



GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

2022-23
GOVERNOR'S EXECUTIVE
BUDGET

Tom Wolf
Governor

Greg Thall
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February 8, 2022



2022-23 PROPOSED BUDGET

General Fund expenditures: \$43.7 billion

- Invests in education, workforce, and economic development initiatives
- Supports vulnerable populations with investments in mental health and services for individuals with a disability
- Proposes a fair wage for all Pennsylvania workers
- Retains Rainy Day Fund balance at \$2.865 billion and ensures a long-term balanced budget

UTILIZATION OF FEDERAL FUNDING

- American Rescue Plan Act (ARPA)
 - Anticipates using \$5.1 billion of Coronavirus State Fiscal Recovery Funding from ARPA in 2021-22
 - Proposes using the remaining \$2.2 billion to meet immediate pandemic response needs and promote long-term recovery
- Infrastructure Investment and Jobs Act (IIJA)
 - Includes an estimated \$6.2 billion in 5 agencies over 6 years to rebuild roads and bridges, improve the environment through remediation and abandoned well plugging, and expand access to broadband and clean drinking water



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2022-23 FINANCIAL STATEMENT

(Dollars in Thousands)

| | 2020-21 | 2021-22 | 2022-23 |
|---|--------------------|---------------------|---------------------|
| | <u>Actual</u> | <u>Available</u> | <u>Budget</u> |
| Beginning Balance | \$ (2,734,070) | \$ - | \$ 6,454,581 |
| Adjustments to Beginning Balance... | 18,795 | 4,450 | - |
| Actual/Estimated Revenue | 40,392,018 | 44,958,800 | 41,865,600 |
| COVID-19 Enhanced FMAP | 1,651,173 | 2,430,355 | - |
| CRF - Public Health & Safety Staff | 1,545,459 | - | - |
| Refunds | <u>(1,262,000)</u> | <u>(1,295,000)</u> | <u>(1,231,000)</u> |
| Total Revenue | 39,611,375 | 46,098,605 | 47,089,181 |
| Prior-Year Lapses | <u>220,000</u> | <u>264,132</u> | <u>-</u> |
| Funds Available | 39,831,375 | 46,362,737 | 47,089,181 |
| Enacted/Proposed Expenditures | 34,013,227 | 38,589,030 | 43,707,401 |
| Supplemental Appropriations | - | (1,111,229) | - |
| Federal Stimulus Expenditures | <u>3,196,632</u> | <u>2,430,355</u> | <u>-</u> |
| Total Expenditures | 37,209,859 | 39,908,156 | 43,707,401 |
| Preliminary Balance | 2,621,516 | 6,454,581 | 3,381,780 |
| Transfer to the Rainy Day Fund ... | <u>(2,621,516)</u> | <u>-</u> | <u>-</u> |
| Ending Balance | \$ - | \$ 6,454,581 | \$ 3,381,780 |
| Cumulative Rainy Day Balance | 2,865,097 | 2,865,097 | 2,865,097 |
| CNIT Rate (Effective Jan. 1) | 9.99% | 9.99% | 7.99% |

2021-22 GENERAL FUND TAX REVENUE COLLECTIONS THROUGH JANUARY

| | <u>Estimated</u> | <u>Actual</u> | <u>\$ Difference</u> | <u>% Difference</u> | <u>Change from Prior</u> | <u>% Change</u> |
|-------------------------|------------------------------|--------------------|----------------------|---------------------|--------------------------|-----------------|
| | <i>(Dollars in Millions)</i> | | | | | |
| Tax Revenue: | | | | | | |
| Corporation Taxes | \$ 2,067.5 | \$ 2,665.6 | \$ 598.1 | 28.9% | \$ 303.4 | 12.8% |
| Consumption Taxes | 8,656.4 | 9,147.1 | 490.7 | 5.7% | 733.8 | 8.7% |
| Sales & Use - Non-Motor | 6,679.9 | 7,153.9 | 474.0 | 7.1% | 739.9 | 11.5% |
| All Other | 1,976.5 | 1,993.2 | 16.7 | 0.8% | (6.1) | -0.3% |
| Other Taxes | 9,518.5 | 10,199.9 | 681.4 | 7.2% | 479.5 | 4.9% |
| PIT Withholding | 6,591.0 | 6,795.1 | 204.1 | 3.1% | 762.9 | 12.6% |
| PIT Non-Withholding | 1,539.0 | 1,823.0 | 284.0 | 18.5% | (630.5) | -25.7% |
| All Other | 1,388.5 | 1,581.8 | 193.3 | 13.9% | 347.1 | 28.1% |
| Non-Tax Revenue: | 4,059.0 | 4,135.9 | 76.9 | 1.9% | 3,444.3 | 498.0% |
| TOTAL | \$ 24,301.4 | \$ 26,148.5 | \$ 1,847.1 | 7.6% | \$ 4,961.0 | 23.4% |

Note: Dollar amounts in millions.

MAKING THE TAX SYSTEM MORE EQUITABLE

A fair and equitable tax system is key to making Pennsylvania competitive with surrounding states and improve the business climate.

- Reduces the Corporate Net Income Tax to 7.99 percent on January 1, 2023, with additional reductions to 6.99 percent in 2026 and 5.99 in 2027, on a path to 4.99 percent
- Modernizes the tax structure by strengthening the addback, leveling nexus rules for all corporations, and adopting market sourcing for intangibles
- Together, these changes reduce tax avoidance and broaden the tax base to level the playing field for small businesses operating in Pennsylvania

INVESTING IN OUR KIDS

Fair and equitable education funding will enable the commonwealth to promote a bright future for all Pennsylvania children and youth.

- **\$1.55 billion** increase in Basic Education Funding
 - \$1.25 billion through Fair Funding Formula
 - \$300 million in Level Up initiative
- **\$200 million** increase in Special Education Funding
- **\$200 million** for Nellie Bly Tuition Program
- **\$125 million** for higher education, including \$75 million for PASSHE
- **\$1 million** to address college hunger
- **\$500,000** increase for It's On Us initiative
- **\$500,000** for Adult and Family Literacy

INVESTING IN OUR KIDS

Ensuring that children have access to quality child care and education programs will set them on a path to success.

- **\$77.7 million** to continue the increase to Child Care Works base rates to ensure equal access to quality child care services
- **\$44.3 million** in federal funds to reduce co-payments for families in Child Care Works
- **\$6.1 million** to incentivize non-traditional child care
- **\$60 million** for Pre-K Counts to fund enrollment for an additional 2,308 children and **\$10 million** for Head Start
- **\$30 million** for new child care options for commonwealth employees

ADVANCING FAIRNESS, EQUITY, AND QUALITY IN OUR PUBLIC EDUCATION SYSTEM

Strengthening Pennsylvania's education system sets the commonwealth on a path to prosperity and reduces disparities.

- Lowers education tax credit administrative set-asides from 20 percent to 5 percent, providing up to **\$41 million** more for education scholarships
- Increases the statutory minimum teacher salary from \$18,500 to \$45,000
- Comprehensive Charter School Law reform to align funding with actual costs and apply the same laws across all public schools, which will allow school districts to retain **\$373 million** more in funding while maintaining choice



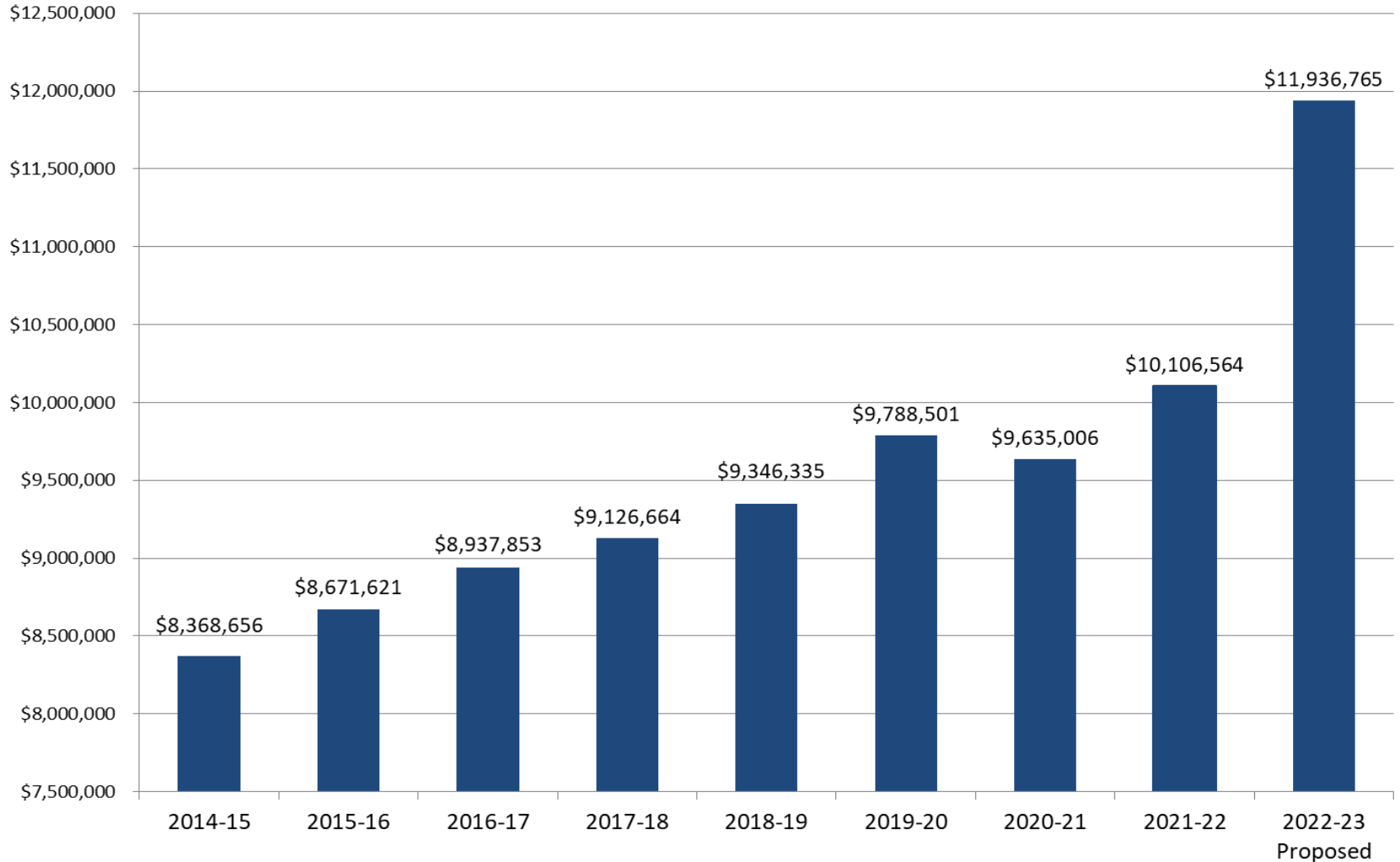
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INVESTING IN OUR KIDS

Pre-K to 12 Education Funding

(Dollar amounts in thousands)



Note: Excludes Authority Rentals and Sinking Fund Requirements, School Employees' Social Security, and School Employees' Retirement.

ADVANCING ECONOMIC RECOVERY THROUGH INVESTMENTS IN WORKERS AND INNOVATION

Strategic investments and tackling barriers to success for employers and employees will support Pennsylvania's economic recovery.

- Creates a pathway to a **\$15 per hour** minimum wage with an increase to \$12 per hour on July 1, 2022
- **\$1.5 million** to the Industrial Resource Centers and **\$1.5 million** to the Partnerships for Regional Economic Performance Network to create a talent pipeline and support our manufacturing sector
- **\$2 million** to grow the Pennsylvania Agricultural Surplus System
- **\$2.35 million** for Invent Penn State
- **\$18 million** for Ben Franklin Technology Development Authority to invest in innovation.

KEEPING PENNSYLVANIANS SAFE

Work with the General Assembly to enact reforms that will build on years of bipartisan efforts to make Pennsylvania's criminal justice system fair and efficient.

- Reduces PSP reliance on MLF while enabling two new cadet classes
- **\$7.7 million** for public safety technology
- **\$35 million** for community-led gun violence prevention
- **\$1 million** for reentry services for women
- **\$425,000** for resources to county juvenile probation offices
- **\$7 million** to create beds for individuals leaving correctional facilities with complex medical needs
- Proposes bail and pretrial reforms, probation reforms, expanded eligibility for medical release from prison, and support for indigent defense

PROTECTING THE MOST VULNERABLE

The 2022-23 budget continues to build on years of a commitment to support the most vulnerable.

- **\$36.6 million** to restore 2/3 of the cut to county base mental health funding
- **\$32.3 million** (\$18.8 million state funds) to serve additional individuals with intellectual disabilities and autism currently on the waiting list in addition to approximately **\$400 million** in rate increases that began January 1
- **\$50 million** to increase the personal care home supplementary payment
- **\$190 million** (\$91 million state funds) for nursing facility rate increases
- **\$23 million** (\$15 million state funds) to increase evidence-based home visiting programs
- **\$1.8 million** to expand the Court Appointed Special Advocate Program

OTHER KEY INVESTMENTS

- **\$10 million** to establish a State Disaster Assistance Fund to aid individuals impacted by federally declared disasters but do not qualify for traditional assistance
- **\$3.2 million** to create a statewide longitudinal data system to link data across the child care, education, and workforce continuum
- Through DMVA, **\$284,000** for Veteran Service Officer Grants; **\$500,000** for the PA VETConnect system; and **\$444,500** to enhance wellness and prevent suicide in PA National Guard members
- **\$100,000** for a strategic plan for industrial sector decarbonization
- **\$5 million** to fulfill critical program and operational needs at DEP
- **\$2.5 million** to support outdoor management, recreation, and safety at DCNR



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QUESTIONS?

