



Republican 2011/12 Budget Plan Razzle Dazzle 'Em and They'll Never Catch Wise

On June 27, 2011, House and Senate Republican Leaders unveiled their final \$27.15 billion General Fund spending plan for 2011/12. Republicans tout the plan as restoring some of the draconian cuts proposed by Governor Corbett while keeping an expenditure level lower than previous years. Do not be deceived. The Republican budget concocts this "spend number" by moving expenditures off-line to other funds (and even other fiscal years) – the same "smoke and mirrors" criticized during previous budgets. More troubling is the fact that the Republican budget plan is balanced at the expense of the health and safety of Pennsylvania citizens, through irresponsible cuts in the Department of Public Welfare.

➤ In his budget address, Governor Corbett said that his "online budget dashboard" will encourage transparency in the budget process. Unfortunately, this budget year has been anything but transparent. Please know that the following briefing is based on the best information our office has received at this time. As always, we strive to provide the most accurate information available. If the "smoke" ever clears, we will be sure to update information as necessary.

Give 'em the old three ring circus . . .

- As of June 28th, 2010/11 revenue collections have exceeded the official estimate by \$611 million, with additional collections yet to come. When these additional revenues are carried forward into the base for next year's (2011/12) estimate, over \$1 billion is available to offset the \$2.6 billion in cuts proposed by Gov. Corbett in March.
- ➤ The Republican budget proposal does not reflect the significant additional 2010/11 revenue collections available. Their proposal does not adjust appropriately 2011/12 revenue projections to account for the revenue surplus for 2010/11.

- ➤ After adjusting for accounting gimmicks in the GOP spending plan, their budget spend reaches \$27.7 billion. However on the surface, the Republican budget plan appears to spend \$27.15 billion in state funds or \$47.3 billion in combined state and federal funds. This represents a spending cut of \$1.6 billion compared to the current fiscal year (2010/11) spending for the General Fund.
- ➤ Total spending for both General and Special Funds (includes federal funds) contained in the bill totals \$50.7 billion, which represents a cut of approximately \$1.4 billion compared to the current fiscal year spending.
- Rather than using all of the newly available revenues to restore some of Corbett's cuts, the Republican proposal largely redistributes millions of dollars within Corbett's proposal; while spending a small amount of the anticipated surplus of over \$600 million.
 - Notably, the Republican plan significantly cuts numerous appropriations in the Department of Public Welfare (DPW); many on top of Corbett's proposed cuts.
 - The Republican budget further slashes other appropriations throughout the

- **budget,** many of which had already been victims of Corbett's draconian cuts.
- ❖ The Republican budget plan then shifts these funds to K-12 and higher education and other Republican priorities.
- ➤ Smoke and mirrors? The Republican budget plan moves spending out of the General Fund, giving the appearance of lower General Fund expenditures. In addition, the budget employs one-time accounting gimmicks to save additional state dollars. After adjusting for these Republican games, the GOP budget deal actually spends \$27.7 billion as noted earlier.
 - The plan does not accept Corbett's proposal to move Tobacco Settlement programs into the General Fund, allowing \$324 million to "disappear" from General Fund bottom-line expenditures.
 - Also note after the Tobacco Settlement Fund adjustment, the Republican spend number of \$27.15 billion is \$142 million above the Corbett ceiling.
 - The Republican budget shifts additional Long-Term Care state expenditures from the General Fund to two special funds: Lottery and Tobacco Settlement (\$76 million).
 - ❖ To achieve cash flow savings, the Republican budget delays nursing home payments by one week, pushing a June 2012 payment to July 2012, and thereby reducing 2011/12 state spending by roughly \$77 million.
 - ❖ The plan also moves the \$100 million appropriation for Accountability Block Grants into a supplemental appropriation in the 2010/11 budget year. This gives the impression that the 2011/12 "spend number" is less.
 - ❖ The Republican budget also assumes state savings from reducing "fraud and abuse" in the Medical Assistance program (\$148 million). We anticipate returning later in

- the year to address funding shortfalls in supplemental appropriations.
- ➤ The budget additionally redirects approximately \$44 million in fees from the Catastrophic Loss Benefits Continuation Fund (otherwise deposited in the MCARE Fund), transfers of \$8 million from the Pennsylvania Higher Education Assistance Fund, and lapses almost \$27 million from Senate accounts and \$36 million from House accounts.
- ➤ In the press, Republicans have blamed the reliance upon federal stimulus funds for the budget cuts in 2011/12. Surprise! Those same Republicans use the \$388 million in new federal education jobs funds to replace state dollars in 2010/11. These funds were intended to help create and save jobs in education as an extra supplement to school districts. Losing this funding, combined with the billion dollar cut to education in 2011/12, is devastating to school districts and will cost thousands of jobs.

Give 'em an act with lots of flash in it...

- Republicans tout their budget plan as "restoring" detrimental cuts to Education. In fact, the Republican budget plan continues to slash education funding from current year levels.
- ➤ The Republican budget cuts K-12 education funding for 2011/12 by \$1.027 billion, nearly matching Corbett's draconian cuts of more than \$1.1 billion.
 - Funds the Basic Education Subsidy at \$5.3 billion, a cut of \$420 million or 7.3 percent compared to total funding in 2010/11.
 - ❖ Removes funding for Accountability Block Grants from 2011/12 expenditures in a budget gimmicks sideshow. Instead, the proposal funds a \$100 million supplemental appropriation using current year revenues. Again, this slight-of-hand makes it appear as though they are spending \$100 million less in 2011/12. Regardless of the spending year, \$100 million is a cut of \$159.5 million or 61.5 percent compared to 2010/11.

- ➤ Funding for K-12 education is not the flashy scene the Republicans like to perform for the media.
 - Of the major subsidies that directly impact school districts, more than \$470 million in programs remain slashed or eliminated, including the Accountability Block Grant, Education Assistance Program (tutoring), and Dual Enrollment (college credit).
 - Public libraries continue to lose more than \$1 million.
 - The distribution of cuts per student in education, including programs such as basic education funding, accountability block grant, education assistance program, and charter school reimbursement, are targeted more heavily toward poor school districts.
- ➤ Despite claims to support early childhood education, this bill <u>reduces</u> Pre-K Counts and Head Start Supplemental Assistance by 2.9 percent below the 2010/11 level representing a deeper reduction than the Governor's proposed 1.9 percent cuts.
- ➤ Like Corbett's initial proposal, the Republican budget plan is simply trickle-down taxation equating to higher local property taxes, combined with potentially extensive lay-offs, as districts attempt to deal with real cuts.
- ➤ Recent investments in education funding have paid off dramatically during the past six years:

Measurement	2004/05	2010/11
School districts making Adequate Yearly Progress (AYP)	62%	96%
Percent of students proficient or advanced in Mathematics	61%	78%
Percent of students proficient or advanced in Reading	64%	72%

➤ Despite Republican claims of "restoring" higher education in their budget, the facts are clear: there are very large cuts being forced on

- Pennsylvania's college students and will endanger the dreams of obtaining a degree held by so many of our students. Further, the cuts will impact higher education institutions which are engines of economic growth.
- ➤ The Republican budget cuts funding for Community Colleges \$23.5 million or ten percent.
- ➤ The Republican plan cuts funding for the State System of Higher Education by \$90.6 million or 18 percent compared to 2010/11.
- Non-preferred appropriations for the staterelated universities also are cut by the Republican ax.
 - ❖ University of Pittsburgh cut by \$31.9 million or 19 percent.
 - ❖ Temple University cut by \$32.8 million or 19 percent.
 - Lincoln University cut by \$2.6 million or 19 percent.
 - Penn State University cut by \$61.4 million or 18.4 percent.
 - The proposed legislation for Penn State only contains the appropriations for educational general support and the Pennsylvania College of Technology.
 - The non-preferred bill then appropriates, but does not enumerate, the agricultural research and agricultural extension line items. These lines are instead routed through a transfer to a restricted account in the Agricultural College Land Scrip Fund.
- While funding grants for students, the Republican budget cuts funding in other areas of the Pennsylvania Higher Education Assistance Agency (PHEAA).
 - Cuts \$5.7 million or 19% cut to institutional assistance grants that support private colleges and universities who enroll low-income students.

- Cuts funding for Cheyney Keystone Academy by \$1.5 million or 10 percent. This program supports the honors program at Cheyney University, a member of the State System of Higher Education.
- ❖ Cuts funding for the Bond-Hill scholarship by 25 percent. This scholarship paid for qualified graduates of Lincoln University or Cheyney University to pursue a graduate or first professional degree at Penn State, University of Pittsburgh or Temple.
- Eliminates funding for the Agricultural Loan Forgiveness Program, the Nursing Shortage Initiative and the very popular SciTech and NETS Scholarships, targeting science, technology and allied health students.
- ➤ The budget plan also redistributes remaining "freed-up" funds among other appropriations, reflecting Republican priorities.

When you're in trouble, go into your dance...

- While tap-dancing around the issue of using available revenues, the Republican proposal provides a pyrotechnics display in DPW. The budget throws painful blows at the Commonwealth's most vulnerable citizens all under the guise of combating "waste, fraud, and abuse."
- ➤ The Republican budget plan cuts \$652 million from the Governor's request for DPW. Most of these cuts can be categorized as "smoke and mirrors," exactly what Corbett vowed to get rid of. Three-fourths of the cut can be attributed to three factors:
 - Rejecting Gov. Corbett's tobacco fund initiative and moving tobacco-related expenditures out of the General Fund back to the Tobacco Settlement Fund (\$247 million). The difference from the Corbett General Fund proposal is \$404 million after this adjustment for tobacco funds.
 - ❖ Shifting additional Long-Term Care state expenditures from the General Fund to

- two special funds, Lottery and Tobacco Settlement (\$73 million).
- Assuming state savings from reducing "fraud and abuse" in the Medical Assistance program (\$148 million).
- ➤ In the press, the Legislative Republicans have tied their "savings" (a.k.a. "cuts") to addressing "waste, fraud and abuse" in DPW programs. However, many cuts in DPW programs under the Republican budget plan cannot be attributed to errors cited in the audits highlighted by Republican leaders.
 - Cuts the appropriations for Child Care Services (by \$17.5 million) and Child Care Assistance (by \$17.6 million). These appropriations fund child care services and early education quality assurance initiatives to children across Pennsylvania.
 - Cuts funding for Legal Services and Homeless Assistance upwards of 10 percent.
- ➤ Who is on the front lines ensuring the "waste, fraud, and abuse" don't run rampant? Generally caseworkers in **County Assistance Offices** which the Republican budget cuts by \$7.7 million compared with 2010/11.
- ➤ DPW's budget is balanced based on the mythical assumption that reducing Medicaid errors in the Medical Assistance (MA) program will save the state an estimated \$148 million in 2011/12.
 - \$121 million in state savings are assumed in the managed care program (the MA Capitation appropriation).
 - ❖ \$27 million in state savings are assumed in outpatient services provided through the fee-for-service program (the MA Outpatient appropriation).
- ➤ No new solutions have been offered to remove ineligible recipients from the MA rolls or to target fraudulent MA expenditures and waste.
 - If "savings" are not realized, MA bills must be paid and a large supplemental

appropriation request may be necessary next year.

- Under the Republican budget, Hospitals will see their tax (assessment) rate go up while their supplemental payments go down.
 - The higher assessment rate will generate new revenues to help restore supplemental payments in the MA – Inpatient appropriation.
 - Gov. Corbett proposed state cuts totaling \$86.7 million (\$136.8 million state and federal) -- we do not know how much of the cuts will actually be restored.
- ➤ In addition, the budget cuts hospital payments for Obstetric and Neonatal Services, Burn Centers, Critical Access Hospitals, Trauma Centers, and Uncompensated Care, reducing state funds by \$12 million (\$26.8 million state and federal) from the 2010/11 level.
- ➤ The budget also reflects the House GOP plan to contain cost in MA Transportation by charging MA recipients a \$1 co-pay for each round-trip ride to medical appointments.
- ➤ The final budget **reduces** MA payments that fund **Pennsylvania's medical schools**. These payments, which were instituted in 2005 and 2009, earn federal matching funds and replaced the non-preferred state appropriations that previously supported the medical schools.
- ➤ The Republican budget restructures Long Term Care, providing three separate appropriations for nursing home care and the two communitybased alternatives for seniors.
- ➤ The Republican plan cuts millions of dollars from county services and programs where state funding is reduced, counties must either replace with local revenue or cut services.
 - Cuts \$45 million from the County Child Welfare appropriation, providing support for county-administered social services programs for children and youth in each of the Commonwealth's 67 counties.

- Cuts \$8.5 million from the Human Services Development Fund, providing flexibility to counties to fill funding gaps in countyadministered social service programs.
- ❖ Cuts \$3.2 million from Corbett's request for County Mental Health programs. The budgeted amount is a \$25 million state funding increase compared to 2010/11.
- ❖ Cuts an additional \$4.3 million or 8.3 percent from Corbett's request for Behavioral Health Services, which funds county mental health programs and substance abuse programs. This is a \$5.2 million cut compared to 2010/11.

For their final act ...

- ➤ Transparency? The Republican budget plan implements Corbett's proposal of "alignment and consolidation" of numerous programs (lineitem appropriations) throughout the budget. In fact, their plan "collapses" even more appropriations, leaving allocations largely at the agencies' discretion.
- ➤ The Republican budget proposal will **impact iobs**.
 - ❖ Gov. Corbett estimated his budget proposal would result in a state complement reduction of 1,550 employees. The Legislative Republican budget further cuts general government operations, leading to the possibility of additional layoffs.
 - Cuts \$7.9 million in funding for the Infrastructure & Facilities Improvements Grants Program. In FY 2009/10, approximately \$20 million in funds were awarded for 43 projects, creating an estimated 26,700 jobs.