

Commonwealth of Pennsylvania

*2001-02*

*Governor's*

*Executive Budget*

*Tom Ridge*

*Governor*



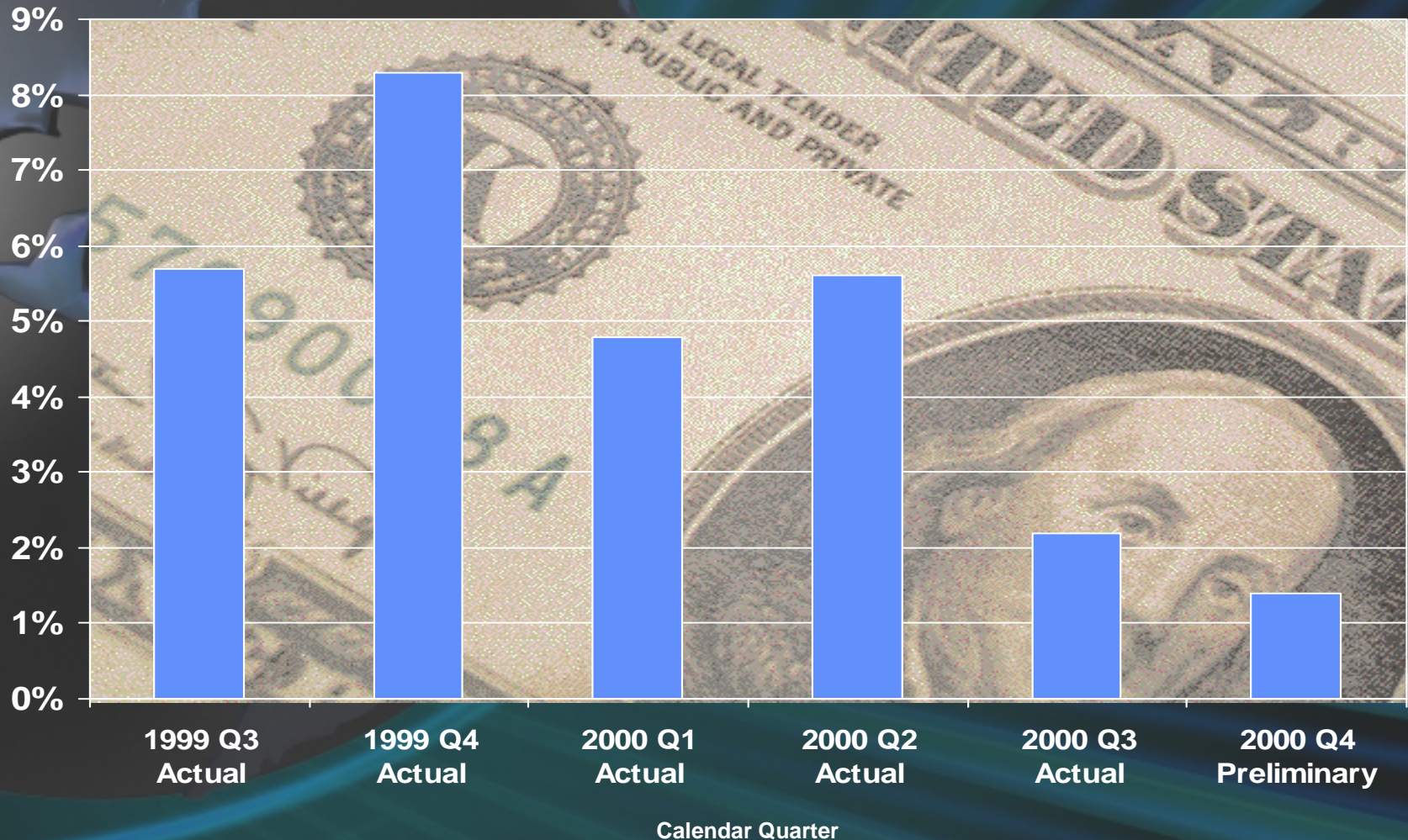
# **2001-02 BUDGET BACKDROP**

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- **Economy has slowed dramatically**
- **Predictions of a quick recovery are critical**
- **Revenue collections have been erratic**
- **Relying on strong personal income tax collections this Spring**

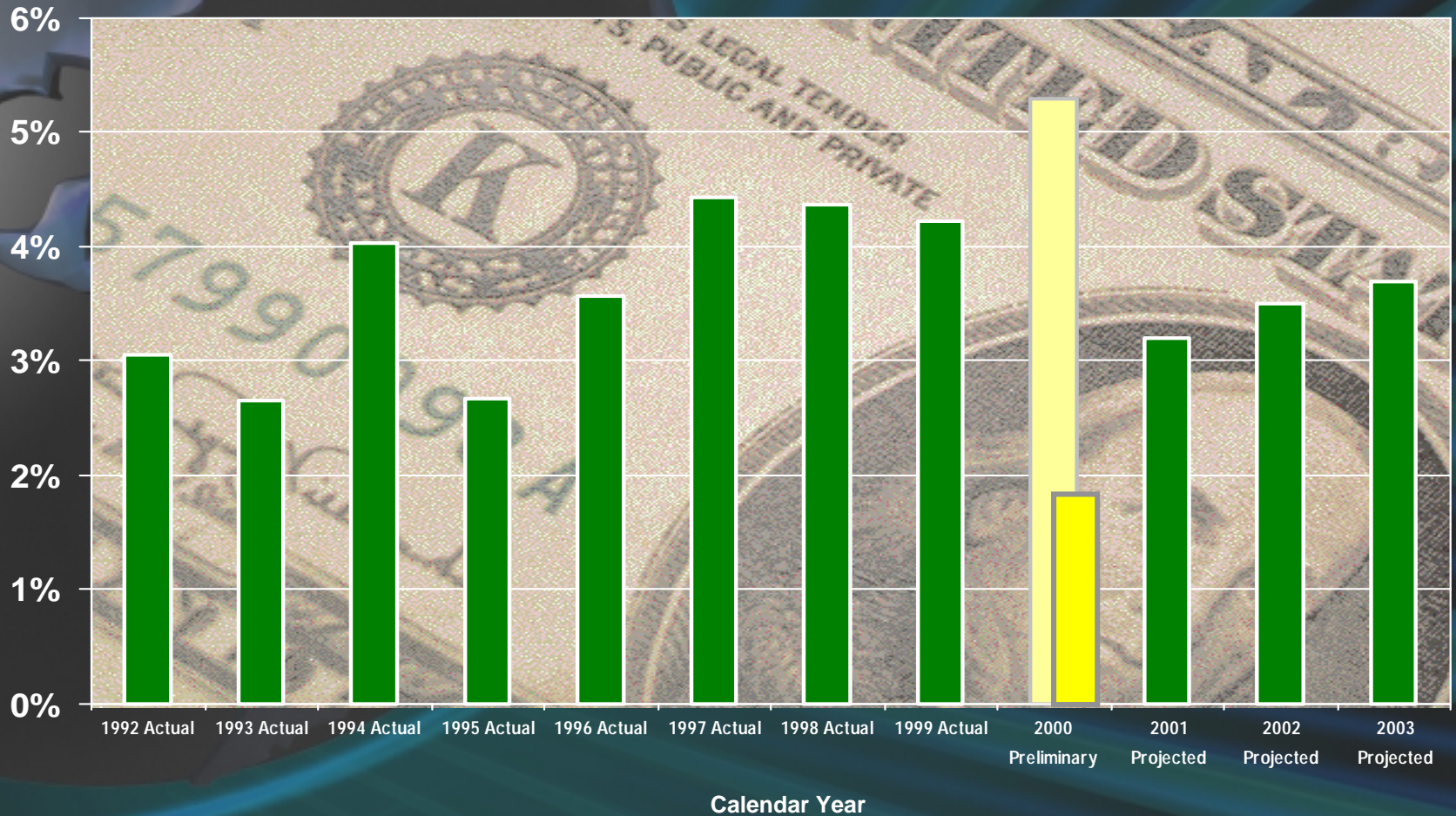
# Real Gross Domestic Product

Seasonally Adjusted Annualized Growth Rates



# Real Gross Domestic Product

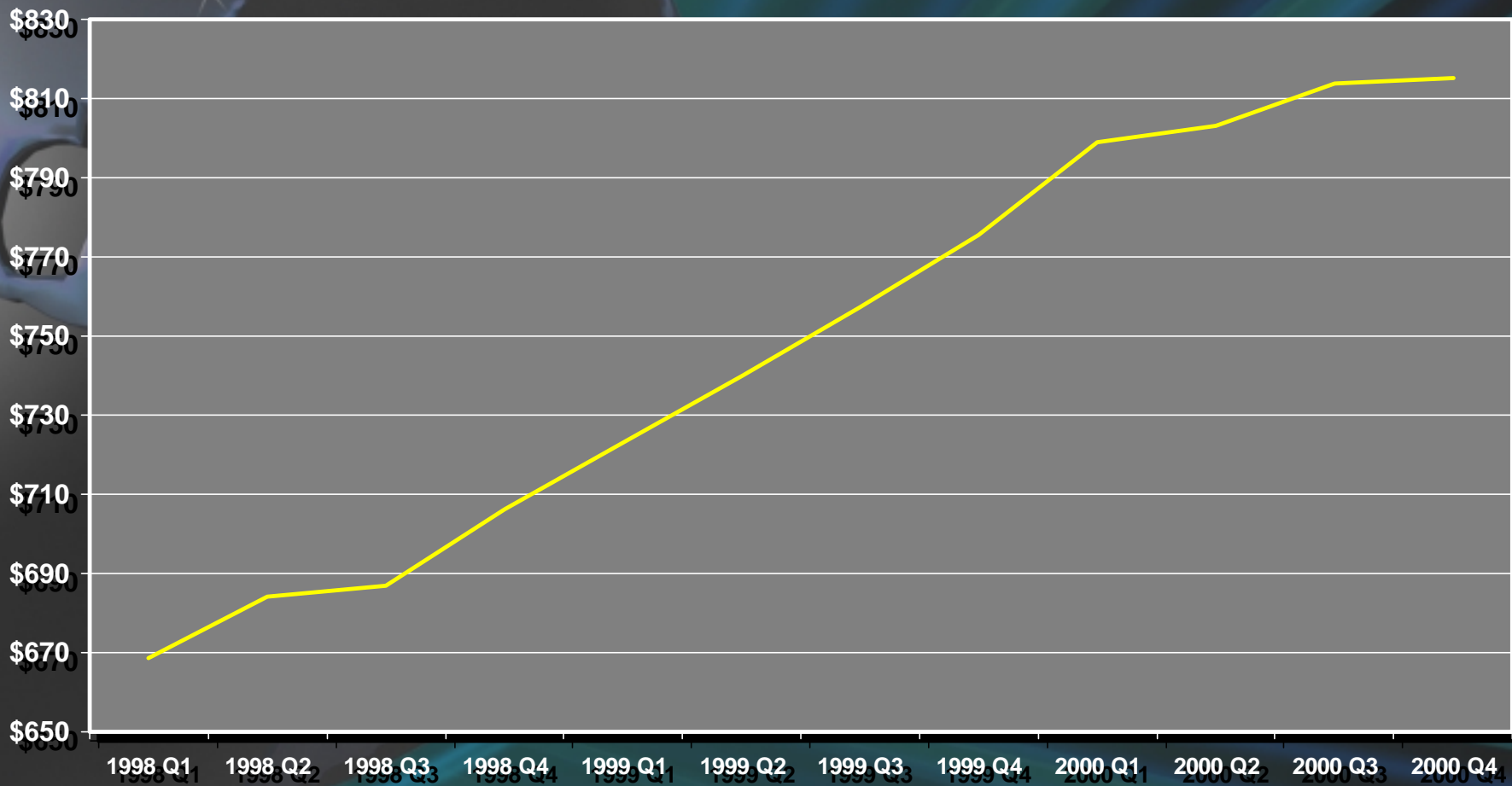
## Annual Rates of Growth



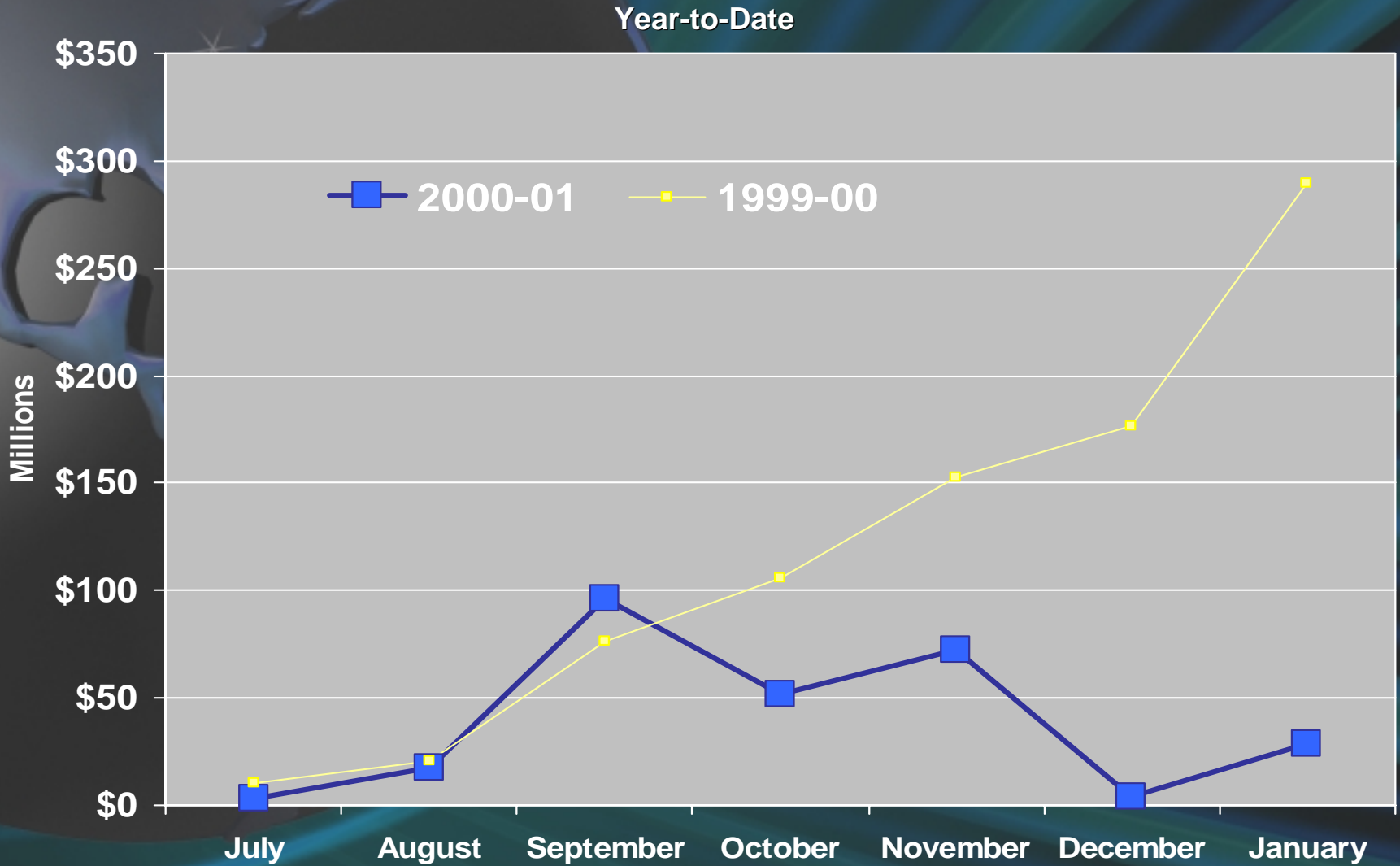
Source: WEFA

# U.S. Retail Sales

(Million Dollar Seasonally Adjusted)



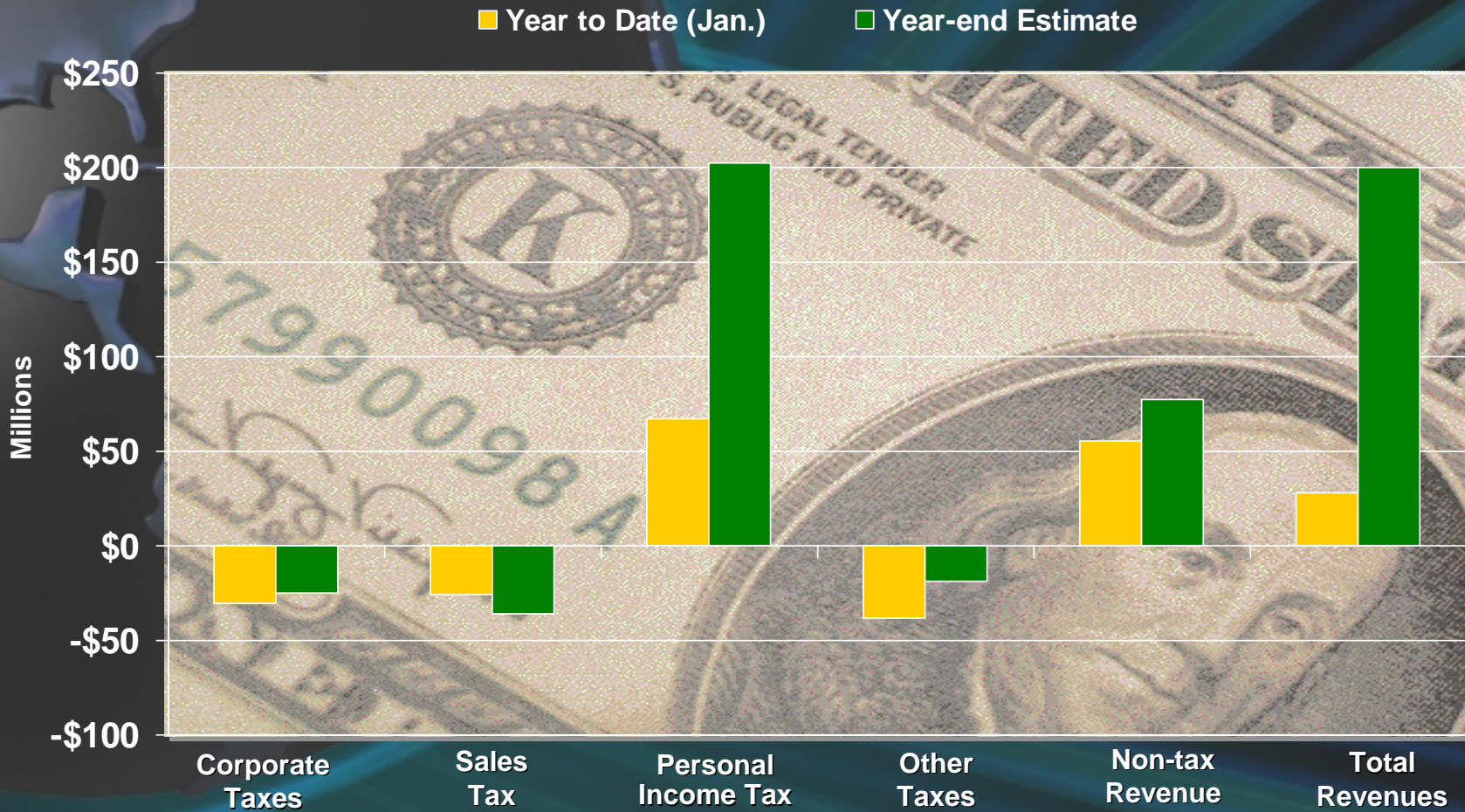
# General Fund Revenues Compared to Estimate



# GENERAL FUND

## Actual and Revised 2000-01

### Revenues Compared to Estimate



# General Fund

	<u>Millions</u>	
	<u>2000-01</u>	<u>2001-02</u>
<b>Beginning Balance</b> .....	\$ 610	\$ 313
<b>Receipts</b> .....	19,650	20,509
<b>Tax Reductions</b> .....	. . . .	- 45
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<b>Funds Available</b> .....	\$ 20,260	\$ 20,777
<b>Appropriated</b> .....	- 19,979	- 20,772
<b>Lapses</b> .....	87	. . . .
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<b>Closing Balance</b> .....	\$ 368	\$ 5
<b>Less Transfer to Rainy Day Fund</b> ...	- 55	- 1
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<b>Ending Balance</b> .....	<b>\$ 313</b>	<b>\$ 4</b>
	=====	=====

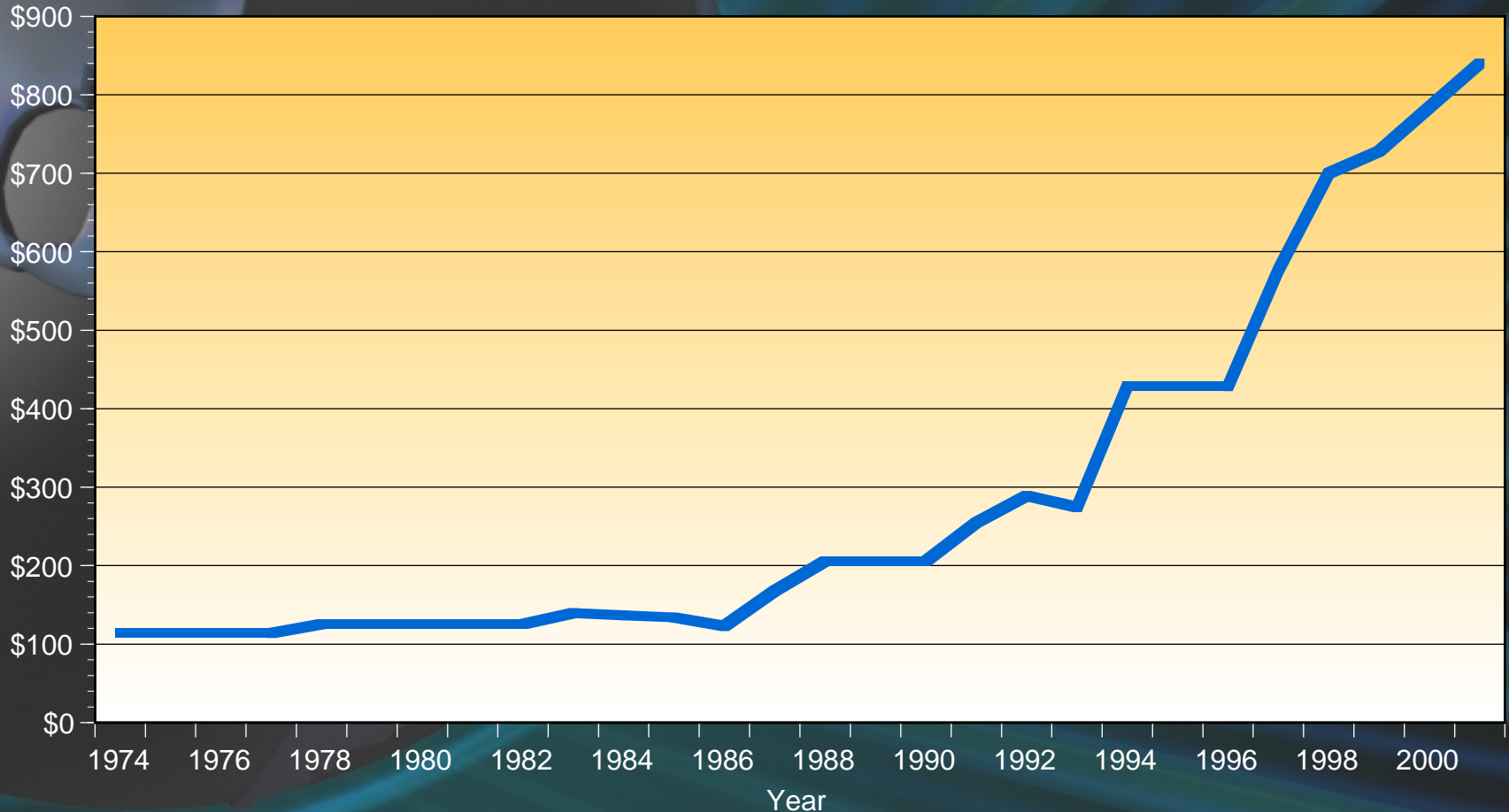


# 2001-02 Tax Cuts

	<u>Millions</u>
● <b>Capital Stock &amp; Franchise Tax</b> .....	<b>\$ - 172.3</b>
<i>One and one-half mill reduction effective January 2001. Additional one mill reduction effective January 2002. Phase-out by one mill annual reductions of the tax rate until eliminated in 2009.</i>	
● <b>Personal Income Tax</b> .....	<b>- 17.8</b>
<i>Increase dependent allowance by \$1,000 to \$8,500.</i>	
● <b>Sales and Use Tax</b> .....	<b>- 10.7</b>
<i>Personal Computer Plus Tax Holiday.</i>	
● <b>Job Creation and Neighborhood Assistance Tax Credits</b> .....	<b>- 14.5</b>
● <b>Repeal Nuisance Taxes</b> .....	<b>- 1.6</b>
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	<b>Total Tax Cut \$ - 216.9</b>

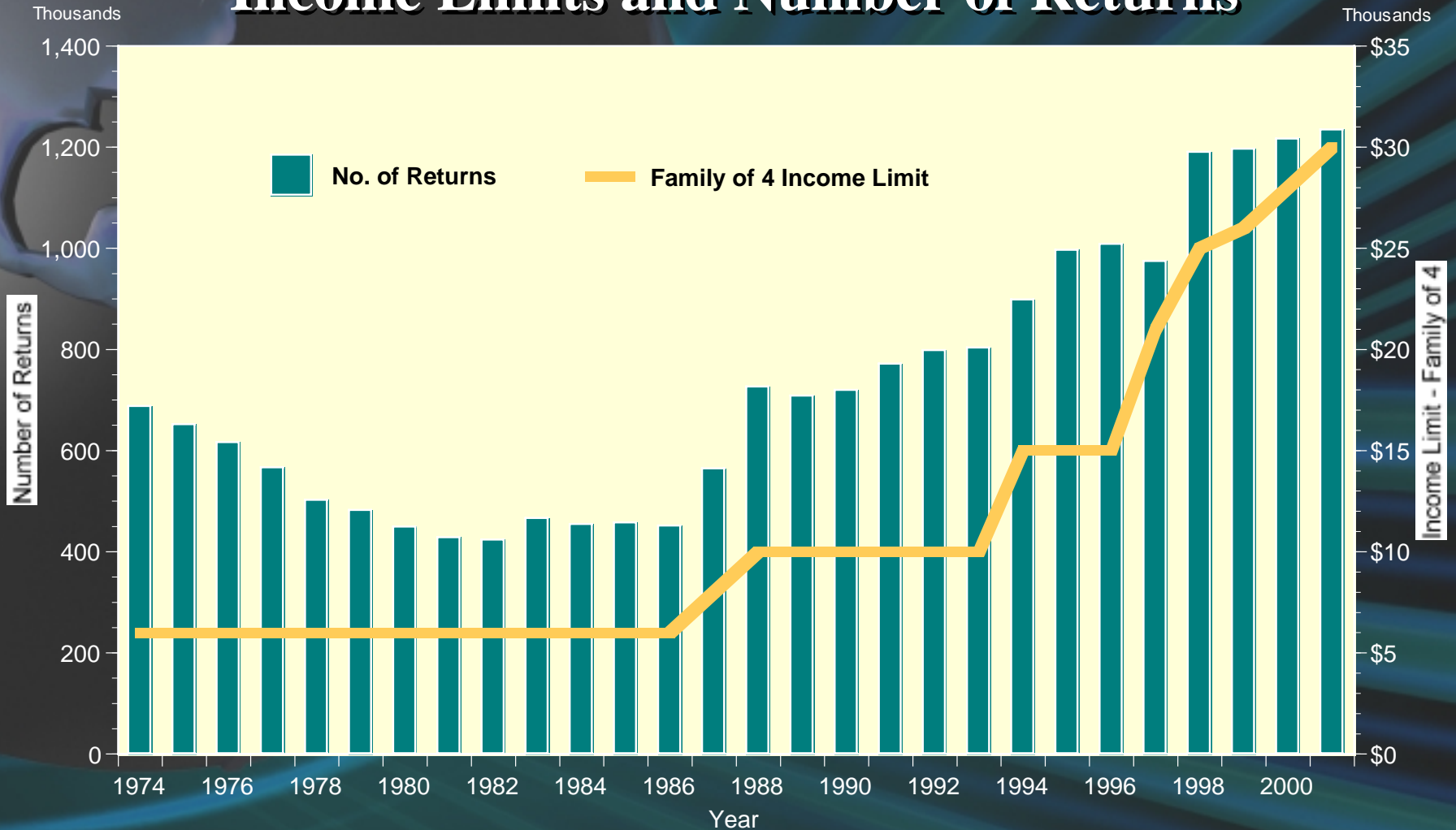
# INCOME TAX FORGIVENESS

## Maximum Tax Savings for a Family of Four

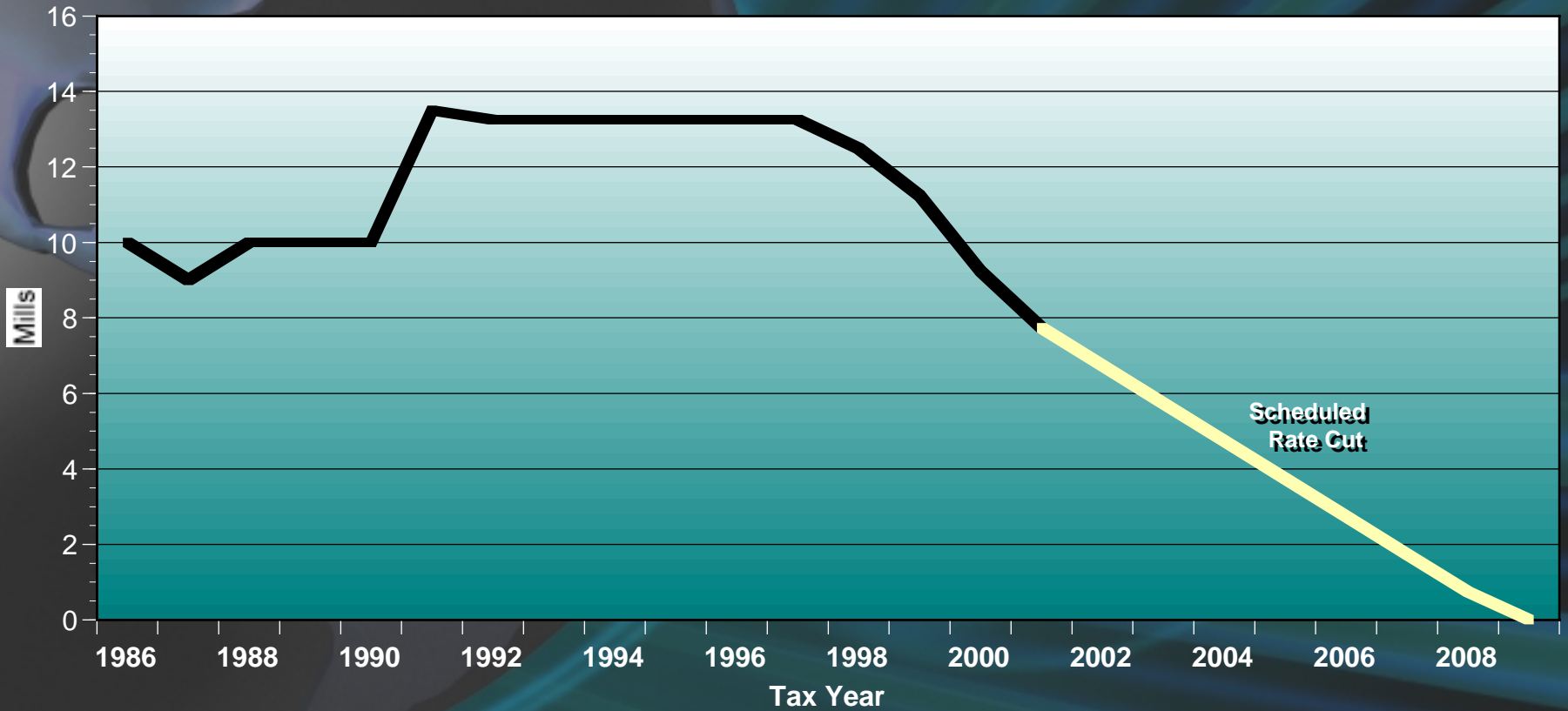


# INCOME TAX FORGIVENESS

## Income Limits and Number of Returns

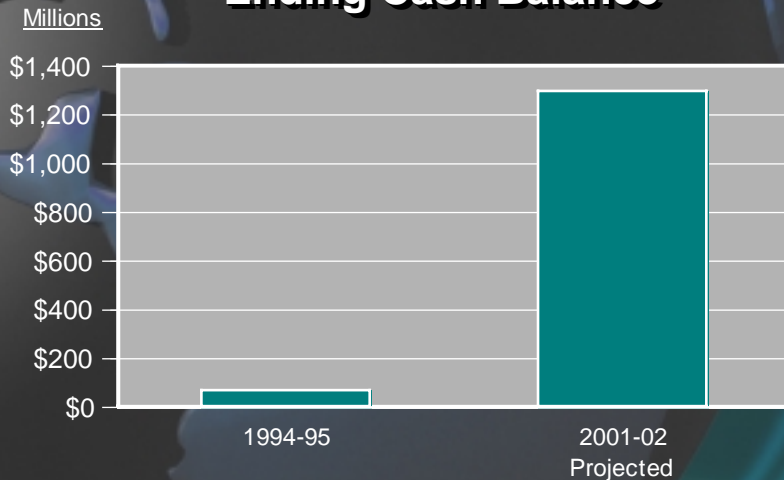


# CAPITAL STOCK TAX RATE

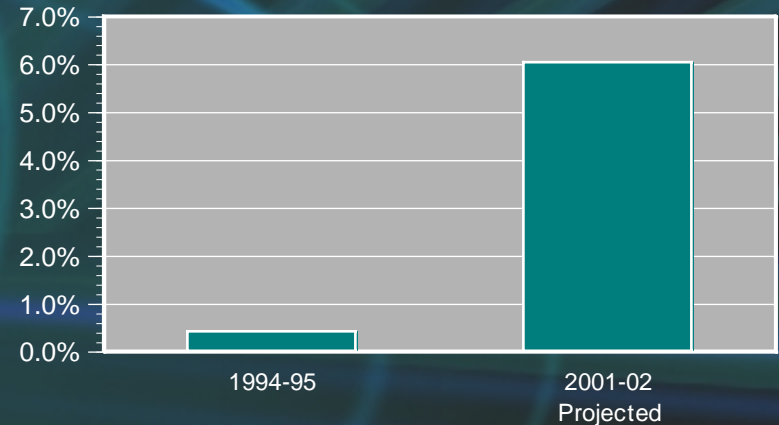


# Rainy Day Fund

## Ending Cash Balance



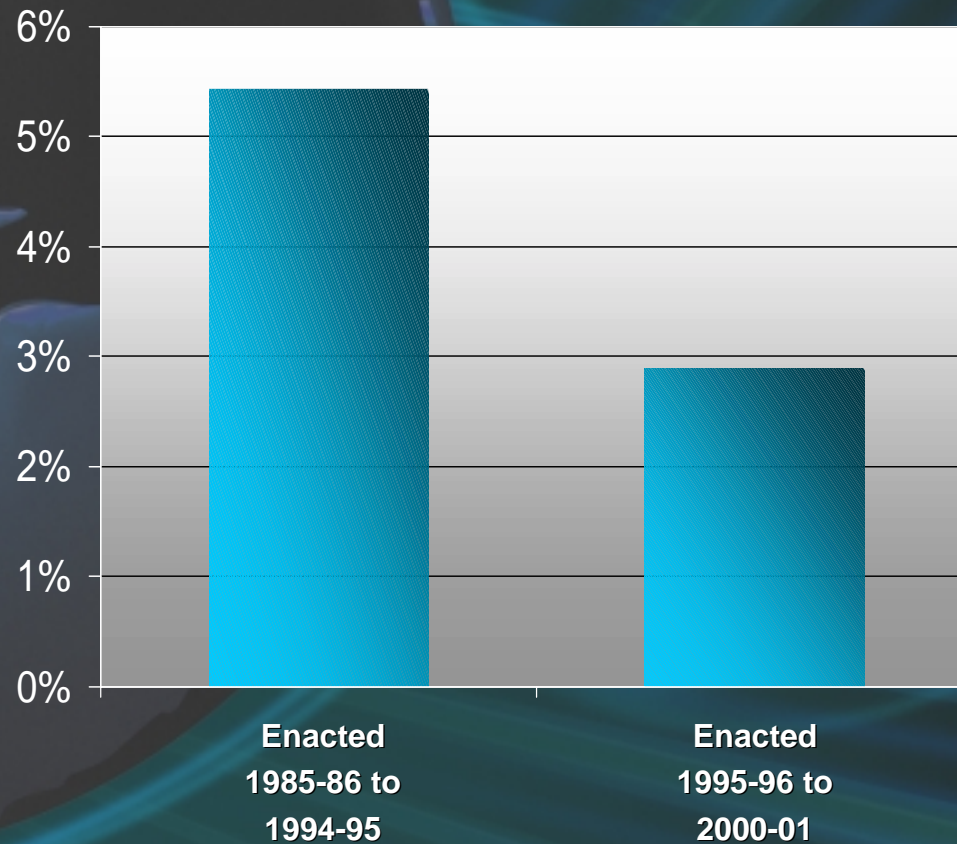
## Balance as Percentage of General Fund Revenue



*With the projected transfer at the end of 2001-02, the balance in the Rainy Day Fund will be nearly \$1.3 billion.*

# Slowing The Growth In Spending

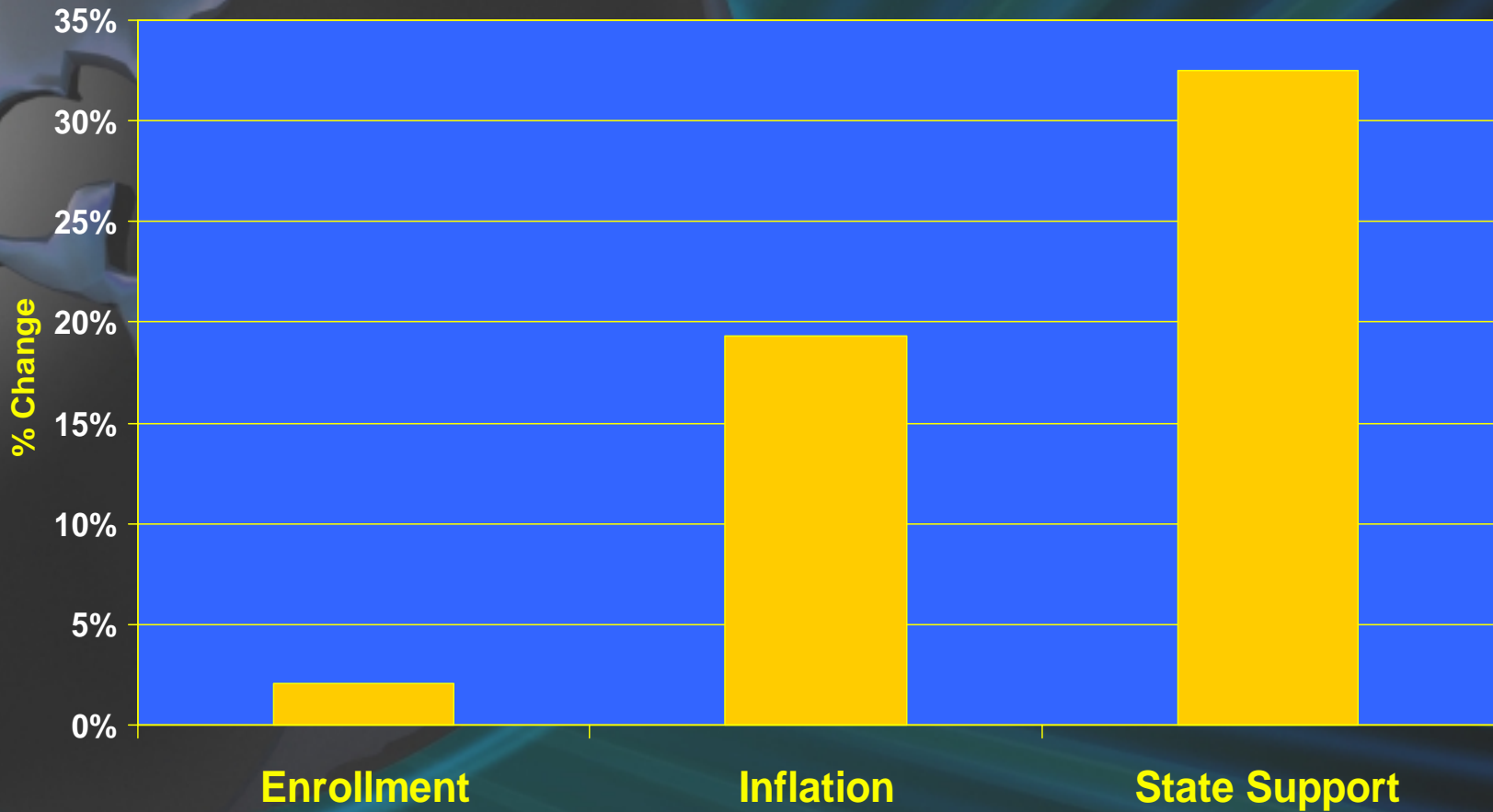
Percentage Growth Rate



# Basic Education

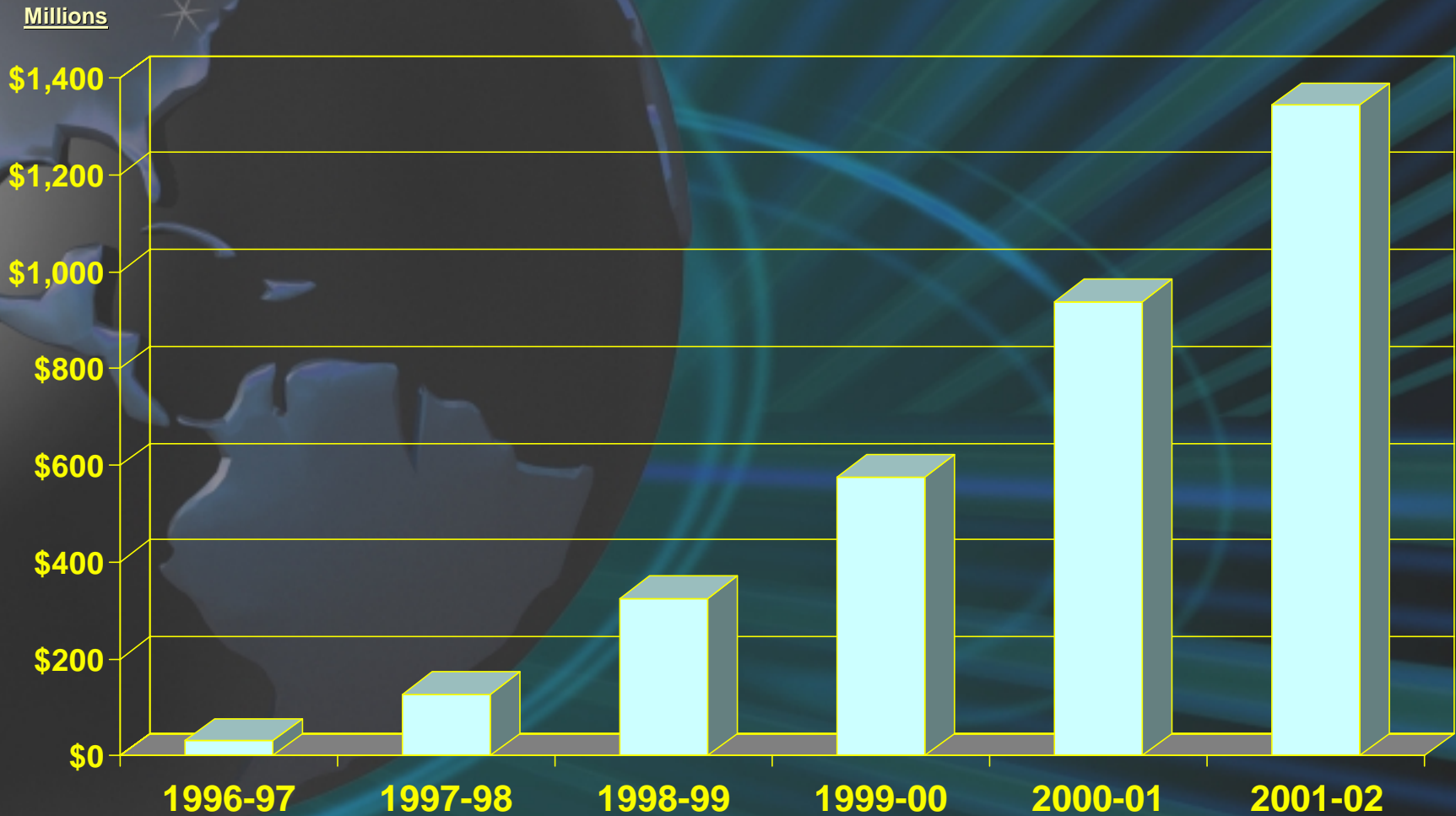
✓ Total State support to local schools . . . . .	\$6.4 Billion
• School district savings due to reduced retirement rate . . . . .	\$ 44 M
• Increased direct State support to local school districts . . . . .	231 M
	<hr/>
	Total \$ 275 M
• 4% increase in Basic Education Funding . . . . .	\$151.7 M
• 10% Increase for Special Education . . . . .	78.3 M
• School Improvement Grants (total) . . . . .	26.7 M
• Education Support Services . . . . .	23.6 M
• Increase for Authority Rentals and Sinking Fund . . . . .	8.6 M
• Early Intervention Increase . . . . .	5.3 M
• Performance Incentive Program Increase . . . . .	3.4 M
• Increase for Vocational Education . . . . .	2.3 M
• Charter Schools Increase . . . . .	2.0 M
• Increase for Safe and Alternative Schools . . . . .	1.1 M

# **Growth in School District Enrollment, Inflation and State Support Over the last 7 years**





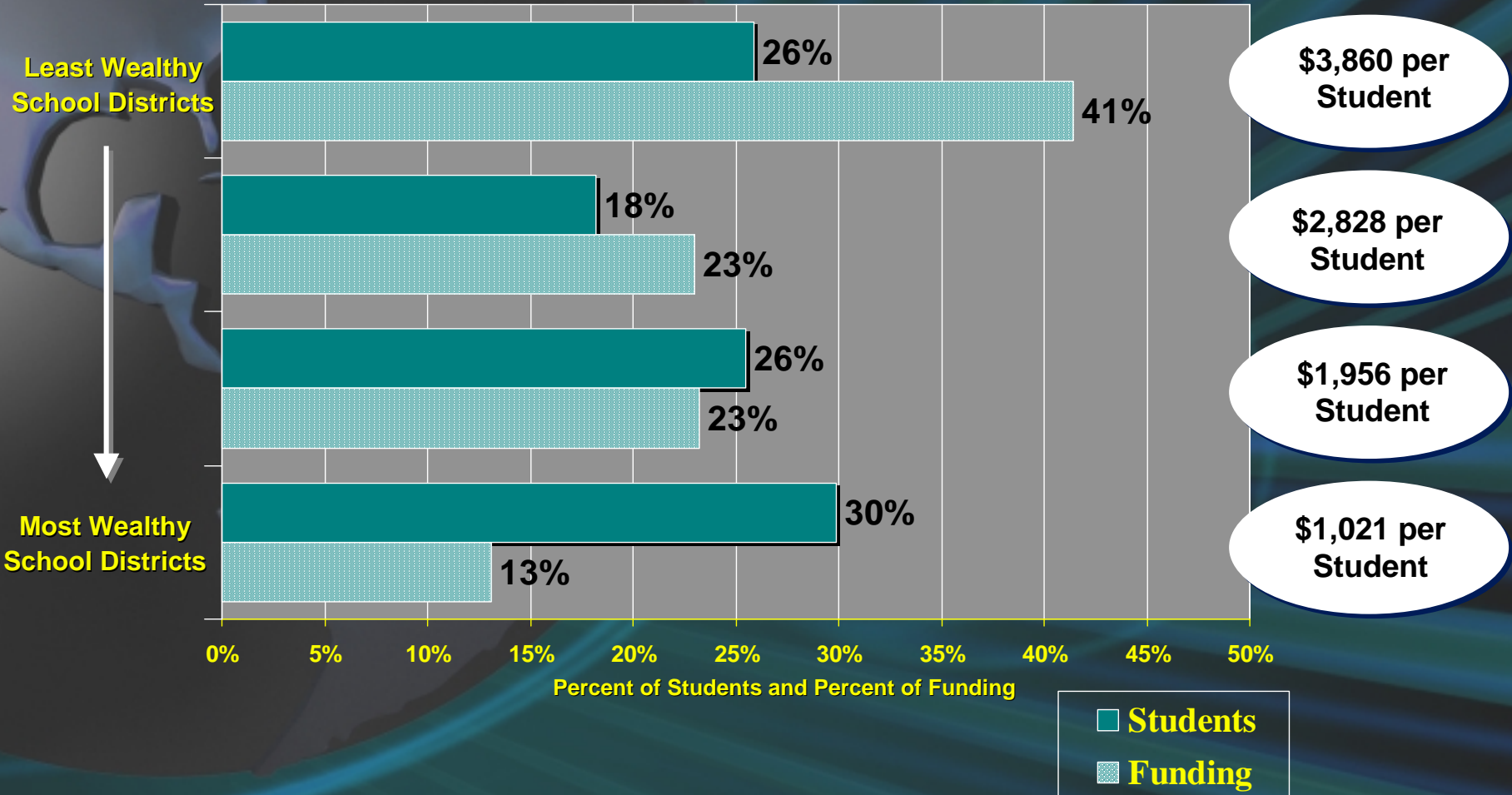
# Cumulative Retirement Savings for School Districts\*



\* Also includes intermediate units and area vocational-technical schools.

# 2001-02 Basic Education Funding

*State Share*



# Libraries, Reading and Literacy

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- **Local Library funding:**

• <b>State support for local libraries (\$13 M increase)</b> .....	<b>\$ 75.3 M</b>
• <b>Library Access</b> .....	<b>\$ 7.4 M</b>
• <b>Access Pennsylvania – electronic library</b> .....	<b>\$ 4.0 M</b>

- **State Library** .....

	<b>\$ 4.3 M</b>
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- **Library services for visually impaired/disabled** .....

	<b>\$ 3.0 M</b>
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**Libraries Total**    **\$ 94.0 M**

- **Read-to-Succeed (third year)** .....

	<b>\$ 25.0 M</b>
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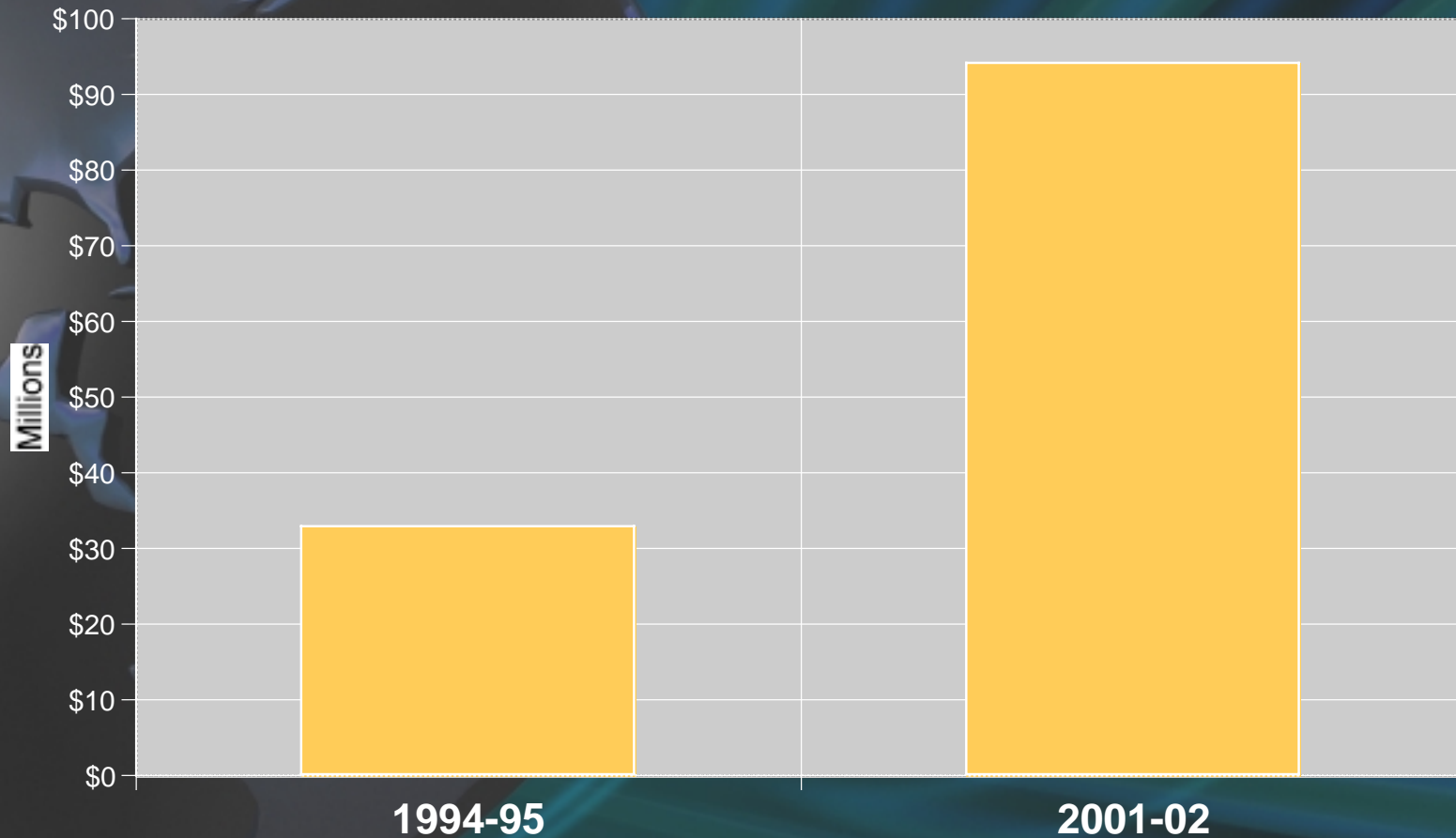
- **Adult and family literacy (\$1.7 M increase)** .....

	<b>\$ 19.7 M</b>
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**Grand Total**    **\$138.7 M**

# Library Funding



*Total Commonwealth support for public libraries has nearly tripled during the Ridge Administration, from \$32.8 million in 1994-95 to \$94.0 million in 2001-02.*

# Higher Education

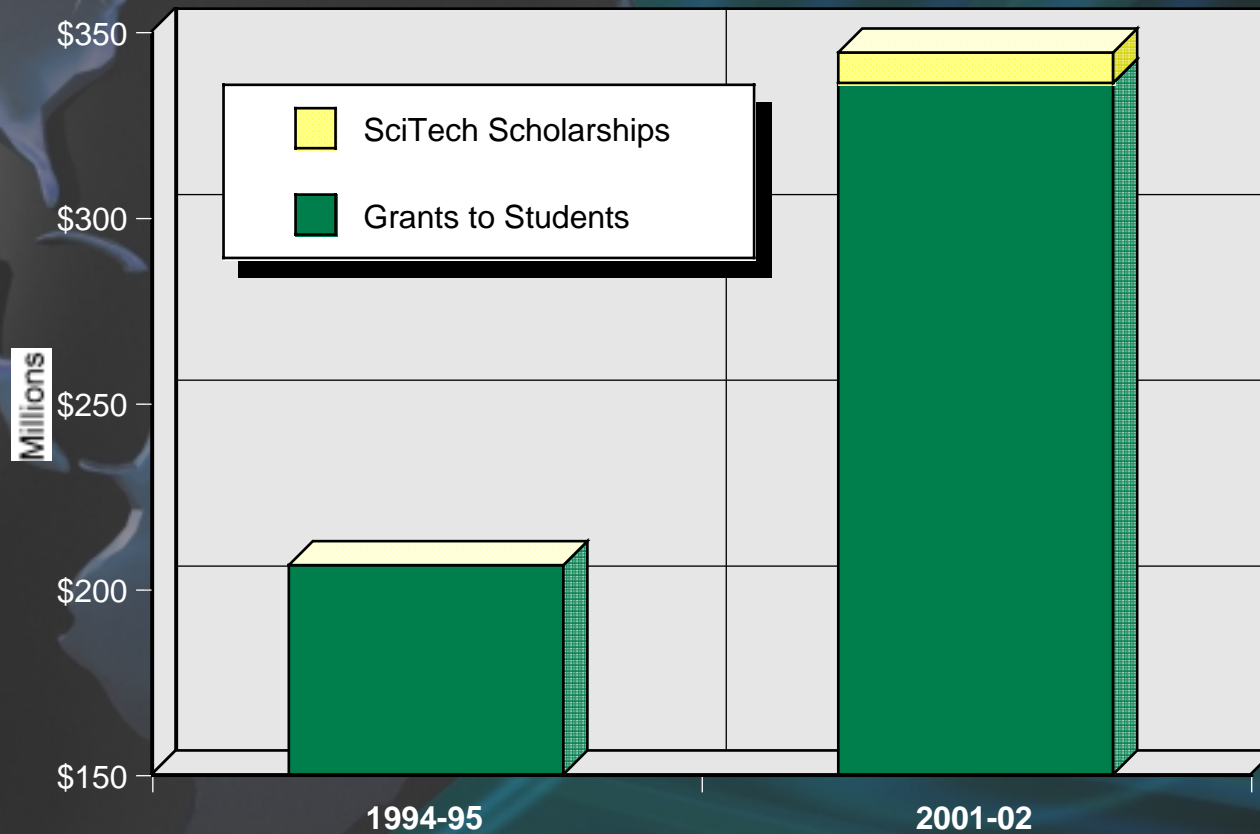
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- **Total State support for higher education** ..... **\$ 1.9 B**
  
- **Direct support of colleges and universities (increases):**
  - Community Colleges** ..... **\$ 9.2 M**
  - State System of Higher Education** ..... **\$ 18.0 M**
  - State-Related Universities** ..... **\$ 16.8 M**

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- **7 percent increase for PHEAA scholarships** ..... **\$ 22.0 M**
  
- **Graduation Incentive Program (\$2 M increase)**..... **\$ 8.0 M**
  
- **Institutional Assistance Grants increase** ..... **\$ 1.2 M**

# Student Aid

## Higher Education Assistance Agency



*Since 1994-95, State funding for student aid has increased by \$138 million or 67 percent.*

# Early Childhood Initiative

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● CyberStart and Bridging the Digital Divide .....	\$ 13.1 M
● Child Care Start-Up Challenge Grants .....	\$ 10.0 M
● Expanded Early Intervention .....	\$ 9.4 M
● Nurse Home Visitation .....	\$ 7.2 M
● Parent-Child Home Program .....	\$ 4.0 M
● Head Start Collaboration Project .....	\$ 2.0 M
● Early Childhood Education .....	\$ 1.8 M
● Child Abuse Prevention .....	\$ 0.5 M
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<b>TOTAL</b>	<b>\$ 48.0 M</b>

# Children & Families

## Tax Cuts

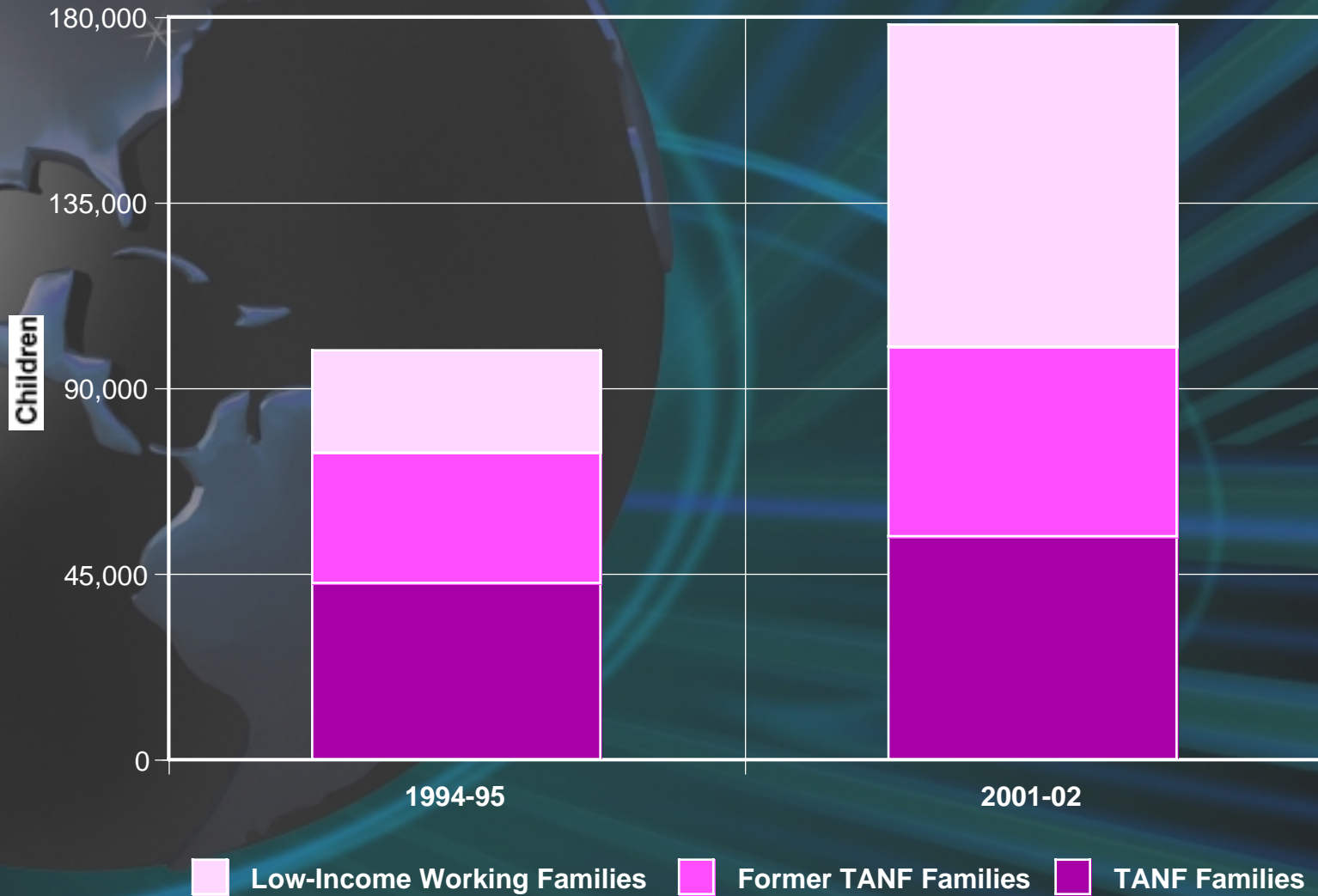
✓ **Working Families Income Tax Cut** ..... **\$ -17.8 M**

## Program Support

- **Child Care (total funds)** ..... **\$393.3 M**
- **Children's Health Insurance Program (total funds)** ..... **172.0 M**
- **Expand home ownership** ..... **33.0 M**
- **Expanded employment and training** ..... **30.9 M**
- **Services for youth** ..... **24.0 M**
- **Tobacco cessation programs for MA clients** ..... **10.2 M**
- **Adoption (total)** ..... **9.0 M**
- **Expanded domestic violence and rape prevention** ..... **5.0 M**
- **Matched savings accounts for asset accumulation** ..... **2.0 M**



# Child Care



# Health Investment Plan

## *Making Pennsylvanians Healthier*

- 5% Annual deposit to the Endowment Account ..... \$ 17 M
- 40% Health insurance
  - Uninsured adults ..... \$ 110 M
  - Subsidized Medical Assistance for the disabled. .... \$ 26 M
- 15% Home and community-based care ..... \$ 51 M
- 10% Tobacco use prevention ..... \$ 34 M
- 10% Health research ..... \$ 34 M
- 10% Reimbursement to hospitals for uncompensated care .. \$ 34 M
- 5% Tobacco use cessation ..... \$ 17 M
- 5% Venture capital for health & biotechnology companies .. \$ 17 M

## **100% to Health Related Programs**

- \$90 M in 2000-01 one-time funding for biotechnology research centers

# Expanding Opportunities for Older Pennsylvanians and Persons with Disabilities

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## *Program Increases*

● Community long-term care system reform .....	\$ 43.1 M
● Expanded home and community-based services for:	
- persons with mental retardation .....	42.9 M
- persons with physical disabilities .....	19.4 M
- persons with mental health needs .....	9.0 M
● Direct careworker recruitment and retention .....	41.3 M
● State Supplement for personal care residents .....	14.9 M
● Psychiatric rehabilitation in HealthChoices .....	8.5 M
● Mental retardation systems monitoring .....	6.6 M
● Respite care .....	2.5 M

# Excelling in the Digital Economy

## Tax Cuts

✓ Capital Stock and Franchise Tax phase-out .....	\$ -172.3 M
✓ Personal computer sales tax holiday .....	-10.7 M
✓ Job creation tax credit expansion .....	-2.5 M

## Employers & Jobs

● Opportunity grants for expansion or relocation in PA .....	\$ 40.0 M
● Infrastructure Development .....	33.5 M
● Customized job training to meet employer needs .....	37.5 M
● “Brain Gain” retention and attraction of young people .....	10.0 M

## Technology

● Ben Franklin Technology Development Authority .....	\$ 56.4 M
● Industrial Resource Centers .....	11.2 M
● SciTech and Technology Scholarships .....	8.2 M
● Internet-based marketing to attract business .....	5.5 M

# Technology To Better Serve Pennsylvania

	<u>Millions</u>
• <b>Education Technology:</b>	
• <b>Integrated Learning Systems, Digital School Districts and Spending Analysis Project</b> .....	\$ 26.6
• <b>Higher Education Technology Grants</b> .....	5.5
• <b>Technology for Nonpublic Schools</b> .....	<u>8.0</u>
<b>Education Technology Total</b>	\$ 40.1
• <b>Integrated Management Systems</b> .....	\$ 46.5
• <b>Justice Network and IIMS</b> .....	40.4 *
• <b>Human Services Technology Enhancements</b> .....	30.5 **
• <b>Information Communication</b> .....	26.2
• <b>Enterprise-wide Technology Projects</b> .....	25.6
• <b>Public Safety Radio System</b> .....	17.9
• <b>Electronic Government</b> .....	10.0
• <b>Law Enforcement Technology Enhancements</b> .....	<u>10.0</u>
<b>Technology Total</b>	<b>\$ 247.2</b>

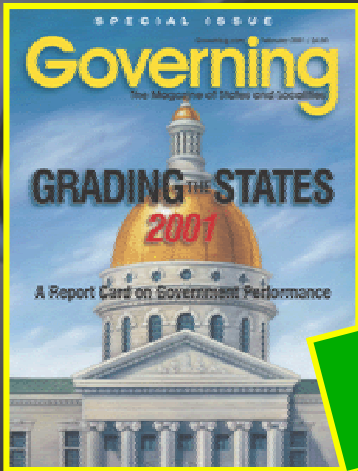
\* Includes General and Motor License Funds

\*\* Includes General , Federal and Other Funds

# The Government Performance Project Grading the States 2001

**Pennsylvania's Average Grade: B+**

Only 3 States received a higher average grade



REPORT CARD	Pennsylvania Grades 1999	Pennsylvania Grades 2001
Financial Management	A -	A -
Capital Management	B	B
Human Resources Management	B	B+
Managing For Results	B -	B
Information Technology	B	B+

2001  
50-State  
Average  
Grade

- B
- B-
- B-
- C+
- B-

# Enhancing Public Safety

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- **State Police Crime-Fighting Technology (total)** . . . . . **\$50.0 M**
- **State correctional institutions including the opening of a new 600-bed prison in Indiana County** . . . . . **49.1 M**
- **Public Safety Radio System (total)** . . . . . **17.9 M**
- **Mental Health & Substance Abuse services for parolees** . . . . . **2.5 M**
- **Increase services for juvenile offenders** . . . . . **2.4 M**
- **Research-based Violence Prevention** . . . . . **2.0 M**
- **Partnership for Safe Children expansion** . . . . . **1.8 M**
- **Civilian Support so State Police troopers can focus on law enforcement duties** . . . . . **1.5 M**
- **Weed and Seed Program** . . . . . **1.2 M**
- **Drug Education and Law Enforcement** . . . . . **1.2 M**

# Growing Greener

## *Protecting Pennsylvania's Environment in the 21st Century*

	<u>2001-02</u>	<u>Five Year Total</u>
• Watershed preservation and restoration . . . . .	\$ 37.9 M	\$ 177.0 M
• Stormwater, water and sewer grants . . . . .	32.9 M	153.6 M
• Rehabilitate State parks and forests facilities . . .	24.8 M	118.6 M
• Farmland preservation . . . . .	20.6 M	100.9 M
• Abandoned mine reclamation and remediation . .	10.0 M	46.3 M
• Community conservation and open spaces . . . . .	8.2 M	35.6 M
• Water and sewer infrastructure projects . . . . .	1.0 M	6.0 M
• Plug abandoned oil and gas wells . . . . .	3.0 M	12.9 M
• Plant and animal conservation research . . . . .	.5 M	2.0 M
<b>Total</b>	<b>\$ 138.9 M</b>	<b>\$ 652.9M</b>



# **Pennsylvania Trail of History**

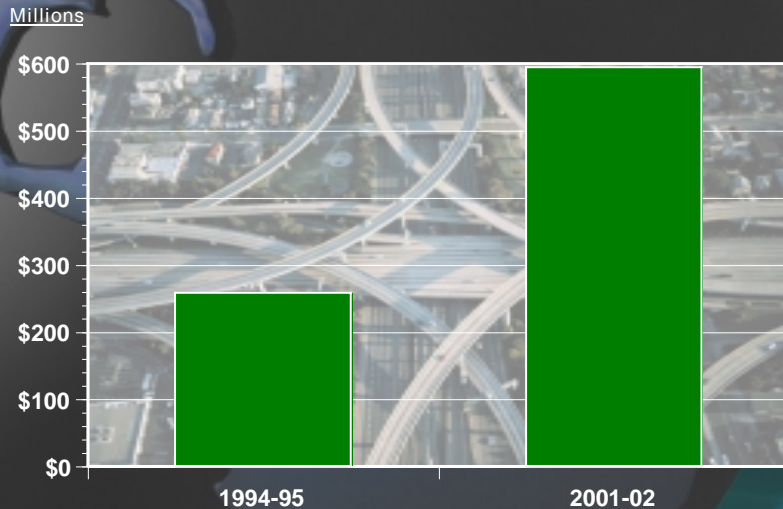
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- **\$100 million record investment**
  - **\$80 million for the State Museum of Pennsylvania**
  - **\$20 million for historic sites and museums throughout the Commonwealth**

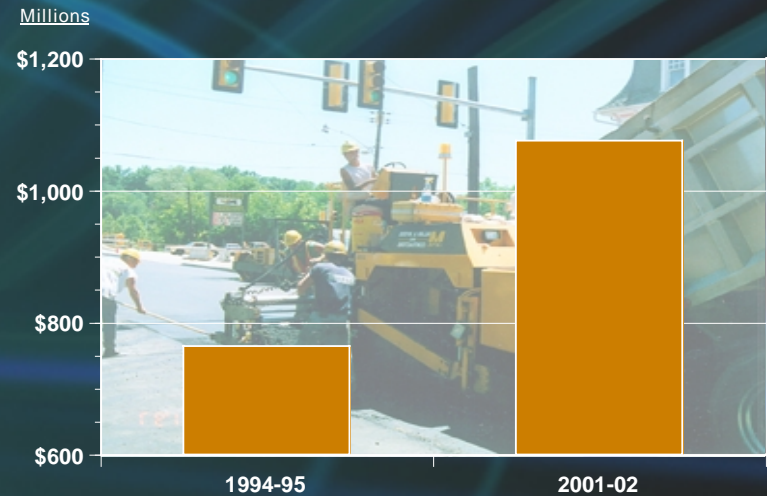
# State Funding for Transportation

## *State Construction and Maintenance Projects*

### State Highway Construction



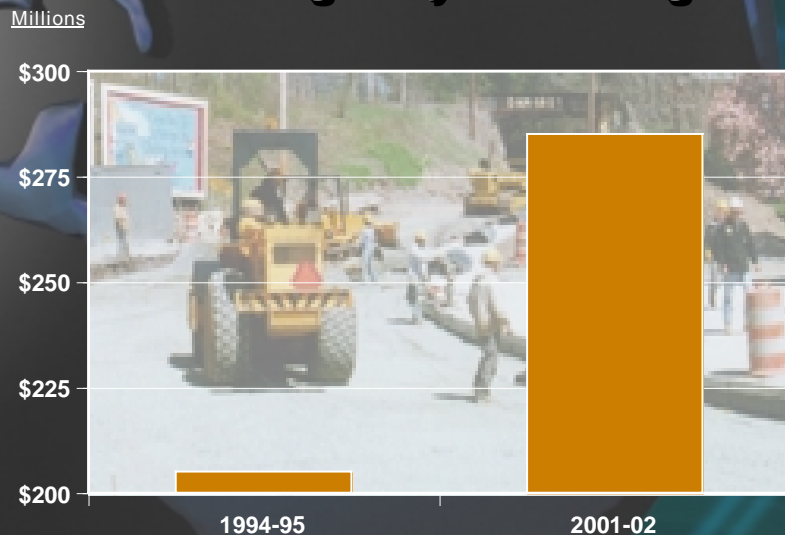
### State Highway Maintenance



# State Funding for Transportation

## *Local Highway and Transit Assistance*

### Local Highway and Bridges



### Local Transit



# **The New Pennsylvania**

## ***A Record of Fiscal Discipline***

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- ✓ **Unprecedented seven consecutive years of tax cuts.**
- ✓ **Reduced spending growth.**
- ✓ **Record balance in the Rainy Day Fund - nearly \$1.3 billion.**
- ✓ **No short-term note borrowings for three consecutive years.**
- ✓ **Bond rating upgrades and financial management awards.**

# Governor Ridge's Vision

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*Having become a leader among states and a competitor among nations, Pennsylvania is now poised for greatness:*

- ✓ **Cutting taxes to create jobs and help families.**
- ✓ **Excelling in the Digital Economy.**
- ✓ **Improving educational results and opportunities.**
- ✓ **Helping children and families.**
- ✓ **Protecting our environment: Growing Greener.**
- ✓ **Making Pennsylvanians healthier.**
- ✓ **Moving people from welfare to work.**
- ✓ **Strengthening fiscal discipline.**