



## **Governor Releases FY 2023-2024 Budget Proposal**

On Tuesday, March 7, Gov. Shapiro delivered his first budget address, announcing his \$44.4 billion fiscal proposal for FY 2023-2024 in a joint session of the House and Senate.

The proposal represents an increase of approximately \$3.3 billion, or 8%, over the FY 2022-2023 enacted plan of \$42.7 billion, after adjusting for proposed supplemental appropriation changes that reduce current year state appropriations. Much of the proposal prioritizes a range of policies and initiatives that Gov. Shapiro raised during his campaign, including access to emergency services and public safety resources, supporting mental health and filling critical job classifications. Additionally, the budget includes funding for pre-K through higher education, public safety, workforce development, business, & community development, and a request to increase the state's minimum wage to \$15 per hour effective January 1, 2024. Additionally, Gov. Shapiro also called for investments in businesses, criminal justice reforms and environmental and natural resources.

With the current surplus in state revenue, Gov. Shapiro did not call for a tax increase to coincide with increased spending in this budget. Gov. Shapiro also did not propose any major one-time spending items using state's reserves, although this budget does commit more than \$400 million in recurring state funds to maintain one-time federal investments, including \$75 million for violence intervention and prevention programming, \$20 million for historically disadvantaged businesses, and nearly \$38.5 million for universal free breakfast programs in schools.

The Governor's proposed budget also addresses several 2023 county government priorities, including 911 funding and reauthorization and increased county mental health base funding. Specifically, Gov. Shapiro is proposing a five-year reauthorization of the 911 statute, with an increase in the 911 surcharge from \$1.65 to \$2.03, and future increases tied to inflation. However, the proposal also earmarks 2.75% of the 911 revenue to the Department of Human Services to operate the 988 suicide and crisis lifeline. Counties do have some concerns about any diversion of funds from 911, including those for 988, and welcome further discussion to ensure 911 is properly funded to meet county needs while also bolstering this critical public safety system for years to come.

Another key theme in the budget proposal was increased funding for mental health. Notably, the proposal includes a \$20 million increase in county mental health base funding for FY 2023-2024, with additional funds in successive years, reaching a \$60 million per year increase in FY 2027-2028. Counties greatly appreciate this proposed increase as it addresses a top priority for 2023 and a long-time funding goal for increased mental health base funding. This investment would serve as a down payment toward a long-term commitment to counties to appropriately

rebuild the crumbling mental health system and shore up the social services safety net, providing a comprehensive system that is accessible for all Pennsylvanians.

Further, Gov. Shapiro is prioritizing mental health services in schools, proposing \$100 million for the School Safety and Security Grant Program and \$100 million to continue provision of mental health grants to schools. Counties ask for increased coordination between counties and schools to ensure the system of care is built and supports children and families inside and outside of the classroom with available community-based services.

Overall for counties, this budget proposal reflects a step in the right direction as it addresses several 2023 county [priorities](#). However, as this is the first of several steps in the commonwealth's annual budget proceedings, counties look forward to continuing discussions with the administration and General Assembly on the FY 2023-2024 budget, to ensure counties are positioned to adequately and responsibly serve the same constituents as our governmental partners – the residents of this Commonwealth.

More information on the priorities can be found on CCAP's [Priorities page](#). CCAP has also assembled a number of budget resources on its [Budget News web page](#) and highlights of specific lines of interest for counties to follow.

### **Human Services**

**Child Welfare.** The Governor's proposed funding for FY 2023-2024 of \$2.1 billion is representative of the reconciliation of the fourth quarter FY 2022-2023 expenses, and further rolls forward at least 12.5% of the determined needs for FY 2023-2024 to be paid in FY 2024-2025. The child welfare budget for FY 2023-2024 includes an increase of \$26 million from the enacted FY 2022-2023 budget, representing a \$10 million increase for needs-based budgets, primarily to replace lost federal COVID funding, and an additional \$15 million in federal TANF Block Grant Funds. The remainder of the budget is essentially flat funded as it relates to child welfare with nothing noted as new initiatives.

The Governor's budget proposes a significant increase in funding for child care services, with a proposed additional \$57 million in state funding requested and an additional \$28 million in federal funds anticipated.

While child welfare would see a relatively modest increase to provide services, the staffing crisis is significantly impacting budgets, as severe staffing shortages in both county agencies and providers have caused underspending in many child welfare agencies, making it appear that the funding needs are not as great as they are. Were county child welfare agencies and providers able to resolve their staffing crisis, the funding proposed would be insufficient to adequately meet needs.

The ongoing implementation of the Family First Act during this budget cycle will also inject additional uncertainty to the budgeting process, as there have been conflicting projections from the Independent Fiscal Office (IFO) and Department of Human Services (DHS) as to what the

anticipated losses will be and Pennsylvania will likely struggle for many years to access the federal dollars tied to prevention programs.

**Human Services Block Grant.** The Human Services Block Grant was established for the purpose of allowing participating counties to allocate a portion of certain human services funds across program areas and thereby increasing their ability to match available dollars to local needs. There are currently 44 counties participating in the block grant program and funding continues to be provided from individual appropriations. The following funds are included in the block grant and further analysis is provided in this narrative:

- Mental health community base funded services
- Behavioral Health Services Initiative (BHSI)
- Intellectual disabilities community base funded services
- Act 152 drug and alcohol services
- Homeless Assistance Program
- Human Services Development Funds

**Homeless Assistance Program.** Funding to provide temporary shelter to homeless individuals and rental assistance to those in danger of becoming homeless continues to be level funded in FY 2023-2024, proposed to remain at \$18.5 million for the twelfth straight year.

**Human Services Development Fund (HSDF).** HSDF is proposed to be funded at \$13.5 million in FY 2023-2024, the same as FY 2022-2023. This funding allows counties to use dollars not only where they are most needed, but where they can best reduce costs to human services programs in the long run.

**Long-term Care.** The Governor's FY 2023-2024 proposed budget includes a 26.34% increase in MA-Capitation and a 19.98% increase in MA-Fee-for-Service, increases that were expected with the new payment systems being implemented in January 2023 by the Department of Human Services (DHS). In addition, the proposal includes a 15.69% increase in long-term care managed care, which was also expected due to the shift in payment formulas. Additionally, the Department is proposed to receive an additional \$1.9 million to implement new regulations and increase regulatory compliance and mitigate risks of long-term care facilities.

The proposal does not include an increase to Medicaid reimbursements to address the new requirements to increase in resident/staff ratios, which take effect in 2024. While additional funds for nursing education in the Governor's budget will try to address the need for additional health care staff, it fails to address the increased funds needed to hire such staff so facilities can meet the 3.2 resident/staff ratio.

**Medical Assistance Transportation Program (MATP).** The FY 2023-2024 proposed budget includes generally level funding for MATP at \$67.5 million.

**Mental Health and Intellectual Disabilities, Early Intervention and Autism.** The Governor's FY 2023-2024 proposal includes a \$20 million increase in county mental health base funding

with additional funds in successive years, reaching a \$60 million per year increase in FY 2027-2028, addressing critical mental health needs and the deepening workforce shortage. Additionally, this budget proposes a \$1.25 million Community Hospital Integration Program Project (CHIPP) initiative to provide community services to individuals leaving state hospitals, as well as to those impacted by the reduced number of available beds and/or closed access. These monies will also sustain individuals in need of additional aid and services in the prevention of hospitalization. The Governor also proposed \$200,000 for mental health resources and supports for farmers, including provision of a mental health hotline, specialized trainings, and outreach to the agricultural community.

Additionally, the Governor's proposed budget provides \$4 million to create three community-based programs to serve people who do not require the level of forensic treatment provided at state hospitals.

Further, community-based programming is slated to receive \$154 million, reflecting a 5% increase to maintain operations. The overall waiver budget, which covers all three waiver programs (personal/family directed services, community living, and consolidated care), is slated to increase by \$384 million, or 18%. To support expanding enrollment, \$17.5 million is proposed to assist at least 750 additional people through the Community Living Waiver program and 100 people through the Consolidated Waiver program. Additionally, \$700,000 is proposed to provide individuals, families, and providers with consultations that would be unavailable otherwise, including establishing telemedicine assessments, service coordination, and real-time support for individuals with intellectual disability.

To expand the life-sharing program, \$3.4 million is proposed as the commonwealth works to transition to a fee schedule, which will facilitate the process by which adults with disabilities come to reside with qualified and/or trained adults for the purposes of enrichment and improvement of quality of life. Autism services are proposed to receive \$35 million, a 19% increase from FY 2022-2023 and Intermediate Care Facilities (ICFs) are proposed to get \$181 million to maintain services, a 20% increase from the current fiscal year.

Gov. Shapiro further proposed a \$20 million increase for Early Intervention (birth-to-three) programming. This 12% increase would allow approximately 2,000 additional children to receive services (total of est. 63,000 children), as well as replace \$6.3 million of federal COVID funding.

**Substance Use Prevention and Treatment Services.** The Governor's proposed budget for the Department of Drug and Alcohol Programs contains a minimal increase in general government operations funding for the Department of Drug and Alcohol Programs. Substance use disorder funding remains stable and unchanged from the current fiscal year. The amounts for Behavioral Health Services Initiative (BHSI) would remain the same and Act 152 funds are unknown until a more detailed budget is available from the Department of Human Services.

Further, the budget proposes a \$15.9 million revenue projection for FY 2024-2025 assuming enactment of legalizing the sale of marijuana and corresponding collection of taxes.

## Judiciary

**Courts.** The Governor's budget request maintains level funding from the enacted FY 2022-2023 budget for judicial line items that impact the counties. The proposal fails to restore the 33% decrease for court cost reimbursement that occurred in the FY 2016-2017 budget, keeping funding at the current year level for the eighth straight year. Funding for grants to counties to meet mandates for assuring access to those with limited English proficiency also would remain level funded at \$1.5 million under the Governor's proposal.

**Criminal Justice.** Funding for adult probation services is proposed to receive a \$4 million increase to improve recidivism and intermediate punishment is proposed at the same level as in FY 2022-2023. While not funded through the state's General Fund, the district attorney salary reimbursement, funded through court document surcharge revenues deposited into the Criminal Justice Enhancement Account, is estimated to see a slight increase to \$8.9 million.

**Indigent Defense Fund.** The Governor's budget requests \$10 million to create a new indigent defense fund, to adequately support legal representation for those unable to pay. The fund would be created within the Pennsylvania Commission for Crime and Delinquency (PCCD) to address current inadequacies of the indigent criminal defense system.

**Juvenile Justice.** Funding levels for juvenile justice services are unavailable at press time; yet juvenile probation is slated for level funding in FY 2022-2023. Juvenile services are funded through the needs-based budget and the Department of Human Services will provide a breakdown of the specific funding levels within the next few weeks. While diversion and deinstitutionalization efforts continue, residential programs are experiencing denser populations of high-risk youth. This change in demographics results in increased programmatic expectations to provide high quality specialized services and increased supervision driving up daily costs. So, while overall system costs appear to decrease due to lower overall demand, the investment per child for moderate and high-risk offenders needs to increase as providers intensify services which are more likely to result in reduced recidivism (future victimization) and ultimately reduced long-term costs.

## Agriculture and the Environment

**Conservation Districts.** The Governor has proposed level funding for conservation districts, maintaining \$10.2 million in total General Fund dollars from the departments of Agriculture and Environmental Protection. Conservation districts are also set to receive more than \$4.8 million annually under Act 13 of 2012.

**Agriculture.** The Governor's proposed budget would maintain level funding for agricultural preparedness and response at \$34 million, which partially provides funding to monitor and respond to invasive species. The Governor also included separate federal funding for spotted lanternfly management, to be funded at \$12 million for FY 2023-2024, the same rate as last year. Further, the Governor proposes level funding for the State Food Purchase Program at \$24.7 million and for county fairs at \$4 million. The proposed budget also provides an increase of \$2.5

million for technical and financial assistance to counties for the farmland preservation program. The State Farmland Preservation Board has set the 2023 state funding threshold for farmland preservation at \$43 million.

***Penn State Extension.*** The Agriculture College Land Scrip Fund, which includes revenues for the Penn State Extension program, is proposed to receive a slight increase in funding to \$58.8 million.

***Environment.*** Funding for gypsy moth control is wrapped into the overall appropriation for state forest operations within the Department of Conservation and Natural Resources (DCNR); the overall program is slated for a slight increase under the Governor's budget to \$47.7 million, an increase of almost \$3.3 million. Black fly control will see a slight increase under the Governor's plan. Additionally, the Governor proposes combining West Nile Virus and Zika Virus control into a single vector borne disease management line, which is slated to be funded at \$6.3 million. The Governor also proposed several initiatives aimed at speeding up permitting and review within the agency, including \$5.75 million for increased administrative capacity for permitting and regulatory review and an \$11.4 million increase for environmental protection operations, which includes \$1.2 million to aid with permit processing and inspections.

### **Elections**

The Governor's proposal includes level funding for the Statewide Uniform Registry of Electors (SURE) at almost \$11.8 million. Funding for voter registration would increase slightly to \$545,000. Furthermore, there is nominal decrease in federal elections reform funding to \$11.1 million. Additionally, the Governor's proposed budget acknowledges the \$45 million set aside annually by [Act 88 of 2022](#) for the Election Integrity Grant Program housed within the Department of Community and Economic Development.

### **Libraries**

In the Department of Education, the public library improvement subsidy is proposed to maintain flat funding at \$70.4 million for FY 2023-2024. Additionally, the Governor proposes \$4.2 million for public library facilities improvements, particularly aimed at updates and maintenance of libraries in rural areas.

### **Community and Economic Development**

***DCED.*** The Governor's budget proposal calls for a slight increase in funding for the Center for Local Government Services to \$4.7 million. In addition, the Municipal Assistance Program, which funds shared services, community planning and flood plain management activities for local governments, would include a new \$1.4 million initiative to assist local governments with community planning and exploring shared services opportunities.

***Marketing and Training.*** The Pennsylvania First program, focused on investment and job creation in Pennsylvania, is proposed to receive a \$13 million increase for FY 2023-2024, most of which is earmarked to provide financial assistance to facilitate increased economic investment. Funding for marketing to attract tourism is proposed to see significant decrease of

approximately \$26 million, which would restore funding to pre-pandemic FY 2020-2021 levels. Marketing to attract businesses is proposed to see a nominal increase to \$2 million. The Office of Open Records would receive a nominal increase, funded at \$3.9 million. The Keystone Communities program, designed to encourage the creation of partnerships between the public and private sectors in communities, is proposed to see a significant decrease (\$30.5 million) with an additional investment of \$8.6 million dedicated to increasing financial assistance to revitalize neighborhoods. This decrease with a reinvestment would bring the program to just \$15 million total in funding for FY 2023-2024. The significant overall decrease can be attributed to the pandemic relief funding Keystone Communities received in prior fiscal years.

### **Infrastructure**

**Broadband.** The Governor's budget proposal calls for several federal appropriations to expend Infrastructure Investment and Jobs Act (IIJA) programs and funds, including an estimated \$330 million to Pennsylvania for the Broadband Equity, Access, and Deployment (BEAD) program. Further, the proposal highlights \$14.4 million in IIJA federal funding for State Digital Equity Capacity.

**Cybersecurity.** The Governor's budget proposal includes approximately \$10.7 million in federal funds from the Infrastructure Investment and Jobs Act for state and local cybersecurity programs housed under the Pennsylvania Emergency Management Agency.

### **Transportation**

The FY 2023-2024 budget proposal reflects ongoing funding for roads, bridges, transit systems and other infrastructure under Act 89 of 2013. Additionally, the budget proposes to decrease State Police funding diversions from the Motor License fund by \$100 million to ensure gas tax revenues are dedicated to transportation-specific purposes.