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COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA
THE VOICE OF PENNSYLVANIA COUNTIES

GOVERNOR RELEASES FY 2024-2025 BUDGET PROPOSAL

On Tuesday, February 6, Gov. Shapiro delivered his second budget address, announcing his \$48.3 billion fiscal proposal for FY 2024-2025 in a joint session of the House and Senate. The proposal represents an increase of approximately \$3.7 billion, or 8.4%, over the FY 2023-2024 enacted plan of \$44.6 billion, after adjusting for proposed supplemental appropriation changes that reduce current year state appropriations. With \$14 billion currently sitting in state reserves, including more than \$6 billion in the Rainy Day Fund, Gov. Shapiro's budget proposal does not include any broad-based tax increases to coincide with increased spending in this budget and draws down the reserves by \$3.2 billion to cover the revenue shortfall. However, over a five-year outlook, expenditures would outpace revenues, necessitating a further draw down on reserves in future years. The budget proposal does assume new taxes on adult-use cannabis and skills game, which, if enacted, are expected to produce \$15 million and \$150 million in revenue in FY 2024-2025, respectively.

Much of the proposal prioritizes a range of policies and initiatives that Gov. Shapiro focused on throughout his first year in office, including an increased investment of more than \$1.1 billion in basic K-12 education in response to last year's Commonwealth Court decision finding Pennsylvania's public-school funding inequitable and therefore unconstitutional. The Governor also proposes to combine the funding for the state university system (PASSHE) and the commonwealth's community colleges and to merge the two systems under a new governance structure. Funding for the new, combined system would increase by 15%—\$127.1 million—to a total of \$974.3 million. The Governor also proposes a new performance-based funding formula for the combined public higher education system in future years, which would offer incentives for on-time degree completion and post-graduation employment rates.

The Governor's budget also focuses heavily on economic development investment, following up on the Governor's recently released [Statewide Economic Development strategy](#). Additionally, the budget includes Shapiro Administration priorities such as permitting reform, increased mental health investment, funding for indigent defense services, adult-use cannabis legalization, increased investment in public safety, workforce development, agriculture, and veterans services, and a request to increase the state's minimum wage to \$15 per hour effective January 1, 2025.

Another key theme in the budget proposal is one of the top 2024 county government priorities, increased funding for county-based mental health services. Notably, Gov. Shapiro's proposal includes another \$20 million increase in county mental health base funding for FY 2024-2025, with additional funds in successive years, reaching a \$60 million increase in FY 2025-2026. Counties are deeply disappointed in this proposed increase, as it fails to address the significant system-wide need counties have long dealt with. Because of this increasing need, counties requested an increase of \$250 million over the current

county mental health base line to be directed entirely toward the base funds, regardless of investments being made in other mental health services such as school-based services. The minimal increase for county mental health services fails to provide a long-term commitment 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 a sustained annual investment of \$100 million to continue provision of mental health grants to schools. Counties continue to call 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 failure to deliver support for a number of 2024 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 2024-2025 budget, to ensure counties are positioned to serve the same constituents adequately and responsibly 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

Aging. The Governor's proposal includes several initiatives that support older Pennsylvanians, aligned with the commonwealth's 10-year Master Plan for Older Adults. The proposed budget includes a \$10 million increase to the PENNCARE program from the Lottery Fund aimed at providing operational resources to the Area Agencies on Aging (AAA) to meet increase service needs for older adults. Additionally, the proposed budget includes \$5.2 million to expand the provision of safe and emergency housing or placement for older adults that are in need of protective services or facing challenges upon release from prison.

Child Welfare. The Governor's budget for child welfare funding for FY 2024-2025 of \$2.105 billion is representative of the reconciliation of the fourth quarter FY 2023-2024 expenses, and further rolls forward at least 12.5% of the determined needs for FY 2024-2025 to be paid in FY 2025-2026. The Governor's child welfare budget for FY 2024-2025 includes an increase of only \$2 million from the enacted FY 2023-2024 budget, those funds being replacement funds for some federal funding. The budget is essentially flat funded, for the second year in a row, as it relates to child welfare with nothing noted as new initiatives. This proposed budget carries over the dramatically increased projections for federal funding from FY 2023-2024; it is still unclear whether those projections for federal revenue for FY 2023-2024 came to fruition, as we are still in the budget cycle.

The budget includes an increase in funding for childcare services, with an additional \$29 million in state funding requested and an additional \$37 million in federal funds anticipated.

It is likely that the staffing crisis for county child welfare continues to create underspending and that the determination of needed budgets is based on actual spending; however, the reliance on underspending due to staffing shortages is nearsighted and likely to cause substantial problems and overmatch issue when the job market corrects. A \$2 million increase in child welfare does not even match the year-to-year inflation for the state and would result in a decrease in real-world funds available to provide child welfare services at a time when counties are struggling.

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 (HAP). Through HAP, counties provide case management, emergency shelter, bridge housing, innovative supporting housing, and rental assistance to those in immediate danger of becoming homeless. The Governor's proposal includes a \$10 million increase to HAP to protect the commonwealth's most vulnerable residents from housing instability. This increase is especially significant as it comes at a time when one-time funding through federal Emergency Rent and Utility Assistance Program is set to expire, highlighting the urgency of bolstering resources to meet increased need for those on the verge of homelessness.

Human Services Development Fund (HSDF). The HSDF allows counties to be flexible in the design and provision of programs and services for low-income adults, older adults, dependent and delinquent children, persons experiencing or at risk of homelessness, and individuals with substance use disorders, mental health conditions, or intellectual disabilities. The HSDF is proposed to be funded at \$13.5 million in FY 2024-2025 for the thirteenth straight year.

Long-term Care. The Governor's FY 2024-2025 proposed budget includes a \$72.9 million dollar increase in the Medical Assistance Community Health Choices (MA-CHC). This increase will go towards ensuring facilities receive a rate increase in MA reimbursements to pay for the increase in resident-staff ratios that will be implemented July 1, 2024. In addition, across all line items affecting long-term care, the Governor's budget proposes cumulative flat funding to County IGT programs and nursing facility assessment funding. Further, the Governor's budget includes additional funding to better implement Department of Health regulations on nursing home ownership and quality care that went into effect last October. The additional funds for the FY 2024-2025 proposed budget are a welcome increase to address the new regulatory requirements.

Medical Assistance Transportation Program (MATP). The FY 2024-2025 proposed budget includes generally level funding for MATP at \$69.5 million.

Mental Health and Crisis. The Governor's FY 2024-2025 proposal adds another \$20 million to the county mental health base, building on the \$20 million increase from last year, with another \$20 million increase proposed for FY 2025-2026. Additionally, this budget proposes an additional \$1.6 million for the Community Hospital Integration Program Project (CHIPP) initiative, which would provide community services to an additional 20 individuals leaving state hospitals, though this does not provide needed funding for current capacity. Additionally, the Governor's proposed budget provides \$5.8 million to create five community-based programs serving people who require mental health assistance, but not at the level of forensic treatment, at state hospitals. Further, the proposed budget includes \$10 million in funding for 988 Crisis Line operations and capacity building and an additional \$5 million to establish and maintain walk-in mental health crisis stabilization centers.

Intellectual Disabilities, Early Intervention and Autism. The budget proposal provides over \$400 million in increases to intellectual disabilities/autism (ID/A) programs and initiatives, including nearly \$217 million in state investment for enhanced reimbursement rates and provider resources. The proposal also calls for several new initiatives under the community waiver program, totaling a \$354.6 million increase. Additionally, the proposal provides an additional \$9.8 million to the Community Base Program, which includes new initiatives expanding home and community-based services to an additional 1,500 individuals.

Autism services are proposed to receive \$35.84 million, a 13% increase from FY 2023-2024, and Intermediate Care Facilities (ICFs) are proposed to receive \$197.3 million to maintain

services, a nearly 10% increase. Gov. Shapiro further proposed a \$16.7 million increase for Early Intervention (birth-to-three) programming, a 9% increase that would allow services for approximately 3,000 additional children. The proposal also replaces \$1.25 million of federal COVID funding formerly marked for Early Intervention programs.

Substance Use Prevention and Treatment Services. The Governor's proposed budget for the Department of Drug and Alcohol Programs (DDAP) contains a minimal increase in general government operations funding for DDAP and proposes to add support for recovery services within the department. There is also a small amount requested to provide case management services to improve continuity for individuals who are receiving treatment for gambling issues. Overall, substance use disorder funding remains stable and unchanged from the current fiscal year. The amounts for the 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.

JUDICIARY

Courts. The Governor's budget request maintains level funding from the enacted FY 2023-2024 budget for judicial line items that impact the counties, the third year of proposed level funding. 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. This also fails to account for increased costs to counties with 11 additional Court of Common Pleas judges created by Act 58 of 2023. Funding for grants to counties to meet mandates for assuring access to those with limited English proficiency would remain level funded at \$2.47 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 both FY 2023-2024 and 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 \$9.7 million.

Indigent Defense Fund. The Governor's budget requests a \$2.5 million increase to the new indigent defense fund to adequately support legal representation for those unable to pay. This would bring the total FY 2024-2025 investment to \$10 million. The fund has been 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 2024-2025. 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 \$4.9 million from Act 13 funds, a slight increase from FY 2023-2024.

Agriculture. The Governor's proposed budget would maintain relatively 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 2024-2025,

the same rate as last year. Further, the Governor proposes decreased funding for the State Food Purchase Program at \$20.2 million and level funding for county fairs at \$4 million. The State Farmland Preservation Board will meet in the coming weeks to determine the Farmland Preservation funding threshold for 2024, as is required by March 1 annually.

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 nearly \$60.6 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 substantial increase under the Governor's budget to \$59.9 million, an increase of more than \$15 million over FY 2023-2024. Black fly control will see a slight increase under the Governor's plan to \$8.4 million. Additionally, the Governor combines West Nile Virus and Zika Virus control into a single vector borne disease management line, which is slated to be funded at \$6.5 million. The Governor also proposed several initiatives aimed at speeding up permitting and review within the agency, including a \$10 million increase for environmental protection operations, which includes \$3.5 million to aid with permit processing and inspections.

ELECTIONS

The Governor's proposal includes a nominal funding increase for the Statewide Uniform Registry of Electors (SURE) to almost \$13.95 million, which is slated to provide funding to support additional election technical staff to assist counties, collection and analysis of election-related data, and the hiring of full-time investigators to investigate allegations of unlawful voting. Funding for voter registration and education would see a \$5 million investment, bringing the line to \$5.75 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 budget, the public library improvement subsidy is proposed to maintain flat funding at \$70.4 million for FY 2024-2025.

COMMUNITY AND ECONOMIC DEVELOPMENT

DCED. The Governor's budget proposal calls for an increase in funding for the Center for Local Government Services to \$5.32 million. In addition, the Municipal Assistance Program, which funds shared services, community planning and flood plain management activities for local governments, would receive level funding at \$2 million 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 \$9 million increase for FY 2024-2025, most of which is earmarked to provide financial assistance to facilitate increased economic investment as part of Governor Shapiro's State Economic Development Strategy (SEDS). Funding for marketing to attract tourism is proposed to see a significant decrease, bringing the line to \$19.4 million, as the program is shifted and aligned with other tourism initiatives in the SEDS, including increasing the marketing reach of Pennsylvania's tourism offices. Marketing to attract businesses is proposed to see a substantial increase to nearly \$5.1 million. The Office of Open Records would receive an increase, funded at nearly \$4.6 million to ensure transparency and timely and effective administration of the Right-to-Know Law. The Keystone Communities program is proposed to evolve into the Main Street Matters program, which would be funded at \$25 million, a slight decrease from the \$37.6 million Keystone Communities previously received. The decrease can be attributed to

shifting programs and initiatives as a part of the SEDS.

INFRASTRUCTURE

Broadband. The Governor's budget proposal accounts for several federal appropriations to expend Infrastructure Investment and Jobs Act (IIJA) programs and funds, including an estimated \$1 billion to Pennsylvania for the Broadband Equity, Access, and Deployment (BEAD) program, which is expected to roll-out in 2024. Further, the proposal highlights \$40 million in IIJA federal funding for State Digital Equity Capacity.

Cybersecurity. The Governor's budget proposal includes approximately \$25 million total in one-time, federal funds from the IIJA for state and local cybersecurity programs housed under the Pennsylvania Emergency Management Agency.

TRANSPORTATION

The FY 2024-2025 budget proposal reflects ongoing funding for roads, bridges, transit systems and other infrastructure under Act 89 of 2013. Additionally, this budget proposes a new transfer to aid in the operations of the Public Transportation Trust Fund equal to 1.75% of total sales and use tax revenues collected, beginning July 1, 2024, which is expected to generate \$282.8 million.

HIGHER EDUCATION

In late January, the Governor proposed unification of the Pennsylvania State System of Higher Education universities (PASSHE) and Community Colleges under a new governance system to better invest and create a holistic higher education system in the commonwealth. To achieve this goal, the proposed budget proposes a 15% increase in state funding to the new system, while dedicating 5% increases to the current state-related universities (Penn State, Temple, Lincoln and Pitt). Under this new structure and funding, the Governor is proposing the establishment of a predictable, performance-based funding formula for publicly funded colleges and universities based on outcomes. Details regarding the impact to local authority and local funding for community colleges remain unknown at this time.

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