



GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

2018-19 GOVERNOR'S EXECUTIVE BUDGET

Tom Wolf
Governor

Randy Albright
Secretary of the Budget

February 6, 2018



2018-19 PROPOSED BUDGET

General Fund expenditures: \$32.987B

- Provides \$225M in new education investments, focused on 21st Century skills
- Expands opportunities for women and families, increasing child care and home visiting programs
- Invests in substance use disorder support, ID/autism services and enhanced care for seniors
- Protects taxpayers through responsible fiscal management, building upon cost savings initiatives and efficiencies already implemented

THREE-YEAR GENERAL FUND OVERVIEW

Growth since 2014-15: \$2.84B (3.25% annually)

- \$1.4B: SERS and PSERS to meet actuarially required contributions
- \$840M: education investments
- Remaining net increase: <\$600M

\$2B in budget cuts and cost savings:

- Complement management
- Corrections population decline and facility closures
- Agency consolidations and restructuring
- Debt management
- Bending the Medical Assistance cost curve



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2018-19 FINANCIAL STATEMENT

(Dollars in Thousands)

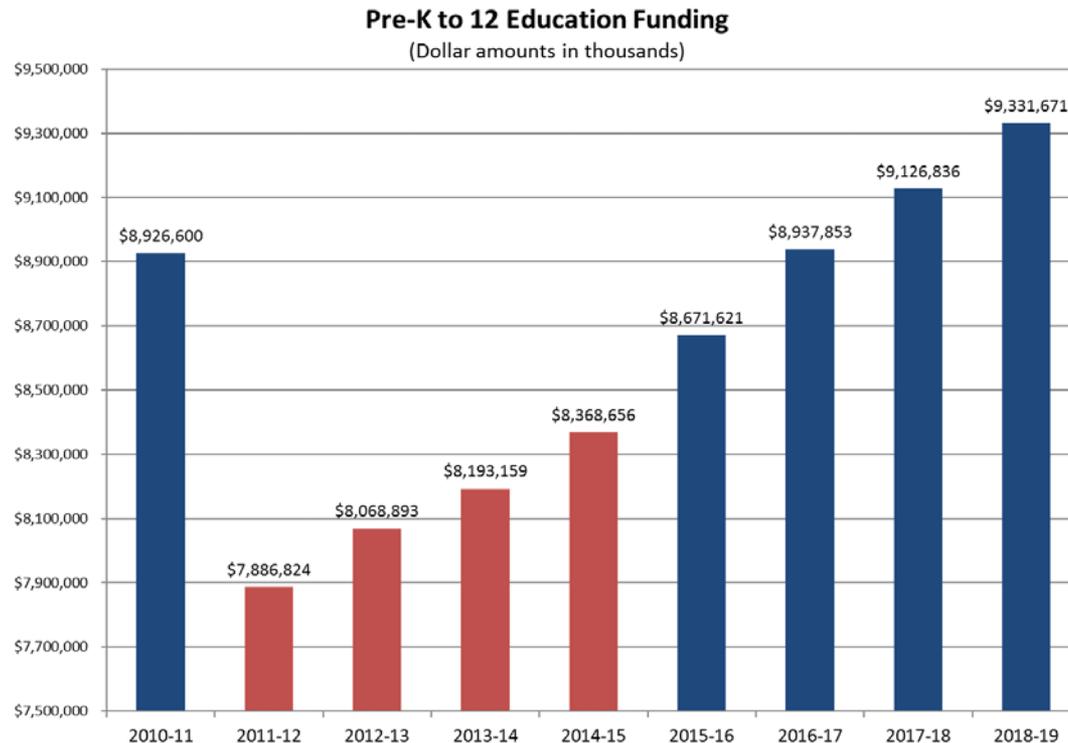
	2016-17	2017-18	2018-19
	<u>Actual</u>	<u>Available</u>	<u>Proposed</u>
Beginning Balance.....	\$ 1,991	\$ (1,539,333)	\$ 41,468
Base Revenue.....	31,672,150	34,767,100	33,971,600
Severance Tax.....			248,700
Refunds.....	<u>(1,350,000)</u>	<u>(1,385,000)</u>	<u>(1,359,000)</u>
Total Revenue.....	30,324,141	31,842,767	32,902,768
Prior-Year Lapses.....	<u>78,313</u>	<u>210,000</u>	<u>100,000</u>
Funds Available.....	30,402,454	32,052,767	33,002,768
Enacted/Proposed Expenditures..	<u>31,941,787</u>	<u>31,997,476</u>	<u>32,987,275</u>
Total Expenditures.....	31,941,787	31,997,476	32,987,275
Preliminary Balance.....	(1,539,333)	55,291	15,493
Transfer to the Rainy Day Fund.	<u>-</u>	<u>(13,823)</u>	<u>(3,873)</u>
Ending Balance.....	<u>\$(1,539,333)</u>	<u>\$ 41,468</u>	<u>\$ 11,620</u>



INCREASING EDUCATION INVESTMENTS BY MORE THAN \$1 BILLION

New education investments for 2018-19: \$225M

- \$100M in basic education funding
- \$40M for early childhood education
- \$20M in special education funding
- \$40M for PAsmart initiative (PDE)
- \$10M for career and technical education
- \$15M for PASSHE



Note: Excludes Authority Rentals and Sinking Fund Requirements.

PROMOTING 21ST CENTURY JOBS AND SKILLS

- Convened Middle Class Task Force to guide future education and workforce development investments
- \$50M PAsmart initiative to strengthen and align workforce efforts across agencies
 - \$5M to promote employer engagement in postsecondary education through up to 10 business-education consortiums
 - \$10M to upskill Pennsylvania's workforce
 - \$7M for Apprenticeship Training
 - \$3M for Industry Partnerships



PROMOTING 21ST CENTURY JOBS AND SKILLS

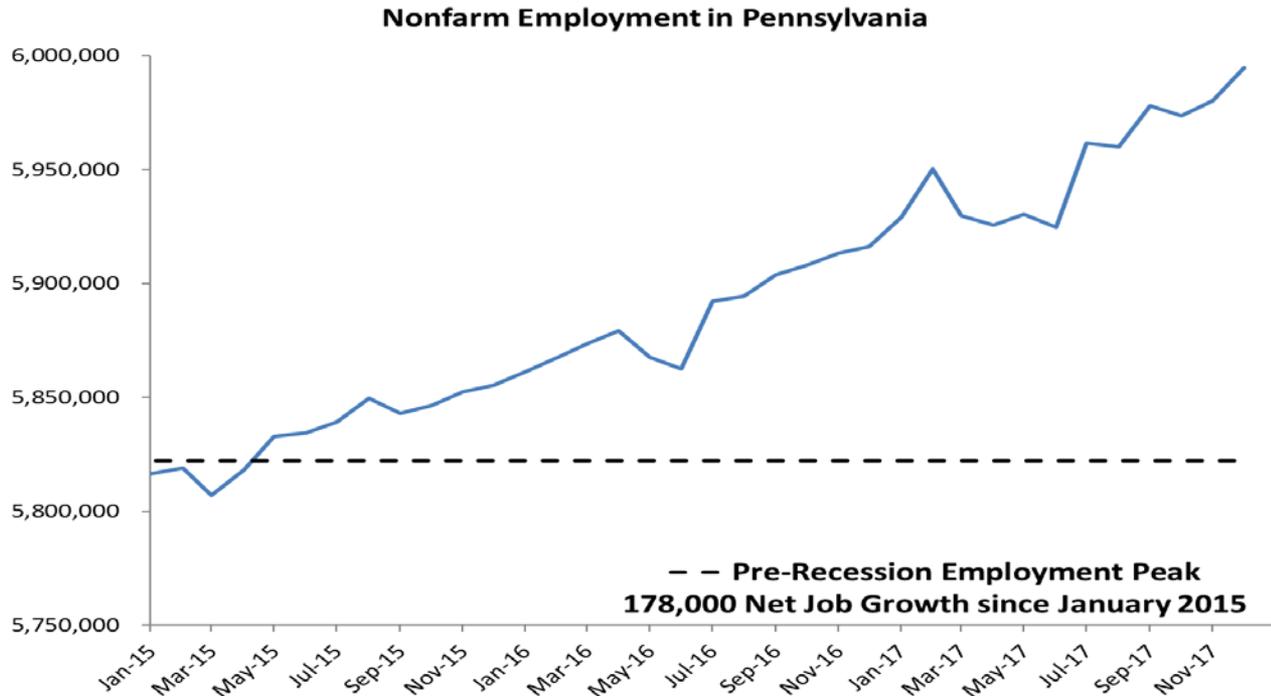
- \$25M to grow STEM computer science and related education
 - \$15M to improve access to training for all students
 - \$5M for educator and staff development
 - \$5M to expand postsecondary training programs
- \$10M to enhance access and affordability for Career and Technical Education and STEM career pathways
 - Encourage articulation agreements to earn postsecondary credits
 - Increase associate degree attainment
 - Expand cost-effective tuition models
 - Shorten timeframes to enter workforce





INVESTING IN BUSINESSES AND FAMILY-SUSTAINING JOBS

- Manufacturing PA
- PA First
- One-Stop Shop for Businesses
- Increase the Minimum Wage



Source: Current Employment Statistics, U.S. Bureau of Labor Statistics

CREATING A FAIRER, MORE COMPETITIVE BUSINESS TAX CLIMATE

- Full phase-out of the Capital Stock and Franchise Tax
- Tax Foundation now ranks PA among top 25 states for business tax competitiveness
- Implement Full Combined Reporting
 - A majority of states and the federal government now require combined reporting
- Step down the Corporate Net Income Tax rate to 7.99 percent by 2023

ENACTING A FAIR, COMMONSENSE SEVERANCE TAX

- Price sensitive to the natural gas sector
- Estimated to generate \$248.7M
- Existing impact fee remains unchanged

Natural Gas Price Range	Tax Per Thousand Cubic Feet
\$0.00 - \$3.00	\$0.04
\$3.01 - \$4.99	\$0.05
\$5.00 - \$5.99	\$0.06
\$6.00 or more	\$0.07

SUPPORTING OPPORTUNITIES FOR WOMEN & FAMILIES

- \$30M investment to enhance child care services
 - \$10M to increase access for 1,600 children and families
 - \$15M to increase STAR 2, 3 and 4-tiered rates
 - \$3M to pilot care for children under age three
 - \$2M to increase rates for home visiting programs
- Align workplace standards with today's modern workforce and social realities

CONTINUING TO FIGHT THE OPIOID ABUSE EPIDEMIC

- \$26.5M for Year 2 of 21st Century Cures Act funding
- Continue expansion of specialty drug courts
- \$4.5M for home visiting programs, targeted for families affected by substance use disorder
- Maintain access to Naloxone

ENSURING QUALITY CARE FOR THOSE WITH INTELLECTUAL DISABILITIES AND AUTISM

- \$74M increase to serve individuals with ID & autism
- \$16M targeted to serve an additional 965 individuals:
 - 100 individuals through the Consolidated Waiver
 - 800 individuals through other waiver programs, including individuals who transition out of special education programs
 - 40 individuals through the Adult Community Autism Program
 - 25 individuals transitioned from State Centers to placements in the community

PROTECTING SERVICES FOR OLDER PENNSYLVANIANS

Launched Community HealthChoices in the southwest region in January 2018 with the goal of providing statewide service by 2020

- Proposed budget increases home and community service investments by \$230M
- Home and community-based investments have grown by \$800M during the past four years
- Right size delivery system to serve more people in home and community settings

ADDITIONAL STEPS TO MAINTAIN LOTTERY FUND SOLVENCY

Continue efforts to reduce reliance on Lottery Fund programs to fund long-term care services to seniors

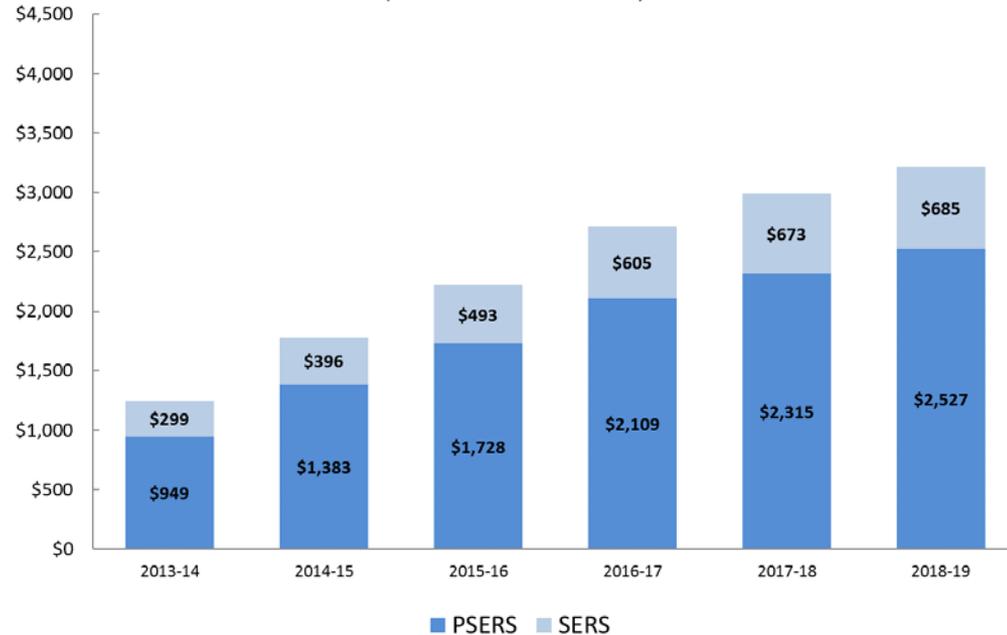
- \$59.9M in 2017-18, \$37M in 2018-19
- Expand initiatives to reduce PACE costs
- Introduce new Lottery games, including iLottery, virtual sports, and keno to generate \$71M in 2018-19
- Re-establish \$75M reserve fund beginning in 2021-22

PENSION CONTRIBUTIONS

\$1.675B increase since 2014-15 for SERS and PSERS to meet our full actuarially required contributions

- Fully retire unfunded debt for PSERS by 2035 and SERS by 2040
- Beginning in 2019, Act 5 of 2017 will implement a new hybrid benefit plan, significantly reducing employer risk

SERS and PSERS Contributions - General Fund Share
(dollar amounts in millions)



GAMING EXPANSION

(dollar amounts in millions)

Source	2017-18	2018-19
iGaming	\$ 105.0	\$ 40.6
Loan Repayments	10.2	25.9
Category 4/Satellite Slots	67.5	82.5
Category 3 Additional Slots/Table Games	5.5	2.2
Airport Gaming (Tablets)	3.8	-
Patron of Amenities	2.0	-
Fantasy Sports	0.1	4.6
VGTs	-	4.0
GEDTF	12.0	12.0
TOTAL	\$ 206.0	\$ 171.8

Lottery Fund

Source	2017-18	2018-19
iLottery	\$ 4.4	\$ 30.5
Monitor Games	4.5	40.3
Category 4/Satellite Slots	-	(8.0)
TOTAL	\$ 8.9	\$ 62.8

Total Impact

General Fund Impact	\$ 200.0	\$ 105.1
Lottery Fund Impact	8.9	62.8
Property Tax Relief Fund Impact	6.0	66.7
TOTAL IMPACT	\$ 214.9	\$ 234.6

Gaming expansion revenue collected to date:

- \$90.2M for first two Category 4 licenses
- \$1M in Patron of Amenities fees

\$50M for Philadelphia casino license

KEEPING PENNSYLVANIA SAFE

- \$6M to pilot a PSP body-worn camera program
- Assess \$25 per capita fee for PSP services in municipalities without police coverage, freeing up funds for four cadet classes to grow enlisted complement
- Invest \$53M to modernize our Statewide Radio System and comply with federal requirements

INVESTING IN OUR ROADS AND BRIDGES

\$300M new transportation investment over next five years

- One-time \$50M expansion for maintenance on low traffic state roads
- Five-year annual investments:
 - \$40M to restore and repair state-administered rural commercial routes
 - \$10M for replacement or rehabilitation of local bridges

PROTECTING THE ENVIRONMENT

- \$2.5M for DEP regulatory operations to improve air, land and water quality
- \$1.597M for Spotted Lanternfly detection and eradication
- \$2.5M for Lyme Disease prevention, education and awareness

2017-18 GENERAL FUND TAX REVENUE COLLECTIONS THROUGH JANUARY

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
	<i>(Dollars in Millions)</i>			
Corporation Taxes	\$ 1,464.8	\$ 1,440.7	\$ (24.1)	-1.6%
Consumption Taxes	7,165.0	7,135.2	(29.8)	-0.4%
Sales & Use - Non-Motor	5,318.9	5,325.7	6.8	0.1%
All Other	1,846.1	1,809.6	(36.5)	-2.0%
Other Taxes	8,105.7	8,247.8	142.1	1.8%
PIT Withholding	5,836.0	5,847.8	11.8	0.2%
PIT Non-Withholding	1,334.9	1,456.3	121.4	9.1%
All Other	934.8	943.8	8.9	1.0%
Total Tax Revenue:	\$ 16,735.5	\$ 16,823.7	\$ 88.2	0.5%
Total Non-Tax Revenue:	\$ 542.6	\$ 544.1	\$ 1.5	0.3%
Total General Fund Revenue	\$ 17,278.1	\$ 17,367.8	\$ 89.7	0.5%



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FINANCIAL STATEMENT

(Dollars in Thousands)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	<u>Available</u>	<u>Proposed</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
Beginning Balance.....	\$ (1,539,333)	\$ 41,468	\$ 11,620	\$ 92,233	\$ 361,195	\$ 344,173
Revenue.....	34,767,100	34,220,300	35,956,300	37,338,500	37,964,300	38,457,300
Refunds.....	<u>(1,385,000)</u>	<u>(1,359,000)</u>	<u>(1,389,000)</u>	<u>(1,437,000)</u>	<u>(1,470,000)</u>	<u>(1,494,000)</u>
Total Revenue.....	31,842,767	32,902,768	34,578,920	35,993,733	36,855,495	37,307,473
Prior-Year Lapses.....	<u>210,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Funds Available.....	32,052,767	33,002,768	34,678,920	36,093,733	36,955,495	37,407,473
Enacted/Proposed Expenditures..	<u>31,997,476</u>	<u>32,987,275</u>	<u>34,555,942</u>	<u>35,612,139</u>	<u>36,496,597</u>	<u>37,404,888</u>
Total Expenditures.....	31,997,476	32,987,275	34,555,942	35,612,139	36,496,597	37,404,888
Preliminary Balance.....	55,291	15,493	122,978	481,594	458,898	2,585
Transfer to the Rainy Day Fund.	<u>(13,823)</u>	<u>(3,873)</u>	<u>(30,745)</u>	<u>(120,399)</u>	<u>(114,725)</u>	<u>(646)</u>
Ending Balance.....	\$ 41,468	\$ 11,620	\$ 92,233	\$ 361,195	\$ 344,173	\$ 1,939
Cumulative Rainy Day Transfer....	13,823	17,696	48,441	168,840	283,565	284,211
CNIT Rate (Effective Jan. 1).....	9.99%	9.99%	9.49%	8.99%	8.49%	7.99%

2018-19 BUDGET PRIORITIES

- Governor Wolf will maintain his commitment to education progress, essential support programs, and growing family-sustaining employment
- The administration will not abandon local governments, school districts, non-profits, seniors, individuals living with disabilities, children or middle class families among ongoing efforts to reduce taxpayer costs
- We will continue to work to restrain or reduce state spending to balance the 2018-19 budget without increasing broad-based taxes
- The budget plan provides nearly \$300M in transfers to the Rainy Day Fund to build reserves over the next five years