



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

February 3, 2004

To The People of Pennsylvania:

A year ago, facing a \$2.5 billion budget deficit, a troubled economy and a nation on the brink of war, I proposed a responsible budget for Pennsylvania based on the promises and the vision I set forth in my campaign – a budget that controlled spending while making strategic investments to build a new and better Pennsylvania.

After many months of debate, the General Assembly and my administration at last approved a budget for Fiscal Year 2003-04 this past December. That budget substantially reduces Pennsylvania's structural deficit and significantly restrains state administrative spending. Even more importantly, our 2003-04 state budget is an important step forward in making Pennsylvania once again a desired place for all Americans to live, work and do business.

Before asking the people of Pennsylvania to send an additional penny of their money to Harrisburg, I promised I would attack wasteful spending. The budget I proposed last year contained more than \$1 billion in spending reductions in an overall budget of more than \$21 billion, and included cuts of more than \$210 million in administrative spending by state agencies. To insure that these spending cuts do not adversely affect vital public services, my administration has also launched a major effort to improve the productivity and efficiency of state government that will save taxpayers over \$25 million in 2003-04 alone and aims to achieve nearly \$1 billion in savings over the next four years.



Pennsylvania received some unanticipated fiscal help from the federal government this year, over \$800 million in total. We used about half of this unforeseen and non-recurring revenue in Fiscal Year 2003-04 to restore some of the most severe spending cuts that were initially made in essential state programs. The remainder of these Federal fiscal relief funds will be utilized in Fiscal Year 2004-05.

The budget package agreed to in December closed the budget deficit further through enhanced revenue from a variety of sources. While raising taxes is always painful, this government has relied for too long on one-time revenue sources to achieve budget balance while our recurring fiscal condition deteriorated. Failure to address our structural deficit at this crucial time would have put future generations of Pennsylvanians at risk.

Closing the state budget gap is important and necessary, but we must do much more if we hope to address the underlying conditions that have troubled Pennsylvania for so long and led our Commonwealth into its current cycle of inadequate and uncompetitive economic performance.

For this reason, I proposed three major initiatives in my 2003-04 budget message: a significant and targeted program of investment to improve our elementary-secondary education system, a substantial cut in local property taxes, and an unprecedented economic stimulus program.

I am happy to report that progress is being made on all three fronts.

In December we reached agreement to make several major new state investments in public education. The first, included in the 2003-04 budget agreement, provides \$34 million for tutoring programs to help students who have fallen behind. The second, a program to provide block grants to school districts for targeted programs including early-childhood education and smaller class sizes, will take effect during the 2004-2005 school year, with a \$250 million proposed spending level. Finally, an additional \$15 million in state funds to support Head Start is also included in the 2004-05 budget proposal. These investments represent a significant commitment by the state of Pennsylvania to improved academic achievement by our children.

During my campaign for Governor, and in my first budget message, I promised to increase the state's contribution to the cost of public education and reduce our school districts' reliance on property taxes to fund public

schools. Your representatives and I have developed a framework for a program that could eventually cut school property taxes by as much as 20 percent across Pennsylvania using revenue generated by slot-machine gaming at a limited number of locations. After 15 years of effort, state-funded property-tax tax relief is within reach.

Finally, the administration and the General Assembly are nearing agreement on a comprehensive economic stimulus proposal that will use over \$2 billion in state bonds to leverage another \$3.1 billion to help jump start Pennsylvania's economy.

My budget for Fiscal Year 2004-05 is designed first and foremost to implement these programs. With few exceptions, state agencies are being called upon in 2004-05 to build upon the savings that were implemented in 2003-2004 and reduce administrative spending even further, other than to fund rising health benefit costs. Maintaining budget balance will remain a formidable challenge for the foreseeable future. Our prison population continues to expand. Enrollment in Medical Assistance and other state-funded safety net programs continues to rise. Health-care costs are soaring. If we do not control these costs, the structural deficit will reappear and grow. Unlike many other states, we have continued to provide comprehensive public health coverage to our low-income families and the elderly. It is my hope that we will never have to reduce health care services for any Pennsylvanian in need.

The programs we are implementing now will help us make progress toward our goal of building a New Pennsylvania on a foundation of high-skill, high-wage jobs and boundless entrepreneurial opportunity. But if we hope to make our Commonwealth a great place to live, work and do business, we need to do more. And so I am proposing several new initiatives this year to help us meet this essential goal.

First, we must address the inequities in our business-tax system. A simpler, fairer and more competitive tax structure for business is essential for sustained economic growth. Too many businesses pay little or nothing in state taxes, while other business enterprises endure high tax burdens that hurt Pennsylvania's competitiveness. I will therefore create a blue ribbon commission this year to assess our business tax system and propose improvements.

Second, we must ensure that the infrastructure that supports our economy is up-to-date. Our future will depend on a high-quality, comprehensive *telecommunications infrastructure* that serves every region of the state. Access to broadband communications will enable businesses across the Commonwealth to compete in a global economy, while guaranteeing that every child has access to the information and knowledge that he or she needs. A modern *transportation infrastructure*, including roads, mass transit and airports, is also a precondition for robust growth. Our *energy infrastructure* must be reliable, affordable and diverse to support a healthy and growing economy and environment. Pennsylvania led the nation into the Industrial Revolution through the development of its coal and petroleum industries. We can and should lead the nation again in the generation of renewable energy.

Finally, we need to do more to preserve and create livable communities that offer a clean environment, abundant open space, lively town centers and vibrant neighborhoods so Pennsylvania will be a place where companies want to invest and grow, and where workers want to live and raise their families.

The proposed budget for Fiscal Year 2004-05 contains specific proposals to advance each of these goals.

Last year our state took some important steps to improve our competitiveness and prosperity. This year, we can build on those efforts and make strategic investments in our common wealth that will help us grow and prosper. I am confident our brightest days are still ahead—in a New 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 2004-05.

Sincerely,



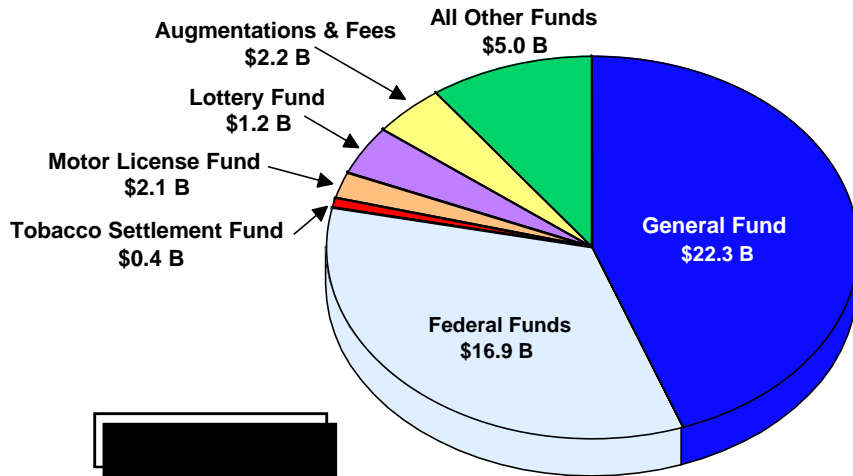
Edward G. Rendell

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This *Budget in Brief* and more budget information can be found on our web site
<http://www.state.pa.us/>
PA Keyword: Budget

2004-05 Budget Overview

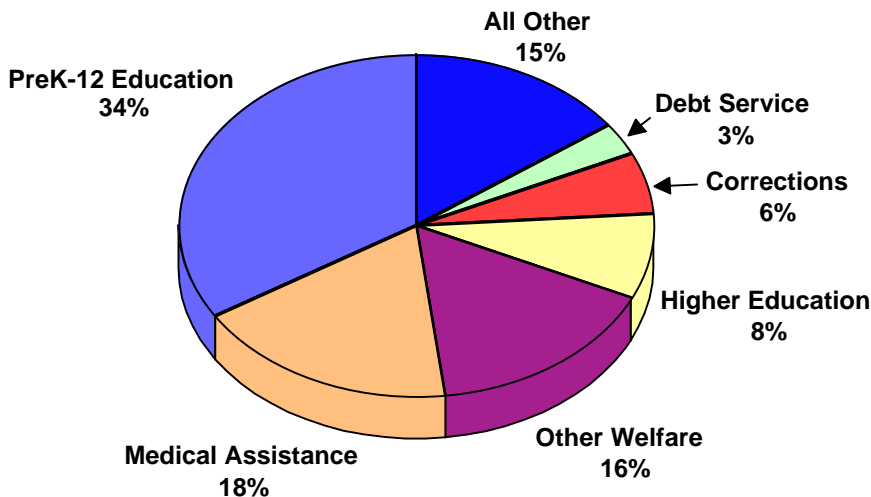
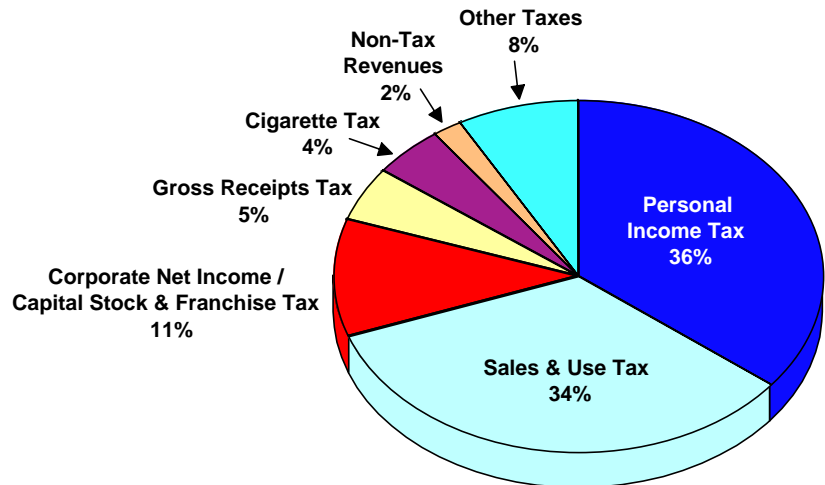


Total Operating Budget

- The total 2004-05 operating budget, including all Commonwealth funds, is \$50.1 billion. The General Fund represents nearly 45% of this amount.

General Fund Revenues

- More than two-thirds (70%) of General Fund revenues are derived from the Personal Income Tax and the Sales and Use Tax.



General Fund Expenditures

- Spending on Education, Medical Assistance, other Public Welfare Programs, Corrections and Debt Service comprises 85% of General Fund expenditures.

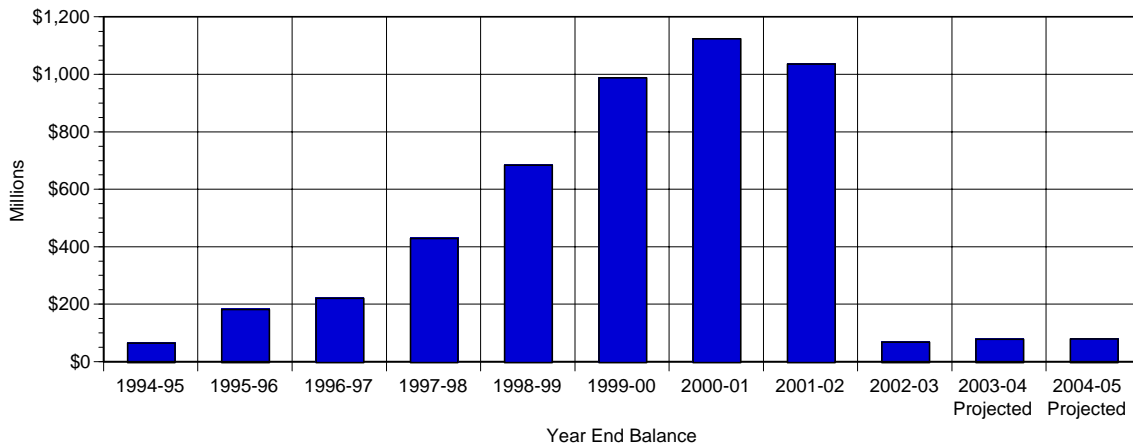
General Fund Financial Statement

- The proposed 2004-05 General Fund Budget is \$22.3 billion, an increase of \$872 million or 4.1 percent.

	In Millions		
	2002-03	2003-04	2004-05
Beginning Balance	\$ 143	\$ 209	\$ 43
Receipts	20,536	21,234	22,225
Proposed Revenue			
Changes	68
Funds Available	\$ 20,679	\$ 21,443	\$ 22,336
Appropriated*	-20,400	-21,462	-22,711
Lapses	77
Federal Fiscal Relief**	377
Preliminary Balance.	\$ 279	\$ 58	\$ 2
Transfer to			
Rainy Day Fund	-70	-15	-1
Ending Balance	\$ 209	\$ 43	\$ 1

* 2002-03 includes \$315.1 million in lapses. 2003-04 includes \$109.4 million in recommended supplemental appropriations.
 ** Federal Fiscal Relief funds will be appropriated in lieu of State General Funds for selected programs in this Budget.

Rainy Day Fund



- At the end of the 2001-02 fiscal year, the balance of the Commonwealth's Rainy Day Fund was nearly \$1.04 billion. The fund balance had been built up substantially during the latter part of the 1990's.
- In order to balance the 2001-02 and 2002-03 General Fund budgets, the entire \$1.04 billion balance was transferred to the General Fund in June 2002.
- At the end of the 2002-03 fiscal year, in accordance with current law, 25% of the General Fund's year-end balance, or \$69.8 million, was transferred to the Rainy Day Fund. This transfer put the fund's balance at a level roughly equivalent to the balance at the end of the 1994-95 fiscal year.
- The 2004-05 budget anticipates statutory year-end transfers to the Rainy Day Fund equal to 25% of the General Fund projected year-end balance. This will add \$14.5 million and \$0.5 million to the Rainy Day Fund at the end of fiscal years 2003-04 and 2004-05, respectively.

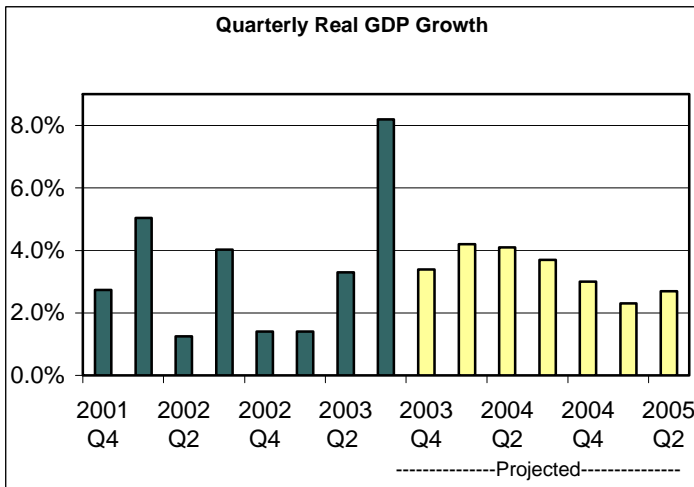
THE ECONOMIC OUTLOOK FOR FY 2004-05

A Period of Uncertainties

Economic analysis is crucial to the construction of the Commonwealth's operating budget. Economic forecasts are a key ingredient in constructing the budget's revenue forecasts and they also help the government to project likely levels of demand for many public goods and services. The Governor's proposed Economic Stimulus Program has been shaped in large measure by what economic analyses are telling us about Pennsylvania's economic potential and the areas where our state is currently failing to meet competitive targets. The Commonwealth of Pennsylvania uses two main sources of economic forecast data: 1) Global Insight, Inc. (formerly known as DRI-WEFA) of Lexington, Massachusetts, and 2) Economy.com, Inc. of West Chester, Pennsylvania.

RECENT ECONOMIC TRENDS

- During the past three years, most measures of economic activity have consistently performed below expectations.
- Recent economic indicators at the national level suggest that a more robust and sustainable recovery may be starting to take shape. However, reasons for caution remain.
- Growth in real Gross Domestic Product has been erratic over the past 2 years, with a quarter of strong economic gains more often than not followed by growth levels that were well below the prior quarter and also well below expectations.

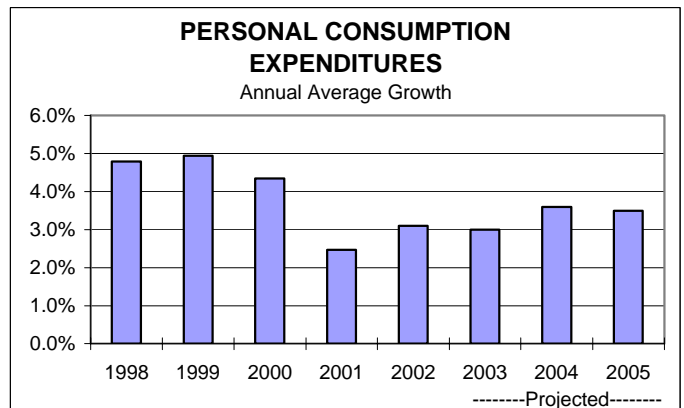


- Productivity gains and the shedding of excess capacity by businesses have resulted in falling payrolls and an unemployment rate that rose to a nine-year high during 2003.
- The degree of success of the emerging recovery will eventually turn on whether improvements can be achieved in the labor markets.
- Caution regarding the prospects for sustainable job creation within the national economy is warranted. The pace of growth in employment so far is well below a typical recovery.

- A national economy that creates 150,000 net new jobs per month is generally the benchmark for expected positive improvements to the unemployment rate. The current economy averaged only 70,000 monthly net new jobs at the national level over the past four months.
- Participation in the national labor force fell to a 12-year low during the fall of 2003. As result, the national unemployment rate declined. However this decline was solely a function of lack of growth in the labor force, not the result of positive gains in job growth.
- Lack of job growth is constraining U.S. consumer demand.
- Low growth in wages and personal income is also constraining U.S. economic growth.
- Business investment appears to be increasing, following three years in which business investment saw either absolute reductions or very low rates of growth.
- Much of the growth in real GDP and consumer spending during the third quarter of 2003 appears to have been driven by temporary fiscal stimuli in the form of federal tax cuts, tax refunds and mortgage refinancing. Of these, only the federal tax cuts are recurring.

FORECAST FOR 2004

- It is expected that growth in the national economy will remain positive but slow significantly from the extraordinary pace set in the third quarter of 2003, led by a slowing in the rate of growth of consumer spending. The result is likely to be an annual rate of growth in real GDP of 3 percent for 2003 and slightly over 4 percent for 2004. Typical recovery periods average between 5 and 7 percent real GDP growth.
- Economic forecasts currently anticipate that the recovery will continue in 2004 but gradually shift from consumer-led to business-led drivers of demand, generally in the form of higher capital spending, inventory rebuilding and increased exports.
- Recent evidence suggests that consumers are becoming more cautious in their spending, and consequently, consumption growth for 2004 is expected to be positive but moderate.

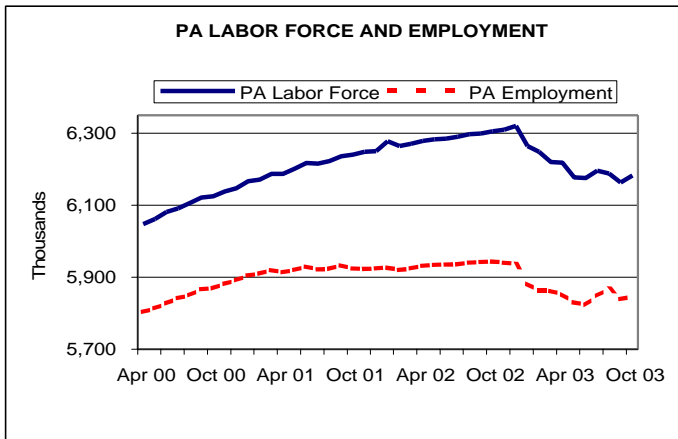
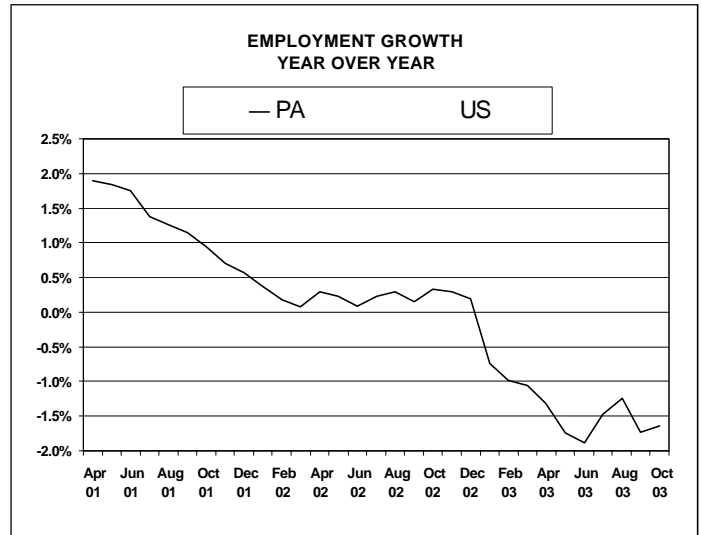


THE ECONOMIC OUTLOOK FOR FY 2004-05

A Period of Uncertainties

THE OUTLOOK FOR PENNSYLVANIA

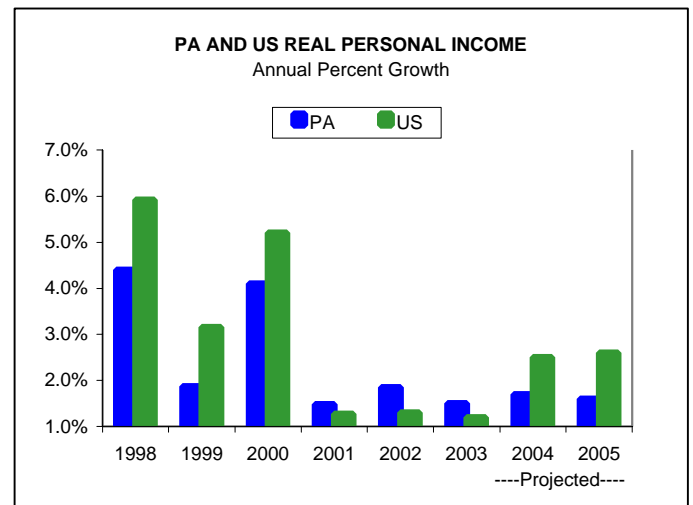
- Pennsylvania's labor market continues to struggle through the recovery. Job losses and lack of significant growth following the recent recession continue to adversely impact the Commonwealth.
- Pennsylvania has been experiencing a lower unemployment rate than the U.S. as a whole. However, this is because of the lack of growth in the State's labor force over the past few years.
- Pennsylvania's labor force is down 2.1 percent and employment is down 1.2 percent since January 2003. As a result, most reductions in the Pennsylvania unemployment rate seen since February 2003 are primarily the result of a smaller labor force rather than actual job creation.



subsequent “non-recovery” period. The prior trend of Pennsylvania growth lagging below U.S. growth is expected to re-appear as U.S. economic growth accelerates to more robust levels.

- Since the national economy is projected to expand, the divergence between the growth in State and national real personal income is projected to reappear.
- Uncertainty remains regarding the relative strength and sustainability of the current recovery, particularly in Pennsylvania.

- Employment growth in Pennsylvania has been moving in the opposite direction from the national economy. As opposed to the moderately growing national employment base, Pennsylvania has been experiencing a net loss in employment growth since January 2003.
- A struggling recovery and the lack of job growth are also having impacts on national and State personal income growth.
- Growth in real personal income within Pennsylvania lagged the national rate during the most recent period when the economy was expanding. However, growth in national real personal income slowed to a level below that of the Commonwealth during the recession and the



GENERAL FUND REVENUES

PA Revenue Sources

Dollars in Millions	Actual Collections 2002-03	Estimated Collections 2003-04	Estimated Collections 2004-05
Personal Income Tax ¹	\$ 7,105.9	\$ 7,616.0	\$ 8,360.8
Sales and Use Tax	7,519.6	7,700.5	7,939.3
Corporate Net Income Tax	1,396.6	1,476.4	1,603.7
Capital Stock and Franchise Tax ²	896.3	934.3	894.0
Gross Receipts Tax ³	846.8	1,079.5	1,194.5
Cigarette Tax ⁴	826.7	856.2	850.4
Other Taxes	1,905.3	1,905.4	1,974.1
Non-Tax Revenues ⁵	817.3	623.0	489.7
Total	\$ 21,314.5	\$ 22,191.3	\$ 23,306.5
Difference from prior year	\$ 1,254.6	\$ 876.8	\$ 1,115.2
Percentage Difference	6.3%	4.1%	5.0%

¹ Act 46 of 2003 increased the Personal Income Tax rate from 2.8% to 3.07%.

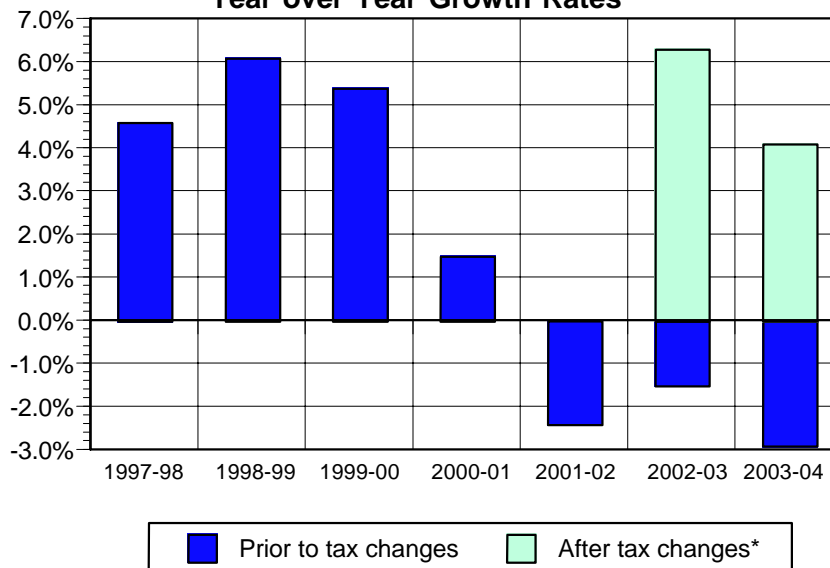
² Act 46 of 2003 modified the scheduled phaseout of the Capital Stock and Franchise Tax. For tax year 2003 the rate was set at 7.24 mills. For tax year 2004, the rate is reduced to 6.99 mills and for tax year 2005 and beyond the rate reduces annually by one mill.

³ Act 46 of 2003 imposes the Gross Receipts Tax on cellular and interstate telecommunications.

⁴ Act 46 of 2003 increases the Cigarette Tax from \$1.00 to \$1.35 per pack with \$0.25 of the increase deposited in the Health Care Provider Retention Account and the balance in the General Fund.

⁵ The enacted Fiscal Year 2002-03 and 2003-04 budgets include several revisions to the Escheats (unclaimed property) program that produced one time revenues within those fiscal years.

Total General Fund Revenue Year over Year Growth Rates



* Includes tax base plus tax and revenue increases enacted with the FY 2002-03 and 2003-04 budgets.

GENERAL FUND REVENUES

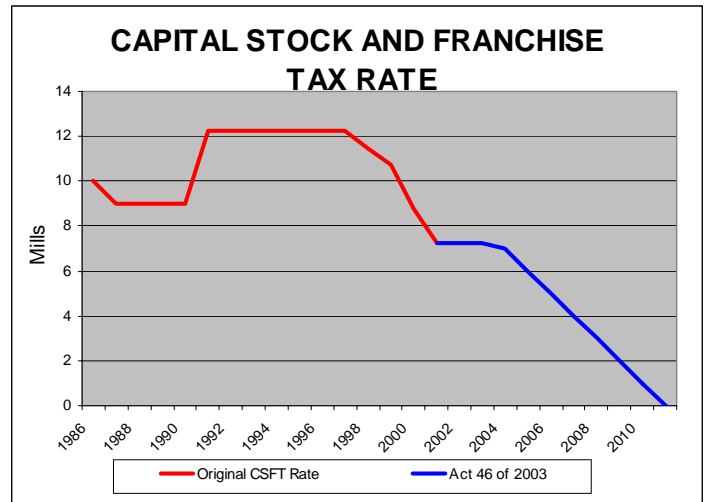
Major Tax Saving Initiatives

Dollars in Millions

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Continued CSFT Phase Out	\$ 8.8	\$ 66.3	\$ 198.1
Poverty Exemption Expansion	\$ -	\$ 13.9	\$ 13.6
Research and Development Tax Credit Expansion*	\$ 15.0	\$ 30.0	\$ 40.0
Sales Tax Exemptions (Call Centers)	\$ -	\$ 30.0	\$ 30.0
Sales Tax Exemptions (Telecommunications Equipment Purchase)	\$ -	\$ 40.2	\$ 42.6
Inheritance Tax (recouple to federal return basis)	\$ 22.1	\$ 55.2	\$ 76.7
Education Improvement Tax Credits	\$ 30.0	\$ 40.0	\$ 40.0
Keystone Innovation Zone Tax Credits*	\$ -	\$ -	\$ 25.0
Energy Star Sales Tax Holiday*	\$ -	\$ 2.6	\$ 4.8
Total	\$ 75.90	\$ 278.10	\$ 470.80

*Includes additional items proposed in Governor's FY 2004-05 Budget

- The previously scheduled phaseout of the Capital Stock and Franchise Tax was modified so that the rate remained at 7.24 mills for tax year 2003. Effective with tax year 2004, a quarter mill rate reduction from 7.24 mills to 6.99 mills will occur under current law. For each tax year beginning in 2005, the rate is scheduled to decline by one mill. Tax savings are based on revisions to the rate versus a 7.24 mill base.
- For calculation of Personal Income Tax liabilities, the dependent allowance has been increased from \$ 9,000 to \$9,500. Claimant exemptions remain at \$6,500, so that a family of 4 with two claimants and two dependents will now pay no state income tax on taxable income up to \$32,000.
- As part of the Governor's Economic Stimulus Program, Research and Development Tax Credits were increased from \$15 million to \$30 million in Act 46 of 2003. The Governor's FY 2004-05 Budget proposes a further increase of \$10 million effective for FY 2005-06.
- Sales and Use Tax credits were established in Act 46 of 2003 for call centers, and SUT exemptions for certain telecommunications equipment.
- Revisions were made to the Inheritance Tax to provide that transfers of estates of decedents will be exempt from PA estate taxes to the same extent that they are exempt from federal estate taxes.
- Education Improvement Tax Credits were expanded in Act 48 of 2003 by \$10 million to \$40 million for donations to scholarship organizations that provide personal tuition grants to private schools and non-profit organizations



that fund innovative education programs in public schools. A further change permits up to \$5 million in EITC tax credits for donations to pre-school scholarship organizations.

- Keystone Innovation Zone Tax Credits are proposed in the Governor's Economic Stimulus Program to provide up to \$25 million annually to businesses in targeted industry segments operating in Keystone Innovation Zones.
- A Sales and Use Tax holiday is proposed as part of the Governor's Growing Greener II initiative for qualifying residential purchases of Energy Star appliances within two specifically designated periods within the fiscal year.

GENERAL FUND EXPENDITURES

Recommended Appropriations by Agency

Department	2002-03 Actual	2003-04 Available *	2004-05 Budget
Aging.....	\$ 34,475	\$ 33,548	\$ 35,299
Agriculture.....	74,205	72,503	72,692
Attorney General.....	75,058	73,842	73,842
Auditor General.....	47,634	49,560	48,179
Civil Service Commission.....	1	1	1
Community & Economic Development.....	396,498	439,828	397,155
Conservation and Natural Resources.....	105,503	96,575	97,223
Corrections.....	1,247,059	1,298,500	1,337,766
Education.....	8,509,157	8,754,037	9,272,950
<i>Basic Education (Pre K-12).....</i>	<i>6,964,834</i>	<i>7,281,796</i>	<i>7,762,733</i>
<i>Higher Education **.....</i>	<i>1,450,320</i>	<i>1,406,094</i>	<i>1,439,280</i>
<i>Improvement of Library Services.....</i>	<i>75,289</i>	<i>47,789</i>	<i>52,568</i>
<i>All Other.....</i>	<i>18,714</i>	<i>18,358</i>	<i>18,369</i>
Emergency Management Agency.....	23,338	44,273	37,419
Environmental Protection.....	241,835	193,365	220,753
Executive Offices.....	327,197	257,039	258,866
Fish and Boat Commission.....	12	13	14
General Services.....	112,464	111,718	113,552
Governor's Office.....	8,034	7,619	7,320
Health.....	252,509	252,183	243,311
Higher Education Assistance Agency.....	412,838	407,841	415,776
Historical & Museum Commission.....	32,801	33,108	31,100
Insurance.....	57,219	58,483	74,188
<i>Children's Health Insurance.....</i>	<i>32,753</i>	<i>34,296</i>	<i>45,423</i>
<i>All Other.....</i>	<i>24,466</i>	<i>24,187</i>	<i>28,765</i>
Judiciary.....	235,012	246,263	256,412
Labor & Industry.....	107,066	97,451	86,025
Legislature.....	258,100	279,614	281,450
Lt. Governor's Office.....	927	1,112	1,109
Military & Veterans Affairs.....	100,992	110,503	116,036
Probation & Parole Board.....	99,369	99,965	97,644
Public Television Network.....	12,056	11,982	11,417
Public Welfare.....	6,529,896	7,001,166	7,575,412
<i>Medical Assistance Program ***.....</i>	<i>3,111,409</i>	<i>3,546,154</i>	<i>4,000,751</i>
<i>Mental Health.....</i>	<i>673,109</i>	<i>700,357</i>	<i>713,516</i>
<i>Mental Retardation ***.....</i>	<i>953,333</i>	<i>918,447</i>	<i>985,849</i>
<i>County Child Welfare.....</i>	<i>600,639</i>	<i>610,213</i>	<i>623,998</i>
<i>Cash Grants.....</i>	<i>301,753</i>	<i>327,981</i>	<i>356,551</i>
<i>All Other.....</i>	<i>889,653</i>	<i>898,014</i>	<i>894,747</i>
Revenue.....	210,488	212,722	206,077
Securities Commission.....	2,133	2,110	2,395
State.....	6,623	8,349	5,500
State Employees' Retirement System.....	0	2	4
State Police.....	169,830	174,633	177,026
Tax Equalization Board.....	1,292	1,335	1,330
Transportation.....	315,383	316,253	326,321
<i>Mass Transportation Assistance.....</i>	<i>270,019</i>	<i>270,019</i>	<i>279,315</i>
<i>All Other.....</i>	<i>45,364</i>	<i>46,234</i>	<i>47,006</i>
Treasury.....	393,100	714,357	829,868
<i>General Obligation Debt Service.....</i>	<i>349,063</i>	<i>668,977</i>	<i>779,874</i>
<i>All Other.....</i>	<i>44,037</i>	<i>45,380</i>	<i>49,994</i>
Federal Fiscal Relief ****.....	0	0	(377,619)
GRAND TOTAL	\$ 20,400,104	\$ 21,461,853	\$ 22,333,813

* Includes recommended supplemental appropriations of \$109.402 million.

** Includes State System of Higher Education.

*** In 2003-04, the Federal Medical Assistance participation rate was temporarily increased to 57.71% of each MA dollar spent in Pennsylvania permitting a one-time reduction in State spending in these budget lines. For 2004-05, the Federal MA participation rate will be 53.84%.

**** Federal Fiscal Relief funds will be appropriated in lieu of State General Funds for selected programs in this Budget.

Education

Across this Commonwealth, inspired and talented teachers and administrators are helping our students achieve. But in spite of the best efforts of our public schools, 44 percent of Pennsylvania's school children – more than two in five – cannot read or do math at a level that meets the state standard of grade level proficiency.

In 2002, President Bush challenged the nation with the passage of the Federal No Child Left Behind (NCLB) Act. This federal law requires that 35 percent of our students are proficient in math and at least 45 percent are proficient in reading by 2004. In 2005, the standards will increase to 45 percent proficient in math and 54 percent proficient in reading. Pennsylvania is not meeting the modest standards now set by NCLB, and will have a hard time keeping up as the standards increase. That is why this budget recommends nearly \$300 million in targeted new educational investments proven to boost student new skills, especially among those students who traditionally struggle to meet academic standards.

PreK-12 Education

The budget recommends \$428.3 million in increased education funding, including \$299 million in new investments and \$129.3 million for on-going programs.

Budget Highlights include:

- \$250 million for the new Pennsylvania Accountability Block Grant. School districts can use Accountability Grants for high-quality pre-school, full-day kindergarten, smaller class size in grades K-3, tutoring teacher training, science materials and equipment, incentives to recruit and retain the most qualified teachers, closing achievement gaps and strengthening links to social and health services.
- \$25 million in tutoring funding for schools that have not made Adequate Yearly Progress in math or reading.

\$15 million to provide additional resources to federal Head Start providers to expand programs to include additional children and offer extended day services.
- \$9 million to provide Classroom Plus grants to assist students who need additional assistance to perform at grade level.

2.5 percent increase for on-going programs —

- \$105.3 million for Basic Education Funding.
- \$22.6 million for Special Education.
- \$1.4 million for Vocational Education.

The budget also includes:

- \$65.1 million increase for School Employees' Retirement and \$17.5 million increase for School Employees' Social Security to fund the state's share of these local education payroll costs.
- \$24.4 million increase for Pupil Transportation services.

Libraries

- \$4.8 million, a ten percent increase, for the Improvement of Library Services program.

Higher Education

- \$10.7 million, a 5 percent increase, for Pennsylvania's community colleges.
- \$13.1 million, a 3 percent increase, for the State System of Higher Education.

A 2.25 percent increase for each of the state-related universities —

- \$6.9 million for the Pennsylvania State University
- \$3.7 million for the University of Pittsburgh
- \$3.7 million for Temple University
- \$0.3 million for Lincoln University.

An \$8.7 million, 2.5 percent, increase is also included for the Grants to Students program in the Pennsylvania Higher Education Assistance Agency.

Economic Stimulus Program

The goal of the Economic Stimulus Program is to make strategic investments and create employment in targeted growth sectors of Pennsylvania by providing the capital necessary for communities and businesses to flourish.

The Rendell Administration has proposed a comprehensive and coordinated set of initiatives in the Economic Stimulus Program to address the key elements needed to “jumpstart” Pennsylvania’s economy. Some elements of the stimulus package were adopted in conjunction with the 2003-04 budget. It is anticipated that the remainder of the program will be enacted by early Spring 2004.

The Program calls for \$2.0 billion in grants, loans and guarantees over the next three years and leverages these funds to generate a minimum of \$3.1 billion in private investment in economic development projects across this Commonwealth.

Principal components of the Economic Stimulus Program are as follows:

- **Improving Business Infrastructure:** \$300 million for the Pennsylvania Business in Our Sites Program to provide flexible loans and grants for local municipalities and their economic development partners to acquire and prepare key sites for development. \$250 million in loans and grants to job creation projects that require improvements in water and sewer systems. \$150 million to be matched by private investors and foundations in the Real Estate Construction Fund, for a total of \$300 million to provide mezzanine capital to developers seeking to redevelop and revitalize real estate assets in small to mid-sized Pennsylvania communities.
- **Expanding the Financing Toolbox:** \$250 million in financing guarantees through the New Ventures Investment Guarantee Fund to top performing fund managers who target their resources toward Pennsylvania’s companies seeking early stage financing. An additional \$60 million would be made available for loans to Pennsylvania-focused venture capital companies investing in companies within the Commonwealth. The Core Industries stimulus program would enhance the successful Machinery and Equipment Loan Fund (MELF) by adding an additional \$50 million in revolving loan funds, increasing the maximum loan amount from half a million to five million dollars, and by substantially lowering the interest rate on loans. A Secondary Stage Loan Guarantee program would offer up to \$50 million in loan guarantees for successful Pennsylvania businesses seeking working capital financing from private lenders and up to \$25 million would be made available in low interest revolving loans to help hospitals introduce handheld pharmaceutical devices, which will significantly reduce dispensing errors. \$150 million in low-interest loan financing would be provided to the agriculture and tourism industries through the existing Small Business First and Machinery and Equipment Loan Fund programs. In addition, the current Research and Development Tax Credit Program would be expanded to \$30 million in fiscal year 2004-05 and \$40 million in 2005-06.
- **Tax Increment Financing (TIF) Loan Guarantee Fund:** Technical assistance would be provided to eligible municipalities to guide them through the process of identifying and creating a TIF district, assessing revenue impact, and encouraging the local taxing bodies to support the TIF process. Communities will have the ability to issue TIF bonds through the Pennsylvania Economic Development Financing Authority (PEDFA).
- **Investing in Communities:** The Economic Stimulus Program would provide a \$640 million increase in the amount of Redevelopment Assistance grants available for local job-creating capital projects. Over the next three years, these funds would be used to support nearly \$1.3 billion in construction projects across the State. The Pennsylvania Section 108 Initiative would extend the benefits of the successful Federal 108 loan program to smaller communities throughout the Commonwealth, enabling eligible local governments to leverage the State’s Community Development Block Grant (CDBG) allocation to create a \$288 million federal loan pool backed by the Commonwealth. The expanded \$7 million Main Street Program would encourage the revitalization of key commercial corridors across the Commonwealth and the \$7 million Elm Street Program would encourage improvements to residential communities located next to commercial corridors and related economic development.
- **Keystone Innovation Zones:** The Keystone Innovation Zone Program would establish geographically-designated zones of opportunity and innovation designed to harness resources and foster collaborative partnerships between educational and business institutions. Up to \$25 million in annual tax credits beginning in 2005-06 would be provided for companies located in the Keystone Innovation Zones and \$10 million in State resources to help universities develop and expand their technology transfer programs and develop intellectual property policies.

Relieving the Burden of Property Taxes on Our Homeowners, Our Schools and Our Communities

The goal of this initiative is to ensure substantial local tax relief by authorizing a limited expansion in gaming to fund property tax relief for homeowners across the Commonwealth and wage tax relief for residents of Philadelphia.

Pennsylvania homeowners have been hit hard by repeated property tax increases. As school districts have raised local property taxes by 25, 50, and even 75 percent, seniors and others on fixed incomes have been unable to keep pace and are forced to lower the standard of living or even to sell their homes. This same trend has prevented young families from purchasing a first home. Soaring property taxes have also forced farmers to sell their land to developers.

Pennsylvania is the Second Worst State in the Nation with Respect to Education Equity

- Over the last twenty-five years, Pennsylvania's rankings have declined steadily based on the share of total public education funding that is provided by State government and the degree of funding equity found among school districts.
- By 2002-03, the Commonwealth's share of public school funding had declined to an all-time low of 34 percent, far below our State's one-time high of 50 percent.
- In contrast, in states across the nation, the percentage of public school funding provided by state governments has been increasing, and now averages 56 percent, up from 51 percent just four years ago.
- On January 8, 2004, *Education Week* identified Pennsylvania as the second worst state in the nation with respect to educational equity.

Local property taxes have had to fill in the resulting school funding gap

- Since 1992 local property taxes have increased by 54.8 percent in Pennsylvania.

Helping Older Pennsylvanians

- \$141.7 million for projected per diem rate increases in long-term care facilities.
- \$75.2 million in State funds to operate six veterans homes with 1,600 beds.
- \$26.6 million to provide 3,524 additional older Pennsylvanians with home and community-based care as an alternative to nursing facility care.
- \$1.2 million increase in State funds to provide services to an additional 184 persons in the PENNCARE Attendant Care Program.
- Act 37 of 2003 increased income eligibility limits in the PACE/PACENET Program, which will enable 100,000 additional older Pennsylvanians to receive financial assistance to help with the burden of pharmaceutical costs.

- However, in many Pennsylvania communities stagnant economic conditions and weak residential property markets have meant that even with constant property tax increases, homeowners have not been able to generate enough tax income to adequately fund their schools and make up for the declining State share of public education costs.

Restoring Equity in Our Tax System and School Districts

This budget assumes passage of legislation that ensures tax relief by authorizing a limited expansion in gaming to fund property tax relief for homeowners across the Commonwealth and wage tax relief for residents of Philadelphia. Upon passage of property tax relief legislation, Pennsylvania can begin to reverse spiraling local property tax increases by offering substantial property tax reduction.

- Every school district would be guaranteed at least a minimum local tax reduction, and most districts would receive far more – up to a maximum set in law.
- This legislation will ultimately increase State aid to school districts by \$1 billion to make property tax relief possible.
- If this occurs, the Commonwealth's share of the cost of supporting our schools will increase to nearly 44 percent.
- The property tax relief proposal also assumes that Pennsylvania school districts will be given the option to further reduce local property taxes by replacing them with local income taxes, thereby improving equity, predictability and balance in local tax structures.

This proposal will not result in an increase in local school spending.

- For every new dollar that the State sends to a school district, school districts will be required to cut local property taxes by the exact same amount – a dollar for dollar exchange.

Environment / Growing Greener II

The goal of this program is to ensure Pennsylvania's future competitiveness through investments in programs that improve the quality of our lives and our communities. These investments range from protecting open space, to cleaning up abandoned industrial sites, to clearing our streams of acid mine drainage, to upgrading habitat for wildlife, to restoring mine lands, to protecting working farms and forests.

The central feature of this new effort is a proposal to renew and expand Pennsylvania's successful Growing Greener program. These activities would be funded by a \$5.00 per ton fee on the disposal of municipal solid waste and broadening this fee to cover currently exempt residual waste at \$4.00 per ton. All new revenue would flow to the General Fund except for the \$1.00 per ton fee on municipal waste going to the Environmental Stewardship Fund. Revenue flowing to the General Fund would support debt service on the Growing Greener bond issue, tax credits and the other items that make up the Growing Greener II program.

The Growing Greener II proposal contains the following major components:

- **Protect existing Growing Greener Programs**

An additional \$21 million would be provided to maintain the existing Growing Greener programs in fiscal year 2004-05 through a new fee of \$1.00 per ton on the disposal of municipal solid waste, for the sole benefit of the Environmental Stewardship Fund. This would provide a permanent funding source for the Agriculture Conservation Easement Purchase Fund.

- **Increase the impact of Growing Greener II with a Voter Approved Expansion**

An \$800 million voter-approved Growing Greener bond issue would enhance Pennsylvania's investment in existing Growing Greener efforts. Bond proceeds would be spent over a period of four years on parks, open space and farmland (\$330 million), environmental cleanup (\$300 million) and revitalization of older communities (\$170 million).

- **Targeted Tax Credits**

\$11.5 million for a Historic Preservation Tax Credit program to help small businesses, developers and some homeowners rebuild the fabric of hundreds of older communities.

- **Establish a Home Town Streets Program at PennDOT**

\$200 million from the Department of Transportation's capital plan would be utilized over the next four years to revitalize State roads that serve as main streets and commercial corridors in Pennsylvania's town and cities.

- **Increase Funding for Recycling and Other Resource Renewal Programs**

\$25 million per year in increased State support for recycling programs in communities of all sizes. \$2 million per year to allow the Commonwealth to purchase 20 percent of its electricity from renewable and other preferred sources of energy. \$7.5 million per year to aid communities that wish to plan more comprehensively for future growth.

- **Green Sales Tax Holiday**

A twice-per-year Green Tag sales tax holiday on the purchase of energy efficient appliances is also proposed to encourage the purchase of these products, thus conserving natural resources.

In addition, this budget provides for the preservation of the Hazardous Sites Cleanup Fund:

Preserving Our Ability To Clean Up Hazardous Sites

Absent new revenues, the Hazardous Sites Cleanup Fund will no longer have the ability to clean up the worst of our hazardous sites. The 2004-05 budget therefore includes a new 15 cent per pound fee on the release of toxic chemicals listed on the federal government's Toxics Release Inventory list to preserve this Fund. A \$2 million annual cap on this fee would be imposed for any one company and a \$5 million annual cap on the combined total of the toxics release fee and new residual waste fee would apply to any one company. The toxics release fee would go into effect July 1, 2004 and would raise \$20.4 million annually. In addition, the Hazardous Sites Cleanup Fund would be supplemented by a General Fund transfer in 2004-05 and 2005-06.

Other Environmental Funding

- \$1.4 million increase for watershed protection and restoration projects.
- \$940,000 increase for parks and forest facility rehabilitation projects.
- \$770,000 to support the new visitor and environmental education center at Presque Isle State Park – the Tom Ridge Center.
- \$610,000 increase for oil & gas well plugging projects.

Child Care / Early Childhood Education

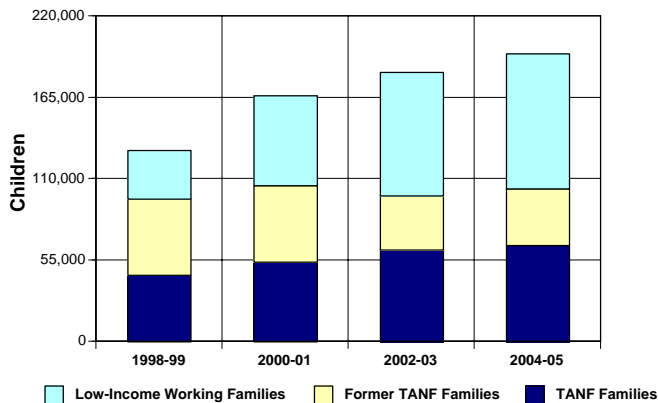
All of Pennsylvania's children deserve the opportunity to receive high quality early learning, education and care. Decades of research indicate that if students are expected to achieve at high levels, early and effective learning opportunities are critical. The Rand Corporation examined all of the evidence on pre-school effects and came to two key conclusions: early intervention "can provide significant benefits" for disadvantaged children and investing public funds in these programs can lead to real future savings.

This budget recognizes the impact that early childhood learning, education and care have on school readiness and academic success, and recommends a program of targeted investments for Pennsylvania's youngest citizens. A focus on high quality early childhood programs will help Pennsylvania address and mitigate social and educational disparities of young children that influence their ability to be prepared to begin school, achieve academic success, and attain economic independence and self-sufficiency as adult citizens.

Budget highlights include:

- Accountability Block Grant.** \$250 million for a major new strategic investment in schools through the flexible Accountability Block Grant, offering schools a range of proven program options to meet the needs of their students. Three options for early childhood include: high quality pre-school, full-day kindergarten, and small class size in grades K-3.
- Head Start Supplemental Assistance Program.** \$15 million for expanding and enhancing Head Start to serve more children and offer extended day services. The new Head Start Supplemental Assistance Program will promote partnerships between leading early childhood programs, including Head Start and licensed and registered child care, and marks the first time that Pennsylvania is investing state funds in this program. In addition, \$2 million in federal funds is provided to continue development of additional full-day, full-year comprehensive Head Start child care services.
- Early Intervention.** \$228.3 million in total funds to expand Early Intervention services for children with a disability or developmental delay from birth through age five. Early intervention services enhance learning, and are designed to minimize developmental delays and the need for special education and assist families in meeting their children's special needs.
- Child Care Services.** A total of \$512.5 million in total funds is recommended to provide child care services to 194,675 children of low-income working families, TANF recipients and former TANF recipients, an increase of \$27.3 million and 5,925 children. Included in this amount is funding for the following three initiatives:
 - Child Care Service Capacity.** \$7.1 million in realigned federal funds to address significant barriers that prevent children and families from using essential child care services and assure that more of Pennsylvania's working parents can secure child care for their children.
 - Keystone Stars Quality Improvement.** \$2 million in realigned federal funds to expand and strengthen the Keystone Stars Quality Improvement program for child care. Keystone Stars encourages child care programs to improve their quality, offering educational scholarships to assist teachers to improve their knowledge and practice in early childhood, and providing retention awards for qualified teachers and merit awards for programs that demonstrate progress in meeting standards.
 - Child Care Provider Reimbursement Rate Limits.** \$5 million in realigned federal funds to improve targeted rate reimbursement limits for child care providers experiencing the greatest need. To ensure that working parents have access to and choice among quality child care providers, State reimbursement rate limits must be adequate to pay qualified staff.
- Educational Improvement Tax Credit for Preschool.** \$5 million in state tax credits for donations to private pre-school scholarship organizations by Pennsylvania businesses.

Child Care



In 2004-05, the child care system will serve an estimated 58,200 more children of low-income working families than in 1998-99, an increase of 176%.

Health and Human Services

Health Care

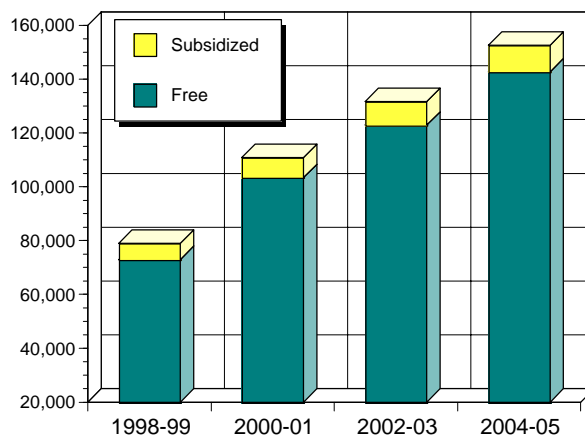
- \$4.0 billion in State funds to maintain comprehensive medical coverage for 1.7 million children, pregnant women, older Pennsylvanians, and people with disabilities who meet income eligibility guidelines.
- \$454 million increase, or 12.8 percent, in State funds for Medical Assistance that will serve an additional 56,000 individuals.
- \$346.5 million in State funds to replace one-time Federal Fiscal Relief Medical Assistance funding received in 2003-04.
- \$284 million in total funds to annualize prior year rate increases and provide for additional rate increases in the Health Choices program.
- \$242.6 million in total funds for increased utilization in the HealthChoices program.
- \$234 million in total funds to serve over 152,000 children through the Children's Health Insurance Program.
- \$92.3 million in State funds needed to replace a decrease in Federal Medical Assistance funds due to a reduction in the Federal Financial participation rate effective October 1, 2004.
- \$66 million in State funds to reflect increased caseloads and utilization of Medical Assistance Outpatient services. This includes \$36.3 million for pharmaceutical products.
- \$44.4 million in total funds to provide for increased utilization, annualization of prior year rate increases and additional rate increases for voluntary managed care plans.

- \$38.7 million to provide for caseload increases for acute care, rehabilitation and psychiatric inpatient services.
- \$15.7 million in State funds to reflect the increased cost of premiums for persons participating in Parts A and B of the Medicare Program.
- The 2004-05 budget will again allow eligible health care providers to forgo paying an Mcare assessment.

Human Services

- \$177.8 million in total funds for vocational rehabilitation services
- \$111.2 million in total funds for assistance to Drug and Alcohol programs, including \$40.7m in State funds to provide funding to counties for prevention, intervention and treatment services.
- \$67.2 million for County Child Welfare needs-based requirements as mandated by Act 30 of 1991. The increase is offset in part by \$55 million in new Federal funds achieved through enhanced recovery activities.
- \$36.9 million in total funds for quality assurance inspections of health care facilities to determine compliance with state and federal standards.
- \$4 million in State funds to provide vocational rehabilitation services to individuals who are not eligible to receive services through the Federal program.
- \$1.6 million for Centers for Independent Living to provide referral services, peer counseling, and independent living training.

Children's Health Insurance Program Children Served



Pennsylvania's Children's Health Insurance Program has been a national leader in ensuring that free or subsidized health care is available for children of low-income families. It is projected that over 152,000 children will be served in 2004-05.

Helping People with Disabilities

- \$1.3 billion in total funds to provide home and community-based services for 61,365 persons with mental retardation.
- \$535.6 million in total funds to provide home and community-based services to 204,207 persons with mental illness.
- \$98.5 million in total funds to provide home and community-based services to 5,476 Attendant Care consumers.
- \$86.7 million in total funds to provide for home and community-based services for 2,290 individuals with various developmental and trauma related disabilities. This represents an increase of 97 percent in State funds.
- \$34.7 million in total funds to provide home and community-based services to 1,845 additional persons with disabilities.
- \$15.3 million in total funds to provide home and community-based services for 531 additional persons with mental retardation.
- \$1.3 million increase in State funds to provide home and community-based services for 33 individuals currently residing in State mental hospitals.

Helping People Help Themselves

- \$658.6 million in total funds to provide cash benefits, child care and supportive services to current welfare recipients.
- \$23.8 million in federal TANF funds for a redesigned employment and training program to enable more individuals to attain self-sufficiency.

Protection of Persons and Property

Homeland Security

- \$136.2 million in federal funds for homeland security activities to strengthen state and local emergency preparedness and response, and public health readiness and response capabilities.
- \$15.5 million in state funds for radio communication systems, emergency response training and urban search and rescue.
- \$25 million for grants to assist volunteer fire and emergency medical service companies.

Corrections

- \$35 million to open the State Correctional Institution at Forest to coincide with the closing of the State Correctional Institution at Pittsburgh and provide extra capacity in the state correctional system.

- \$37.9 million to provide education and vocational training opportunities for prison inmates.
- \$25.2 million in state funds to continue drug and alcohol treatment for prison inmates.

State Police

- \$1.8 million to provide the State Police with additional Livescan fingerprinting devices to comply with requirements of the Federal Patriot Act.
- \$1.3 million to provide the State Police with new laboratory equipment for enhanced testing capabilities.

Operational Efficiency / Cost Containment

A major goal of the Rendell administration is to increase the efficiency of State government operations so that Pennsylvania's limited resources can be directed to the maximum degree possible to programs that serve the people of the Commonwealth.

The 2004-05 Budget incorporates savings from the implementation of administrative and operational efficiencies in state agency budgets. In addition, the budget is built upon several important cross-agency initiatives coordinated by the Office of Management and Productivity (OM&P), which was created last April to spearhead the effort to make State government work smarter.

This narrative describes selected examples of savings resulting from both administrative and operational efficiencies being realized at the departmental level and from the efforts of the Office of Management and Productivity.

Selected Administrative and Operational Efficiency Recommendations in the FY 2004-05 Budget

- Decreasing the Commonwealth's Reliance on Contracted Staff**
This budget achieves savings of \$6.2 million through contracted staffing replacement initiatives. The Executive Offices and the Departments of Environmental Protection and Military and Veterans Affairs propose to realize significant savings by replacing contracted information technology and nursing staff with Commonwealth employees.
- Administrative Consolidation and Reorganization**
This budget achieves savings of \$6.2 million through various administrative consolidations and reorganizations. The Departments of Corrections, Military and Veterans Affairs, and Revenue have identified various functions to be reorganized, which will allow these departments to operate more efficiently and at a lower cost.
- Operating Government More Efficiently**
This budget achieves savings of \$5.4 million through various operational efficiency initiatives. These initiatives include reducing cell phone usage at the Department of Agriculture, increasing the mileage turn-in for State Police

patrol vehicles from 70,000 to 80,000 miles, and increasing the use of electronic filing for business tax returns at the Department of Revenue.

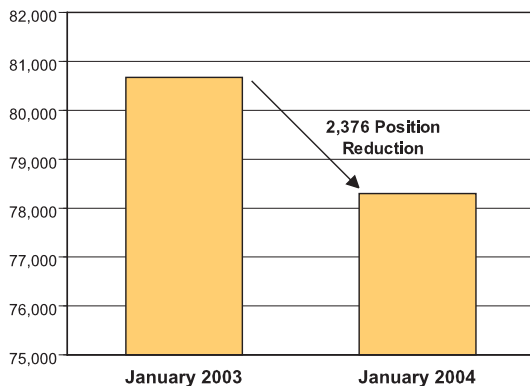
- Human Services Efficiencies**

This budget achieves savings of \$45.6 million from a variety of administrative and operational efficiencies identified by the Department of Public Welfare. These initiatives include consolidating facilities, increasing the use of technology, reducing facility staff through attrition, maximizing the use of Federal funds, and reducing contract and vendor costs.

Selected Office of Management and Productivity Initiatives

- Strategic Sourcing**
The Office of Management and Productivity has partnered with agencies to realize savings of \$19 million through strategic sourcing initiatives. These savings have been realized by increasing the trade-in threshold for Commonwealth vehicles from 65,000 to 80,000 miles and negotiating software contracts and computer leases.
- Contract Renegotiations**
The Office of Management and Productivity has partnered with agencies to realize savings of \$5.5 million through contract renegotiations. These savings have been achieved by renegotiating a call center contract with the Department of Transportation, natural gas contracts for three State Correctional Institutions, and information technology professional services and maintenance contracts.
- General Administration and Telecommunications**
The Office of Management and Productivity has partnered with agencies to realize savings of \$1 million through general administrative and telecommunications initiatives. These initiatives include consolidating data communication lines between State Correctional Institutions and the Board of Probation and Parole, and decreasing the number of copies of the PA Manual and eliminating the printing of hard copy PA Manuals.

Filled Salaried Complement



- The number of filled positions in agencies under the Governor's jurisdiction has decreased from 80,673 when the Rendell Administration took office in January 2003 to 78,297 as of mid-January 2004 - a reduction of 2,376 positions.

Transportation

State Highway and Bridge Construction

- \$581 million in State and \$1.2 billion in Federal funds, for new construction and major repairs of highways and bridges.

State Highway and Bridge Maintenance

- \$1.2 billion in State and \$264 million in Federal funds, for the maintenance of the Commonwealth's bridges and highways.

Mass Transportation

- \$756 million in State and \$69 million in Federal funds, for operating and capital assistance to mass transit agencies.

Transit Assistance for Older Pennsylvanians

- \$136.2 million in State Lottery Funds in support of Older Pennsylvanian's Free and Shared Rides.

Local Road Maintenance and Construction Payments

- \$303 million to municipal governments for local road maintenance and construction.

Rail Freight Assistance

- \$8.5 million to provide maintenance and capital support for non-State owned rail lines.

Air Transportation

- \$8 million in State aviation funds to provide airport development grants for public use airports.

Welcome Centers

- \$193,000 increase to provide operating funds for a new Welcome Center in Monroe County and the renovation of the Franklin County Welcome Center.

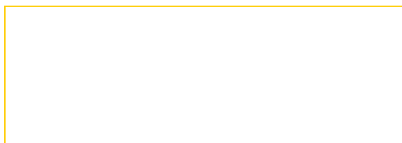
2004-05 Motor License Fund

INCOME

(Millions)



Liquid Fuels Tax — \$1,120
 Licenses and Fees — \$842
 Other — \$89



OUTGO



Maintenance — \$809
 Improvement, Design — \$375
 State Police — \$368
 Other — \$180
 Local Subsidy — \$195
 Licensing and Safety — \$127
 Debt Service — \$22



CAPITAL BUDGET

Fiscal Year 2004-05

	2004-05
	<u>Millions</u>
<u>From Bond Funds</u>	
Agriculture	\$ 19.0
Conservation and Natural Resources	12.7
Corrections	15.8
Higher Education	310.1
Emergency Management	10.5
Environmental Protection	64.6
General Services	59.8
Historical and Museum Commission	1.6
Military and Veterans Affairs	44.8
Public Welfare	13.7
State Police	114.8
Transportation-State Facilities	49.3
Transportation-Local Transportation Assistance	313.3
Subtotal Bond Funds	<u>\$ 1,030.2</u>
<u>From Current Revenues</u>	
Conservation and Natural Resources	\$ 94.7
Transportation-Highways	772.3
Subtotal Current Revenues	<u>\$ 867.0</u>
TOTAL CAPITAL PROJECTS TO BE AUTHORIZED	<u><u>\$ 1,897.2</u></u>

Agriculture

Provides for improvements at the Farm Show facility and the Department of Agriculture laboratory.

Conservation and Natural Resources

Provides for construction and renovation of support, day use, camping facilities and utility systems at the State parks; construction of district offices, central garages, radio communications systems and rehabilitation of forest roads in forest districts.

Corrections

Provides for construction and renovation of administrative, industrial, educational and housing facilities, and utilities at the State-owned correctional institutions.

Higher Education

Provides for construction expansion, renovation and conversion of classroom and auxiliary buildings, utilities and recreational facilities for the State System of Higher Education, and State-Owned and State-Related Universities. Also includes proposed capital projects at Pennsylvania Community Colleges.

Emergency Management Agency

Provides for construction and renovations at the State Fire Academy, Emergency Operations Centers around the State and other emergency facilities.

Environmental Protection

Provides for construction and improvement projects to protect the environment and the health and safety of citizens using State lands and waterways. These projects include flood protection construction and flood control projects.

General Services

Provides for the construction, renovation and improvements to State office buildings and facilities.

Historical and Museum Commission

Provides for restoration and renovation of historic facilities, installation of fire and security systems, development of fixed exhibits and miscellaneous building and utility improvements at Commonwealth owned museums and historic sites.

Military and Veterans Affairs

Provides for land acquisition, renovations, additions and replacement at the State armories and veterans' homes.

Public Welfare

Provides for construction and renovation of patient buildings, support facilities and utilities at the State institutions for the mentally ill and mentally retarded, restoration centers and youth development centers.

State Police

Provides for renovation, expansion and construction of troop headquarters/station facilities and driver examination facilities.

Transportation

Provides for construction of and additions to highway maintenance and district office buildings, driver examination facilities, and welcome centers. Also includes improvements for local mass transit agencies, rail freight and air transportation projects as well as major highway rehabilitation projects.