities to ensure that the time on supervision is limited to the level of risk to the community. Reform options should include changes to the total length of supervision, opportunities to reduce the time on supervision with incentives and time credits, and limitations on technical violation revocations. To provide additional technical assistance to county juvenile probation offices and improve consistency between counties, **\$425,000** is included in this budget for increased staffing resources.

Once an individual has served their sentence and is released back to the community, it is critical to ensure that they have the necessary supports to succeed in the community. With a **\$1 million** investment, reentry services will be made available at the local level for women to give them the best opportunity to start fresh and reduce recidivism.

Expanding Clean Slate Legislation

Clean Slate in Pennsylvania has been very successful to date. As of September 2021, there have been over 36 million cases sealed since the program began. However, this is only the first step in establishing a much more comprehensive Clean Slate Law in the commonwealth. The opportunity for persons convicted of greater offenses, including certain felony convictions, must be considered in order to truly progress in eliminating the stigma of a conviction. Lastly, there should be an opportunity to reduce the waiting periods for lesser offenses.

Supporting Medical Release

Pennsylvania must expand the eligibility for elderly and infirmed individuals to be released from prison to continue care in appropriate long-term care facilities or domiciliary care.

While many states are seeing a reduction in prison populations, the number of inmates nationwide over the age of 55 has increased by 500 percent. Moreover, incarceration can aggravate the effects of aging due to histories of substance use and inadequate preventative health care. The Department of Corrections houses more than 9,000 inmates over the age of 50, representing approximately 25 percent of the entire population. Housing an aging inmate in a skilled care unit at State Correctional Institutions Waymart, Muncy, or Laurel Highlands costs four times more than an inmate in general population. Unfortunately, the stigma reentrants carry with them makes it difficult to find long-term care settings willing to take them.

Research supports that individuals age out of crime, meaning the release of elderly inmates poses the lowest risk to the community. Additionally, releasing this population enables federal dollars to contribute to the cost of care, easing the burden to Pennsylvania taxpayers. The continued incarceration of this population, many of whom have already served decades behind bars, is expensive and unnecessary for justice to be served.

Finally, during the COVID-19 pandemic, it became clear that the Department of Corrections must re-evaluate its population capacity. Despite the significant population reduction of over 8,700 inmates since March 2020, the vulnerable, elderly population continues to be at much higher risk of complications or death from COVID-19. Releasing these individuals through medical parole would place them in a safer environment, enable the department to depopulate and manage COVID-19 better, pose little to no risk to the community, and save taxpayers millions of dollars.

The 2022-23 budget includes **\$7 million** in state funds for the Department of Human Services to open a wing of beds for individuals leaving the state correctional facilities with complex medical or behavioral health needs. This investment would increase capacity to support elderly medical parolees or those who have served their sentence but require high levels of service. Individuals leaving state correctional institutions face stigma that can make it difficult to find placement in long-term care settings, despite needing skilled nursing care. Transitional support can fill in the gap and reduce stigma for this hard-to-place population.

Creating an Indigent Defense Fund

All persons deserve adequate legal representation regardless of ability to pay, supported by research such as the 2007 Joint State Government Commission report which called for Pennsylvania “to perform its duties under the U.S. Constitution and as a civilized society by finally addressing the deficiencies that undermine its indigent criminal defense system by reforming the system to comply with national standards.”

The Pennsylvania Interbranch Commission for Gender, Racial and Ethnic Fairness (the Commission) has played an integral role in the effort to address the inadequacies of the commonwealth’s criminal indigent defense system. The Commission concluded that the system’s failure to meet the commonwealth’s constitutional mandate to provide fair and adequate legal representation to indigent defendants continues unabated to this day. Further, the Commission found that the acute underfunding of these services has not only created significant fiscal problems for the counties, but also costs the state to incarcerate and retry defendants, due to the inability of their indigent defense counsel to represent them effectively. This budget proposes **\$1 million** to support this critical service in Pennsylvania.

Protecting the Most Vulnerable

To further Governor Wolf's belief that every Pennsylvanian deserves an opportunity to thrive, the 2022-23 budget reaffirms the commonwealth's long history as a leader in caring for its most vulnerable citizens, including children, seniors, veterans, individuals with mental health concerns, and individuals with intellectual disabilities. The pandemic has shown the critical role that direct care workers play in supporting the most vulnerable. At the same time, it has exacerbated the workforce shortage that had existed for years. This budget provides a commitment to addressing this challenge by raising wages and improving working conditions for direct care workers so they can provide quality care and expand access to services to those disproportionately impacted by COVID-19.

Investing in the Long-Term Care Continuum

This budget proposal continues to support the long-term care industry to recover from the pandemic while bringing transformational reform and quality of care improvements for all residents. The pandemic has disproportionately impacted residents and staff in long-term care facilities, which has only increased the sense of urgency to increase transparency and accountability for facilities. Proposed regulation updates for skilled nursing facilities are necessary to ensure health and safety of residents. These changes include increasing the amount of direct care hours that residents receive each day, leading to improved care for residents. Workforce shortages have been exacerbated by the pandemic and continue to strain the industry. The 2022-23 proposed budget includes a **\$91.25 million** state increase (\$190.1 million in total funds) to Medical Assistance rates for skilled nursing facility providers beginning in January 2023. This increase will allow facilities to begin hiring staff necessary to implement the increased staffing ratios proposed in regulations in advance of the anticipated effective date for the staffing ratio increase on July 1, 2023. The 2022-23 budget also provides a **\$14 million** increase to the Department of Military and Veterans Affairs for the six veterans' homes to hire additional staff to implement the regulatory changes.

Personal care homes are another important part of the long-term care continuum. With no rate increase in nearly 20 years, fewer personal care homes are participating in the commonwealth's supplementary payment program. The added strain of the pandemic has led to additional closures of homes, negatively impacting access to this important service. For low-income residents to receive critical support and care, the 2022-23 budget increases the personal care home supplementary payment program by **\$50 million**, lifting the monthly payment from \$439.30 to \$1,351.80.

Supporting the Behavioral Health Needs of Pennsylvanians

COVID-19 has shed a light on behavioral health challenges, as more people struggle with mental health and substance use disorders. It is critical that behavioral health services are available to individuals in need of care. The budget invests **\$75 million** in federal funds for recruitment and retention payments to qualifying home and community-based service providers. Investments are also being made in training certified peer specialists, trauma treatment modalities, telehealth, and crisis response. The proposed budget includes a **\$36.6 million** increase in county mental health base funds to support efforts to provide critical behavioral health services. To meet the increased need driven by COVID-19 and to continue programming, counties rely on dedicated funding from the state to address critical workforce shortages and provide quality services.

The pandemic has exacerbated substance use and mental health challenges. Pennsylvania has experienced an increase in overdose deaths in 2020 and anticipates a continued rise in 2021. The Department of Drug and Alcohol Prevention is administering **\$55 million** in federal Substance Abuse Prevention and Treatment Block Grant Program COVID-19 Supplemental funds, including **\$15 million** in stabilization payments to substance use disorder treatment providers to assist with pandemic-related expenses. In response to the rise in overdose deaths and polysubstance and stimulant use, the Wolf administration has recommitted to tackling substance use disorder as a whole. Shifting focus from solely opioids to all substance use disorders, the administration will prioritize a holistic approach to prevention, rescue, treatment, recovery, and sustainability, as well as reducing stigma.

Increasing Food Assistance for Low-Income Older Adults and Adults with Disabilities

The 2022-23 budget supports lower income Pennsylvanians and addresses food insecurity by including a **\$14.3 million** increase to the minimum Supplemental Nutrition Assistance Program (SNAP) benefit for low-income older adults and adults with disabilities. This funding is estimated to support approximately 75,000 to 95,000 eligible older adults and adults with disabilities who would receive an increase from the current minimum benefit of \$20 per month to \$35 per month to help purchase groceries. This population often experiences diet-related health challenges, and studies have shown that older adults with increased access to proper nutrition can live in a community setting longer than those who face food insecurity.

Supporting Vulnerable Populations through Home and Community-Based Services and Reducing Waiting Lists

With \$1.2 billion in enhanced federal Medicaid funding to support Medicaid's home and community-based services, the Department of Human Services (DHS) is investing in increased provider rates and program enhancements that will allow individuals to live safely in their community. In response to the pandemic-related staffing shortages and opportunities provided by these federal funds, DHS refreshed rates for providers of developmental disabilities services, including a built-in minimum hourly wage assumption of \$15 an hour for a worker with a high school diploma. Higher wages are assumed for workers with more education. The estimated fiscal impact of the rate changes for these programs is approximately \$400 million annually. In the physical disabilities programs, personal assistance services received an 8 percent rate increase beginning on January 1, 2022. Additionally, funds have been allocated for resources to create a training ladder for workers as well as recruitment and retention payments. Agency With Choice will also be added to the Community HealthChoices program with **\$280,000** in state funds to allow participants to choose their direct care workers while having the support of an agency.

In addition to the provider rate refresh, the 2022-23 budget proposes to move 732 individuals with an intellectual disability and/or autism from the emergency waitlist into the Community Living Waiver and 100 individuals into the Consolidated Waiver. This **\$18.8 million** investment in state funds will provide community services to people with unanticipated emergencies, people transferring from private intermediate care facilities, or transferring from state hospitals. The number of emergencies and need for out-of-home placement is likely to increase due to the cumulative effects of the COVID-19 pandemic. Without waiting list capacity to address these emergencies, institutional placements will increase. Additionally, **\$5.1 million** will be utilized to facilitate community transitions for individuals in intermediate care facilities, which will result in **\$4.1 million** in savings.

The 2022-23 budget includes **\$1.25 million** for 20 Community Hospital Integration Projects Program (CHIPP) discharges to reduce state hospital populations. This integration program discharges individuals with complex service needs, who no longer need inpatient psychiatric treatment, into integrated community programs from state hospitals. The county program develops the community resources and services needed for each person discharged through CHIPP. The CHIPP program is a mechanism for reallocating funds to the community for the development of new alternative community-based treatment services and supports.

Increasing Staff to Protect Vulnerable Populations

The Department of Human Services is responsible for protecting vulnerable populations in various licensed settings throughout the commonwealth. The 2022-23 budget proposes an increase of **\$1.4 million** for additional staff in several program areas to support increased regulatory, licensing, budgetary, and administrative workloads. These staff will help complete timely inspections of facilities to ensure full compliance with regulations, investigate complaints, and monitor the implementation of corrective action measures. Additional program support and budgetary staff will support responsive and timely implementation of historic levels of federal funding to respond to and recover from the pandemic.

In addition, the Department of Aging will receive roughly **\$667,000** for additional staff to strengthen older adult protective services. Over the past seven years, elder abuse reporting has increased by 117 percent, while the number of investigations and cases substantiated also increased by 161 percent and 202 percent, respectively. The additional resources will provide a stable and reliable workforce to support oversight and quality assurance activities ensuring protective services are consistently provided to protect older Pennsylvanians from injury, violence, abuse, neglect, exploitation, and abandonment.

Supporting Families through Postpartum Health Care and Home Visiting Programs

The 2022-23 budget continues to prioritize expanding access to health care and supportive services for parents through pregnancy, postpartum, and early childhood. The proposal invests in children and families by extending postpartum coverage for birthing parents eligible for Medical Assistance due to their pregnancy from 60 days to 12 months. Pennsylvania will opt-in to extended postpartum coverage available to states to take effect on April 1, 2022. This action will provide continuity and access to health care through a critical period in the birthing parent's life and a foundational time for the health and well-being of their children.

Prevention services are one of the most important keys to a better future. Through investments in evidence-based home visiting programs, health, education, and wellbeing outcomes have been improved for participants – creating savings in social service, education, and criminal justice systems. To further these outcomes, a **\$15 million** increase in state funds with an additional \$8 million in federal funds is proposed to implement additional evidence-based home visiting and family support services to over 3,800 more families across the commonwealth.

Providing a Safety Net for Families in the Child Welfare System

An investment of \$1.8 million in the Court Appointed Special Advocate (CASA) Program will support court appointed volunteer advocacy in communities so that children who have been victims of abuse or neglect can be safe, establish permanency, and have the opportunity to thrive. Local CASA programs recruit, screen, train, and supervise CASA volunteers appointed through dependency court for children facing abuse and neglect.

Building on the overall increases in DHS staff, the budget proposes **\$291,000** to hire four staff to create a child welfare crisis response team, which will aid counties in need of additional assistance and technical support. These Regional Office staff will support county child welfare agencies struggling to manage staff shortages and increasingly challenging and complex cases throughout the state. The 2020 Child Abuse Report showed a decrease in child abuse reports, while both child fatalities and child near fatalities as a result of child abuse significantly increased between 2019 and 2020. The additional staff will also allow the Office of Children, Youth and Families to support vulnerable populations in crisis situations that may be unpredictable and require flexible deployment of staff for proper response.

Investing in Pennsylvania's Public Health Workforce and Infrastructure

The efforts of Pennsylvania's public health workforce at the state and local level have been unprecedented over the past two years. Dedicated staff at the Department of Health (DOH) and county and municipal health departments (CMHDs) have worked tirelessly to respond to the COVID-19 pandemic and conduct a historic vaccine roll out, while continuing to maintain regular public health operations and regulatory functions. The 2022-23 budget invests **\$4 million** to enhance the commonwealth's public health workforce through increases in DOH staff, including at the state laboratory. This investment will improve the capacity of the clinical laboratory infrastructure to support rapid, large-scale response to public health emergencies, recruit essential public health workers, and ensure basic public health services are provided to all Pennsylvanians.

CMHDs in Pennsylvania are the main providers of public health services to 42 percent of the commonwealth's population. The 2022-23 budget includes **\$7.2 million** to achieve the \$6 maximum per capita grant for the established CMHDs allowable by statute. This critical investment in local public health infrastructure is more important now than ever as Pennsylvania unites to fight against COVID-19 and continues to rebuild public health infrastructure at all levels.

In addition, the 2022-23 budget includes a new **\$5 million** investment in innovative gene and immunotherapy research to develop targeted cancer therapies and position Pennsylvania as an international leader in this growing area of pioneering research.

Protecting the Environment by Investing in Workers, Communities, and a Clean Future

To ensure future generations can enjoy the commonwealth's natural resources, the governor has implemented smarter energy and conservation policy that balances energy and business needs with environmental protection. The Pennsylvania Climate Action Plan and the governor's statewide carbon reduction goal help progress toward curbing some of the biggest air pollutants in Pennsylvania. In addition, the GreenGov Council continues to make progress in reducing energy use and promotion of cost saving sustainable practices across commonwealth agencies.

Climate change impacts in Pennsylvania are real and continue to put Pennsylvanians at risk. In recent years, extreme weather and natural disasters have become more frequent and more intense. Like many areas of the United States, Pennsylvania is expected to experience higher temperatures, changes in precipitation, and more frequent extreme weather events and flooding because of climate change in the coming decades. Pennsylvania's economy, health and safety, and quality of life of its citizens are dependent on the careful stewardship of resources, a healthy economy, and clean air and water.

Reducing Air Pollution and Addressing Climate Change

In 2019, Governor Wolf announced that Pennsylvania would join the Regional Greenhouse Gas Initiative (RGGI), a market-based collaboration among nine Northeast and Mid-Atlantic states to reduce greenhouse gas emissions and combat climate change, while generating economic growth. As the commonwealth progresses toward participation in the program, Pennsylvania is well-positioned to make important investments with these proceeds to assist in the transition to a new energy economy and to help stimulate the economy.

Pennsylvania's energy landscape has changed rapidly over the past decade due to shifts in market demand. As these shifts continue into the future, RGGI revenues present an opportunity to provide crucial resources to support communities and employees impacted by the energy transition, while making targeted investments in greenhouse gas abatement, energy efficiency, and clean and renewable energy programs to reduce air pollution in Pennsylvania. This proposed investment strategy ensures support for communities and businesses that have helped create Pennsylvania's rich energy history, while addressing climate change, the greatest environmental threat facing the world.

Supporting Industrial Sector Decarbonization through Carbon Capture, Utilization & Storage (CCUS) and Hydrogen

Pennsylvania can leverage existing competitive advantages in energy production to be a national leader in the deployment of CCUS and hydrogen technologies. Advancing a strategy around CCUS and hydrogen will be critical to attract investment for commercial scale projects, creating good paying jobs, while providing additional avenues to meet the greenhouse gas emissions reduction goal of 80 percent by 2050.

Further, the bipartisan federal Infrastructure Investment and Jobs Act provides opportunities for major investments in CCUS and hydrogen to facilitate national development. Pennsylvania needs to ensure it is not left behind given the state's energy resources, strong industrial base, and workforce required to be successful. The 2022-23 budget includes **\$100,000** to support a strategic plan for industrial sector decarbonization through the deployment of CCUS and hydrogen technologies in the commonwealth.

Bolstering Staffing for Environmental Protection and Conservation

Staff at the Department of Environmental Protection are critical to fulfilling the agency's mission to "protect Pennsylvania's air, land and water from pollution, and to provide for the health and safety of our citizens." This budget invests **\$5 million** to fund new positions to fulfill critical programmatic and operational needs. Additionally, a **\$2.5 million** investment into staff at the Department of Conservation and Natural Resources will support outdoor management, recreation, and safety.

Expanding Critical Services for Pennsylvania's Veterans and Active Military

Pennsylvania is home to nearly 800,000 veterans – the fourth largest veteran population in the nation. Making veterans a priority and joining a combined effort as veteran advocates is crucial to meeting this population's needs. It is critical that every Pennsylvania veteran receives the benefits they have earned through their service to the United States and the commonwealth. The Department of Military and Veteran Affairs (DMVA) collaborates with more than 200 Veteran Service Officers throughout Pennsylvania who assist veterans and their families. These Veteran Service Officers, working with all 67 counties as well as municipalities, state agencies, and the federal government, provide a connection to community-based services, advice, and information on service earned benefits. This budget proposes an additional **\$284,000** within the Veteran Service Officer Grant program to allow for additional Veteran Service Officers to bring mobile services to where veterans are, while expanding the capability of reaching more veterans.

With a proposed investment of **\$500,000**, in addition to providing outreach as it relates to service earned benefits, DMVA will utilize the PA VETConnect system, a regional outreach program, to further build relationships, locate resources, and connect partners to directly assist veterans and their advocates. Through PA VETconnect, veteran advocates have access to the commonwealth's information and referral database, compiled specifically to improve the lives of service members, veterans, and their families. This additional funding will allow DMVA to work with local partners to expand available information to ensure the needs of veterans are quickly and efficiently addressed.

Additionally, suicide is a serious public health threat; however, suicides are preventable with intervention. According to the American Foundation for Suicide Prevention, on average, one person died by suicide every four hours in Pennsylvania in 2020. The military is not immune to the rise in suicide related events. The Pennsylvania National Guard (PANG) reported 48 suicidal ideations, 10 attempts, and 8 suicides in 2020. Although the causes of suicide vary, suicide prevention strategies share two goals: to reduce factors that increase risk and to increase factors that promote resilience and coping. To meet the challenge of preventing PANG suicides, this budget proposes **\$444,500** to pilot a two-part model to enhance readiness, wellness, and resilience. This model aims to strengthen service members' connections and relationships using best practices and evidence-based assessments and interventions, to foster overall behavioral health wellness, and prevent suicide and self-harm.

Department Funding Summary

(Dollar Amounts in Thousands)

	Motor						
	General Fund	License Fund	Lottery Fund	Federal Funds	Augment- ations	Restricted	Other Funds
Governor's Office.....	\$ 7,235	\$ -	\$ -	\$ -	\$ 2,901	\$ -	\$ -
Executive Offices.....	103,351	-	-	18,442	508,774	28,946	-
Commission on Crime and Delinquency.....	99,333	-	-	196,194	5,170	24,005	66,929
Lieutenant Governor.....	1,124	-	-	-	-	-	-
Attorney General.....	125,394	-	-	17,709	276	68,047	1,455
Auditor General.....	43,969	-	-	-	14,708	-	315,039
Treasury.....	1,255,240	87,314	-	500,000	7,885	71,610	18,719
Aging.....	-	-	452,439	105,638	805	-	2,516
Agriculture.....	188,217	33,817	-	233,968	3,683	14,297	151,024
Banking and Securities.....	-	-	-	-	-	8,882	26,413
Community and Economic Development.....	154,060	750	-	954,608	6,885	10,175	77,282
Conservation and Natural Resources.....	168,479	7,000	-	200,098	52,836	19,093	190,241
Corrections.....	2,777,989	-	-	20,734	5,770	260	97,586
Probation and Parole.....	-	-	-	-	-	-	-
Drug and Alcohol Programs.....	47,966	-	-	239,668	1	5,150	24,650
Education.....	17,177,418	1,100	-	2,898,381	6,581	739	853,691
Higher Education Assistance Agency.....	424,747	-	-	35,000	15,000	-	1,677
eHealth Partnership Authority.....	-	-	-	-	-	-	-
Emergency Management Agency.....	50,662	-	-	447,020	1,405	4,405	395,100
Environmental Protection.....	214,115	-	-	554,077	38,324	100,221	652,844
Ethics Commission.....	3,197	-	-	-	-	-	-
Fish and Boat Commission.....	-	-	-	-	-	-	87,476
Game Commission.....	-	-	-	-	-	-	155,505
Gaming Control Board.....	-	-	-	-	-	-	50,834
General Services.....	169,928	9,381	-	-	70,232	1,500	-
Health.....	226,225	-	-	630,930	4,923	86,068	133,117
Health Care Cost Containment Council.....	3,167	-	-	-	-	-	-
Historical and Museum Commission.....	24,979	-	-	5,515	823	80	21,098
Human Services.....	18,342,417	-	352,466	30,302,144	3,921,329	30,730	425,079
Infrastructure Investment Authority.....	-	-	-	3,700	-	-	1,132,944
Insurance.....	-	-	-	5,000	-	-	465,182
Health Insurance Exchange Authority.....	-	-	-	-	-	-	77,524
Labor and Industry.....	83,231	-	-	461,103	10,056	2,095	809,841
Liquor Control Board.....	-	-	-	-	-	-	2,498,518
Military and Veterans Affairs.....	202,703	-	-	247,417	25,880	101	5,234
Milk Marketing Board.....	-	-	-	-	-	-	2,840
Public School Employees' Retirement System.....	-	-	-	-	-	-	93,437
Public Utility Commission.....	-	-	-	5,183	-	80,091	299,410
Revenue.....	199,707	58,622	1,015,949	204,050	30,266	30,000	20,542
State.....	42,353	-	-	9,728	-	86,553	150
State Employees' Retirement System.....	-	-	-	-	-	-	50,109
State Police.....	756,658	500,000	-	50,234	108,790	20,445	76,290
Transportation.....	1,129	2,347,247	170,907	3,004,815	100,036	2,188,076	2,084,259
Legislature.....	352,739	-	-	-	-	-	-
Judiciary.....	391,906	-	-	1,563	-	45,626	-
Government Support Agencies.....	67,763	-	-	-	-	-	400
Commonwealth Totals.....	\$ 43,707,401	\$ 3,045,231	\$ 1,991,761	\$ 41,352,919	\$ 4,943,339	\$ 2,927,195	\$ 11,364,955

Seven Year Financial Statement

(Dollar Amounts in Thousands)

	2020-21 Actual	2021-22 Available	2022-23 Budget	2023-24 Estimated	2024-25 Estimated	2025-26 Estimated	2026-27 Estimated
Beginning Balance	\$ (2,734,070)	\$ -	\$ 6,454,581	\$ 3,381,780	\$ 1,164,363	\$ 34,660	\$ 232,447
Adjustment to Beginning Balance.....	18,795	4,450	-	-	-	-	-
Adjusted Beginning Balance	\$ (2,715,275)	\$ 4,450	\$ 6,454,581	\$ 3,381,780	\$ 1,164,363	\$ 34,660	\$ 232,447
Revenue:							
Corporation Taxes.....	\$ 6,328,715	\$ 6,458,800	\$ 6,135,900	\$ 5,789,700	\$ 5,871,700	\$ 5,881,400	\$ 5,676,200
Consumption Taxes	14,373,099	15,154,600	15,081,800	15,460,000	16,069,400	16,824,500	17,712,500
Other Taxes	18,477,822	18,811,200	19,932,700	20,929,200	21,959,000	23,059,500	24,433,500
Nontax Revenue	1,212,382	4,534,200	715,200	681,600	677,800	677,500	677,100
Total Revenue Receipts	\$ 40,392,018	\$ 44,958,800	\$ 41,865,600	\$ 42,860,500	\$ 44,577,900	\$ 46,442,900	\$ 48,499,300
Refunds.....	(1,262,000)	(1,295,000)	(1,231,000)	(1,252,000)	(1,275,000)	(1,299,000)	(1,326,000)
Total Revenue.....	\$ 39,130,018	\$ 43,663,800	\$ 40,634,600	\$ 41,608,500	\$ 43,302,900	\$ 45,143,900	\$ 47,173,300
Prior Year Lapses	220,000	264,132	-	-	-	-	-
Funds Available	\$ 36,634,743	\$ 43,932,382	\$ 47,089,181	\$ 44,990,280	\$ 44,467,263	\$ 45,178,560	\$ 47,405,747
Expenditures:							
Appropriations.....	\$ 37,188,211	\$ 41,000,694	\$ 43,690,190	\$ 43,808,706	\$ 44,415,392	\$ 44,851,419	\$ 45,256,806
Executive Authorizations	21,648	18,691	17,211	17,211	17,211	17,211	17,211
Proposed Supplementals	-	(1,111,229)	-	-	-	-	-
Less Federal COVID Funds:							
Enhanced Medical Assistance							
Percentage.....	(1,651,173)	(2,430,355)	-	-	-	-	-
COVID-19 Response Restricted							
Account	(1,545,459)	-	-	-	-	-	-
Current Year Lapses	-	-	-	-	-	-	-
Total Expenditures	\$ 34,013,227	\$ 37,477,801	\$ 43,707,401	\$ 43,825,917	\$ 44,432,603	\$ 44,868,630	\$ 45,274,017
Preliminary Balance	\$ 2,621,516	\$ 6,454,581	\$ 3,381,780	\$ 1,164,363	\$ 34,660	\$ 309,930	\$ 2,131,730
Transfer to Budget Stabilization							
Reserve Fund	(2,621,516)	-	-	-	-	(77,483)	(532,933)
Ending Balance	\$ -	\$ 6,454,581	\$ 3,381,780	\$ 1,164,363	\$ 34,660	\$ 232,447	\$ 1,598,797

NOTES ON FINANCIAL STATEMENT

(Dollar Amounts in Thousands)

PROPOSED TAX AND REVENUE MODIFICATIONS

	2022-23
	Estimated
Tax Revenue:	
Corporate Net Income Tax (CNIT)	\$ (79,400)
<p>Effective for tax years beginning on or after January 1, 2023, modernizing the tax base by strengthening current addback requirements, codifying economic nexus rules, and adopting market sourcing for intangibles. Effective for tax years beginning on or after January 1, 2023, the CNIT rate is proposed to be reduced from 9.99% to 7.99%. Within the scope of this budget, the CNIT rate is proposed to be further reduced to 6.99% in 2026 and 5.99% in 2027, ultimately reaching 4.99% in the future.</p>	
Gaming Taxes	\$ 133,500
<p>Effective July 1, 2022, eliminating the requirement that table games taxes be deposited into the Property Tax Relief Fund, keeping the tax in the General Fund. Current law requires table games taxes to be permanently diverted from the General Fund once the Budget Stabilization Reserve Fund exceeds \$750 million on the last day of a fiscal year. With the transfer made from the General Fund in September 2021, the balance of the Budget Stabilization Reserve Fund exceeds this threshold.</p>	
Transfer to Tobacco Settlement Fund	\$ (115,300)
<p>A transfer of funds from the cigarette tax to the Tobacco Settlement Fund to replace monies deducted from the Master Settlement Agreement for deposit in the Tobacco Revenue Bond Debt Service Account is proposed.</p>	
Transfer to Environmental Stewardship Fund	\$ (12,300)
<p>A transfer of funds from the personal income tax to the Environmental Stewardship Fund for Growing Greener debt service payments is proposed.</p>	
Transfer to School Safety and Security Fund	\$ (45,000)
<p>A transfer of funds from the personal income tax to the school Safety and Security Fund for grant payments is proposed.</p>	
Transfer from Medical Marijuana Program Fund	\$ 36,600
<p>To comply with the intent of Act 16 of 2016, this budget reflects transfer of the unexpended fund balance of the Medical Marijuana Program Fund to the General Fund to offset Department of Health operations. The change to transfers will increase nontax revenue by \$36.6 million.</p>	
TOTAL PROPOSED TAX AND REVENUE MODIFICATIONS	<u>\$ (81,900)</u>

This budget proposes the following revenue modifications in 2022-23:

Effective July 1, 2022, an increase in the minimum wage from \$7.25 per hour to \$12.00 per hour is proposed. The minimum wage increases annually by \$0.50 per hour each July 1 until it reaches \$15.00 per hour. The increase includes tipped workers currently making less than minimum wage. The proposal will generate \$74.6 million in combined personal income and sales and use tax revenue in 2022-23.

NOTES ON FINANCIAL STATEMENT

(Dollar Amounts in Thousands)
PROPOSED SUPPLEMENTALS

	2021-22 Available
STATE SUPPLEMENTALS	
Lieutenant Governor	
Board of Pardons	\$ 1,202
Treasury	
General Obligation Debt Service	\$ (51,496)
Agriculture	
Transfer to Dog Law Administration	\$ 1,340
Corrections	
State Field Supervision	\$ 5,047
Education	
Basic Education Funding	\$ 7,963 *
PA Chartered Schools for the Deaf and Blind	3,500
School Employees' Social Security	(832)
Education Total	<u>\$ 10,631</u>
General Services	
Excess Insurance Coverage	\$ (1,500)
Transfer to State Insurance Fund	1,500
General Services Total	<u>\$ -</u>
Human Services	
Information Systems	\$ (150)
County Administration - Statewide	(114)
Mental Health Services	(10,675)
Intellectual Disabilities - State Centers	(7,979)
Supplemental Grants - Aged, Blind, and Disabled	(910)
Medical Assistance - Capitation	(531,052)
Medical Assistance - Fee-for-Service	17,396
Payment to Federal Government - Medicare Drug Program	(37,437)
Medical Assistance - Workers with Disabilities	(17,658)
Medical Assistance - Physician Practice Plans	(458)
Medical Assistance - Hospital-Based Burn Centers	(582)
Medical Assistance - Critical Access Hospitals	(2,130)
Medical Assistance - Obstetric and Neonatal Services	(875)
Medical Assistance - Trauma Centers	(1,135)
Medical Assistance - Academic Medical Centers	(3,233)
Medical Assistance - Transportation	(1,195)

NOTES ON FINANCIAL STATEMENT

(Dollar Amounts in Thousands)
PROPOSED SUPPLEMENTALS

	2021-22 Available
Children's Health Insurance Program	(2,905)
Medical Assistance - Long-Term Living	(11,254)
Medical Assistance - Community HealthChoices.....	(372,151)
Long-Term Care Managed Care	(15,134)
Intellectual Disabilities - Community Base Program	(527)
Intellectual Disabilities - Intermediate Care Facilities.....	(6,871)
Intellectual Disabilities - Community Waiver Program	(60,709)
Autism Intervention and Services.....	(1,711)
County Child Welfare	(6,500)
Nurse Family Partnership.....	(48)
Early Intervention	(2,956)
Human Services Total.....	\$ (1,078,953)
State	
County Election Expenses (EA)	\$ 1,000
TOTAL STATE SUPPLEMENTALS	\$ (1,111,229)
FEDERAL SUPPLEMENTALS	
Human Services	
Refugees and Persons Seeking Asylum - Administration	\$ 1,400
Suicide Prevention	3,200
Refugees and Persons Seeking Asylum - Social Services	12,600
Medical Assistance - Fee-for-Service.....	167,309
Medical Assistance - Critical Access Hospitals.....	1
Medical Assistance - Academic Medical Centers	127
Medical Assistance - Transportation	164
Medical Assistance - Long-Term Living	39,155
Medical Assistance - Community ID Services.....	17,452
Medical Assistance - ID/ICF.....	24,653
Medical Assistance - Community ID Waiver Program	594,231
Medical Assistance - Autism Intervention Services.....	6,815
Early Childhood Comprehensive Systems.....	256
Education for Children with Disabilities - Early Intervention.....	1,199
Human Services Total.....	\$ 868,562
TOTAL FEDERAL SUPPLEMENTALS	\$ 868,562
TOTAL SUPPLEMENTALS	\$ (242,667)

* For school district social security payments.

Motor License Fund

The Motor License Fund is a special revenue and major operating fund of the commonwealth. It receives revenues required by the Constitution of Pennsylvania to be used only for costs of construction, reconstruction, maintenance, repair of and safety on highways and bridges, and for the payment of debt service on obligations incurred for such purposes. The major sources of revenue to the Motor License Fund are from liquid fuels taxes, vehicle registration and titling fees, and permit and operator license fees. Certain revenues are further restricted to specific highway uses and are not included in the Motor License Fund estimate of revenue.

Taxes on liquid fuels provides approximately 61 percent of total non-restricted Motor License Fund revenues annually. License and fee revenues represent the other major source of revenues for the Motor License Fund.

The Department of Transportation will continue to establish and maintain a first-rate infrastructure, which unites roads, rails, waterways, airports, and information networks linking goods, services, people, and ideas to our community, state, and world markets.

Income and Outgo



Liquid Fuels Tax \$1,806,100
 Licenses and Fees \$1,134,500
 Other Nonrestricted \$7,200

Income
 (Dollar Amounts in Thousands)

TOTAL INCOME	\$2,947,800
Beginning Balance	187,968
TOTAL	\$3,135,768

Outgo
 (Dollar Amounts in Thousands)

TOTAL OUTGO	\$3,045,231
Ending Balance	90,537
TOTAL	\$3,135,768



Highways & Bridges \$1,638,380
 State Police \$500,000
 Local Subsidy \$328,458
 Licensing & Safety \$272,393
 Other \$248,327
 Debt Service \$57,673

Seven Year Financial Statement

Excludes Restricted Revenue and Expenditures

(Dollar Amounts in Thousands)

	2020-21 Actual	2021-22 Available	2022-23 Budget	2023-24 Estimated	2024-25 Estimated	2025-26 Estimated	2026-27 Estimated
Beginning Balance	\$ (51,190)	\$ 115,366	\$ 187,968	\$ 90,537	\$ 80,737	\$ 52,918	\$ 21,988
Adjustment to Beginning Balance.....	-	-	-	-	-	-	-
Adjusted Beginning Balance	\$ (51,190)	\$ 115,366	\$ 187,968	\$ 90,537	\$ 80,737	\$ 52,918	\$ 21,988
Revenue:							
Liquid Fuels Taxes	\$ 1,656,359	\$ 1,788,000	\$ 1,806,100	\$ 1,800,400	\$ 1,795,100	\$ 1,789,800	\$ 1,784,600
Licenses and Fees	1,151,355	1,132,100	1,134,500	1,165,600	1,200,200	1,225,300	1,267,200
Other Nonrestricted	17,855	7,100	7,200	7,200	7,300	7,400	7,400
Total Revenue	\$ 2,825,569	\$ 2,927,200	\$ 2,947,800	\$ 2,973,200	\$ 3,002,600	\$ 3,022,500	\$ 3,059,200
Prior Year Lapses	63,887	25,000	-	-	-	-	-
Funds Available	\$ 2,838,266	\$ 3,067,566	\$ 3,135,768	\$ 3,063,737	\$ 3,083,337	\$ 3,075,418	\$ 3,081,188
Expenditures:							
Appropriations	\$ 2,401,400	\$ 2,558,917	\$ 2,709,763	\$ 2,647,532	\$ 2,694,951	\$ 2,712,962	\$ 2,731,938
Executive Authorizations	321,500	320,681	335,468	335,468	335,468	340,468	340,468
Proposed Supplementals	-	-	-	-	-	-	-
Current Year Lapses	-	-	-	-	-	-	-
Total Expenditures	\$ 2,722,900	\$ 2,879,598	\$ 3,045,231	\$ 2,983,000	\$ 3,030,419	\$ 3,053,430	\$ 3,072,406
Ending Balance	\$ 115,366	\$ 187,968	\$ 90,537	\$ 80,737	\$ 52,918	\$ 21,988	\$ 8,782

Seven Year Financial Statement

(Dollar Amounts in Thousands)

	2020-21 Actual	2021-22 Available	2022-23 Budget	2023-24 Estimated	2024-25 Estimated	2025-26 Estimated	2026-27 Estimated
Beginning Balance	\$ (119,799)	\$ 48,346	\$ 158,576	\$ 267,992	\$ 101,254	\$ 32,544	\$ 35,278
Adjustment to Beginning Balance....	-	-	-	-	-	-	-
Reserve from Previous Year	-	75,000	75,000	75,000	75,000	75,000	75,000
Adjusted Beginning Balance.....	(119,799)	123,346	233,576	342,992	176,254	107,544	110,278
Revenue:							
Ticket Sales.....	\$ 6,210,859	\$ 5,877,533	\$ 6,236,889	\$ 6,584,141	\$ 6,942,139	\$ 7,285,869	\$ 7,620,575
Commissions.....	(265,123)	(253,729)	(262,434)	(271,715)	(281,400)	(290,592)	(299,788)
Field Paid Prizes	(3,939,580)	(3,743,900)	(3,956,978)	(4,182,562)	(4,413,559)	(4,658,417)	(4,923,764)
Net Collections	\$ 2,006,156	\$ 1,879,904	\$ 2,017,477	\$ 2,129,864	\$ 2,247,180	\$ 2,336,860	\$ 2,397,023
Gaming Transfers for Property							
Tax Relief.....	-	114,200	83,400	78,200	73,200	68,300	63,500
Miscellaneous	476	300	300	300	300	300	300
Total Revenue.....	\$ 2,006,632	\$ 1,994,404	\$ 2,101,177	\$ 2,208,364	\$ 2,320,680	\$ 2,405,460	\$ 2,460,823
Prior Year Lapses	112,966	104,311	-	-	-	-	-
Funds Available.....	\$ 1,999,799	\$ 2,222,061	\$ 2,334,753	\$ 2,551,356	\$ 2,496,934	\$ 2,513,004	\$ 2,571,101
Expenditures:							
Appropriations	\$ 916,261	\$ 822,733	\$ 804,905	\$ 1,158,030	\$ 1,153,155	\$ 1,148,281	\$ 1,143,408
Executive Authorizations	960,192	1,190,752	1,186,856	1,217,072	1,236,235	1,254,445	1,271,165
Proposed Supplementals	-	(25,000)	-	-	-	-	-
Current Year Lapses	-	-	-	-	-	-	-
Total Expenditures	\$ 1,876,453	\$ 1,988,485	\$ 1,991,761	\$ 2,375,102	\$ 2,389,390	\$ 2,402,726	\$ 2,414,573
Reserve for Current Year	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Ending Balance	\$ 48,346	\$ 158,576	\$ 267,992	\$ 101,254	\$ 32,544	\$ 35,278	\$ 81,528

NOTES ON FINANCIAL STATEMENT
(Dollar Amounts in Thousands)
SUPPLEMENTAL APPROPRIATIONS

	2021-22 Available
STATE SUPPLEMENTALS	
Aging	
Transfer to Pharmaceutical Assistance Fund.....	\$ (25,000)
TOTAL STATE SUPPLEMENTALS.....	<u><u>\$ (25,000)</u></u>

Economic Outlook

The Pennsylvania [Department of Revenue](#) and the [Office of the Budget](#) utilize economic forecast data supplied by [IHS Markit](#) and [Moody's Analytics](#) in constructing the official tax revenue estimates and forecasts. Analysis and discussion throughout this section are based upon data from each source in addition to further analysis from the Department of Revenue and the Office of the Budget.

U.S. Recent Trends and Current Conditions

IHS Markit has revised their 2021 forecast of real GDP growth from 5.5% to 5.7%. The 2022 forecast remains 4.3%. The upward revision for 2021 is attributed to unexpected surges in October of exports and inventory investment that, even assuming partial reversals in November, encouraged a revision to IHS Markit's Q4 growth from 4.4% in December to 7.1% in January.

IHS has also revised their forecast of CPI inflation for 2021 from 4.5% to 4.6% and for 2022 from 3.3% to 3.7%. This was caused by an unexpectedly sharp jump in prices in October that, given its timing, raised the CPI in 2022 more than in 2021. As supply disruptions wane, and with long-run inflation expectations anchored near the Federal Reserve's 2% objective, IHS expects core PCE inflation to subside to moderately above 2% by 2023.

The Forecast

Given persistent inflation pressures, a sharp jump in the employment ratio in November, and considering recent public statements, IHS now expects the Federal Reserve to quicken the pace of the "taper", completing it in March. IHS has also moved "lift-off" of the funds rate from March of 2023 to September of 2022. While the Omicron strain COVID-19 has emerged as a downside risk to the forecast, too little is known about it yet to directly adjust projections of growth and inflation. However, the forecast does incorporate the indirect effects of recent movements in financial conditions and commodity prices in response to the new uncertainties.

Table 1 and Table 2 are U.S. macro forecast projections from IHS. Table 1 outlines the expected outlook for lower unemployment and a decrease in GDP in 2022. Table 2 notes that over the next two years there is a 50% probability of real GDP rising 5.7% in 2021 and growth slowing to 4.3% in 2022, consumer spending bouncing back, and business fixed investment recovering. Table 2 also provides narrative for each economic indicator.

Chart 1
REAL GROSS DOMESTIC PRODUCT
Annual Growth

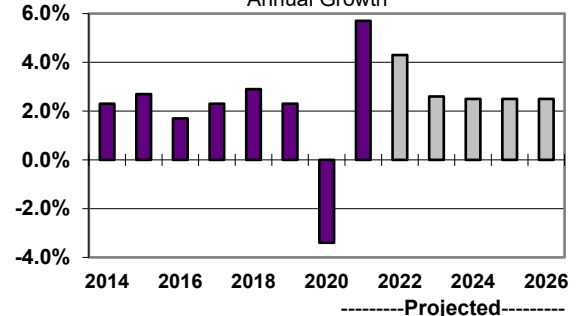


Chart 2
FEDERAL FUNDS RATE

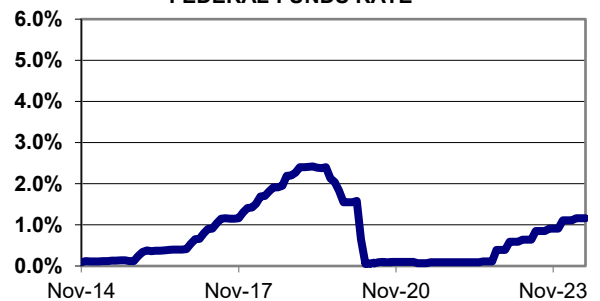


Table 1
Forecast Change in
Key U.S. Economic Indicators
Annual Percentage Growth

Indicator	2020	2021p	2022p	2023p
Nominal GDP	10.0	8.2	4.9	5.0
Real GDP	-3.4	5.7	4.3	2.6
Total Consumption	-3.8	8.1	3.8	2.0
Corporate Profits (After Tax)	-2.3	36.3	-2.2	2.6
Unemployment Rate (Rate)	8.1	5.4	3.6	3.5
CPI	1.2	4.6	3.7	2.3
Federal Funds (Rate)	0.38	0.08	0.17	0.75

*Assumptions in this chart, as well as other assumptions, are incorporated in the 2022-23 fiscal year revenue estimates
p = projected

Table 2
U.S. Macro Forecast Projections from IHS Global Insight
December 2021

Baseline Forecast (50 percent Probability)	
GDP Growth	Real GDP rises 5.7% in 2021 as annualized growth rises from 2.1% in the third quarter to 7.1% by the fourth. Growth slows to 4.3% in 2022 and 2.6% in 2023.
Consumer Spending	Spending jumps 8.1% in 2021 thanks to surges of more than 11% at annual rates in the first and second quarters.
Business Fixed Investment	Jumps 7.4% in 2021 and remains strong at 6.1% growth in 2022 and 4.6% in 2023.
Housing	Housing starts rise from 1.40 million in 2020 to 1.57 million in 2021 before slipping to 1.46 million in 2022 and 1.33 million in 2023.
Exports	Recover 4.2% in 2021 and 5.7% in 2022, surpassing prior peak in the first quarter of 2023 as the pandemic inhibits global trade. Exports rise 8.0% in 2023.
Fiscal Policy	\$1.9 trillion ARP included. Income support drops from \$2.7 trillion (annualized) in first half of 2021 to \$0.7 trillion in second half. Forecast also includes the Infrastructure Investment & Jobs Act.
Monetary Policy	Fed keeps the funds rate at the zero bound until September 2022; taper of asset purchases concludes in March of 2022.
Credit Conditions	Rapidly ease in 2021 before stabilizing at a gentle pace in 2022–2023.
Consumer Confidence	Retrenches slightly in Q4 of 2021 before resuming a steady rise that takes it close to pre-pandemic levels by late 2022.
Oil Prices (Dollars/barrel)	Average price of Brent crude oil rises from \$42/barrel in 2020 to \$71 in 2021 and \$75 in 2022 before falling to \$72 in 2023.
Stock Markets	The year-end value of the S&P 500 rose 16.3% in 2020. It rises 21.9% in 2021 and 1.9% in 2022, then falls 0.4% in 2023.
Inflation (CPI)	Core personal consumption (PCE) price inflation rises from 1.4% in 2020 to 3.2% in 2021, stays elevated at 3.2% in 2022, and falls to 2.3% in 2023.
Foreign Growth	Eurozone GDP rises 5.1% in 2021 and 3.7% in 2022 after a 6.4% drop in 2020, while China's growth rises from 2.3% to 8.1% in 2021 and slows to 5.5% in 2022.
U.S. Dollar	The broad dollar appreciates through early 2022 before gently falling through the end of the forecast horizon.

Pennsylvania Outlook

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. Since the turbulent diversification of the Pennsylvania economy during the 1970s and 1980s, Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, growth in real personal income, and employment growth. Pennsylvania's unemployment rate generally trends below the U.S. rate, and per capita income levels in the commonwealth exceed national levels. However, over the last two years, unemployment has been higher than the national level. During periods of economic expansion, Pennsylvania will often lag the rate of growth in the national economy.

The Marcellus shale natural gas deposit is a long-term asset for the state and region, although drilling activity has slowed due to low prices for natural gas. The buildout of infrastructure to transport the gas to market continues, with construction of pipelines, compressing stations, and processing facilities continuing to benefit Pennsylvania. Development of natural gas continues to be a factor for Pennsylvania's economic outlook. Direct employment in natural resources and mining is small relative to the total jobs in the state but other industries, such as construction, transportation, and professional services have benefited from the natural gas industry. Longer-term, Pennsylvania's competitiveness in manufacturing should be enhanced by the decreased costs of energy and petrochemical feedstocks coming from beneath the state.

Education and healthcare sectors remain a vital part of the state economy. The healthcare sector expects to benefit from increased demand building upon expanded insurance coverage already provided through the [Affordable Care Act](#). Additionally, the pandemic has placed greater emphasis on the need to invest in the health care workforce. Pennsylvania also boasts many top-flight research hospitals that draw patients from outside the state. The state's education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses with the graduates they produce. Discussions of "high-tech" sectors often overlook healthcare but should not do so. The outbreak of the pandemic requires cutting-edge research into potential treatments and vaccines.

Overview: Economic Outlook

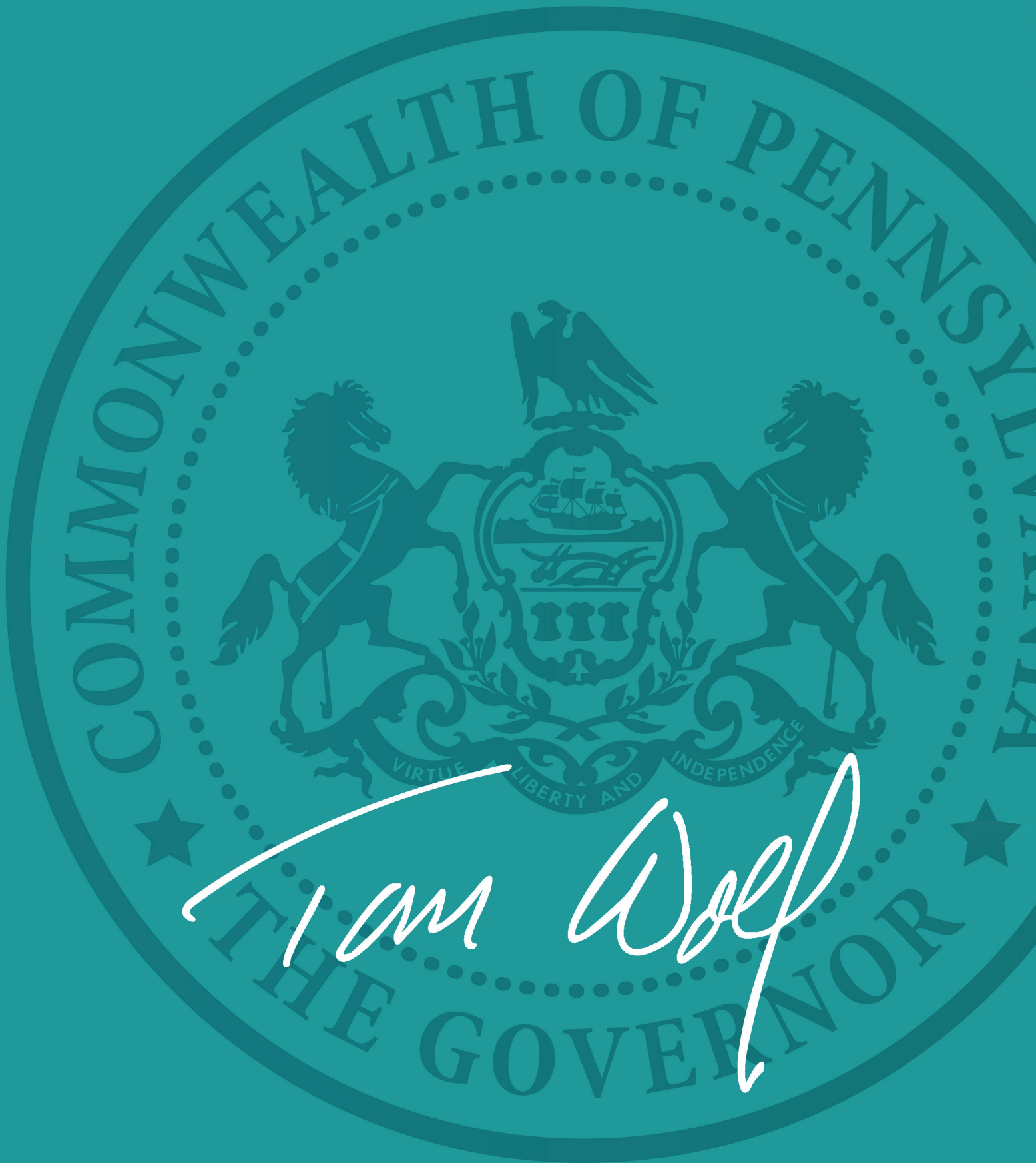
Pennsylvania's economic growth over the next few years depends greatly on maintaining the progress made in preventing and treating COVID-19, as that will be key to a full reopening of the global economy. Even then, the leisure and hospitality sector may take several years to fully recover as travelers gradually return to the roadways and air; the future of business travel, including conventions, is a big wildcard for major cities. The return of workers to offices, especially in urban centers, also will influence the number of jobs in certain service sectors, including food service, retail, mass transit, and other personal services. Real gross state product will grow by an annual average of 3.3% per year from 2020 to 2025, a bit below the national rate of 3.6%. Personal income will rise 3.6%, compared with 4.2% for the country.

Table 3 shows various historical and projected key economic indicators for Pennsylvania and the U.S. economy.

Table 3
Key Economic Indicators for Pennsylvania and the United States

PENNSYLVANIA: Key Economic Indicators	2019	2020	2021	2022	2023	2024
Real Gross State Product (in millions, 2012 dollars)	716,173	683,774	716,245	749,498	773,360	794,124
Real Gross State Product (percentage change)	1.7%	-4.5%	4.8%	4.6%	3.2%	2.7%
Total Employment (in thousands)	6,066.0	5,604.4	5,715.3	5,928.9	6,039.9	6,098.8
Total Employment (percentage change)	0.9%	-7.6%	2.0%	3.7%	1.9%	1.0%
Manufacturing Employment (in thousands)	574.7	537.6	545.5	554.8	553.9	552.6
Nonmanufacturing Employment (in thousands.)	5,491	5,067	5,170	5,374	5,486	5,546
Population (in thousands)	12,993	12,993	12,969	12,968	12,978	12,991
Population (percentage change)	0.1%	-	-0.2%	-	0.1%	0.1%
Unemployment Rate (percentage)	4.5%	9.1%	6.5%	4.4%	4.0%	4.1%
Personal Income (percentage change)	2.9%	7.0%	4.8%	1.4%	5.0%	4.9%
U.S. ECONOMY						
Real Gross Domestic Product (percentage change)	2.3%	-3.4%	5.7%	4.3%	2.6%	2.5%
Employment (percentage change)	1.3%	-6.3%	2.3%	4.0%	1.7%	0.9%

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