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GENERAL FUND

2009-10 Budget The fiscal year is projected to end with a revenue deficit of \$1.2 billion compared to the official estimate. Last year, the 2008-09 budget ended with a revenue shortfall of \$3.254 billion compared to the official estimate. Even more telling is that revenue collections were \$27.920 billion in 2007-08 and, removing the one time fund transfers that were used to balance the 2009-10 budget, tax collections for the year just completed are \$25.671 billion, a reduction of \$2.248 billion over the last two fiscal years.

The Governor had already anticipated a revenue deficit of \$525 million in the budget that he introduced in February. He placed money in budgetary reserve and lapsed additional funds. These actions turned a revenue deficit of \$1.2 billion into a general fund shortfall of \$413 million. This shortfall will be carried over into the 2010-11 fiscal year.

2010-11 Budget The budget is built upon another reduction in estimated revenue. The Governor has not yet certified the revenue estimate for 2010-11 but the budget assumes revenue of \$26.527 billion or \$1.09 billion less than was collected in the fiscal year just completed. The budget is based on \$808 million less in revenue than was anticipated in the Governor's budget presentation in February. There are no tax changes included in this budget.

This further reduction in revenue, the third consecutive decrease, made reduced spending for many of the line items unavoidable. A majority of the line items were reduced initially by 3% across the board. Many line items were further reduced by another .8%. Some were reduced even more dramatically. Some line items were not funded at all this year. Other programs are federally mandated and the Commonwealth was required to either maintain or increase these expenditures. Still other programs provide such important services that it would be shortsighted to reduce them. These tough decisions held overall spending to a level of 1.1% growth over the previous fiscal year. The budget appropriates \$25.3 billion in state dollars.

The budget will be balanced by transferring money from several funds. Most of these transfers will involve only transferring expected balances and will not affect the programs that are funded with the dollars. The transfer from Key 93 is an exception. Deferred maintenance of state system of higher education buildings and land trust purchases will be suspended for 2010-11 to provide money for the general fund. The complete list of funds affected and the amount that will be transferred is included in the table on the next page.

Fund	Amount Transferred (in Thousands)
Rainy Day Fund	\$745
Emergency Medical Services Fund	\$3,300
Highway Beautiful Fund	\$800
Key 93 Fund	\$17,102
Local Gov't Capital Project Loan Fund	\$1,000
Low Level Nuclear Waste Site Fund	\$2,700
PERF	\$5,400
Small Business First Fund	\$4,000

The budget agreement includes a promise to enact a severance tax on natural gas extraction to be done in the fall.

EXECUTIVE OFFICES

The budget for FY 10/11 includes several notable changes for appropriations within the Governor's Executive Offices from the revised FY 09/10 budget. These changes are as follows:

- A reduction of \$700,000 for the Office of Administration.
- A reduction of roughly \$2.4 million for Commonwealth Technology Services, which provides information technology services to state agencies and administers the data center outsourcing contract.
- A decrease of approximately \$1.9 million for the Statewide Public Safety Radio System. However, the majority of this reduction was scheduled in advance to reflect revised allocation percentages that called for less funding.
- A cut of nearly \$1.2 million for the Governor's Office of the Budget, lowering its total appropriation to \$27.7 million.
- A reduction of roughly \$1.6 million for the appropriation dedicated to Grants to the Arts, which provides competitive grants to support local arts programs and organizations, orchestras, museums, dance companies, theaters and festivals.
- The elimination of funding for Public Television Station Grants, which will result in \$900,000 in savings for the state.

- A combined reduction of just over \$4.7 million for appropriations related to youth based violence prevention, victim services, law enforcement activities, and drug and alcohol treatment. This combined reduction is made up from cuts to the following appropriations:
 - A decrease of \$2.9 million for Law Enforcement Activities
 - A decrease of \$580,000 for Victims of Juvenile Crime
 - A decrease of \$357,000 for Intermediate Punishment Drug and Alcohol Treatment
 - A decrease of \$240,000 for the Weed and Seed Program
 - A decrease of \$185,000 for Safe Neighborhoods
 - A decrease of \$176,000 for Evidence-Based Prevention
 - A decrease of \$124,000 for Intermediate Punishment Programs
 - A decrease of \$100,000 for Violence Reduction
 - A decrease of \$75,000 for Research-Based Violence Prevention

ROW OFFICES

ATTORNEY GENERAL

The Office of Attorney General (OAG) will receive an appropriation in the amount of \$ 83.007million for the FY 2010-11 budget. The General Government Operations were cut by 4.8% from FY2009-10 representing a \$1.9 million decrease. The General Government Operations appropriations supports most of the non-drug elements of the OAG's Criminal Law Division, most of the Public Protection Division, which protects Pennsylvania's consumers, the entire Civil Law Division, which defends the Commonwealth and its agencies in litigation, and the executive and administrative functions of the OAG. This includes salary, benefits and retirement contributions.

The final OAG budget includes continuing appropriations for the following items:

- \$3.1 million—Joint Local-State Firearms Task Force.
- \$476,000—Gun Violence Witness Relocation Program.
- \$717,000—Witness Relocation Program.

AUDITOR GENERAL

The budget for the Office of the Auditor General will see no significant changes in FY 10/11 with the following exceptions:

- A cut of approximately \$2.2 million for its general government operations.

- Two added appropriations totaling \$240,000 for security and transition expenses of the incoming and outgoing Governors.

STATE TREASURY

The State Treasurer's Office is slated to receive a \$1.7 million decrease which is 4.8% less than the Treasurer received last year.

The amount needed for general debt obligations will be \$974 million which is \$38 million less than the Governor asked for in his budget. The lower amount is due to an increased usage of the "Buy America Bonds" and a transfer of unused funds from the capital debt fund. There is a substantial increase in the interest payments of tax anticipation notes. The Commonwealth has relied on tax anticipation notes due to declining revenue collections.

THE DEPARTMENT OF EDUCATION

Basic Education Subsidy The 2010/11 budget allocates \$5.78 billion of state and federal ARRA funding for the basic education subsidy payments to school districts, representing an increase of 4.5% or \$250 million. This increase in funding continues to provide the state funding necessary to address the adequacy gap, using the new funding formula which recognizes the actual number of students in each district, geographic price differences and the additional costs of English-language learners and children from low-income families. This amount, while substantial, is less than the Governor originally requested and is less than the amount put forward in the original six-year plan. For this reason, it may take additional years to meet Pennsylvania's original adequacy target. Each school district will receive at least a two percent increase above its 2009/10 funding level.

It should be noted that while the Senate and House Republicans wanted no increase, or a much lower increase in funding for the subsidy, that would have shifted the burden to local school districts and most likely would have resulted in local tax increases.

As a complement to state funding, Pennsylvania also has a unique opportunity to take advantage of the federal Race to the Top (RTTT) Program this year, with the opportunity to receive up to \$400 million in targeted funding for education. Of the award amount, at least half will be disbursed directly to participating school districts. Nearly 130 school districts have signed on to the Commonwealth's RTTT application. The districts can then tailor the qualifying initiatives and reforms to their districts with guidance from the state level where needed. These funds will not replace any state funding, but would be an addition to the funds to target the schools and districts most in need across the Commonwealth. Although Pennsylvania was not successful in its first round application, the Administration is optimistic that its round 2 application will be awarded.

The Accountability Block Grant was introduced in the 2004/05 budget to provide funding for programs such as pre-kindergarten, full-day kindergarten, and class size reduction. This budget includes \$259.5 million, a 4.4% decrease from 2009/10. Funding for specialized tutoring programs, provided to academically-challenged school districts and career and technical centers is made through the **Education Assistance Program**. The \$47.6 million appropriation for this program reflects a \$7.7 million decrease from the prior year.

At the start of the 2007/08 school year, students attending Duquesne High School transferred to either East Allegheny School District or West Mifflin School District on a tuition basis. The \$2 million appropriation for **Basic Education Formula Enhancement** is designed to support the remaining Duquesne education programs and other miscellaneous administrative expenses and reflects no increase over the previous fiscal year.

Although the Empowerment Act expired on June 30, 2010, funding for those six districts is included at a slightly reduced level in the **School Improvement Grants** line. For those districts, a pro rata share of the \$10.8 million will be available to use to implement federal school improvement standards. School districts must give priority in allocating grants to persistently low achieving schools.

Special Education funding provides support for programs in the Commonwealth's public schools serving students with disabilities. These programs are administered by all 500 school districts, and charter schools where appropriate. A school district may operate its special education program directly or may contract with other school districts, intermediate units or other providers. In circumstances when the appropriate public education program is not available, students may be assigned to a Pennsylvania Approved Private School. The department estimates that the number of pupils with disabilities enrolled in special education programs will be 272,000 in 2010/11. The budget flat-funds the special education line, at \$1.027 million.

The 2010/11 budget funds the **PA Assessment** appropriation at \$32.6 million. Funds from this program are used to implement and support tests used to assess students, including the Pennsylvania System of School Assessment (PSSA). The **Teacher Professional Development** appropriation provides professional development opportunities to teachers. The 2010/11 budget includes \$21.6 million, \$1 million less than the prior year.

The **Science: It's Elementary** program aims to provide science resources for hands-on learning equipment and provide training for classroom teachers. For 2010/11, the fifth year of this initiative, funding is decreased to \$6.6 million. The **Dual Enrollment** program allows students to earn college credits while attending high school. The program receives \$7.0 million, a decrease of \$1 million from 2009/10.

Pre-K Counts program appropriation for 2010/11 is at \$85.2 million. Pre-K Counts provides funding for early childhood learning, focusing on at-risk students. It is anticipated that nearly 13,000 children will participate in this program in 2010/11. **Head Start Supplemental Assistance**, which expands pre-K services to eligible children, remains funded at the 2009/10 level of nearly \$38.4 million. **Early Intervention** funding provides services and support for children with developmental delays. This program receives a very modest increase, for total funding of \$182.1 million.

Reimbursement of Charter Schools subsidizes a percentage of actual expenditures incurred by school districts in the previous school year for resident students attending charter or cyber charter schools. The 2010/11 budget provides nearly \$224.1 million for this purpose.

Nonpublic Schools program funding has modest reductions in the 2010/11 budget. Specifically, nonpublic transportation will receive \$76.2 million, services to nonpublic schools \$88.4 million, and textbooks and materials \$27.0 million.

The **Public Library Subsidy** receives a 9.1% reduction, with total funding of \$54.6 million. The library subsidy supports more than 600 library facilities and 29 district library centers across the Commonwealth. In addition, Key '93 monies for library rehabilitation and development projects, totaling \$2.5 million, will be available.

Pension Payments

The Governor proposed limiting the employer's contribution amount to \$408 million, which is only 1% higher than it was last year. That proposal was accepted as part of this budget. The amount of state general fund dollars appropriated to pay for the pension amount is \$287.5 million, but monies from the tobacco settlement fund will be transferred to make up the difference of \$121 million to bring the state's contribution to \$408 million.

HIGHER EDUCATION INSTITUTIONS

Community Colleges

The budget keeps funding for community colleges at last year's level. With the combined use of state general funds and federal ARRA funds, Community Colleges will receive \$235.7 million for 2010/11. Available funds for capital projects are level funded at \$46.4 million. In total, the budget includes \$282.1 million for community colleges.

Funding for the community colleges is shared by sponsoring counties or school districts, the students through tuition payments and the commonwealth. Commonwealth appropriations are based on a formula that ensures predictable base operating funding with a hold harmless clause so that no institution receives less than the prior year's funding, provides a supplement for enrollment growth, provides a stipend for students enrolled in economic development programs that focus on high priority occupations and recognizes the capital costs of the colleges.

Pennsylvania State System of Higher Education

The Pennsylvania State System of Higher Education (PASSHE) will receive a total of \$503.4 million in combined state general and federal ARRA funding for 2010/11, the same funding levels as in the prior year. This amount is equal to 2007/08 funding levels. Additionally, the System will have \$130 million available for capital projects.

Funding is distributed through the Chancellor's Office to 14 individual universities in accordance with a formula that considers the enrollment and programs of the school and the cost of operating and maintaining the individual campuses.

Funding in the amount of \$11.1 million from the Keystone Recreation, Park and Conservation Fund for deferred maintenance projects will not be available, and is being transferred to the General Fund to help balance the budget.

State-related Universities

The budget includes level funding for the 2010/11 fiscal year for the state-related universities, specifically the Pennsylvania State University, the University of Pittsburgh, Temple University and Lincoln University. These amounts are equal to 2007/08 levels, using a combination of state general and federal ARRA funds. ARRA requires federal State Fiscal Stabilization Fund money to be used to restore funding to these institutions. In total, \$31.2 million for 2010/11 in ARRA monies are included.

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

The Pennsylvania Higher Education Assistance Agency (PHEAA) provides grants, scholarships, loan forgiveness, and other financial assistance to students and higher education institutions. The budget includes total funding of \$438.7 million.

Grants to Students

The Grants to Students appropriation comprises the largest portion of the PHEAA state appropriation. For 2010/11, funding is reduced by \$15.3 million or 3.8%, for a total of \$388.3 million. It is anticipated that the number of applications will increase for fall 2010. The maximum grant amount, \$4,120 in 2009/10, will be reduced by \$579 to \$3,541. Funding for Grants to Students has increased more than \$40 million since 2002/03.

Institutional Assistance Grants

The Institutional Assistance Grants line, which provides assistance to higher education institutions that do not receive other state funds, is funded at \$30.1 million. Institutions receive this allocation based upon the total number of eligible grant recipients enrolled. It is expected that in 2010/11 per capita grant amount would be \$738. It should be noted that Drexel University and Philadelphia University of the Arts no longer will be receiving a direct state appropriation, and therefore are eligible for IAG funding. If they participate in the program, the per capita grant would be reduced for all the institutions.

Remaining appropriations in the PHEAA budget are recommended to be funded at reduced amounts from the prior year.

DEPARTMENT OF AGING

Pennsylvania has the third oldest population of any state. The fastest growing segment of this population is people over 85 and the group most likely to use the long-term living system. In order to meet the challenge of the Commonwealth's growing elderly population, the Governor had recommended in February significantly reorganizing the long term living system to improve efficiency of service delivery and coordination of consumer services by integrating programs managed by the departments of Public Welfare and Aging to create the new Department of Aging and Long Term Living. The required legislation has yet to be passed by the General Assembly.

The **Family Caregiver Support Program** appropriation from the lottery fund remains at the prior year's funding level of \$12.1 million. This program is also supported by \$10 million in federal funds. The program assists families who maintain frail relatives in their home. Working through AAA's, the program provides benefits counseling and, depending on income, financial assistance including supplies, services and home adaptations and devices. It is anticipated that 8,245 families will receive these services in 2010-11.

Funding for the **Pre-Admission Assessment** Program is reduced by \$88,000, for a total funding level of \$10.7 million. Funding by the lottery and federal funds, this nursing home pre-admission screening program helps older Pennsylvanians and their families determine the least restrictive environment needed and assists them in securing and managing intensive in-home services tailored to their needs. It is anticipated that assessments and referrals to community services will decrease in 2010-11.

The **PENNCARE** program provides home and community based services to older Pennsylvanians to enrich their lives and enable them to delay or avoid moving to a nursing home. This budget includes \$243.6 million for the lottery funded PENNCARE appropriation to continue the current Attendant Care Program and provide services to an additional 285 recipients. Funds are also used for Older Adult Protective Services to investigate suspected elder abuse reports.

The Governor's February budget proposal decreased lottery funding for 2010-11 for **PACE, PACENET or PACE Plus Medicare** due to participation in a national pharmaceutical pooling agreement and anticipated federal changes to the Medicare Part D program. Figures for 2010-11 anticipate 130,675 seniors enrolled in PACE and 189,140 seniors enrolled in PACENET for a total enrollment of 319,815.

Act 69 of 2008 maintains the eligibility for PACE and PACENET enrollees who would otherwise be disqualified from participation in the program solely due to a Social Security cost-of-living adjustment. The exemption for PACENET is retroactive to December 31, 2007. The act was applicable to PACE enrollees starting on December 31, 2008. This was extended and will be up to the next administration to continue the moratorium.

DEPARTMENT OF AGRICULTURE

General Government Operations

General Government Operations is proposed to receive \$27.878 million in the 2010-11 budget year. The Bureau of Food Safety and Laboratory Services provide over 40,000 food inspections. It also re-inspects almost half of the food facilities it had initially examined. The department supports HB174, which creates tougher food inspection criteria which will reduce the number of second inspections. The cost of the new law, if passed, will be \$10.6 million. To protect the quality of animal feed the GGO regulates the sale of animal products. The GGO is the administrative Bureau of the Department that ensures that the department's programs are in compliance with state and federal laws while best representing the farmers of the Commonwealth.

The Animal Health Commission

The Animal Health Commission will receive \$4.7 million in the 2010-11 budget. Last year it received \$5.15 million, however, the Governor requested \$4.901 million. This program is committed to maintaining the health of domestic animals in order to protect human health. The testing of the quality and safety of food from farm animals is one of its main responsibilities. This is more important than ever since the increase of many strains of virus that are from many parts of the world. The agency develops test programs for diseases such as brucellosis, bovine tuberculosis, pseudo rabies, avian influenza and chronic wasting disease, to mention a few. The agency has been testing for any virulent strains of the flu in the swine population and any serious outbreaks. The research that the Animal Health Commission performs alerts human health research centers of possible viruses that could affect human health care.

Crop Insurance

Crop Insurance was funded in the 2010-11 budget at \$509,000. This program, which has existed in the last decade, has helped farmers deal with adverse weather conditions that have seriously destroyed crops across the state. The federal government's new budget (2010-11) contains additional incentives for this very important program. This program also protects state government from pouring millions of dollars into farms that have suffered damaged crops due to severe weather conditions. The federal government strongly encourages farmers to participate in crop insurance programs through its various incentives.

Agriculture Promotion, Education and Exports program

The 2010-11 budget funded the Agricultural Promotion, Education and Exports program at \$218,000. The Governor in his budget requested there be no money appropriated to this program. This appropriation will allow the program to fund those agribusiness projects that may not receive any other funding, thereby affecting marketing efforts by small agribusiness projects by smaller farms. Fortunately, the federal government has recently provided additional money to leverage this state money to develop and maintain overseas markets for agriculture grown in the United States.

State Food Purchase program

The State Food Purchase Program is funded at \$17.85 million for the 2010-11 fiscal year. Much of these dollars will be used to purchase federal surplus food and to leverage additional money for food programs throughout the state. During the downturn in the economy, this program has provided significant food resources to countless families. For example, in 2009 15.9% of Pennsylvanians did not have enough money to buy food that they or their family needed. This has proved to be an invaluable program during the downturn in the economy that we have been experiencing in the last few years.

Nutrient Management program

The Nutrient Management Fund will receive \$2.7 million in the 2010-11 state fiscal year to operate and maintain the nutrient management program. This program was created from Act 38 of 2005 to assist and oversee the farm community in developing nutrient management plans to protect water and clean air. The program assists farmers to develop their own nutrient management plans for their own farms that limit as much as possible their collective waste that may impact water or air quality. This program is especially important with the renewed emphasis on water quality in the Chesapeake Bay watershed.

CORRECTIONS

State spending for the Department of Corrections (DOC) will reach \$1.71 billion, an increase of \$114 million, or a 7.1% increase over the 2009-2010 fiscal year. This increase in funding is needed due to the growth in inmate population.

The Governor was able to reduce state institutional costs due to continued American Reinvestment & Recovery Act (ARRA) support of \$173 million in FY 10/11. However, ARRA support ends December 31, 2010, which will cause the DOC's FY 2011/2012 state fund budget to increase by approximately \$360 million due to the loss of ARRA financial support.

The inmate population is the single most important factor affecting costs in the correctional system. By the end of December 2011, the inmate population is projected to grow to 56,288, an increase of 4,801 from December 2009. When factoring in the cost of inmate health care, education and training expenses, the current average cost per inmate is \$35,821.

The Medical Care appropriation is \$243 million. Following a National trend, every year sees an increase to the cost of providing adequate healthcare to the inmates, especially the elderly population.

PROBATION and PAROLE

Probation and Parole spending will total \$120.5 million in FY 10/11, which is an increase of approximately \$4.2 million from last year.

In the enacted 10/11 budget, the General Government Operations appropriation received an increase of approximately \$4.6 million or 4.9% above the Governor's FY 09/10 budget.

Funding for the Sexual Offenders Assessment board was increased by \$288,000 over the FY 09/10 spending level.

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

The final budget includes a total appropriation of \$327.455 million for the Department of Community and Economic Development (DCED) in fiscal year 2010-11. While many DCED line items were reduced in the final budget, there is an overall increase to the Department of approximately \$40 million above the governor's requested amount. This is directly due to a joint focus on job creation and retention, as well as economic development programs and services, as the necessary impetus to spark our economy.

The focus on bringing businesses and, by extension, jobs to Pennsylvania is made clear in areas such as the \$600 million increase in the Commonwealth's debt ceiling for community and economic development projects.

Appropriations to attract, retain, and develop business within the Commonwealth, such as the Business Calling Program, the Opportunity Grant Program and Infrastructure Development were all subjected to cuts. However, they were kept at a level that allows them to continue operations. These three programs will receive a combined total of \$33.4 million in FY 2010-11, (Business Retention and Expansion - \$704,000, Opportunity Grant Program - \$17.8 million, Infrastructure Development - \$14.8 million).

Critical restorations were provided for several community programs that were originally eliminated in the proposed budget. This includes restoring Small Business Development Centers to their current year available appropriation of \$4 million. In all, a combined total of approximately \$50 million was restored for these community assistance programs within the Department.

Although DCED funding for the Ben Franklin Tech. Development Authority Fund has been significantly reduced for FY 2010-11, measures have been taken to ensure that the majority of this funding will be distributed to the Fund's four advanced technology centers. Language has been inserted into the general appropriations bill to require that 80% of funds appropriated to DCED for the Ben Franklin Fund will be distributed to these regional centers, which are located in Northeastern, Southeastern, Southwestern, and Central PA. In all, \$16.8 million has been appropriated to the Department to transfer to the Ben Franklin Fund, over \$13 million of which will be provided to these centers, or what are also referred to as "Technology Partners".

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES (DCNR)

Like many other agencies and departments in the Commonwealth, DCNR will see its appropriated levels of funding reduced by the budget agreement for FY 10-11 as a result of the sluggish economy and lagging revenue collections.

The Department's general government operations (GGO) will be cut by roughly \$1 million, decreasing from \$19.6 million in FY 09/10 to \$18.6 million for FY 10/11.

Also included in this budget is a decrease of approximately \$3.1 million for state parks operations, lowering the total for this appropriation down to \$46.7 million. As one of the main responsibilities of the Department, DCNR administers the operation and maintenance of the state park system, which has a total of 117 parks that span across 62 counties of the Commonwealth. Additionally, DCNR is also responsible for the management and protection of our state forest system, which encompasses 2.1 million acres of state land situated in 20 different forests districts. For FY 10/11, DCNR's forest pest management initiative will be cut by \$70,000, down to just under \$1.8 million, and the appropriation for the department's forest operations will be reduced by almost \$5 million. However, a special lumber "stumpage" account funded by state timber sales and totaling \$4 million has been set up to supplement the department's forest operations, meaning actual losses for the appropriation in the coming fiscal year will resemble an amount closer to \$1 million. Funding saved through the reduction of this appropriation and others mentioned will all be used to help close the budget gap or deficit.

Aside from discussing specific line item appropriations within DCNR, other areas of funding within the department will also be used to help offset the states \$1.2 billion deficit. For example, the department administers, and traditionally receives funding from, the Oil and Gas Lease Fund. Monies in the fund are generated from both leasing and royalty payments coming into the state from oil, and more importantly, gas drilling operations. As a result of last year's budget agreement, \$60 million was to be transferred from the fund to the General Fund in 09/10 and another \$180 million is to be transferred in 10/11 to help the state weather struggling financial times. Thanks to the booming development of the state's Marcellus Shale reserves and two successful lease sales over the past year, the fund has done extremely well, and generated more than enough revenue to cover the two aforementioned transfers.

Despite the funding decreases and transfers mentioned, the department will continue to receive supplemental funding to improve and maintain the state forests and state parks systems through the Growing Greener II (GG II) initiative. The initiative was established in 2005 to provide DCNR with more than \$220 million over a six year span for various maintenance operations, construction projects, facility upgrades and conservation efforts. To date, the department has spent approximately \$205 million of committed and allocated GG II funding on various projects. DCNR is scheduled to spend the remainder of its total allocation from GG II in FY 10-11.

The following chart provides an up to date breakdown of the amount of funding spent by DCNR from the GG II initiative thus far, as well as remaining GG II funds scheduled to be spent by the department in each project area for FY 10-11.

Project Type	Amount Spent	FY 10-11
Community Parks and Recreation	\$28,950,578	\$1,549,421
Open Space Conservation	\$82,646,046	\$7,353,954
Parks and Forestry Facilities and Infrastructure	\$94,136,117	\$5,863,883
Grand Total	\$205,732,741	\$14,767,258

DEPARTMENT OF ENVIRONMENTAL RESOURCES

DEP, like every other department will have significant cuts in many of its line items. These cuts are in the 6% to 7% range. There will probably be further layoffs at DEP as they try to live within the limits of this budget. The appropriation for the general government for DEP is reduced by \$900,000 or 6.6%, environmental program management is reduced by 5.6% from last year.

The three river basin commissions, which are charged with regulating water usage and are more important due to the increased usage from the Marcellus Shale drilling, were reduced by a modest .8%.

GAMING CONTROL BOARD

An appropriation of \$35,800,000 is made from the State Gaming Fund for the operation of the Gaming Control Board in Fiscal Year 2010-11. This funding will be used for the operation and personnel costs of the Board. The Gaming Board is responsible for the oversight of up to 14 gaming facilities and up to 61,000 active slot machines and table games at all facilities. Currently there are 9 venues open with more than 25,000 active slot machines and table games scheduled for July, 2010.

Gaming Board Support Agencies

Several state agencies provide support to the Gaming Control Board. Their budgets are submitted to the Board, which then has the responsibility of reviewing and submitting those budget requests. These three agencies are closely involved with the day to day operation and regulation of operating facilities. The Department of Revenue is the manager of the central computer system which keeps track of all operating facilities in the Commonwealth. The Office of Attorney General and the Pennsylvania State Police work with the Board to assist with background checks, investigations, regulatory and legal issues. Below are the proposed budgets for fiscal year 2010-11:

Department of Revenue: \$9,942,000

Attorney General: \$ 994,000

Pennsylvania State Police: \$18,283,000

A breakdown of revenues for the operating facilities for Fiscal Year to Date:

	FYTD June 20, 2010	Grand Total from Enactment of Act 71
Total Gross Terminal Revenue	2,108,775,739.42	\$5,599,589,987.88
Total Property Tax Relief	716,983,751.76	\$1,903,860,656.93
Total Local Share Assessment	84,351,029.49	\$223,983,606.46
Total Economic Development	105,438,787.62	\$279,979,509.81
Total Race Horse Development Fund	252,983,633.64	\$671,881,364.56

Table Games

In January, 2010, the General Assembly expanded legal gaming in Pennsylvania to include table games with enactment of Act 1—2010. To this point, ten licensees have applied for and paid the \$16.5 million Table Games Certificate Fee for a total of \$165 million in revenue to the Commonwealth. Licensing fees and taxes on Gross Table Games Revenue will be deposited in the General Fund. However, when the balance of the Budget Stabilization Reserve Fund (Rainy Day Fund) reaches \$750 million, the state share of Gross Table Games Revenue will thereafter be deposited into the Property Tax Relief Fund.

The initial tax rate for table games will be 16% of gross table games revenue, comprised of 14% to the state, 1% to the host municipality and 1% to the county. Facilities located in Philadelphia will remit 2% for local share payment. After two years of operation, the tax rate to the state will be reduced to 12% for an overall tax rate of 14%. This rate is expected to produce approximately \$120 million in General Fund revenues for fiscal year 2010-11. As additional Category 2 and Category 3 facilities come on line, additional licensing fees and revenues are expected.

The Gaming Control Board has projected that table games will be operational at 9 licensed facilities by mid-July, 2010. The Board estimates that table games will be operational at a 10th licensed facility (Sugarhouse) by mid-September.

Facility	Active Slots 6/20/10	Estimated Table Games Banking	Estimated Table Games Non- banking	Estimated Jobs FTE/PTE
Mohegan Sun	2228	66	16	596
Philadelphia Park	3276	57	0	385
Harrah's Chester Downs	2820	86	25	917
Presque Isle	1772	48	0	500
The Meadows	3409	42	20	549
Mount Airy	2169	56	12	480
Hollywood at P.N.	2440	40	12	439
Beth Sands	3094	77	12	393
The Rivers	2747	62	24	458
Sugarhouse	1600	40	0	306
		35	15	
Total	25555	609	136	5023

DEPARTMENT OF HEALTH Health Care Associated Infections

This program is a relatively new program that emanated out of the Governor's package of bills for Health Care reform. Act 52 of 2007 created this program to reduce pain and suffering to patients and manage health care cost. Patients with an infection acquired in a hospital are six times more likely to die than a patient who does not develop an infection. The Department, through this program, established criteria to decrease infections in health care facilities. For initial start-up – facilities must demonstrate a 10 percent reduction in infections reported as compared to baseline data. In the final stage of the program disease trends are determined and corrective action is recommended abating health risks. This successful program will receive \$1.141 million in the 2010-11 fiscal year budget.

Cancer Programs – Effective delivery of health care

The Department of Health has four major cancer programs; Cervical Cancer, Cancer Control programs, Breast and Cervical Cancer screenings and Regional Cancer Institute's. They received the following amounts in order: \$796,000, \$1.530 million, \$684,000, and \$992,000 in the 2010-11 budget. Since these programs did not sustain major cuts they will continue to reach out primarily to women throughout the state providing education and cancer screenings. Many women would not have access to cancer prevention and early detection programs if not for these three programs.

Drug and Alcohol Programs

The Assistance to Drug and Alcohol Programs will receive \$41.698 million for the 2010-11 fiscal year. These funds are allocated to Single County Authorities (SCA) in various counties throughout the state. The SCA contracts with Drug and Alcohol services throughout the counties. These drug and alcohol services include: prevention, intervention and treatment. Treatment can include outpatient counseling, rehab, and partial hospitalization. The funding for this program is always in dire need for the many clients that it serves and many more that are on long waiting lists. The Behavioral Health Initiative in the Department of Public Welfare also provides some funding to those people who are cross addicted and dual diagnosed. There are a limited number of beds in the state that provide them for dual-diagnosed clients, whose treatment tends to take longer because of the many issues they are handling.

AIDS programs

The 2010-11 budget funds the AIDS Program at \$7.381 million. This program received a small increase from the Governor's proposed budget. This program provides a myriad of services to AIDS patients especially through case management. Having a case manager for each AIDS patient allows the AIDS patient a continuum of social and medical services to effectively deal with the disease. AIDS is still a deadly disease that is impacting patients at an earlier time in their lives.

Tobacco Prevention and Cessation

These programs will receive a reduction in tobacco funds. The 2010-11 budget will provide \$14.8 million to the Department for cessation and prevention programs. A portion of the cut will affect the Department of Health in their plans to allocate this money to primary contractors throughout the state. Counties will be affected based upon a portion of the total amount of funds that they receive. However, the state plans to maintain the Quitline program for the 2010-11 fiscal year.

Counties that receive base awards or contracts for tobacco prevention and cessation programs that have been approved will be cut, but will be able to operate on a smaller scale. Some of the smaller counties that operate cessation and prevention programs in their vicinity will join with other smaller counties to create stronger delivery programs.

INSURANCE

All of the appropriations within the Insurance Department were reduced from the levels proposed by the Governor in his February budget due to the fiscal constraints facing the Commonwealth.

The Children's Health Insurance program (CHIP) provides health insurance to all uninsured children and teens that are not eligible for or enrolled in Medical Assistance. For FY 10/11, the budget includes \$97.4 million in state money and approximately \$290 million in federal money to cover additional children. Current enrollment in the CHIP program was 196,810 as of June 2010.

The adultBasic program was designed to provide health insurance for adults meeting certain eligibility requirements and who do not have health insurance. AdultBasic is not an entitlement program and enrollment is limited to the funding available. Current enrollment in the adultBasic program is 45,927 with approximately 390,000 people on the waiting list.

Financial support for the adultBasic program is provided through individual monthly premiums, tobacco settlement, and Community Health Reinvestment (CHR) funds. CHR was set to expire December 31st, 2010. However, due to negotiations between the Blues plans and the Administration, the CHR will support the adultBasic program through the end of FY 10/11.

JUDICIARY

The final budget provides an appropriation for the Judiciary in the amount of \$276.86 million for FY 2010-2011. This represents level funding for the Judiciary from FY 2009-10. With fee increases detailed below, the total budget available for the Judiciary totals approximately \$306.31 million.

The Commonwealth's Judicial System includes the Supreme Court, Superior Court, Commonwealth Court, Courts of Common Pleas, Philadelphia Municipal Court, Traffic Court of Philadelphia and the Magisterial District Justices (MDJ's). The Administrative Office of Pennsylvania Courts (AOPC) is the administrative arm of the courts. The AOPC provides services for approximately 2,100 members of the judiciary and their staff.

Judicial Department	FY 2010-11 Appropriation
Supreme Court	13,424,000
Superior Court	26,237,000
Commonwealth Court	15,926,000
Courts of Common Pleas	79,136,000
Magisterial District Justices	58,986,000
Philadelphia Municipal and Traffic Courts	6,458,000
Court of Judicial Discipline	454,000
Judicial Conduct Board	1,182,000

These appropriations are enhanced by a fee increase included in Act 49--2009. The legislation would impose an additional fee on all civil and criminal filings for a period of twenty-five (25) months beginning December 8, 2009. The additional fee would be in the amount of \$13.50 and added to the current filing fee of \$10 that is shared between the Judicial Computer System Account and the Access to Justice Account providing funds to legal aid services. The fee increases included in Act 49—2009 are as follows.

Fee Distribution	Fee Amount	Estimated Annualized Collection
Courts	\$10.25	\$29.4 million
District Attorneys	\$2.25	\$6.4 million
Access to Justice	\$1.00	\$2.8 million

LABOR & INDUSTRY

Along with many other departments and agencies of the Commonwealth, the Department of Labor and Industry will also see its fair share of funding reductions and program eliminations contained within the FY 10/11 budget.

Funding for the department's Occupational and Industrial Safety line item has been reduced by \$826,000, lowering the total for the appropriation to just above \$10.8 million. The Bureau of Occupational and Industrial Safety administers a variety of laws related to the safety of the public and employees. These include the Uniform Construction Code, Boiler and Unfired Pressure Vessel Law, Liquefied Petroleum Gas Act, Private Employment Agency Law, and the General Safety Act, among others.

Also included in this budget are reductions of approximately \$190,000 for the Pennsylvania Conservation Corps line item and approximately \$150,000 for the department's PENNSAFE line item. The Pennsylvania Conservation Corps provides employment and job training opportunities for young people through work on conservation, historical and recreational projects, while PENNSAFE provides information and training about hazardous chemicals, workplace safety training, and enforces underground utility line safety statutes.

The department's transfer to the vocational rehabilitation fund has also been reduced by slightly more than \$2.8 million, down from \$43.3 million in FY 09/10 to just under \$40.5 million for FY 10/11. This transfer of state funds is used to match and draw down federal funds for vocational rehabilitation services that assist individuals with disabilities and help to prepare them for employment. Additionally, funding for the department's Training Activities appropriation, which provides grant funding for the training and placement of dislocated and youth workers, has been cut by \$550,000.

Despite the funding reductions mentioned above, there was a bit of good news for a few areas within the department. Funding for the department's Assistive Technology line item has been increased to \$900,000, up \$160,000 over FY 09/10. This initiative helps to provide devices to disabled persons in an effort to assist them on their paths to independence and employment. Additionally, funding for the department's New Choices/New Options and Employment Services appropriations was able to be salvaged in the face of elimination. Funding levels for the New Choices/New Options and Employment Services appropriations have been set at \$1.2 million and \$1.1 million, respectively. The Governor's budget proposal originally did not include funding for either of these line items.

Unemployment Update

Since the start of the national recession, Pennsylvania has undoubtedly experienced one of its worst phases of unemployment to date. In May 2010, the Commonwealth's seasonally adjusted unemployment rate rose to 9.1 percent, up one tenth of a percentage point from April, and up three tenths a percentage point since the start of the year. The total number of unemployed rose to 591,351 in May 2010, an increase of 7,400 over the prior month and an increase of roughly 78,000 since May of last year. However, the Commonwealth is fairing much better compared to other parts of the nation where unemployment has risen by much more dramatic percentages. PA's unemployment rate was still below the national rate of 9.7% for the month of May and the state's rate has now been equal to or below the national average for 88 of the past 89 months.

Nevertheless, much work is ahead and major obstacles still have to be overcome for the state to continue to succeed in combating its numbers of unemployed. For starters, about 200,000 Pennsylvanians stand to lose their unemployment benefits by the end of July if the federal government does not act to further extend federal extensions of unemployment compensation. These benefits have proven to be a vital lifeline and resource in helping individuals on their paths back to employment.

Additionally, the state can take action to draw down an additional \$273 million in federal stimulus funds by amending state law to make 30,000 more individuals eligible for unemployment compensation. Action also awaits several work-sharing bills in the state, which would allow companies to reduce work hours for all or a portion of their workforce instead of laying-off employees. Employees whose hours are reduced would be eligible to receive partial unemployment compensation from the state to make up for lost wages. The work-sharing legislation, coupled with action to draw down additional federal stimulus dollars for unemployment compensation, would also help to alleviate pressure on the state's Unemployment Compensation Trust Fund which remains insolvent and is \$3 billion in debt to the federal government.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA)

The Department of Military and Veterans Affairs will see no significant changes resulting from the final budget agreement for FY 10/11 with the following exceptions:

- The Department's general government operations will receive a cut of approximately \$1.2 million, decreasing from \$18.8 million in FY 09/10 to \$17.6 million for FY 10/11.
- An increase of roughly \$1 million for the system of six state run veterans' homes, raising the appropriation from \$81.2 million in FY 09/10 to \$82.2 million for FY 10/11.
- The restoration of the department's Armory and Maintenance Repair line item, which provides funding for the maintenance and repair of National Guard armories, facilities and installations. Funding for the line is set at \$496,000 after it was eliminated in FY 09/10 due to fiscal constraints.
- The elimination of the department's Civil Air Patrol program. The elimination of this program will result in \$135,000 in savings for the state. The overall objective of the program was to provide assistance to the National Guard and State Police in search and rescue missions, disaster response, homeland security and counter drug operations.

EMERGENCY MANAGEMENT AND HOMELAND SECURITY

Spending by the Commonwealth for Emergency Management and Homeland Security for FY 2010-2011 will total \$12.67 million. While this is a decrease from FY 2009-2010, it is a modest increase over the original proposed appropriation.

The overall Department total includes a 5% decrease in their General Government Operations line, with \$5.523 million available for FY 2010-2011. However, many of the Department's overall costs are offset by federal dollars.

STATE POLICE

The General Government Operations is administratively responsible for the personnel of the State Police. The 2010-11 budget targets \$164.6 million in General Fund money for the Department, and the Motor License Fund provides \$493 million. The General Government Operations bureau of the State Police handles all of the administrative and operational functions of the Department. It handles most of the resources of the State Police both fiscally and the overall direction of the Department. At the present time, the State Police have 5,614 state troopers carrying out the directives of the Department.

This budget provides approximately \$10 million to replace the older police vehicles that have 80,000 miles or more. This budget will provide one cadet class in October. The class will start with 100 cadets with a cost of approximately \$5.1 million for the 2010-2011 fiscal year.

The State Police handles much of the investigative state detective work, including crimes such as homicide, grand theft, bank robberies, and DNA testing. The State Police performs traffic safety and guidance throughout the Commonwealth. The State Police can patrol and search with a fixed wing plane and two helicopters.

Within the 2010-11 budget the Commonwealth Law Enforcement Assistance Network (CLEAN) and other communication technologies shall receive \$6.689 million. This program is used by law enforcement agencies throughout the state and will enable them to access driver information at real time and make available state and federal criminal record information.

DEPARTMENT OF REVENUE

The Department of Revenue was one of the few departments that did not receive cuts in their general government appropriation or the computer modernization line. The increase for their general government was modest, only \$748,000 or .4% over last year's approved amount.

The computer at the Department is quite old and is being replaced in a five year plan. The appropriated amount of \$15.9 million is \$8 million less than the Governor asked for, but it is \$670 thousand more than they received last year which was the first year of the replacement plan.

DEPARTMENT OF STATE

Spending by the Commonwealth for the Department of State for FY 2010-11 totals \$8.481 million. This is a decrease of approximately 15% from the FY 2009-10 available funds.

The cuts to these lines are represented as a 15% reduction in their general government operations line, a 12% reduction in funds for the Statewide Uniform Registry of Electors, a 10% reduction for lobbying disclosure, and a 4% reduction for voter registration. However, the Department of State's general fund appropriations only account for a small portion of their overall operating budget, which is offset by federal funds as well as revenue generated by the Department itself.

DEPARTMENT OF TRANSPORTATION

					(amounts are in thousands)						
					2008-09			2009-10			2010-11
Highway Construction											
Highway Safety Improvements					\$108,251			\$105,000			\$101,000
Expanded Highway and Bridge Projects (Act 44)					\$465,000			\$465,000			\$477,500
Highway Capital projects (EA)					\$206,000			\$201,000			\$205,000
Highway Bridge Projects					\$110,000			\$65,000			\$30,000
Highway Maintenance											
Highway Maintenance					\$826,277			\$764,379			\$755,379
Secondary Road - Maintenance					\$61,354			\$63,143			\$61,040
Highway Maintenance (excise tax)					\$179,784			\$185,909			\$173,943
Highway Maintenance Enhancement					\$263,130			\$272,668			\$256,785

Highway and Bridge Construction and Maintenance

The 2010-11 budget will provide Pennsylvania with \$1.257 billion to maintain 39,822 miles of roadway. Each year PennDot works to repair 3,946 miles of roads. The General Assembly and the Governor have consistently directed attention and funding to resolve a large backlog of bridge maintenance needs. Investments have risen from \$259 million in 2002 to almost \$1 billion per year. For the first time, the number of structurally deficient bridges in the state declined, from 6,034 in 2008 to 5,911, and as of July, the number stood at 5,881.

The 2010-11 budget allocates \$783.50 million to be used on Pennsylvania highways for resurfacing and reconstruction. PennDot has the responsibility of executing and developing the most critical solutions to the deficiencies on state highways, including safety and mobility issues.

MOTOR LICENSE FUND

In the 2009-10 budget the Governor proposed that the revenue estimate for the 2009-2010 fiscal year would be \$2.623 billion. In his proposed 2010-2011 budget, he revised his estimate to \$2.600 billion or a projected loss of \$23 million. The shortfall was largely caused by a reduction in the category called Liquid Fuel Taxes. This was due primarily because of the economic downturn in the 2009-10 fiscal year. People simply traveled less and bought new cars that boasted higher fuel efficiency.

The beginning balance of the 2010-11 fiscal year saw a balance of \$105.5 million. This balance was added to the Governor's projected revenue for the 2010-2011 fiscal year of \$2.619 billion to start the new year with \$2.724 billion for all the funds that will be available for the 2010-11 fiscal year. As of June 30, the fiscal year to date estimate was only \$15.7 million or 0.6% different than the fiscal year to date actual revenue. There was only a slight difference between estimate fiscal to date revenue and actual fiscal year to date revenue which helps greatly in balancing the Motor License Fund.

The Motor License Fund received \$450 million from Act 44. This Act provided that the Pennsylvania Turnpike would fund \$450 million for all transportation projects that were typically funded by the Motor License Fund. Additionally, PA transit programs had received \$400 million from Act 44. However, the necessary Federal approval of Act 44 did not succeed, and Pennsylvania lost about \$492 million this fiscal year and every year thereafter. The break-down in the loss of funds for highway and bridges are \$250 million, while transit programs were cut by \$200 million.

Transit Programs

Mass transit programs are now funded directly through the Public Transportation Trust Fund and therefore will not be impacted by the budget cuts necessitated by the economic downturn. However, the amount of money available to transit programs in the Governor's February budget was assuming that I-80 tolling would be approved at the federal level. This was not the case. I-80 tolling was rejected, and funding for all areas of transportation was reduced significantly. If I-80 tolling had occurred, transit was scheduled to receive \$400 million with a 2.5% COLA in fiscal year 2010-11. Now that tolling was not approved, transit will receive a flat \$250 million in fiscal year 2010-11.

Lottery Fund supported Shared Ride funding is budgeted to increase modestly by over \$1 million to total more than \$81.5 million in the proposed budget. Dedicated mass transit revenues, state capital support and Lottery Funded Shared Ride appropriations will make more than \$500 million available for mass transit programs during the 2010-11 fiscal year.

PUBLIC WELFARE

The Commonwealth's General Fund total expenditures are projected to increase by \$268 million or 1.1%, while DPW's general fund spending will decrease by \$4.9 million or -.1%.

The Administration was able to augment the Department's general fund spending due to the increase in the federal financial participation (FFP) rate through the President's American Recovery and Reinvestment Act (ARRA). Prior to ARRA, the federal government paid 55% of the Commonwealth's medical assistance costs. Under ARRA, the federal government will pay approximately 66% of Pennsylvania's medical assistance costs through the end of federal fiscal year (FFY) 2010, state calendar year 2010. The increase in FFP rate allowed the Commonwealth to avoid cuts to health benefits and/or eligibility for medical services in the Medicaid program during the nationwide economic downturn.

For FY 10/11, the budget anticipates approximately \$1.83 billion in ARRA FMAP funds to be used to offset the cost of the Medical Assistance (MA) program. However, the \$1.83 billion in federal fund support assumes that Congress will pass an additional 2 quarters extension of FMAP. The 2 quarter extension is worth approximately \$850 million of the \$1.83 billion. To date, Congress has not succeeded in getting the extension approved by the US Senate. It is possible the US Senate will take up the FMAP extension after their July 4th recess or wait until the fall and incorporate it with the President's budget bill for FFY 2011.

Medical Assistance

The most significant spending and program issues in the Department's budget relate to the Medical Assistance program. This is part of a National Trend. In fact, Pennsylvania has one of the largest elderly populations in the country and the largest number of persons over 85. In addition, there is a growing trend by employers to cut back on employer sponsored health insurance, particularly for low wage workers.

"Big 5" Medical Assistance Appropriations (\$ are in thousands)

	FY 09/10	FY 10/11	Difference
Outpatient	\$ 435,939	\$ 357,358	(\$78,581)
Inpatient	\$ 371,515	\$ 266,982	(\$104,533)
Capitation	\$2,127,765	\$2,478,949	\$351,184
LTC	\$ 540,266	\$ 584,081	\$43,815
Medicare Part D	\$ 450,218	\$ 196,090	(\$254,128)
Total	\$3,925,703	\$3,883,460	(\$42,243)

Net State Fund Decrease **(\$42,243)**

The big four MA appropriations are Outpatient (Non-Hospital), Inpatient (Hospital), Capitation (Managed Care), and Long Term Care (Nursing Homes). These four appropriations account for the overwhelming majority of the spending in the MA budget.

The following is a comparison of the major components of the Governor's proposed Medical Assistance budget with the enacted budget.

Governor's Plan

Reduce Hospital Supplemental Payments (\$25.7 million)

LTC appropriation supported by lottery and tobacco funds (\$284 million)

Budget Agreement

Restoration of Hospital Supplemental Payments due to Enactment of Medical Assistance Modernization Act (see below)

Lottery and tobacco fund support (\$284 million)

Medical Assistance Modernization Act

For the past three fiscal years, the Hospital Association of Pennsylvania (HAP) was seeking a mechanism to fund an update to the Medical Assistance (MA) hospital fee-for-service payment system. After considering numerous options, HAP introduced a plan to fund the new payment system through the adoption of a statewide hospital assessment, known as Access to Quality Care Assessment. A provider assessment is a federally approved plan, enacted by state law, which authorizes collecting revenue from specified categories of providers. These new state funds can be matched with federal funds so that the state gets additional federal Medicaid dollars. The Access to Quality Care Assessment would apply to all general acute care and rehabilitation hospitals and children's hospitals, but would not apply to federal veterans' affairs hospitals, hospitals that provide care to all patients free of charge, state-owned or private psychiatric hospitals, critical access hospitals, or long-term acute care hospitals.

Medical Assistance is funded by the federal and state governments, and provides safety net health care to the elderly, the disabled, low-income children, and families who are eligible financially and have no insurance. Adequate financing for hospital payments assures that Medical Assistance patients have continued access to quality health care. There are currently over two million Pennsylvanians enrolled in Medical Assistance.

Currently, the Commonwealth sets payments for hospital care for Medical Assistance patients using a **prospective payment system** and a series of **supplemental payments** (Outpatient Disproportionate Share, Inpatient Disproportionate Share, Medical Education, and Community Access) for certain hospitals. The current system is based on hospital cost reports from 1987 and has not been recalibrated. These payment rates have not increased since January 2008. Pennsylvania's hospitals are paid, on average, less than 80 cents for each dollar of care for Medical Assistance patients.

The new payment system would establish a uniform base rate for all hospitals using the most current cost information, and make adjustments for differences in regional labor costs, teaching programs, and Medicaid volume. It also would replace the obsolete clinical classification system with a new clinical classification system in which payments recognize and support patient needs and appropriate levels of service unique to Medical Assistance patients. In addition, this act restores the proposed \$25.7 million cut to the Disproportionate share payments by the governor in February.

Twenty-six states have enacted hospital assessments, including California, Colorado, Georgia, Illinois, Michigan, New York, Ohio, and West Virginia. Pennsylvania has imposed a provider assessment on nursing homes, managed care organizations, and certain hospitals in Philadelphia County.

The new payment changes and the assessment would be effective starting July 1, 2010, and would sunset on June 30, 2013. During the first year of implementation, the Act allows for federal approval and state start-up and permits retroactivity of the new payment system and assessment to July 1, 2010.

Enactment of the Medical Assistance Modernization Act will provide \$246.5 million in savings to the Commonwealth over the next three fiscal years. These projected savings will provide additional financial support for the Medical Assistance program which faces challenging budgetary hurdles every year.

Services for Children

Child Welfare funding will increase \$7.7 million over FY 09/10 spending level, due largely to approved costs in the county needs-based budgets for FY 10/11.

The **Child Care Services** appropriation has been level funded for FY 10/11. The **Child Care Assistance** line item contains \$197 million in state funding for FY 10/11. This funding will be used to cover increased service costs and to maintain the number of funded child care slots ensuring access to quality care.

Mental Retardation

The **Mental Retardation** program has been split into two appropriations, **Community MR Base** programs and **Community MR Waiver** programs. Collectively, these appropriations will see an increase of \$26.6 million in state funding. Due to general fund revenue constraints, expansion funding was eliminated in the enacted budget.

For FY 10/11, **Early Intervention** will receive \$115.7 million. Early intervention provides an avenue for collaboration and coordination between families, service practitioners, and others who work with young children in need of specialized services.

Other Social Programs

The budget provides substantial general fund increases for the **Services to Persons with Disabilities** (\$16.4 million) and **Attendant Care** (\$6.9 million) programs and for home and community based services program funded with tobacco funds. In addition to the general fund increase, these appropriations collectively will receive \$53.5 million in ARRA funding during FY 10/11.

The **Behavioral Health Services** appropriation will receive \$53.2 million during FY 10/11. This appropriation provides funding for drug and alcohol treatment services as well as mental health treatment services. During FY 10/11, the Department will provide services to approximately 45,000 individuals.