



GOVERNOR RELEASES FY 2018-2019 BUDGET PROPOSAL – On Tuesday, Feb. 6, Gov. Wolf delivered his fourth budget address, announcing his \$32.9 billion fiscal proposal for FY 2018-2019 before a joint session of the House and Senate.

The proposal represents an increase of about \$989.8 million, or 3.1 percent, over FY 2017-2018. Approximately \$303 million of that increase is dedicated to new initiatives, including a \$225 million increase in education funding, with \$100 million of that allocated for basic education, as well as a new \$50 million workforce development initiative. The remaining increase represents mandatory costs in the state budget, nearly half to meet the actuarially required contribution for the state and school pension systems.

The proposal does not call for any new broad-based tax increases such as a sales or income tax, but Gov. Wolf again called for a severance tax, though in a somewhat different fashion than his prior proposals. Rather than a percentage-based tax, the governor instead recommended a flat tax per thousand cubic feet (Mcf) that would be responsive to natural gas prices, starting at a four cents per Mcf tax if natural gas prices range up to \$3.00, up to seven cents per Mcf when natural gas prices are \$6.00 or more. The current impact fee under Act 13 of 2012 would remain unchanged; one of CCAP's top priorities for 2018 remains [maintenance of the shale gas impact fee](#), complete and as it is now, with the ability to grow as the industry grows and with the same distribution to impacted local governments as well as the Legacy Fund distributions to all counties and to conservation districts and state agencies.

The governor's plan again recommends consolidation of several state agencies, including the restructuring of the current Health and Human Services agencies into the Department of Health and Human Services. Unlike his FY 2017-2018 proposal, however, this restructuring would not include the departments of Aging or Drug and Alcohol Programs. In 2017, CCAP noted that counties are committed to exploring opportunities to incorporate strong state-local partnerships and innovative approaches toward meeting county service goals, and identified basic and necessary components that must be in place prior to implementation of a unified model. In addition, Gov. Wolf again proposed the consolidation of the Department of Corrections and the Board of Probation and Parole.

From the county perspective, the governor's proposal represents generally level funding across line items, particularly in human services. As the process goes forward, counties' top priority for 2018 remains advocacy for [human services funding](#), recognizing that county capacity to meet service needs has been compromised by a steady decrease in funding over more than a decade, at the same time that mandates and service needs continue to increase.

The proposal includes several positive elements, such as a \$16 million waiting list initiative to move individuals with intellectual disabilities and autism into services. In addition, the governor's

budget plan addresses the opioid epidemic, another county [priority](#), with \$26.5 million for year two of federal Cures Act funding, focused on expanding access to treatment services. The proposal also continues a \$2 million allocation to expand drug courts, and recommends \$4.5 million in new funding for home visiting services for families affected by opioid use disorder.

Regarding infrastructure, Gov. Wolf proposed \$53 million to modernize the statewide radio system to comply with federal requirements, and calls for \$300 million in new transportation funding over the next five years, including \$10 million each year for replacement or rehabilitation of municipal bridges. The FY 2018-2019 budget proposal also includes \$1.597 million in new state funding to increase spotted lanternfly detection, control and eradication efforts through the Department of Agriculture.

Ultimately, counties' overarching theme for this year's policy and budget objectives is to emphasize the state-county partnership in service delivery, recognizing that a mutual understanding of that partnership can yield a promise of effective and responsible delivery of constituent services. CCAP has assembled a number of budget resources on its [Budget News and Updates web page](#), including a spreadsheet with the governor's proposed funding levels for county line items. Highlights on line items of interest to counties follow.

Human Services

Human Services Block Grant. In November 2016, counties achieved the expansion of the Human Services Block Grant to any willing and capable county through Act 153, allowing participating counties to allocate a portion of certain human services funds across program areas and thereby increasing their ability to match available dollars to local needs. However, the governor's FY 2018-2019 budget proposal does not include restoration of the FY 2012-2013 cuts to these lines, which impact funding for all 67 counties in these programs.

Child Welfare. The governor's proposed children and youth budget reflects the rebalancing initiative implemented in FY 2015-2016; that is, the proposed funding for FY 2018-2019 of \$1.67 billion is representative of the reconciliation of the fourth quarter of FY 2017-2018 expenses, and further rolls forward 12.5 percent of the determined needs for FY 2018-2019 to be paid in FY 2019-2020. The governor's proposal for FY 2018-2019 includes an increase of \$44.5 million in state funds based on the counties' needs-based budgets.

An additional \$4 million is proposed to provide for evidence-based home visiting services, which DHS estimates will be able to serve approximately 800 families and is meant to assist with addressing the impacts of the opioid epidemic. Finally, \$500,000 is being requested to provide for cross-system trainings to improve cooperation between child welfare and other human services.

Homeless Assistance Program. Funding to provide temporary shelter to homeless individuals and rental assistance to those in danger of becoming homeless is proposed to be flat funded in FY 2018-2019, remaining at \$18.5 million for the sixth straight year.

Human Services Development Fund. HSDF is proposed to be funded at \$13.46 million in FY 2018-2019, the same as current year levels, and does not include restoration of the FY 2012-2013 cut. This funding allows counties to use dollars not only where they are most needed, but where they can best reduce costs to human services programs in the long run.

Long-term Care. For the first time, the long-term care appropriation in the FY 2018-2019 budget is split into four areas – home and community-based services, long-term care managed care, long-term care and Community HealthChoices (CHC), The long-term care line item, which includes funding for nursing homes, decreases by 30 percent, with combined federal and state funding projected at \$2.3 billion, but that decrease is mostly attributed to a transfer of funds to the CHC line item; this line is added to fund the consolidated, capitated long-term services and supports program that was implemented in the southwest Jan. 1, 2018, and which will be implemented statewide by Jan. 1, 2020.

Once again, additional funding sources such as the Lottery Fund, Tobacco Settlement, Intergovernmental Transfer (IGT) and nursing home assessment are being utilized to help support the funding levels for long-term care. Due to the flexibility provided in CHC, the IGT is actually expected to increase in FY 2018-2019 by approximately \$14 million, provided no additional county homes privatize, which will allow for much needed additional funding for county nursing homes. However, this budget does not appear to include a nursing home Medicaid rate increase, which means nursing homes have not seen a rate increase since FY 2014-2015, and have only seen minimal increases totaling six percent over the past 11 years.

Medical Assistance Transportation Program. The governor's FY 2018-2019 budget proposes a \$4.6 million increase in state funds to reflect changes in caseload and utilization. An additional \$2 million in federal dollars is also included.

Mental Health and Intellectual Disabilities, Early Intervention and Autism.

The proposed budget contains a slight \$14.5 million increase in state funding for mental health services in the mental health base line. However, this would be offset by a reduction in federal funds of \$13.6 million, resulting in flat funding overall for this line item. The state-funded Behavioral Health Initiative allocation remains essentially the same as FY 2017-2018 at \$57 million. This line item contains a portion of the funding for the Centers of Excellence as well as the Behavioral Health Services Initiative (BHSI).

A \$74 million increase is proposed for FY 2018-2019 for services for individuals with intellectual disabilities (ID) and autism. Of that, \$16 million would be used to enroll 965 people with an ID or autism in waivers to provide supports and services so they can remain in their home and community, and to assure services to an additional 800 adults who will be graduating from public school in June 2019.

The governor's budget also proposes a little more than a three percent increase in the intellectual disability community waiver from FY 2017-2018, with a notable increase in federal funds, for a total of \$3.2 billion. Community base funding for ID sees a slight increase in the

proposed state allocation of \$1.5 million, combined with a \$1.2 million increase in federal funds. The FY 2018-2019 proposal also includes a three percent increase in state funds for ID intermediate care facilities, with a slight increase in federal funds as well.

Early Intervention sees a slight reduction in funding, in part due to a reduction of \$1.3 million in state funds and a decrease in federal funds of \$818,000. Funding for autism services, on the other hand, increased slightly with a little more than a one percent in additional state and federal funds.

Substance Abuse Treatment and Prevention. The governor's FY 2018-2019 proposal continues to prioritize efforts to combat the opioid crisis, and is consistent with the current fiscal year initiatives. The federal State Targeted Response (STR) grant and the Substance Abuse Prevention and Treatment Block grant are projected to be level funded, with efforts to provide naloxone to first responders continuing to be funded through the STR grant. An additional \$4 million would provide home visitation services to families impacted by the opioid crisis, and funding for the Centers of Excellence and increased efforts to provide warm handoffs directly to treatment from emergency facilities is also included.

Funding levels for Act 152 services are contained in the outpatient Medical Assistance line item, but the specific allocations out of the line were not available at press time. Intermediate punishment programs are proposed to be level funded, while tobacco prevention and cessation funding is projected to be lower than the current year.

Although the Department of Drug and Alcohol Programs (DDAP) is not part of the proposed Health and Human Services agency consolidation in the current budget proposal, some back-end functions, budgeting, facility management and procurement have already been consolidated that include DDAP.

Judiciary

Courts. The governor's budget request generally maintains levels of funding from the enacted FY 2017-2018 budget for judicial line items that impact the counties. The proposal fails to address the 33 percent decrease for court cost reimbursement that was in the FY 2017-2018 budget, keeping funding at the current year level. Funding for grants to counties to meet mandates for assuring access to those with limited English proficiency also would remain level funded at \$1.5 million under the governor's proposal.

The FY 2018-2019 budget proposal continues a \$2 million appropriation for drug court expansion, to be issued as grants through PCCD.

Criminal Justice. Funding for adult probation services and intermediate punishment was proposed at the same level as in FY 2018-2019. There is no direct allocation for the district attorney salary reimbursement, but concurrent with budget action in 2009, a permanent court fee surcharge was imposed to raise funds for the commonwealth share and the reimbursement is gradually catching up.

Juvenile Justice. Funding levels for juvenile detention and delinquency alternative programs are unavailable at press time; the Department of Human Services will provide a breakdown of the specific funding levels within the next few weeks. While deinstitutionalization efforts continue, programs are experiencing increasingly dense populations of high-risk youth, requiring specialized services and increased supervision which drive daily costs. So, while overall system costs appear to decrease due to lower overall demand, the investment per child for moderate and high-risk offenders needs to increase as providers intensify services which are more likely to result in reduced recidivism (future victimization) and ultimately reduced long-term costs.

Agriculture and the Environment

Conservation Districts. The governor has proposed level funding for conservation districts, maintaining \$3.375 in total General Fund dollars from the departments of Agriculture and Environmental Protection. Conservation districts are also set to receive more than \$7.5 million annually under Act 13 of 2012.

Agriculture. The governor's proposal would add \$1.6 million in new funding to support the Department of Agriculture's coordinated effort to eradicate the spotted lanternfly. Further, the governor proposed level funding for the State Food Purchase Program at \$19.2 million, and for county fairs at \$4 million. The State Farmland Preservation Board will be meeting in mid-February to set the 2018 state funding threshold for farmland preservation, expected to be considered at a \$37 million level, up from the 2017 certified threshold of \$36 million.

Penn State Extension. The Agriculture College Land Scrip Fund, which includes revenues for the Penn State Extension program, is proposed to maintain funding at \$52.3 million.

Environment. Funding for gypsy moth control is wrapped into the overall appropriation for state forest operations within the Department of Conservation and Natural Resources (DCNR); while the governor's proposal shows an \$8 million increase in general fund dollars, \$1.56 million is designated to support the statewide radio upgrade, while the remaining increase supports all current programs within this line item. Black fly control remain level funded under the Governor's plan, while West Nile virus prevention programs receive a nominal increase.

Elections

The governor's proposal maintains funding for the Statewide Uniform Registry of Electors (SURE) at \$4.1 million, while funding for voter registration and educational efforts decreases slightly.

Community and Economic Development

DCED. The governor's budget proposal maintains level funding for the Center for Local Government Services. In addition, the Municipal Assistance Program, which funds shared services, community planning and flood plain management activities for local governments, is set to be level funded at \$546,000.

Marketing and Training. The Pennsylvania First program, focused on investment and job creation in Pennsylvania, is proposed to receive a \$5 million increase in FY 2018-2019 for an initiative to increase investment and job creation. Funding for marketing to attract businesses and the Office of Open Records both receive a nominal increase, while the marketing to attract tourism program funding is reduced by about two-thirds. In addition, the Keystone Communities program, designed to encourage the creation of partnerships between the public and private sectors in communities, is decreased by about half (\$7 million) under the governor's proposal.

Libraries

In the Department of Education, the public library subsidy is proposed to be flat funded at \$54.5 million.

Transportation

The FY 2018-2019 budget reflects the sixth year of funding for roads, bridges, transit systems and other infrastructure under Act 89 of 2013. The proposal also includes a new initiative to invest \$300 million over the next five years in the commonwealth's roads and bridges – a one-time \$50 million expansion for maintenance on low-traffic state roads, as well as \$40 million annually to restore and repair state-administered rural commercial routes, and \$10 million annually for replacement and rehabilitation of municipal bridges.