

Legislative Alert

Preliminary Pennsylvania Budget Analysis for 2004-05 State Fiscal Year

PCPA has completed a preliminary review of Governor Rendell's proposed 2004-05 state budget, which was formally delivered to the General Assembly earlier today.

The Governor highlighted several key areas which represent his Administration's primary objectives: increase jobs and economic opportunity; improve academic achievement; lower local property taxes; improve the quality of life in communities; maintain the social safety net; and make Pennsylvania more business-friendly.

Governor Rendell stated that there are no general revenue increases in this budget. Overall, the general fund of the state budget increased to \$22.3 billion, an increase of 4.1 percent.

The skyrocketing costs of health care, which are increasing at a rate of six times that of inflation, were noted. The Governor will strive to change the state's purchasing power in relation to prescription drugs by meeting with the larger pharmaceutical companies to bring costs under control. Medical Assistance (MA) was increased by a total of \$454 million which will provide services to an additional 56,000 people. The managed care organizations (MCOs) will realize an overall increase of \$284 million which will annualize prior-year rate increases and provide for additional rate increases in Health Choices. Further, an additional \$242.6 million in total funds were included to increase Health Choices utilization.

However, probably the most significant funding change – not included in the budget – is for property tax reduction. The Governor believes firmly that property tax reduction, proper funding for his education initiatives, and gambling expansion are strongly linked together; and he said that the General Assembly could pass such legislation within the month. Regardless of the exact timing, this will be a prime discussion between the Governor and the Legislature.

PCPA will provide further information as it is available. Budget hearings will convene soon with both the House and Senate Appropriations Committees (recall that such hearings were cancelled last fiscal year). PCPA will monitor these hearings, and key elements will be made available to members via the Association's web site. PCPA will also share with members information gathered at the upcoming Department of Public Welfare (DPW) deputate budget briefings.

All amounts on the charts below are shown in thousands.

(F) – Federal Dollars (S) – State Dollars (A) – Augmentation (EA) – Executive Authorization

Department of Health

The Department of Health (DOH) oversees the majority of the policy decisions for drug and alcohol (D&A) programming in the Commonwealth as well as all federal D&A funding. The Department of Public Welfare (DPW) provides additional funding for D&A in Pennsylvania, especially relative to treatment. This budget has made a notation that it seeks \$239,000 in the Assistance to Drug and Alcohol Programs line-item in order to match federal funds for the Re-entry of Women Offenders with Dependent Children grant.

Further, the DOH has several special needs programs under its Bureau of Family Health. Information regarding special needs services for children and traumatic brain injury (TBI) are included below.

Department of Health		2003-04	2004-05	2004-05	2004-05
PROGRAM	LINE-ITEM	AVAILABLE	GOV'S PROPOSAL	CHANGE	PERCENT CHANGE
Assistance to D&A Programs		\$108,788	\$111,310	\$2,522	2%
	(S) Assistance to D&A Programs	\$40,498	\$40,737	\$239	1%
	(F) Substance Abuse Block Grant	\$56,510	\$55,203	-\$1,307	-2%
	(F) Special Programs for Student Assistance (EA)	\$1,125	\$1,125	\$0	0%
	(F) Adult Offender Treatment (EA)	\$108	\$498	\$390	361%
Other					
	(F) Traumatic Brain Injury	\$200	\$300	\$100	50%
	(A) Alcohol Proficiency Testing	\$62	\$61	-\$1	-2%
	(A) Drug Abuse Proficiency	\$140	\$139	-\$1	-1%
	(S) Services for Children with Special Needs	\$1,645	\$1,645	\$0	0%

Department of Public Welfare

Estelle Richman, Secretary of Public Welfare, discussed DPW's "people" focus: improved quality of life; greater social and economic contributions; and reduced social and economic cost. The Secretary stated that this budget funds key Rendell Administration initiatives: reducing the mental retardation (MR) waiting list (by about 500 individuals); child care; and increases in home- and community-based services through Medicaid waivers and mental health Community Hospital Integration Project Program (CHIPPs) (33 people will come out of the state hospitals in the 2004-05 fiscal year). This budget also supports projected increases in Medicaid, child welfare, behavioral health, General Assistance, Temporary Assistance to Needy Families (TANF), and early intervention for children (about 1,000 more children will be served).

DPW plans to engage in a revenue maximization effort to fund the MR waiting list; that is, \$17 million will be raised through an assessment on intermediate care facilities (ICF/MRs) – the money will be matched – and the resulting \$34 million will return to the MR system to address the waiting list. It is estimated that if placements are made to group homes, nearly 500 individuals could be served for six months from this budget. The DPW budget presumes a total of an additional \$270 million received through revenue maximization programs.

D&A programs under DPW were funded at 100 percent of the 2003-04 restoration amount. Providers, advocates, consumers, persons in recovery, and families are all commended for their efforts in D&A restoration. **Additionally, the Human Services Development Fund (HSDF) was funded at 100 percent of the restoration amount.**

There are no cost-of-living-adjustments (COLAs) and no new or increased recruitment and retention (R&R) money in this budget for mental health (MH) and MR workers. It was shared with Secretary Richman that the way to assure quality and improved services to consumers is to allocate proper funding for direct support professionals. The Secretary acknowledged that this is true, and is a problem that needs to be addressed sooner rather than later.

According to Secretary Richman, DPW will soon be looking at the behavioral health rehabilitation services (BHRS) system.

The department's Autism Task Force continues to meet. While the Secretary indicated that there is no funding provided for any recommendations the task force puts forth, she did state that she will implement its suggestions. She also raised concern around the number of adults with autism, as this population does not easily "fit" into either the MH or MR system.

There is no Northeast Health Choices expansion outlined in this budget. However, Secretary Richman stated that she would like to see it move forward.

*The Federal Medical Assistance participation rate was temporarily increased to 57.71 percent of each MA dollar spent in Pennsylvania permitting a one-time reduction in state spending in these budget lines. For 2004-05, the Federal MA participation rate will be 53.84 percent.

Department of Public Welfare		2003-04	2004-05	2004-05	2004-05
PROGRAM	LINE-ITEM	AVAILABLE	GOV'S PROPOSAL	CHANGE	PERCENT CHANGE
Mental Health Services		\$932,588	\$930,515	-\$2,073	-0.22%
	(S) Mental Health Services	\$653,738	\$666,897	\$13,159	2%
	(F) Medical Assistance - Mental Health	\$211,285	\$201,905	-\$9,380	-4%
	(F) Homeless Mentally Ill	\$1,563	\$1,563	\$0	0%
State Centers for the Mentally Retarded		\$257,730	\$272,832	\$15,102	6%
	(S) State Centers for the Mentally Retarded	\$104,286	\$103,639	-\$647	-1%
Special Pharmaceutical Services		\$5,789	\$5,670	-\$119	-2%
Behavioral Health Services		\$64,316	\$64,316	\$0	0%
	(S) Behavioral Health Services	\$43,119	\$43,119	\$0	0%
Intermediate Care Facilities - Mentally Retarded		\$243,657	\$280,175	\$36,518	15%
	(S) Intermediate Care Facilities - Mentally Retarded	\$101,589	\$111,912	\$10,323	10%
Community Mental Retardation Services		\$1,297,454	\$1,293,070	-\$4,384	-0.34%
	(S) Community Mental Retardation Services	\$635,958	\$687,859	\$51,901	8%
	(F) Medical Assistance - Community MR Services	\$643,181	\$591,227	-\$51,954	-8%
	(F) Social Services Block Grant - Community MR Services	\$13,984	\$13,984	\$0	0%
Human Services Development Fund		\$47,409	\$47,409	\$0	0%
	(S) Human Services Development Fund	\$33,123	\$33,123	\$0	0%
Services to Persons with Disabilities		\$59,407	\$86,660	\$27,253	46%
	(S) Services to Persons with Disabilities	\$16,708	\$33,055	\$16,347	98%
Early Intervention		\$106,279	\$110,689	\$4,410	4%
	(S) Early Intervention	\$73,342	\$79,107	\$5,765	8%
Other					
	(F) Disabled Education - Administration	\$1,399	\$1,462	\$63	5%
	(F) Mental Health Services Block Grant - Admin.	\$158	\$160	\$2	1%
	(F) Social Services Block Grant - Administration	\$3,691	\$3,691	\$0	0%
	(F) Money Follows Person	\$750	\$1,500	\$750	100%

Drug and alcohol grants and special programs

Various funding for community-related D&A programs also comes through the Board of Probation and Parole, Executive Offices (Administration), Pennsylvania Commission on Crime and Delinquency, and the Department of Corrections. These items are generally specific programs or grants.

DEPARTMENT	LINE-ITEM	2003-04 AVAILABLE	2004-05 GOV'S PROPOSAL	2004-05 CHANGE	2004-05 PERCENT CHANGE
Executive Offices	(F) PCCD - Residential Substance Abuse Treatment Program	\$3,000	\$3,000	\$0	0%
Executive Offices	(S) PCCD - Intermediate Punishment D&A	\$13,000	\$13,325	\$325	3%
Executive Offices	(S) PCCD - Intermediate Punishment Programs	\$3,180	\$3,180	\$0	0%
Executive Offices	(F) Residential Substance Abuse Treatment Program	\$3,000	\$3,000	\$0	0%
Executive Offices	(F) Combat Underage Drinking Program	\$450	\$450	\$0	0%
Executive Offices	(S) Drug Abuse Resistance Education	\$68	\$68	\$0	0%
Executive Offices	(S) Substance Abuse Education & Demand Reduction Programs	\$1,230	\$1,230	\$0	0%
Executive Offices	(S) Substance Abuse Education & Demand Reduction Programs - Admin	\$65	\$65	\$0	0%
Probation & Parole	(F) Residential Substance Abuse Treatment	\$502	\$445	-\$57	-11%
Probation & Parole	(S) Drug Offenders Work Program	\$244	\$242	-\$2	-1%

Miscellaneous funding of interest

Over time, both PCPA staff and members have identified additional areas of interest. Those key funding areas are listed in the chart below. Please note that DPW has made a \$4.2 million allocation for the establishment of a new sex offenders unit for individuals who are "aging-out" of the juvenile justice system.

DEPARTMENT	PROGRAM	LINE-ITEM	2003-04 AVAILABLE	2004-05 GOV'S PROPOSAL	2004-05 CHANGE	2004-05 PERCENT CHANGE
DPW	Community Based Family Centers		\$14,029	\$13,095	-\$934	-7%
		(S) Community Based Family Centers	\$3,086	\$3,086	\$0	0%
		(F) Family Preservation - Family Centers	\$6,463	\$6,463	\$0	0%
Labor & Industry		(S) Vocational Rehabilitation Services	\$4,000	\$4,000	\$0	0%
Labor & Industry		(S) Centers for Independent Living	\$1,600	\$1,600	\$0	0%
Probation & Parole		(S) Sexual Offenders Assessment Board	\$2,815	\$3,202	\$387	14%