



Good Afternoon GNPN Members,

Last Thursday, Governor Tom Corbett announced that he signed Pennsylvania's FY 2014-2015 budget. However, the governor used a line item veto to nullify certain allocations included by the General Assembly. A fact sheet of the vetoed items is available [here](#); and video of Governor Corbett's press conference is available [here](#).

According to the fact sheet issued by the governor's office, the line item veto affects certain discretionary allocations included by the General Assembly. **Vetoed items that may be of interest to GNPN members include:**

- The Community Development Financial Institution Grant program, which was a newly proposed program.
- A \$300,000 increase to the Intergovernmental Cooperation Authority that is assisting Pittsburgh in moving forward from its Act 47 oversight. The governor and ICA agreed upon the veto.
- Increased funding for the study of natural gas extraction's environmental impact. Last year's allocation has not been spent, according to the governor's office.

Notable items contained in the signed budget include:

- No new taxes to raise revenue, despite the state's revenue falling short for the third time in the last six years.
- \$200 million in total funding for the Ready to Learn block grant program. This amount is \$400 million less than the governor's initial allocation in February.
- A slight funding increase for disability services contained in the Department of Public Welfare's \$11.2 billion allocation.
- \$3 million in funding for services and subsidies related to the Healthy PA initiative, which has not been approved by the federal government.
- No change in funding for Pennsylvania's State Food Purchase Program, which distributes food to low income Pennsylvanians.
- A 5% increase to Grants for the Arts that brings the total allocation to \$8.95 million.
- A shifting of funding sources for the Department of Conservation and Natural Resources (DCNR) that offsets the cut to the direct DCNR allocation.
- No change in funding for libraries, museums, historical societies, and zoos.

Further information on line items is available in the [Budget Line Items section](#).

Additional budget-related news items include:

- Pennsylvania may have its credit rating downgraded as a result of its growing pension debt.
- The *Pittsburgh Post-Gazette* reported on the state's decision to end the Medical Assistance for Workers with Disabilities program as part of the switch to [Healthy PA](#).

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- The [Philadelphia cigarette tax](#) that would fund the city's public schools is currently in legislative limbo. It has been reported that if the tax is not passed, staff will be laid off and Philadelphia's schools will not open on time, among other serious issues.

Other important stories from the week include:

- The bill to rename the [Department of Public Welfare](#) to the Department of Human Services passed the Senate. According to the fiscal note on the bill, the name change will cost less than \$1 million. The bill is now waiting in the House, where it is expected to pass.
- Pittsburgh received a [\\$200,000 grant](#) to help enroll qualified teenagers in CHIP and Medicaid.
- A [report](#) from the Council of State Governments said that Pennsylvania's three-year recidivism rate declined by 7.1% over the last six years.

These stories, and many others, follow below.

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Pennsylvania Budget

[“Governor Line-Item Vetoes \\$72.2 Million of Legislature’s Funding Citing Inaction on Pension Reform; General Assembly Responds Negatively.” Jason Gottesman. PLS Reporter. July 10, 2014.](#)

“Gov. Tom Corbett Thursday announced he signed both the FY 2014-2015 General Appropriations Act and corresponding Fiscal Code, but used his line-item veto authority to nix \$72.2 million of the General Assembly’s appropriation for the fiscal year. ‘The final budget they sent me, coupled with [the General Assembly’s] failure to address critical challenges facing our state, causes me concern,’ Gov. Corbett said. He argued that while Pennsylvania is facing a structural deficit, the legislature saw fit to increase its appropriation by two percent and add \$5 million to pay for parking in Harrisburg without tapping into more than \$150 million in legislative reserves. ‘They filled the budget with discretionary spending and then refused to deal with the biggest fiscal challenge facing Pennsylvania: our unsustainable public pension system,’ the governor said, noting he is forcing ‘mutual sacrifice’ with the General Assembly in making the line-item veto.”

[FACT SHEET: Line Item Veto/Enacted Budget](#) (pdf)

[“Updated 2014-15 Budget Line Items \(Including Those Vetoed\).” Pennsylvania Budget and Policy Center. July 10, 2014.](#)

["One-on-One With Governor Corbett on School Budget, Cigarette Tax." Fox 29 Philadelphia. July 14, 2014.](#)

Fox 29 News investigative reporter Jeff Cole went one-on-one with Governor Corbett Monday, and got some answers about the Philadelphia School District's money crunch and the proposed cigarette tax to help ease the crisis.

["Pennsylvania Budget Lands in Legal Disputes Over Gas Drilling, Vetoed Earmarks." AP. July 15, 2014.](#)

"Parts of the \$29 billion budget package are now an exhibit in a two-year-old lawsuit that is seeking to stop Pennsylvania state government from allowing more natural gas drilling on publicly owned lands and diverting the drilling proceeds away from a land conservation fund. ... In addition, lawmakers are reviewing it because they say \$7 million in line-item vetoes by Corbett of earmarks or spending items picked by lawmakers were unprecedented and possibly unconstitutional."

["Did Corbett Flub His Budget Strategy? Midstate Analysts Debate." Christina Kauffman. *The Patriot-News*. July 10, 2014.](#)

"Gov. Tom Corbett's strategy for this year's state budget might be a topic of wonk debate long after the checks have been mailed and cashed. What some pundits can agree on for now, though, is that Corbett might've backed himself into a position one analyst identified as 'the proverbial no-win situation.' But the governor had some same-party help backing into that itchy corner, and there's a fractured legislature to share some blame for Corbett's lack of advancement on policy priorities such as liquor privatization and pension reform, one midstate analyst said."

["Budget and Pension Reform Aside, PA Has Plenty of Other Unfinished Business." Andrew Staub. *PA Independent*. July 2, 2014.](#)

"While a late budget and stalled pension reform are likely to grab the most attention this week, Pennsylvania's elected officials have left plenty of other work unfinished."

["Pennsylvania Rating at Risk as Pensions Go Untamed: Muni Credit." Romy Varghese. *Bloomberg*. July 15, 2014.](#)

"Standard & Poor's will decide in the next few months whether to lower Pennsylvania's AA rating, the third-highest level of investment grade, based on its handling of finances and pensions, analyst John Sugden in New York said in a telephone interview. Fitch Ratings is considering a similar move, with a cut 'certainly more likely than not,' said Eric Kim, a director at the company, which also grades Pennsylvania AA with a negative outlook."

["PA Braces for Credit Downgrade After Budget and Pensions Soufflé." Mary Wilson. *Newsworks*. July 3, 2014.](#)

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"This spring, the three big credit-rating agencies gave Pennsylvania fair warning to reduce its \$50-billion-and-growing pension debt, rein in long-term pension costs, and stop using one-time moves to balance the budget. ... 'There's no question in my mind that between now and probably September -- or the next time they do their ratings -- that we're likely looking at a downgrade,' said Sen. Jay Costa, D-Allegheny, the Senate's minority leader. A credit downgrade makes it more expensive to borrow money, which the commonwealth does at least once a year. 'To the extent that we don't make progress on pension reform, to the extent that steps aren't taken to address the structural deficit, I think that puts us at greater risk when the agencies look at our next bond issue,' said Budget Secretary Charles Zogby. Pennsylvania has received two credit downgrades in the past two years. Both times, the drops came in mid-July."

["The Winners and Losers in PA's Budget Battle." Angela Coulombis and Amy Worden. *Philadelphia Inquirer*. July 6, 2014.](#)

"From Republicans in the House to their colleagues in the Senate, most left Harrisburg with items on their wish list not checked off. ... Here's a look at how key players fared..."

["Winners, Losers in Corbett's Budget." Borys Krawczeniuk. *Citizens Voice*. July 11, 2014.](#)

"Here is a list of the winners and losers in the 2014-15 state budget that Gov. Tom Corbett signed Thursday."

["Budget May Force PA Back to Square One on Drilling Regulations." Mary Cusick. *NPR*. July 11, 2014.](#)

"Pennsylvania's Department of Environmental Protection may have to go back to the drawing board in its two-year overhaul of drilling regulations, because the new state budget contains language changing the rules for oil and gas wells."

["Pennsylvania's Budget Process Cramped, Crowded and Hot." Andrew Staub. *PA Independent*. July 14, 2014.](#)

"GOP lawmakers in charge routinely hosted key committee meetings in hot, cramped rooms that couldn't accommodate all those interested in watching. While crowds of observers and lobbyists were left in the hallway, craning to hear the action inside, those lucky enough to find a spot sweated it out or battled claustrophobia. The rooms most often used -- the state Senate's Rules Room and the House Appropriations conference room -- don't have the camera feeds found in larger meeting rooms, meaning those at home couldn't watch some of the most important budget proceedings online or on the Pennsylvania Cable Network, which often broadcasts legislative action. House Democrats raised concerns, saying hosting highly attended meetings in small rooms doesn't jibe with the spirit of open government and poses a safety hazard. If not just a violation of the fire code, [Representative Frank Dermody's spokesman Bill] Patton believes the meetings could also run afoul of the states' Sunshine Act, which requires General Assembly's committee meetings be open to the public."

["Interest Groups' Lobbying Tally Tops \\$500M in Pennsylvania." Melissa Daniels. *Pittsburgh Tribune-*](#)

[Review. July 4, 2014.](#)

"In 2013, lobbyists spent \$518 million on costs related to influencing Pennsylvania's lawmakers. It's the first time spending exceeded the half-billion-dollar mark, according to Department of State filings. Spending was \$450 million in 2007, the year rules began requiring lobbyists to disclose expenses, then dipped to \$417 million in 2010. Experts attribute the record high to rising costs across the board, improved reporting and the trickle-down effect that federal laws such as the Affordable Care Act have on state government."

Revenue

["PA Tax Collections Dropped in 2013-14 Budget Year for Third Time in Six Years." Charles Thompson. The Patriot-News. July 6, 2014.](#)

"Total general fund revenue collections were \$28.607 billion, down \$39.8 million from the \$28.647 billion collected in 2012-13, according to preliminary state Department of Revenue figures. The drop was tiny, just a fraction of a percent. But it's still a big disappointment for a year when state budget officials had at one time projected healthy growth. As a result, revenue collections missed 2013-14 budget targets by a much larger \$508.8 million, the department said."

[Analysis: "2013-14 General Fund Revenues Finish Below 2012-13 Levels, Yet 2014-15 Budget Assumes Over \\$1 Billion in Revenue Growth." Pennsylvania Budget and Policy Center. July 7, 2014.](#)

["PA Slots Revenue Down for Month and Fiscal Year." AP. July 2, 2014.](#)

"For the second fiscal year in a row, Pennsylvania casinos have reported a decline in revenue from slot machines. The Pennsylvania Gaming Control Board said Wednesday that gross slot-machine revenue for the fiscal year that ended Monday fell 4.5 percent to \$2.3 billion. Ten of 11 Pennsylvania casinos that were open the last two years posted annual declines."

["Taxpayers Spared Tax Increases." Jan Murphy. The Patriot-News. July 2, 2014.](#)

["Hite: Layoffs If No Cigarette Tax by Aug. 15." Kristina Graham. Philadelphia Inquirer. July 11, 2014.](#)

"If there is no cigarette-tax agreement in Harrisburg by Aug. 15, Philadelphia School Superintendent William R. Hite Jr. said Wednesday, he will have to lay off employees and consider a delay in the opening of schools. ... The state Senate passed an amended cigarette-tax bill this week, but the legislation requires House approval. The House is out on summer recess and is not scheduled to return until a special session called for Aug. 4. Even then, passage is not assured."

["Vortex of Political Hell' Captures Philly's Cigarette Tax Bill." Eric Boehm. PA Independent. July 15, 2014.](#)

Budget Line Items

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["Pittsburgh Public Schools Getting Some Increases Through New Pennsylvania Budget." Patty Tascarella. *Pittsburgh Business Times*. July 14, 2014.](#)

"[T]he city's school district is to receive an increase to special education and an additional \$1.6 million from the Ready to Learn Block Grant. The latter 'helps support our plan to ensure every child is reading on grade level by third grade,' [Superintendent Linda] Lane said in the statement. Part of the grant will employ early literacy specialists to support K-2 teachers in literacy instruction and facilitate student interventions."

["Proposed Budget Has Few Increases for Education in Pennsylvania." Mary Niederberger and Eleanor Chute. *Pittsburgh Post-Gazette*. July 5, 2014.](#)

"Modest increases in special education and block grant funding in the state budget that the Legislature approved will not be enough to overcome the challenge of flat funding in the \$5.526 billion basic education subsidy for school districts, according to school officials. ... On the higher-education front, state-related universities, including the University of Pittsburgh, Penn State and the 14 state-owned universities, also will see their funding levels remain the same as in 2013-14, but community colleges are in line to get a \$3.5 million increase across their 14-college system."

["Education Emerges as Big Winner." Jan Murphy. *The Patriot-News*. July 2, 2014.](#)

[Analysis: "General Assembly Budget Impact on School Funding." Michael Wood. Pennsylvania Budget and Policy Center. July 9, 2014.](#)

["Young People with Intellectual Disabilities Get More Help." David Wenner. *The Patriot-News*. July 2, 2014.](#)

["Agriculture Gets Boost, But Food Banks Don't." Christina Kaufman. *The Patriot-News*. July 2, 2014.](#)

["Gov. Corbett Signs the Budget." Citizens for the Arts in Pennsylvania. July 10, 2014.](#)

"Gov. Tom Corbett signed the FY2014-15 state budget into law today (July 10, 2014). The budget includes an increase of 5% to the line item Grants to the Arts bringing the total appropriation to \$8.950 million. Other increases include a 1.4% increase to the administrative line item for the Council on the Arts and a 9.5% increase to the line item for General Government Support of the Pennsylvania Historical and Museum Commission (PHMC). Level funding went to the Cultural and Historical Support line item for PHMC."

["Parks and Conservation Benefitting From Special Money." Christina Kauffman. *The Patriot-News*. July 2, 2014.](#)

["Funding Stays at Current Level for Public Libraries." Ivey DeJesus. *The Patriot-News*. July 2, 2014.](#)

["Museums Retain Level Funding." Ivey DeJesus. *The Patriot-News*. June 2, 2014.](#)

["Oversight Board Caught in Jaws of Corbett's Veto." Brad Bumsted. *Pittsburgh Tribune-Review*. July 10, 2014.](#)

"One casualty of Gov. Tom Corbett's veto pen is Pittsburgh's Intergovernmental Cooperation Authority, which will lose \$300,000 the state Legislature had designated for the oversight board."

["Taxpayers on the Hook for \\$1M More for Consol Energy Center Lease." Brad Bumsted. *Pittsburgh Tribune-Review*. July 8, 2014.](#)

"Taxpayers will pay almost \$1 million more for the Consol Energy Center lease to the Pittsburgh Penguins as part of a budget-related bill the Senate approved on Tuesday and sent to Gov. Tom Corbett for signature or veto. A 2007 arena deal received state backing as part of a 30-year package to keep the National Hockey League team in Pittsburgh with an Uptown stadium. Under a deal brokered by ex-Gov. Ed Rendell, a number of public and private entities agreed to pay the lease held by the city-county Sports & Exhibition Authority. Corbett's press secretary Jay Pagni said the state must pay \$5.6 million over the next five years -- \$946,000 more than anticipated in 2007. State taxpayers must absorb the increase because of a shortfall resulting from two downgrades of the bond insurer's credit rating and an increase in the variable interest rate, he said."

["State Workers Get Job Security; Most Get Raises." Jan Murphy. *The Patriot-News*. July 2, 2014.](#)

Healthy PA

["Corbett Care Plan Cuts Aid for Disabled." Rocio Labrador. *Pittsburgh Post-Gazette*. July 8, 2014.](#)

"If enacted, Republican Gov. Tom Corbett's Healthy PA Medicaid proposal would repeal a program that provides assistance for low- and middle-income workers with disabilities, many of whom would be forced to pay higher health insurance rates in the commercial marketplace. The state's Medical Assistance for Workers with Disabilities program provides medical benefits to more than 33,000 Pennsylvania workers. Participants pay 5 percent of their monthly earnings toward Medicaid premiums in exchange for need-based benefits that might include clinical visits, medical transportation, drug and alcohol treatment, and dental care. The state estimates it would save about \$7 million a year by eliminating the program. Under the Healthy PA plan, most new Medicaid recipients would use federal government subsidies to pay for private insurance plans. Healthy PA would offer 'premium assistance' to those earning up to 133 percent of the federal poverty line. Workers currently are eligible for the Medical Assistance for Workers with Disabilities program if they have less than \$10,000 in resources -- including retirement savings -- and their household income does not exceed 250 percent of the federal poverty level. That means individual beneficiaries can earn up to \$29,175 and a household of four can make up to \$59,625 this year. That exceeds the typical financial eligibility threshold of Medicaid because the program was designed to accommodate individuals with disabilities who wish to work."

["Pittsburgh Receives \\$200,000 Grant to Enroll Children in Health Insurance Plans." Robert Zullo. *Pittsburgh Post-Gazette*. July 14, 2014.](#)

"Pittsburgh has won a \$200,000 grant to sign up hundreds of children and teens who are eligible for

public health insurance plans but are not enrolled. The 18-month grant from the National League of Cities, announced Monday, will be used to launch an outreach program and hire staff to enroll the estimated 2,000 youngsters through age 18 in Pittsburgh who qualify for Medicaid and the Pennsylvania Children's Health Insurance Program but are not signed up, because their parents are unaware they qualify or because they were previously registered and dropped from the rolls."

["Pennsylvania Lost Out By Not Expanding Medicaid Under Affordable Care Act, White House Says."](#)
[Alex Nixon. *Pittsburgh Tribune-Review*. July 2, 2104.](#)

"Pennsylvania missed out on \$2.5 billion in federal money and 7,900 jobs by not expanding its Medicaid program this year under the Affordable Care Act, according to a report issued Wednesday by the White House. The state would be in line to receive \$5.8 billion in 2015 and 2016 if it chooses to take federal money to enlarge eligibility of the health insurance program for the poor, according to President Obama's Council of Economic Advisers. The expansion would generate 26,800 jobs during the same period, the council's report said."

["White House Begins New Push for Medicaid Expansion."](#)
[Tracie Mauriello and Kate Giammarise. *Pittsburgh Post-Gazette*. July 1, 2014.](#)

"So far, 26 states and the District of Columbia have agreed to expand Medicaid coverage, providing coverage to 5.2 million more people. But 5.7 million more people could be receiving the coverage in states that are forgoing the expansion and missing out on a combined \$88 billion in federal funding through 2016. Pennsylvania is among them, and the White House says its residents are suffering physically and economically because of it. The administration today begins a new push to get more states to expand their programs. It makes its case with a new report showing how states that expanded their programs are benefiting from a surge of federal money that goes along with the expansion."

Pittsburgh Budget

["Pittsburgh City Council Considers Borrowing \\$152 Million for Capital Projects."](#)
[Brad Bumsted. *Pittsburgh Tribune-Review*. July 15, 2014.](#)

"Pittsburgh Mayor Bill Peduto backpedaled on Tuesday on a proposal to borrow \$120 million for capital projects, scaling the figure down to \$50 million in line with the city's financial recovery plan. Early in the day, City Council introduced legislation that would allow the city to borrow up to \$152 million this year, well above the \$100 million state financial overseers recommended in a five-year financial recovery plan. Peduto spokesman Tim McNulty initially said the administration wanted to borrow \$120 million. He said \$70 million in old bonds would be refinanced at a lower interest rate for a savings of \$2.4 million. The city would issue \$50 million in new bonds, he said. Peduto scrapped the plan in a letter to council, saying the administration would comply with what Act 47 coordinators recommended in May: two separate bond issues of \$50 million each, in 2015 and 2017. He said the administration still intends to refinance the old bonds."

["Pittsburgh Council Seeks Audit of Sports, Stadium Authorities."](#)
[Robert Zullo. *Pittsburgh Post-Gazette*.](#)

[July 9, 2014.](#)

“Pittsburgh City Council on Wednesday advanced a proposed audit that aims to quantify how much the authorities that manage the city’s professional sports venues, its convention center and various parking lots and garages contribute to city coffers. The resolution calling for the audit of the Sports & Exhibition Authority and the Stadium Authority, which passed the council’s standing committee Wednesday and will be voted on by the full council Tuesday, says the financial review by city Controller Michael Lamb will examine “annual revenue remitted to the city from the amusement tax, parking tax, payroll tax, earned income tax, real estate tax and facilities usage fee” from 2009 through 2013.”

[“Report: Bad Checks Cost City More Than \\$380,000 Over Five Years.” Robert Zullo. *Pittsburgh Post-Gazette*. July 2, 2014.](#)

“Nearly \$381,000 in bad checks were written to the city of Pittsburgh for copies of police records, permit fees and taxes, and other services from 2008 to 2013, the city controller said in a report released Wednesday that called for new technology and better controls at the point of payment to head off problems for departments that accept checks from the public.”

Health and Human Services

[“Dept. of Public Welfare Becoming Dept. of Human Services.” AP. July 8, 2014.](#)

“The state Senate voted unanimously today to change the name of the Department of Public Welfare to the Department of Human Services. Supporters say a new name would better reflect what the agency does and remove a stigma sometimes associated with public assistance and welfare. ... The bill goes back to the House, which previously passed a version of the same legislation.”

[“Former McKeesport YMCA Transformed Into Housing for Needy.” Deanna Carpenter. *Pittsburgh Post-Gazette*. July 10, 2014.](#)

“The former McKeesport YMCA was rededicated this week as McKeesport Downtown Housing, an 84-unit structure that houses homeless and low-income individuals. The structure on Sinclair Street, built in 1922, has previously provided housing. When the YMCA of McKeesport merged with the YMCA of Greater Pittsburgh, the building was set to be demolished, but in 2010 ACTION-Housing Inc. started managing the building to preserve it as well as to provide housing.”

Education

[“State System Students Will Have to Pay \\$198 More in Tuition.” Clarece Polk. *Pittsburgh Post-Gazette*. July 9, 2014.](#)

“Undergraduate students at universities within the Pennsylvania State System of Higher Education face tuition and technology fee increases to help balance a \$2.2 billion budget for the upcoming academic year. ... The change will impact full-time, undergraduate resident students enrolled at one of

the 14 State System universities, including California, Clarion, Edinboro, Indiana and Slippery Rock in the Pittsburgh region.”

Corrections

[“State’s Corrections Work Seen as Example for the Nation.” Tracie Mauriello. *Pittsburgh Post-Gazette*. July 16, 2014.](#)

“Pennsylvania’s three-year recidivism rate decreased by 7.1 percent since 2008, according to a recent report commissioned by the Justice Center of the Council of State Governments. Lawmakers in Washington want to know how [Corrections Secretary] Wetzel’s department achieved that.”