**Capitolwire: 'Five-party agreement' has FY2017-18 spending plan poised for completion Friday.**

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Capitolwire

HARRISBURG (June 29) - In general terms, the $32 billion General Appropriations bill that emerged in the state Senate Thursday evening isn't too much different from the one the chamber received in April from House Republicans, nor is it much different from what the state spent during the current year.

And while it's short of the roughly $32.6 billion in spending Gov. Tom Wolf proposed in February, he's on board with the proposal that was reported out of the Senate Appropriations Committee on a 23-3 vote, setting it up for final votes in the Senate and House of Representatives Friday morning.

"This plan is a bipartisan compromise that invests more in our schools, protects seniors, creates jobs, and builds on our fight to end the heroin epidemic," said Wolf in a statement issued Thursday evening prior to the public unveiling of the proposal and the Senate committee vote. "It maintains my commitment to reform state government and cut bureaucracy to work more efficiently, deliver better services and generate savings. I look forward to both chambers passing this bill and coming together to complete the process with a long-term, responsible solution to our budget challenges."

"This budget adheres to what has been demanded by taxpayers: controlling state government spending and cutting through layers of government bureaucracy while still providing historic education funding," said Senate GOP spokeswoman Jenn Kocher. "By putting taxpayers first, we have held the spending increase to less than 1 percent, even with significant fiscal challenges."

"I think it's fair," said Senate Minority Leader Jay Costa, D-Allegheny, of the spending plan. "I would call it a bipartisan budget."

"It is a five-party agreement," said House Republican spokesman Steve Miskin. "We did discuss it during caucus, but we didn't have the budget tracking runs. However, there seemed to be a general agreement to the plan."

The nearly $32 billion ($31.996 billion) spending plan brings approximately $300 million in spending that had been moved off budget by the Fiscal Year 2017-18 plans offered by both the House GOP plan and Gov. Tom Wolf. With that spending once again coming out of the General Fund, the House GOP plan tips the scales at roughly $31.8 billion and Wolf's proposal has a price-tag of $32.6 billion.

With regard to what will have been spent by the current Fiscal Year 2016-17 state budget - which runs its course on Friday at midnight - the plan for FY2017-18, which begins July 1, is an increase of approximately $54.3 million, or about two-tenths of one percent.

While the FY2016-17 budget was tagged last year by Capitolwire as spending $31.63 billion ($31.55 billion in General Fund spending, but with another $95 million, intended for the Commonwealth Financing Authority, moved off the General Fund books), that budget's underestimation of the funding needed for various human services appropriation lines necessitated adding nearly $400 million in supplemental appropriations during the current year, bringing the end-of-year spending in FY2016-17 to $31.94 billion.

While the spending plan is on it's way to being done, how to pay for it remains unresolved - much like last year's budget process that stretched into July. CLICK HERE to read a Capitolwire story about the unfinished business that appears as though it will have to wait until sometime during the next 10 (maybe more) days to be resolved.

As for some of the details of the new spending plan:

**Human Services**

While some of the budget tracking information supplied does not reflect the creation of a new Department of Health and Human Services, Miskin said the merger of the Departments of Health, Human Services, Drug and Alcohol Programs and Aging will occur.

"It is our intention to merge the departments," said Miskin, noting the DHHS merger is being booked in the new budget proposal as saving $20 million. "The budget agreement is predicated on merging."

Miskin said both the DHHS and Department of Criminal Justice mergers would be included in an Administrative Code bill to be done sometime during the next ten days.

However, Senate Republicans say the only commitment that exists regarding the DHHS merger is "a commitment to a process, not a merger."

In the budget information supplied by Senate Republicans, all four agencies remain separate, with, as is normally the case, the Human Services Department representing one of the largest cost centers within the General Fund budget.

The largest overall spending reduction, compared to the current year, within the entire proposed plan comes from the agency's Medical Assistance Capitation (Medicaid managed care) line: $353.3 million, which is a 9.7-percent decrease. That's a larger decrease than was contemplated by the House GOP plan ($206 million), and a far larger difference from the governor's plan ($28 million).

The other major difference between the new proposal and the ones offered by Wolf and the House GOP is with regard to the state's payment to the federal Medicare Drug Program.

The payment in the new plan is $657.1 million, or $74.8 million (10.2 percent) less than what was paid during the current budget year. The proposals from Wolf and the House GOP intended that payment to be $755.5 million in FY2017-18.

Some of the criticisms the Wolf administration had launched at the House GOP plan's health and human services funding proposals during the last few months - focused on spending for behavioral health services, child care services and fighting opioid addiction – appear to have been mitigated by the new proposal.

While the new plan's child care assistance budget line does not differ from the House GOP plan, the governor's proposed $4 million increase in behavioral health services funding appears to have been restored. Additionally, unlike the House GOP plan, which did not include the $10 million Wolf sought to use to increase the availability of naloxone – used to treat a narcotic overdose in an emergency situation – the new proposal would provide $7 million for the life-saving drug.

**Corrections**

While there would appear to be some uncertainty regarding the merger creating the Department of Health and Human Services, the new proposal reflects a merger of the state Corrections Department and the Pennsylvania Board of Probation and Parole.

That plan calls for a $103 million cut from last year's departmental spending total, partially due to the merger, and some apparently from the closure of SCI Pittsburgh.

Wolf's budget proposal in February contained a total of $43 million of spending cuts to the agency, a 1.7-percent decrease from last year. However, the House GOP plan of April ramped up the spending reduction, calling for a cut of over $179 million, or 7 percent. The new proposal appears to split the difference.

Much of the reduction in the new proposal comes from a $86.2 million, or 4.2-percent, cut in spending in the state correctional institutions appropriation line item compared to the current year. Wolf planned only a $35.8 million cut, while the House GOP planned a $130.9 million reduction.

Spending for the Board of Probation and Parole is cut by $142.3 million, or 92.7 percent, however much of that funding appears to be redirected to state field supervision, which receives a large increase - going from a zero balance during the current fiscal year to $126.6 million in spending for next year.

General government operations also receive a $12.4 million increase in spending, up 34.1 percent from this year. That mirrors what Wolf had sought, but exceeds by $3.2 million what was within the House GOP proposal.

Spending for inmate medical care, education and training takes a $7.1 million cut in the new proposal, but that's a smaller cut than was planned by both the governor ($8.2 million) and the House GOP ($10.7 million).

**Education**

The new budget proposal appears to tick off enough boxes for Wolf, and most lawmakers, regarding continued state investment in education.

The plan will increase total education spending by more than $431.9 million, including $100 million more for basic education, $25 million more for Pre-K Counts and an additional $25 million for special education.

The additional money would bring the Department of Education's total appropriations for next year to more than $12.7 billion of the chamber's $31.9 billion plan, a 3.5 percent increase from last year.

"We're very happy that we continue to maintain $100 million increase in education for K-12. I'm very thrilled that we're going to be adding more money to the House budget for early learning programs. We're going to pump that up," said Costa Thursday night.

State-related universities are flat-funded in the plan, while the Pennsylvania College of Technology would add $2 million to the $20 million it received last year and Thaddeus Stevens would receive an additional $1 million to its $13.2 million appropriation.

Under their plan, The Pennsylvania State University would receive $230 million, the University of Pittsburgh would get $144 million, Temple University would take in $150 million and Lincoln University would pocket $14.4 million.

Community colleges across the state, which received more than $232 million last year, won't receive any extra money either.

An additional $8.8 million would go to the State System of Higher Education, the entity overseeing 14 state schools, bringing its appropriations to more than $453.1 million for the fiscal year.

The Pennsylvania Higher Education Assistance Agency will see a minor increase of $500,000, rounding out their line item at $321.8 million.

The upper chamber didn’t bite on Wolf’s proposal to reduce by $50 million the payments to school districts for busing costs. It instead flat-funded student transportation to a tune of $549 million.

Wolf’s proposal to bulk up funding to Head Start Supplemental Assistance was somewhat successful: Though Wolf asked for an additional $10 million for the preschool program for low-income children, the new proposal will provide an additional $5 million next fiscal year, for a total appropriation of more than $51.1 million.

J.J. Abbott, Wolf’s spokesman, called both the exclusion of the pupil transportation funding cut and approach to Head Start funding a compromise.

The proposal finds a total of $70 million in savings from recalculating the contribution to the Public School Employees’ Retirement System ($40 million) and the School Employees’ Social Security payment ($30 million) based on an adjustment to the payroll assumptions made for public school employees.

The committee also approved increases to Early Intervention programs ($11.7 million), the Educational Access Program ($17.1 million), Job Training and Education programs (nearly $5.2 million) and Regional Community Colleges Services ($3.75 million).

Funding for school testing would be reduced by $7.8 million from current year spending, similar to the House GOP proposal. Wolf’s budget plan assumed next year’s spending would be the same as this year.

**Community and Economic Development**

The new budget proposal would restore cuts made under the House GOP spending plan for some state economic development and job training programs. Overall, the Department of Community and Economic Development would receive $145 million, staying at current funding levels, and getting nearly double what the House GOP proposal provided.

The Ben Franklin Partnership, a business incubator program, would remain at current funding levels of $14.5 million, avoiding a proposed 50 percent cut.

State aid for tourism marketing emerges as a winner after weathering years of funding cuts: The new proposal provides $12.9 million for tourism marketing, $1.5 million above current levels and significantly more than the $2.5 million budgeted by House Republicans.

DCED's Pennsylvania First Program, which includes the customized job training program and other development ventures, would receive $15 million, $5 million below current levels, but avoids a zero funding proposal under the House GOP budget bill.

**Agriculture, Natural Resources, Environmental Protection, Labor and Industry**

The new proposal would keep state aid for the University of Pennsylvania Veterinary School at the current $31.5 million level. That had been zeroed out by both the governor and the House GOP.

State parks and state forests would get more support from the General Fund under the Senate bill than under the House bill and the governor's proposal. The respective aid levels would be $51.1 million for state parks and $22.7 million for state forests.

State funding for the Department of Environmental Protection would remain basically the same at $147.7 million under the Senate bill. This reflects an $8 million boost from the House plan.

The Senate bill is in line with a GOP House plan to cut funding for the Susquehanna River Basin Commission and the Delaware River Basin Commission by 50 percent.

And the Department of Labor and Industry – a focal point of questions about spending of state dollars this past year – appears as though in the coming year it will have to make do with $10.5 million, or 13.3 percent, less than they had to spend during the current year. Wolf's budget had proposed a $8.7 million cut, while the House GOP plan would have cut the funding by nearly $10 million.

**The General Assembly**

The proposed budget continues a pattern of spending increases for the General Assembly, giving both chambers additional money in several categories.

A $7 million, or 6.6 percent, increase in spending is planned for the Senate, while the House would get a $7.8 million, or 3.8 percent, increase.

For the Senate, the most notable change is for officers and employees: they are to receive an increase of $1 million, or 8.5 percent, to their salaries.

The House sees less change in the proposal; only three areas would receive increases. The members' salaries and benefits, as well as the House Speaker's extra compensation, are proposed to receive a $2.6 million, or 10.2 percent, increase. The respective caucus operations receive a $3 million, or 2.5 percent increase.

The respective caucuses in the chambers would receive a combined $7.9 million, or 4.2 percent, increase in spending for their operations.