



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

FEBRUARY 8, 2000

To my fellow Pennsylvanians:

Pursuant to Article VII Section 12 of the Constitution of Pennsylvania, and Section 613 of the Administrative Code of 1929 (71 P.S. Section 233), I am transmitting to your representatives in the General Assembly my proposed budget for Fiscal Year 2000-01.

In my proposed budget, the pages are replete with elaborate, detailed data on our fiscal plan. But make no mistake — this budget is not about facts and figures. It's about you — the people of Pennsylvania.

It's about our taxpayers who have saved nearly \$8.7 billion through tax cuts, workers' compensation reform, electric competition and reduced red tape since I took office in 1995.

It's about our working families, for whom we have helped to create nearly 300,000 new jobs since 1995 — and who are benefiting from an unemployment rate that now is at a 30-year low.

It's about our children and their future. Together, we've made historic investments in education over the last five years. Our nationally recognized Link-to-Learn program has opened a new world of technology to our students. We're making sure our children can read. We've invested in violence prevention to help ensure the safety of our teachers and those they teach. We've made historic, new investments in our libraries. And we have tackled much-needed education reforms.

It's about our environment — Penn's Woods. That's why we enacted "Growing Greener" last year to make the largest environmental investment in Pennsylvania history — \$650 million to preserve open space; protect our watersheds; enhance the already best-in-the-nation state parks; add more recreational trails; and honor our proud industrial past by cleaning up polluted abandoned mines.

It's about our customers. We have worked hard to make state government more efficient and more friendly. We have done that by turning on the power of technology — linking government services to the people they serve like never before. Want to start a business here? Click a mouse. State government now is "Friction-Free." We have the nation's best E-commerce digital-signature law. And we have innovative initiatives to create high-tech jobs and bring our young people back home.

But this budget is not about what's come before. It's about what's next.

If enacted by the General Assembly, this budget will make record tax cuts. It will continue our historic, new investments in the environment and farmland preservation. It will make us the nation's undisputed technology leader. And it will make our schools the best they've ever been.

My proposed budget for next year builds on everything we've done over the last five years to make Pennsylvania an even better place to live and work.

But it's not about charts and graphs, dollar signs and decimal points. It's about you. Families. Taxpayers. Kids. Workers. Employers. This isn't just my proposed budget. It belongs to you.



Very truly yours,

Tom Ridge
Governor

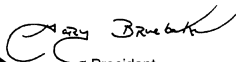


GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO
Commonwealth of
Pennsylvania

For the Fiscal Year Beginning
July 1, 1999


Cary Brubaker
President


Jeffrey L. Essler
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the Commonwealth of Pennsylvania for its annual budget for the fiscal year beginning July 1, 1999. The award is valid for a period of one year.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

Prepared by the
Office of the Budget
Robert A. Bittenbender, Budget Secretary
For additional copies: phone, fax or write:
Office of the Budget
7th Floor Bell Tower, 303 Walnut Street, Harrisburg, PA 17101-1808
(717) 787-2542 – FAX (717) 783-3368
For more PA information you can visit our web site:
<http://www.state.pa.us>

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P E N N S Y L V A N I A

2000-01
BUDGET IN BRIEF

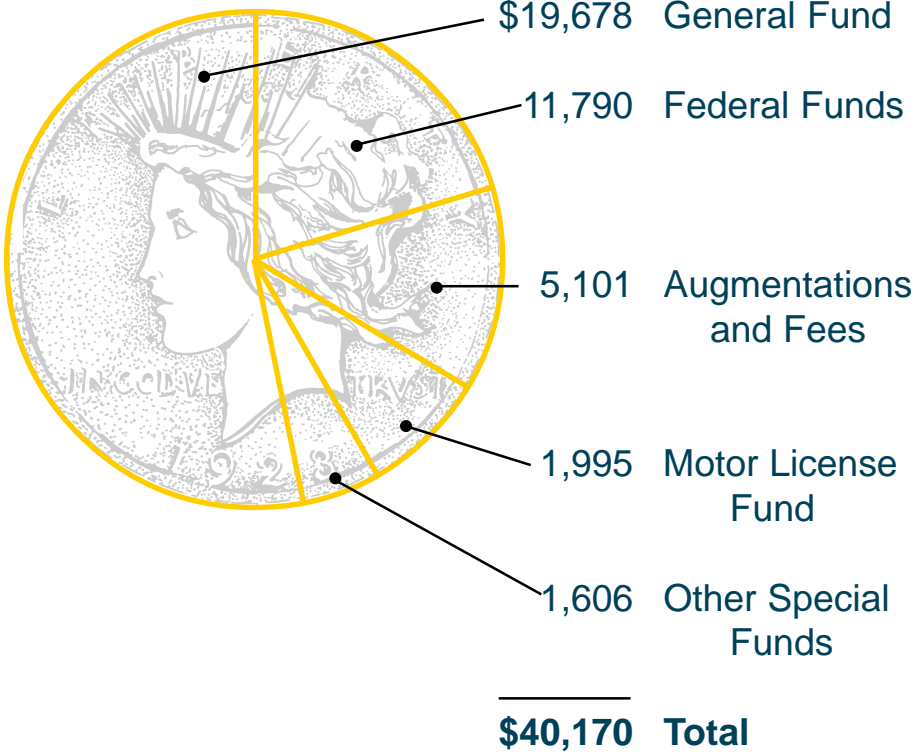
COMMONWEALTH BUDGET



2000-01 Total Recommended Budget

(All Funds)*

Dollars in Millions



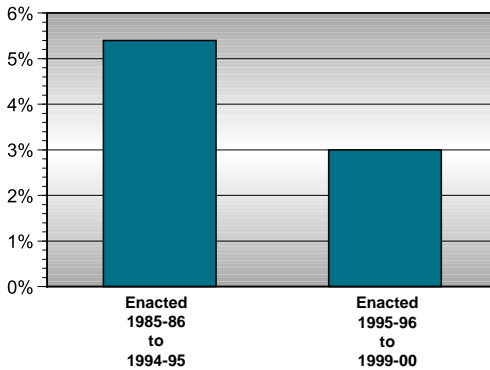
The budget submitted by the Governor to the General Assembly includes funds from the five sources shown here and totals \$40.2 billion.

* Operating only; excludes capital.

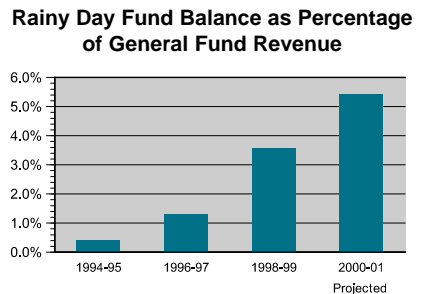
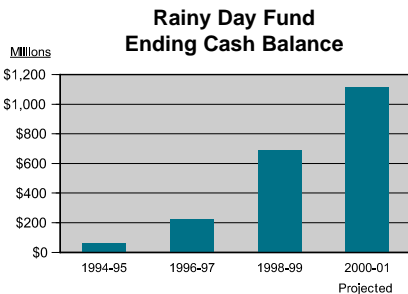
2000-01 GOVERNOR'S RECOMMENDED BUDGET

Governor Ridge's 2000-01 Budget continues his six year record of tax cuts and fiscal discipline with responsible spending.

- The proposed 2000-01 General Fund Budget is \$19.7 billion, an increase of \$399 million or 2.1 percent. Governor Ridge's five enacted budgets have had an average spending growth of 3.0 percent. The average growth in the enacted budgets during the previous ten-year period was 5.44 percent.



- \$643.5 million in tax reductions and tax rebates are proposed in 2000-01 to help families and to stimulate job creation and retention. This is the largest proposed tax cut in Pennsylvania history
- With the transfer at the end of 2000-01, the reserve balance in the Commonwealth's Rainy Day Fund will exceed \$1.1 billion, nearly seventeen times the balance in 1994-95.



PROPOSED TAX REDUCTIONS & REBATE

(Dollar Amounts in Thousands)

School Property Tax:

Homestead Property Tax Rebate \$ -330,000

A rebate for an estimated 3.3 million households of school property taxes paid for a school district's 1999-2000 fiscal year on an owner-occupied dwelling and land will be made to the resident owner. An estimated 3.27 million, or 99% of those households will receive the maximum \$100 rebate.

Capital Stock and Franchise Tax:

Phase Out Tax -256,100 *

The tax will be phased out through a 2 mill reduction of the tax rate retroactive to January 1, 2000 and subsequent 1 mill annual reductions thereafter of the tax rate until the tax is eliminated. The current total tax rate is 10.99 mills.

Eliminate Minimum Tax -32,900

The minimum \$200 annual tax will be eliminated for tax years beginning in 2000 and thereafter.

Personal Income Tax:

Expand Working Family Tax Cut -16,200

A claimant's eligibility income limit to qualify for full tax forgiveness under the special tax provisions is proposed to be increased from \$6,500 to \$7,500 for each dependent, effective January 1, 2000. For example, a family of four will owe no tax on taxable income up to \$28,000, saving that family an additional \$627.

Sales and Use Tax:

Personal Computer Tax Holiday -8,300

Qualifying purchases of personal computers and connected equipment by individuals for non-business use will be exempt from the sales and use tax if purchased during the designated time periods.

TOTAL PROPOSED TAX REDUCTIONS AND REBATE \$ -643,500

* \$256 million reduction in 2000-01 and an additional \$130 million every year thereafter

RETAINING AND CREATING JOBS

The goal of this program is to retain and create family-sustaining jobs through tax cuts; provision of capital, technology, marketing and support services to employers; and provision of support and guidance to communities for their development and economic growth.

The 2000-01 Budget includes the following program changes and funding amounts in pursuit of this program's goal.

STRENGTHENING THE COMMONWEALTH'S JOB CLIMATE

TAX CUTS FOR JOBS

- The Capital Stock and Franchise Tax, widely regarded as Pennsylvania's most non-competitive employer tax, will be phased out through a 2 mill reduction of the tax rate retroactive to January 1, 2000 and subsequent 1 mill reductions thereafter of the tax rate each year until the tax is eliminated. The current tax rate is 10.99 mills. In addition, the minimum annual tax of \$200 will be eliminated beginning in 2000.
- A Computer Sales Tax Holiday: to increase computer usage in Pennsylvania, will be declared to allow purchases of personal computers and associated equipment by individuals for non-business use to be exempt from the 6% sales tax during two designated time periods.

ATTRACTING HIGH TECHNOLOGY JOBS



- \$39.1 million in General Fund monies to be provided through the Ben Franklin / Industrial Resource Centers Fund to assist the Commonwealth's business community in implementing Technology 21 recommendations.
- \$30.3 million in General Fund monies to continue the Pennsylvania Technology Investment Authority, that will provide innovative financing for small and medium sized technology firms, stimulate expansion of electronic commerce and coordinate university-based research in high technology fields.

- \$5.5 million for Interactive Marketing to continue Internet-based marketing for business attraction and the attraction and retention of students and knowledge workers.
- \$3.3 million in State funds, for the third year of a three year commitment, will leverage public and private funds to continue a \$50 - \$70 million Catalyst Stage Fund, monitored by Team PA to provide venture capital financing to companies ready for accelerated growth.
- \$3 million in State funds will leverage public and private funds for a Western Catalyst Stage Fund, monitored by Team PA to provide venture capital financing to companies ready for accelerated growth.
- \$1 million increase to Small Business Development Centers to provide new and enhanced services to Pennsylvania small businesses.

WORKFORCE DEVELOPMENT STRATEGY



- \$32 million for customized job training to ensure Commonwealth citizens are equipped for employment in new and growing businesses.
- \$224 million in Workforce Investment Federal funds for adult, youth and dislocated worker career development.
- \$16.5 million for SciTech and GI Bill Scholarships for students majoring in science or technology-related curriculum.
- \$2 million in Federal funds to implement the Cyberscholarships program, which provides internet skills training for qualified workers and other eligible job seekers.

INTERNATIONAL TRADE/EXPORT

- \$395,000 increase for Local Development Districts to continue to promote export opportunities to Pennsylvania companies.
- \$287,000 increase to open two new international offices.



ASSISTANCE FOR EMPLOYERS

- \$97 million for programs to develop infrastructure and provide incentive grants to businesses wishing to expand or relocate in the Commonwealth.
- \$13 million to the Small Business First Fund to support loan programs totaling \$46.7 million to aid in expansion, pollution abatement and export development of small businesses.
- \$6 million to the Machinery and Equipment Loan Fund to support loan programs totaling \$19 million to aid machinery and equipment financing of businesses.

AIDING AND PROMOTING AGRIBUSINESS



- \$4.1 million for the Animal Health Commission to prevent and control animal diseases through research and diagnostic services.
- \$3.5 million for Agricultural Research to enhance the quality and quantity of agricultural products.
- \$3.6 million for planning and prevention of the discharge of agricultural nutrient pollutants.
- \$2 million for Product Promotion Marketing, Education and Exports to develop and expand domestic and international markets for Pennsylvania agricultural products.
- \$75,000 to develop a control protocol to prevent the spread of animal diseases to milk, milk by-products and dairy beef.

REINFORCING OUR COMMITMENT TO TOURISM

- \$6 million to facilitate regional marketing to attract tourists through coordination of local efforts.
- \$4.8 million for increased radio and television advertising.
- \$1 million to establish a new tourism development program to encourage multi-county attraction and destination development.
- \$500,000 increase for Tourist Promotion Assistance matching funds for local tourist promoting agencies resulting in a total of \$10.8 million in State funds for marketing the cultural and historical assets of the Commonwealth.



EDUCATION

The goal of this program is to provide a system of learning experiences and opportunities that will permit all Pennsylvanians to achieve their potential.

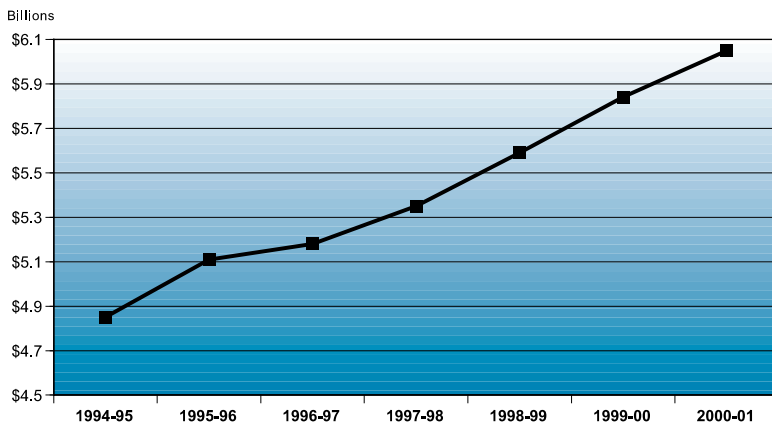
The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

BASIC EDUCATION

- \$6.1 billion in State support provided to the 501 local school districts.
- Increased funding to Pennsylvania public schools of more than \$358 million. It includes \$115 million in savings that will accrue to local school districts, intermediate units and vocational-technical schools due to a reduction in the employer contribution rate for school employees' retirement.
- Of the total \$3.79 billion Basic Education funding provided to school districts, 41 percent (\$1.5 billion) goes to the poorest 125 school districts which have 26 percent of all public school students; and 13 percent (\$500 million) goes to the wealthiest 125 school districts which have 30 percent of all public school students. Commonwealth support on average is equal to \$3,690 per student for the poorest school districts and \$978 per student for the wealthiest school districts.
- \$110.3 million increase, or 3 percent, for Basic Education Funding.
- \$46.9 million increase, or 6.5 percent, for Special Education.
- \$44.9 million increase in the State's share of local education costs for Pupil Transportation and School Employees' Social Security.
- \$33.5 million, which doubles funding for the School Performance Incentive Program that rewards schools that significantly improve their academic achievement and effort.



State Support for Local School Districts



Commonwealth appropriations in direct support of local school districts have increased since 1994-95 by \$1.2 billion.

- \$20 million for School Improvement Grants as part of a proposed Academic Empowerment Program, to improve student performance in the State's lowest performing school districts, and the management and operation of eligible school districts.
- \$4.8 million increase, or 47 percent, to strengthen and expand the PA Assessment Test to incorporate the new academic standards.
- \$4.1 million increase to expand summer professional development opportunities for academic and vocational-technical educators and to enhance the professional development assessment process.
- \$3.8 million increase, or 22.5 percent, for School Food Services.
- \$3.2 million increase, or 10 percent, for Safe and Alternative Schools Programs.
- \$1.5 million increase, or 3 percent, for Vocational Education.

TECHNOLOGY INITIATIVES

- \$37.5 million is provided to refocus the Link-to-Learn initiative, including:
 - ✓ \$21.5 million in funding to local school districts for integrated learning systems, the development of a digital school districts and expansion of a spending analysis and management project.

Commonwealth Appropriations in Direct Support of Local School Districts*

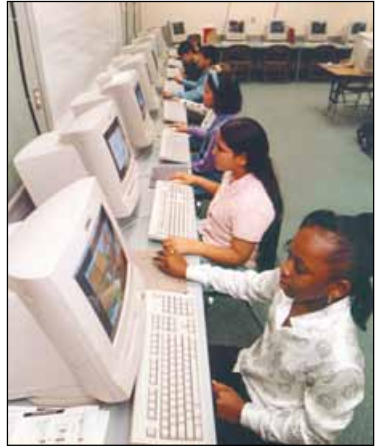


	(Dollar amounts in thousands)		
	1998-99 Actual	1999-00 Available	2000-01 Budget
Basic Education Funding	\$ 3,570,188	\$ 3,677,294	\$ 3,787,613
Special Education	677,611	719,500	766,389
Pupil Transportation	367,444	386,707	410,292
School Employees' Social Security	343,800	350,328	371,610
Authority Rentals and Sinking Fund Requirements	233,766	253,766	253,766
Early Intervention	81,455	84,719	88,701
Special Education - Approved Private Schools	58,066	59,808	61,602
Nonpublic and Charter School Pupil Transportation	54,926	56,009	55,392
Vocational Education	49,879	51,523	53,069
Tuition for Orphans and Children Placed in Private Homes	38,375	40,079	42,960
Safe and Alternative Schools	6,108	32,000	35,200
Performance Incentives	13,415	16,769	33,538
Read to Succeed	0	35,000	25,000
PA Charter Schools for the Deaf and Blind	22,861	23,847	24,999
Technology Initiative	36,333	20,150	21,450
School Food Services	16,679	16,723	20,486
School Improvement Grants	0	0	20,000
Intermediate Units	5,693	5,835	6,127
Teen Pregnancy and Parenthood	1,452	1,500	1,500
Administrative/Instructional Consolidation	1,000	1,500	1,500
Education Mentoring	1,196	1,200	1,200
Education of Migrant Laborers' Children	248	727	727
Homebound Instruction	686	643	662
School-to-Work Opportunities	500	500	500
Comprehensive Reading	300	300	300
Payments in Lieu of Taxes	182	182	182
Education of Indigent Children	110	113	116
School District Demonstration Projects	5,400	4,750	0
TOTAL	\$ 5,587,673	\$ 5,841,472	\$ 6,084,881

* Includes appropriations which are distributed to school districts, intermediate units, area vocational-technical schools and special schools. These appropriations are included in the more expansive Basic Education Subcategory which is contained within this department's presentation in the Governor's 2000-01 Recommended Budget.

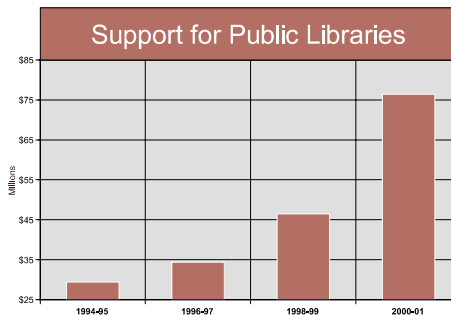
In addition to the above funding, decreases in the employer contribution rate for school employees' retirement will save local education agencies approximately \$115 million in 2000-01. Over the five-year period 1996-97 through 2000-01 the cumulative savings to local education agencies will be approximately \$940 million.

- ✓ \$10 million in funding for higher education grants focused on innovative approaches to community-based networking and curriculum development for information science and technology programs.
- ✓ \$6 million in funding to enable nonpublic schools to participate in the benefits afforded by information technology.



READING, LITERACY AND LIBRARIES INITIATIVES

- \$123.5 million total funding for the Read to Succeed initiative, adult and family – literacy programs statewide and support for public libraries including:
 - ✓ \$62.3 million, a \$15 million or 32% increase, to further enhance support of local libraries’ operating budgets and to enable local, county and district libraries to streamline operations and coordinate programs to reach new patrons.
 - ✓ \$25 million for the second year of the Read to Succeed initiative that will ensure Pennsylvania’s school children learn to read by grade 3.
 - ✓ \$5.3 million increase, or 42 percent, to support and expand adult and family literacy programs.



Total Commonwealth support for public libraries has increased by \$47 million from \$29.4 million in 1994-95 to \$76.4 million in 2000-01, an increase of 160%.

HIGHER EDUCATION

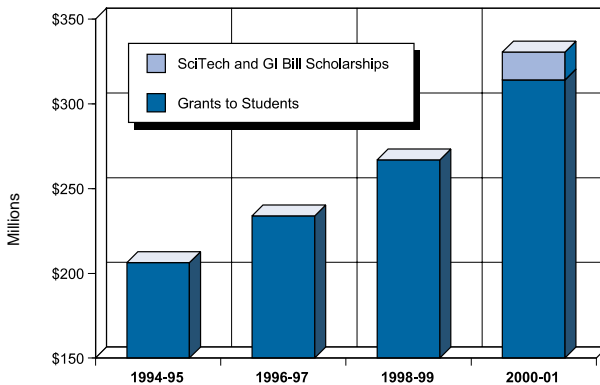
- \$8.6 million, or 5 percent, increase for Pennsylvania’s community colleges, plus \$2 million for a workforce development initiative to encourage the formation of partnerships with industry to improve the State’s supply of skilled employees and meet employment needs.
- \$13.2 million, or 3 percent, increase for the State System of Higher Education.
- \$16.8 million increase or 2.5% for the four State-related universities. The funding increases are as follows:

	(in Millions)
Penn State University	\$ 7.8
University of Pittsburgh	4.2
Temple University	4.2
Lincoln University	0.6
Total	\$ 16.8

- \$6 million for a new higher education graduation incentive program to encourage public and private higher education institutions to offer the opportunity for undergraduate students to complete degrees within four years.
- \$28.6 million, or 10 percent, increase for the ongoing Grants to Students program and a \$550,000 increase for the Keystone Academy at Cheyney University.

Student Aid

Higher Education Assistance Agency Grants to Students



Since 1994-95 State funding for student aid has increased by over \$124.3 million or over 60 percent.

PROTECTION OF PERSONS AND PROPERTY

The goal of this program is to protect lives and property from crime and natural and man-made disasters.

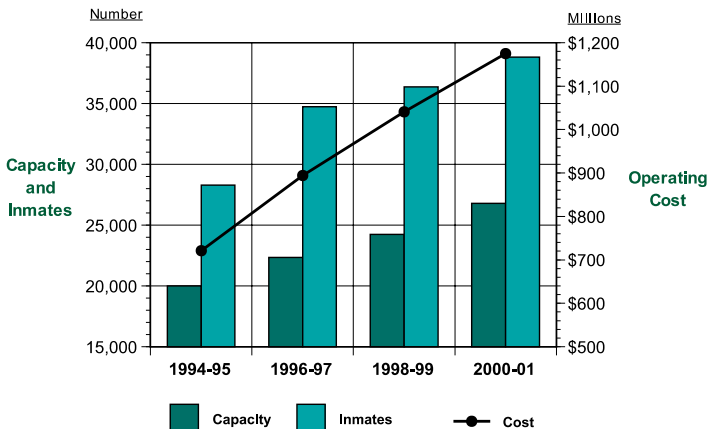
The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

LAW ENFORCEMENT AND PROTECTION

- \$17.7 million increase for the continued development and implementation of the State Police Incident Information Management System.
- \$15 million to provide resources for base stations and mobile and portable radio equipment for State Police participation in the Statewide Public Safety Radio System.
- \$15 million to provide one-time grants for volunteer fire companies in the Commonwealth to purchase equipment and training, conduct research studies or repay loans.
- \$8.1 million to continue with the opening of the 651 bed State Correctional Institution at Pine Grove for incarcerated young adult offenders.
- \$8 million to improve the Department of Correction's information technology.

State Correctional Institutions

Cell Capacity, Inmate Population and Operating Costs



- \$6.8 million for the training of 222 State Police cadets and their service as troopers during 2000-01.
- \$3.8 million for security enhancements at State correctional institutions.
- \$2.1 million to expand basic and vocational education programs at various State correctional institutions.
- \$2 million to provide resources for base stations and mobile and portable radio equipment for the Department of Correction's participation in the Statewide Public Safety Radio System.
- \$1.9 million for protective gear and equipment that will increase the level of safety for State Police troopers.
- \$585,000 to expand housing capacity by 176 beds at State Correctional Institution at Laurel Highlands.
- \$335,000 to expand efforts at the State Police crime labs.
- \$262,000 to allow the Board of Probation and Parole to refer recent parolees to community-based fatherhood programs.
- \$140,000 to expand housing capacity by 72 beds at State Correctional Institution at Muncy .



CRIME PREVENTION

- \$4 million increase, for a total of \$8 million, to implement research-based juvenile violence prevention programs in 25 additional communities.
- \$2.1 million increase, for a total of \$3.1 million, to expand the activities of the Governor's Partnership for Safe Children, including implementing the Communities That Care assessment and planning process in 18 additional communities.
- \$2.3 million increase, for a total of \$13.3 million, for school-based, community-based, intensive supervision and aftercare services for juvenile offenders.
- \$2 million increase, for a total of \$13 million, for county administered drug and alcohol treatment services for non-violent offenders included

within the Intermediate Punishment Program that provides alternatives to incarceration.

- \$1.1` million to build upon the Weed and Seed Program by supporting juvenile violence prevention programs and litigation efforts against liquor and drug nuisance properties.

PROTECTING PENNSYLVANIA'S ENVIRONMENT

- \$645.9 million over five years from the Environmental Stewardship Fund to address major environmental issues of the 21st Century.

The recommended budget for 2000-01 includes:

- ✓ \$32 million for watershed preservation and restoration.
- ✓ \$32 million for stormwater, water and sewer grants.
- ✓ \$24.1 million to rehabilitate, repair and develop State Parks and Forest land facilities.
- ✓ \$20 million for farmland preservation.
- ✓ \$10 million for abandoned mine reclamation and remediation.
- ✓ \$8.2 million in grants to communities for conservation and open space projects.



- ✓ \$5.5 million for grants and matching grants for stormwater, water and sewer infrastructure projects.
- ✓ \$3 million to plug abandoned and orphan oil and gas wells.
- ✓ \$300,000 for grants to counties and local governments for conserving biological diversity.
- \$3.6 million to coordinate and cooperate with local governments to identify sound land use practices.
- \$896,000 for watershed coordinators who will manage and coordinate watershed activities.
- \$701,000 to support relocations and upgrades to the field offices of the Department of Environmental Protection.
- \$465,000 to install drought monitoring wells in 19 counties and to upgrade existing wells with satellite data control platforms.
- \$206,000 to establish a single point of contact for grant requests in the Department of Environmental Protection.
- \$150,000 for studies to determine the effects of longwall mining in Pennsylvania.
- \$128,000 to implement new Federal mandated regulations regarding particulate monitoring networks.

HEALTH AND HUMAN SERVICES

The goals of this program are to ensure that citizens of the Commonwealth have access to a comprehensive quality medical care system; to help people attain self-sufficiency through employment, training, child care and cash assistance; to provide veterans' assistance; and, to provide a system of services that maximize the capacity of individuals and families to participate in society.

The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

CHILDREN'S HEALTH INSURANCE PROGRAM

- \$181 million in state and federal funds in 2000-01 to serve almost 120,000 children through the Children's Health Insurance Program.



HEALTH INVESTMENT PLAN

- \$105.8 million in Tobacco Settlement funds for an Adult Health Insurance Program, which will provide coverage for adults whose income is below 200% of poverty; the enrollees will pay a basic monthly premium for the coverage.
- \$32.6 million in Tobacco Settlement funds to provide hospitals with reimbursement for extraordinary and uncompensated care costs incurred on behalf of uninsured individuals.
- \$32.6 million in Tobacco Settlement funds for health-related research proposals from Pennsylvania-based researchers and institutions.

- \$32.6 million in Tobacco Settlement funds to significantly expand community-based programs to prevent tobacco use.
- \$24.8 million in Tobacco Settlement funds to extend Medical Assistance coverage to working Pennsylvania's with disabilities with incomes below 250% of poverty. The individuals will pay a basic monthly premium for the coverage.
- \$16.3 million in Tobacco Settlement funds to significantly expand the program to encourage cessation of tobacco use.
- \$16.3 million in Tobacco Settlement funds to leverage private investment in healthcare related companies.
- \$2.8 million from the General Fund to administer programs dealing with the Tobacco Settlement.

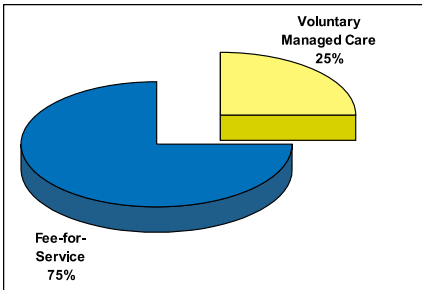
HELPING PEOPLE HELP THEMSELVES

- \$52.7 million in total funds to continue the following changes initiated in 1999-00; expansion of subsidized child care to low-income families earning up to 200% of the poverty level, a revised co-pay schedule , and increased reimbursement ceilings for child care providers.
- \$10 million in Federal funds to provide quality improvements, capacity building and operational enhancements for child care centers.
- \$18 million in State and Federal funds to expand transportation and employment and training opportunities for welfare recipients and people with disabilities and to provide vision exams, corrective lenses and hearing devices for people in employment and training programs.
- \$500,000 in Federal funds to assist nonprofit child care centers with start-up costs.
- \$318,000 to increase random annual inspections to 15% of registered family day care centers.

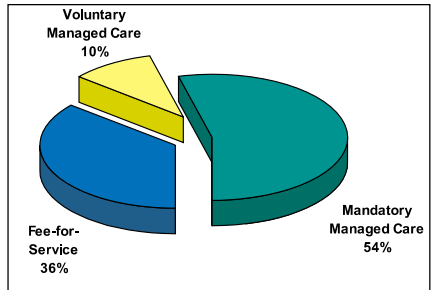
HEALTH CARE FOR LOW-INCOME PENNSYLVANIANS

- \$3.4 billion in State funds to maintain comprehensive medical coverage for 1.4 million children, pregnant women, older Pennsylvanians and people with disabilities meeting current income eligibility guidelines.
- \$130.6 million in total funds for premium increases for managed care organizations under the HealthChoices Southeast Program.
- \$108 million in total funds to provide for the HIV/AIDS Risk Pool in the HealthChoices Program.

Medical Assistance Eligibility



1994-95



2000-01

- \$78.3 million increase in total funds to provide specially adaptive and exceptional durable medical equipment to Medical Assistance residents in private and county nursing facilities and residents transitioning back to the community.
- \$61.6 million in total funds for premium increases for managed care organizations under the HealthChoices Southwest Program.
- \$21.9 million in total funds to provide for special population adjustments in the HealthChoices Program.
- \$17.4 million in total funds to provide for risk sharing of special populations in the HealthChoices Southeast Program.
- \$4.6 million in additional State and Federal funds to redesign the management information and claims processing systems for the Medical Assistance Program, including automation of the provider enrollment process.
- \$2.6 million increase in State funds for increased Medical Assistance transportation services.
- \$2.1 million increase in State funds to maintain the AIDS Special Pharmaceutical Benefits Program and for new drug therapies approved by the Federal Food and Drug Administration.
- \$1.4 million increase in State funds to expand the availability of dental services.
- \$794,000 increase in State funds to enhance managed care consumer information.

HEALTH AND HUMAN SERVICES

- \$26.9 million increase in State funds to continue the County Child Welfare needs-based program.
- \$4.0 million increase in State funds to support and expand newborn screening to minimize severe health risks to infants.
- \$3.3 million in State funds to provide technology improvements in the County Assistance Offices.
- \$2.5 million increase to facilitate management's use of information technology for the Cash Grants and Medical Assistance Programs.
- \$4.9 million increase to monitor for the presence of the West Nile virus and to implement abatement activities.
- \$1.5 million increase in State funds to enhance the child welfare information system which supports planning and budgeting activities and results-based management approaches.
- \$2.1million increase to recruit and retain dentists and dental hygienists in underserved areas, support community health partnerships, and provide continuing education for primary health care practitioners through area health education centers and other primary health care activities.
- \$763,000 in State funds to provide a 2 percent cost-of-living increase for drug and alcohol assistance programs.
- \$753,000 increase in State funds to provide enhanced oversight of Medical Assistance, and services for children and persons with disabilities.
- \$695,000 increase in State funds to expand oversight of child abuse and adoption activities.
- \$439,000 to enhance monitoring of social programs, attendant care and mental retardation services.
- \$405,000 increase in State funds to check nurse aide qualifications through enhancement of the nurse aide registry.
- \$400,000 increase in State funds to strengthen technology systems including Statewide immunization tracking.
- \$300,000 increase in State funds to automate facility deficiency records.
- \$101,000 in State funds to provide competency-based training to county child welfare staff.

HELPING PENNSYLVANIANS WITH DISABILITIES

- \$50.7 million increase in State and Federal funds to further enhance community opportunities for persons with mental retardation which includes community placements for 221 residents of State centers and 1,232 individuals on county waiting lists. In addition, 2,852 persons currently receiving services will receive enhanced services.
- \$37.2 million for vocational rehabilitation services.
- \$6 million in total funds to assist individuals with disabilities to purchase or modify their homes to accommodate their disability.
- \$5.5 million increase in State funds to expand the Community/Hospital Integration Projects Program, which would provide community placements for 200 individuals currently in State hospitals.
- \$3.7 million increase in State and Federal funds to allow 120 persons with disabilities, including traumatic brain injury and autism, to remain in community settings.
- \$2.6 million in prior year State dollars will be utilized in 2000-01 to enhance the continuum of mental health services in select counties within the Lehigh/Capital region in preparation for the implementation of Medical Assistance behavioral health managed care.
- \$1 million for the Independence Capital Access Network Program to provide grants to businesses to support the purchase of specialized or adaptive equipment for employees with disabilities.
- \$300,000 for a loan guarantee program for persons with disabilities to obtain assistive technology devices.



SERVICES TO OLDER PENNSYLVANIANS

- \$75.5 million increase in Lottery Funds for property tax and rent rebate assistance to older and permanently disabled Pennsylvanian's. Due to the expansion of eligibility for this program, an additional 161,000 households will receive assistance payments.

- \$143.4 million from the General Fund and Lottery Fund to maintain transportation programs that will provide over 43 million free and 6.5 million shared rides.
- \$5.8 million increase in State funds to continue the PENNCARE program for Older Pennsylvanians and provide service to an additional 116 persons in the PENNCARE Attendant Care Program.
- \$2 million to continue improvements to community senior centers.
- \$1.9 million in State funds to improve the information available to long-term care consumers regarding the availability of services including service options, provider performance profiles and financing opportunities.
- \$1.8 million increase in funds to expand the availability of Medical Assistance home and community-based alternatives to nursing home care to 1,500 additional older Pennsylvanians.
- \$825,000 increase in State funds to expand Family Caregiver Support services to an additional 285 families caring for older family members in their homes.
- \$597,000 increase in State funds to improve long-term care quality assurance.
- \$220,000 in Federal funds to implement a pilot program to identify older individuals in the community who have or are at-risk for mental illness.



TRANSPORTATION

The goal of this program is to provide an intermodal system which meets the needs of citizens, commerce and industry for the fast, efficient and safe movement of individuals and cargo within the Commonwealth, and to link them with national and international systems.

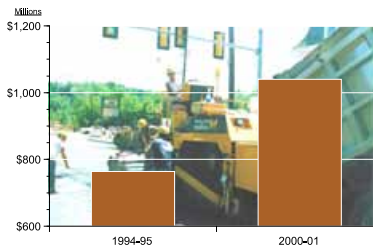
The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

TRANSPORTATION ADMINISTRATION

- \$34.7 million for advanced maintenance technologies and more efficient transportation systems.

STATE HIGHWAY AND BRIDGE MAINTENANCE

- \$1.229 billion, including \$188 million in Federal funds, for the maintenance of the Commonwealth's bridges and highways. Also included is a \$15 million initiative to enhance road safety conditions in all 67 counties in the Commonwealth and an \$8 million Program Revision Request to upgrade the radio system as part of the Statewide Public Safety Radio System.



WELCOME CENTERS

- \$300,000 initiative to renovate Welcome Centers in Mercer, Fulton, York and Delaware counties.

MASS TRANSPORTATION

- \$808 million, including \$732 million in State funds and \$76 million in Federal funds, for operating and capital assistance to mass transit agencies.

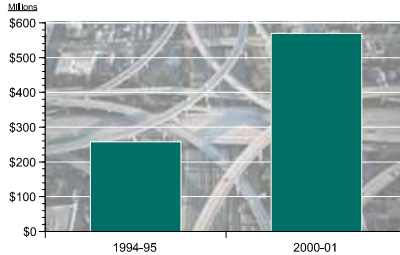


INTERCITY TRANSPORTATION

- \$8.5 million for rail freight assistance.
- \$2.1 million to subsidize intercity transportation.

STATE HIGHWAY AND BRIDGE CONSTRUCTION

- \$1.3 billion, including \$562 million in State and \$738 million in Federal funds, for new construction and major repairs of highways and bridges.

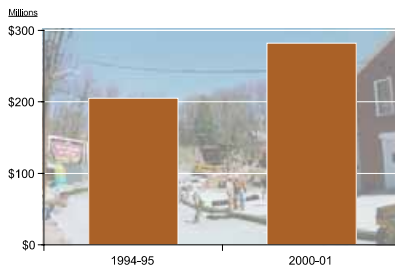


AIR TRANSPORTATION

- \$7.8 million to improve public airports.

LOCAL ROAD MAINTENANCE AND CONSTRUCTION PAYMENTS

- \$280 million to municipal governments for local road maintenance and construction.



SAFETY ADMINISTRATION AND LICENSING

- \$13.4 million to continue the reissuance of motor vehicle license plates.
- \$3.2 million initiative to provide for upgraded safety administration and licensing software.

RECREATION AND CULTURAL ENRICHMENT

The goal of this program is to provide sufficient opportunities for individual and group recreation and cultural growth.

The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

- \$5.8 million to complete the conversion of public television broadcasting from analog to digital signals.
- \$3.6 million to increase the number of elementary, public and college libraries in the Access Pennsylvania database.
- \$1 million increase, for a total of \$13 million for the Grants to the Arts Program.
- \$768,000 for information technology improvements for the Historical and Museum Commission.
- \$750,000 to inventory, treat, preserve and catalog artifacts for the Historical and Museum Commission.
- \$552,000 to provide administrative and operating resources to support State Park facilities.



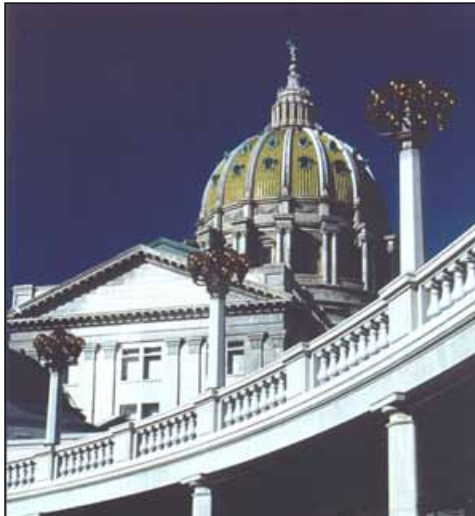
DIRECTION AND SUPPORTIVE SERVICES

The goal of this Commonwealth program is to provide an effective administrative support system through which the goals and objectives of the Commonwealth programs can be attained.

The 2000-01 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

INFORMATION TECHNOLOGY TO POSITION STATE GOVERNMENT AS A 21ST CENTURY LEADER

- \$44.7 million across eight agencies to implement the operational phase of the Statewide Public Safety Radio System.
- \$35.4 million to redesign and integrate the Commonwealth's budget, accounting, payroll, procurement and personnel systems to improve the efficiency and effectiveness of State Government.
- \$24 million for information communication, including equipment, communications facility infrastructure improvements and e-business software and support systems.
- \$20 million to provide electronic government solutions, including a redesign of the Commonwealth's website to enable businesses, local governments and citizens to participate in the benefits of electronic government applications.



- \$16.9 million for enterprise-wide information technology projects including data center consolidation.
- \$10.3 million to continue development, maintenance and support of the Integrated Criminal Justice Network (JNET) including connections to six additional counties.
- \$3.4 million to develop and implement an intranet-based litigation management software system for the Office of General Counsel.
- \$2 million to upgrade the current Appeals Docket System to allow managers in the Department of Revenue, the Chief Counsel's Office, the Board of Finance and Revenue and the Commonwealth Court to access all appropriate documents related to appealed tax cases and thereby increase efficiency and customer responsiveness.
- \$1.8 million to facilitate case processing, management and tracking in the Human Relations Commission.
- \$1 million for software to support the construction management database system in the Department of General Services that will improve monitoring of public works.
- \$1 million in augmentations to complete an automated system for professional licensure within the Department of State to facilitate public access and customer service.
- \$690,000 to update Pennsylvania's geographic maps using digital topographic information, and to provide administrative resources for the effective utilization of the Geographic Information System.
- \$200,000 for software to support the bar coding system in the Department of General Services that will support inventory and billing functions.

OTHER

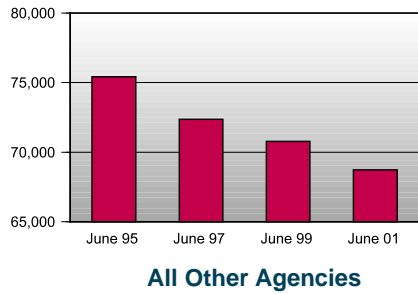
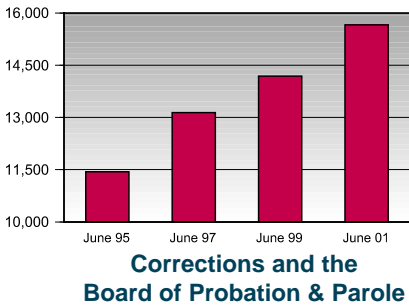
- \$622,000 for implementation of uniform construction code standards through computer upgrades, inspector standards training and certification, and operational support.
- \$450,000 for grants to sustain the high level of labor management cooperation in the State.
- \$267,000 to increase boiler inspections throughout the State.

PERSONNEL COMPLEMENT

- This budget proposes a net reduction of 979 in total salaried complement even after including additional positions necessary for the State correctional system.

	1998-99 Actual	1999-00 Available	2000-01 Budget	Difference
Corrections and Board of Probation & Parole	14,182	15,277	15,659	382
All Other Agencies	<u>70,765</u>	<u>70,124</u>	<u>68,763</u>	<u>-1,361</u>
Total	<u>84,947</u>	<u>85,401</u>	<u>84,422</u>	<u>-979</u>

Authorized Salaried Complement



SALARIED COMPLEMENT BY AGENCY

Full-Time Equivalent (FTE)

The following is a summary, by department, of the 1998-99 actual, 1999-00 available and 2000-01 recommended salaried complement levels on a full-time equivalent (FTE) basis.

Department	1998-99 Actual	1999-00 Available	2000-01 Budget	Difference Budget vs. Available
Governor's Office	91	91	91	
Executive Offices	2,257	2,259	2,312	53
Lieutenant Governor's Office	16	17	17	
Aging	107	108	108	
Agriculture	630	638*	637	-1
Banking	124	124	121	-3
Civil Service Commission	181	181	181	
Community and Economic Development ..	332	342	346	4
Conservation and Natural Resources	1,312	1,321	1,339	18
Corrections	13,234	14,320	14,690	370
Education	1,121	834	833	-1
Emergency Management Agency	137	141	142	1
Environmental Hearing Board	22	22	22	
Environmental Protection	3,122	3,163*	3,181	18
Fish & Boat Commission	440	441	441	
Game Commission	731	731	731	
General Services	1,321	1,326	1,351	25
Health	1,345	1,395*	1,426	31
Historical and Museum Commission	333	345	350	5
Infrastructure Investment Authority	23	23	23	
Insurance	298	305	320	15
Labor and Industry	6,242	6,401	6,408	7
Liquor Control Board	2,969	2,969	2,969	
Military and Veterans Affairs	2,051	2,082	2,101	19
Milk Marketing Board	36	36	36	
Municipal Employees' Retirement	22	24	24	
Probation and Parole Board	948	957	969	12
Public Television Network	20	20	20	
Public Utility Commission	538	538	538	
Public Welfare	23,732	22,956	21,377	-1,579
Revenue	2,279	2,279	2,279	
School Employees' Retirement System	290	290	290	
Securities Commission	74	83	84	1
State	404	404	406	2
State Employees' Retirement System	191	191	191	
State Police	5,604	5,671	5,695	24
Tax Equalization Board	22	22	22	
Transportation	12,348	12,351	12,351	
TOTAL ALL DEPARTMENTS	<u>84,947</u>	<u>85,401</u>	<u>84,422</u>	<u>-979</u>

* Anticipates creation of 42 positions in various agencies for West Nile Virus Control.

Health Investment Plan

***“Making Pennsylvanians
healthier should
be our top priority”***

In 1998 Pennsylvania became part of the Tobacco Master Settlement Agreement (MSA) with the five major tobacco manufacturers. The MSA provides a perpetual reimbursement to states for the costs incurred as a result of tobacco use. Pennsylvania’s share of the MSA funds has anticipated annual payments ranging between \$397 million and \$459 million. This budget proposes to begin allocating annual tobacco settlement revenue in accordance with the principles and percentages outlined below.

Pennsylvania has positioned itself as a national leader by proposing that the use of the tobacco settlement proceeds be limited to initiatives designed to improve the health status of its citizens. The following five principles were developed to guide the Commonwealth’s use of the tobacco settlement proceeds:

- Make Pennsylvanians healthier.
- Leave a legacy for the future.
- Develop flexible programs and initiatives.
- Build on existing government services before creating new ones.
- Focus on initiatives that do not grow government.

Citizen and health advocacy group input received through public hearings and stakeholder meetings was analyzed for consistency with the guiding principles and influenced the establishment of the following Health Investment Plan priorities and funding allocation percentages:

• Health Care Insurance for the Uninsured	40%
• Home and Community Based Care	15%
• Tobacco Prevention Programs	10%
• Tobacco Cessation Programs	5%
• Broad-Based Health Research	10%
• Venture Capital	5%
• Uncompensated Care	10%
• Endowment Account	5%
<i>TOTAL</i>	<hr/> 100%



The Lieutenant Governor is leading the Privatize, Retain, Innovate, Modify and Eliminate (PRIME) process which is implementing the recommendations from the Improve Management Performance and Cost Control Task Force Commission study of 1995.

To date, 513 PRIME initiatives have been completed. It is estimated that over \$525 million has been saved, reallocated or earned from completed projects.

Examples of work in progress or implemented include the following:

- The Department of Corrections is using telemedicine to reduce the need for offsite medical consultations. This innovative use of technology has greatly improved security by reducing transportation of inmates and associated overtime.
- The Department of Aging expanded the use of volunteers in the ombudsman program. The use of volunteers in 34 of 52 Area Agencies on Aging throughout the State expands the outreach and assistance to Pennsylvania's senior citizens.
- The Department of Military and Veterans Affairs reached an agreement for the Interstate Compact for Mutual Assistance. This agreement between 54 territories and states allows for disaster or emergency assistance to be provided across state boundaries without a Federal declaration of emergency.
- The Pennsylvania State Police continue to refurbish some older patrol vehicles rather than purchasing new vehicles. By the end of 1999-00, an additional 65 vehicles will be refurbished.
- The Department of Banking is in the process of implementing a designed imaging and document management system. This will enable the department to better manage the data it receives and better serve its customers by providing needed information faster.



Responsible environmental management is not only the right thing to do, it also contributes significantly to the reduction in the use of materials, energy and production time.

The Governor's Green Government Council was established in March 1998 with the intention of having the Commonwealth government set an example in moving toward the goal of a sustainable Pennsylvania.

Significant highlights include:

- New Commonwealth buildings are being designed on green principles, including the Keystone Office Building in downtown Harrisburg, the Centers of Excellence laboratory in Summerdale for the Department of Environmental Protection, Department of Conservation and Natural Resources state park buildings, and new leased office space in Ebensburg for the Department of Environmental Protection.
- Eleven agencies, on whose behalf the Department of General Services conducted an on-line auction for electricity, will save approximately \$1.5 million while acquiring 5 percent of total electricity usage from environmentally friendly sources.
- Certification of all 2.1 million acres of Pennsylvania's public forestland as being managed in accordance with sustainable forestry practices, the largest acreage of certified forest in the United States.
- The Department of General Services is introducing a simple procurement process to enable agencies to acquire guaranteed energy savings services to retrofit existing buildings.



P E N N S Y L V A N I A

2000-01
BUDGET IN BRIEF

GENERAL FUND



GENERAL FUND

GENERAL FUND

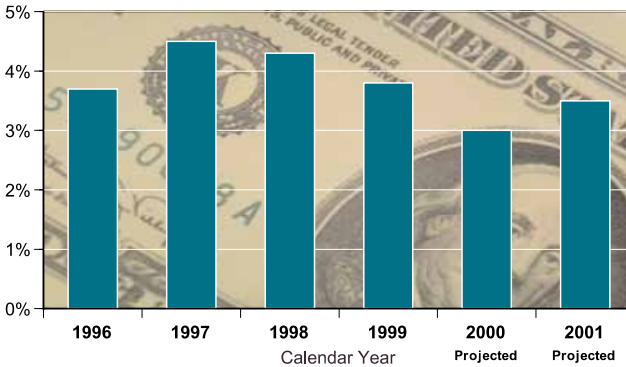
Financial Statement

	Millions	
	1999-00	2000-01
Beginning Balance	\$ 448	\$ 444
Receipts	19,253	19,898
Tax Reductions	-644
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Funds Available	\$ 19,701	\$ 19,698
Appropriated	-19,279	-19,678
Less Lapses	100
	<hr/>	<hr/>
Closing Balance	\$ 522	\$ 20
Less Transfer to Rainy Day Fund	-78	-3
	<hr/>	<hr/>
Ending Balance	\$ 444	\$ 17
	<hr/> <hr/>	<hr/> <hr/>

The Governor has proposed a General Fund Budget for 2000-01 that strengthens public education, emphasizes and encourages job creation and business development, protects the environment, returns money to taxpayers and promotes personal self-sufficiency.

ECONOMIC OUTLOOK

Real Gross Domestic Product Annual Growth Rate



Source: WEFA Baseline Forecast

- Economic growth in the U.S. is expected to continue through 2001. The rate of growth is projected not to be as high as it has been during the past three years.
- Revenue estimates for the 2000-01 budget were prepared based on a baseline forecast that represents the economic conditions most likely to occur. Selection of the baseline forecast represented a change from prior budgets that were estimated using a less optimistic low-growth forecast.
- Consumer spending, supported by continued gains in income, will help sustain economic growth but at lower levels than in recent years.
- The trend for economic growth to be above estimate causes tax revenues to exceed their estimates. Receipts from the Sales Tax and the Personal Income Tax thus far in the fiscal year are above estimate. For the General Fund in 1999-2000, revenues are now expected to be \$464 million above the official estimate.

GENERAL FUND

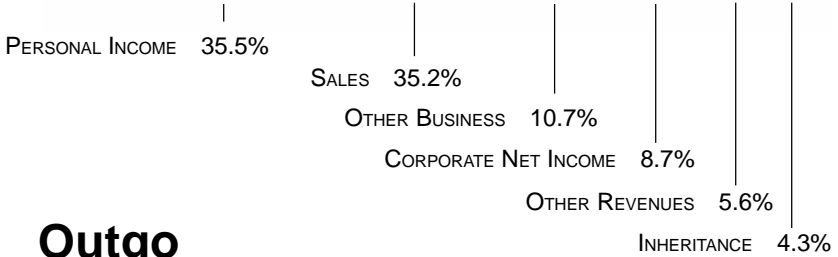
Supplemental Appropriations

	1999-00 Estimated (Thousands)
Agriculture	
General Government Operations	\$ 200
Corrections	
State Correctional Institutions	\$ 43,211
Education	
Pupil Transportation	\$ 5,578
Nonpublic Pupil Transportation	1,630
<i>Education Total</i>	<u>\$ 7,208</u>
Environmental Protection	
West Nile Virus Control	\$ 4,100
Health	
General Government Operations	\$ 340
State Laboratory	260
<i>Health Total</i>	<u>\$ 600</u>
Public Welfare	
Medical Assistance - Outpatient	\$ 41,249
Medical Assistance - Inpatient	25,348
Medical Assistance - Capitation	-62,740
Long-Term Care Facilities	-46,417
Medical Assistance - Transportation	2,560
Cash Grants	100,000
County Child Welfare	-60,000
<i>Public Welfare Total</i>	<u>\$ 0</u>
Revenue	
General Government Operations	\$ 8,000
General Operations - Lottery Administration	600
<i>Revenue Total</i>	<u>\$ 8,600</u>
TOTAL	<u><u>\$ 63,919</u></u>

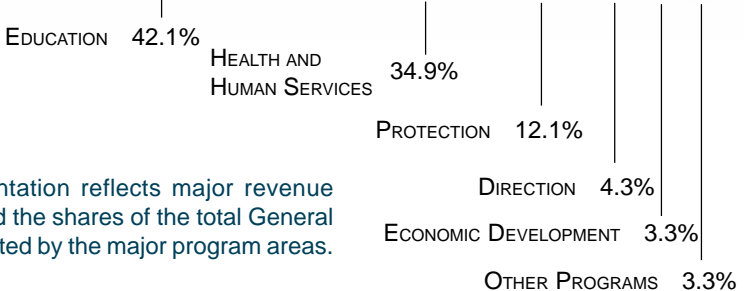
GENERAL FUND

2000-01 Fiscal Year

Income

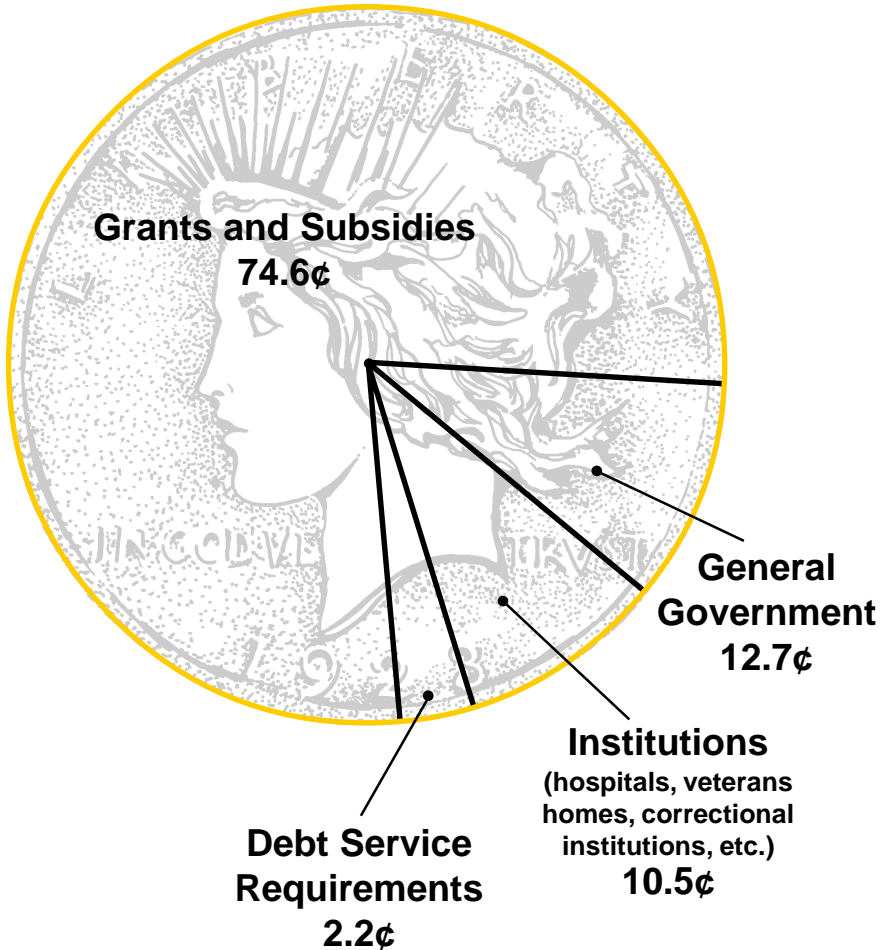


Outgo



This presentation reflects major revenue sources and the shares of the total General Fund allocated by the major program areas.

2000-01 Use of the General Fund Dollar



Nearly three quarters of each 2000-01 General Fund dollar is returned to individuals, governments, institutions, school districts, etc., in the form of grants and subsidies.

MOTOR LICENSE FUND

Financial Statement

	Millions	
	1999-00	2000-01
Beginning Balance	\$ 89	\$ 69
Receipts	1,941	1,930
Funds Available	\$ 2,030	\$ 1,999
Appropriated	-1,968	-1,995
Lapses	7
Ending Balance	<u>\$ 69</u>	<u>\$ 4</u>

- Continues maintenance to preserve the quality and safety of existing State-administered roads and bridges.
- Provides for aggressive program of highway and road construction important for economic development and recreational needs.
- Provides for continued reconstruction of the Commonwealth's interstate system and other priority State highways and bridges.
- Provides assistance to local governments for the local highway and bridge system.

2000-01 MOTOR LICENSE FUND *

(Millions)

Total Income	\$1,930
Beginning Balance	69
TOTAL	\$1,999

INCOME



Liquid Fuels Tax — \$1,046

Licenses and Fees — \$790

Other — \$94

OUTGO



Maintenance — \$716

Improvement, Design — \$389

State Police — \$327

Other — \$190

Local Subsidy — \$184

Licensing and Safety — \$108

Debt Service — \$81

Total Outgo	\$1,995
Ending Balance	4
TOTAL	\$1,999

* Excludes restricted accounts. Total highway maintenance is \$1.082 billion: \$716 million Motor License Fund and \$366 million restricted accounts.

LOTTERY FUND

Financial Statement

	Millions	
	1999-00	2000-01
Beginning Balance	\$ 113	\$ 192
Receipts	1,136	1,166
Funds Available	\$ 1,249	\$ 1,358
Appropriated	-1,082	-1,149
Lapses	25
Ending Balance	<u>\$ 192</u>	<u>\$ 209</u>

- The Lottery Fund has reached a state of maturity where significant sales growth will be difficult to achieve.
- The administration of Lottery programs has been transferred to the General Fund to maximize the availability of dollars to benefit senior citizens. Further program expansion will be constrained as balances in the fund decrease.
- Provides pharmaceutical cost assistance to qualified older Pennsylvanians.
- Provides in-home and community-based services to qualified older Pennsylvanians.
- Provides free and shared ride transportation for older Pennsylvanians.

CAPITAL BUDGET

	<u>2000-01 Millions</u>
<u>From Bond Funds</u>	
Conservation and Natural Resources	\$ 12
Corrections	44
Education	32
Environmental Protection	4
General Services	18
Military and Veterans Affairs	4
Public Welfare	6
Transportation	190
All Others	7
	<hr/>
Subtotal Bond Funds	\$ 317
<u>From Current Revenues</u>	
Conservation and Natural Resources	\$ 87
Corrections	1
Transportation	197
	<hr/>
Subtotal Current Revenues	\$ 285
	<hr/>
TOTAL CAPITAL	<u>\$ 602</u>

The 2000-01 Capital Budget recommends:

- Conservation and Natural Resources - Upgrade of infrastructure at many State Parks. Also, initiation of many projects at the parks to be funded from the recently created Environmental Stewardship Fund.
- Corrections - Infrastructure and security improvements at State Correctional Institutions.

- Education - Renovation of existing academic buildings and infrastructure improvements at various university locations across the Commonwealth.
- Environmental Protection - Additional funding for the construction of previously authorized flood protection projects and the rehabilitation of existing flood protection structures.
- General Services - Infrastructure improvements within the Capitol Complex.
- Military and Veterans Affairs - Major facility upgrades to the Scotland School for Veterans Children.
- Public Welfare - Infrastructure improvements at the State mental hospitals and State centers.
- State Police - Additional funding for the construction of a new troop headquarters in Hollidaysburg, Blair County.
- Transportation - Replacement of highway maintenance facilities, improvements for local mass transit agencies and authorization of major highway rehabilitation projects.



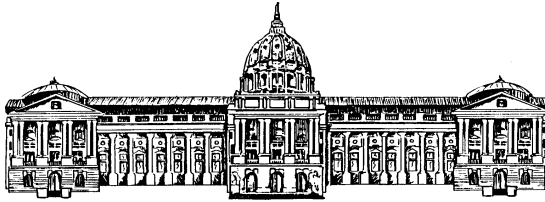
P E N N S Y L V A N I A

2000-01
BUDGET IN BRIEF

BUDGET PROCESS



THE BUDGET PROCESS



The Governor's Budget is developed with a focus on the results of government programs and provides information about program goals, objectives, accomplishments and effects.

The Governor's Budget is a statement of the Commonwealth's program plan, the resources necessary to support that plan, a description of how resources are to be used, and an assessment of the effects of programs on people and the environment. This information is presented so that the levels of expenditure are associated with levels of government services and, ultimately, with the resulting effects on important public policy issues and concerns faced by the Commonwealth.

PHASES OF THE BUDGET PROCESS

The State budget process can be divided into four stages: gubernatorial preparation and submission to the General Assembly; approval (involving the executive and legislative branches); execution; and program performance evaluation and financial audit.

PREPARATION

The preparation stage of the budget process begins nearly twelve months prior to the start of that fiscal year. The first step of the preparation stage is the distribution of the Budget Instructions by the Office of the Budget and the Program Policy Guidelines by the Governor. The Program Policy Guidelines define major policy issues, spell out priorities and provide policy direction to the agencies for budget preparation.

Agency budget requests are submitted to the Office of the Budget beginning in early October. Agencies prepare and submit their requests using computerized systems. The Agency Program Plan, the programmatic presentation of agency budget requests, and the appropriation level information are prepared and submitted in the format and manner specified in Budget Instructions issued annually by the Office of the Budget.

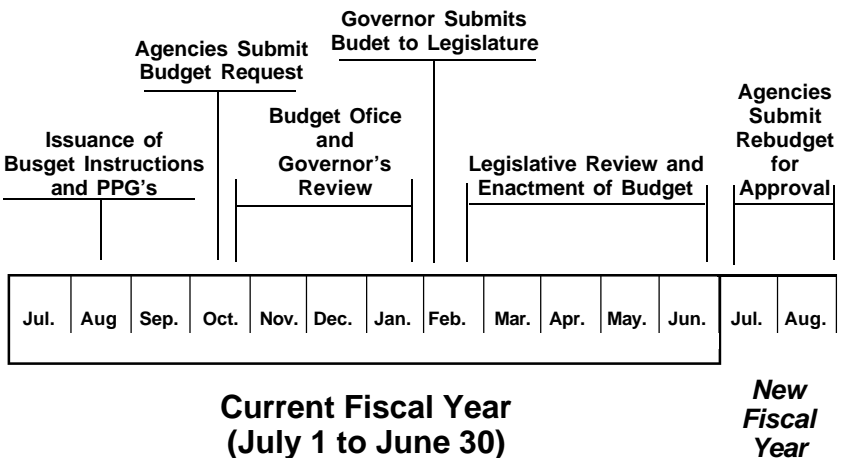
During December, the Governor meets with Legislative leaders to apprise them of anticipated spending and revenue levels and to discuss major fiscal issues expected to be addressed in the upcoming budget.

The Secretary of the Budget and his staff review agency budget requests for accuracy and for adherence to the Governor’s policy guidelines. The Agency Program Plan and the appropriation templates are used by the Office of the Budget to analyze the agency requests and prepare funding recommendations for the Secretary of the Budget and the Governor. Total agency requests must be brought into balance with total funds estimated to be available from existing sources and any new revenue sources that are recommended. The Secretary of the Budget makes recommendations to the Governor on the expenditure proposals contained in each agency budget request and, in conjunction with the Secretary of Revenue, provides revenue estimates. The Governor reviews these recommendations and makes final budget decisions. The Governor’s Executive Budget document is then completed and submitted to a joint session of the General Assembly by the Governor through the budget address.

APPROVAL

Shortly after receiving the Governor’s budget request, the Appropriations Committees of the House of Representatives and Senate hold public hearings to review individual agency requests for funds. The appropriations hearings provide the legislators with an opportunity to review the specific programmatic, financial and policy aspects of each agency’s programs. The legislators’ decisions on the budget are reflected in the General Appropriation Bill and individual appropriation bills. The General Appropriation Bill contains appropriations for the executive, legislative and judicial departments, public schools and for public debt. All other appropriations are made individually by separate special bills.

BUDGET CYCLE IN PENNSYLVANIA



Appropriations made to institutions not under the absolute control of the Commonwealth are considered nonpreferred appropriations and require a two-thirds vote of each House of the General Assembly for passage. The passage of the General Appropriation Bill and other appropriation bills by the General Assembly and the passage of any revenue measures which may be required to ensure a balanced budget constitute the legislative approval phase of the budget process.

At the time that the General Appropriation Bill and other appropriation bills are presented to the Governor for approval, the official revenue estimates for the budget year are established by the Governor. If the appropriations passed by the Legislature exceed the revenue estimates plus any available surplus, the Governor has the authority and duty either to veto entire appropriation bills or to reduce the amount of appropriations in order to produce a budget that is in balance with total resources available. The Governor also has the power to reduce or item veto any appropriation he thinks excessive or unnecessary even if the total appropriations passed by the legislators do not exceed estimated resources available. A Governor's item veto may be overridden by a two-thirds vote of each House of the General Assembly.

The signing of the appropriations bills and any revenue bills by the Governor is the last step in the approval stage of the budget process.

On occasion, additional appropriations are made subsequent to the enactment of the General Appropriation Act. These additional appropriations are made for a purpose for which either no appropriation was originally made, or in those circumstances where the General Assembly deems it desirable that an original appropriation be increased in the current fiscal year period. These appropriations are made in supplemental appropriation bills that are passed in the same manner as regular appropriation bills.

EXECUTION

The Office of the Budget has the authority to request and approve agency spending plans, commonly referred to as rebudgets, and to establish authorized levels for agency's full-time equivalent (FTE) salaried complement, ie, personnel. The rebudgets are based primarily on the enacted appropriations. The Office of the Budget uses the Integrated Central System to electronically enter allocation amounts into the accounting system based upon the approved rebudget. Program managers and administrators are responsible for operating their programs within the resources that are available and for producing the results cited in the budget.

AUDIT

The last stage of the budget cycle, which occurs after the close of the fiscal year, encompasses audit and review of program and financial performance. The Office of the Budget informally reviews program and financial performance and performs formal evaluations of selected programs. In addition, the Auditor General performs a financial post audit.

THE CAPITAL BUDGET PROCESS

The capital budget process in Pennsylvania is similar to the process for operating budgets. It has a preparation and submission to the General Assembly phase, an approval phase involving both the executive and legislative branches, and an execution phase.

The preparation phase follows the operating budget preparation cycle for a fiscal year beginning July 1. When agencies submit the budget requests to the Secretary of the Budget beginning in early October, a capital budget request itemizing the projects the agencies want to undertake is also submitted. The requests are reviewed and recommendations developed based on the Governor's financial parameters and policies.

Final decisions on the capital budget are made by the Governor at the same time as the operating budget. The Governor's final recommendations are contained in a separate Capital Budget section in the Governor's Executive Budget document which is submitted to the General Assembly.

The recommendations in the budget document along with any additions or deletions made by the General Assembly are contained in a separate bill usually known as the Capital Budget Project Itemization Act. This bill, along with the Capital Budget Act which contains the maximum debt limitations for the next fiscal year beginning July 1, must be passed by both Houses of the General Assembly and presented to the Governor for signature. The Governor reviews the projects contained in the Capital Budget Project Itemization Act taking into consideration his priorities, the importance of the project and the impact on operating budgets. The Governor may approve the bill as is or item veto parts or all of the amounts contained in the bill. Any item veto may be overridden by a two-thirds vote of each House of the General Assembly.

The Governor's approval of the Capital Budget Project Itemization Act is the final stage of the capital budget approval process.

Each year, even if a capital project itemization bill is not passed, legislation establishing limitations on the debt to be incurred for capital projects is passed and signed into law. This legislation is known as the Capital Budget Act. The act establishes a debt ceiling for each major category of the capital program and remains in force for a single fiscal year.

After projects have been approved in an enacted Project Itemization Act, in order for a project to be activated, the Department of General Services must request that it be implemented. All requests for project activation are reviewed by the Office of the Budget for consistency with the Governor's priorities and policies. Projects approved by the Office of the Budget are scheduled for release $\frac{3}{4}$ first for design and, when design is complete, then for construction. These releases are made in accordance with certain fiscal guidelines in order to keep the entire capital budget at affordable levels each year.

TERMS USED IN THE BUDGET PROCESS

Appropriation: Legislation requiring the Governor's approval authorizing an agency, department, board, commission, or institution to spend a specified amount of money for a stated purpose or purposes during a particular period of time, usually one fiscal year.

Augmentation: Monies such as institutional billings or fees credited to a specific appropriation of State revenues. An augmentation can usually be spent for those purposes authorized for the appropriation it augments. Although augmentations usually are appropriated in general terms with no specific dollar limits, Federal aid monies must be appropriated specifically.

Balanced Budget: A budget in which proposed expenditures equal actual and estimated revenues and surplus. The Pennsylvania Constitution requires the Governor to submit a balanced budget and prohibits the General Assembly from appropriating monies in excess of actual and estimated revenues and surplus.

Budget: A statement of the State's program plan, the resources necessary to support that plan, a description of how and for what purposes the resources are to be used, and a projection of the effects of the programs on people and the environment.

Capital Authorization: The appropriations and/or debt authorization enacted in an annual Capital Budget to fund any permitted capital program.

Capital Budget: The capital budget is that portion of the State Budget that deals with projects for the construction, renovation, improvement, acquisition and original furniture and equipment of any building, structure, facility, land or land rights. Projects must have an estimated useful life in excess of five years and an estimated cost in excess of \$100,000 or more if bond funds are used and \$300,000 or more when current revenues are used. Those projects under these thresholds are not considered capital and are funded from operating budgets. Most of the capital budget projects in the past have been paid from monies obtained by the sale of bonds.

Character of Expenditure: A classification of appropriations according to their general purpose: general government, institutional, grants and subsidies, capital improvements, and debt service.

Deficit: A fiscal condition for an individual fund that may occur at the end of a fiscal year, whereby expenditures for a fiscal year exceed the actual revenues during the same period plus the prior year surplus. The deficit must be paid from the next year's revenues.

Encumbrance: That portion of an appropriation representing an expenditure pursuant to a contract, a purchase order, or a known invoice but where an actual disbursement has not been made. In accrual accounting it is treated as a debit against the appropriation in the same manner as a disbursement of cash.

Executive Authorization: An authorization made in the name of the Governor to spend money from funds which had been previously appropriated through blanket action of the General Assembly. Usually this term is used in connection with the special funds. An example of this would be in the case of Tax Anticipation Notes interest and Sales Tax refunds.

Expenditure: As contrasted with disbursement, an accounting entry which is both the payment of cash or any encumbrance, as in accrual accounting.

Federal Fiscal Year (FFY): A twelve-month period beginning October 1 and ending September 30 of the following calendar year which is used as the Federal accounting and appropriation period. Referred to by the year in which the fiscal year ends. For example, October 1, 1999 to Sept. 30, 2000 would be FFY 2000.

Federal Funds Appropriation: All monies, regardless of source, deposited in the State Treasury must be appropriated. Federal funds are appropriated for a specific time period.

Fiscal Year: A twelve-month period beginning July 1 and ending June 30 of the following calendar year which is used as the State's accounting and appropriation period. Referred to by the year in which the fiscal year begins, for example, July 1, 1999 to June 30, 2000 would be 1999-00.

- *Actual Year – Includes all expenditures and encumbrances chargeable to that fiscal year as of June 30 of the previous year plus any supplementals enacted after June 30. In the case of continuing appropriations, the actual figure will also include any available balances. For non-appropriated and non-executively authorized restricted receipts and restricted revenues, it reflects expenditures only.*
- *Available (Current) Year – State funds include amounts appropriated to date and supplemental appropriations recommended in this Budget. In the case of Federal funds, the best estimate currently available is used. For non-appropriated and non-executively authorized restricted receipts and restricted revenues, the best estimate of expenditures currently available is used.*
- *Budget Year – Reflects the amounts being recommended by the Governor in this document for the next fiscal year.*
- *Planning Years 1, 2, 3 and 4 – Reflects only the cost of the budget year projected into the future and the implementation of legislatively mandated increases which may be effective in a future year.*

Fund: An independent fiscal and accounting entity comprising a source of money set aside by law for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. A fund is created by legislation. The General Fund is the fund from which most State programs are financed.

Fund Balance: The beginning balance is the ending balance brought forward from the previous year. The ending balance (positive or negative) is the sum of the beginning balance, revenues/receipts and lapses less expenditures within the fiscal year.

General Appropriation Bill: A single piece of legislation containing numerous individual appropriations. The General Appropriation Bill contains only appropriations for the executive, legislative and judicial departments of the Commonwealth, for the public debt and for public schools. All other appropriations are made by separate bills each concerning one subject.

General Fund: The fund into which the general (non-earmarked) revenues of the State are deposited and from which monies are appropriated to pay the general expenses of the State.

Goal: A goal is a desired state of affairs based upon current knowledge and values. It is timeless in the sense that as achievement approaches, goals tend to be restated at a higher level of aspiration or new goals are projected. Goals reflect the basic values of society and are therefore always culture bound and subjective.

Item Veto: The Pennsylvania Constitution empowers the Governor to disapprove part or all of any item or items of any bill making appropriations of money. The part or parts of the bill approved become law and the item or items disapproved become void. This power is known as the item veto.

Lapse: The return of unencumbered or unexpended monies from an appropriation or executive authorization to the fund from which the money was appropriated. Most appropriations are for one fiscal year and any unencumbered and unexpended monies usually lapse automatically at the end of that fiscal year.

Mandated Expenditures: Expenditures that are authorized and required by legislation, other than appropriation acts, or required by the Constitution. Such expenditures include payment of public debt.

Nonpreferred Appropriations: An appropriation to any charitable or educational institution not under the absolute control of the Commonwealth which requires the affirmative vote of two-thirds of the members elected to each House of the General Assembly.

Objective: A statement of program purposes in terms of desired accomplishments measured by impact indicators. Ideally accomplishments are intended effect (impact) upon individuals, the environment and upon institutions. The intended effect should be quantifiable and achievable within a specific time and stated resources, and contribute toward pursuing the goals of the Commonwealth. Objectives are found at the program subcategory level.

Official Revenue Estimate: The estimate of revenues for the coming fiscal year determined by the Governor at the time he signs the General Appropriation Act. This revenue estimate is used to determine whether appropriations are in balance with available revenues.

Operating Budget: The operating budget is that portion of the State budget that deals with the general day to day activities and expenses of State Government, paid out of revenues derived from taxes, fees for licenses and permits, etc.

Preferred Appropriation: An appropriation for the ordinary expenses of State Government which only requires the approval of a majority of the Senators and Representatives elected to the General Assembly.

Program Budgeting: A method of budgeting that relates expenditures to government program accomplishments. Program budgeting generally includes the identification of programs and their objectives, a system of measuring and reporting program results and the allocation of funds with a consideration of program effectiveness.

Program Category: The first major subdivision of the Commonwealth program. The program category is defined in terms of desired goals, e.g., clean air environment.

Program Measure: A general term applied to any of the substantive measures found in the agency programs. Included are impacts, outputs and need and/or demand estimators.

Program Revision Request (PRR): A PRR is submitted to support new programs or major changes in existing programs. The PRR reflects the guidance provided by the Governor's Annual Program Policy Guidelines, results obtained from special analytic studies, and needs or demands considered relevant by the Governor.

Program Structure: The system used to organize goals and objectives within a logical framework so that activities of different organizational units designed to accomplish similar results can be reviewed for decision purposes within the appropriate program context. Program structure also provides the means for determining what information is required in order to identify the needs and demands on government and what information is required for the management and evaluation of program operations.

Program Subcategory: A subdivision of a program category. The subcategory focuses upon objectives which can be measured in terms of quantifiable impact. Program subcategories within agencies are called programs within the Governor's Budget.

Restricted Receipts: Monies received by a State fund (usually the General Fund) from a source outside of the State which may be used only for a specific purpose. The funds are held in a trust capacity for a period of time and then are disbursed to authorized recipients including other State agencies. Restricted Receipts do not augment an appropriation. Usually the State makes no other appropriation for the purpose specified for the restricted receipt.

Restricted Revenue: Monies designated either by law or by administrative decision for specific purposes. The revenues are deposited in the General Fund or in certain special funds but reported separately. Restricted revenue accounts continue from one year to the next and finance a regular operation of State Government. Disbursements from restricted revenue accounts must be accounted for as expenses of State Government.

Revenue: Monies received from taxes, fees, fines, Federal grants, bond sales and other sources deposited in the State Treasury and available as a source of funds to State Government.

Special Fund: A fund in which revenues raised from special sources named by law are deposited (earmarked revenue). Such revenues can be spent only for purposes prescribed by law and for which the revenues were collected. Examples: Motor License Fund, Game Fund and Boat Fund.

Surplus: A fiscal condition that may occur in a fund at the end of a fiscal year, whereby expenditures are less than the fund's beginning balance, revenues/receipts and lapses during the same period. The surplus funds become available for appropriation during the following year.



The Made in PA logo symbolizes and identifies the wide range of quality products made in Pennsylvania.



PITTSBURGH DIGITAL
GREENHOUSE

SM

Pittsburgh Digital Greenhouse is a public/private partnership that will provide support, infrastructure and the expertise needed to accelerate the development and re-use of system-on-a-chip (SOC) technology.



CHILDREN'S
PARTNERSHIP

The Partnership for Safe Children supports activities that assist local communities in establishing effective programs and services to reduce violence by and against children and youth.



Former
Pennsylvania
CareerLink

CareerLink is a one-stop on-line resource for training and services for job seekers and businesses.



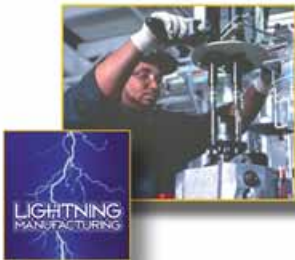
The Children's Health Insurance Program (CHIP) provides free or subsidized health insurance to children of low-income families.



Link to Learn is Governor Ridge's nationally acclaimed education-technology program. This initiative is bringing the resources of the world into Pennsylvania's classrooms.



Agriculture, the state's number one industry, provides wholesome agricultural products for consumers in the global marketplace.



Lightning Manufacturing creates Virtual Corporation Management Systems to provide an on-line forum for groups of companies to collaborate as "virtual corporations" for joint bids on manufacturing and design contracts.



Pennsylvania's goal is to deliver a transportation system that provides fast, safe and efficient intermodal transportation, as well as convenient related services throughout the Commonwealth.