

Commonwealth of Pennsylvania

2001-02

# Budget In Brief



Tom Ridge, Governor



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

FEBRUARY 6, 2001

To the People of Pennsylvania:

*Pursuant to Article VIII 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 2001-02.*

*Six years ago, I asked the General Assembly to help me make Pennsylvania “a leader among states and a competitor among nations.”*

*We have achieved what we set out to do.*

*Pennsylvania families and employers have saved nearly \$15 billion through tax cuts, workers' compensation reform, electric competition and reduced red tape — helping to create more than 350,000 new jobs. We are the first state to enable consumers to shop competitively for both electricity and natural gas. Our tax-free Keystone Opportunity Zones were named the No. 1 state economic-development strategy in the nation.*



*We now have an Education Empowerment Act to help more than a quarter-million kids in our lowest-performing schools. And we have made historic investments in reading through our landmark, four-year, \$100 million “Read-to-Succeed” program, and record new investments in our public libraries.*

*Our nationally acclaimed Land Recycling Program has cleaned up more than 700 industrial sites — 20,000 people now work on these formerly abandoned sites. Our “Growing Greener” initiative is PA’s largest environmental investment ever — nearly \$650 million over five years; and “Growing Smarter” gives communities new land-use tools to control sprawl while still respecting private property rights.*

*More than 100,000 Pennsylvania children now get free or low-cost health care through the Children’s Health Insurance Program — a 145 percent increase since 1995. Pennsylvania’s welfare rolls are at their lowest point in three decades. And juvenile crime is down sharply — thanks in large part to the dozens of new laws passed during our Special Session on Crime.*

*We could fill many pages talking about what we accomplished by working together over the last six years. Truly, Pennsylvania is now a leader among states and a competitor among nations.*

*Now, I believe our challenge is to reach for greatness. We can become not just a leader, but the leader — not just a competitor, but the standard. This budget charts a course to take us there.*

*We will make record new investments and first-in-the-nation innovations to help our kids. We will cut taxes for the seventh straight year; help more hardworking families through our expanded Working Family Tax Cut; continue to eliminate the Capital Stock and Franchise Tax; build on last year’s phenomenal success with an expanded “Tax-Free PC Plus” computer sales-tax holiday; and create new Education Tax Credits.*

*We will reverse Pennsylvania’s decades-long “brain drain” through our exciting new \$10 million “Brain Gain” initiative. We will earmark \$100 million for our historic infrastructure — the “Pennsylvania Trail of History.” And we will continue to protect the environment.*

*With each of these steps, we will help Pennsylvanians enjoy an even better, world-class quality of life. In short, we will reach for greatness.*

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, 2000**

*Anne Spray Kinney*      *Jeffrey L. Esall*  
President                      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, 2000. 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  
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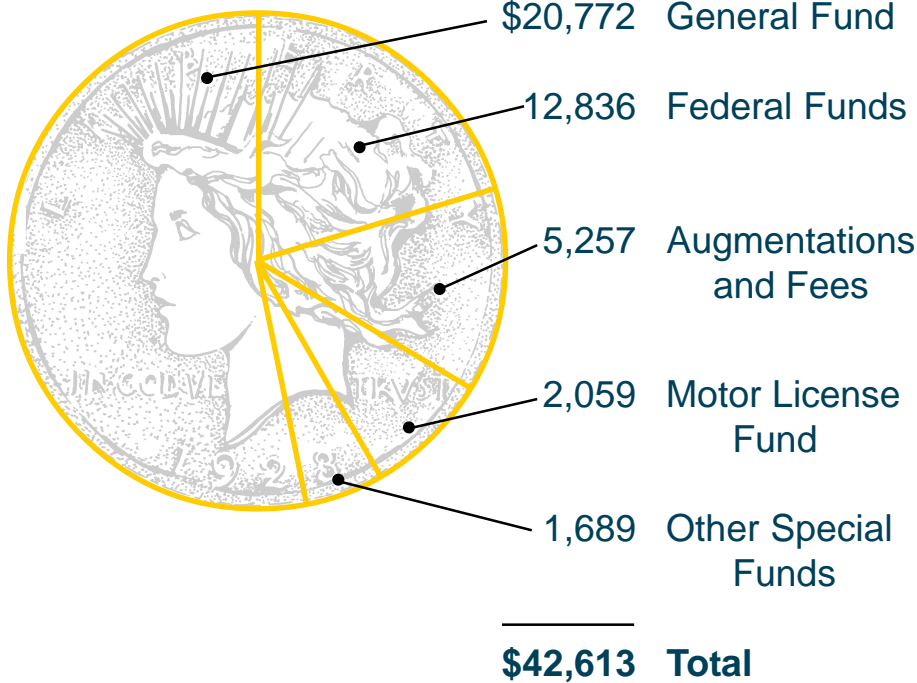
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# 2001-02 TOTAL RECOMMENDED BUDGET

(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 \$42.6 billion.*

\* Operating only; excludes capital.

## 2001-02 Governor's Recommended Budget

*Governor Ridge's 2001-02 Budget continues his seven year record of tax cuts and fiscal discipline with responsible spending.*

- The proposed 2001-02 General Fund Budget is nearly \$20.8 billion, an increase of \$793 million or 4.0 percent. Governor Ridge's six enacted budgets have had an average spending growth of 2.9

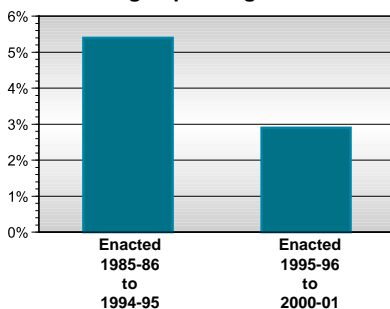
percent. The average growth in the enacted budgets during the previous ten-year period was 5.44 percent.

- \$216.9 million in total tax reductions are included in the 2001-02 recommended budget to help families and to stimulate job creation and retention. Tax forgiveness for working families is recommended

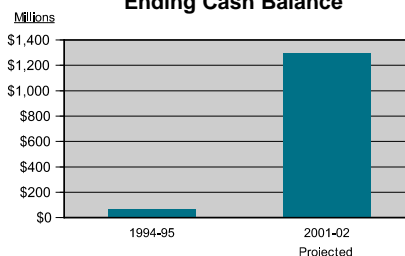
to be expanded and the Capital Stock and Franchise Tax will continue to be phased out.

- With the transfer at the end of 2001-02, the reserve balance in the Commonwealth's Rainy Day Fund will be nearly \$1.3 billion, almost twenty times the balance in 1994-95.

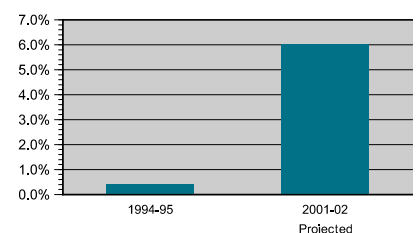
**Enacted State Budgets  
Average Spending Growth**



**Rainy Day Fund  
Ending Cash Balance**



**Rainy Day Fund Balance as Percentage  
of General Fund Revenue**



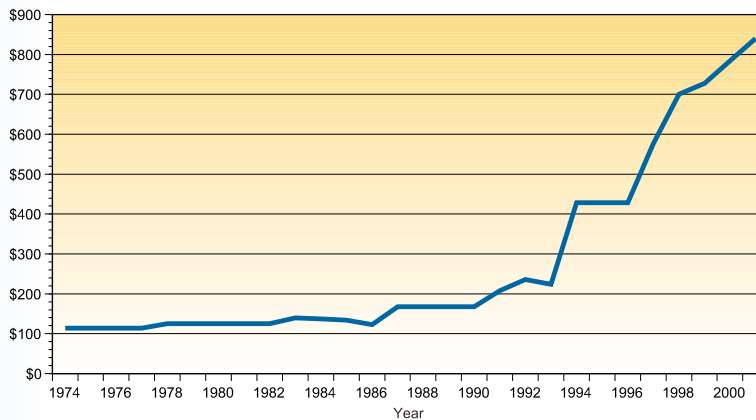
# PROPOSED TAX REDUCTIONS (DOLLAR AMOUNTS IN THOUSANDS)

## Personal Income Tax:

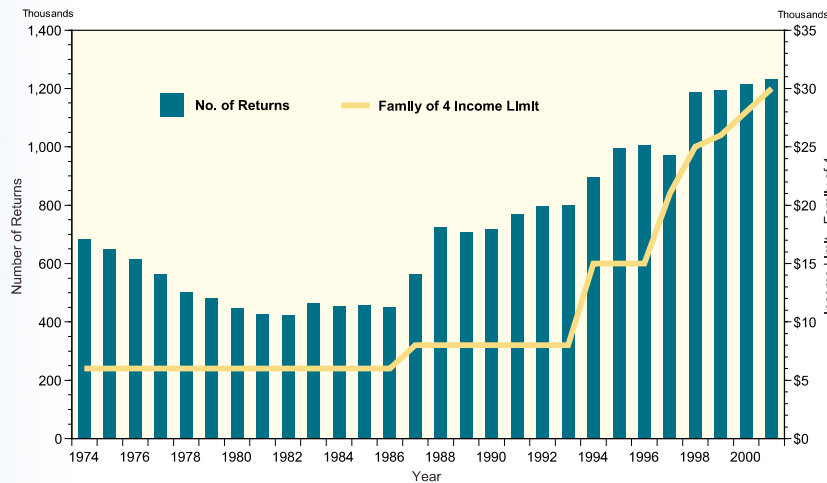
**Expand Tax Forgiveness** ..... \$ -17,800

A claimant's eligibility income limit to qualify for full tax forgiveness under the special tax provisions is proposed to be increased from \$7,500 to \$8,500 for each dependent, effective January 1, 2001. A qualifying family of four with two claimants and two dependents will owe no tax on taxable income up to \$30,000, for a savings of \$840.

### Tax Savings for a Family of Four



### Forgiveness Income Limits and Number of Returns



## Sales and Use Tax:

**Personal Computer Plus Tax Holiday** ..... -10,700

The 2000-01 sales tax holiday for qualifying purchases of personal computers and connected equipment is proposed to be continued and expanded to include personal computer peripherals and Internet access devices. Purchases by individuals for non-business use will be exempt from the sales and use tax if purchased during designated time periods.

# PROPOSED TAX REDUCTIONS (CONTINUED) (DOLLAR AMOUNTS IN THOUSANDS)

## Minor Taxes:

**Repeal Nuisance Taxes** ..... -1,640  
 Marriage License Tax – a \$0.50 tax on the issuance of a marriage license is proposed to be repealed effective July 1, 2001.

Writ Tax – a tax imposed on the recording or filing of various documents in the county recorder of deeds and prothonotary offices is proposed to be repealed effective July 1, 2001.

Private Bankers Gross Receipts Tax – a tax of 1 percent of total gross receipts of private bankers is proposed to be repealed effective January 1, 2001.

## Tax Credits:

**Job Creation Tax Credit** ..... -2,500  
 An increase of \$2.5 million to the \$20 million annual cap on total job creation tax credits is proposed effective July 1, 2001.

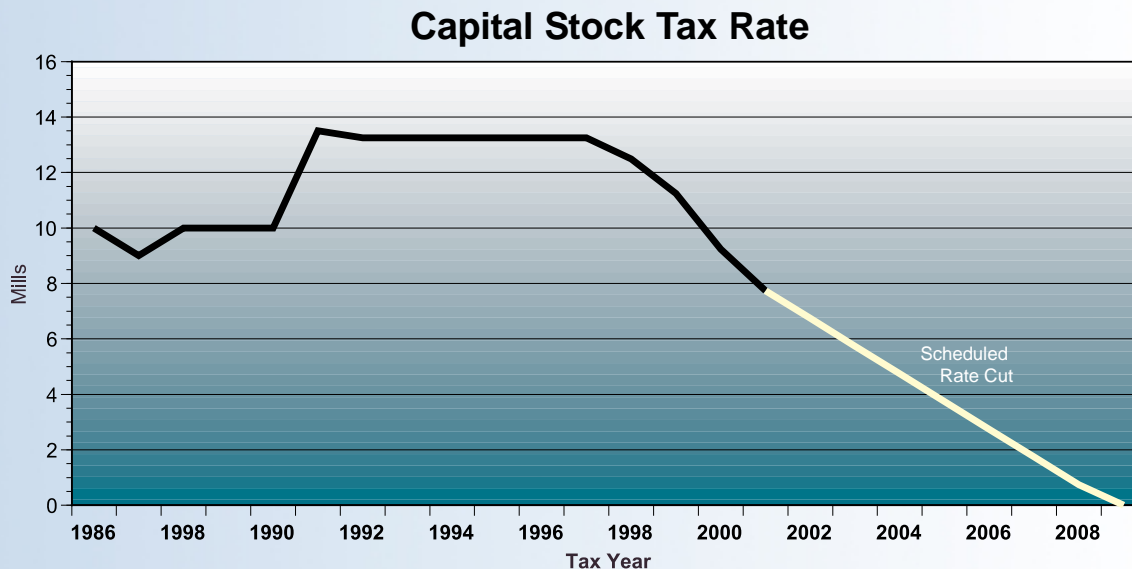
**Neighborhood Assistance Tax Credits** ..... -12,000  
 An increase of \$12 million to the current \$18 million annual cap on total neighborhood assistance tax credits is proposed effective July 1, 2001. Up to \$15 million of the total credits authorized in a fiscal year may be used to make contributions for qualified educational purposes.

**TOTAL PROPOSED TAX REDUCTIONS** ..... \$ -44,640

## CONTINUED TAX PHASE-OUT

### Capital Stock and Franchise Tax:

**Phase-Out Tax** ..... \$ -172,300  
 The second rate reduction of the phase-out - one and one-half mills - was effective for tax years beginning in 2001. A further one mill reduction will be effective for tax years beginning in 2002 making the rate at that time 6.49 mills.



**TOTAL TAX REDUCTIONS** ..... \$ -216,940

# RETAINING AND CREATING JOBS

## Tax Cuts For Jobs

- The Capital Stock and Franchise Tax, regarded as a drawback to employers in Pennsylvania and a job-crushing tax that particularly hurts technology employers, will be completely phased out by 2009. A 1.5 mill reduction, effective January 1, 2001 and a second 1 mill reduction effective January 1, 2002, to reduce the tax to 6.49 mills. These reductions will save Pennsylvania employers an additional \$172.3 million in 2001-02 over the savings from the 2 mill tax reduction in 2000.
- A Computer Sales Tax Holiday to encourage computer use by Pennsylvania citizens. During two eight-day periods the 6% sales tax will be waived for purchases of personal computers. The tax holiday is enhanced to include the purchase of peripheral equipment.
- Job Creation Tax Credit: Expansion by \$2.5 million, providing additional \$1,000 per job tax credits to employers that create new jobs and demonstrate the development or deployment of leading technologies in their industry.



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

*The 2001-02 Budget includes the following program changes and funding amounts in pursuit of this program's goal.*



## Attracting High Technology Jobs

- \$56.4 million in General Fund monies to be provided through a proposed Ben Franklin Technology Development Authority Fund that will merge the Ben Franklin technology centers and the Pennsylvania Technology Investment Authority to assist the Commonwealth's business community in implementing Technology 21 recommendations and to provide innovative financing for small- and medium-sized technology firms; stimulate expansion of electronic commerce; and coordinate university-based research in high technology fields.

- \$10 million for the Brain Gain initiative to encourage the retention and attraction of young people to Pennsylvania by marketing PA, providing grants to local organizations and internships.
- \$5.5 million for Interactive Marketing to continue internet-based marketing for business attraction and the attraction and retention of students and knowledge workers.
- \$1.5 million increase for the marketing efforts of local industrial development agencies.
- \$500,000 increase to Small Business Development Centers to support the continued use of videoconferencing technology to serve rural communities.



# RETAINING AND CREATING JOBS (CONTINUED)

## Workforce Development Strategy

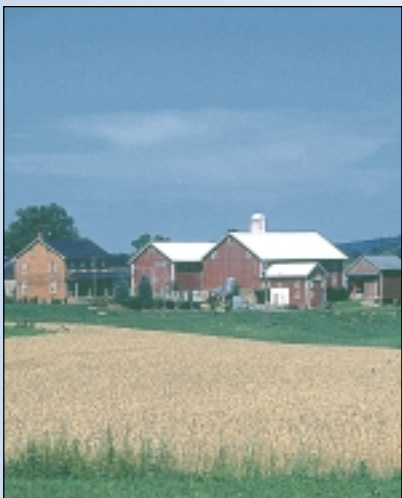
- \$37.5 million for customized job training to ensure Commonwealth citizens are equipped for employment in new and growing businesses.
- \$238 million in Workforce Investment Federal funds for adult, youth and dislocated worker career development.
- \$8.2 million for SciTech and Technology Scholarships to provide an incentive for Pennsylvania students to pursue education and training in science and technology and stay in Pennsylvania after graduation, thus expanding the Commonwealth's skilled workforce.
- \$850,000 in State and \$2 million in Federal funds to implement the Cyberscholarships Program, which provides Internet-skills training for qualified workers and job seekers.

## International Trade/Export

- \$900,000 increase for international trade missions and offices.

## Assistance for Employers

- \$74 million for programs to develop infrastructure and provide incentive grants to employers wishing to expand or relocate in the Commonwealth.



- Securitization of the Small Business First Fund to support loan programs totaling \$50 million to aid in expansion, pollution abatement and export development of small businesses.
- Securitization of the Machinery and Equipment Loan Fund to support loan programs totaling \$30 million.

## Aiding And Promoting Agribusiness

- \$4.3 million for the Animal Health Commission to prevent and control animal diseases through research and diagnostic services.
- \$3.6 million for Agricultural Research to enhance the quality and quantity of agricultural products.
- \$3.3 million for planning and prevention of the discharge of agricultural nutrient pollutants.
- \$3.1 million to indemnify growers affected by the Plum Pox Virus.
- \$2.2 million for Product Promotion Marketing, Education and Exports to develop and expand domestic and international markets for Pennsylvania agricultural products.

## Improving Communities for Technology and Living

- \$11.5 million for New Communities, which combines the Main Street and

Enterprise Zone programs and expands them by \$2 million. The Digital E-Readiness program will bring Internet access to pilot communities. The Anchor Buildings Program will redevelop a building in a downtown area to serve as a central focus of downtown commerce.

- \$1 million increase for sound land use activities.
- \$640,000 increase for Local Development Districts to continue assistance to enhance the adoption of information technologies by local government.

## Reinforcing Our Commitment To Tourism

- \$6.5 million to facilitate regional marketing to attract tourists through coordination of local efforts.
- \$1 million for the tourism development program to encourage multi-county attraction and destination development.
- \$250,000 increase for Tourist Promotion Assistance matching funds for local tourist promoting agencies resulting in a total of \$11.5 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 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.*

## Basic Education

- \$6.4 billion in State support provided to the 501 local school districts.
- Increased funding to Pennsylvania public schools of more than \$275 million. It includes \$44 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 \$3.94 billion Basic Education funding provided to school districts, 41 percent (\$1.6 billion) goes to the poorest 125 school districts which have 26 percent of all public school students; and 13 percent (\$518 million) goes to the wealthiest 125 school districts which have 30 percent of all public school students. Commonwealth support on average is equal to \$3,860 per student for the 125 poorest school districts and \$1,021 per student for the 125 wealthiest school districts.

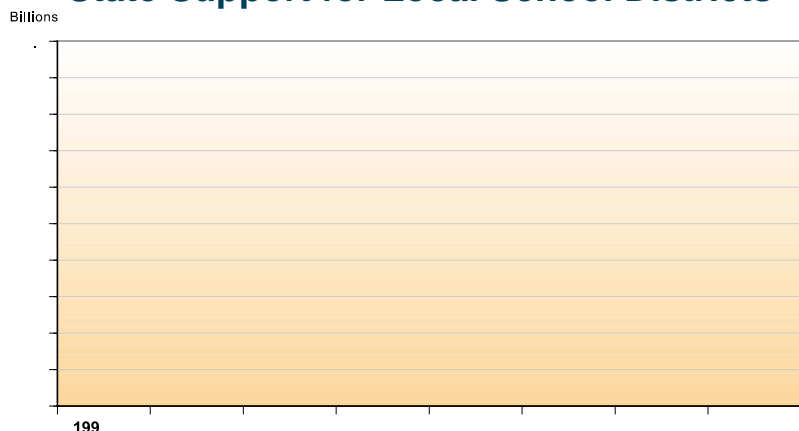


- \$151.7 million increase, or four percent, for Basic Education Funding - the largest increase in six years.
- \$78.3 million increase, or 10 percent, for Special Education - the largest increase in a decade.
- \$26.7 million for School Improvement Grants to continue to improve student performance in the State's lowest performing school districts.
- \$23.6 million for Education Support Services to purchase after-school assistance for elementary students who are not performing at grade level in reading and math.
- \$18.2 million increase in the State's share of local education costs for School Employees' Social Security.
- \$8.6 million increase in the Authority Rentals and Sinking Fund Program for infrastructure reimbursement and to enable Charter Schools to participate.
- \$5.9 million increase to strengthen and expand the PA Assessment Test to incorporate the new academic standards.
- \$4 million to implement a statewide system of teacher assessment in order to generate aggregate data to help school districts target professional development.
- \$3.4 million, which provides a 10 percent increase in funding for the School Performance Incentive Program that rewards schools that significantly improve their academic achievement and effort.
- \$2.3 million increase, more than four percent, for Vocational Education.
- \$2 million increase to expand funds for Charter School start-up grants.
- \$1.1 million increase for Safe and Alternative Schools Programs.

## Early Childhood Initiative

- \$5.3 million increase, or nearly six percent, for Early Intervention.
- \$1.8 million in total funds for school readiness and literacy programs and early childhood development services and training.

## State Support for Local School Districts



*Commonwealth appropriations in direct support of local school districts have increased since 1994-95 by \$1.6 billion.*

# EDUCATION (CONTINUED)



## Technology Initiatives

- \$26.6 million in funding to local school districts for integrated learning systems, the development of two new digital school districts and continuation of a spending analysis and management project.
- \$5.5 million in funding for higher education technology grants focused on innovative approaches to community-based networking and curriculum development for information science and technology programs.
- \$8 million to enable nonpublic schools to participate in the benefits afforded by information technology.

## Commonwealth Appropriations in Direct Support of Local School Districts\*



(Dollar amounts in thousands)

	1999-00 Actual	2000-01 Available	2001-02 Budget
Basic Education Funding .....	\$ 3,677,294	\$ 3,791,813	\$ 3,943,485
Special Education .....	719,500	783,089	861,398
Pupil Transportation .....	386,707	445,092	415,744
School Employees' Social Security .....	350,328	378,820	397,009
Authority Rentals and Sinking Fund			
Requirements .....	253,766	267,451	276,061
Early Intervention .....	84,719	93,503	98,803
Special Education - Approved Private Schools	59,808	61,602	63,450
Vocational Education .....	51,523	53,069	55,378
Nonpublic and Charter School Pupil			
Transportation .....	56,009	55,392	54,358
Tuition for Orphans and Children Placed in			
Private Homes .....	40,079	42,960	43,498
Performance Incentives .....	16,769	33,538	36,892
Safe and Alternative Schools .....	31,563	35,200	36,256
School Improvement Grants .....	0	25,000	26,661
Technology Initiative .....	20,150	21,450	26,600
PA Charter Schools for the Deaf and Blind .....	23,847	24,999	25,749
Read to Succeed .....	35,000	25,000	25,000
School Food Services .....	16,719	24,186	24,433
Intermediate Units .....	5,835	6,127	6,311
Teen Pregnancy and Parenthood .....	1,407	1,500	1,725
Administrative/Instructional Consolidation .....	1,500	1,500	1,500
Education Mentoring .....	979	1,200	1,200
Education of Migrant Laborers' Children .....	727	727	751
Homebound Instruction .....	643	662	746
Comprehensive Reading .....	300	300	300
Payments in Lieu of Taxes .....	182	182	180
Education of Indigent Children .....	113	116	116
Vocational Education Equipment Grants .....	0	10,000	0
School District Demonstration Projects .....	12,613	6,700	0
Alternative Education Demonstration Grants .....	0	1,000	0
School-to-Work Opportunities .....	436	500	0
<b>TOTAL .....</b>	<b>\$ 5,848,516</b>	<b>\$ 6,192,678</b>	<b>\$ 6,423,604</b>

\* Includes appropriations which are distributed to school districts, intermediate units, area vocational-technical schools and special schools.

In addition to the above funding, decreases in the employer contribution rate for school employees' retirement combined with other estimated cost changes will save local education agencies approximately \$44 million in 2001-02. Over the six-year period 1996-97 through 2001-02 the cumulative savings to local education agencies will be approximately \$1.34 billion.

# EDUCATION (CONTINUED)

## Libraries, Reading and Literacy

- \$138.7 million in total funding for public libraries, the Read-to-Succeed initiative and adult- and family- literacy programs statewide:
  - ✓ \$75.3 million, a \$13 million or 21 percent 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 third year of the Read-to-Succeed initiative to help ensure Pennsylvania's school children learn to read by grade 3.
  - ✓ \$19.7 million to support and expand adult- and family- literacy programs.

## Higher Education

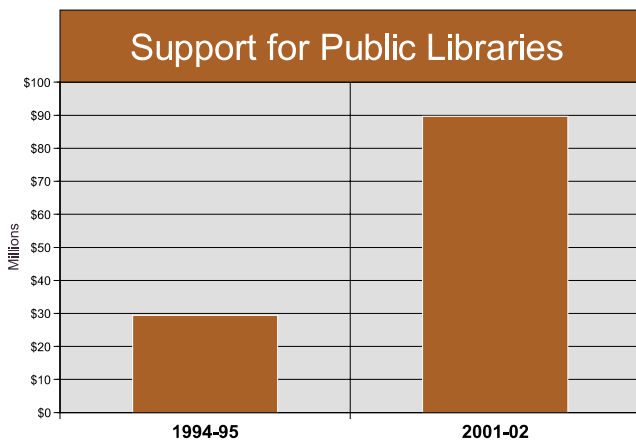
- \$9.2 million, or a more than 5 percent increase, for Pennsylvania's community colleges, plus continuation of the \$2 million workforce-development initiative to encourage the formation of partnerships with industry to improve the State's supply of skilled employees and meet employment needs.
- \$18 million, or 4 percent, increase for the State Universities appropriation within the State System of Higher Education.
- \$16.8 million increase, or 3 percent, for operating costs at the four State-related universities. The funding increases are as follows:

	(in Millions)
Penn State University .....	\$ 7.3
University of Pittsburgh .....	4.5
Temple University .....	4.7
Lincoln University .....	0.3
<b>Total .....</b>	<b>\$ 16.8</b>

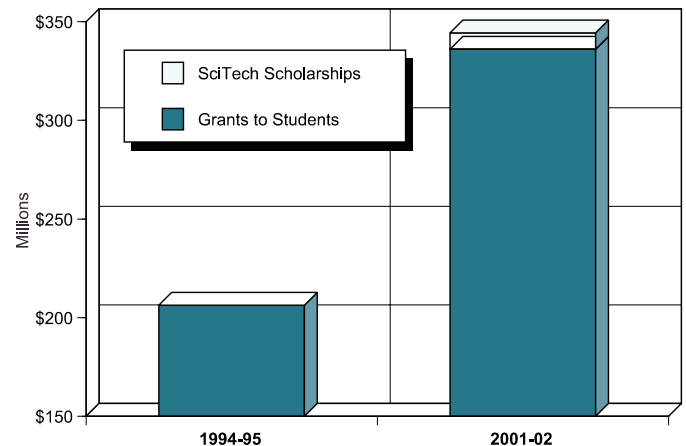
- \$8 million, a \$2 million increase, for the higher-education graduation incentive program to encourage public and private higher-education institutions to help undergraduate students complete degrees within four years.
- \$22 million, or 7 percent, increase for the ongoing Grants to Students Program and a \$525,000 increase for the Keystone Academy at Cheyney University.

## Student Aid

### Higher Education Assistance Agency



Total Commonwealth support for public libraries has increased by \$60.3 million from \$29.4 million in 1994-95 to \$89.7 million in 2001-02, an increase of 205%.



Since 1994-95, State funding for student aid has increased by \$138 million or 67 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 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

## Law Enforcement and Protection

- \$1.2 billion for the operation of the State Correctional Institutions.
- \$25.2 million for the continued development and implementation of the State Police Incident Information Management System.
- \$24.8 million to the State Police for the Commonwealth Law Enforcement Network including \$5.8 million to redesign the criminal history repository.
- \$22.1 million to operate the new 600 bed State Correctional Institution at Pine Grove for incarcerated young adult offenders.
- \$12.2 million to improve the Department of Corrections' information technology.
- \$11.8 million to provide resources for base stations and mobile and portable radio equipment for State Police participation in the Statewide Public Safety Radio System.
- \$7.2 million to operate additional housing at the Laurel Highlands State Correctional Institution, provide increased staffing in food service areas and increase security staffing at State Correctional Institutions.
- \$6.9 million for the training of 148 State Police cadets and for their service as troopers during 2001-02.
- \$4.3 million to provide base stations and mobile and portable radio equipment for the Board of Probation and Parole.
- \$2.5 million to expand community housing arrangements for the Department of Corrections.
- \$2.5 million in State funds for increased availability of behavioral health services for criminal offenders with a dual diagnosis of mental illness and substance abuse problems.
- \$1.8 million to provide base stations and mobile and portable radio equipment for the Department of Military and Veterans Affairs.
- \$1.5 million to provide additional civilian administrative support to



enable State Police Troopers to focus on law enforcement duties.

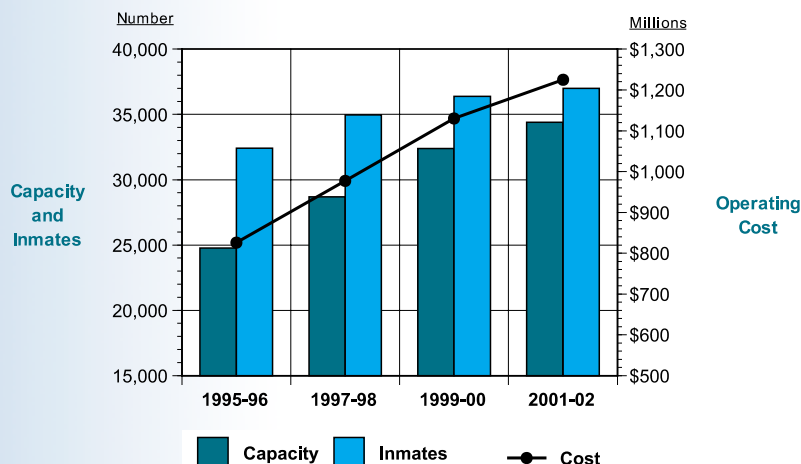
- \$1.5 million to redesign and automate existing database applications for the Municipal Police Training Program.
- \$1.4 million to expand basic and vocational education programs at various State Correctional Institutions.
- \$1.2 million to provide hepatitis vaccinations to inmates and staff of the Department of Corrections.
- \$466,000 to increase the surveillance and investigation of criminal activity occurring through the use of computers.
- \$454,000 to increase liquor control enforcement activities.
- \$370,000 for equipment enhancements at the State Police crime labs.

## Crime Prevention

- \$9 million increase in State and Federal funds, for a total of \$12.4 million, to expand the activities of the Governor's Partnership for Safe Children.
- \$2 million increase, for a total of \$10 million, to implement research-based juvenile violence prevention programs in 12 additional communities.

## State Correctional Institutions

Capacity, Inmate Population and Operating Costs



# PROTECTION OF PERSONS AND PROPERTY (CONTINUED)

- \$2.4 million increase, for a total of \$15.6 million, for school and community-based, intensive supervision and aftercare services for juvenile offenders.
- \$1.2 million increase, for a total of \$5.2 million, to expand the Drug Abuse Resistance Education (D.A.R.E.) training and programming as well as programming in Gang Resistance Education and Training.
- \$1.2 million increase, for a total of \$2.3 million, to build upon the Weed and Seed Program by doubling efforts to support juvenile violence prevention programs and litigation efforts against liquor and drug nuisance properties.

## *Growing Greener*

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

The recommended Growing Greener budget for 2001-02 includes:

- ✓ \$37.9 million for watershed preservation and restoration.
- ✓ \$32.9 million for stormwater, water and sewer grants.
- ✓ \$24.7 million to rehabilitate, repair and develop State Parks and Forest land facilities.
- ✓ \$20.6 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.
- ✓ \$3 million to plug abandoned and orphan oil and gas wells.

- ✓ \$1 million for grants and matching grants for stormwater, water and sewer infrastructure projects.
- ✓ \$500,000 for grants to counties and local governments for conserving biological diversity.

## *Other environmental initiatives include:*

- \$7 million to provide resources for a new full-cost surface coal mining bonding program.
- \$4.6 million for land use planning grants and assistance.
- \$4 million to provide grants to municipalities for the remediation of waste tire piles.
- \$2.2 million to provide additional resources for laboratory renovations and lease arrangement.
- \$2 million to convert Land Recycling and Waste Management paper documents to electronic records by using electronic document management system tools.

- \$1.5 million to provide additional gypsy-moth spraying.
- \$781,000 to provide training reimbursement and administrative support for the Wastewater Operator Certification Program.
- \$500,000 to develop a pilot electronic document imaging program and management system.
- \$500,000 to remove the remnants of the Felix Dam.
- \$300,000 to provide training to support the sound land use program.
- \$250,000 to support the Pennsylvania Sea Grant Program, promoting the stewardship of coastal resources.
- \$200,000 to review radiation monitoring plans at municipal waste landfill, resource recovery and waste transfer facilities.



# HEALTH AND HUMAN SERVICES



## Children's Services

- \$393 million in total funds to continue child care for 178,000 children of low-income working families and TANF and former TANF families.
- \$172 million in State and Federal funds in 2001-02 to serve almost 125,000 children through the Children's Health Insurance Program.
- \$15 million in Federal funds to provide before- and after-school programs and youth development activities.
- \$10 million in Federal funds to continue to provide quality improvements, capacity building and operational enhancements for child care centers.
- \$9 million in total funds to promote and enhance adoption efforts.
- \$8 million in Federal funds to enhance youth employment and training, pregnancy prevention and after-school programs.
- \$1 million in Federal funds to provide enhanced independent living services for youth in substitute care.
- \$500,000 in State funds to implement enforcement and prevention activities to reduce youth access to tobacco.

## Early Childhood Initiative

- ✓ \$10 million in Federal funds to provide challenge grants to increase the capacity of child care centers in areas with unmet need.

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.

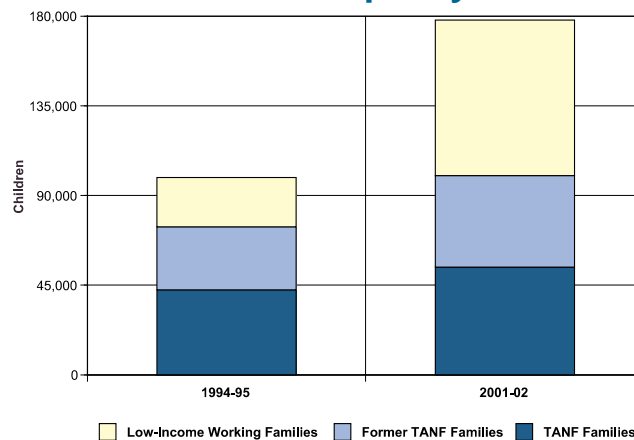
The 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

- ✓ \$10 million in total funds to provide pre-school children in the Commonwealth access to Internet-based learning tools and program content.
- ✓ \$7.2 million in Federal funds to provide nurse home visitation services for high risk pregnancies.
- ✓ \$4.1 million in total funds to provide Early Intervention services for an additional 1,150 children under age three.
- ✓ \$4 million in Federal funds to increase parent-child interaction, better preparing children to enter school ready to succeed.
- ✓ \$4 million in Federal funds to provide low-income families access to computers in community-based settings.
- ✓ \$2 million in Federal funds to facilitate development of additional full-day, full-year comprehensive Head Start child care services.
- ✓ \$692,000 in Federal funds to train child care staff in the use of technology in the classroom.
- ✓ \$500,000 in Federal funds to implement a child abuse prevention public awareness campaign.

## Health Investment Plan

- \$135.6 million in Tobacco Settlement funds for adult health insurance, including \$25.8 million to extend the Medical Assistance Program to disabled people. Individuals will pay a basic monthly premium for the coverage.
- \$123.9 million in Tobacco Settlement funds for health-related research proposals from Pennsylvania-based researchers and institutions, including \$90 million in one-time 2000-01 funds for biotechnology research centers.
- \$53.9 million in Tobacco Settlement funds for home and community-based care of which \$27.8 million will be used to implement community long-term care system reforms for older Pennsylvanians.

## Child Care Capacity Growth



In 2001-02, the child care system will serve an estimated 53,000 more children of low-income working families than in 1994-95, an increase of 215%.

# HEALTH AND HUMAN SERVICES *(CONTINUED)*

- \$33.9 million in Tobacco Settlement funds to reimburse hospitals for uncompensated care costs incurred on behalf of uninsured individuals.
- \$33.9 million in Tobacco Settlement funds to significantly expand community-based programs to prevent tobacco use.
- \$16.9 million in Tobacco Settlement funds to significantly expand the program to encourage cessation of tobacco use.
- \$16.9 million in Tobacco Settlement funds to leverage private investment in healthcare related companies.

## *Helping People Help Themselves*

- \$33 million increase in total funds to expand the availability of affordable housing opportunities for low-income families.
- \$29 million in additional State and Federal funds to provide enhanced employment and training opportunities, including services for individuals with significant barriers to employment.
- \$2 million in Federal funds to expand the availability of homeless assistance services.
- \$2 million in Federal funds to promote asset accumulation by low-income families through matched savings accounts.
- \$1.2 million for supported employment which provides job placement in the community with on-site intensive training.

## *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.
- \$307.4 million in total funds to provide for the expansion of the HealthChoices program into the ten county Lehigh/Capital region.

- \$248.6 million in total funds for premium increases for managed care organizations under the HealthChoices Southeast and Southwest Programs.
- \$87.1 million in total funds to provide for the HIV/AIDS Risk Pool in the HealthChoices Program.
- \$84 million in total funds to provide for special population adjustments in the HealthChoices Program.
- \$10.2 million in total funds to provide tobacco cessation products and counseling for Medical Assistance recipients.
- \$8.5 million in total funds to provide psychiatric rehabilitation services through the HealthChoices Program.
- \$7.4 million increase in total funds for enhanced Medical Assistance transportation services.
- \$3.9 million in total funds to enhance dental benefits.
- \$2.5 million in Federal and other funds for improved Early and Periodic Screening, Diagnosis and Treatment reporting.
- \$1.3 million in total funds to enhance the schedule of preventive well-child health services provided to children enrolled in the Medical Assistance Program.
- \$834,000 in State funds to implement improved testing procedures to better identify and more appropriately treat sexually transmitted diseases.
- \$829,000 in State funds to improve the timeliness of hospital licensure and certifications surveys, enhance the monitoring of hospital corrective action plans, and improve the investigation of hospital incidents and complaints by facilities and consumers.
- \$500,000 in State funds to provide counseling and referral services for HIV-infected individuals and their partners.
- \$300,000 in State funds to address health disparities impacting racial and ethnic minority groups through public/private partnerships.

- \$200,000 in State funds to expand and enhance sickle cell community-based educational support services.
- \$114,000 in State funds to examine the multi-faceted and complex issues related to medical errors and other adverse medical events.

## *Human Services*

- \$79.1 million increase in State funds to continue the County Child Welfare needs-based program.
- \$7.5 million in total funds to provide county child welfare caseworker training.
- \$4 million in Federal funds for enhanced services to victims of domestic violence.
- \$1 million in Federal funds to provide rape prevention and education programs.



## *Helping Pennsylvanians With Disabilities*

- \$161 million in total funds for vocational rehabilitation services.
- \$42.9 million increase in total funds to further enhance community opportunities for persons with mental retardation.



# HEALTH AND HUMAN SERVICES (CONTINUED)

- \$41.3 million in total funds for direct careworker recruitment and retention initiatives.
- \$19.4 million increase in total funds to provide home and community-based services to 427 persons with disabilities.
- \$9 million increase in State funds to provide home and community-based services to 230 individuals currently residing in State mental hospitals.
- \$6.6 million in total funds to strengthen community oversight of mental retardation services.
- \$5 million in Federal funds to assist individuals with disabilities to purchase or modify their homes to accommodate their disability.
- \$2.5 million for respite care services for families of children with severe disabilities and significant needs.
- \$1.9 million increase in State funds to provide vocational rehabilitation services to an additional 1,285 individuals under the State-only funded program.
- \$1.1 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.
- \$382,000 increase to serve an additional 248 persons through the Centers for Independent Living.
- \$300,000 for a loan guarantee program for persons with disabilities to obtain assistive technology devices.

## Services To Older Pennsylvanians

- \$150.6 million from the General Fund and Lottery Fund to maintain transportation programs that will provide over 45 million free and 6.6 million shared rides.
- \$60.5 million for Veterans Homes including \$6.2 million for the opening of the 170 bed Delaware Valley Veterans Home.

- \$14.9 million in total funds to increase the residential component of the Supplemental Security Income State supplement for personal care and domiciliary care residents as well as provide Medical Assistance services to additional recipients who become eligible as a result of the increased State supplement.
- \$7.1 million increase in State funds to continue the PENNCARE Program for older Pennsylvanians and provide services to an additional 135 persons in the PENNCARE Attendant Care Program.
- \$2 million to continue improvements to community senior centers.
- \$867,000 in State funds to investigate an increased number of reports of suspected elder abuse.
- \$200,000 in State funds to provide health insurance counseling to additional older consumers.

## Technology for Human Services

- \$22.9 million in total funds to redesign the management information and claims processing systems for the Medical Assistance Program, including eligibility determination and utilization review.
- \$4.4 million in State funds to redesign and integrate the human services business processes and information systems, develop an integrated client-based data system for the Office of Social Programs, and expand information technology for the human services licensing process.
- \$3.7 million in State funds to implement a new vital statistics processing system, to assess the automation needs of patient information data at the State health care centers and to provide administrative support.



# 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 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

## Transportation Administration

- \$25 million for advanced maintenance technologies and more efficient transportation systems.
- \$10.6 million in initiatives to provide for technology system enhancements.

## State Highway and Bridge Maintenance

- \$1.268 billion, including \$193 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.

## Welcome Centers

- \$275,000 initiative to provide interactive traveler information kiosks at each Welcome Center.

## Mass Transportation

- \$830 million, including \$754 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.
- \$2.2 million to subsidize intercity transportation.

## State Highway and Bridge Construction

- \$1.6 billion, including \$594 million in State and \$1 billion in Federal funds, for new construction and major repairs of highways and bridges.

## Air Transportation

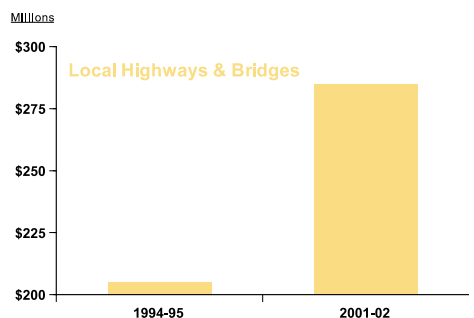
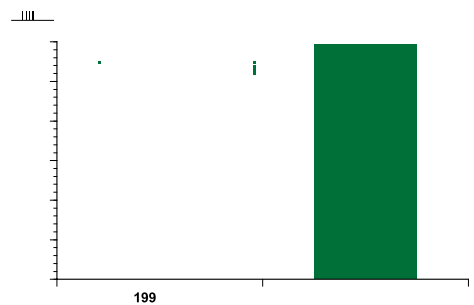
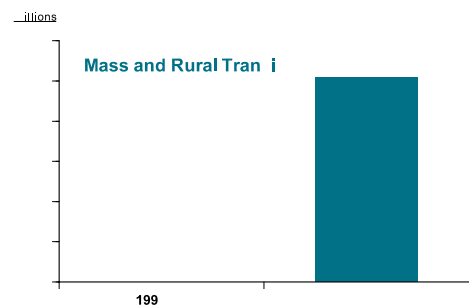
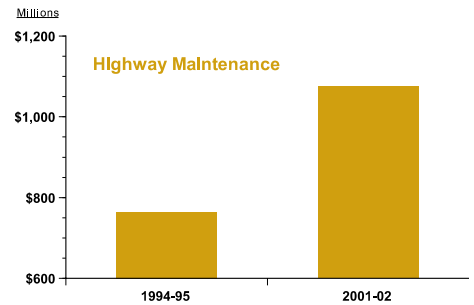
- \$7.8 million to improve public airports.

## Local Road Maintenance and Construction Payments

- \$286 million to municipal governments for local road maintenance and construction.

## Safety Administration and Licensing

- \$6.1 million to complete the reissuance of motor vehicle license plates.
- \$2.7 million initiative to expand online motor vehicle transactions.



# RECREATION AND CULTURAL ENRICHMENT

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

The 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

- \$100 million investment in Pennsylvania's museums, including \$80 million for the State Museum of Pennsylvania in Harrisburg and \$20 million for other historic sites and museums.
- \$2.9 million to provide full-time Forest Rangers to enhance visitor services and public safety in State Forests.
- \$1.4 million increase, for a total of \$15.4 million, for the Grants to the Arts Program.
- \$1.3 million to provide K-12 education and workforce training directly to at-home learners and workplaces via digital television programming.
- \$716,000 to provide equipment and support for the new Nescopeck State Park facilities.
- \$685,000 to develop an information technology network infrastructure supporting State Parks and Forests.

- \$325,000 to produce a series of regional outdoor recreation guides for distribution on the *PA PowerPort*.

- \$300,000 to complete the White Haven-Lehigh Gorge Trail.



# 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 2001-02 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

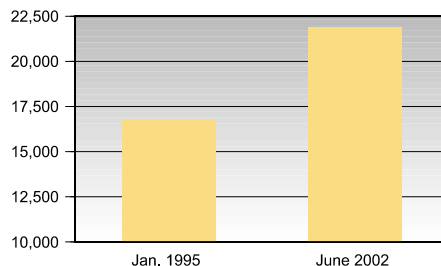
## Information Technology to Position State Government as a 21<sup>st</sup> Century Leader

- \$46.5 million to continue to redesign and integrate the Commonwealth's budget, accounting, payroll, procurement and personnel systems to improve the efficiency and effectiveness of State Government.
- \$26.2 million for information communication, including equipment, communications facility infrastructure improvements and e-business software and support systems.
- \$25.6 million for enterprise-wide information technology projects including telecommunications, desktop computing and data center consolidation.
- \$15.2 million to continue development, maintenance and support of the Integrated Criminal Justice Network (JNET) including \$2.8 million for continued implementation, enhancement and maintenance of the Juvenile Tracking System.

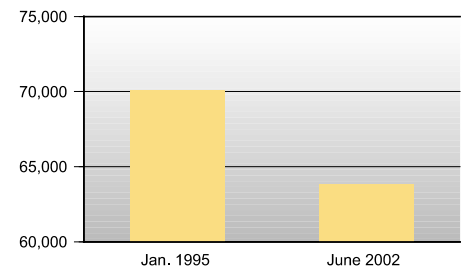
## Other

- \$10 million to continue to provide electronic government solutions.
- \$4.1 million to continue development and implementation of an intranet-based litigation management software system for the Office of General Counsel.
- \$1.7 million to continue implementation of a case processing, management and tracking system in the Human Relations Commission.
- \$8.5 million to integrate voter registration databases in the Commonwealth.
- \$1.9 million in State and other funds to improve the business registration system and improve access to information about registered entities.
- \$823,000 to redesign and automate the notary public application process.
- \$500,000 to implement a system for filing of campaign finance reports via the internet.

## Authorized Salaried Complement



Corrections,  
Board of Probation & Parole,  
State Police



All Other Agencies

**Personnel Complement**

- This budget proposes a net increase of 225 salaried complement positions. Excluding new public safety and law enforcement positions necessary for the State correctional institutions, the probation and parole system and the State Police, the total salaried complement decreases by 164 positions.

	2000-01 Current	2001-02 Budget	Difference
Corrections, Board of Probation & Parole, State Police .....	21,503	21,892	389
All Other Agencies .....	63,989	63,825	-164
<b>Total .....</b>	<b>85,492</b>	<b>85,717</b>	<b>225</b>

## SALARIED COMPLEMENT BY AGENCY

### Full-Time Equivalent (FTE)

*The following is a summary, by department, of the 1999-00 actual, 2000-01 available and 2001-02 recommended salaried complement levels on a full-time equivalent (FTE) basis.*

Department	1999-00 Actual	2000-01 Available	2001-02 Budget	Difference Budget vs. Available
Governor's Office .....	91	91	91	
Executive Offices .....	2,260	2,336	2,377	41
Lieutenant Governor's Office .....	17	17	17	
Aging .....	108	109	111	2
Agriculture .....	638	638	647	9
Banking .....	124	121	121	
Civil Service Commission .....	181	180	180	
Community and Economic Development .....	343	342	344	2
Conservation and Natural Resources .....	1,321	1,339	1,384	45
Corrections .....	14,320	14,814	15,067	253
Education .....	834	843	844	1
Emergency Management Agency .....	141	142	150	8
Environmental Hearing Board .....	22	22	22	
Environmental Protection .....	3,154	3,172	3,184	12
Fish & Boat Commission .....	441	441	441	
Game Commission .....	731	731	731	
General Services .....	1,326	1,343	1,333	-10
Health .....	1,395	1,423	1,462	39
Historical and Museum Commission .....	345	350	355	5
Infrastructure Investment Authority .....	23	23	25	2
Insurance .....	305	309	324	15
Labor and Industry .....	6,401	6,412	6,412	
Liquor Control Board .....	2,969	2,969	3,037	68
Military and Veterans Affairs .....	2,082	2,102	2,481	379
Milk Marketing Board .....	36	36	36	
Municipal Employees' Retirement .....	24	25	25	
Probation and Parole Board .....	960	987	1,033	46
Public Television Network .....	20	20	20	
Public Utility Commission .....	538	538	533	-5
Public Welfare .....	22,956	22,290	21,496	-794
Revenue .....	2,279	2,279	2,279	
School Employees' Retirement System .....	290	290	290	
Securities Commission .....	83	84	93	9
State .....	405	407	415	8
State Employees' Retirement System .....	192	192	192	
State Police .....	5,673	5,702	5,792	90
Tax Equalization Board .....	22	22	22	
Transportation .....	12,351	12,351	12,351	
<b>TOTAL ALL DEPARTMENTS .....</b>	<b>85,401</b>	<b>85,492</b>	<b>85,717</b>	<b>225</b>

# 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 \$389 million and \$460 million.

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.**

This budget continues to recommend the following Health Investment Plan priorities and funding allocation percentages. In addition, \$90 million is available in 2000-01 for regional biotechnology research centers.

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

# Early Childhood Initiative

**“Ensuring that Pennsylvania’s children are healthy, safe and ready for school”**

Pennsylvania’s children are among our most precious resources. This Administration’s commitment to the health, education and well-being of Pennsylvania’s children has been demonstrated in past budgets and is reflected again in this budget. Our vision is that all children in Pennsylvania are healthy, safe and ready to succeed in school. This budget proposes to build upon the existing programs and services for young children, in accordance with the following goals.

- **All children are healthy.**
- **All children are safe.**
- **All children are ready for school.**

Below is a summary of new and expanded early childhood initiatives, totaling approximately \$48 million.

	(Dollar Amounts in Thousands)	
	<u>State Funds</u>	<u>Federal Funds</u>
<b>Department of Education</b>		
Early Childhood Education .....	\$ 1,500	
Early Childhood Development and Education .....		\$ 250
Expanded Early Intervention Services .....	5,300	
<b>Department of Public Welfare</b>		
Child Abuse Prevention Campaign .....		500
Expanded Early Intervention Services .....	3,794	325
Parent-Child Home Program .....		4,000
Cyberstart Training .....		692
Head Start Collaboration Project .....		2,000
<b>Commission on Crime and Delinquency</b>		
Nurse Home Visitation Program .....		7,200
<b>Department of Community and Economic Development</b>		
Cyberstart Infrastructure Development .....		8,400
Bridging the Digital Divide .....		4,000
Child Care Start-Up Challenge Grants .....		10,000
<b>TOTAL</b> .....	<b>\$ 10,594</b>	<b>\$ 37,367</b>



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, 520 PRIME initiatives have been completed. It is estimated that over \$580 million has been saved, reallocated or earned from completed projects.

Examples of work in progress or implemented include the following:

- The Department of Revenue has implemented two web-based applications for businesses. In the first, new businesses can register with the department via the internet eliminating the need to complete an over 20 page paper application. In the second, all businesses now have the opportunity to file their Sales and Employer taxes through the Web saving them time and the expenses associated with processing these taxes manually.
- The Department of Health in cooperation with the Department of Aging designed a method to allow for more effective administration of renal program pharmaceutical payments. Payments are now made within 14 days versus the 60-90 days under the previous system. A savings of \$1.9 million resulted from this innovation.
- The Department of State will complete an initiative that will reduce the time needed to process and certify notaries in Pennsylvania.
- The Pennsylvania State Police will undertake methods to reduce the time needed to receive and process applications for criminal background checks.



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:

- Provision of Statewide training on the Department of General Services' new procurement process to enable agencies to acquire guaranteed energy savings services when retrofitting existing buildings.
- Establishing a broader focus on the impacts of agency policies and procedures on the environment. This entails a variety of educational efforts designed to raise awareness of how agency policies and day-to-day actions affect the environment.
- The Department of Education is exploring ways in which its funding process might support environmentally high performance school buildings.
- During 2000, five percent of the electricity used in Commonwealth buildings was generated from renewable resources.

# GENERAL FUND

## Financial Statement

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

\* 2000-01 includes \$68.5 million in recommended supplemental appropriations.

The Governor has proposed a General Fund Budget for 2001-02 that strengthens public education, emphasizes and encourages job creation and business development, protects the environment, and promotes personal self-sufficiency.

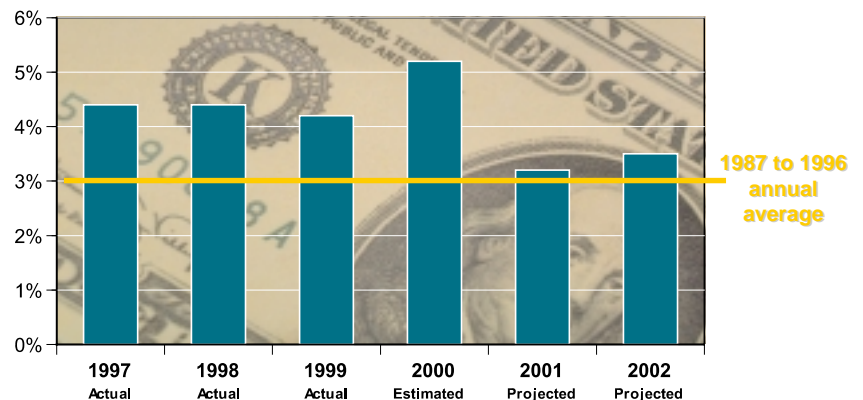
The Governor's budget includes a total of \$216.9 million in tax reductions, including the continued phase-out of the Capital Stock and Franchise Tax.

## Economic Outlook

- Economic growth in the U.S. is expected to be 5.2 percent for 2000 although that rate is mostly due to the annualized 6.1 percent advance in the first half of the year. A considerable slowing in the economy took place after mid-year as evidenced by the 2.2 percent growth rate estimated for the third quarter of 2000.
- The U.S. economy is making a transition to a modestly growing economy from one with very strong economic growth propelled by large gains in the stock market, strong advances in productivity, high consumer confidence and increased reliance on debt for spending. This transition period will bring a higher risk of a more severe economic slowdown than anticipated in the expected "soft-landing" forecast.
- Despite the greater potential for a larger than anticipated economic slowdown, an expectation for a continuation of economic growth, although at modest rates, is buttressed by the expectation that national fiscal and monetary policy will be heavily focused on achieving such an outcome.
- While the increases forecast for gross domestic product for 2001 and 2002 are below the actual rates of growth for prior years shown on the chart below, these forecast rates are above the average growth rate for gross domestic product of 3 percent for the ten year period prior to 1997.
- For the General Fund in 2000-01, revenues are now expected to be \$200 million above the official estimate. While sales tax receipts have recently experienced weaker growth, they are anticipated to be more than offset by continued strong growth of personal income tax receipts and by higher interest earnings on investments.
- Revenue estimates for the 2001-02 budget were prepared based on a baseline forecast that represents the economic conditions most likely to occur. Using the baseline forecast rather than a higher or lower alternative forecast represents a continuation of current policy.

### Real Gross Domestic Product

Annual Growth Rate



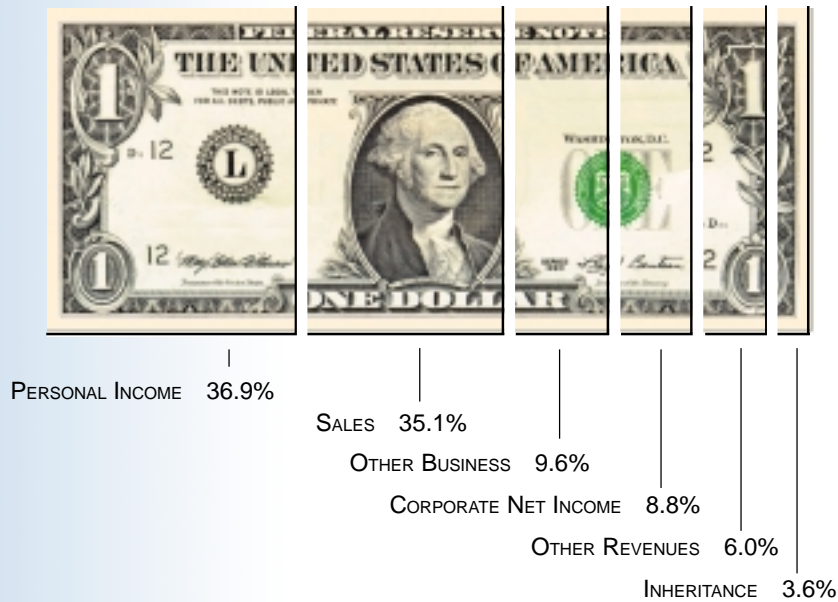
Source: WEFA Baseline Forecast



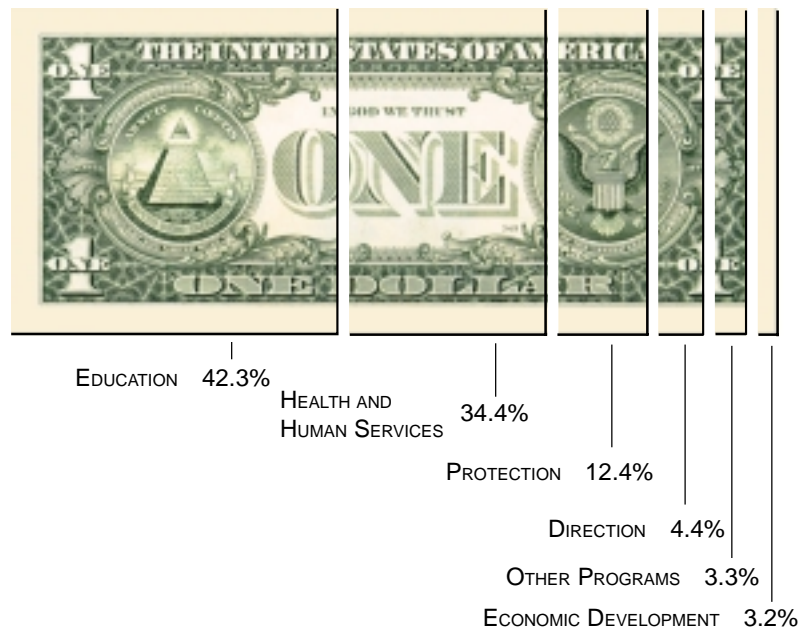
# GENERAL FUND (CONTINUED)

2001-02 Fiscal Year

## Income



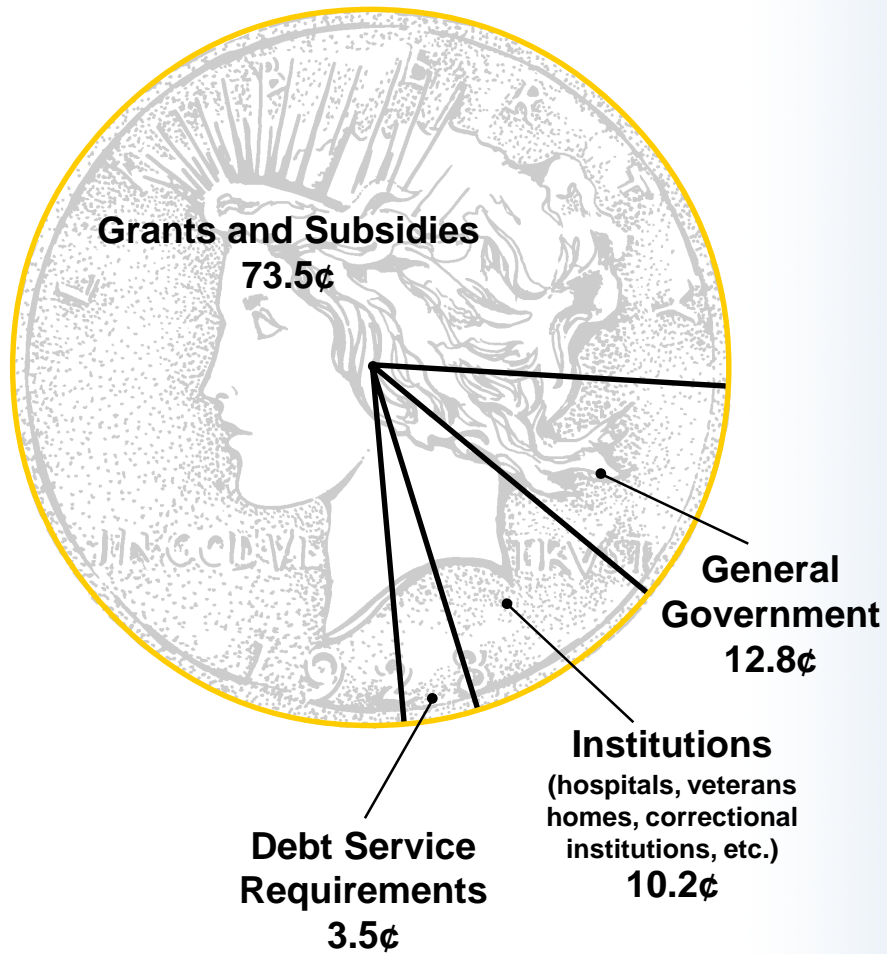
## Outgo



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

# GENERAL FUND (CONTINUED)

2001-02 Fiscal Year



*Nearly three quarters of each 2001-02 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	
	2000-01	2001-02
Beginning Balance .....	\$ 112	\$ 95
Receipts .....	1,978	1,972
Funds Available .....	\$ 2,090	\$ 2,067
Appropriated .....	-1,997	-2,059
Lapses .....	2	....
Ending Balance .....	<u>\$ 95</u>	<u>\$ 8</u>

- Continues maintenance to preserve the quality and safety of existing State-administered roads and bridges.
- Provides for an aggressive program of highway and road construction important for economic development and recreational needs.
- Provides assistance to local governments for the local highway and bridge system.

## 2001-02 Motor License Fund\*

### INCOME

### OUTGO

(Millions)



Liquid Fuels Tax — \$1,063  
 Licenses and Fees — \$805  
 Other — \$104

Total Income .....	\$1,972
Beginning Balance .....	95
<b>TOTAL .....</b>	<b>\$2,067</b>



Maintenance — \$740  
 Improvement, Design — \$416  
 State Police — \$351  
 Other — \$186  
 Local Subsidy — \$186  
 Licensing and Safety — \$119  
 Debt Service — \$61

Total Outgo .....	\$2,059
Ending Balance .....	8
<b>TOTAL .....</b>	<b>\$2,067</b>

\* Excludes restricted accounts. Total highway maintenance is \$1.118 billion: \$740 million Motor License Fund and \$378 million restricted accounts.

# LOTTERY FUND

## Financial Statement

	<u>Millions</u>	
	<b>2000-01</b>	<b>2001-02</b>
<ul style="list-style-type: none"> <li>• The Lottery Fund has reached a state of maturity where significant sales growth is difficult to achieve.</li> </ul>	Beginning Balance .....	\$ 200      \$ 210
	Receipts .....	1,116      1,093
<ul style="list-style-type: none"> <li>• Provides pharmaceutical cost assistance to qualified older Pennsylvanians.</li> </ul>	Funds Available .....	\$ 1,316      \$ 1,303
<ul style="list-style-type: none"> <li>• Provides in-home and community-based services to qualified older Pennsylvanians.</li> </ul>	Appropriated .....	-1,148      -1,151
	Lapses .....	42      . . . .
<ul style="list-style-type: none"> <li>• Provides free and shared ride transportation for older Pennsylvanians.</li> </ul>	Ending Balance .....	\$ 210      \$ 152

# CAPITAL BUDGET

	<u>2001-02 Millions</u>
<b><u>From Bond Funds</u></b>	
Conservation and Natural Resources .....	\$ 15
Corrections .....	32
Education .....	36
Environmental Protection .....	10
General Services .....	14
Military and Veterans Affairs .....	6
Public Welfare .....	10
State Police .....	8
Transportation – Mass Transit.....	52
Subtotal Bond Funds .....	<u>\$ 183</u>
<b><u>From Current Revenues</u></b>	
Conservation and Natural Resources .....	\$ 58
Corrections .....	8
Fish and Boat Commission .....	26
Historical and Museum Commission .....	100
Transportation:	
Highway Construction .....	147
Maintenance Facilities .....	13
Subtotal Current Revenues .....	<u>\$ 352</u>
<b>TOTAL CAPITAL .....</b>	<b><u>\$ 535</u></b>

## The 2001-02 Capital Budget recommends:

- Conservation and Natural Resources - Upgrade of infrastructure at many State Parks. Many projects at the parks are funded from agency funding sources such as the Keystone Recreation, Park and Conservation Fund and the more recently enacted 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 - Construction of previously authorized flood protection projects and the rehabilitation of existing flood protection structures.
- General Services - Infrastructure improvements within the Capitol Complex .
- Historical and Museum Commission – Initiation of a significant effort to restore historic sites across the Commonwealth with special emphasis given to the State Museum and Archives 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 - Funding for the construction of a new pursuit driving training course so that instruction can be provided under controlled circumstances.
- Transportation - Replacement of highway maintenance facilities, improvements for local mass transit agencies and authorization of major highway rehabilitation projects.

# 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.

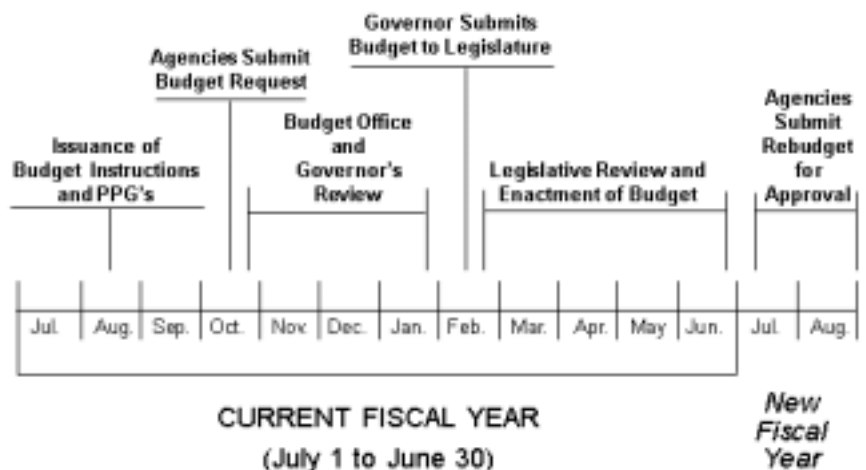
The Secretary of the Budget and his staff review agency budget requests for accuracy and for adherence to the Governor's policy guidelines. The Agency Program Plan and the appropriation templates are used by the Office of the Budget to analyze the agency requests and prepare funding recommendations for 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



## ***THE BUDGET PROCESS*** (CONTINUED)

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 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 until passage of the next Capital Budget Act.

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 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. Examples of this are 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 September 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, 2001 to June 30, 2002 would be 2001.

- *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 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.



# TERMS USED IN THE BUDGET PROCESS *(CONTINUED)*

**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.