



GOVERNOR RELEASES FY 2021-2022 BUDGET PROPOSAL – On Wednesday, Feb. 3, Gov. Wolf delivered his seventh budget address, announcing his \$37.8 billion fiscal proposal for FY 2021-2022 by pre-recorded video due to concerns gathering the House and Senate in light of the COVID-19 pandemic.

The proposal represents an increase of about of \$3 billion, or 8.2%, over FY 2020-2021. Much of the proposal continues to prioritize a range of policies and initiatives that Gov. Wolf has raised during his time in office. At the top of the list are funding for public schools, an increase in the state's minimum wage to \$12 per hour this year and then gradually to \$15 per hour, and tax forgiveness provisions for single and married filers who meet certain income criteria. Additionally, Gov. Wolf also called for investments in businesses and infrastructure aimed at getting Pennsylvania back on track after the pandemic, urging the federal government to take action on broadband expansion, and investing \$3 billion over 10 years into Back to Work PA.

In strong contrast to last year's budget proposal, Gov. Wolf called for additional revenue to fund his plan. Most notably, perhaps, is an increase in the personal income tax from 3.07% to 4.49%, which he stated that coupled with expanded exemptions and tax forgiveness, would primarily impact the top third of earners. Gov. Wolf also called for the legalization of adult use recreational cannabis.

Overall for counties, the Governor's proposal represents generally level funding across line items, particularly in human services. One notable increase would be for county health departments as the Governor proposed an additional \$8.2 million for a total of \$33.7 million. It will be vital to monitor the state's commitment to sustaining these programs in light of a challenging financial situation and ensuring that one-time funds that may again be provided by the federal government to supplement the commonwealth's emergency response will be recognized as such, rather than supplanting the state's investment over the longer term.

As the process goes forward, one of counties' top priorities for 2021 is increased funding for [community-based mental health services](#), recognizing that county capacity to meet service needs has been compromised by a lack of investment over the last decade, at the same time that mandates and service needs continue to increase. CCAP emphasizes the state-county partnership in service delivery, recognizing that a mutual understanding of that partnership can yield effective and responsible delivery of constituent services. Without an increase in funding for mental health services, counties will be hard-pressed to continue stretching dollars to meet local needs, despite their own investments at the local level. Furthermore, [protecting funding for county human services](#) is another CCAP priority for 2021 and we will continue to monitor these critical lines as the budget process moves ahead. More information on the priorities and testimony can be found on CCAP's [Priorities page](#).

CCAP has assembled a number of budget resources on its [Budget News web page](#) and highlights on line items of interest to counties follow.

Human Services

Human Services Block Grant. With passage of Act 153 in November 2016, counties achieved the expansion of the Human Services Block Grant to any willing and capable county, 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. The block grant is proposed for level funding in the FY 2021-2022 budget.

Child Welfare. The Governor's proposed children and youth budget continues the rebalancing initiative first implemented in FY 2015-2016. The proposed funding for FY 2021-2022 of \$1.87 billion is representative of the reconciliation of the fourth quarter of FY 2020-2021 expenses, and further rolls forward at least 12.5% of the determined needs for FY 2021-2022 to be paid in FY 2022-2023. Additionally, there is \$75 million being rolled forward as expenses that will not recur in 2021-2022 budget, but the details of this are not currently available.

The child welfare budget for FY 2021-2022 includes an increase of \$95 million, roughly a 5% increase; however, there are clear indications that a substantial portion of this amount is intended to be pushed forward into the FY2022-2023 budget. While this budget purports to represent a \$153 million increase in state child welfare funds, the recent trend of pushing allocations into future budgets should be of great concern to counties. Until more information is available, the details of what is being pushed into future budgets is unknown. There is a \$300 million loss in Child Care Services from federal funds due to the expiration of COVID-19 programs. The implementation of the Family First Act during this budget cycle will inject additional uncertainty to the budgeting process, as there have been conflicting projections from Independent Fiscal Office (IFO) and DHS as to what the anticipated losses will be.

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 2021-2022, remaining at \$18.5 million for the ninth straight year.

Human Services Development Fund. HSDF is proposed to be funded at \$13.46 million in FY 2021-2022, the same as FY 2020-2021. 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. The long-term care appropriation in the FY 2021-2022 budget continues to reflect the ongoing move to statewide implementation of Community HealthChoices (CHC). In particular, this means the merger of several Medical Assistance lines. Unfortunately, the adjustments made under Medical Assistance continue to rely on future federal COVID-19 stimulus that has yet to be allocated.

Once again, additional funding sources such as the Intergovernmental Transfer (IGT) and nursing home assessment are being utilized to help support the funding levels for long-term care. Yet, these specific FY 2021-2022 funds rely on federal financial participation rates that continue to fall due to COVID-19. This results in FY 2021-2022 Long-term Care funds remaining relatively the same due to the help of federal funds. While this approach continues to provide resources to the long-term care communities for the time being, the overall FY 2021-2022 budget continues to trend toward reducing funds in reliance of the CHC model where all signs point to reduced payments in future budget cycles. In addition, due to COVID-19, CHC continued the same rates for the regions that had completed their first three-year rate period. Future years will need to include considerations for increased rates.

Medical Assistance Transportation Program. The Governor's FY 2021-2022 budget proposes generally flat state funding for MATP, with a \$3 million decrease in federal funds.

Mental Health. The Governor's FY 2021-2022 proposal includes a slight increase in state funding. The federal allocation shows a small decrease resulting in overall flat funding. The state allocation includes \$1.2 million to provide home and community-based services for 20 individuals currently residing in state hospitals.

Intellectual Disabilities. Intermediate Care Facilities receive a 6% increase in combined state and federal funding. Combined Community Base funding sees a nominal decrease. The combined state and federal Intellectual Disability Waiver Program funding is increased by 11%. The Governor's plan 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 investment will provide community services to people with unanticipated emergencies, people transferring from private intermediate care facilities, or state facilities. This initiative also includes moving up to 40 children with complex medical needs into the Community Living and Consolidated Waivers.

Early Intervention. Combined state and federal funding provide for a 7% overall increase. The state allocation includes \$11 million for 2,000 additional slots for children ages 3-5.

Autism. Autism services see a 3% decrease in combined state and federal funds. An increasing number of individuals are now eligible for the Office of Developmental Programs Consolidated and Community Living Waivers.

Substance Abuse Treatment and Prevention. The Governor's FY 2021-2022 proposal provides level funding for Substance Abuse Treatment and Prevention Services. Funds proposed for the Department of Drug and Alcohol Programs (DDAP) include state match for the federal Substance Abuse and Treatment Block Grant. Federal SOR Opioid grant funding will be continued into the next fiscal year but is not part of the Governor's proposal.

Behavioral Health Services Initiative (BHSI) is also proposed at the current level. 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.

Funds projected for tobacco use prevention and cessation are decreased by \$9 million dollars from the current year.

The Governor is also proposing some form of legalization of cannabis for adult use. There are few details available about specifics of his proposal. Decriminalization is included in the language about criminal justice reform. There also does not appear to be a revenue number associated with any effort to decriminalize or legalize for recreational purposes.

Judiciary

Courts. The Governor's budget request maintains level funding from the enacted FY 2020-2021 budget for judicial line items that impact the counties. The proposal fails to restore the 33% decrease for court cost reimbursement that occurred in the FY 2016-2017 budget, keeping funding at the current year level for the sixth straight year. 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.

Criminal Justice. Funding for adult probation services and intermediate punishment is proposed at the same level as in FY 2020-2021. 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.

Juvenile Justice. Funding levels for juvenile justice services are unavailable at press time; yet juvenile probation is slated for level funding in FY 2021-2022. Juvenile Services are funded through the Needs Based budget and Department of Human Services will provide a breakdown of the specific funding levels within the next few weeks. While diversion and deinstitutionalization efforts continue, residential programs are experiencing denser populations of high-risk youth. This change in demographics results in increased programmatic expectations to provide high quality specialized services and increased supervision driving up 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 \$3.357 million in total General Fund dollars from the departments of Agriculture and Environmental Protection, transferring the DEP portion of the funding back from the Environmental Stewardship Fund. Conservation districts are also set to receive more than \$7.5 million annually under Act 13 of 2012.

Agriculture. The Governor's proposal would combine prior funding for avian flu preparedness, spotted lanternfly control and rapid response readiness into a single line for agricultural preparedness and response, to be funded at \$4 million for FY 2021-2022. Further, the Governor proposes level funding for the State Food Purchase Program at \$18.2 million, and for county fairs at \$4 million. The State Farmland Preservation Board will be meeting in mid-February to set the 2021 state funding threshold for farmland preservation, which was previously set at a certified threshold of \$43 million for the 2020 calendar year.

Penn State Extension. The Agriculture College Land Scrip Fund, which includes revenues for the Penn State Extension program, is proposed to maintain funding at \$54.9 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); the overall program is slated for an increase under the Wolf budget to \$44 million, an increase of almost \$4 million. Black fly control and West Nile virus see slight increases under the Governor's plan.

Elections

The Governor's proposal increases funding for the Statewide Uniform Registry of Electors (SURE) by about \$4.4 million, which includes \$2.3 million for continued system upgrades. Funding for voter registration would also decrease slightly. Furthermore, there is decrease in federal elections reform funding of about \$12 million.

Community and Economic Development

DCED. The Governor's budget proposal calls for a slight decrease in funding for the Center for Local Government Services to \$4.2 million. 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, originally focused on investment and job creation in Pennsylvania, is proposed to receive a \$20 million decrease to \$12 million for FY 2021-2022 as a part of a multi-year effort to shift funding to the new WEDnet PA program, similarly focused on workforce development. Further, Gov. Wolf's FY 2021-2022 budget seeks to implement several programs that were identified by the Keystone Economic Development and Workforce Command Center, including funds to address barriers to employment, provide a minimum wage increase, training and other initiatives.

Funding for marketing to attract tourism is proposed to see a decrease of \$13 million while marketing to attract businesses will remain flat funded at \$2 million. The Office of Open Records would remain funded at a level of \$3.3 million. The Keystone Communities program, designed to encourage the creation of partnerships between the public and private sectors in communities, is proposed to see another significant decrease (\$17.8 million), which would bring the program to just \$6 million in funding for FY 2021-2022.

Libraries

In the Department of Education, the public library improvement subsidy is proposed to remain level funded at \$59.5 million for FY 2021-2022.

Transportation

The FY 2021-2022 budget reflects the eighth year of funding for roads, bridges, transit systems and other infrastructure under Act 89 of 2013.