



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

February 8, 2005

To the People of Pennsylvania:

When I took office in January 2003, I inherited a \$2.4 billion budget deficit and a state ranked 47th in job creation and among the highest in the percentage of young people moving out of state – a “brain drain” that was siphoning off much-needed talent, enthusiasm and new ideas from the Commonwealth. In my inaugural address, I proposed several reforms designed to build on Pennsylvania’s awesome potential and restore its strength and economic vitality. These proposals included the creation of a broad-based state-wide economic stimulus program, targeted investments to raise student achievement levels in our public schools, aggressive efforts to reduce waste and increase efficiency in state government, and substantial property tax relief for Pennsylvania homeowners.

I am pleased to report that over the past two years, working in partnership with the General Assembly, we have been able to fulfill many of these promises and more. We have enacted a \$2.3 billion economic stimulus package that will leverage at least \$5 billion in private investment to help jump-start our lagging economy. Thanks to the largest one-year increase in public education funding in over two decades, Pennsylvania school districts are now providing thousands more of our young people with quality pre-K education, full-day kindergarten, smaller classes and after-school tutoring – all proven ways to increase academic achievement. Through the passage of legislation to allow for a limited expansion of gaming, Pennsylvanians will soon see substantial reductions in their onerous school property taxes. Significant expansion of our PACE and PACENET prescription drug programs has allowed thousands more of our older citizens to get the medications they need.

We have begun to see evidence that our reforms are making a difference. At the end of December 2004, half way through the current fiscal year, our revenue collections were \$250 million over estimate. Pennsylvania employment grew by 2.7 percent last year, while employment nationally rose by only 1.3 percent. The Pennsylvania unemployment rate averaged 5.4 percent in 2004 – the lowest average annual level since 2001.

Interest in our new economic stimulus programs has been high. More than 230,000 applications, manuals and project briefs were downloaded from the state’s economic stimulus website during nearly one million visitor sessions in 2004. In its first few months of operation, the Commonwealth Financing Authority, which administers most of the new economic stimulus funding, approved \$75 million in business construction grants and loans that will leverage \$186 million more in private investment.

Equally important, our administration has saved money for our taxpayers, fulfilling a campaign promise I made to spend taxpayer dollars wisely and cut state government operating costs wherever possible. Over the past two years my administration has transformed and improved the way our government works, through extensive use of sound private-sector business practices, better coordination among agencies, improved revenue collection, better use of technology to improve efficiency, renegotiation of contracts, and a reduction in the state labor force by nearly 2,900 positions. Total savings thus far from these management and productivity initiatives total more than \$475 million.

All Pennsylvanians can take pride in these accomplishments. But we must also recognize that there are still many serious challenges ahead for Pennsylvania and for our nation. Chief among these is the challenge of finding affordable ways to maintain vital health care and social services for our state’s most vulnerable citizens – our children, the elderly, those with physical and mental disabilities, and people who have lost their jobs. Helping those in need is one of the key responsibilities of our Commonwealth, especially when the number of people who need our assistance is on the rise, as it has been over the past several years.

Demography is a factor here: Compared to many other states, Pennsylvania has a high percentage of older citizens. In fact, the elderly are the fastest-growing category of people participating in Pennsylvania’s Medical Assistance program. Our older citizens are living longer and often face complex and costly medical problems that they cannot afford to pay for without assistance. The economy also plays a part: Many Pennsylvanians who have lost their jobs due to the restructuring of the economy have had trouble finding new work that pays as well, and they and their families must sometimes turn to the Commonwealth for help with health care and other basic needs until they can find a way to get back on their feet.

In an era of explosive growth in health care costs, the fiscal pressure on public health and social service agencies is increasing dramatically, and Pennsylvania is no exception. Our Commonwealth now spends more than \$14.2 billion a year in federal and state funds on our Medical Assistance program. Medical Assistance alone accounts for nearly 20 percent of the State's \$23.8 billion in General Fund expenditures. Health care costs are growing twice as fast as state revenues, and many sources of federal aid for medical and social service programs are decreasing.

In this regard, Pennsylvania is hardly unique. Many other states face an identical challenge, so much so that the National Governors Association has called Medicaid reform its top priority.

With this budget, my administration has chosen to respond to these enormous pressures in a way that protects those in need while preserving the Commonwealth's fiscal integrity. By restructuring and reforming our social welfare programs, we can make them more efficient and effective while maintaining coverage for all who currently receive it.

Reform and restructuring of the Commonwealth's social safety net programs must occur if Pennsylvania hopes to maintain its recent hard-won fiscal stability while still protecting the most vulnerable members of our society. In this year's budget, my administration has made it a priority to protect those who most need our help and support. If this budget is adopted as proposed:

- no one currently receiving health care services from the Commonwealth will lose their eligibility.
- no changes will be made to the array of health services and social services provided to children.
- Pennsylvania will be able to meet the increase in demand anticipated this coming year for services to low-income children, chronically ill adults, uninsured working families, disabled individuals, the infirm elderly and other Pennsylvanians in need.

Protecting the most vulnerable in our society is of utmost importance to my administration. But my administration also recognizes that our ultimate goal is to ensure that in the future fewer Pennsylvanians will need to ask for help from the Commonwealth. That is why this budget contains important initiatives designed to strengthen our efforts to promote economic growth in Pennsylvania and enable more of our citizens to secure high-quality, well-paying jobs.

These initiatives address several key areas of unfinished business for the Commonwealth: business tax reform to make Pennsylvania more attractive for new and existing businesses; expanded workforce development programs to train more high-school students and adults to successfully compete in the 21st century labor market; and adequate, dedicated transit funding to insure that thousands of employees continue to have a reliable way to get to work.

Under the Commonwealth's existing tax system, too many businesses pay little or no tax while others face high tax burdens. This disparity makes it hard for the Commonwealth to retain existing businesses and attract new ones. Currently, Pennsylvania's Corporate Net Income (CNI) tax is the third highest in the nation. Last March I created a ***Business Tax Reform Commission*** to study our tax system and make recommended improvements, so we can become more competitive with other states. This budget adopts many of the commission's recommendations and includes a tax reform package that permits a full two percentage point reduction in the CNI tax, to 7.99 percent. If adopted, this package will help reduce the onerous tax burden so many of our businesses face today and make our business tax rates much more competitive with those of neighboring states.

As we strive to attract new businesses, workforce development must also be a priority, so our citizens will have the necessary tools they need to compete for the jobs of the future. In this budget, I am proposing a coordinated set of initiatives called ***Job Ready Pennsylvania***. This new program invests \$101 million in new state dollars in education and workforce training programs, and will leverage \$2 billion in additional funding to improve Pennsylvania workforce development. Job Ready Pennsylvania includes several new high school programs focused on preparing both academic and technical students for the work force. Job Ready Pennsylvania also provides for a \$22.8 million increase in funding for Pennsylvania community colleges, along with changes in the state funding formula to provide our community colleges with greater incentives for developing and offering courses in well-paying, high-demand occupations.

Getting our citizens to their jobs is another key element of a vibrant, healthy economy. Public transportation plays a crucial role in Pennsylvania's communities, but public transportation in the Commonwealth is in desperate need of a stable and reliable funding source. Without it, our public transit systems are in danger of a collapse that will ripple through our entire economy. The 2005-06 budget makes a modest down payment on the need for increased state funding for public transportation by recommending a two percent \$5.8 million increase in the General Fund Mass Transportation Assistance program. But my administration recognizes that the real solution to Pennsylvania's public transportation funding crisis must be a stable, reliable funding plan that provides transit with dedicated funding at a level that will preserve and protect our public transportation infrastructure for future generations. The Administration is committed to working with the General Assembly to enact such a program this Spring.

This budget also contains funding to restore, preserve and protect our environment – another essential element in our campaign to revitalize Pennsylvania’s economy and attract and retain businesses. Last year, I proposed a comprehensive initiative, **Growing Greener II**, to preserve and expand important programs that tie economic and community development together with environmental improvement. Growing Greener II focuses on returning contaminated industrial sites and other polluted areas to productive use, protecting farmland and open space from development, cleaning up polluted streams and reclaiming abandoned mines, and improving state and community parks and fish and wildlife areas. Growing Greener II will accomplish these goals while making critical investments in community revitalization and promoting the use of clean energy. Waiting any longer to pass this important piece of legislation will only worsen our current environmental burdens all across our Commonwealth.

Over the past two years, we have done much to revitalize Pennsylvania’s economy, invest in our children’s education, and improve the quality of life for all our citizens. Now is the time to build upon this foundation. My budget for Fiscal Year 2005-2006 provides the blueprint. With it, we can ensure that all Pennsylvanians are afforded every opportunity to succeed, while at the same time maintaining our strong commitment to support and aid our most vulnerable citizens. A responsible government should do nothing less.

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 2005-06.

Sincerely,



Edward G. Rendell

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, 2004. This 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.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Commonwealth of Pennsylvania

For the Fiscal Year Beginning

July 1, 2004



President



Executive Director

Overview of Sections within the Budget

Preface

Includes the Governor's letter, Distinguished Budget Presentation Award, an overview of sections within the budget, table of contents and a reader's guide which explains the budget process, structure of the budget and various terms used in the budget.

A. Overview and Summaries

Provides an overview of program and financial goals and administration policies. It discusses the economic outlook, major operating funds and overall complement. It summarizes the budget for several major Commonwealth funds including the General Fund, Motor License Fund, Environmental Stewardship Fund, Lottery Fund, Tobacco Settlement Fund and Budget Stabilization Reserve (Rainy Day) Fund. It also provides summary information regarding 2005-06 Program Policy Direction and Budget Themes, Federal Block Grants, Public Information & Communications and selected other summaries.

B. Program Budget Summary

Provides a summary of the 2005-06 Budget by major revenue source and provides information for each major program by component categories and subcategories (subdivisions of programs).

C. Summary by Fund

Provides a summary for the General Fund, the major operating fund of the Commonwealth, and twelve selected special funds. Detailed data regarding revenues and a summary of expenditures for each individual fund is presented. Detailed expenditure and program information is found within Section E: Department Presentations.

D. Tax Expenditures

Provides information regarding tax expenditures for the General Fund, Motor License Fund and selected other funds. These are tax credits, deductions, exceptions and exclusions provided in law which result in a significant reduction in revenues that would otherwise be received at current tax rates.

E. Department Presentations

Provides detailed expenditure information by agency, program and funding source. Program performance measures including outcomes, efficiency, output/activity indicators and need/demand estimators for those programs administered by the agency are presented.

F. Capital Budget

Provides detailed information by agency regarding proposed capital budget projects recommended in 2005-06. In addition, proposed funding sources and amounts needed to support the entire capital program for the next five years are listed.

G. Public Debt

Provides data on the debt obligations of the Commonwealth used to fund capital programs, voter-approved bond referendums and certain disaster relief programs.

H. Other Special Funds

Provides a brief description and financial data for all Commonwealth funds not given an expanded treatment in other sections of the budget.

I. Complement

Provides a summary by department of salaried complement on a full-time equivalent (FTE) basis for the actual, available and budget years. It also provides a brief description by agency and appropriation of the changes recommended in the budget.

J. Statistical Data

Provides historical data for various Pennsylvania economic indicators.

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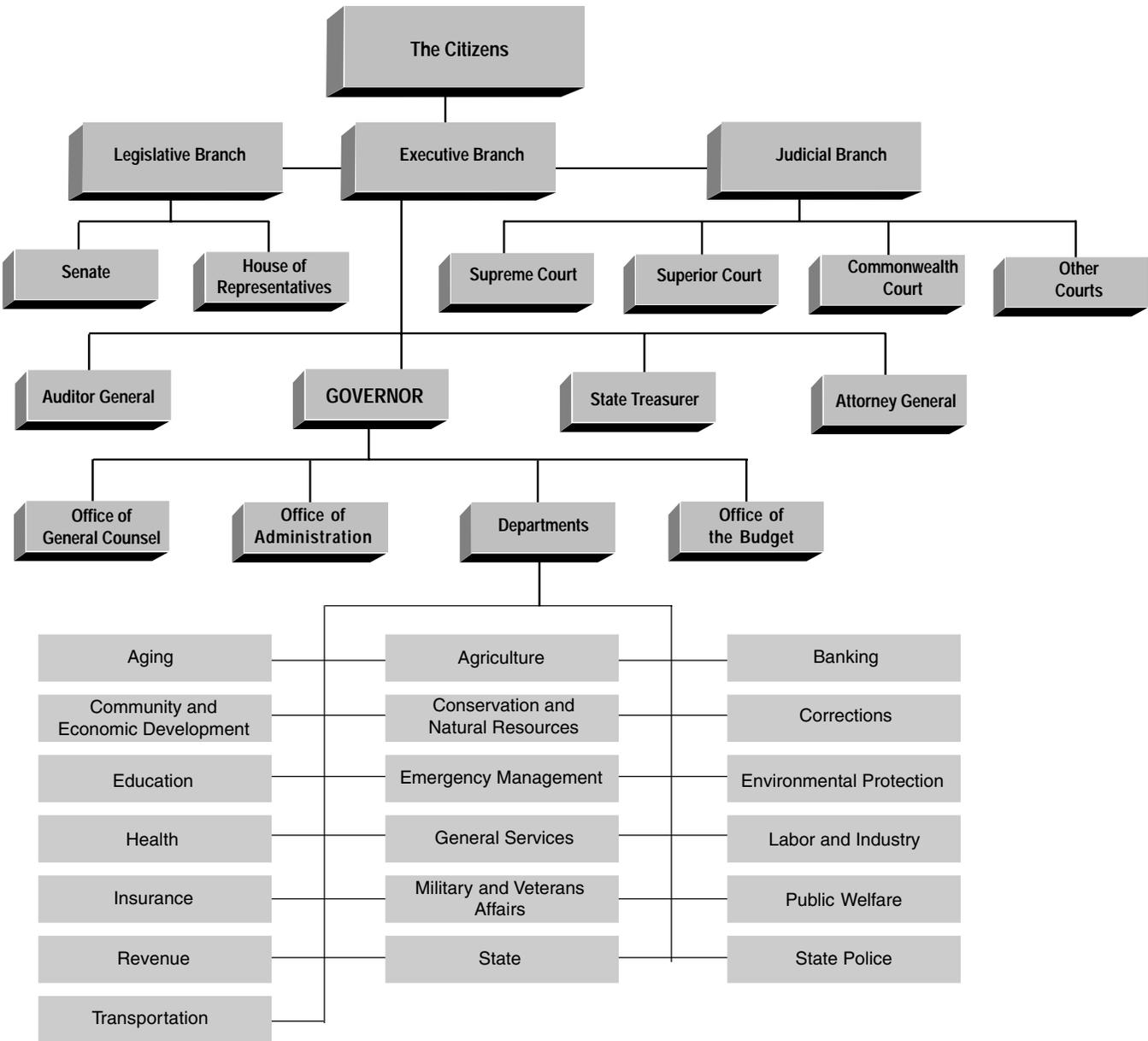
READER'S GUIDE

This section of the budget is intended to assist readers with interpreting and understanding the content of the Governor's annual recommended budget.

It contains an organization chart of the Commonwealth, descriptions of the operating and capital budget processes, an explanation of the accounting basis, terms used in the budget process and a list of the most common abbreviations used to identify Federal funds.

The government of the Commonwealth is composed of three separate branches: Executive, Legislative and Judicial. The general organization chart of Commonwealth government shown on the following page provides additional details.

**Commonwealth of Pennsylvania
Organization Chart**



AGENCIES

Higher Education Assistance
Housing Finance
Interstate Agencies

AUTHORITIES

Commonwealth Financing
Energy Development
Higher Education Facilities
Industrial Development
Infrastructure Investment
Minority Business Development
Public School Building

BOARDS

Claims
Environmental Hearing
Gaming Control
Finance and Revenue
Liquor Control
Milk Marketing
Municipal Retirement
Pardons
Probation and Parole
Public School Employees' Retirement
State Employees' Retirement
Tax Equalization

COMMISSIONS

Civil Service
Crime and Delinquency
Ethics
Fish and Boat
Game
Harness Racing
Historical and Museum
Horse Racing
Human Relations
Juvenile Court Judges
Public Employee Retirement
Public Television Network
Public Utility
Securities
Turnpike

The Budget Process

The Commonwealth's Constitution requires that the Governor submit a budget annually to be adopted by the General Assembly for the ensuing fiscal year. The General Assembly may add, change or delete any items in the budget proposed by the Governor, but the Governor retains veto power over the individual appropriations passed by the General Assembly. The Governor may also reduce individual appropriations, but may not increase them. A gubernatorial veto can be overridden only by a two-thirds majority of each House of the General Assembly.

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 Governor's Budget Office 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 Governor's Budget Office 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 Governor's Budget Office.

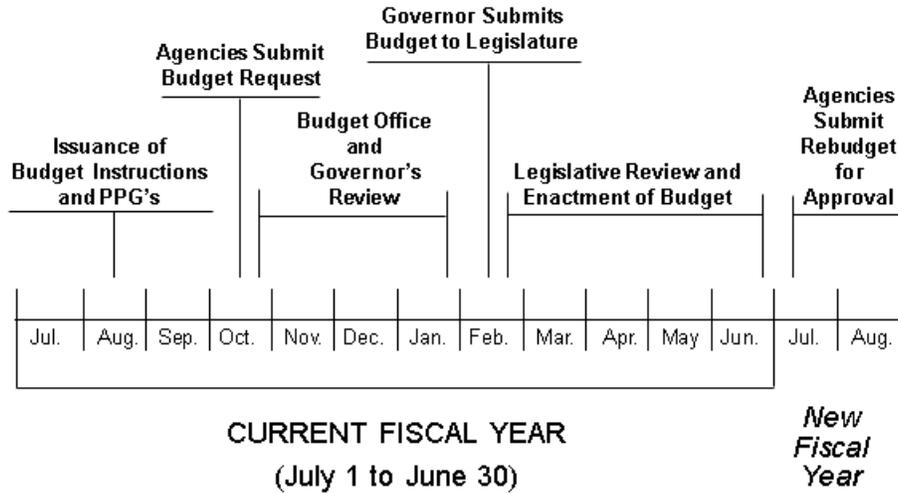
During December, the Governor apprises Legislative leaders of anticipated spending and revenue levels and major fiscal issues expected to be addressed in the upcoming budget.

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 Governor's Budget Office 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 annual General Appropriation Bill and individual appropriation bills. The General Appropriation Bill contains appropriations for the executive, legislative and judicial departments, public schools and for public debt. All other appropriations are made individually by separate special bills.

BUDGET CYCLE IN PENNSYLVANIA



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

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

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

On occasion, additional appropriations are made subsequent to the enactment of the General Appropriation Act. These additional appropriations are made for a purpose for which either no appropriation was originally made or where the General Assembly deems it desirable or necessary 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 Governor's Budget Office 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 Governor's Budget Office uses the Integrated Enterprise 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 Governor's Budget Office informally reviews program and financial performance and performs formal evaluations of selected programs. In addition, the Auditor General performs a financial post audit.

The Capital Budget Process

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

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

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

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

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

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

After projects have been approved in an enacted Project Itemization Act, in order for a project to be activated, the Department of General Services must request that it be implemented. All requests for project activation are reviewed by the Governor's Budget Office for consistency with the Governor's priorities and policies. Projects approved by the Governor's Budget Office 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.

The Structure of the Budget

THE COMMONWEALTH PROGRAM PLAN

The budget presentation for each department or agency is shown on an appropriation basis and also on a program/subcategory basis. Program/subcategory explanations, analyses and measures are shown by individual departments. A summary presentation by Commonwealth Program shows program costs according to eight major program classifications. These program classifications are each defined in terms of broadly stated goals of State Government. One of these Commonwealth Programs, Direction and Supportive Services, includes the costs of supporting administrative functions which affect the overall operations of the Commonwealth. Debt Service includes the resources to meet the timely payment of Commonwealth debt obligations. The remaining Commonwealth Programs are substantive in nature and deal with costs related to the following areas:

- Protection of Persons and Property
- Education
- Health and Human Services
- Economic Development
- Transportation and Communication
- Recreation and Cultural Enrichment

Each of the Commonwealth Programs is subdivided into program categories defined by goals that are more specific in nature. Program categories are broken down into program subcategories which are defined by program objectives. It is at the program subcategory level that program explanations, analyses and measures are shown by individual department. To clearly show the link between the Commonwealth Program Plan and agency program subcategories, identical or similar titles have been used in both places. Debt Service is also shown as a separate Commonwealth Program and is not merged with program expenditures so that direct program expenditures may be seen more clearly.

THE DEPARTMENTAL PRESENTATION

Recommendations for the continuation of current programs at essentially current levels of commitment are shown within departmental program subcategories. Recommendations for major program changes in 2005-06 are identified as departmental Program Revision Requests (PRRs) which provide explanations and justification for the change.

Beyond 2005-06, the projections of financial data, as well as impacts and other program measures, show the future implications of the 2005-06 recommendations and policies. Consequently, the five-year plan is a base line which represents the future program effort and financial resources needed to sustain the 2005-06 level of commitment.

To assist in understanding the individual agency presentations, descriptive information and detailed samples are shown in following pages.

Summary By Fund And Appropriation

This part of the presentation identifies the State appropriations and those Federal funds, augmentations, and other funds which supplement the activities funded by that individual State appropriation for each department. The following key will help to identify individual items:

General Government Operations — A title which identifies a specific appropriation by the General Assembly or an executive authorization (EA) by the Governor to spend State monies.

For purposes of this presentation, State funds include the General, Motor License, Banking Department, Boat, Environmental Stewardship, Farm Products Show, Fish, Game, Keystone Recreation, Park and Conservation, Lottery, Milk Marketing, Racing and Tobacco Settlement Funds.

“(F)” Identifies a Federal appropriation by the General Assembly or an executive authorization by the Governor to spend Federal monies. Medical Assistance is an example of Federal funds.

The amounts shown as “Federal funds” include appropriations to date as well as anticipated adjustments because of increases or decreases in the amount of funds to be received. Because of the manner in which Federal funds are appropriated, they are deposited as General Fund revenues rather than augmentations. They are not, however, included in the revenue sections of the budget. Instead, they are shown with the State funds which they supplement.

For the sake of brevity and ease of identification, common abbreviations are used in the Federal titles. The most common are listed at the end of this Reader's Guide.

“(A)” Identifies monies which augment a State appropriation. Institutional collections are an example of an augmentation.

“(EA)” After the title of an appropriation identifies an executive authorization made in the name of the Governor to spend monies previously appropriated through blanket action of the General Assembly. General Operation in the Farm Products Show Fund is an example of an executive authorization.

“(R)” Identifies funds which are in a restricted account and which may only be spent for very limited purposes related to the State appropriation. Receipts from snowmobile regulations are an example of a restricted account.

In some cases the budget may propose the shifting of appropriations between agencies, departmental reorganizations or the restructuring of appropriations within or between departments. Usually, for ease of comparison, all columns in the budget presentation are shown consistent with the recommendation in the budget year. This means, however, that the amounts shown in the actual and available columns may not be consistent with those shown in accounting reports and appropriations acts. When this occurs, explanations have been included within the agency presentations.

Program Presentation

Each Program Presentation provides a written and financial explanation of the activities of the program. These include:

Objective—A summary statement of the program's purpose in terms of desired accomplishments.

Narrative—Describes program services and activities.

Program Recommendations—Identifies the increases or decreases over available year funding as presented in the summary by fund and appropriation.

Appropriations within this Program—Identifies State appropriations which support the activities within the program. Each appropriation appears in only one agency program.

Program Element—Is used within a program narrative to identify sub-program components.

Program Measures—Indicate the expected impact of the proposed budget on services, costs, etc., involved in the program.

Section H of this document provides brief descriptive and financial data for those special funds of the Commonwealth not given an expanded treatment in other sections of the budget.

The Summary by Fund and Appropriation

A summary by fund and appropriation (SFA) is shown at the beginning of each agency presentation in Section E. The SFA identifies all State appropriations within the agency and those Federal funds, augmentations, and other funds which supplement the activities within the respective State appropriation.

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.

General Government — A Character of Expenditure which is a classification of appropriations according to their general purpose. Other characters of expenditure are institutional, grants and subsidies, capital improvements and debt service.

General Government Operations — Identifies an appropriation by the General Assembly or an executive authorization (EA) by the Governor to spend State monies.

"(F)" Identifies a Federal appropriation by the General Assembly or an executive authorization by the Governor to spend Federal monies.

"(A)" Identifies other monies which augment a State appropriation.

"(R)" Identifies funds which are in a restricted account and which may only be spent for very limited purposes related to the State appropriation.

GENERAL FUND:

General Government:

General Government Operations

- (F) Historic Preservation
- (F) Intermodal Surface Transportation Safety Act
- (F) Railroad Museum Improvement
- (F) Erie Maritime Center
- (A) Historic Preservation Fund
- (R) Keystone Fund

Subtotal

Records and Management Information

Maintenance Program

Subtotal - State Funds

Subtotal - Federal Funds

Subtotal - Augmentations

Total - General Government

Grants and Subsidies:

- Museum Assistance Grants**
- University of Pennsylvania Museum**
- Carnegie Museum of Natural History**
- Franklin Institute Science Museum**
- Academy of Natural Sciences**
- Carnegie Science Center**
- Afro-American Historical and Cultural Museum**
- Whitaker Center for Science and the Arts**

Total - Grants and Subsidies

STATE FUNDS

FEDERAL FUNDS

AUGMENTATIONS

GENERAL FUND TOTAL

KEYSTONE RECREATION, PARK AND CONSERVATION FUND:

Grants and Subsidies:

- Historic Site Development - Bond Proceeds (EA)
- Historic Site Development - Realty Transfer Tax (EA)

Total - Grants and Subsidies

KEYSTONE RECREATION, PARK AND CONSERVATION FUND TOTAL

OTHER FUNDS:

GENERAL FUND:

Historic Preservation Act of 1966

HISTORICAL PRESERVATION FUND:

Historic Preservation Fund

DEPARTMENT TOTAL - ALL FUNDS

GENERAL FUNDS

SPECIAL FUNDS

FEDERAL FUNDS

AUGMENTATIONS

OTHER FUNDS

TOTAL ALL FUNDS



al and Museum Commission

and Appropriation

(Dollar Amounts in Thousands)

2003-04 2005-05 2005-06
ACTUAL AVAILABLE BUDGET

.....	\$ 15,354	\$ 16,794	\$ 18,891
.....	1,059	1,100	1,000
.....	52	47	0
.....	312	1,312	0
.....	50	50	10
.....	435	400	400
.....	0	230	232
.....	<u>\$ 17,262</u>	<u>\$ 19,933</u>	<u>\$ 23,291</u>
.....	<u>\$ 450</u>	<u>\$ 444</u>	<u>\$ 0</u>
.....	<u>\$ 944</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
.....	\$ 16,748	\$ 18,238	\$ 19,891
.....	1,473	2,509	1,010
.....	435	630	632
.....	<u>\$ 18,656</u>	<u>\$ 21,377</u>	<u>\$ 21,533</u>
.....	<u>\$ 4,930</u>	<u>\$ 5,400</u>	<u>\$ 4,000</u>
.....	181	181	181
.....	181	181	181
.....	547	547	547
.....	335	335	335
.....	181	181	181
.....	256	256	256
.....	100	100	100
.....	<u>\$ 6,711</u>	<u>\$ 7,181</u>	<u>\$ 5,781</u>
.....	\$ 23,459	\$ 25,419	\$ 25,672
.....	1,473	2,509	1,010
.....	435	630	632
.....	<u>\$ 25,367</u>	<u>\$ 28,558</u>	<u>\$ 27,314</u>
.....	\$ 3,403	\$ 0	\$ 0
.....	6,341	4,555	4,646
.....	<u>\$ 9,744</u>	<u>\$ 4,555</u>	<u>\$ 4,646</u>
.....	<u>\$ 9,744</u>	<u>\$ 4,555</u>	<u>\$ 4,646</u>
.....	<u>\$ 930</u>	<u>\$ 80</u>	<u>\$ 80</u>
.....	<u>\$ 4,301</u>	<u>\$ 6,500</u>	<u>\$ 5,500</u>
.....	\$ 23,459	\$ 25,419	\$ 25,672
.....	9,744	4,555	4,646
.....	1,473	2,509	1,010
.....	435	630	632
.....	5,231	6,580	5,580
.....	<u>\$ 40,342</u>	<u>\$ 39,693</u>	<u>\$ 37,540</u>

NOTE: In some cases the budget may propose the shifting of appropriations between agencies, departmental reorganizations or the restructuring of appropriations within or between departments. Usually, for ease of comparison, all columns in the budget presentation are shown consistent with the recommendation in the budget year. This means, however, that the amounts shown in the actual and available columns may not be consistent with those shown in accounting reports and appropriation acts. When this occurs, explanations have been included in the footnotes to the Summary by Fund and Appropriation.

Identifies one of a group of special funds which are presented fully in Section C: Summary by Fund. For purposes of this presentation, State funds include the General, Motor License, Banking Department, Boat, Environmental Stewardship, Farm Products Show, Fish, Game, Keystone Recreation, Park and Conservation, Lottery, Milk Marketing, Racing and Tobacco Settlement funds.

Identifies selected restricted accounts and/or one of a group of special funds which are presented on a limited basis in Section H: Other Special Funds.

PROGRAM OBJECTIVE: To manage a resources through a comprehensive histor to interpret, research and preserve all area

Program Presentation

Each Program Presentation provides a written and financial explanation of the activities of the program. Recommendations for the continuation of current programs at essentially current levels of commitment are shown within department program subcategories. Recommendations for major program changes in 2004-05 are identified as department Program Revision Requests (PRRs) which provide explanations and justification for the change.

Program Recommendations — Identifies the increases or decreases over the available year funds as presented in the Summary by Fund and Appropriation.

General Government Operations — Identifies a specific appropriation.

PRR — A Program Revision Request identifies a major program change and is explained in more depth in a presentation following the program.

Appropriations within this Program — Identifies all State appropriations which support the activities within the program. Each appropriation appears in only one agency program.

Program: State Historic Preservation

The State Historical Preservation Program administered by the Historical and Museum Commission is comprised of four major elements. These elements include Executive Direction and Administration, Pennsylvania State and Local Records, Historic Site and Museum Operations, and Historic Preservation.

Program Element: Executive Direction and Administration

This element provides general policy and direction for administering the commission's operations. It includes legislative and press relations, personnel management, procurement, information technology, financial grant administration, fiscal and revenue management, and other services. In addition, it administers a Property Management and Lease Program through cooperative agreements with management groups or profit and nonprofit organizations to operate, maintain and utilize historic sites, buildings and agricultural lands under the custody of the commission.

Program Measures:	2003-04	2004-05
Historic Preservation		
Objects maintained and conserved (in thousands)	2,000	2,000
Commission buildings undergoing improvement	88	76

The measure "Commission buildings undergoing improvement" because 1) all bond funds under the Keystone Recreation, Park and Historic Resources Act of 1997 and 2) revised approach to managing maintenance

Program Recommendations:

\$ 1,867	General Government Operations
	—PRR — Administrative Support for Historic Sites. To provide administrative support necessary to open the Erie Maritime Museum, and for the expansion of the Railroad Museum of Pennsylvania, and the Somerset Historical Center. See the Program Revision following this program for additional information.
230	—to continue current program.
\$ 2,097	<i>Appropriation Increase</i>

Appropriations within this Program:

	2003-04 Actual	2004-05 Available
GENERAL FUND:		
General Government Operations	\$ 15,354	\$ 16,794
Records and Management Information	450	450
Maintenance Program	944	944
TOTAL GENERAL FUND	\$ 16,748	\$ 18,238

Historical and Museum Commission

Identifies the agency being presented.

to preserve and safeguard Pennsylvania's historic sites, history and museum program to educate and inform the public on areas of Pennsylvania history.

Objective — A statement of the program's purpose in terms of desired accomplishments.

Program Description

Program — The agency program focuses upon objectives which can be measured in terms of quantifiable impact.

Program Element: Historic Preservation

Program Element — Used within a program narrative to identify sub-program components.

This element is responsible for the identification, protection and enhancement of buildings, structures and districts of historic and architectural significance within the Commonwealth. It provides for the infusion of Federal funds from the Department of the Interior to enhance the economic base of many communities in Pennsylvania; provide a survey and National Register nomination program; maintain an information network providing direction and assistance to local preservation organizations; administer an archeological program to improve policies and procedures and provide direction to the professional and advocational community; and preserve and protect endangered historic public and private buildings, structures and landmarks through a nonprofit Statewide revolving fund.

Narrative — Describes program services and activities.

2005-06	2006-07	2007-08	2008-09	2009-10
2,000	2,000	2,000	2,000	2,000
50	50	50	50	50

Program Measures — Indicates the expected impact of the proposed budget on services, costs, etc., involved in the program.

ment" has been reduced substantially from last year's budget. The Park and Conservation Fund are anticipated to be expended on maintenance projects.

Budget recommends the following changes: (Dollar Amounts in Thousands)

	Records and Management Information	
\$	-6	—to continue current program.
	Maintenance Program	
\$	56	—to continue current program.

(Dollar Amounts in Thousands)

	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
\$	18,891	\$ 19,916	\$ 20,262	\$ 20,610	\$ 20,973
	444	0	0	0	0
	1,000	1,020	1,040	1,061	1,082
\$	19,891	\$ 20,936	\$ 21,302	\$ 21,671	\$ 22,055

Basis of Budgeting For Control and Compliance

The Commonwealth's budgets are prepared on a modified cash basis of accounting that is used to determine compliance with enacted budgets according to applicable Commonwealth statutes and administrative procedures. For each Commonwealth operating fund the total amount appropriated by the General Assembly for a fiscal year may not exceed the fiscal year's estimated revenues available for appropriation, as developed by the Governor, plus the unappropriated fund balance (or less a deficit) of the preceding fiscal year, except for constitutionally authorized debt service payments.

Under the Commonwealth's basis of budgeting, tax receipts, non-tax revenues, augmentations and all other receipts are recorded at the time cash is received. At fiscal year-end an adjustment is made to include in receipts certain revenues of the General Fund and the Motor License Fund estimated to be earned but not yet collected. Expenditures are recorded at the time payment requisitions and invoices are submitted for payment. Expenditures include appropriated amounts reserved for payment of contracts for the future delivery of goods and services to the Commonwealth through an encumbrance process. Also, funds are retained at fiscal year-end to pay direct expenditures such as salaries, wages, travel, and utility costs payable against a fiscal year's appropriation authority but expended in the subsequent year.

Budgetary control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between departments and any supplemental appropriations require both executive and legislative branch approval. Uncommitted and unexpended appropriations return to the fund balance at fiscal year end and become available for appropriation in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are paid from subsequent year appropriations.

Budgets are statutorily adopted each fiscal year for the General Fund and the following special revenue funds: Banking, Lottery, Milk Marketing, Motor License, Workmen's Compensation Administration, Emergency Medical Services Operating, Energy Conservation and Assistance, Hazardous Materials Response and Ben Franklin/Technology Development Authority. Budgets are also statutory adopted for the administration of the State Employees' Retirement and Public School Employees' Retirement Funds.

Not all special revenue funds are controlled by statutorily adopted budgets. Controls over spending in such special revenue funds are maintained by use of spending limits (executive authorizations) established by the Governor, within parameters established by the General Assembly.

The Commonwealth also makes appropriations to authorize expenditures for various capital projects. Appropriations for capital projects normally remain in effect until the completion of each project unless modified or rescinded.

GAAP Basis of Accounting

The budgetary basis financial information maintained by the Commonwealth to monitor and enforce budgetary control is adjusted at fiscal year end to reflect appropriate accruals for financial reporting in conformity with generally accepted accounting principles (GAAP). The use of GAAP requires a modified accrual basis of accounting for governmental and certain fiduciary fund types whereby revenues are recognized when they become both measurable and available to finance expenditures and whereby expenditures are generally recognized and recorded when a liability to make a payment, regardless of when the cash disbursement is to be made, is incurred. For proprietary and fiduciary fund types, GAAP requires a full accrual basis of accounting.

Revenues and expenditures reported in the Commonwealth's financial statements prepared under GAAP differ from the budgetary basis for several reasons. Among other differences, the GAAP statements (i) generally recognize revenues when they become measurable and available rather than when cash is received, (ii) report expenditures when goods and services are received and a liability incurred rather than when cash is disbursed, (iii) include a combined balance sheet for the Commonwealth presented by GAAP fund type rather than by Commonwealth funds, and (iv) include activities of all funds in the reporting entity, including agencies and authorities usually considered as independent of the Commonwealth for budgetary and financial reporting purposes. Reported revenues and expenditures required to conform to GAAP accounting generally require including (i) corporation tax accruals and audit adjustments for other accrued taxes, (ii) tax refunds payable and tax credits, and (iii) expenditures not covered by appropriations.

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 Constitution of Pennsylvania requires the Governor to submit a balanced budget and prohibits the General Assembly from appropriating monies in excess of actual and estimated revenues and surplus.

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

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

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

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

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

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

Executive Authorization: An authorization made in the name of the Governor to spend money from funds which had been previously appropriated through blanket action of the General Assembly. Usually this term is used in connection with the special funds. An example of this would be 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, 2004 to Sept. 30, 2005 would be FFY 2005.

Federal Funds Appropriation: An appropriation of monies received from the Federal Government. 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, 2005 to June 30, 2006 would be 2005.

- *Actual Year – Includes all expenditures and encumbrances chargeable to that fiscal year as of June 30 of the previous year plus available balances held for certain commitments and 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 – For State funds, includes amounts appropriated to date and supplemental appropriations recommended in this Budget. For non-appropriated and non-executively authorized restricted receipts and restricted revenues, the best estimate of expenditures currently available is used.*
- *Budget Year – Reflects the amounts being recommended by the Governor in this document for the next fiscal year.*
- *Planning Years 1, 2, 3 and 4 – Reflects only the cost of the budget year projected into the future and the implementation of legislatively mandated increases which may be effective in a future year.*

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

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

General Appropriation Act: A single piece of legislation containing numerous individual appropriations. The General Appropriation Act 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 acts 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 Constitution of Pennsylvania empowers the Governor to disapprove part or all of any item or items of any bill making appropriations of money. The part or parts of the bill approved become law and the item or items disapproved become void. This power is known as the item veto.

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

Mandated Expenditures: Expenditures that are authorized and required by legislation, other than appropriation acts, or required by the State 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 outcome 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 Performance Measure: A general term applied to any of the substantive measures found in the agency programs. Included are impacts, outcomes, output/activity indicators, efficiency measures 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 are: 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.

Federal Funds Identification

The most common abbreviations used to identify Federal funds in this document are:

ADA	Americans with Disabilities Act
ARC	Appalachian Regional Commission
BG	Block Grant
CCDFBG	Child Care and Development Fund Block Grant
CSBG	Community Services Block Grant
DCSI	Drug Control and Systems Improvement
DFSC	Safe and Drug Free Schools and Communities
DOE	Department of Energy
EDA	Economic Development Administration
EEOC	Equal Employment Opportunity Commission
EPA	Environmental Protection Agency
EPCA	Energy Policy and Conservation Act
ESEA	Elementary and Secondary Education Act
FEMA	Federal Emergency Management Agency
FFY	Federal Fiscal Year (October 1 to September 30)
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
HIPAA	Health Insurance Portability and Accountability Act
HHS	Health and Human Services
HUD	Department of Housing and Urban Development
LIHEABG	Low-Income Home Energy Assistance Block Grant
LSTA	Library Services and Technology Act
LWCF	Land and Water Conservation Fund
MA	Medical Assistance
MAGLOCLEN	Middle Atlantic Great Lakes Organized Crime Law Enforcement Network
MCH	Maternal and Child Health
MCHSBG	Maternal and Child Health Services Block Grant
MH/MR	Mental Health/Mental Retardation Services
MHSBG	Mental Health Services Block Grant
MR	Mental Retardation
NEA	National Endowment for the Arts
NPDES	National Pollutant Discharge Elimination System
NSF	National Science Foundation
OEP	Office of Emergency Preparedness
OSM	Office of Surface Mining
PHHSBG	Preventive Health and Health Services Block Grant
RSAT	Residential Substance Abuse Treatment
SABG	Substance Abuse Block Grant
SCDBG	Small Communities Development Block Grant
SDA	Service Delivery Area
SSA	Social Security Act
SSBG	Social Services Block Grant
SSI	Supplemental Security Income
TANFBG	Temporary Assistance to Needy Families Block Grant
TEA	Transportation Efficiency Act
USFWS	United States Fish and Wildlife Service
VA	Veterans' Administration
VOCA	Victims of Crime Act
WIA	Workforce Investment Act
WIC	Women, Infants and Children Program
YDC	Youth Development Center

OVERVIEW

Pennsylvania is going to reclaim its place as a leader among the states. The success of this State will be measured by the success of our communities. As such, the Commonwealth will work to strengthen communities throughout the Commonwealth by working in partnership with localities to stimulate their economies and create new jobs, boost the performance of their public schools, improve access to quality health care, guarantee the highest level of protection for natural resources and provide for a safe and secure community. The revitalization of Pennsylvania's communities is the key to the revitalization of Pennsylvania. This Administration will allocate available State resources in the manner best suited to bring about the revival of our economy, the renewal of our communities and the rekindling of our belief that we can chart a better future for the next generation.

GOAL: CREATE JOBS AND BUILD A VITAL ECONOMY

Pennsylvania will craft innovative public/private partnerships and invest new capital in small and large communities seeking a competitive edge in the global economy. State Government resources will be strategically linked with private capital to support economic development opportunities that offer the greatest potential for new jobs that pay a family-sustaining wage. Pennsylvania will fashion new financial tools to attract businesses that increasingly link Pennsylvania's economy to the industries of the future.

GOAL: BUILD A WORLD CLASS PUBLIC EDUCATION SYSTEM

Pennsylvania will offer its children an invigorated public education system that delivers a high quality education to every child regardless of where that child lives. Driven by high standards of achievement for every child, this public education system will offer the supports necessary to prepare every child academically to succeed in college or his/her chosen career after graduation.

GOAL: INCREASE ACCESS TO HIGH QUALITY HEALTH CARE

Pennsylvania is home to some of the nation's finest health care facilities and caregivers. The State will employ innovative quality improvements, cost controls and financial strategies to bring down the cost of insurance and thereby free up resources to increase access to affordable high quality health care. These reforms will offer children, families and senior citizens the medical care necessary for healthy and independent lives.

GOAL: BOOST THE SKILLS OF OUR WORKERS

Pennsylvania's greatest untapped resource - its dedicated working men and women - must be prepared for the demanding new jobs that increasingly rely on new technologies to compete in the global economy. Pennsylvania's workforce training and development system will be streamlined and focused to give employers and workers the resources to take full advantage of every opportunity to boost the number of jobs and the wages of workers.

GOAL: PROTECT OUR NATURAL RESOURCES

The goal of building a vibrant economy in this Commonwealth will be married with a commitment to the preservation and maintenance of Pennsylvania's natural resources. With an eye toward the future, Pennsylvania will support clean air and waterways, agricultural policies that protect our environment and sound land use policies that preserve open spaces.

GOAL: ENSURE THE SAFETY OF OUR CITIZENS

Every state in the union faces greater challenges in ensuring the safety of our communities. Public safety planning must be coordinated and comprehensive; linking traditional law enforcement activities and the new infrastructure necessary to address homeland security issues. Pennsylvania will develop new cross-agency and cross-jurisdictional partnerships to ensure that this State is able to deliver on the promise of safety in a thriving democracy.

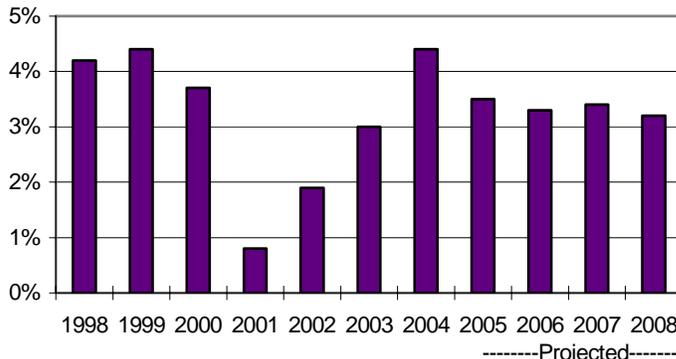
GOAL: DELIVER GREATER VALUE AND EFFICIENCY IN GOVERNMENT

The role of government is to add value to efforts made by individuals, localities and organizations to enhance the quality of our lives. This government will identify new ways to mobilize resources to eliminate waste and redirect under-utilized resources to ensure maximum service to our citizens. Taxpayers will see greater efficiency and a higher return on the investment made to support the operation of this government.

ECONOMIC OUTLOOK

The economic assumptions used to produce many of the tax revenue estimates in this budget were obtained from two main sources of forecast data: 1) Global Insight, Inc. of Lexington, Massachusetts and 2) Economy.com, Inc. of West Chester, Pennsylvania. Both of these firms are private economic forecasting and consulting firms currently providing forecast data to the Commonwealth. Various projections from both Global Insight's national baseline forecast as well as a recent forecast produced by Economy.com were used to develop the estimates of revenue for the budget year and other future fiscal years in this document. Analyses and discussion in this section, as well as the revenue estimates utilized in this budget, are based on a combination of data from each source of econometric forecast. The resulting budget year forecast may be characterized as a "baseline" projection in that it is generally consistent with the national baseline estimate developed by Global Insight. Further, the economic forecast that is utilized for this budget is also generally consistent with many of the forecast assumptions contained in Economy.com's forecasts.

Chart 1
REAL GROSS DOMESTIC PRODUCT
Annual Growth



Recent Trends

Though slow to take hold, the recovery of the national economy has been steady, despite repeated external shocks that have occurred in the years since the 2001 recession. Beginning with the terrorist attacks in 2001, the United States (U.S.) economy has endured corporate scandals (2002), a war in Iraq (2003), and a significant surge in oil prices coupled with an increasingly tenuous security position in Iraq, with no end in sight to the current military engagement in that nation (2004). After

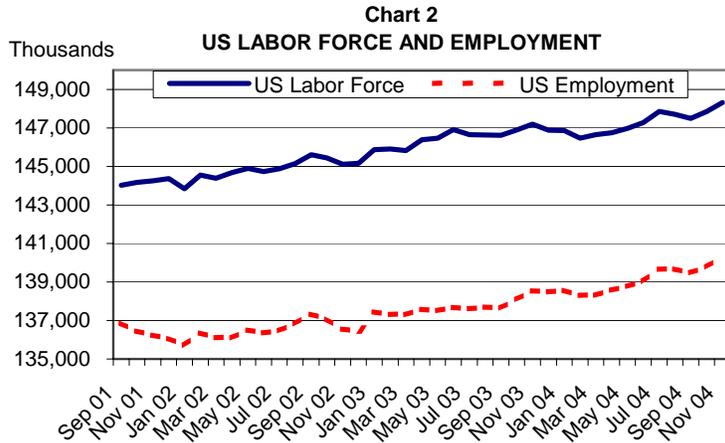
enduring a period of fits and starts from 2001 through 2003, the economy has managed to grow at an average annual rate of 3.5 percent since late 2001 and approximately 4.4 percent during 2004. Chart 1 displays actual growth in real gross domestic product (GDP) from 1998 to 2004 and projected growth for the 2005-2008 period.

The first two years of the post-recession recovery (2002-2003) were characterized by unabated job losses in which over 3 million jobs were lost despite a moderately growing national economy. Among the hardest hit sectors during the "jobless recovery" was manufacturing, which lost a total of 1.3 million jobs since 2001, with most of these losses feared to be permanent. Job losses in this sector have continued through 2004 as well. Positive overall job growth in the broader economy returned in 2004, but thus far has been insufficient to overcome losses experienced in the prior two years. To date, the recovery has demonstrated an unusually slow pace in terms of job creation versus typical post-recessionary periods. From 2002 through 2004, the economy has produced only a 0.9 percent increase in total payrolls with all of this growth occurring in 2004. Conversely, job growth during the 1991-1994 period was 4.2 percent and from 1982-1985 job growth was 10.9 percent. Further, job growth during 2004 was uneven, at best. Although the economy added 2.2 million jobs during the year, or approximately 180,000 per month, net month employment gains varied from a monthly low of 80,000 to a monthly high of greater than 350,000. A large portion of this volatility can be attributed to rising prices, dampened consumer spending (particularly in the second quarter), uncertainty regarding the presidential elections, and geo-political concerns in Iraq.

The U.S. unemployment rate currently stands at 5.4 percent, down from its nine-year high of 6.3 percent in June 2003. The drop in the unemployment rate is partially the result of a slow

growing labor force and from employees leaving the labor force, perhaps giving up hope of finding a job. As a result of this trend, a lower percentage of the U.S. population is currently in the labor force, compared to pre-recession levels. Chart 2 indicates that the U.S. economy has generated little growth in employment from September 2001 through the end of 2003 and what growth there has been has occurred in 2004.

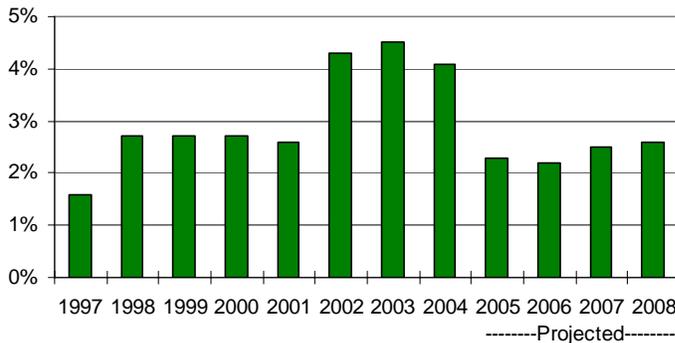
Although job growth has been slow to recover, the national economy still expanded modestly from 2001 to 2004. What seems to have emerged is perhaps a new twist on the business cycle in which productivity gains may have altered the traditional job growth patterns of post-recessionary periods. With higher and higher productivity gains achieved in recent years, job growth is now slower but yet economic growth continues, as evidenced in Chart 1. Wages and incomes for those remaining employed grows, while growth in the labor force slows.



Job growth and economic growth are no longer as tightly correlated as they once were due to intense global competition and technology gains that have boosted productivity. Increased pressures on prices have forced businesses to achieve growth from productivity rather than through increased payrolls.

With job growth well below that of the prior two recoveries, gains in productivity are far exceeding those experienced following prior recessions. To date, productivity has grown at a 4.2 percent annual rate as compared to 2.4 percent from 1991 to 1994 while growth in real GDP of 3.5 percent for the period 2001 to 2004 has exceed that of the 1991 to 1994 recovery, according to data from the Labor Department and Global Insight. Strong job growth in 2004 has been accompanied by a drop in the rate of annual growth in productivity. Year over year growth in productivity has declined from a former high of nearly 5.5 percent during the fourth quarter of 2003 to approximately 2.8 percent during the fourth quarter of 2004. Chart 3 indicates the significant gains from productivity during the current economic recovery.

Chart 3
PRODUCTIVITY GAINS
Annual Growth



Recent gains in productivity over the past three years allowed businesses to accommodate moderately rising costs of labor, commodity prices, energy and rising benefits expenses, in particular health care costs. Solid demand from consumers and a weak dollar enabled firms to pass along a portion of these increased costs. The growing influence of China and India continued to constrain pricing power resulting in nearly all gains in corporate profits being derived from gains in productivity.

After dropping to 1.6 percent annual growth in 2002, inflationary pressures have been building over the past two years. Rising energy costs, rising labor costs, upwardly spiraling health care costs, and a falling dollar have combined to push inflation to 2.7 percent in 2004, the second

highest rate in at least the past seven years (3.4 percent in 2000). While still a moderate annual rate of inflation, many of the factors that combined to hold down inflation in the 1990's are unraveling. Increasing unit labor costs, slowing productivity, a tightening job market and rising interest rates are leading to upward pressure on prices.

The U.S. dollar continued its nearly three year slide, dropping 15 percent in value since 2001. Cumulatively, the dollar is down 33 percent against the Euro, 25 percent against the Canadian dollar and 10 percent against the Yen. Federal fiscal stimuli in the form of tax cuts enacted in 2001 and 2003 have turned from promoters of short-term growth to a potential drag on the economy in the form of the burgeoning federal budget deficit. The U.S. trade imbalance has also grown as the current account deficit has reached a record high of 6 percent of real GDP, in part because of the influence of the undervalued Chinese Yuan. A highly accommodating Federal Reserve Board has driven down short-term interest rates (through the federal funds rate) to a low of 1 percent over the past three years in an attempt to spur growth. After accounting for inflation, true interest rates have actually been in negative territory. As the recovery has gained traction in 2004 and with a partial re-emergence of inflation, the Federal Reserve began raising interest rates. To date, a total of five, quarter point rate hikes have been implemented, which have raised the federal funds rate from 1 percent to 2.25 percent.

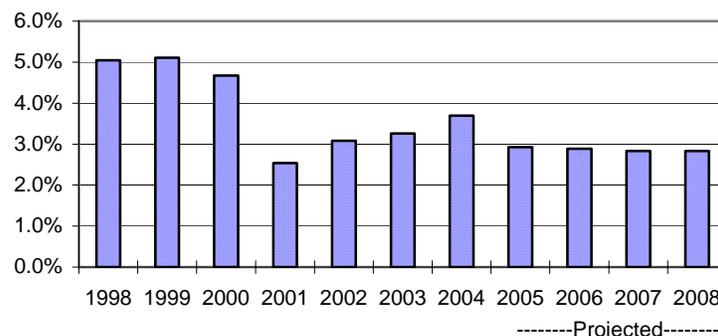
Current Conditions

Since the recession ended in November 2001, the two indefatigable drivers of the economic recovery have been: 1) the American consumer, who never stopped spending despite job losses and perennially uncertain economic conditions; and 2) a highly accommodative Federal Reserve Board which methodically reduced interest rates in order to spur economic growth. After many fitful starts and a persistent lack of job growth, the economy seemed to gain traction in 2004 as demand was solid, job growth restarted, household wealth and incomes rose, and real GDP continued to rise each year since 2001, culminating in 4.4 percent annual rate of growth in 2004. As result, the economy experienced broad and healthy growth in 2004, as consumer spending, business investment and job growth all registered solid gains.

After shedding nearly 3 million jobs since 2001, the economy produced over 2.2 million new jobs in 2004. Although a solid performance, job growth was, however, below expectations for the year, given the prior three years of the "jobless recovery." Job growth in 2004 has been widespread, as nearly 50 percent of industries added jobs, a continuous trend for twelve straight months. The lone exception has been manufacturing, which continues to shed jobs. The unemployment rate inched lower, down to 5.4 percent from 5.7 percent in January 2004, as job growth was sufficient to absorb new entrants into the labor force. A slow growing labor force also positively impacted the unemployment rate. Despite the positive gains in employment in 2004, total employment is still below pre-recession levels. Job growth has likely been insufficient to lure a significant number of displaced workers who lost their jobs from 2001 to 2003 back into the labor force. The accelerated pace of job growth in 2004 led to smaller gains in productivity, as seen in Chart 3 above. This transition is a normal cyclical pattern seen when economic recoveries mature. Job growth increases to meet increased demand, resulting in lowered rates of growth in productivity. The drop in productivity bears good news for workers in the form of more jobs and higher wages and unwelcome news for businesses in the form of tighter operating margins and slower growth in profits.

A tightening of the labor markets helped nominal personal incomes grow for the third straight year to 5.4 percent annual growth in 2004. This strong rate of growth was

Chart 4
REAL PERSONAL CONSUMPTION EXPENDITURES
Annual Average Growth



approximately double the rate of inflation (2.7 percent) and an increase over the 3.2 percent and 1.8 percent growth rates achieved in 2003 and 2002 respectively. Gains in personal incomes were the result of more people working in 2004 as job growth took hold. Fueled by personal income growth, low interest rates, rising employment and increasing household wealth, personal consumption grew for the fourth straight year in 2004. After working through a “soft patch” during the second quarter of 2004, consumer spending expanded significantly in the third quarter as real consumer spending accelerated to a 5.1 percent annual rate followed by nearly 4 percent annual growth in the fourth quarter of 2004. For the year, real personal consumption grew at a 3.7 percent annual rate of growth in 2004. Chart 4 displays the annual average growth in real personal consumption expenditures for the period 1998 through 2004, with forecasts for 2005 to 2008.

Improvements in demand and strong financial positions lead to a boom in capital investment during 2004. Capital expenditures soared to 17.5 percent annual rate of growth in the third quarter of 2004 as businesses began investing in capital equipment to expand operations, in addition to covering the normal replacement of aging equipment. Capital investments were slow to grow in 2001 through 2003, in part due to the “hang-over” remaining from the capital investment boom of the late 1990’s. Most of the investments that were made over the past three years were in technology and information processing, which accounted for nearly 70 percent of the investments made during the period. As excess capacity has been absorbed and factory utilization rates have risen, 2004 ushered in a shifting of capital investment away from technology and into more traditional forms of capital expenditures. Non-technology outlays accounted for nearly 60 percent of the growth in 2004, as spending on computers and general technology slowed. Growth in capital investment was also across the board, particularly in the second half of the year, as investment in plant and traditional equipment picked up the pace. During the third quarter of 2004, investments in transportation equipment were up 38.1 percent, the largest quarterly gain in nearly six years. Industrial machinery investment was up 27.2 percent, the highest percent gain since 1990.

The re-engagement of business investment contributed significantly to gains in real GDP achieved during 2004. At issue though is whether the level of investment will slow significantly in 2005. Much of the growth in business investment was fueled by the pending expiration (December 31, 2004) of the temporary federal tax breaks enacted in 2001 and 2003 for a fifty percent bonus depreciation on capital equipment. Ample supplies of corporate cash and low interest rates assisted with advancements in business investments in 2004.

Sustained growth the broader economy lead to strong growth in the financial markets during 2004, particularly in the latter part of the year. After three consecutive years of losses, including double digit losses in 2001 and 2002, investors saw the S&P 500 index rise 17.3 percent in 2004. While this performance was strong and well-timed, the current S&P 500 index is still 21 percent lower than its peak in 2000. Broader stock indexes such as the Wilshire 5000 rose as well as small capitalization stocks posted strong growth. Despite five, quarter-point rate increases in 2004, bond rates, as measured by 10-year Treasuries, remained relatively unchanged. The increase in the federal funds rate from 1 percent to 2.25 percent has moderately increased short term rates and led to a flattening of the yield curve. Growth in short term rates has been moderate, as the openness with which the Federal Reserve Board is communicating its policy intentions has allowed the bond market to “price-in” the anticipated rate increases. Continued heavy foreign purchasing of public and private debt in 2004 also kept interest rates down.

The Forecast

After experiencing broad-based growth in 2004, as evidenced by 4.4 percent annual growth in real GDP during 2004, the economy is expected to slowly throttle down over the next three years as annual growth in real GDP is projected to moderate to 3.5 percent, 3.3 percent and 3.2 percent in those years. The current recovery is projected to continue but at a modest pace, according to a combination of data from both Global Insight’s baseline forecasts as well as Economy.com’s economic forecast. A combination of data from both sources is highlighted in Table 1. This table presents actual data for 2003 and forecasts for the 2004-2006 period for several national economic indicators. As shown, both real and nominal GDP are expected to moderately expand in 2005 and 2006, although at a rate below levels achieved in 2004. Fading

monetary and fiscal stimuli are primary causes for slightly lower growth rates in the forecast. The forecasts anticipate that economic activity will continue to be positively impacted by the recent participation of businesses in the recovery. The forecasts anticipate that the recovery will continue in 2005 with its shift, started in 2004, from a consumer-led recovery to a business-led recovery. Increased business investment has been an increasing driver of growth, generally in the form of higher capital spending and inventory rebuilding during 2004. Capital investment in new equipment, particularly information technology equipment and more recently traditional capital equipment is expected to moderate in 2005, as temporary tax breaks (bonus depreciation) for such investments have ended. While the consumer has maintained spending during the recovery it is likely that such spending will begin to wane as temporary fiscal stimuli waned. The various forecasts referenced herein generally agree that while business activity will provide a boost to the recovery, the consumer's retrenchment of spending levels will ensure that the recovery will be modest in nature.

Table 1
Forecast Change in
Key US Economic Indicators
Annual Percentage Growth*

Indicator	2003	2004p	2005p	2006p
Nominal GDP	4.9	6.6	5.6	5.2
Real GDP	3.0	4.4	3.5	3.3
Real Personal Consumption	3.3	3.7	2.9	2.9
Corporate Profits (After Tax)	11.4	14.2	34.6	0.7
Unemployment Rate (Rate)	6.0	5.5	5.3	5.4
CPI	2.3	2.7	2.3	1.6
Federal Funds (Rate)	1.1	1.3	3.0	3.6

*Assumptions contained herein as well as others are incorporated in the 2005-06 fiscal year revenue estimates.

p=projected

Moderate job growth of approximately 190,000 per month is expected to continue during 2005 and growth in the labor force is expected to increase as previously discouraged workers are lured back to work. Growth in the labor force will keep the unemployment rate from improving much beyond its current 5.4 percent. Weakened productivity gains will continue to encourage increased hiring in 2005 while rising per unit labor costs may moderate the growth. Job growth is expected to be most robust among industries paying below average wages. Rising interest rates will slow growth in the housing sector leading to potential losses of well paying construction jobs. Recent job losses in manufacturing and information technology, as result of "off shoring," are likely permanent, although the declining dollar makes such practices less attractive in 2005.

Gains in employment experienced in 2004 and projected for 2005 will positively impact personal income and consumption. With more people working in 2004, the growth in real personal incomes more than doubled in 2004 to 3.1 percent annual growth up from 1.3 percent in 2003. Continued modest gains in personal income are forecast in 2005 and 2006 as seen in Chart 8 below. The indefatigable spending of the consumer over the past three years, is expected to wane modestly as temporary fiscal stimuli from tax cuts, rising home values and low interest rates have ended. As result, consumer spending is expected to moderate in 2005 through 2008 as seen in Chart 4 above.

While the rate of growth in business investments slowed in the fourth quarter of 2004, in part due to the expiration of favorable temporary tax breaks (bonus depreciation), growth in business investment is expected to remain relatively strong for 2005. Businesses are reacting to a lower dollar and a rebound in consumer demand from the summer's "soft patch" by rebuilding inventories and investing in capital projects. Growing payrolls point to business confidence in the direction of the economy. Rebounding corporate profits, squeezed from large gains in productivity in recent years, have supplied businesses with larges amounts of cash reserves that are being applied to capital investment. Capital investment will be aided by expansions of operations and not just the replacement of capital equipment.

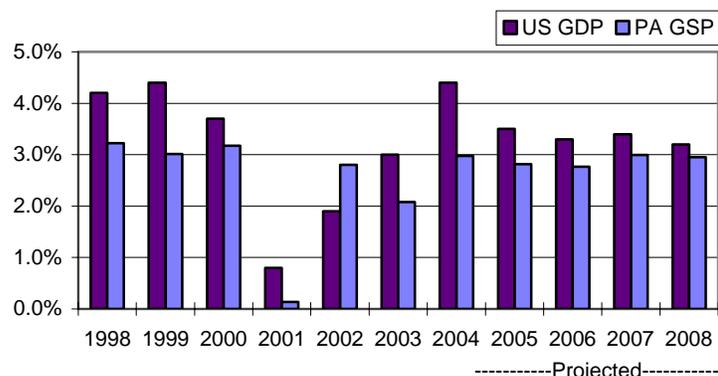
Inflationary pressures are expected to ease slightly in 2005 but the price of oil will weigh heavily on the economy. A return of high oil prices will drain consumer spending and raise costs for businesses. The forecast for 2005 is a moderate decline in oil prices as evidenced by recent forward purchase contract prices of approximately \$41 per barrel for delivery in December, 2005. A continuation of the recent quarter point increases in the federal funds rate are expected in order to slow growth in real GDP to around 3 percent annually, the presumed optimal sustainable growth rate for the U.S. economy. Interest rates, as measured by the federal funds rate, are projected to rise from their current level of 2.25 percent to around 4.5 percent, the presumed neutral level for interest rates in which the rate neither encourages nor discourages growth in the economy. Interest rates on both the short and long ends of the yield curve will increase in 2005. Recent changes in the manner in which the Federal Reserve communicates its policy intentions to the financial markets has moderated the impact of recent rate hikes. This new openness has allowed the bond markets to “price in” the rate increase and provided more certainty to the bond market. As result, the financial markets have a relatively clear roadmap of the future of Federal Reserve actions for 2005.

Risks to the forecast remain a concern. The most recent current accounts deficit, a measure of imports vs. exports, has reached a record high of 6 percent of real GDP, due in large part to the undervalued Chinese Yuan. A significant concern for 2005 will involve the mounting pressure on China to re-value its currency, which is currently pegged to the falling U.S. dollar. The resulting revaluation will likely have significant costs to the U.S. economy as the costs of imports will rise. While this should help the current accounts deficit, given the volume of U.S. consumption, business and household incomes could be hurt as could overall economic growth. A continuation of the decline in the dollar is expected in 2005 and continued deficit spending at various governmental levels is projected. As result, the current financial position appears unsustainable. U.S. deficit spending, whether in the form of the federal budget deficit, current account deficit or household and corporate debt are largely underwritten by massive amounts of foreign investment, mostly by foreign central banks. If these foreign central banks become unwilling to continue to hold U.S. securities given the declining dollar, the economy could be adversely impacted from rising interest rates and inflation. Geopolitical uncertainty remains, not only in the form of the tenuous security situation in Iraq but also from a perception of American unilateralism as well as the possibility of further terrorist strikes at American interests at home or abroad. Therefore, the possibility of external shocks to the economy remains elevated.

Pennsylvania Outlook

The Pennsylvania economy has traditionally been reflective of national economic trends, albeit at reduced levels. As the recovery from the recession of 2001 has gained traction nationally in 2004, the recovery to date in Pennsylvania has been more moderate. A pattern of partial disconnect between portions of the Pennsylvania economy and the national economy is re-emerging. By examining certain economic indicators, it becomes noticeable that during periods of economic expansion, Pennsylvania lags the national averages. However, during periods of economic downturns, Pennsylvania either tracks various national economic indicators or even outperforms the national economy, meaning that after most recent recessions, Pennsylvania’s economy grows at a more subdued pace. Chart 5 highlights this comparison at a macro-level by comparing U.S. real gross domestic product annual growth rates with Pennsylvania’s real gross state product growth rates for the 1998-2004 period, augmented by forecasts for 2005 through 2008. As indicated, the

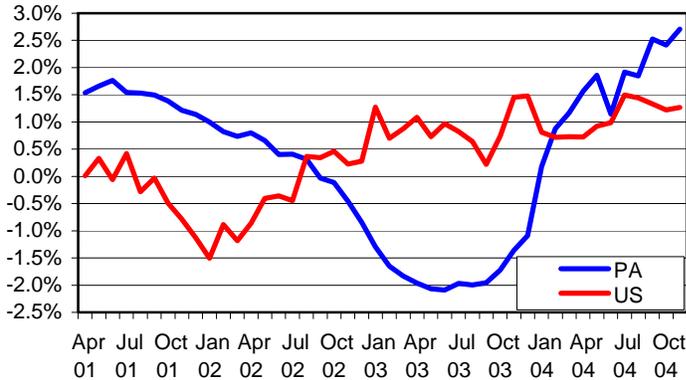
Chart 5
REAL US GDP vs. REAL PA GSP
Annual Growth



Commonwealth outperformed the national economy in 2002 but since then, growth in Pennsylvania's gross state product has lagged growth in the broader economy.

The most recent Index of State Economic Momentum, as published by State Policy Reports, indicates that the Commonwealth is 42nd in total economic momentum as measured by the combination of 1) population growth, 2) personal income growth, and 3) employment growth.

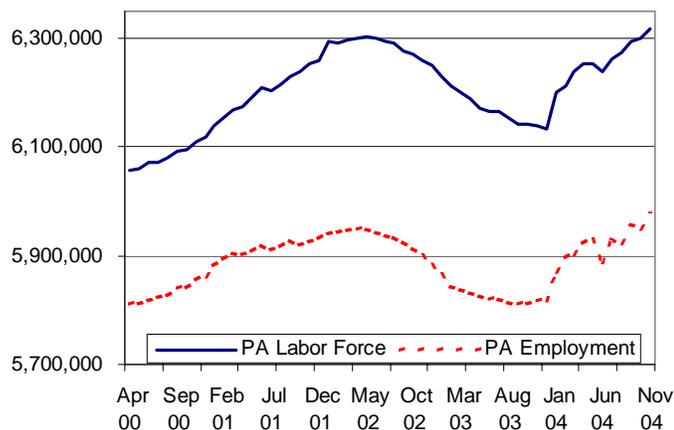
Chart 6
EMPLOYMENT GROWTH
Year-Over-Year Growth



Pennsylvania ranked 35th in personal income growth, an improvement over the 38th ranking in the same study from 2003. However, Pennsylvania now ranks 43rd in employment growth according to the Index of State Economic Momentum, which represents a drop in the Commonwealth's ranking from 31st in 2003. According to forecasts provided by Economy.com, Pennsylvania currently is projected to rank 49th out of a possible 54 in terms of job creation for the period covering 2003-2005, while longer term, Pennsylvania is projected to be 50th in job creation from 2003-2008.

Pennsylvania's labor market continued to struggle through the recovery in late 2002 and during the entire year of 2003, as job losses continued to significantly impact economic growth in Pennsylvania. Chart 6 indicates that a continued loss of jobs was experienced in Pennsylvania while the national economy was experiencing positive job creation. Beginning in January 2004, the Commonwealth began to experience positive job creation that actually outperformed the national average during all of 2004. However, despite this rise in job creation, Pennsylvania's unemployment rate began to rise in 2004, reaching a height of 5.6 percent in August 2004. The reason Pennsylvania has been experiencing a rising unemployment rate despite positive growth in job creation is due to growth in the state's labor force during 2004, which has been greater than the national average. Chart 7 indicates that Pennsylvania's labor force has grown 2.9 percent from November 2003 to November 2004 while the national labor force has only grown at a rate of 0.8 percent. As result, despite above average job growth in Pennsylvania, the Commonwealth's unemployment rate has risen while nationally the unemployment rate has actually fallen, in large part because of a slower growing national labor force rather than significant job creation at the national level.

Chart 7
PA LABOR FORCE AND EMPLOYMENT



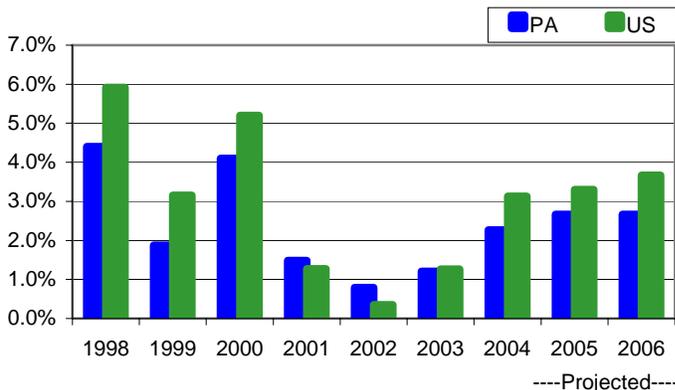
Improvements in the Commonwealth's economic performance will be largely dependent upon job growth, which has been rebounding in 2004. Employment sectors experiencing significant job growth include construction, leisure and hospitality, and the business and professional services sectors. The strong presence of manufacturing in the Commonwealth and the continuing loss of jobs in this important sector has been restraining growth in the Pennsylvania economy. The information technology and transportation sectors have also been experiencing job losses recently. Exposure in significant aviation-related industries is also impacting the

Commonwealth's economy. Bankruptcies of numerous national airlines, including US Airways, could result in significant job losses as the industry restructures. The loss of the US Airways hub in Pittsburgh will have an adverse impact on the region's economy. While some jobs may be replaced in Philadelphia or Pittsburgh by new low-cost carriers servicing Pennsylvania, it is unlikely these new market entrants will service the entire state to the degree of US Airways, thereby impacting service and commerce in smaller metro areas.

Despite a struggling recovery and continued job losses, the Commonwealth's growth in real personal income outperformed the national average in 2001 and 2002 and nearly matched the growth nationally in 2003. Chart 8 plots actual and forecast annual real personal income growth for Pennsylvania and the United States for the years 1998 through 2006. As shown, growth in real personal income within Pennsylvania lagged the national rate during the period when the economy was expanding in the late 1990's. As indicated, national real personal income growth rate slowed to a level below that of the Commonwealth during the recession and the subsequent "jobless-recovery" period through 2003. However, as the national economy gained traction in 2004, the divergence between the state and national rates is projected to reappear.

Continued weakness in the state's old-line manufacturing and transportation industries, particularly aviation, reduce the prospects for significant state economic growth. Growth in education, health care and business services employment and recent above average overall job growth in Pennsylvania during 2004 are projected to result in moderate growth of real personal income during calendar years 2005 and 2006, but at levels below the national average.

Chart 8
PA AND US REAL PERSONAL INCOME
Annual Percent Growth



The short-term outlook for Pennsylvania's economy remains heavily dependent on trends in the national economy. Economic growth in Pennsylvania has a high correlation with growth in the U.S. economy overall. It is estimated that 93 percent of Pennsylvania's employment volatility is associated with U.S. employment changes. Over the long term, Pennsylvania's economy continues to diversify significantly and this should enable the state to better cope with cyclical downturns. However, due to weak demographic trends,

Pennsylvania's economy is also likely to expand at a subdued rate. Demographically, Pennsylvania will continue to experience slow growth in population, although out-migration has experienced a brief respite as the Commonwealth has had a positive migration flow in 2002 and 2003. On the positive side, thanks to enhanced economic development efforts, an improving business climate (with business costs now roughly equal to the national average), and improving job growth, Pennsylvania's economy is poised for moderate growth in the near term. Pennsylvania is also succeeding in attracting high value-added industries such as electronics, pharmaceuticals and computer services. On balance, the continued diversification of the Pennsylvania economy and improvements to the business climate are projected to support moderate economic rebound, but demographic challenges and an aging infrastructure will likely lead to a slower expansion in Pennsylvania compared to the rest of the U.S.

SUMMARY OF MAJOR OPERATING FUNDS

The total 2005-06 operating budget for the Commonwealth is \$52.5 billion. It includes over \$23.8 billion in the General Fund, \$2.2 billion in the Motor License Fund, \$17 billion in Federal funds and nearly \$9.5 billion in fees and other special fund revenues.

The majority of the Commonwealth's operating expenses are paid from the General Fund, Motor License Fund and Lottery Fund. The following provides an overview of major revenues and expenditures. More details regarding these funds may be found in Section C – Summary by Fund and Section E – Department Presentations.

General Fund

Revenue

The General Fund is the Commonwealth's largest operating fund. It receives all tax revenue, non-tax revenue and Federal grants and entitlements not specified by law to be deposited elsewhere. The General Assembly makes appropriations of specific amounts from tax revenue and certain non-tax revenue of the General Fund. These amounts are contained in this budget as General Fund Revenue Sources.

Tax revenue in the General Fund constitutes over 97 percent of annual General Fund revenue. Four taxes account for the majority of General Fund tax revenue. The personal income tax, the sales and use tax, the corporate net income tax and the capital stock and franchise tax together provide approximately 79 percent of annual General Fund revenue. For non-tax revenue, the largest sources of revenue are earnings on investments and the escheats or "unclaimed property" program.

Recent Revenue Trends: For the five fiscal years ending with 2003-04, total General Fund revenue grew by 12.7 percent, an annual rate of 3.0 percent. The rate of growth for revenue during the period has been affected by the enactment of several tax rate and tax base changes that have enhanced receipts. Without adjusting for tax rate and base changes, the major tax revenue sources experiencing the largest growth during this period were the cigarette tax, the realty transfer tax, the gross receipts tax and insurance premiums tax. All had five-year increases of over 27 percent. Revenue from some tax sources declined over the period. Receipts from the major corporate taxes and inheritance tax fell by an average annual amount of 2.5 percent and 2.3 percent respectively. The declines in these taxes were partially the result of periodic reductions to the rates and bases enacted over the prior five fiscal years. Non-tax revenue sources during this period increased by 75.4 percent. Increased liquor store profits transfer and miscellaneous receipts, led by revisions to the Commonwealth's escheats program and interest earnings, accounted for most of the increase during the period.

Receipts from the personal income tax in recent fiscal years have been impacted by a fitful recovery to the most recent recession. Personal income tax collections over the past five completed fiscal years have averaged 2.3 percent annual growth. An upward revision in the personal income tax rate enacted in December 2003 impacted the average annual growth rate calculated above. Prior to the increase in the tax rate, receipts from the personal income tax had experienced successive years of decline in 2002 and 2003 as Pennsylvania struggled to recover from the 2001 recession. Personal income tax receipts through December 2004 are 1.6 percent over the 2004-05 Official Estimate. For fiscal year 2005-06, personal income tax receipts are anticipated to rise 4.5 percent above the Revised 2004-05 Estimate. Estimates for the personal income tax are developed from a regression equation that uses forecasts of wages, salaries, interest, dividends and rents.

The sales and use tax is levied on taxable property and services used by consumers and by businesses. Recently, annual growth rates for this tax have varied significantly from a high of 7.4 percent in 1998-99 to a low of 1.2 percent in 2001-02. Sales and use tax receipts over the past five completed fiscal years have averaged 2.4 percent annual growth. Sales and use tax receipts through December are 3.6 percent over 2003-04 levels. For 2005-06, the expectation for modest gains in consumption spending is expected to produce a growth rate of 3.3 percent over the Revised 2004-05 Estimate. Estimates for the sales and use tax are developed from a regression equation that uses forecasts of national consumer expenditures on durable goods, business investment and national consumption on new and used motor vehicles.

The largest General Fund tax on business is the corporate net income tax. Annual receipts from the corporate net income tax can vary significantly from year-to-year and may experience a year-over-year decline. This variability is due to fluctuations in corporate profitability, including losses, the availability and use of tax credits and net operating loss deductions, and the timing of estimated and final state tax payments based on when a corporation's tax year begins. Corporate tax receipts, including both the corporate net income tax and the capital stock and franchise tax, had experienced three consecutive years of negative year-over-year growth due in large part to the slow and fitful recovery from the 2001 recession. In addition, previously enacted tax rate reductions to the capital stock and franchise tax continue to be implemented which annually reduce the tax rate imposed until it is entirely eliminated in 2011. Corporate tax receipts over the past five completed fiscal years have declined by an average of 2.5 percent annually. However, corporate profits rebounded in 2003-04, which resulted in corporate tax receipts finishing the fiscal year with net year-over-year increase of 16.1 percent. As result of the significant growth experienced in 2003-04 the average annual decline in corporate receipts experienced during the past five year period was reduced from an average annual decline of 5.1 percent through 2002-03 to the aforementioned average annual decline of 2.5 percent through 2003-04. Current fiscal year-to-date corporate tax receipts are 15.6 percent above 2003-04 levels through December. Corporate tax receipts for all of 2004-05 are projected to increase by 10.0 percent over 2003-04 actual receipts. This growth rate reflects additional revenues associated with the newly enacted gross receipts tax on interstate and mobile telecommunications. Estimates for the corporate net income tax are developed from a regression equation that uses forecasts of national before-tax corporate profits.

Expenditures

The General Fund is the primary funding source for most State agencies and institutions. About three quarters of every dollar is returned to individuals, local governments, institutions, school districts, etc. in the form of grants and subsidies. The remainder pays operating expenses and debt service.

The total General Fund budget proposed for 2005-06 is \$23.85 billion, an increase of \$815 million or 3.5 percent. Major program expenditures occur in the areas of state correctional institutions, education, and public health and welfare.

State Correctional Institutions: The 2005-06 budget proposed for the State correctional institutions is in excess of \$1.3 billion. From 2001-02 to 2005-06, total costs have grown from over \$1.1 billion to over \$1.3 billion. This is due to the continuing rise in the inmate population in the State correctional institutions, which has grown from 37,995 inmates in 2001-02 to an estimated 41,628 inmates in 2005-06.

Basic Education: The financial responsibility for public education in Pennsylvania is shared by the Commonwealth and 501 local school districts. Funds provided by the Commonwealth supplement the funds raised locally. State aid to local school districts is provided through various school subsidy payments for basic instruction, career and technical education, debt service, pupil transportation, employee retirement programs including social security and various special education programs.

The largest such subsidy is the Basic Education Funding subsidy, which provides Commonwealth aid to local school districts. This budget proposes nearly \$4.5 billion for the Basic Education Funding subsidy in 2005-06. It also proposes \$200 million for continuation of the Accountability Grant Program.

Higher Education: Higher education in Pennsylvania is provided through 267 degree-granting institutions, which include the fourteen universities of the State System of Higher Education, four State-related universities, community colleges and various other independent institutions. The budget proposes over \$1.9 billion for higher education institutions and students. This includes over \$368 million for the Grants to Students Program.

Public Health and Welfare: The Commonwealth provides temporary support for its residents who are seeking to achieve and sustain independence. It also provides care, treatment and rehabilitation to persons with mental and physical disabilities and supports programs to prevent or reduce social, mental and physical disease and disabilities. For 2004-05, the total public

health and human services expenditures from all sources is \$24.4 billion. For 2005-06, \$24.6 billion has been proposed for these programs. In 2005-06, the amount from the General Fund will be \$8.9 billion, which is an increase of \$560 million or 6.7 percent.

The largest component of the public health and welfare expenditures is the Medical Assistance (MA) Program. In the last ten years, the program grew at an annual rate of 9.92 percent. While the overall economy is recovering from the recent recession, the jobless recovery results in continued growth in caseload. Technological advances in medicine and general medical inflation, including increase in pharmaceutical prices, result in a significant increase in the projected State MA match requirement for 2005-06. This budget proposes various alternative revenue and cost containment strategies to offset General Fund costs. The 2004-05 cost from all sources is \$14.0 billion and the 2005-06 budget proposes appropriations totaling \$14.3 billion, including \$4.5 billion in State funds.

Income maintenance, including cash assistance payments to families in transition to independence and self-sufficiency, totaled \$2.4 billion from all sources for 2004-05. The 2005-06 budget proposes total resources of \$2.4 billion. The Commonwealth's General Fund appropriation is increased from \$941 million to \$952 million. The budget provides a total of \$565 million for child care services. This represents an increase of 58 percent since 1999-00. The number of children served from low-income families increased by 93 percent.

The 2005-06 budget continues the policy of supporting independence for people with mental retardation and mental health disabilities. In June 1999, the State supported 6,126 institutional beds. By June 2005, that will be reduced to 3,729, a reduction of 39 percent. Over that period, the community budgets will have grown by \$806 million in total funds, an increase of 69 percent.

Motor License Fund

The Motor License Fund is one of the special revenue funds of the Commonwealth and a major operating fund of the Commonwealth. It is the fund that receives most of the revenues required by the Constitution of Pennsylvania to be used only for costs of construction, reconstruction, maintenance and repair of and safety on highways and bridges in the Commonwealth and for the payment of debt service on obligations incurred for such purposes. The major sources of revenue to the Motor License Fund are from motor fuels taxes, vehicle registration fees, license and operators' license fees and excise taxes imposed on products used in motor transportation. Certain of these revenues are further restricted to specific highway uses and are not included in the Motor License Fund estimate of revenue.

Liquid fuels taxes provided approximately 53 percent of total Motor License Fund revenues in 2003-04. Revenue from liquid fuels taxes has increased only slightly over the past five fiscal years. For the five-year period ending with 2003-04, liquid fuels tax revenues increased at an average annual rate of 1.5 percent. The budget for 2005-06 projects a strong rise in receipts of 6.3 percent. This growth is partially due to a statutorily mandated increase in the Oil Company Franchise Tax rate.

License and fee revenues represent the other major source of revenues for the Motor License Fund. Annual growth of receipts from these sources has also increased slowly. For the five-year period ending with 2003-04, license and fee revenues increased at an average annual rate of 1.1 percent. For 2005-06 a 0.9 percent increase is projected.

For the eighth year in a row, the budget for 2005-06 recommends over a billion dollars for highway maintenance. More importantly, revenue enhancements have permitted a shift in highway maintenance from the least costly and least effective "oil and chip" patch repairs to more substantial and desirable resurfacing and reconstruction methods. At the same time, the additional revenues have allowed more miles of roads to be repaired and safety enhancements to be made in all of the Commonwealth's counties.

In addition to the above, improvements continue to be made in customer services at the Department of Transportation. In 2001, the department successfully implemented its Internet renewal system for use by the general public. This new program gives customers the ability to renew their non-commercial driver's license, photo identification card or vehicle registration

electronically. The issuing of licenses and registrations continues to be decentralized, making it easier for the citizens of the Commonwealth to use these services. In addition, the time needed to issue licenses and registrations continues to be reduced.

Looking to the future, the department is researching highway systems technology in such areas as intelligent transportation systems, advanced maintenance technologies and high performance pavement markings. In addition, the department will provide quality services that are user-friendly and customer-focused and will remain responsive and accountable to the citizens of the Commonwealth.

The Department of Transportation will continue to establish and maintain a first-rate infrastructure, which unites roads, rails, waterways, airports and information networks linking goods, services, people and ideas to our community, State and world markets.

Environmental Stewardship Fund

The Environmental Stewardship Fund is a special fund of the Commonwealth, created in December 1999 by Act 68 of 1999, the Environmental Stewardship and Watershed Protection Act. This is the primary source of funding for the broad "Growing Greener" initiative that addresses environmental issues such as farmland preservation, open space protection, maintenance in State parks, abandoned mine reclamation, watershed protection and restoration, recreational trails, local parks, land use planning and local drinking water and sewer systems.

This fund is composed of monies received from landfill fees and interest earnings. The Environmental Stewardship Fund originally received revenue from a 25 cent per ton, or 25 cent per three cubic yards, fee for all solid waste received at a landfill in the Commonwealth. Act 90 of 2002 added an additional \$4 per ton disposal fee for all solid waste disposed of at any municipal waste landfill.

As part of the Growing Greener II Program, this budget proposes an additional \$1 per ton fee on the disposal of municipal solid waste to support the activities currently funded by the Environmental Stewardship Fund. Without this new revenue source, funding for Growing Greener programs would decrease in fiscal year 2005-06 to \$93 million from \$107 million in fiscal year 2003-04. The higher funding level was made possible by transfers from the Recycling Fund and Hazardous Sites Cleanup Fund, but these transfers are no longer possible due to low fund balances in these two funds.

In addition, this budget proposes reestablishing permanent funding for the Agriculture Conservation Easement Purchase Fund by providing this program with a yearly percentage (14.8%) of Environmental Stewardship Fund revenues.

Growing Greener II also includes an additional \$4 per ton disposal fee on municipal and residual waste to be deposited into the new Environmental Revitalization Account within the Environmental Stewardship Fund. These funds will be used for the new Historic Preservation Grants Program, the twice-per-year Green Tag Sales Tax Holiday, debt service on the \$800 million Growing Greener bond issue and the other activities proposed under Growing Greener II.

The Commonwealth agencies involved with the original "Growing Greener" programs are the Department of Conservation and Natural Resources, the Department of Environmental Protection, the Department of Agriculture, and the Infrastructure Investment Authority. For additional details, please see the Environmental Stewardship Fund in Section C.

Lottery Fund

The Lottery Fund is a special revenue fund that receives the proceeds of lottery sales. It provides funding for lottery prizes and for programs supporting older Pennsylvanians. These programs include property tax and rent assistance, community care programs, mass transit fare subsidies and assistance in the purchase of pharmaceuticals.

In recent years, the Pennsylvania State Lottery had reached a state of maturity where growth in sales revenues had slowed dramatically because of decreased participation in the online games. The online games only showed results primarily when there were unusually large jackpots of several million dollars. In addition, the more popular instant games, although increasing in volume, also carry a lower profitability factor. To counter that trend of slow growth in revenues, the Lottery has joined the multi-state Powerball game, is working with retailers to expand sales, has implemented midday drawings, and has expanded advertising campaigns to promote higher levels of participation. Player Activated Terminals are being distributed throughout wider retail locations to broaden game accessibility. Combined, these efforts will address the Fund's previous inability to maintain programs.

The total cost of programs funded through the Lottery Fund continues to increase. The largest program in the Lottery Fund is the Pharmaceutical Assistance Contract for the Elderly (PACE) Program. This program provides pharmaceutical benefits to qualified older Pennsylvanians who face a growing burden from the cost of drugs required to maintain healthy and productive lives. Act 37 of 2003 expanded the income eligibility limits of the PACE Program making more than 100,000 additional individuals eligible for enrollment. The expansion is funded through a combination of Lottery revenue enhancements and cost containment initiatives in the PACE Program. In addition, the Federal Medicare pharmacy program is expected to result in as-yet unquantified savings to the Lottery Fund. For 2005-06, a transfer of \$400 million to the Pharmaceutical Assistance Fund will provide assistance to 316,400 older Pennsylvanians at an estimated cost of \$488.8 million. This is a \$163 million (69 percent) increase in the transfer compared to 1997-98. The second largest program in the Lottery Fund is the PENNCARE Program that provides in-home and community-based services to older Pennsylvanians to enrich their lives and enable them to delay or avoid institutionalization. For 2005-06, \$217.9 million is provided for the PENNCARE appropriation. Combined, these programs account for approximately 69 percent of total Lottery Fund program expenditures.

Tobacco Settlement Fund

On December 17, 1999, Pennsylvania finalized its contractual agreement with the five major tobacco companies under the Master Settlement Agreement (MSA). 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 for the first 25 years of the agreement is in excess of \$9 billion, with annual payments ranging between \$322 million and \$434 million from 1999 to 2025.

The Tobacco Settlement Act 77 of 2001 established the Tobacco Settlement Fund as the special revenue fund that receives the proceeds from the MSA for the Commonwealth. It provides funding for programs such as health care insurance for the uninsured, home and community-based care, contributions to the PACENET program, tobacco use prevention and cessation, broad-based health research, medical care for workers with disabilities, and uncompensated care.

The fund also maintains an endowment component to preserve a portion of the receipts to ensure funds for future generations, sustain critical programs if tobacco allocations decrease, and provide ongoing revenue if tobacco allocations cease. The initial payment from the MSA of \$142 million was deposited into the endowment account. In addition, strategic contribution payments, earnings from investments, and eight percent of the annual payment from the MSA are deposited into the endowment account. Following the creation of the account, it has become apparent that there are imbalances in the resource allocation percentages for the Tobacco Settlement Fund. This budget proposes changes in these allocation percentages. For additional details, see the Tobacco Settlement Fund in Section C.

Rainy Day Fund

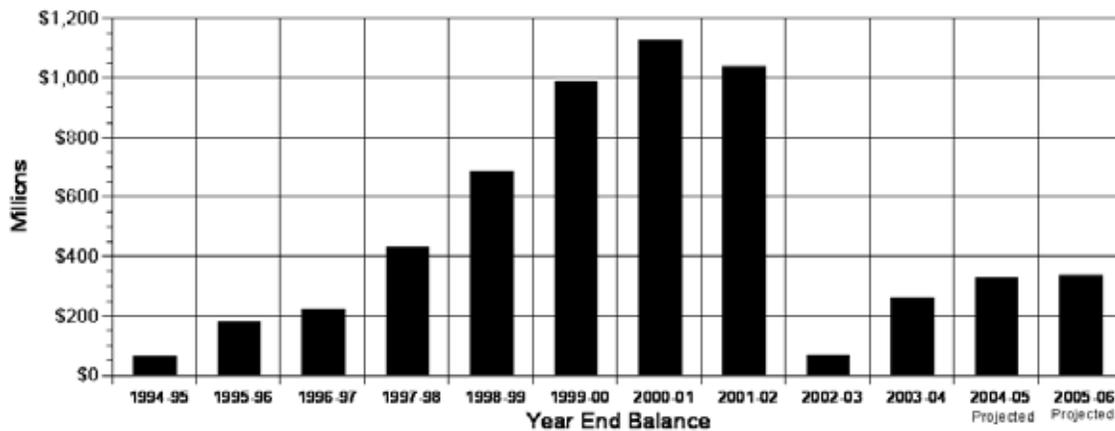
Act 91 of 2002 created the Budget Stabilization Reserve Fund to replace the Tax Stabilization Reserve Fund as the Commonwealth's Rainy Day Fund. The purpose of the Rainy Day Fund is to provide financial assistance to counterbalance downturns in the economy that result in revenue shortfalls in order to promote greater continuity and predictability in the funding of vital government services.

The Budget Stabilization Reserve Fund is to receive an annual transfer of 25 percent of the General Fund's fiscal year ending balance. The transfer requirement is reduced to 10 percent of the General Fund's ending balance if the balance of the Budget Stabilization Reserve Fund equals or exceeds 6 percent of actual General Fund revenues received for the fiscal year. Appropriations out of the Budget Stabilization Reserve Fund require approval by two-thirds of the members of each house of the General Assembly.

At the close of the 2001-02 fiscal year, the balance of the former Tax Stabilization Reserve Fund was nearly \$1.04 billion. As shown on the graph below, 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, Act 91 of 2002 repealed the Tax Stabilization Reserve Fund and by law the entire balance was transferred to the General Fund. The General Appropriation Act of 2002 transferred \$300 million from the General Fund as an initial deposit into the new Budget Stabilization Reserve Fund. Subsequently, the General Appropriation Act of 2003 repealed this transfer and the \$300 million reverted back to the General Fund. In accordance with Act 91 of 2002, 25 percent of the General Fund's 2002-03 fiscal year ending balance, or \$69.8 million, was transferred to the Rainy Day Fund after the close of the fiscal year.

The transfer from the 2003-04 General Fund balance to the Budget Stabilization Reserve Fund of \$190 million exceeded the 25% statutory minimum and increased the balance in the Fund to over \$260 million, bringing it slightly higher than the balance in 1996-97. This budget projects statutory year-end transfers to the Fund of \$67.1 million from 2004-05 and \$1.2 million from 2005-06.

Rainy Day Fund



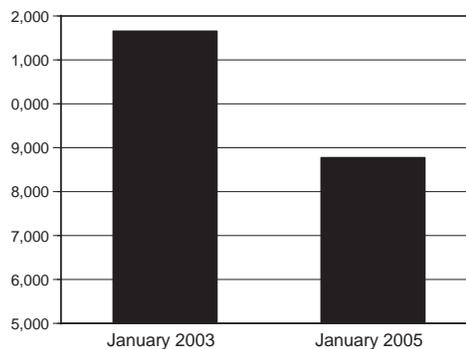
Complement

A major component of any budget is the size of its workforce or complement. In Pennsylvania, a complement level (the number of full-time equivalent (FTE) salaried positions) is authorized by appropriation for each agency under the Governor's jurisdiction. A summary of authorized salaried complement by department is included in Section I of this budget document.

The Commonwealth's total authorized complement level was 86,125 positions when the Rendell Administration took office in January 2003. This level has been reduced thus far to 84,771 – a reduction of 1,354 positions. This budget proposes an additional reduction in the Commonwealth's total authorized FTE salaried complement level in 2005-06 of 1,572 positions, reducing the total authorized complement level by 2,926 positions since the Administration took office.

In conjunction with this reduction in authorized position levels, the number of filled positions has also been declining. The number of filled salaried positions in agencies under the Governor's jurisdiction was 81,657 when the Rendell Administration took office in January 2003. As of mid-January 2005, the number of filled salary positions was 78,774. This represents a reduction of 2,883 filled positions, or a reduction of over 3.5 percent.

Filled Salaried Complement





STATEMENTS

This section summarizes the budget for the General Fund and selected Special Funds. It includes seven year financial statements for each of these funds, a seven year summary by agency and fund, summaries by the seven Commonwealth Programs, and several summaries for the General Fund including income by major source and outgo by program.

Seven Year Financial Statements By Fund

The following financial statements are a summary of the General Fund and selected Special Fund revenues and expenditures for the 2003-04 actual year, 2004-05 available year, 2005-06 budget year, as well as future year estimates. Additional information on revenues and expenditures is detailed in subsequent tables and in Section C of this budget.

General Fund

(Dollar Amounts in Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance ^a	\$ 209,325	\$ 76,750	\$ 201,394	\$ 3,685	\$ 0	\$ 0	\$ 0
Revenues.....	\$ 22,828,078	\$ 24,157,400	\$ 24,734,100	\$ 25,646,100	\$ 26,469,100	\$ 27,243,300	\$ 28,075,800
Adjustments ^b	-885,287	-984,750	-1,085,000	-1,125,000	-1,165,000	-1,205,000	-1,245,000
Funds Available.....	\$ 22,152,116	\$ 23,249,400	\$ 23,850,494	\$ 24,524,785	\$ 25,304,100	\$ 26,038,300	\$ 26,830,800
Expenditures.....	-21,885,366	-22,980,875	-23,845,580	-24,506,519	-25,252,528	-26,019,016	-26,814,577
Closing Balance.....	\$ 266,750	\$ 268,525	\$ 4,914	\$ 18,266	\$ 51,572	\$ 19,284	\$ 16,223
Less Transfer to Budget Stabilization Reserve Fund.....	-190,000	-67,131	-1,229	-4,567	-12,893	-4,821	-4,056
Ending Balance ^a	<u>\$ 76,750</u>	<u>\$ 201,394</u>	<u>\$ 3,685</u>	<u>\$ 13,699</u>	<u>\$ 38,679</u>	<u>\$ 14,463</u>	<u>\$ 12,167</u>

^aEnding balance not carried forward after 2005-06.

^bIncludes net revenue accruals, refunds, lapses and adjustments to beginning balances.

Overview and Summaries

Seven Year Financial Statements By Fund

Motor License Fund^a

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 30,449	\$ 113,591	\$ 144,610	\$ 89,936	\$ 114,448	\$ 156,320	\$ 199,582
Receipts.....	2,105,768	2,113,050	2,194,620	2,223,120	2,240,480	2,241,870	2,253,060
Funds Available.....	\$ 2,136,217	\$ 2,226,641	\$ 2,339,230	\$ 2,313,056	\$ 2,354,928	\$ 2,398,190	\$ 2,452,642
Less Expenditures.....	-2,022,626	-2,082,031	-2,249,294	-2,198,608	-2,198,608	-2,198,608	-2,198,608
Ending Balance.....	<u>\$ 113,591</u>	<u>\$ 144,610</u>	<u>\$ 89,936</u>	<u>\$ 114,448</u>	<u>\$ 156,320</u>	<u>\$ 199,582</u>	<u>\$ 254,034</u>

Banking Department Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 22,125	\$ 26,897	\$ 28,383	\$ 28,938	\$ 29,493	\$ 30,048	\$ 30,603
Receipts.....	15,934	16,005	17,634	17,634	17,634	17,634	17,634
Funds Available.....	\$ 38,059	\$ 42,902	\$ 46,017	\$ 46,572	\$ 47,127	\$ 47,682	\$ 48,237
Less Expenditures.....	-11,162	-14,519	-17,079	-17,079	-17,079	-17,079	-17,079
Ending Balance.....	<u>\$ 26,897</u>	<u>\$ 28,383</u>	<u>\$ 28,938</u>	<u>\$ 29,493</u>	<u>\$ 30,048</u>	<u>\$ 30,603</u>	<u>\$ 31,158</u>

Boat Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 13,258	\$ 15,309	\$ 13,753	\$ 10,994	\$ 7,778	\$ 4,300	\$ 653
Receipts.....	12,723	11,589	10,739	10,739	10,739	10,739	10,739
Funds Available.....	\$ 25,981	\$ 26,898	\$ 24,492	\$ 21,733	\$ 18,517	\$ 15,039	\$ 11,392
Less Expenditures.....	-10,672	-13,145	-13,498	-13,955	-14,217	-14,386	-14,558
Ending Balance.....	<u>\$ 15,309</u>	<u>\$ 13,753</u>	<u>\$ 10,994</u>	<u>\$ 7,778</u>	<u>\$ 4,300</u>	<u>\$ 653</u>	<u>\$ -3,166</u>

^a Excludes restricted revenue.

Overview and Summaries

Seven Year Financial Statements By Fund

Environmental Stewardship Fund^a

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 1,529	\$ 5,512	\$ 1,114	\$ 0	\$ 0	\$ 0	\$ 0
Receipts.....	111,083	91,500	112,500	112,665	112,665	112,665	112,665
Funds Available.....	\$ 112,612	\$ 97,012	\$ 113,614	\$ 112,665	\$ 112,665	\$ 112,665	\$ 112,665
Less Expenditures.....	-107,100	-95,898	-113,614	-112,665	-112,665	-112,665	-112,665
Ending Balance.....	<u>\$ 5,512</u>	<u>\$ 1,114</u>	$ 0	$ 0	$ 0	$ 0	<u>\$ 0</u>

Farm Products Show Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ -742	\$ 248	\$ 302	\$ 332	\$ 54	\$ 91	\$ 460
Receipts.....	8,528	8,674	8,262	8,313	8,628	8,960	9,308
Funds Available.....	\$ 7,786	\$ 8,922	\$ 8,564	\$ 8,645	\$ 8,682	\$ 9,051	\$ 9,768
Less Expenditures.....	-7,538	-8,620	-8,232	-8,591	-8,591	-8,591	-8,591
Ending Balance.....	<u>\$ 248</u>	<u>\$ 302</u>	<u>\$ 332</u>	<u>\$ 54</u>	<u>\$ 91</u>	<u>\$ 460</u>	<u>\$ 1,177</u>

Fish Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 11,064	\$ 11,239	\$ 10,730	\$ 11,043	\$ 9,732	\$ 7,610	\$ 4,965
Receipts.....	31,097	32,805	32,708	33,356	33,306	33,256	33,206
Funds Available.....	\$ 42,161	\$ 44,044	\$ 43,438	\$ 44,399	\$ 43,038	\$ 40,866	\$ 38,171
Less Expenditures.....	-30,922	-33,314	-32,395	-34,667	-35,428	-35,901	-36,384
Ending Balance.....	<u>\$ 11,239</u>	<u>\$ 10,730</u>	<u>\$ 11,043</u>	<u>\$ 9,732</u>	<u>\$ 7,610</u>	<u>\$ 4,965</u>	<u>\$ 1,787</u>

^a Excludes restricted revenue.

Overview and Summaries

Seven Year Financial Statements By Fund

Game Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 20,830	\$ 14,700	\$ 11,285	\$ 5,199	\$ 3,555	\$ 1,911	\$ 267
Receipts.....	56,595	56,948	55,333	59,775	59,775	59,775	59,775
Funds Available.....	\$ 77,425	\$ 71,648	\$ 66,618	\$ 64,974	\$ 63,330	\$ 61,686	\$ 60,042
Less Expenditures.....	-62,725	-60,363	-61,419	-61,419	-61,419	-61,419	-61,419
Ending Balance.....	<u>\$ 14,700</u>	<u>\$ 11,285</u>	<u>\$ 5,199</u>	<u>\$ 3,555</u>	<u>\$ 1,911</u>	<u>\$ 267</u>	<u>\$ -1,377</u>

Keystone Recreation, Park and Conservation Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 19,948	\$ 64,449	\$ 73,091	\$ 69,370	\$ 71,618	\$ 78,364	\$ 83,899
Receipts.....	139,007	104,736	76,989	79,589	87,389	93,789	99,289
Funds Available.....	\$ 158,955	\$ 169,185	\$ 150,080	\$ 148,959	\$ 159,007	\$ 172,153	\$ 183,188
Less Expenditures.....	-94,506	-96,094	-80,710	-77,341	-80,643	-88,254	-94,533
Ending Balance.....	<u>\$ 64,449</u>	<u>\$ 73,091</u>	<u>\$ 69,370</u>	<u>\$ 71,618</u>	<u>\$ 78,364</u>	<u>\$ 83,899</u>	<u>\$ 88,655</u>

Lottery Fund

	(Dollar Amounts in Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 149,685	\$ 199,766	\$ 257,451	\$ 281,862	\$ 297,867	\$ 253,455	\$ 109,387
Add Reserve From Prior Year.....	100,000	100,000	100,000	100,000	100,000	50,000	0
Receipts.....	1,188,985	1,251,497	1,318,032	1,342,210	1,356,177	1,364,364	1,366,627
Funds Available.....	\$ 1,438,670	\$ 1,551,263	\$ 1,675,483	\$ 1,724,072	\$ 1,754,044	\$ 1,667,819	\$ 1,476,014
Less Expenditures*.....	-1,138,904	-1,193,812	-1,293,621	-1,326,205	-1,450,589	-1,558,432	-1,676,272
Less Reserve for Current Year.....	-100,000	-100,000	-100,000	-100,000	-50,000	0	0
Ending Balance.....	<u>\$ 199,766</u>	<u>\$ 257,451</u>	<u>\$ 281,862</u>	<u>\$ 297,867</u>	<u>\$ 253,455</u>	<u>\$ 109,387</u>	<u>\$ -200,258</u>

*Does not reflect possible revisions in future year Lottery Fund contributions to the PACE Fund as a result of Federal Medicare Pharmacy Medical Plan.

Overview and Summaries

Seven Year Financial Statements By Fund

Milk Marketing Fund

(Dollar Amounts in Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 1,376	\$ 1,310	\$ 1,133	\$ 1,013	\$ 893	\$ 773	\$ 653
Receipts.....	2,501	2,622	2,622	2,622	2,622	2,622	2,622
Funds Available.....	\$ 3,877	\$ 3,932	\$ 3,755	\$ 3,635	\$ 3,515	\$ 3,395	\$ 3,275
Less Expenditures.....	-2,567	-2,799	-2,742	-2,742	-2,742	-2,742	-2,742
Ending Balance.....	<u>\$ 1,310</u>	<u>\$ 1,133</u>	<u>\$ 1,013</u>	<u>\$ 893</u>	<u>\$ 773</u>	<u>\$ 653</u>	<u>\$ 533</u>

Racing Fund

(Dollar Amounts in Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 6,436	\$ 7,037	\$ 5,407	\$ 2,647	\$ 3,962	\$ 5,398	\$ 6,957
Receipts.....	17,066	15,740	17,199	18,514	19,950	21,509	22,154
Funds Available.....	\$ 23,502	\$ 22,777	\$ 22,606	\$ 21,161	\$ 23,912	\$ 26,907	\$ 29,111
Less Expenditures.....	-16,465	-17,370	-19,959	-17,199	-18,514	-19,950	-21,509
Ending Balance.....	<u>\$ 7,037</u>	<u>\$ 5,407</u>	<u>\$ 2,647</u>	<u>\$ 3,962</u>	<u>\$ 5,398</u>	<u>\$ 6,957</u>	<u>\$ 7,602</u>

Tobacco Settlement Fund

(Dollar Amounts in Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Beginning Balance.....	\$ 383,715	\$ 385,514	\$ 399,321	\$ 395,154	\$ 396,309	\$ 405,694	\$ 410,314
Receipts.....	431,942	399,321	395,154	396,309	405,694	410,314	416,646
Funds Available.....	\$ 815,657	\$ 784,835	\$ 794,475	\$ 791,463	\$ 802,003	\$ 816,008	\$ 826,960
Less Expenditures.....	-430,143	-385,514	-399,321	-395,154	-396,309	-405,694	-410,314
Ending Balance.....	<u>\$ 385,514</u>	<u>\$ 399,321</u>	<u>\$ 395,154</u>	<u>\$ 396,309</u>	<u>\$ 405,694</u>	<u>\$ 410,314</u>	<u>\$ 416,646</u>

Overview and Summaries

Seven Year Department Summary by Fund

The following is a summary by department of 2003-04 actual expenditures, the 2004-05 amounts available, the 2005-06 amounts budgeted and future year estimates as presented in the 2005-06 Governor's Executive Budget for the General Fund and selected Special Funds.

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Governor's Office							
General Fund.....	\$ 7,619	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	7,400
Executive Offices							
General Fund.....	\$ 255,482	\$ 271,906	\$ 254,010	\$ 253,910	\$ 253,910	\$ 254,010	253,910
Motor License Fund.....	11,341	11,328	11,702	11,702	11,702	11,702	11,702
Tobacco Settlement Fund.....	34,531	32,221	31,946	31,612	31,705	32,456	32,825
Department Total	\$ 301,354	\$ 315,455	\$ 297,658	\$ 297,224	\$ 297,317	\$ 298,168	298,437
Lieutenant Governor							
General Fund.....	\$ 1,097	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	1,363
Attorney General							
General Fund.....	\$ 73,842	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	74,977
Auditor General							
General Fund.....	\$ 49,560	\$ 50,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179	48,179
Treasury							
General Fund.....	\$ 712,986	\$ 449,919	\$ 805,389	\$ 888,118	\$ 933,300	\$ 977,274	1,013,664
Lottery Fund.....	17	50	50	50	50	50	50
Racing Fund.....	1	10	10	10	10	10	10
Motor License Fund.....	47,015	33,278	34,077	33,391	34,494	34,165	33,809
Game Fund.....	0	5	5	5	5	5	5
Fish Fund.....	0	5	5	5	5	5	5
Banking Department Fund.....	0	5	5	5	5	5	5
Milk Marketing Fund.....	0	5	5	5	5	5	5
Farm Products Show Fund.....	0	5	5	5	5	5	5
Boat Fund.....	0	5	5	5	5	5	5
Department Total	\$ 760,019	\$ 483,287	\$ 839,556	\$ 921,599	\$ 967,884	\$ 1,011,529	1,047,563
Aging							
General Fund.....	\$ 33,458	\$ 36,280	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518	19,518
Lottery Fund.....	576,692	581,949	625,179	649,786	767,786	868,786	994,786
Tobacco Settlement Fund.....	52,729	54,571	52,482	52,778	55,129	41,706	27,284
Department Total	\$ 662,879	\$ 672,800	\$ 697,179	\$ 722,082	\$ 842,433	\$ 930,010	1,041,588
Agriculture							
General Fund.....	\$ 71,908	\$ 81,427	\$ 67,590	\$ 67,340	\$ 67,340	\$ 67,340	67,340
Racing Fund.....	16,299	17,125	19,714	16,954	18,269	19,705	21,264
Environmental Stewardship Fund.....	15,851	16,500	16,815	16,815	16,815	16,815	16,815
Farm Products Show Fund.....	5,538	5,615	5,977	6,586	6,586	6,586	6,586
Department Total	\$ 109,596	\$ 120,667	\$ 110,096	\$ 107,695	\$ 109,010	\$ 110,446	112,005
Banking							
Banking Department Fund.....	\$ 10,824	\$ 14,196	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720	16,720
Civil Service Commission							
General Fund.....	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	1

Overview and Summaries

Seven Year Department Summary by Fund

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Community and Economic Development							
General Fund.....	\$ 439,636	\$ 521,824	\$ 360,213	\$ 388,374	\$ 416,494	\$ 442,058	\$ 454,563
Conservation and Natural Resources							
General Fund.....	\$ 95,714	\$ 98,223	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279
Environmental Stewardship Fund.....	25,811	22,549	27,380	27,112	27,112	27,112	27,112
Motor License Fund.....	1,000	2,000	1,000	1,000	1,000	1,000	1,000
Keystone Recreation, Park and Conservation Fund.....	72,019	64,071	52,838	50,043	51,733	56,803	60,963
Department Total	\$ 194,544	\$ 186,843	\$ 175,497	\$ 172,434	\$ 174,124	\$ 179,194	\$ 183,354
Corrections							
General Fund.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590
Education							
General Fund.....	\$ 8,753,845	\$ 9,407,780	\$ 9,639,649	\$ 9,811,647	\$ 9,988,237	\$ 10,089,350	\$ 10,143,711
Motor License Fund.....	1,230	1,230	1,230	1,230	1,230	1,230	1,230
Keystone Recreation, Park and Conservation Fund.....	15,167	17,745	17,304	17,289	18,563	20,090	21,377
Department Total	\$ 8,770,242	\$ 9,426,755	\$ 9,658,183	\$ 9,830,166	\$ 10,008,030	\$ 10,110,670	\$ 10,166,318
Emergency Management Agency							
General Fund.....	\$ 43,654	\$ 49,669	\$ 17,057	\$ 17,057	\$ 17,057	\$ 17,057	\$ 17,057
Motor License Fund.....	0	0	12,500	12,500	12,500	12,500	12,500
Department Total	\$ 43,654	\$ 49,669	\$ 29,557	\$ 29,557	\$ 29,557	\$ 29,557	\$ 29,557
Environmental Protection							
General Fund.....	\$ 193,334	\$ 192,803	\$ 172,153	\$ 172,153	\$ 172,153	\$ 172,153	\$ 172,153
Environmental Stewardship Fund.....	40,055	34,697	42,492	41,910	41,910	41,910	41,910
Motor License Fund.....	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Department Total	\$ 237,389	\$ 231,500	\$ 218,645	\$ 218,063	\$ 218,063	\$ 218,063	\$ 218,063
Fish and Boat Commission							
General Fund.....	\$ 13	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14
Fish Fund.....	24,801	25,710	25,570	27,842	28,603	29,076	29,559
Boat Fund.....	8,793	9,206	11,116	11,578	11,840	12,009	12,181
Department Total	\$ 33,607	\$ 34,930	\$ 36,700	\$ 39,434	\$ 40,457	\$ 41,099	\$ 41,754
Game Commission							
Game Fund.....	\$ 51,557	\$ 49,936	\$ 52,828	\$ 52,828	\$ 52,828	\$ 52,828	\$ 52,828
Gaming Control Board							
General Fund.....	\$ 0	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Services							
General Fund.....	\$ 111,443	\$ 111,552	\$ 108,423	\$ 108,582	\$ 108,423	\$ 108,582	\$ 108,423
Motor License Fund.....	20,244	20,260	20,235	20,235	20,235	20,235	20,235
Banking Department Fund.....	338	318	354	354	354	354	354
Department Total	\$ 132,025	\$ 132,130	\$ 129,012	\$ 129,171	\$ 129,012	\$ 129,171	\$ 129,012

Overview and Summaries

Seven Year Department Summary by Fund

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Health							
General Fund.....	\$ 248,548	\$ 270,352	\$ 232,553	\$ 232,553	\$ 232,553	\$ 232,553	\$ 232,553
Tobacco Settlement Fund.....	132,310	119,045	91,842	75,081	55,483	56,797	55,392
Department Total	\$ 380,858	\$ 389,397	\$ 324,395	\$ 307,634	\$ 288,036	\$ 289,350	\$ 287,945
Higher Education Assistance Agency							
General Fund.....	\$ 407,841	\$ 419,473	\$ 428,441	\$ 428,441	\$ 428,441	\$ 428,441	\$ 428,441
Historical and Museum Commission							
General Fund.....	\$ 32,757	\$ 37,761	\$ 29,148	\$ 29,148	\$ 29,148	\$ 29,148	\$ 29,148
Keystone Recreation, Park and Conservation Fund.....	7,320	14,278	10,568	10,009	10,347	11,361	12,193
Department Total	\$ 40,077	\$ 52,039	\$ 39,716	\$ 39,157	\$ 39,495	\$ 40,509	\$ 41,341
Infrastructure Investment Authority							
Environmental Stewardship Fund.....	\$ 25,383	\$ 22,152	\$ 26,927	\$ 26,663	\$ 26,663	\$ 26,663	\$ 26,663
Insurance							
General Fund.....	\$ 58,447	\$ 82,904	\$ 78,086	\$ 87,262	\$ 97,535	\$ 108,683	\$ 120,799
Tobacco Settlement Fund.....	112,139	103,080	127,783	138,304	150,597	164,306	178,487
Department Total	\$ 170,586	\$ 185,984	\$ 205,869	\$ 225,566	\$ 248,132	\$ 272,989	\$ 299,286
Labor and Industry							
General Fund.....	\$ 96,763	\$ 98,365	\$ 101,860	\$ 101,782	\$ 101,782	\$ 101,782	\$ 101,782
Military and Veterans Affairs							
General Fund.....	\$ 107,396	\$ 117,136	\$ 120,859	\$ 120,859	\$ 120,859	\$ 120,859	\$ 120,859
Milk Marketing Board							
Milk Marketing Fund.....	\$ 2,567	\$ 2,794	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737
Probation and Parole							
General Fund.....	\$ 98,863	\$ 97,644	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954
Public Television Network							
General Fund.....	\$ 11,940	\$ 12,367	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423
Public Welfare							
General Fund.....	\$ 7,439,650	\$ 7,860,921	\$ 8,472,674	\$ 8,841,217	\$ 9,326,814	\$ 9,910,833	\$ 10,590,865
Tobacco Settlement Fund.....	98,434	76,597	95,268	97,379	103,395	110,429	116,326
Department Total	\$ 7,538,084	\$ 7,937,518	\$ 8,567,942	\$ 8,938,596	\$ 9,430,209	\$ 10,021,262	\$ 10,707,191
Revenue							
General Fund.....	\$ 196,315	\$ 222,177	\$ 176,382	\$ 176,783	\$ 177,189	\$ 177,600	\$ 178,016
Lottery Fund.....	447,113	499,632	531,457	539,434	545,818	552,661	544,501
Racing Fund.....	165	235	235	235	235	235	235
Motor License Fund.....	19,877	22,215	22,408	22,408	22,408	22,408	22,408
Department Total	\$ 663,470	\$ 744,259	\$ 730,482	\$ 738,860	\$ 745,650	\$ 752,904	\$ 745,160
Securities Commission							
General Fund.....	\$ 2,110	\$ 2,395	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300

Overview and Summaries

Seven Year Department Summary by Fund

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
State							
General Fund.....	\$ 6,583	\$ 5,500	\$ 5,434	\$ 5,634	\$ 5,634	\$ 5,634	\$ 5,634
State Employees' Retirement System							
General Fund.....	\$ 2	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
State Police							
General Fund.....	\$ 173,622	\$ 186,841	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250
Motor License Fund.....	352,100	372,693	418,960	418,960	418,960	418,960	418,960
Department Total	\$ 525,722	\$ 559,534	\$ 573,210	\$ 573,210	\$ 573,210	\$ 573,210	\$ 573,210
Tax Equalization Board							
General Fund.....	\$ 1,295	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330
Transportation							
General Fund.....	\$ 311,762	\$ 334,821	\$ 341,832	\$ 341,832	\$ 341,832	\$ 341,832	\$ 341,832
Lottery Fund.....	115,082	136,153	136,935	136,935	136,935	136,935	136,935
Motor License Fund.....	1,565,819	1,615,027	1,723,182	1,673,182	1,672,079	1,672,408	1,672,408
Department Total	\$ 1,992,663	\$ 2,086,001	\$ 2,201,949	\$ 2,151,949	\$ 2,150,846	\$ 2,151,175	\$ 2,151,175
Legislature							
General Fund.....	\$ 303,117	\$ 316,132	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065
Judiciary							
General Fund.....	\$ 246,263	\$ 264,053	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180
COMMONWEALTH TOTALS:							
General Fund	\$ 21,885,366	\$ 23,030,875	\$ 23,845,580	\$ 24,506,519	\$ 25,252,528	\$ 26,019,016	\$ 26,814,577
Lottery Fund	1,138,904	1,217,784	1,293,621	1,326,205	1,450,589	1,558,432	1,676,272
Racing Fund	16,465	17,370	19,959	17,199	18,514	19,950	21,509
Motor License Fund	2,022,626	2,082,031	2,249,294	2,198,608	2,198,608	2,198,608	2,198,252
Game Fund	51,557	49,941	52,833	52,833	52,833	52,833	52,833
Fish Fund	24,801	25,715	25,575	27,847	28,608	29,081	29,564
Banking Department Fund	11,162	14,519	17,079	17,079	17,079	17,079	17,079
Milk Marketing Fund	2,567	2,799	2,742	2,742	2,742	2,742	2,742
Farm Products Show Fund	5,538	5,620	5,982	6,591	6,591	6,591	6,591
Boat Fund	8,793	9,211	11,121	11,583	11,845	12,014	12,186
Keystone Recreation, Park and Conservation Fund	94,506	96,094	80,710	77,341	80,643	88,254	94,533
Tobacco Settlement Fund.....	430,143	385,514	399,321	395,154	396,309	405,694	410,314
Environmental Stewardship Fund.....	107,100	95,898	113,614	112,500	112,500	112,500	112,500
GRAND TOTAL	\$ 25,799,528	\$ 27,033,371	\$ 28,117,431	\$ 28,752,201	\$ 29,629,389	\$ 30,522,794	\$ 31,448,952

General and Special Funds

This table shows a summary by Commonwealth Programs of 2003-04 expenditures, the 2004-05 amounts available, the 2005-06 amounts budgeted and future year estimates as presented in the Governor's 2005-06 Executive Budget for the General Fund and selected Special Funds.

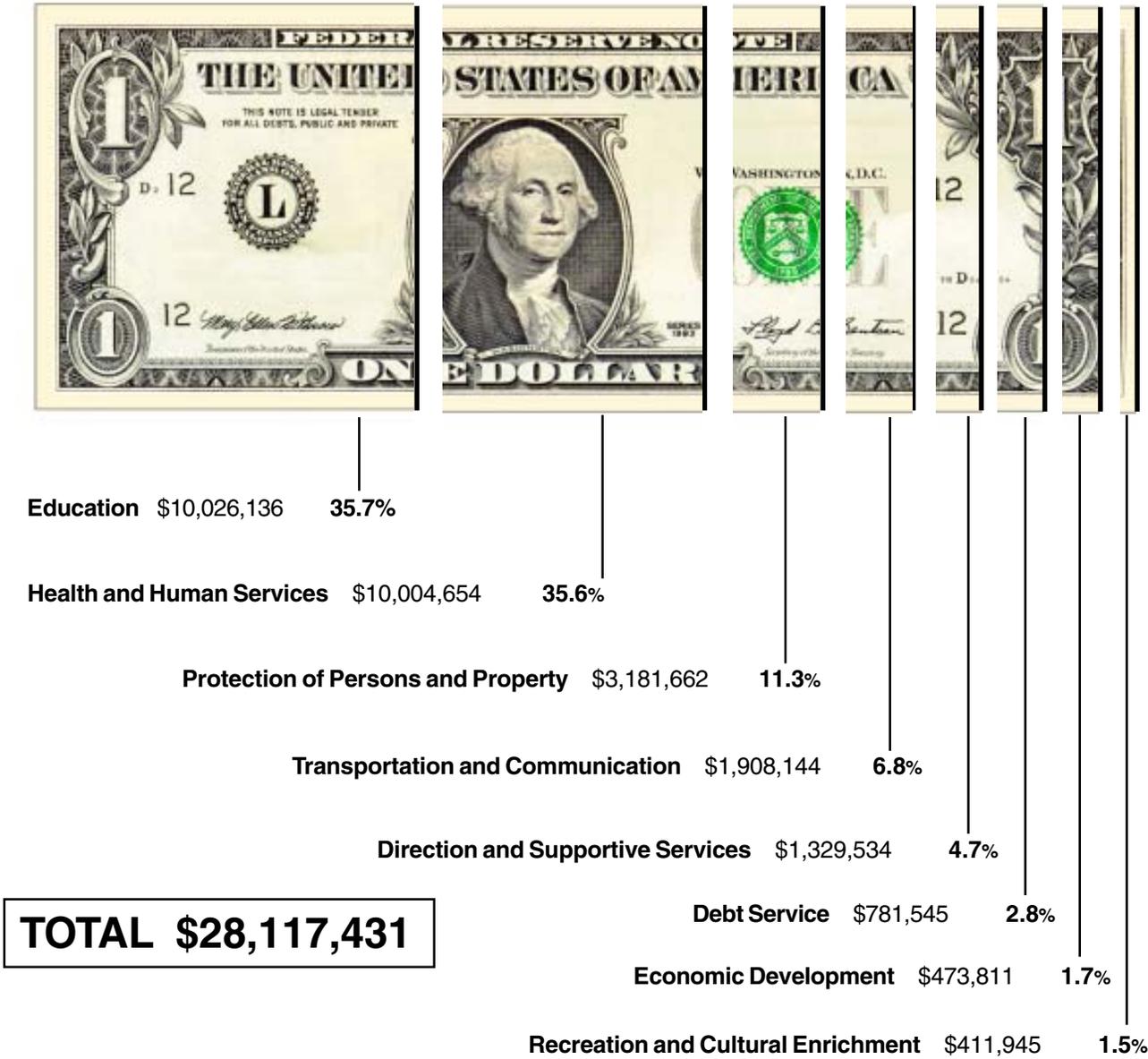
Seven Year Commonwealth Program Summary

Commonwealth Program	(Dollar amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Direction and Supportive Services.....	\$ 1,266,799	\$ 1,374,743	\$ 1,329,534	\$ 1,335,936	\$ 1,341,054	\$ 1,347,607	\$ 1,338,257
Protection of Persons and Property.....	3,054,678	3,197,167	3,181,662	3,198,666	3,222,547	3,248,840	3,276,696
Education.....	9,125,489	9,782,204	10,026,136	10,198,524	10,376,519	10,479,086	10,534,719
Health and Human Services.....	8,951,337	9,406,859	10,004,654	10,384,750	10,978,316	11,659,560	12,456,962
Economic Development.....	542,383	621,862	473,811	501,873	530,164	555,900	568,580
Transportation and Communication.....	1,734,038	1,795,232	1,908,144	1,857,979	1,856,876	1,857,205	1,857,205
Recreation and Cultural Enrichment.....	417,207	433,302	411,945	410,885	414,040	421,078	426,981
Debt Service.....	707,597	422,002	781,545	863,588	909,873	953,518	989,552
GENERAL FUND AND SPECIAL							
FUNDS TOTAL.....	<u>\$ 25,799,528</u>	<u>\$ 27,033,371</u>	<u>\$ 28,117,431</u>	<u>\$ 28,752,201</u>	<u>\$ 29,629,389</u>	<u>\$ 30,522,794</u>	<u>\$ 31,448,952</u>

Distribution of the Commonwealth Dollar

GENERAL FUND AND SPECIAL FUNDS

2005-06 Fiscal Year
(Dollar Amounts in Thousands)



This presentation shows the amount and portion of the total General Fund and selected special funds allocated to major program areas.

General Fund

This table shows a summary by Commonwealth Program of 2003-04 expenditures, the 2004-05 amounts available, the 2005-06 amounts budgeted and future year estimates as presented in the Governor's 2005-06 Executive Budget for the General Fund.

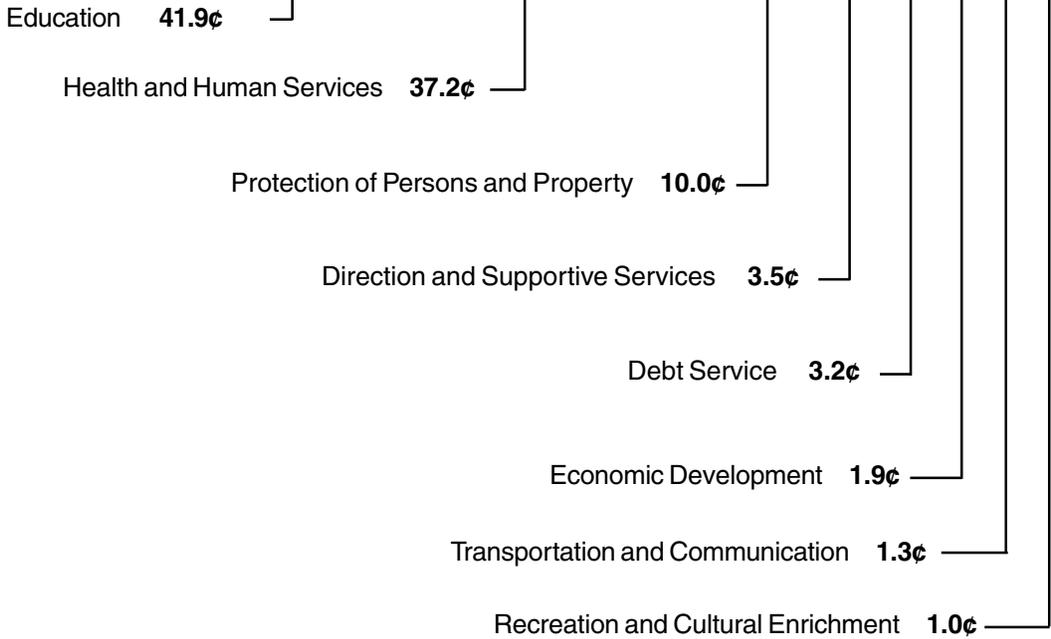
Seven Year Commonwealth Program Summary

	(Dollar amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Commonwealth Program							
Direction and Supportive Services.....	\$ 847,926	\$ 904,043	\$ 831,002	\$ 831,061	\$ 830,902	\$ 831,161	\$ 830,902
Protection of Persons and Property.....	2,376,747	2,499,680	2,386,256	2,395,307	2,405,580	2,416,728	2,428,844
Education.....	9,113,350	9,768,425	10,010,854	10,183,085	10,359,910	10,461,262	10,515,864
Health and Human Services.....	7,852,915	8,311,644	8,871,748	9,240,291	9,725,888	10,309,907	10,989,939
Economic Development.....	517,000	599,710	446,884	475,210	503,501	529,237	541,917
Transportation and Communication.....	286,777	306,992	312,670	312,670	312,670	312,670	312,670
Recreation and Cultural Enrichment.....	221,648	240,356	227,393	227,393	227,393	227,393	227,393
Debt Service.....	669,003	400,025	758,773	841,502	886,684	930,658	967,048
GENERAL FUND TOTAL.....	\$ 21,885,366	\$ 23,030,875	\$ 23,845,580	\$ 24,506,519	\$ 25,252,528	\$ 26,019,016	\$ 26,814,577

Distribution of the Commonwealth Dollar

GENERAL FUND

2005-06 Fiscal Year



This presentation shows the portion of each General Fund dollar spent in each major program area.

General Fund

The following is a summary by Commonwealth Program of the 2004-05 amounts available and the 2005-06 amounts budgeted and the percent each program represents of the General Fund total as presented in the 2005-06 Governor's Executive Budget.

Program Summary

(Dollar Amounts in Thousands)

	2004-05		2005-06	
Commonwealth Program				
Direction and Supportive Services.....	\$ 904,043	3.9%	\$ 831,002	3.5%
Protection of Persons and Property.....	2,499,680	10.9%	2,386,256	10.0%
Education.....	9,768,425	42.4%	10,010,854	41.9%
Health and Human Services.....	8,311,644	36.1%	8,871,748	37.2%
Economic Development.....	599,710	2.6%	446,884	1.9%
Transportation and Communication.....	306,992	1.4%	312,670	1.3%
Recreation and Cultural Enrichment.....	240,356	1.0%	227,393	1.0%
Debt Service.....	400,025	1.7%	758,773	3.2%
GENERAL FUND TOTAL.....	\$ 23,030,875	100.0%	\$ 23,845,580	100.0%

GENERAL FUND

2005-06 Fiscal Year



Income

(Dollar Amounts in Thousands)

TOTAL INCOME	\$ 24,734,100
Refunds	-1,085,000
Revenue Enhancements ..	0
Beginning Balance	201,394
<hr/>	
TOTAL	\$ 23,850,494

Sales	\$8,266,800	33.4%
Personal Income	\$8,967,700	36.3%
Other Business	\$2,708,200	10.9%
Other Revenues	\$1,908,400	8%
Corporate Net Income	\$2,082,000	8.4%
Inheritance	\$729,000	2.9%

Outgo

(Dollar Amounts in Thousands)

TOTAL OUTGO	\$ 23,845,580
Budget Stabilization	
Reserve Fund	1,229
Plus Ending Surplus	3,685
<hr/>	
TOTAL	\$ 23,850,494

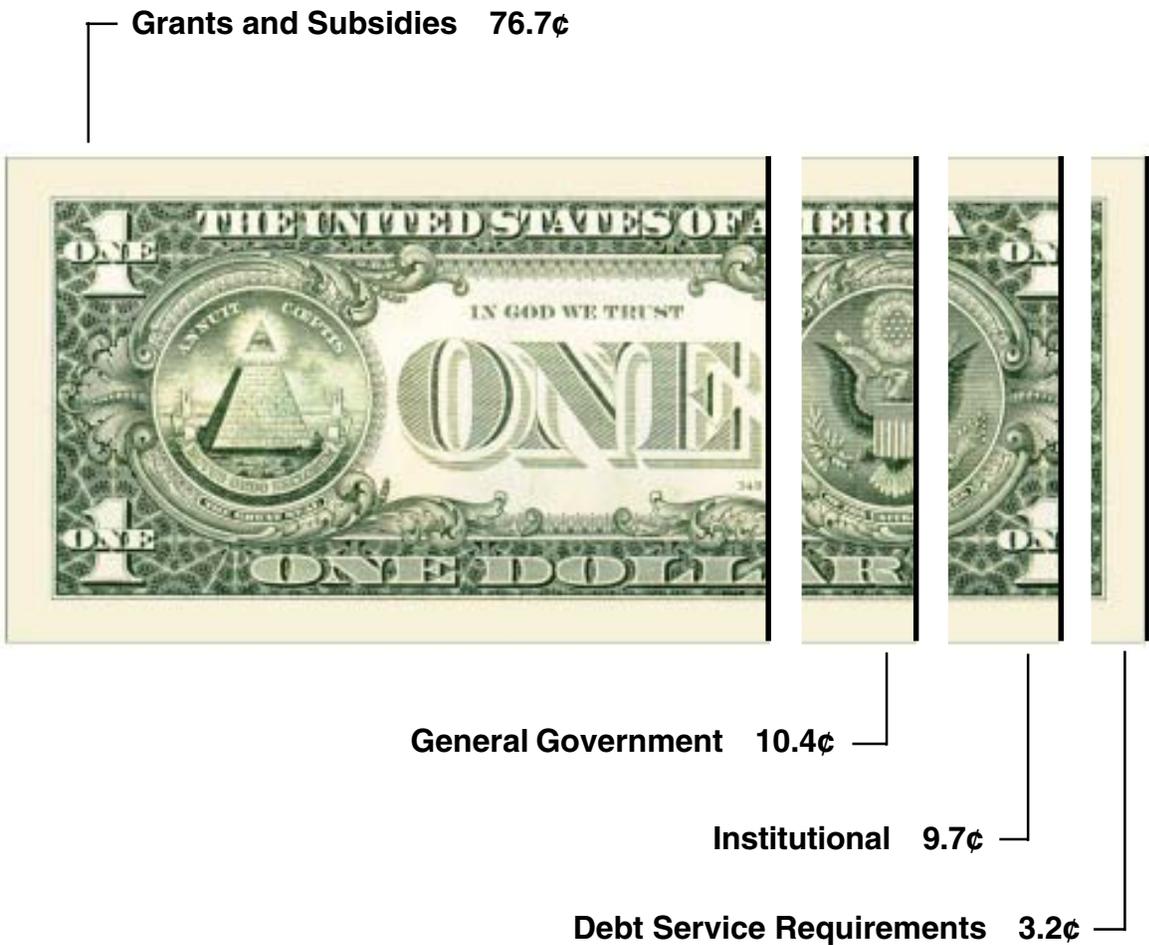


Education	\$10,010,854	41.9%
Health and Human Services	\$8,871,748	37.2%
Protection	\$2,386,256	10.0%
Direction	\$831,002	3.5%
Debt Service	\$758,773	3.2%
Other Programs	\$540,063	2.3%
Economic Development	\$446,844	2.0%

This presentation shows the amount and proportion for the major revenue sources and major program areas for the total General Fund.

USE OF THE GENERAL FUND DOLLAR

2005-06 Fiscal Year



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



2005-06 FISCAL AND PROGRAM POLICY DIRECTION AND BUDGET THEMES

The 2005-06 Fiscal and Program Policy Direction section immediately following this page presents the fiscal and program policies that guided the development of the Governor's Executive Budget. The revenue and expenditure recommendations included in this Budget seek to provide a solid fiscal foundation for the Governor to successfully address his vision, goals and program priorities for Pennsylvania.

This section summarizes the Governor's recommended budget initiatives within the following seven budget theme presentations: Expanding Economic Opportunity for Pennsylvanians; Investing in Our Children, Increasing Academic Achievement; Helping Our Working Families; Preserving and Reforming Pennsylvania's Social Safety Net; Making Government Work Smarter; Growing Greener II: Investing in Our Quality of Life; and Homeland Security and Emergency Management Response. Theme topics may vary from year to year based on the funding priorities established by the Governor and the recommended budget initiatives proposed in the Budget. Themes may include Program Revision budget recommendations. If so, detailed Program Revision presentations, including discussion of the Program Revision and its associated program measures, funding recommendations and costs by appropriation can be found in Section E. Department Presentations within the agency responsible for leading the Program Revision implementation.

2005-06 Fiscal and Program Policy Direction

This section presents the fiscal and program policies that guided the development of the 2005-06 Governor's Executive Budget. The Commonwealth faces significant financial challenges in the current fiscal year, and these challenges are expected to continue in 2005-06. While General Fund revenue growth is higher now than it was during the difficult recessionary years of 2001 through 2004, expenditure growth also continues to exert tremendous fiscal pressures on the budget in a number of critical and costly program areas, including healthcare, pension and other social services.

The 2005-06 Budget Instructions issued in August 2004 directed agencies to prepare budget requests consistent with the Governor's policy guidance and seek responses to the specific issues that the Governor wished to address in his Executive Budget. The Budget Instructions noted that State and local governments continue to face financial uncertainty. Slow revenue growth and double digit inflation in health care and retirement benefits, combined with projected double digit growth in Medical Assistance would continue to exert pressure on State agencies to hold down expenditure growth. With the strength of the economic recovery uncertain, it was important for agencies to use substantial caution in budget planning for 2005-06. Agencies were directed to prepare 2005-06 budget requests building upon the administrative spending constraints and operational efficiencies initiated during the 2003-04 and 2004-05 budget process, and to make every effort to eliminate nonessential spending and deliver essential services at reduced cost.

The Budget Instructions noted that under the Commonwealth's collective bargaining agreement a considerable portion of the contract cost is weighted to the last year of the agreement. Agencies were directed to present budget proposals to manage operations as efficiently as possible and reallocate positions within existing complement levels to support critical activities. The Budget Instructions also directed agencies to focus on the long-term fiscal management of their programs and operations. Agencies were to strengthen the multi-year planning component of budget requests to realistically reflect future year consequences of actions proposed in their budget submissions. Expected trends in eligible populations served, mandated service levels and improved program efficiencies were among the factors agencies were to consider when preparing multi-year projections.

The Budget Instructions also emphasized the importance of analyzing the future operating costs of proposed capital projects. No capital projects would be reviewed or recommended for inclusion in the Governor's Executive Budget unless agencies provided detailed information on the additional annualized operating costs or savings that would be incurred as a result of the completion of the project. In addition, agencies were directed to continue to develop space inventory information that identified facilities occupied, the general purpose of occupied space, and, for leased space, the lease cost per square foot. Capital project requests, as well as other space and facility requests, that would increase agency operating costs would be evaluated in conjunction with the space inventory, and agencies would be required to justify why options in the current space inventory were rejected.

The 2005-06 budget planning process significantly enhanced the Performance Measurement goal-setting component of budget planning. Additional Performance Measurement instructions were issued to agencies in September 2004 directing agencies to reexamine all current program performance measures and modify measures as appropriate. New program measures were to go beyond identifying levels of activity, and instead identify qualitative and quantitative outcomes from program activities and the efficiency with which resources were used to produce results. Agencies were directed to involve all senior program staff in a collaborative effort to develop meaningful and achievable program performance measures, and to work closely with those agency staff who develop the agency's budget financial plans. The use of improved program performance measures will enable the Governor's Office to more effectively evaluate the impact of each agency's proposed program expenditure levels in relation to that agency's mission and program goals. In addition, improved program performance measures will help agencies implement significant program and operating efficiencies in the 2005-06 fiscal year.

The Performance Measurement submission is the foundation for a more comprehensive Performance Reporting, Monitoring and Accountability process that the Office of Budget and the Office of Administration will implement to monitor agency performance and hold agencies accountable for program results throughout the fiscal year. Agency results-based plans and program performance data will be considered as decisions are made about statewide spending priorities and resource allocation between various agency budgets.

Further program and policy guidance was provided to agencies in October 2004 as part of the budget planning process. Agencies were informed that cost and utilization increases in the Medical Assistance program would significantly impact the General Fund budget. Even with moderate economic growth, increases in Medical Assistance programs would limit program growth in all other program areas except for education programs, which are the Governor's highest priority. Because of these constraints, agencies were directed to submit 2005-06 budget requests that increased funding levels only by the amount required to fund contractually or legally mandated increases in salary, benefit and pension costs. No increase was to be requested for any other operating program unless it was legislatively or judicially mandated. Agencies were to request additional resources for program additions or changes in non-mandated programs only if those program additions or changes could be offset using resources from other less effective or responsive programs or from improvements in program efficiency. In order to meet this guidance, agencies were to review all existing programs to determine where operational efficiencies could be implemented.

The October 2004 program and policy guidance continued to emphasize the importance of multi-year budget planning so that the future year financial consequences would be realistically reflected in agency budget requests. To aid this effort and insure greater consistency of approach, additional guidance was provided regarding the growth factor assumptions agencies were to use when developing the future year projections included in their budget requests. If agencies had unique circumstances resulting in a need to use growth factors different than those provided, agencies were to include an explanation of those circumstances as well as detailed calculations supporting the growth factors used.

The reader is referred to the Overview portion of the Overview and Summaries section for a summary of Governor Rendell's vision and goals for Pennsylvania. Specific budget recommendations for each program appropriation can be found in the agency Program Presentations in Section E. Department Presentations. The reader is also referred to the 2005-06 Budget in Brief, a separate booklet, for summary information on the Governor's 2005-06 Executive Budget, including recommended program changes and funding levels in pursuit of the Administration's mission and goals for the Commonwealth.

Expanding Economic Opportunity for Pennsylvanians

Ready, Aim, Success: The Commonwealth's Economic Stimulus Program

When Governor Rendell took office two years ago, Pennsylvania was ranked 47th among all the States in job creation, and ranked among the highest States in young people leaving the State. Governor Rendell has made promoting economic growth, including job creation, his highest priority. Last April, the Governor signed into law the final pieces of an unprecedented Economic Stimulus Package that will provide more than \$2 billion in loans, grants and guarantees over the next four years. These innovative programs, created in partnership with the legislature, will leverage at least \$5 billion in private investment. Interest in the new development tools has been extremely high from the start. More than 230,000 applications, manuals and project briefs were downloaded from the Economic Stimulus websites during nearly one million visitor sessions in 2004. Below are the components of the package.

Projects funded through Commonwealth Bond Proceeds:

Business in Our Sites - \$300 Million

Business in Our Sites will offer flexible loans and grants for local municipalities and their economic development partners to create future business growth and attract opportunities through the acquisition and preparation of key sites for development.

Building PA - \$150 Million

Building PA will provide funding for the development of real estate assets within the Commonwealth. Funds will be loaned to experienced private sector real estate funds that will raise matching funds and invest in projects throughout the Commonwealth.

New Pennsylvania Venture Guarantee Program - \$250 Million

The New Pennsylvania Venture Guarantee Program will allow the Commonwealth to more actively partner with the investment community by structuring a program that provides guarantees to venture capital companies interested in investing in Pennsylvania businesses.

New Pennsylvania Venture Capital Investment Program - \$60 Million

The New PA Venture Capital Investment Program will provide capital to Pennsylvania-focused venture capital companies that agree to match those funds and make investments in Pennsylvania businesses. At least 50 percent of the money must be invested in underserved areas of Pennsylvania.

First Industries Fund - \$150 Million

First Industries will provide grants and low-interest loans focusing on incentives and working capital needs of the Agriculture and Tourism industry sectors of Pennsylvania's economy.

2nd Stage Loan Program - \$50 Million

The 2nd Stage Loan Program will provide guarantees for bank loans to second stage manufacturers and technology companies for working capital and other financing needs. Targeted toward manufacturing, advanced technology and biotechnology, these funds will support growth in these sectors.

Tax Increment Financing (TIF) Guarantee Program - \$100 Million

The Tax Increment Financing Guarantee Program will allow communities to borrow funds for projects that will develop blighted areas and then repay those borrowed monies through the incremental tax revenues that will be generated as a result of the development.

Redevelopment Assistance - \$640 Million

The Redevelopment Assistance Program provides funding for substantial local capital projects. The funding cap for this program was increased by \$640 million as part of the Economic Stimulus package.

Water and Waste Water Infrastructure Program - \$250 Million

The Water and Waste Water Infrastructure Program provides funding for the construction, expansion or improvement of water and waste water infrastructure within the Commonwealth.

Projects funded through Commonwealth Operating Budget:

Core Industries - \$75 Million

The Core Industries Program will enhance the successful Machinery and Equipment Loan Fund by adding an additional \$75 million in revolving loan funds and by increasing the maximum loan amount from half a million to five million dollars.

Infrastructure & Facilities Improvement Program - \$5 Million

The Infrastructure & Facilities Improvement Program will provide financial assistance in the form of multi-year grants to issuing authorities to assist with the payment of debt service on certain local projects. The grants will be based upon incremental state tax revenue that will result from the development of new infrastructure. The funds are targeted to manufacturing, hospital, large retail and convention center projects.

Elm Street - \$5 Million

The Elm Street Program will encourage improvements to residential communities that are located in proximity to commercial corridors.

Main Street - \$5 Million

The Main Street Program supports creation of a local organization and some physical improvements to the downtown structures that make Main Streets more attractive business locations.

Keystone Innovation Zones - \$2 Million for grants and \$25 Million in tax credits

Keystone Innovation Zones are designated zones that may be established in communities that host institutions of higher education to foster innovation and create entrepreneurial opportunities.

Expanded Research and Development Tax Credit - \$30 Million

A research and development tax credit is available for performing qualified research in Pennsylvania.

The Base Retention and Conversion - \$3.3 Million

The Base Retention and Conversion program will be used for the development of a Statewide strategy and grants for economic impact and other studies, as well as development activities, associated with individual military bases in Pennsylvania.

Section 108 Housing and Urban Development (HUD) Loan Pool - \$288 Million

The Section HUD 108 Loan Pool enables small and mid-size communities, participating in the Community Development Block Grant program, to access loan funds for economic and community development to obtain federally guaranteed loans to fund large economic development projects and undertake revitalization activities.

Homeownership Choice Program - \$15 Million

The Homeownership Choice Program finances new, single-family home construction in blighted urban areas of the Commonwealth.

Housing & Redevelopment Assistance - \$30 Million

This Housing & Redevelopment Assistance Program provides the most flexible funding available to cities and smaller urban areas in order to revitalize downtowns, older industrial areas and commercial sites. This funding source also supports affordable housing.

The new economic and community development programs already started adding jobs and spinning off businesses. In its first few months of operation, the Commonwealth Financing Authority approved \$75 million in business construction grants and loans that will leverage \$186 million more in private investments. On the community development side, \$30 million in new funding for 65 housing and redevelopment projects was approved in 2004-05. The Keystone Innovation Zone (KIZ) program also got off to a fast start, with twelve new Zones awarded a total of \$2.9 million in seed funding. KIZs invest in life sciences, advance manufacturing and other technology fields by fostering partnerships with

Pennsylvania's colleges and universities and start-up firms. These accomplishments are especially notable because most of the new programs have been up and running for less than a full year.

While the positive effects of the Stimulus Package are already being felt across Pennsylvania, the Commonwealth must now tackle other pressing challenges that threaten the vitality of the economy. This budget theme outlines measures to improve Pennsylvania's economic competitiveness in three major areas:

1. Improving Pennsylvania's Tax Environment
2. Job Ready Pennsylvania: Meeting Employer Hiring and Training Needs
3. Keeping the Economy Moving by Improving Access to Work

Expanding Economic Opportunity for Pennsylvanians **Improving Pennsylvania's Business Tax Environment**

Under Pennsylvania's existing business tax system, too many businesses pay little or no tax while others face high tax burdens that make the Commonwealth unattractive to new businesses and uncompetitive with other states. At 9.99 percent, Pennsylvania's Corporate Net Income (CNI) Tax rate is widely viewed as the Commonwealth's primary business tax problem. According to the non-partisan Tax Foundation, Pennsylvania has the 47th worst corporate income tax rate in the nation, and this high rate has a negative effect on business activity. "It is well established that the extent of taxation can affect a corporation's level of economic activity within a state," concludes the Tax Foundation.

Last March, Governor Rendell created the twelve-member Business Tax Reform Commission to evaluate the Commonwealth's business tax structure and recommend changes that will make business taxes fairer, simpler and more competitive with other states. The Commission's members were appointed by the Governor and by the leaders of the General Assembly's four legislative caucuses and represent a broad cross-section of the State's business community.

The Commission delivered a *Final Report* to the Governor and the General Assembly on November 30, 2004. The Commission recommended reducing the CNI by 30 percent, making the rates paid by different corporate structures more equal, broadening the business tax base and improving the appeals process. With limited exceptions, the Governor's business tax reform package adopts the Commission's recommendations with an implementation date of January 1, 2007.

The Commission recommends reducing the CNI to 6.99 percent, offset in part by a new entity level tax on "pass through" businesses. While the Commission's approach has merit, imposing a new entity level tax at this time would not be consistent with the Governor's economic development goals. Companies organized as limited liability companies and sub-chapter S corporations are major job generators and can respond quickly to new economic opportunities. Imposing a substantial new tax on these firms would be counterproductive at this point in the economic cycle. The Governor's business tax reform package does not include a new entity level tax and adjusts the CNI rate to make up for the foregone revenue. The tax package will include:

- **Reducing the CNI Tax rate to 7.99 percent.** This historic reduction will lower the CNI Tax rate two full percentage points from its current rate of 9.99 percent.
- **Eliminating the \$2 million annual cap on Net Operating Losses.** Eliminating the cap for losses created under the new reporting system will create new incentives for economic development, especially for technology-based and biotech companies.
- **Continue the phase-out of the Capital Stock and Franchise Tax on its current schedule.**
- **Change the weighting of the sales factor of the CNI Tax apportionment formula from the present 60 percent to 100 percent.** Giving a greater weight to the sales factor will encourage employers to locate or expand production in Pennsylvania.
- **Shifting to market-based sourcing in the CNI Tax apportionment formula for the sale of services.** This will encourage growth in service-related industries.
- **Reform Pennsylvania's tax appeals process and related administrative procedures.** Current procedures are too inefficient and confusing to businesses and are detrimental to the business climate.
- **Implement a mandatory unitary combined reporting system.** This would require members of a unitary group of businesses to combine their income and expenses for tax purposes creating a tax base that is less susceptible to manipulation. Currently, only 36 percent of Pennsylvania corporations pay any CNI tax. Combined reporting would broaden the tax base by eliminating the use of passive investment companies, such as Delaware Holding Companies, to shift income outside of the Commonwealth.

The Governor's reform package, which is effective January 1, 2007, addresses the major weaknesses of Pennsylvania's tax business climate. Most importantly, it reduces the CNI to 7.99%. This 20 percent rate cut will enhance Pennsylvania's competitiveness by reducing the CNI rate below comparable rates in Ohio, West Virginia, New Jersey and Delaware. In addition, Pennsylvania will join 17 other states that already require combined reporting. This will result in a fairer system characterized by a broader tax base and lower tax rates for corporations across the board.

In addition to the changes recommended as part of the Governor's business tax reform package, the budget also recommends an expansion of the Departments of Revenue and Labor and Industry's business tax clearance process to include licensees of the Departments of Banking, Environmental Protection, Insurance, State, Revenue and Labor and Industry and the Pennsylvania Securities Commission. The expansion of the business tax clearance process to include these departments' licensees will require that the appropriate tax returns be filed with the Departments of Revenue and Labor and Industry before business licenses can be granted or renewed by any of these State agencies.

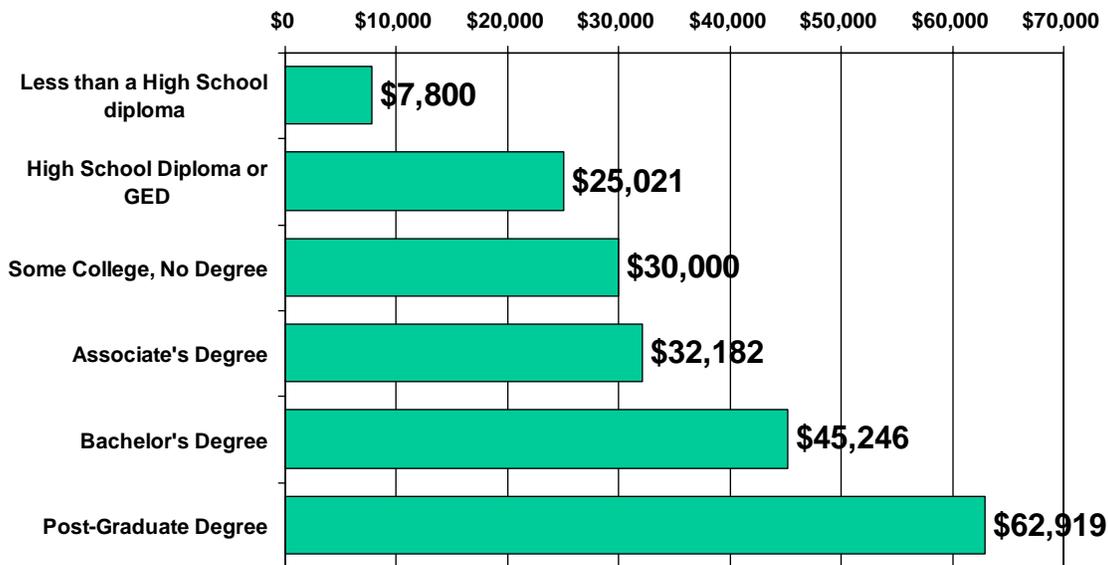
Expanding Economic Opportunity for Pennsylvanians **Job Ready Pennsylvania: Meeting Employer Hiring and Training Needs**

The Commonwealth's Economic Stimulus Program is designed to encourage business investment, economic growth and job creation in Pennsylvania. But if Pennsylvanians are to benefit from future economic growth, they must be ready to take on the jobs that will be created. Right now, too many Pennsylvania employers report having trouble finding the skilled workers they need. Eight out of ten businesses surveyed by the Commonwealth's Business Calling Program since 2003 say that they are having difficulty recruiting employees, and one-third of these firms report a lack of skills and qualifications on the part of job applicants as the reason why. When businesses can't hire the workers they need, the entire economy suffers.

To close this skills gap, Pennsylvania must raise the education and skills level of its workforce. Today, the Commonwealth ranks as the 6th worst among the 50 states in terms of the share of our workers who have a high school diploma or less. Today's workers need more education to keep up with rapid technological change and improve their earnings potential. Pennsylvanians with a bachelor's degree can expect to earn more than \$45,000 per year. This is 50 percent more than persons with some college but no degree and 80 percent more than workers with only a high school diploma.

More Education Means Higher Earnings

Source: U.S. Bureau of the Census, Current Population Survey, (March 2004)

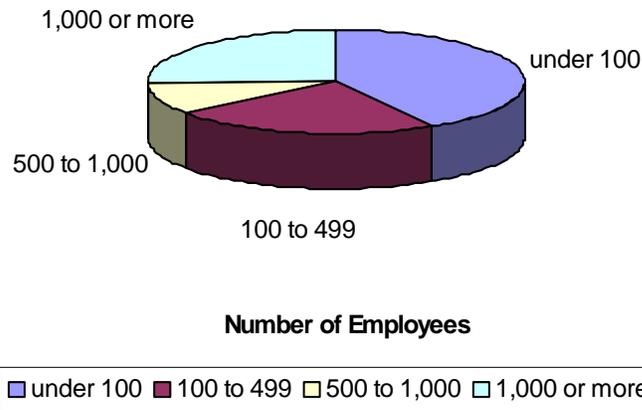


The aging of Pennsylvania's population poses an additional challenge. As the leading edge of the baby boom begins to retire, future economic growth in Pennsylvania will require growing numbers of qualified new workers prepared to take the place of those skilled retirees who are leaving the labor force.

Partnering with employers to upgrade the skills of Pennsylvania's existing workforce and preparing the next generation to successfully enter the labor force are both critical to improving the economic well-being of Pennsylvania workers and their families. This is especially important for the small firms that make up the backbone of the economy. Nearly 98 percent of employers are small firms with fewer than 100 employees. These firms employ over 40 percent of Pennsylvania workers and, with few exceptions, are not able to invest in the training they need to stay competitive. Only about one-quarter of Pennsylvania workers are employed by firms with more than 1,000 employees.

Three-quarters of Pennsylvanians work for small or medium-sized firms

Source: PA Dept of Labor & Industry, Covered Wages & Employment, (2004, Q1)



This budget creates new economic opportunity for Pennsylvania employers and workers through a set of initiatives called “**Job Ready Pennsylvania.**” *Job Ready Pennsylvania* invests \$101 million in new State dollars in education and workforce programs, combined with targeted reinvestment of \$71 million of existing State resources and \$26 million in private sector match. This \$198 million total investment is expected to leverage \$2 billion in additional funding to improve job readiness in Pennsylvania. *Job Ready Pennsylvania* will help meet the hiring needs of employers by boosting the skills of high school graduates, preparing students for good careers, and ensuring that workers have the skills they need to compete in the global economy.

The principal program components of *Job Ready Pennsylvania* are:

Building High Schools for the Future. Pennsylvania’s high school reform initiative (Project 720) will increase academic rigor in high school reading, writing, math and science; encourage smaller, personalized high school environments; strengthen counseling and student supports; and create multiple pathways to higher education and high skill careers. A \$4.7 million investment will allow the Commonwealth to double the number of high schools that are leading the way in this state-wide reform initiative.

Dual Enrollment for High School Students. An initial investment of \$5 million will allow more high school students to earn college credit while completing their high school requirements. For many students, this program will help them make better use of their senior and even their junior year of high school. Dual enrollment will also allow at-risk students and out-of-school youth to get the skills and credentials that they need to become successful and productive members of the workforce.

Expanding Tutoring. More than half of all high school students cannot meet Pennsylvania’s math standards and nearly 4 in 10 cannot meet reading standards. The 2005-06 budget will bring the total state investment in Educational Assistance Program tutoring to \$76 million to double the number of students who receive focused help to build their skills from 33,000 in 2003-04 to over 65,000 in 2005-06.

Transforming Career & Technical Education. Pennsylvania spends more than \$58 million on 96,000 students in career and technical education (CTE) programs, the equivalent of yesterday’s “votech.” Yet only one in five 11th grade CTE students passes the 11th grade Pennsylvania System of School Assessment (PSSA) math exam and more than half of CTE students cannot pass skills tests in the areas in which they are being trained. Other reforms will make sure that course credit is transferable and meets industry-approved standards. Over the next five years, \$80 million dollars in public and private resources will be redirected to state of the art CTE equipment and curriculum.

Increasing Community College Funding and Stabilizing the Funding Environment. Although spending on community colleges has grown faster than inflation and more than kept pace with rising student enrollment, Pennsylvania will invest \$22.8 million more in community colleges and create more predictable operating and capital funding streams –the largest State funding increase for community

colleges in 15 years. A new community college funding formula will place greater emphasis on incentives to develop and offer courses in well-paying, high-demand occupations and reforms that will make it simpler to transfer credits from one community college to another and from community colleges to 4-year colleges and universities. The State will also adopt performance measures to evaluate community college student success.

Investing for Pennsylvania's Prosperity Awards. The State's 22 Workforce Investment Boards (WIBs) develop local workforce training plans, distribute training funds and oversee CareerLinks. WIBs and CareerLinks control approximately \$70 million in funding for operations and discretionary programming combined. Their decision-making determines available training options and should track the hiring and training needs of regional employers. This budget includes \$22 million in rewards and incentives for workforce boards to make sure that local actions are consistent with the statewide goal of improving Pennsylvania's economic competitiveness.

Partnering with Employers to Close Workforce Gaps. Industry Partnerships are regional coalitions of employers that develop strategies to overcome hiring and training bottlenecks. Partnerships are already in place for plastics, health care, factory built housing, food processing, life sciences and metals/ metal fabrication. Newly targeted areas include agriculture, construction and business/financial services. This budget includes \$5 million in funding for technical assistance and workforce assessments to seed-fund additional partnerships. The budget also includes \$15 million in new funding for employer-driven training developed through Industry Partnerships. Over 6,300 Pennsylvania workers will receive training through this initiative.

Building Education and Training Capacity in Specific Occupations: This budget responds to the emerging labor market needs of the Pennsylvania economy with targeted investments and creative new programs that redirect existing resources in specific occupations:

- *Nursing* – Pennsylvania is facing a serious shortage of RN and LPN nurses. This budget includes \$10 million in new funding to increase the number of qualified nurse educators, expand the number of clinical training opportunities for student nurses and implement a plan to improve the pass rate for RN and LPN candidates.
- *Keystone Innovation Starter Kits for Advanced Technology Knowledge Workers* – Starter Kits will help recruit top faculty researchers to Pennsylvania colleges and universities with funding for labs, equipment and research staff. This new program will be funded with \$3 million in redirected funding and a dollar-for-dollar match by colleges and universities. It builds on Pennsylvania's strength in higher education to create new jobs, businesses and industries in the high-tech economy.
- *Manufacturing Technicians* – Pennsylvania manufacturers must adapt to rapidly changing skill requirements and cope with a growing number of retirements from a mature workforce. *Job Ready PA* will redirect resources to develop updated curriculum at the CTE and Community College level, so workers graduate with technical skills that match manufacturers' needs.
- *Child care workers and direct care workers* – Pennsylvania needs highly trained workers to care for our youngest and oldest citizens, and *Job Ready PA* will redirect resources to create better training, professional certification and career opportunities. Beginning in 2005-06, Pennsylvania will create 75 new Child Development Associate programs in secondary schools and start developing a new registration and certification process for direct care workers.

Helping Workers Train for Better Jobs. This budget includes a new \$10 million Pennsylvania Higher Education Assistance Agency (PHEAA) grant program for 10,000 independent adult students to help them obtain certificates in high priority occupations. Too many adult workers fail to continue their education for financial reasons. Current PHEAA grant guidelines exclude adults who are not enrolled in an approved two-year program. They also exclude students who are taking only one course at a time. Adults participating in programs leading to a certificate in a high priority occupation will be eligible under the new program, even if they are enrolled on a less than part-time basis. By limiting funding to credentials linked to high-demand, well-paying occupations, the training will automatically target employer needs. This budget also recommends \$9 million in new funding to increase PHEAA's Grants to Students Program which will make post-secondary education more affordable.

Giving Workers Credit for What They Know. Pennsylvania will invest \$60,000 to develop a system for recognizing prior learning. Adult workers should get college credit for what they already know and can do. By designing a system to convert knowledge gained outside of the classroom into course credits that can be applied toward certificates or degrees, this initiative will help adult workers upgrade their skills.

Investing in Adult Literacy. More than 4 million Pennsylvania adults lack the basic literacy skills needed to succeed in life. Many of these individuals are single parents, and this budget will redirect \$7.5 million in funds to improve the literacy skills of single parents going back to work.

**Job Ready Pennsylvania invests \$101 million in new State funds
to leverage \$2 billion to improve job readiness in Pennsylvania**

	New State Funds	Reallocation of Existing State Resources	Private Sector Match	Funds Leveraged to Improve Job Readiness
High School Reform	\$ 4,700,000	\$ -	\$ -	\$ 842,690,534
Dual Enrollment	\$ 5,000,000	\$ -	\$ -	\$ -
Tutoring	\$ 38,000,000	\$ -	\$ -	\$ -
Career & Technical Education	\$ 1,455,000	\$ 8,000,000	\$ 8,000,000	\$ 542,095,735
Community Colleges	\$ 22,800,000	\$ -	\$ -	\$ 229,281,000
Investing in PA's Prosperity Awards				
Partnering With Employers to Close Workforce Gaps	\$ 20,000,000	\$ 15,600,000	\$ 18,000,000	\$ 423,100,000
Helping Workers Train for Better Jobs	\$ -	\$ 10,000,000	\$ -	\$ -
Giving Adult Workers Credit for What They Know	\$ 60,000	\$ -	\$ -	\$ -
PHEAA for Student Grants	\$ 8,980,000	\$ 30,000,000	\$ -	\$ -
Adult Literacy	\$ -	\$ 7,500,000	\$ -	\$ -
TOTAL	\$ 100,995,000	\$ 71,100,000	\$ 26,000,000	\$ 2,037,167,269

Expanding Economic Opportunity for Pennsylvanians Helping Public Transit Keep Pennsylvania's Economy Rolling

Public transportation plays a major role in the economic vitality of countless Pennsylvania communities and improves the quality of life for millions of Pennsylvanians every day. Every one of the Commonwealth's 67 counties has some form of public transportation service, providing access and mobility to over 400 million passengers annually. The Rendell Administration is committed to maintain existing public transit service and creating opportunities for transit systems to grow and provide better service in their communities.

Public transportation and its positive economic impact on Pennsylvania

- Transit systems directly employ approximately 15,000 people.
- Transit systems spend more than \$1.2 billion on operations in their communities annually.
- Operating dollars spent generate an additional 15,000 jobs for suppliers and contractors.
- One million employees and customers use public transit to get to business every day.
- Of the combined capital and operating expenditures, at least \$415.4 million is spent within the Commonwealth each year.
- Each \$1 of state/local money spent on public transportation capital improvements brings up to an additional \$4 of federal grant money into the State.
- Capital investments by transit systems generate an additional 38,000 jobs, based on an analysis developed by the American Public Transportation Association (APTA).
- Transit systems spend more than \$550 million on capital improvements annually.
- That \$550 million generates a total investment of \$3.85 billion, based on the APTA formula that every \$1 of capital investment in transit generates an additional \$6 of economic activity.*

Providing adequate funding for Pennsylvania public transportation

If Pennsylvania hopes to maintain its public transportation systems and preserve their ability to contribute to economic growth and the quality of life for the Commonwealth's communities, the current State funding structure for public transportation must change. Expenditures to operate Pennsylvania's transit systems have been growing at reasonable rates relative to overall inflation, but public transportation revenues have remained relatively flat. The main problem is that federal, State and local subsidies have not kept pace with inflation. Since transit agencies have lacked the resources to maintain and improve service, and significant fare increases have had to be imposed to make up for lags in public subsidy growth, transit ridership has remained level or declined slightly, thereby limiting transit's ability to increase passenger revenue to make up for lags in public subsidy growth.

Funding for Pennsylvania's General Fund Mass Transportation Assistance program has consistently lagged inflation since 1991, particularly in the mid-to-late 1990s. For six of the eight years between 1995 and 2003, funding was not increased at all. While the 2004-05 State budget provided the largest single year increase in Mass Transportation Assistance funding in 17 years, this single-year increase could not undo a decade of persistent under-funding. Figure 1 depicts how General Fund subsidies for public transportation, with the exclusion of 2004-05, remained relatively flat for several years. If General Fund Mass Transportation Assistance had kept pace with inflation since 1991, the current funding level would be \$33 million higher.

In Pennsylvania, public transportation does not enjoy the same kind of predictable, growing funding sources that are used to fund the Commonwealth's highways and bridges. Highway and bridge improvements are funded through the Motor License Fund, which has been a growing revenue source for the Department of Transportation for many years. By contrast, public transportation funding in the Commonwealth is not currently tied to sources of revenue that grow over time.

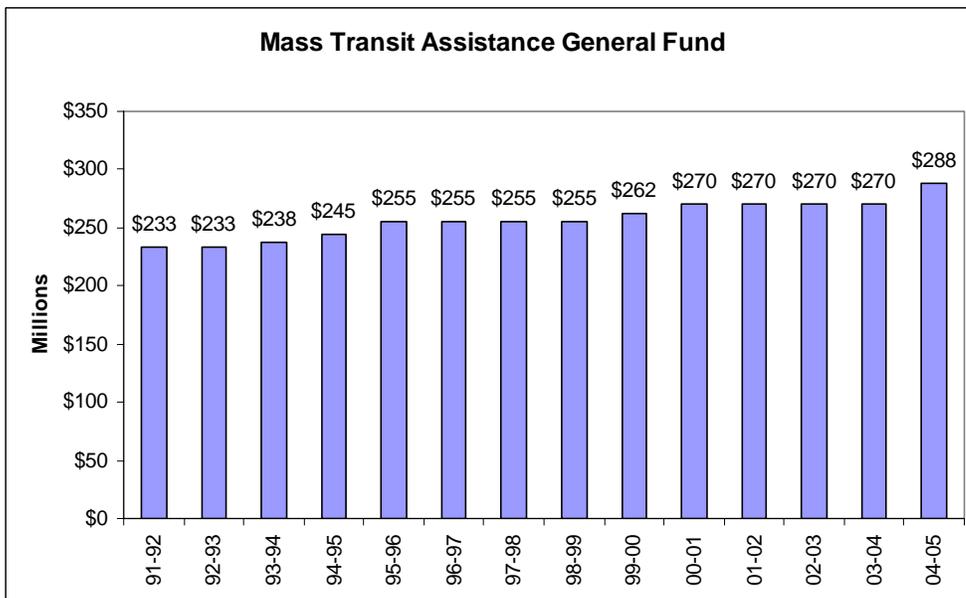


Figure 1

The Commonwealth of Pennsylvania recognized the need for an adequate, dedicated source of public transportation funding in 1991 when the Public Transportation Assistance Fund (PTAF) was created. Unfortunately, PTAF never performed as expected. Primarily as a result of electric utility deregulation, the Public Utility Realty Tax, the main revenue source for PTAF, decreased as a source of revenue over the course of the 1990s. (Figure 2 depicts PTAF revenue collections from the Public Utility Realty Tax from 1991 to 2003.)

PTAF did provide an augmentation to State funding for public transportation, but because of the PURTA problem, it did not solve the problem of public transportation expenditure growth outpacing public transportation subsidy growth. While Act 46 of 2003 replaced the unreliable Public Utility Realty Tax with a transfer of 0.417 percent of the more reliable Sales and Use Tax, this only served to end the decline in PTAF funding. It did not make up for the revenue losses PTAF experienced during its 14 prior years of existence.

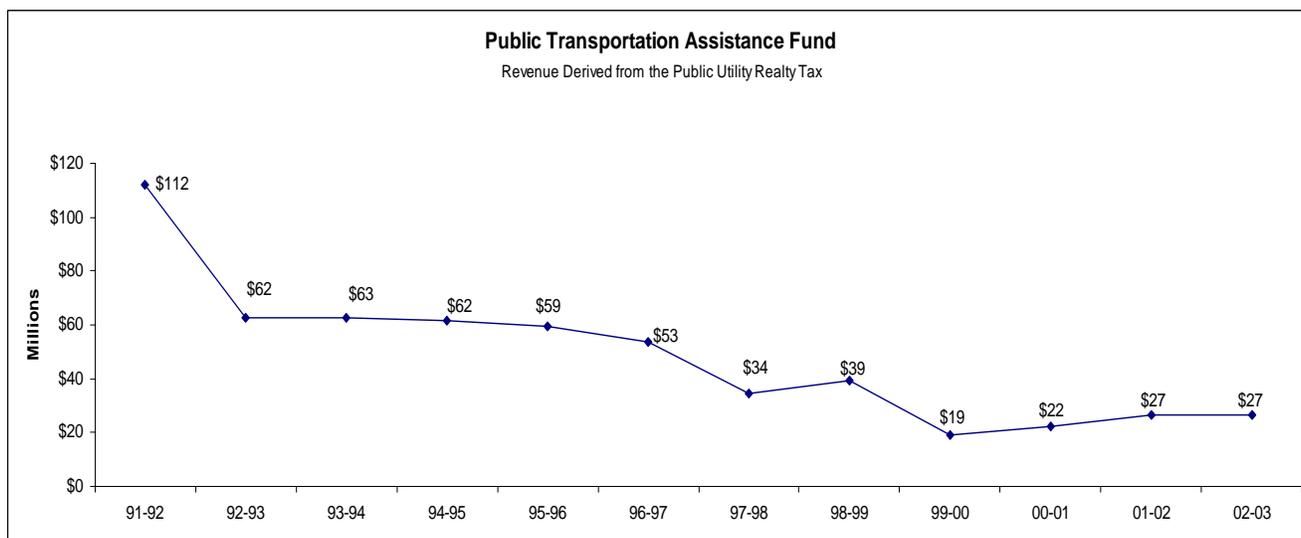


Figure 2

The future for Pennsylvania public transportation funding is uncertain at present. Figure 3 depicts possible funding deficits that public transportation as a whole throughout Pennsylvania may experience over the next several years if nothing is done to solve the current funding crisis.

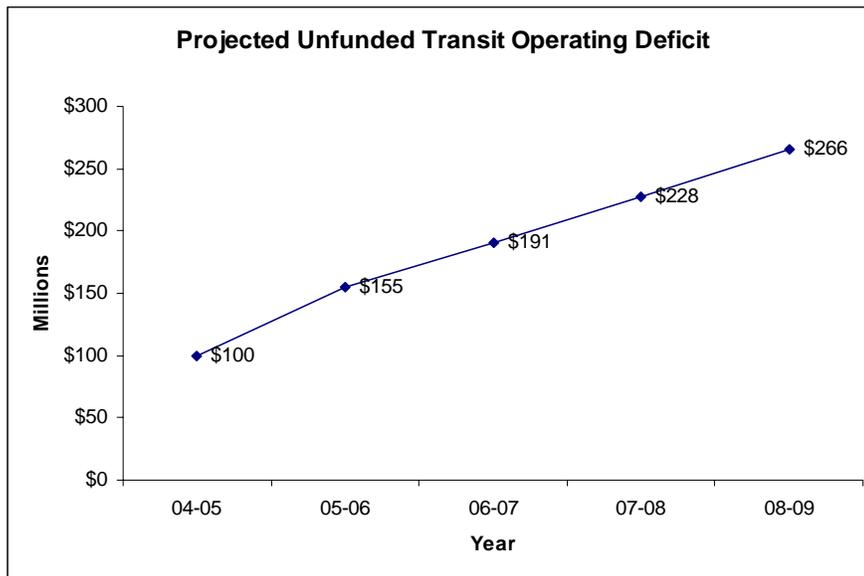


Figure 3

Pennsylvania without public transportation

Pennsylvanians will certainly continue to be dependent primarily on automobiles to meet their personal transportation needs, but providing an alternate means of transportation in addition to the personal automobile is essential for the promotion of Pennsylvania's economy and the improvement of environmental quality. Highway users in Pennsylvania's 21 urbanized areas would pay \$1.3 billion more annually to operate their personal vehicles if no public transit service was in place. And transit users would incur additional costs of \$1.5 billion annually to fill their transportation gap if Pennsylvania's transit systems were to disappear, while some citizens would lack any transportation alternative at all.* Without transit, many more vehicles would be on the highways, causing more congestion and greater adverse impact on air quality. And access to jobs would be reduced, as work trips represent more than 50 percent of all trips taken on public transportation.

It is evident that public transportation in Pennsylvania is in desperate need of a stable, reliable, adequate funding source. Without an additional infusion of funding, the system is in danger of a collapse that will ripple negatively through the entire Pennsylvania economy. Governor Rendell's proposed 2005-06 budget makes a modest down payment on the need for increased State funding for public transportation by recommending a two percent, \$5.8 million, increase in the General Fund Mass Transportation Assistance Program. But the Rendell Administration recognizes that a real solution to Pennsylvania's public transportation funding crisis must be based on fixing the problems that undermined the effectiveness of the dedicated transit funding mechanisms that were first put into place in 1991. The Administration is committed to working with the General Assembly to enact a stable, reliable funding plan to provide dedicated transit funding at a level that will preserve and protect our public transportation infrastructure for future generations.

- Source: *Public Transportation Drives Pennsylvania: A Study of the Economic Benefits of Public Transportation*
Pennsylvania Public Transportation Association

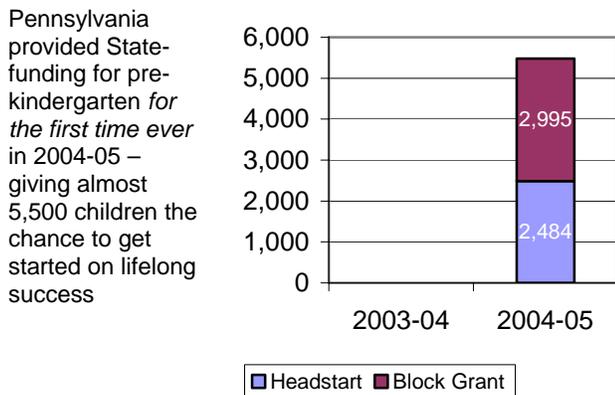
Investing in Our Children, Increasing Academic Achievement Assessing the Impact of the Accountability Block Grant

Increasing educational achievement is a fundamental State responsibility and an economic development imperative. Across our Commonwealth, inspired and talented teachers and administrators are helping our students achieve. As a result, the majority of Pennsylvania students are meeting State standards. But in spite of the best efforts of our public schools, nearly 40 percent of our elementary age children still cannot read or do math at appropriate levels; by high school, fewer than half of our students are proficient in math. With the passage of No Child Left Behind in 2001, Pennsylvania must ensure that all of its current elementary school students will be proficient by the time that they reach high school. Providing Pennsylvania's children with quality learning improves Pennsylvania's capacity to improve its economic performance. In order to ensure that Pennsylvania's future graduates have the skills they need to be successful in today's economy, the budget recommends over \$228 million in targeted educational investments that are proven to boost student achievement.

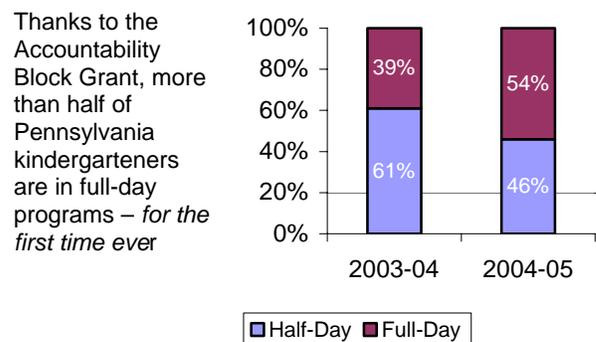
In 2004-05, Pennsylvania launched the landmark Education Accountability Block Grant in all 501 school districts to fund programs that have been conclusively demonstrated to help students learn. School districts invested \$200 million in a menu of proven educational programs – building on broad-based evidence of what works in increasing academic achievement while maximizing local flexibility. Communities chose to invest more than \$2 out of every \$3 received in Block Grant funding on three early childhood programs: quality pre-kindergarten, full-day kindergarten and class-size reduction in the early elementary grades.

More than 91,000 students are now benefiting from pre-kindergarten, full-day kindergarten, reduced class size and tutoring through the Block Grant. Without this program, these students would not have access to quality early education so critical to future academic achievement. The Block Grant will no doubt help school districts across the Commonwealth meet the Adequate Yearly Progress targets of the Federal No Child Left Behind accountability law:

Number of Children in State-Funded Pre-K



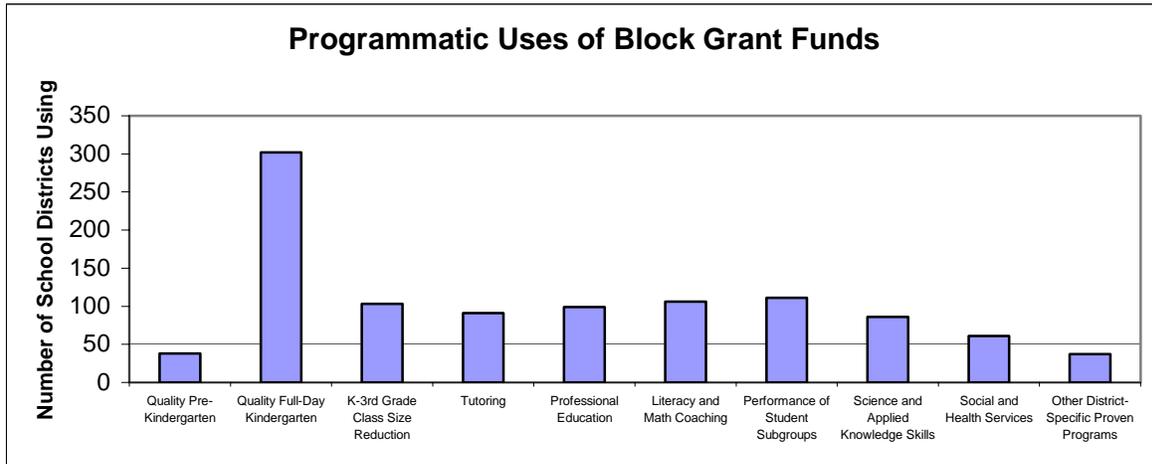
Percentage of Children in Full and Half-Day Kindergarten



* Estimated

Thousands of Pennsylvania children are now enrolled in early childhood programs that never would have existed without the Accountability Block Grant, and many thousands more are in programs that grew or continued to thrive as a direct result of these funds.

More districts are participating in full-day kindergarten than in any other Block Grant program. In fact, more than half of Pennsylvania school districts are using at least a portion of their Block Grant funding to invest in full-day kindergarten.



By the middle of the school year, Pennsylvania school districts were already reporting promising early successes as a result of the Education Accountability Block Grant:

- In pre-kindergarten, the single most reported benefit is the opportunity to build foundations for future achievement. As Bethlehem School District reports: “The greatest benefit is that we are providing opportunities for our young children to engage in learning opportunities in a classroom setting prior to entering our kindergartens.”
- In Uniontown Area School District, as a result of full-day kindergarten “children are exhibiting mid-year skills that were currently demonstrated at the end of the year for half day.”
- School districts report increased opportunities to boost students’ reading and math skills as a result of smaller class sizes. Teachers are “better able to identify students’ instructional needs and address them with specific interventions to help increase school performance.” (Waynesboro School District)
- Because of Block Grant-funded tutoring in the Littlestown Area School District, all students who have attended at least 80 percent of the sessions improved in at least one subject area. Three out of every four students who have attended at least half of the sessions have improved in at least one subject.
- Districts report that teachers are using assessments and instructional practices learned through their work with literacy and math coaches funded through the Block Grant. Slippery Rock School District reports: “The district is beginning to see real improvement in teaching strategies, development of lessons for specific needs, and in teaming across the district.”

Investing in Our Children, Increasing Academic Achievement **Further Steps to Improve and Expand Early Education and Child Care**

All of Pennsylvania's children deserve the opportunity to receive high-quality early learning experiences. Decades of research indicate that if students are expected to achieve at high levels, high-quality early education and care is essential. In 2004, the Perry Preschool published its follow-up results for the now 40-year-olds who participated in the Perry Preschool as young 3 and 4-year-old children. The results show that high quality preschool "contribute[d] to their intellectual and social development in childhood and their school success, economic performance and reduced commission of crime in adulthood. The long-term effects are lifetime effects." In 2004, new research on Oklahoma's pre-kindergarten program also demonstrated an immediate impact on children's early learning.

Pennsylvania's focus on early childhood education and care was reinforced by Governor Rendell's creation of the Office of Child Development in 2004. The newly created Office will coordinate early childhood policy between the Departments of Education and Public Welfare. As a result, the Commonwealth will more effectively provide support and assistance for high-quality early childhood programs in community and school settings.

Backed by strong evidence of both immediate and long-term benefits to children and families from early childhood programs, the 2005-06 budget continues to build on Pennsylvania's progress in 2004-05:

Head Start Supplemental Assistance Program. Early learning will be enhanced by an additional investment of \$15 million targeted to match the federally funded Head Start program. Existing Head Start providers will use these resources to serve an additional estimated 2,500 children. These funds will also encourage Head Start programs to establish partnerships with school districts and other child care providers in order to provide the most effective and comprehensive services for Pennsylvania children.

Accessibility of Child Care to Low-income Families. Subsidized child care benefits low-income children and helps their parents achieve economic self-sufficiency. Funds of \$3.5 million are allocated to help ensure that low-income families do not face lengthy waiting periods to receive subsidized child care.

Payment Levels for Child Care. This budget recommends \$9 million to help stabilize the payment levels per child for programs serving vulnerable infants, toddlers and preschoolers, where the need is the greatest. This funding provides for qualified staff and enhanced program quality.

Continuation of Keystone Stars & T.E.A.C.H. This budget continues to support Keystone Stars and T.E.A.C.H. These two programs enhance the quality of existing early childhood education programs by providing incentives for child care providers to improve and by funding scholarships for child care staff to receive training through early childhood education college courses.

Early Intervention. This budget provides a total of \$9.8 million in the Departments of Education and Public Welfare to meet the projected increase in the number of young children with developmental delays who require specialized early learning services.

Partnership for Quality Pre-Kindergarten. A new public-private partnership will support local communities in developing and strengthening their quality pre-kindergarten programs. Communities will build on existing strengths in schools, child care and Head Start, while going even further to meet the needs of local families.

Investing in Our Children, Increasing Academic Achievement **Further Steps to Increase Academic Achievement**

The proposed 2005-06 budget builds on strategic investments in our public schools that are designed to help all children be successful. In order to increase student achievement in Pennsylvania, the 2005-06 budget provides resources for:

- Tutoring for students who are struggling academically;
- Improvement strategies to help schools that are failing to make Adequate Yearly Progress (AYP);
- A high school reform initiative designed to ensure that all high school graduates are prepared for college and the workforce; and
- Career and Technical Education reform to increase the academic rigor of courses and strengthen links to regional employers and workforce opportunities.

Tutoring. Currently only students in a limited number of school districts in grades K-4, 6 and 9 who are less than proficient on the Pennsylvania System of School Assessment (PSSA) or other standardized tests are eligible for tutoring. Additional tutoring funds of \$38 million will serve students in all grades K-12 who are less than proficient, with a focus on high school students and students in Career and Technical Education. In addition, new funding will extend tutoring to districts currently not on the AYP list but in danger of joining its ranks. The provision of additional tutoring resources is especially critical in 2005-06, as additional grades begin PSSA testing that year, and the federal targets for improving students' math and reading performance increase under the No Child Left Behind statute.

School Improvement Strategies. With an investment of \$10 million, Pennsylvania will develop new initiatives that offer targeted, high-quality support for school districts that are struggling and boost the skills of our educators Statewide. Centerpieces of this initiative include the Distinguished Educator Program, aimed at providing intensive support for struggling schools and a leadership development program to ensure effective school and district leaders.

Dual Enrollment for High School Students. An initial investment of \$5 million will allow high school students to earn college credit while completing their high school requirements. For many students, this program will help them make better use of their senior year and even their junior year of high school. Dual enrollment will also allow at-risk students and out-of-school youth to get the skills and credentials that they need to become successful and productive members of the workforce.

High School Reform. This budget allocates \$4.7 million to ensure that Pennsylvania students graduate from high school with the knowledge and skills that they will need to be successful in the 21st century. Through Project 720 (named for the number of days that a student attends high school from the beginning of 9th grade through the end of 12th grade), high schools are working together to increase the rigor of their educational programs and enhance post-secondary opportunities for their students.

Career and Technical Education. Pennsylvania's Career and Technical Education (CTE) must be improved so that all students have access to a challenging curriculum that prepares them for post-secondary education and the workforce. This initiative will ensure that CTE programs provide quality training based on industry standards in the high-skill jobs of the future. To accomplish this goal, the Commonwealth will reallocate \$8 million towards competitive grants for up-to-date CTE equipment and curriculum each year for the next five years – with a dollar-for-dollar local matching requirement. Local CTE programs will receive extra points in the competitive grant process if they also attract additional funding from the private sector.

This \$80 million over a half decade will help transform Pennsylvania's Career & Technical Education into a source of economic opportunity for the Commonwealth's students.

Basic Education Funding: This budget recommends more than a \$109 million increase (2.5 percent) for basic education funding in 2005-06. Every district will receive a share of the increase based on its number of students and district wealth, with the most State resources directed to the communities that need the most help. In addition, a new foundation supplement will help school districts where per-student spending is inadequate to deliver a quality education – and in the process end Pennsylvania’s status as “one of the few states that do not use a foundation formula to pay for education,” as the national newspaper *Education Week* recently reported.

In addition, this budget recommends a 2.5 percent increase for special education and vocational education programs. These increases will provide an additional \$23.2 million for Special Education and an additional \$1.5 million for Vocational Education.

Investing in Our Children, Investing in Our Future

This budget continues to advance the Commonwealth’s commitment to provide children with access to proven educational programs and practices, such as early childhood programs and tutoring. The focus on early childhood programs will help the Commonwealth address the 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 adults. The inclusion of ongoing efforts to provide students with meaningful, high quality educational opportunities will yield short-term benefits for school students from throughout the Commonwealth and long-term benefits for the Commonwealth as a whole.

Helping Our Working Families

Pennsylvania is a great place to live and work. Our Commonwealth boasts natural beauty, cultural diversity and American heritage second to none. Our people have the creativity and drive needed to revolutionize our economy. Our cost of living is among the most affordable in the nation, homeownership is attainable and personal income taxes are low.

Yet too many of Pennsylvania's working families are struggling. They are losing jobs. Well over half earn less than \$27,000 per year. Too many are patching together part-time jobs when they would rather be working full time. Pennsylvania's working families are saving less and losing their homes more often. Financial predators exploit families who are worried about making ends meet.

More working families live "paycheck to paycheck" just to cover housing, child care, transportation, food and health care. Without some sort of help, they cannot save to build a financial buffer for an emergency. Worse, they are having trouble saving to meet their dreams such as buying their own home, starting their own business or sending their kids to college.

In order to help our working families, this budget includes investments to enact recommendations of the Governor's Task Force for Working Families.

Connect working families to quality financial education

Working families, and indeed all Pennsylvanians, need to have the knowledge and skills necessary to make sound financial decisions and avoid financial abuse. To this end, Governor Rendell established the Office of Financial Education housed within the Department of Banking in April of 2004. The Office has since coordinated the activities of the Task Force for Working Families and has conducted research on the financial education activities of government agencies, financial institutions and community organizations across the State. Going forward, a clearinghouse of financial education resources will be created and marketed, tools for our schools and teachers will be developed so that more young people are financially literate upon graduation and local financial education programming will be assisted with technical support.

In FY 2005-06, the Office will increase its staff to include three subject matter experts to assist existing staff in the promotion of this Statewide initiative, and \$370,000 is included to conduct a Working Families Summit, provide excellence in Financial Education awards and to cover expenses related to K-12 financial education programs.

Move working families beyond living "paycheck to paycheck"

Hundreds of millions of Federal dollars go unclaimed each year as a result of working families not claiming their Earned Income Tax Credit. Efforts will be undertaken to educate working families about how to claim this source of additional income. Despite financial constraints, State funding is preserved for the Family Savings Account program, and changes will be made to the program to extend its impact and flexibility.

Help working families create their own jobs and security

Despite financial constraints, the 2005-06 budget continues to provide funding to support small business development through the Commonwealth's Small Business Development Centers and Community Development Financial Institutions

Make sure that working families are treated fairly by financial institutions

Through the leadership of the Department of Banking, a continued emphasis will be placed on preventing financial abuse and promoting programs that develop or re-establish relationships between working families and responsible financial service providers.

Together these recommendations represent a comprehensive strategy to protect Pennsylvania's working families from predatory lenders and to give these families the tools they need to make informed financial decisions. These programs will help to ensure that more of Pennsylvania's working families are able to achieve their dreams.

Preserving and Reforming Pennsylvania's Social Safety Net

One of the primary responsibilities of the Commonwealth is to help its most vulnerable citizens. The poor, the elderly, those who have lost jobs, children in need, those with disabilities and people with mental illness or mental retardation all should be able to turn to the Commonwealth for assistance with medical costs and social services.

Yet these are challenging times for Pennsylvania and for the nation. Health care costs are rising faster than State revenues, while the number of people in need is increasing sharply. At the same time, Federal aid for medical and social service programs is decreasing.

In Pennsylvania, the number of people on Medical Assistance has grown more than 20 percent since the 2000-01 fiscal year to more than 1.7 million people this year. The largest increases have come in the past two years. The program saw a nearly 7 percent increase in the 2003-04 fiscal year and a more than 8 percent increase in the 2004-05 fiscal year.

There are many reasons for the growth in the number of people on Medical Assistance in the Commonwealth. Some reasons are demographic: Among all the states, Pennsylvania is second only to Florida in the percentage of its citizens who are older, and the fastest growing group of people on Medical Assistance in the Commonwealth is the elderly. On average, their care is the most expensive of all the types of people served by Medical Assistance, including children and families, the disabled and chronically ill adults.

And some reasons are medical: Advances in health care mean that both the elderly and people with severe disabilities are living longer, often with complex health care needs.

Finally, some of the reasons for the growth in the number of people on Medical Assistance are economic: As manufacturing companies have left the State, thousands of workers have lost jobs and have had trouble finding other work that pays as much as their previous job. Other Pennsylvanians have jobs, but those jobs come with limited – or no – health insurance benefits.

The Commonwealth now spends more than \$14.2 billion a year on Medical Assistance, using both Federal and State funds. With medical costs now growing more than twice as fast as State revenues, the Commonwealth has had to find a way to keep its commitment to those in greatest need while remaining fiscally responsible.

The previous two budgets contained generous increases for the Department of Public Welfare (DPW): 13.9 percent in the 2003-04 fiscal year and 5.7 percent in the 2004-05 fiscal year. The 2005-06 budget proposes a 7.8 percent increase in the DPW budget. But even this level of support has not been sufficient to keep pace with the growth in need - and Federal help to close the gap is not available.

A National Problem

The challenge of maintaining the safety net in the face of rising costs, increasing numbers of participants and shrinking Federal assistance is not unique to the Commonwealth. Many other states face the same challenge, so much so that the National Governors Association (NGA) has called Medicaid reform its top priority and has asked President Bush and members of Congress to work with governors to enact reforms that will create savings for both states and the Federal government.

In a December 2004 letter to the President and Federal lawmakers, the bi-partisan governors' organization said it was "unacceptable" that Medicaid costs are growing at a rate of 12 percent per year and averaging 22 percent of state budgets. The NGA gives two reasons for this growth: a 33 percent increase in caseloads over the past four years and burgeoning long-term care costs. Medicaid currently finances 70 percent of all care for nursing home residents, according to the association.

An October 2004 study on Medicaid and the Uninsured by the Kaiser Commission found that average Medicaid spending growth across the 50 states outpaced average state revenue growth in every year but one between 1997 and 2004. In 2004, average state tax revenue growth was 3.4 percent, compared with 9.5 percent growth in Medicaid spending.

In addition, the Kaiser Commission also found that Federal fiscal relief helped states meet Medicaid shortfalls in Fiscal Year 2004 and helped to maintain Medicaid eligibility levels. However, states are expecting sharp increases in the state share of Medicaid costs in 2005 as they begin to cope with the loss of the enhanced Federal support.

Rebuilding the Economy

In the long term, promoting and sustaining economic growth throughout Pennsylvania is the best way to ease pressures on the social safety net. Attracting new businesses to the Commonwealth, educating children for 21st century jobs and retraining adult workers for new careers will help keep Pennsylvania's citizens in the workforce, reducing the number of those who need public assistance.

In his two years in office, Governor Rendell has made the invigoration of Pennsylvania's economy his top priority. To achieve that goal, he has fought for increased funding for targeted education programs designed to improve academic achievement in Pennsylvania's elementary and secondary schools, greater investments in Pennsylvania's infrastructure, an aggressive multi-faceted economic stimulus program to promote Pennsylvania job creation and an enhanced environmental program to improve the Commonwealth's quality of life and attract new businesses. This year, the Governor is also focusing on two additional components of his New Pennsylvania economic growth plan -- business tax reform and a comprehensive Statewide workforce development program.

Even as the Governor's vision for a vibrant Statewide economy is realized, however, the challenge facing the Commonwealth with respect to its less fortunate citizens remains the same: how to help adults and children stay healthy; cope with illness or disability if it strikes; become – or remain – self-sufficient and able to work, if possible; and, above all, retain their dignity and sense of self-worth. And, as more of our citizens age, the Commonwealth must continue to ensure that they all are well cared for.

Using Resources Well

Even with the various pressures of increasing costs, limited funds and more people needing services, Governor Rendell remains deeply committed to helping all Pennsylvanians in need. To that end, the Commonwealth has begun to restructure and reform its social welfare programs to make them more efficient and effective while maintaining coverage for all who are currently receiving benefits.

There is a precedent for this effort. When Governor Rendell took office, he acted on a campaign promise to spend taxpayer dollars wisely and save whenever possible in the operation of State government. In the two years since he took office, the Administration has put in place a series of management and productivity initiatives designed to either reduce costs or increase revenues while maintaining or improving services.

As part of this enterprise, the Governor has streamlined State government to make it smaller and more efficient. Changes throughout State government include: use of sound private-sector business practices, better coordination among agencies, improved revenue collection, better use of technology to improve efficiency, renegotiation of contracts and a reduction of nearly 2,900 in the number of salaried positions. Total savings thus far from these initiatives have been more than \$475 million.

Now the Commonwealth must undertake a similar effort to make its social safety-net programs more efficient and effective. This effort has already begun. It includes aggressive efforts to combat waste, fraud and abuse; more rigorous Medical Assistance case-management review; and more thorough review before approving expensive medical procedures.

A Stronger Safety Net

Even as the Commonwealth's Department of Public Welfare becomes more efficient and effective in delivering health and social services in the face of rising costs and limited funds, the Administration has made it a priority to protect those who benefit from those services. The budget proposal for the 2005-06 fiscal year includes the following broad provisions:

- No one currently receiving health care services from the Commonwealth will lose their eligibility.
- No changes will be made to the array of health services and social services provided to children.
 - Pennsylvania will be able to meet the increase in demand anticipated this coming year for services to low-income children, chronically ill adults, uninsured working families, disabled individuals, the infirm elderly and other Pennsylvanians in need.

The budget proposal for the 2005-06 fiscal year provides for the following increases:

- The number of uninsured working Pennsylvanians receiving adult health insurance will increase by at least 5,400 individuals.
- There will be subsidized child care services for 1,540 more children and increased payment rates for child care providers serving infants, toddlers and preschoolers to help more low-income Pennsylvanians move from welfare to work.
- Home and community-based services will be provided to 955 more people with mental retardation and 185 more people with mental illness.
- In addition, there will be expanded services to 1,500 more people with disabilities and 1,800 older Pennsylvanians - services that will allow them to live at home, avoid nursing home care and be as much a part of their community as possible.

The 2005-06 fiscal year budget will create a social services system that will focus on fair and balanced delivery of social and health-care services. One key goal of the adjustments that will be made is to provide basic core benefits to many, instead of a comprehensive package of benefits to only a few. In addition, there will be an emphasis on care management to ensure that health care promotes wellness and avoids redundant and needlessly costly procedures, treatments and medications. And there will be more home and community-based alternatives for the elderly and the disabled, so nursing home stays can be avoided or reduced, whenever appropriate.

Balanced Adjustments to Safety-Net Programs

Benefit packages: In response to the growth in the number of people on Medical Assistance, the physical health care benefit packages for the adult Medicaid and General Assistance recipients will continue to preserve core medical benefits but will more closely mirror the types of coverages typically provided to working Pennsylvanians with employer-sponsored health insurance plans. In addition, people who participate in Medical Assistance will be required to responsibly manage their use of services. Below is a chart comparing Pennsylvania's proposed 2005-06 Medical Assistance adult benefit packages to comparable packages in several other large states.

	Outpatient Hospital Visits	Podiatry	Chiropractors	Optometry	Physician Visits
Pennsylvania	L&C	L&C	L&C	L&C	L&C
California	No Limits	L&C	L&C	L&C	L&C
Illinois	No Limits	C	C	L&C	C
Michigan	No Limits	N	N	L&C	No Data
Ohio	L	L	N	L	L
New York	L	N	N	L	L
Virginia	L	N	N	L	L&C

L=Limit Visits

N= Not Covered

C= Copayment

Services for children: The Commonwealth's long tradition of providing comprehensive medical services for low-income children will continue. This budget offers help to more children in needy families. Another 62,000 families will be added to the Medical Assistance Program, and 10,000 more children will be added to the State's Children's Health Insurance Program (CHIP). About 3,000 more children will be receiving child welfare services for the prevention of abuse and neglect. Some children currently eligible for Medical Assistance live in families with incomes substantially above the poverty line and much higher than the incomes of the majority of families receiving public assistance. To insure that the

Commonwealth can continue to afford to provide services to all children, families with higher incomes will be required to contribute a small proportion of the cost of their child's care through the payment of a monthly premium.

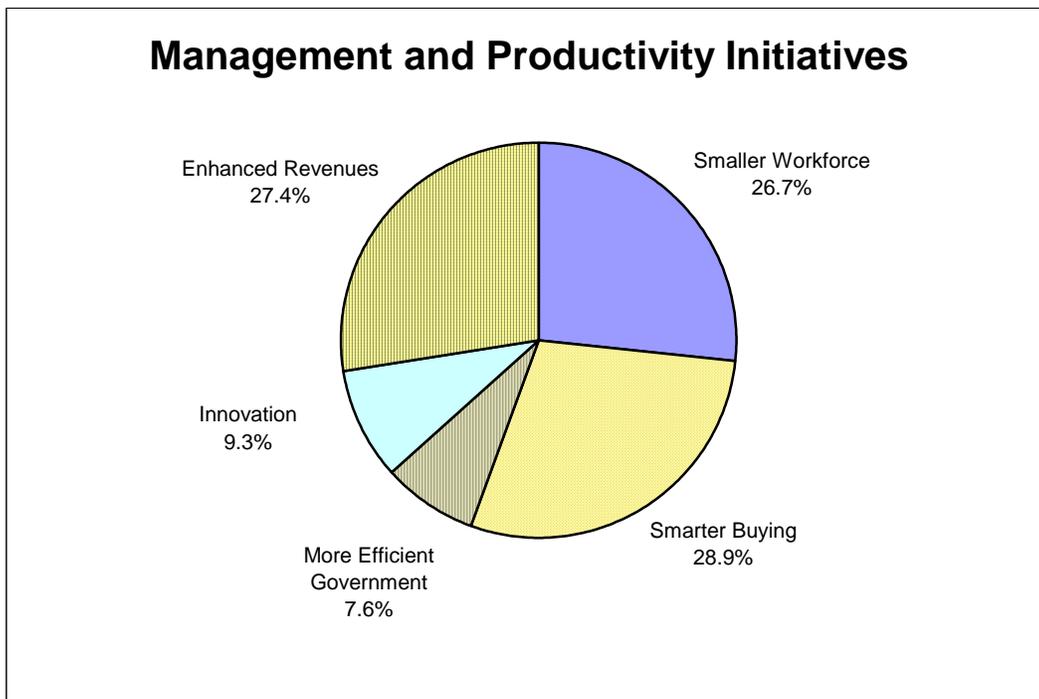
Difficult Alternatives

Making comprehensive revisions to the Commonwealth's safety net programs will not be easy. But the difficult task facing the Commonwealth (and all states) is how to construct a responsible budget in the face of increasing Medical Assistance costs and enrollment and decreasing Federal funds. Pennsylvania is making changes to its social welfare programs solely for the purpose of insuring that no one currently receiving benefits will lose coverage and no child will be forced to go without coverage.

These changes to the Commonwealth's social services programs are not only a necessity; they are also an opportunity – an opportunity to achieve long-overdue reforms that will protect Pennsylvanians in need while making the many threads in the safety net stronger, more effective and more efficient.

Making Government Work Smarter

The Rendell Administration has transformed the way that Commonwealth government works over the past two years. The results have been exceptional, generating savings for Pennsylvania taxpayers of more than \$475 million through reduced expenditures, avoidance of costs and new revenues. The government is smaller, private sector business practices are in place, agencies are cooperating like never before, taxpayers are served better and innovative new efforts are ongoing across the enterprise. Led by the Governor's Office of Management and Productivity, every agency has played a key role in this effort. Below is a chart showing areas in which the savings occurred.

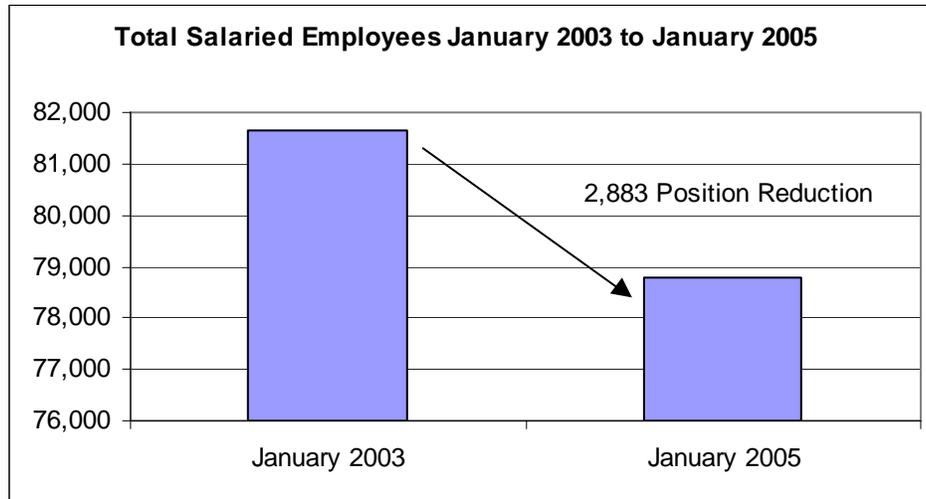


Given the financial challenges outlined in this budget, these efforts to change the way that government does business—reducing costs and generating additional revenues—will continue to play a central role in the Governor's agenda. The following items highlight examples of some of the completed and on-going cost savings strategies and management improvement efforts. The list includes updated results for initiatives that originated in the FY 2003-04 Budget, examples of projects completed in 2004 and various initiatives that are currently being implemented.

These management and productivity initiatives, reflected in agency budgets across the enterprise, have been critical in achieving the balanced budget proposal. The savings secured through these efforts allow the continuation of programs that matter to Commonwealth citizens and mitigate the need to generate additional revenues through increased taxes and other means. The Governor's management and productivity initiatives will continue to drive additional savings across agencies in the next budget year and beyond.

Creating a Smaller and More Efficient Government

- The number of filled salaried positions has been reduced by 2,883 positions since the day Governor Rendell took office. Combined with decreases in the wage complement, the annual savings from this smaller workforce, including pay and benefit changes, exceeds \$160 million.



Using Private Sector Business Practices

- Reforming the way the Commonwealth procures goods and services through strategic sourcing will generate more than \$130 million in annual savings by the end of the FY 2004-05 fiscal year.
- Renegotiation of contracts and the introduction of demand management measures have reduced telecommunications expenditures by more than \$5 million.
- Completion of two major fleet management initiatives by stretching the life of passenger vehicles to 80,000 miles and eliminating more than 5 percent or 660 vehicles from the State fleet has saved more than \$15 million.
- Consolidating warehouses in the Harrisburg area will generate approximately \$4 million dollars in savings once fully implemented, including a 50 percent reduction in warehousing positions through attrition.
- Nearly 3,000 unused phone lines have been eliminated, and caller-ID was removed wherever possible.

Innovation by Commonwealth Agencies

- Implementation of the Supplemental Security Income check-writing initiative will result in approximately \$30 million in annualized savings.
- Implementation of the Department of Transportation's Maintenance Efficiency and Cost Effectiveness effort has led to significant maintenance efficiency gains, saving an estimated \$11.4 million this year.
- Efforts to improve efficiency at State mental health and mental retardation facilities saved approximately \$4 million in the past year.
- Under the Department of Corrections' new contract for commissary services, commissions will generate \$3 million, offsetting 85 percent of commissary staffing costs. Corrections also implemented a healthy menu program to save \$1.2 million a year by reducing the number of specialty meals from 4,300 to 2,300.
- Elimination of sales tax coupon books will save more than \$250,000 through 2005 at the Department of Revenue.
- Streamlined and electronic printing and mailing efforts, at the Department of Public Welfare resulted in savings of more than \$2 million.

Agencies Working Together

- Consolidating call centers for human services lines at the Departments of Health, Aging, Public Welfare and Insurance has improved customer service and reduced spending by more than 45%.
- Centralization of document and check processing by the Department of Revenue has allowed other agencies to eliminate their processing efforts saving more than 500,000 documents annually.

Improving Taxpayer Service and Revenue Collection

- With more taxpayers using the Internet, the Department of Revenue was able to close seven field offices without layoffs, saving more than \$4 million per year.
- The Department of Revenue completed an information exchange program with the Internal Revenue Service that resulted in \$662,105 in additional revenue. In addition, \$4.6 million was collected through an automated Estimated Underpayment Penalty calculation/billing for tax year 2003.
- Approximately 40 percent of PA taxpayers filed their 2003 State returns electronically, an increase of 14 percent over the previous year.

Serving Citizens Better Through Technology

- As a result of a comprehensive customer service and management improvement effort, the Department of Transportation has significantly reduced wait times for its driver license customers. Currently, 97 percent of all customers Statewide are served within 30 minutes, up from 84 percent in 2003.
- The Insurance Department implemented an on-line system for producer licensees to obtain a copy of their license certification from the department's website, saving approximately \$40,000.
- The Department of State increased the percentage of online renewals for boards and commissions from 20 percent to 58 percent, reducing costs of printing and mailing renewal applications.
- Improvements to the Department of Transportation driver and vehicle services web site have led to a 40 percent increase in the number of transactions conducted online.

Growing Greener II: Investing in Our Quality of Life

Last year's budget recommended Growing Greener II, a set of interlocking investments designed to preserve, create and expand critical programs to improve the quality of Pennsylvania's communities and natural environment. This far-reaching program still awaits affirmative action by the General Assembly, and so this year's 2005-06 budget once again anticipates passage of an \$800 million bond authorization by the voters, now targeted for May 2005, as well as the authorization of additional fees on waste disposal to support the costs of preserving and expanding Pennsylvania's environmental programs. These investments will be crucial to ensuring Pennsylvania's future competitiveness. The types of companies and industries that Pennsylvania needs to retain and attract often have a choice of where to do business. Increasingly, they judge a location on its ability to offer their workers a place they want to call home — a place that has a clean and safe environment, lively town centers and neighborhoods, and abundant green space. The investments made possible by the Growing Greener II program will protect open space, clean up abandoned industrial sites, clear our streams of acid mine drainage, upgrade natural habitat for wildlife, restore mine lands and protect working farms and forests.

The redesigned Growing Greener II proposal contains the following major components:

Protect Existing Growing Greener Resource Renewal Programs

Because of the way the original Growing Greener program was financed, Growing Greener programs will need to be reduced from \$107 million in 2003-04 to \$93 million in 2005-06 absent a new source of augmented revenue to support the original program. The 2005-06 budget proposes a new fee of \$1.00 per ton on the disposal of municipal solid waste solely for the Environmental Stewardship Fund, providing an additional \$21 million for Growing Greener programs in fiscal year 2005-06. This would provide a permanent funding source for the Agricultural Conservation Easement Purchase Fund by re-establishing a fixed annual percentage (14.8%) of Environmental Stewardship Fund payouts dedicated to farmland preservation. This new fee is included in the overall fee increase proposed for municipal solid waste.

Increase the Impact of Growing Greener II with a Voter Approved Expansion

To enhance our investment in existing and new Growing Greener efforts, voter approval will be sought for an \$800 million Growing Greener bond issue. Bond proceeds would be spent over a period of four years on parks, improving Fish and Game Commission facilities, open space and farmland (\$330 million), environmental cleanup (\$300 million) and revitalization of older communities (\$170 million).

Implement a Home Town Streets Program at PennDOT

At the heart of many of Pennsylvania's cities and towns, both large and small, are older streets and boulevards that have seen better days. Many of these are owned by the Commonwealth. The traditional method of allocating road funds, to repair condition problems or address traffic congestion, can often leave these roads behind. Under the Home Town Streets Program, Pennsylvania towns and cities that have State roads as their main streets and commercial corridors can continue to seek State support to revitalize these arteries. Last year, the Department of Transportation proposed a new program to use \$200 million from existing sources to invest in hometown streets and safe routes to schools. The department is now implementing the first phase of the program with an investment of \$128 million for 266 projects. Additional projects that warrant investment will be identified and funded in this coming fiscal year.

Increase Funding for Recycling and Other Programs

This proposed program includes \$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 and \$7.5 million per year to aid communities that wish to plan more comprehensively for future growth.

Targeted Historic Preservation Grants and Tax Credits for Energy Efficiency

Two targeted incentives, one for community revitalization and one to promote energy conservation, would complement the other programs. An allocation of \$11.5 million will cover the cost of a Historic

Preservation Grant Program to help small businesses, developers and some homeowners rebuild the fabric of hundreds of older communities. Also, a twice-per-year Green Tag sales tax holiday on the purchase of energy efficient appliances is proposed to encourage the purchase of these products, thus conserving natural resources.

Paying for Growing Greener II

These activities would be funded by a new \$5.00 per ton fee on the disposal of municipal solid waste and a new \$4.00 fee on residual waste. All new revenue would flow to the Environmental Revitalization Account, except for the \$1.00 per ton fee on municipal waste going to the Environmental Stewardship Fund. Revenue flowing to the Environmental Revitalization Account would support debt service on the Growing Greener bond issue, historic preservation grants and the other items that make up the Growing Greener II program.

Below is a summary of the Growing Greener II Proposal, which totals \$91 million in 2005-06.

	(Dollar Amounts in Thousands)	
	<u>2005-06</u>	<u>2006-07</u>
Environmental Revitalization Account		
Tipping Fee Increase	\$ 63,000	\$ 84,000
Residual Waste Fee.....	<u>7,000</u>	<u>28,000</u>
<i>Environmental Revitalization Account Revenues:</i>	<u>\$ 70,000</u>	<u>\$ 112,000</u>
Environmental Stewardship Fund Revenues		
Tipping Fee Increase	\$ 21,000	\$ 21,000
Total Growing Greener II Revenues	<u>\$ 91,000</u>	<u>\$ 133,000</u>
Uses:		
Environmental Stewardship Fund - Maintain Current Program Levels	\$ 21,000	\$ 21,000
Environmental Revitalization Account:		
Debt Service for Growing Greener II Environmental Bond Issue	2,125	17,518
Historic Preservation Grant Program	11,500	11,500
Transfer to Recycling Fund	25,000	25,000
DCED - Center for Local Government Services	7,500	7,500
Transfer to Hazardous Sites Cleanup Fund	19,275	43,682
DGS - Energy Costs-Increased Use of Green Energy	2,000	2,000
Green Tax Holiday	<u>2,600</u>	<u>4,800</u>
<i>Total Environmental Revitalization Account Uses</i>	<u>\$ 70,000</u>	<u>\$ 112,000</u>
Total Growing Greener II Uses	<u>\$ 91,000</u>	<u>\$ 133,000</u>

Preserving Our Ability to Clean Up Hazardous Sites

Pennsylvania's major source of support for the clean up of hazardous waste sites is the Hazardous Sites Cleanup Fund. Prior to 2002, this Fund was supported by a share of the Capital Stock and Franchise Tax. As this tax rate was lowered, the Fund was deprived of that source of revenue. Absent new revenues, the Hazardous Sites Cleanup Fund will no longer have the ability to clean up the worst of our hazardous sites. The 2005-06 budget therefore includes additional revenue for the preservation of this Fund. The revenue is generated by a new 15 cents per pound fee on the release of toxic chemicals listed on the Federal government's Toxics Release Inventory list. 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 residual waste fee would apply to any one company. The toxics release fee would go into effect July 1, 2005, and would raise \$20.4 million annually. In addition, the Hazardous Sites Cleanup Fund would be supplemented by an Environmental Revitalization Account transfer in 2005-06 and 2006-07.

Hazardous Sites Cleanup Fund Preservation Plan

	(Dollar Amounts in Thousands)	
	<u>2005-06</u>	<u>2006-07</u>
Revenue from Toxics Release Fee	\$ 20,400	\$ 20,400
Transfer from the Environmental Revitalization Account.....	<u>19,275</u>	<u>43,682</u>
Revenues for Hazardous Sites Preservation Plan:	<u>\$ 39,675</u>	<u>\$ 64,082</u>

Homeland Security and Emergency Management Response

Homeland Security

Homeland Security initiatives continue to be one of the Commonwealth's top priorities. Continued vigilance in light of potential threats against Pennsylvania's infrastructure and its citizens is required. Guarding against these potential threats while at the same time preparing for an emergency response should they occur is Pennsylvania's chosen line of defense. Commonwealth agencies, led by the Pennsylvania Emergency Management Agency and the Office of Homeland Security, are dedicated to strengthening our capacity to guard against and to respond effectively to incidents that threaten the safety and security of the Commonwealth's citizens. Listed below are Pennsylvania's efforts in these areas:

- **Radio Communication Systems.**

Emergency response organizations at all levels of government must be able to communicate quickly, efficiently and in a coordinated manner in the event of an emergency.

This budget recommends funding for the Executive Offices for the continued implementation of the Statewide Public Safety Radio System.

- **State and Local Emergency Preparedness and Response Plans.**

State and local government and emergency response organizations must perform emergency preparedness planning and be adequately trained so that they are able to respond when called upon.

This budget recommends funding for the Emergency Management Agency to assist with training and emergency preparedness exercises for State and local emergency response organizations and emergency plan development for counties. In addition, funding is recommended for the Emergency Management Agency to provide grants to volunteer fire and emergency medical service companies to purchase emergency response equipment.

- **Public Health Readiness and Response.**

Efforts must be undertaken to monitor public health and food supplies, and highly trained teams must be available to respond in the event of an emergency situation.

This budget recommends continued funding for the Departments of Health and Environmental Protection to more effectively monitor the public health for chemical, biological and nuclear incidents and to ensure that healthcare facilities are prepared for possible emergency situations. Funding is also recommended for the Department of Agriculture to continue emergency preparedness plans for the plant and animal health industries.

(amounts in thousands)

	State Funds	Federal Funds
Executive Offices		
Commonwealth Technology Services.....	\$ 8,130	
Statewide Public Safety Radio System.....	5,871	
Agriculture		
Bioterrorism Preparedness (EA).....		\$ 2,000
Emergency Management Agency		
Domestic Preparedness-First Responders (EA).....		150,000
Volunteer Company Grants (State Gaming Fund)	25,000	
Environmental Protection		
Nuclear and Chemical Security (EA).....		3,225
Homeland Security Initiative (EA).....		500
Health		
Public Health Emergency Preparedness and Response (EA).....		80,750
TOTAL	\$ 39,001	\$ 236,475

Natural Disasters

In addition to guarding against the potential for further terrorist incidents, Pennsylvania must also be prepared to respond to incidents involving natural disasters, such as the flooding that occurred during the fall of 2004.

In September of 2004, the Commonwealth experienced extensive natural disasters caused by Hurricanes Frances and Ivan. The damage resulted in Federal disaster declarations in 56 counties and loss estimates of approximately \$264 million. Pennsylvania is committed to providing 100% of funds required to match Federal disaster relief for these disasters. In addition to the State funds provided in FY 2004-05, this budget recommends \$17.6 million in State and \$40.5 million in Federal funds to enable individuals, businesses and local governments to rebuild following the flooding disasters. An additional \$50 million in State funds is recommended for damages that occurred to State roads and bridges.

In order to guard against the potential future flooding disasters, this budget recommends \$1 million in State funds and \$5.5 million in Federal funds to support the Hazard Mitigation program. This program provides financial assistance to implement measures that will permanently reduce or eliminate future damages and losses from natural hazards. Hazard Mitigation grants can also be applied towards the implementation of safer building practices throughout the Commonwealth as well as improvements to existing Pennsylvania structures.

(amounts in thousands)

	State Funds	Federal Funds
Emergency Management Agency		
September 2004 Storm Relief	\$ 100	
September 2004 Tropical Storm Frances - Hazard Mitigation.....		\$ 500
September 2004 Tropical Storm Frances - Public Assistance.....		500
September 2004 Tropical Storm Ivan - Hazard Mitigation.....	1,000	
September 2004 Tropical Storm Ivan - Hazard Mitigation (EA).....		5,000
September 2004 Tropical Storm Ivan - Public Assistance.....	5,000	
September 2004 Tropical Storm Ivan - Public Assistance (EA).....		40,000
September 2004 Tropical Storm Ivan - Public Assistance (MLF).....	12,500	
Transportation		
Disaster Recovery.....	50,000	
TOTAL.....	\$ 68,600	\$ 46,000



FEDERAL BLOCK GRANTS

The Federal Government has two primary types of grants: categorical grants and block grants. The categorical grants are generally distributed for specific purposes. Block grants are distributed to state and local governments based on a distribution formula and are available for an activity that falls within the purposes of the Federal authorizing legislation. Generally the block grants provide state and local governments greater flexibility than categorical grants.

The Commonwealth implemented eight block grants based on the Federal Omnibus Reconciliation Act of 1981. Since that time, block grants have been added based on changes in Federal law. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created two new block grants: Temporary Assistance to Needy Families and the Child Care Development Fund which replaced the Child Care Block Grant. These programs and Workforce Investment were scheduled to be reauthorized in 2003-04 but Congress has yet to complete the reauthorization.

In addition, three programs have been included in this presentation because the Federal Government provides flexibility on the activities eligible for funding. These programs are: Workforce Investment, Innovative Education Program Strategies and Anti-Drug Abuse Programs.

The tables within this section provide information on the estimated amount to be received from the Federal Government and an estimated distribution of the funds by program within the block grant. Generally, the amounts shown for administrative costs represent the amount allowable by the Federal Government. The 2004-05 estimated block grant amounts reflect the current estimate of amounts available and, therefore, may be different from amounts appropriated.

The recommended distribution by program for 2005-06 is a preliminary proposal. Opportunities for public review and comment may result in modifications to the proposed distribution.

SUMMARY OF FEDERAL BLOCK GRANTS

This table shows a summary by Federal block grant of 2003-04 expenditures, 2004-05 available and 2005-06 amounts budgeted as presented in the 2005-06 Governor's Executive Budget.

(Dollar Amounts in Thousands)

	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Community Services.....	\$ 29,370	\$ 29,402	\$ 29,402
Small Communities.....	3,300	3,720	3,720
Innovative Education Program Strategies.....	59,580	15,890	12,395
Maternal and Child Health.....	34,182	37,480	37,480
Preventive Health and Health Services.....	7,055	7,297	7,297
Substance Abuse.....	66,779	65,749	69,123
Workforce Investment.....	253,517	253,518	253,800
Child Care and Development Fund.....	326,707	352,175	354,223
Low Income Home Energy Assistance.....	143,507	189,383	189,383
Mental Health Services.....	18,677	18,099	15,759
Social Services.....	138,001	141,588	145,427
Temporary Assistance to Needy Families.....	845,822	831,787	579,701
Anti-Drug Abuse.....	55,730	56,480	54,177
TOTAL.....	\$ 1,982,227	\$ 2,002,568	\$ 1,751,887

Community Services

This block grant provides funds for community-based programs that offer health, nutrition, housing and employment related services to improve the standard of living of low-income persons. Programs consolidated into the block grant include Community Action, Senior Opportunities and Services, Community Food and Nutrition, Energy Conservation and Training, Evaluation and Technical Assistance.

Federal law requires that 90 percent of the funding be distributed to Community Action Agencies (CAAs). Five percent is allowed for administration and the remaining five percent is utilized for competitive projects. The 90 percent program monies are being granted to existing CAAs for operating costs and low-income energy assistance efforts, the Pennsylvania Directors' Association for Community Action, and competitive grants are awarded in the areas of employment training, job preparedness, community conservation corps, community economic development, summer employment and youth programs, emergency assistance and homeless assistance.

The funds estimated for administration are based on the statutory limitation of five percent and will be utilized for program purposes if not needed for administration.

Department / Appropriation	(Dollar Amounts in Thousands)		
	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Community and Economic Development:			
CSBG — Administration.....	\$ 1,370	\$ 1,402	\$ 1,402
Community Services Block Grant.....	28,000	28,000	28,000
TOTAL.....	<u>\$ 29,370</u>	<u>\$ 29,402</u>	<u>\$ 29,402</u>

Small Communities

The Housing and Community Development Act of 1974, Title I created this block grant which provides assistance in expanding low and moderate income housing opportunities, enhancing economic development and job opportunities for low and moderate income individuals, correcting deficiencies in public facilities such as water and sewer systems, and improving public facilities that affect the public health and safety.

Act 179 of 1984 requires that funds be allocated on a formula basis. Eighty-five percent of the funds must be used for grants to eligible cities, boroughs and townships and counties, of which 24 percent is allocated to cities, 38 percent to boroughs and townships and 38 percent for counties. There is a 13 percent set aside for discretionary projects which the department distributes to boroughs and townships under 10,000 in population. The remaining two percent is for administrative costs.

Beginning in Fiscal Year 2001-02 the Federal funds, with the exception of those for administration and special projects, are granted directly to the local governments through the implementation of the United States Department of Housing and Urban Development Integrated Disbursement and Information System and do not flow through the state. The Commonwealth, however, maintains administrative oversight.

HUD Disaster Recovery funds awarded to the Commonwealth support a number of special projects. Funds are generally used for hazard mitigation, although projects sometimes include activities such as Appalachian Regional Commission Economic Development Administration revitalization projects. These funds supplement discretionary projects although funds are not distributed by formula.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Community and Economic Development:			
SCDBG — Administration.....	\$ 1,300	\$ 1,720	\$ 1,720
SCDBG — HUD Disaster Recovery.....	2,000	2,000	2,000
TOTAL.....	<u>\$ 3,300</u>	<u>\$ 3,720</u>	<u>\$ 3,720</u>

Innovative Education Programs

This program is authorized by Elementary and Secondary Education Act of 1965 as amended by Title V of the No Child Left Behind Act of 2001, to assist State and local education agencies in the reform of elementary and secondary education.

These funds may be used to support education reform efforts that are consistent with and support Statewide education reform. Funding also enables state educational agencies and local educational agencies to implement promising educational reform programs based on scientifically based research, and to provide a continuing source of innovation and educational improvement, including support programs to provide library services and instructional and media materials. This program also seeks to meet the educational needs of all students, including at-risk youth and to develop and implement education programs to improve school, student and teacher performance, including professional development activities and class size reduction programs.

Federal law provides that the Commonwealth must distribute at least 85 percent of the funds to local education agencies. The remaining 15 percent is available to the State for State administration and technical assistance.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Education:			
ESEA Title V — Administration/State.....	\$ 3,580 ^a	\$ 3,000 ^a	\$ 2,820 ^a
School Districts:			
ESEA Title V — School Districts.....	\$ 56,000 ^b	\$ 12,890	\$ 9,575
TOTAL.....	<u>\$ 59,580</u>	<u>\$ 15,890</u>	<u>\$ 12,395</u>

^a Includes carryover.

^b Includes one-time funding of \$44 million for school construction renovations to be expended in FY 2003-04.

Maternal and Child Health

This block grant provides funds for planning, promoting, and evaluating health care for pregnant women, mothers, infants, and children with special health care needs. This is accomplished by providing health services for mothers and children who do not otherwise have access to adequate health care and nutritional resources. Administrative costs cannot exceed ten percent. These personnel and operational costs are found in the Administration and Operation line item which also contains some programmatic costs. These include outreach, promotional costs, laboratory supplies, and help line services.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Health:			
MCHSBG — Administration and Operation.....	\$ 16,517	\$ 18,371	\$ 18,371
MCHSBG — Program Services.....	17,665	19,109	19,109
TOTAL.....	\$ 34,182	\$ 37,480	\$ 37,480

Preventive Health and Health Services

This block grant provides funds for preventive health services. Programs include activities to affect improvements in health status through achievement of the National Year 2010 Health Objectives; programs for community and school based fluoridation; feasibility studies and planning for emergency medical services systems and the establishment, expansion and improvement of such systems; services to victims of sex offenders; and related planning, administration and educational activities. Funding also works toward eliminating disparities between the health status of the general population and that of identifiable subpopulations including: geographical, racial, ethnic, gender, or other groups. Administration is limited to ten percent. Rape Prevention and Education funding was removed from the Preventive Health and Health Services block grant by the Federal Violence Against Women Act of 2000 and is appropriated separately; the sex offender portion of the Rape Crisis program remains in the block grant.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Health:			
PHHSBG — Administration and Operation.....	\$ 2,925	\$ 3,167	\$ 3,167
PHHSBG — Block Program Services.....	3,679	3,679	3,679
Subtotal.....	\$ 6,604	\$ 6,846	\$ 6,846
Public Welfare:			
PHHSBG — Domestic Violence.....	\$ 150	\$ 150	\$ 150
PHHSBG — Rape Crisis	301	301	301
Subtotal.....	\$ 451	\$ 451	\$ 451
TOTAL.....	<u>\$ 7,055</u>	<u>\$ 7,297</u>	<u>\$ 7,297</u>

Substance Abuse

This block grant provides funds to establish and maintain programs to combat alcohol and drug abuse. These programs include individual substance abuse services, community services, drug and alcohol formula grants, and alcoholism treatment and rehabilitation services.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Corrections:			
SABG — Drug and Alcohol Programs.....	\$ 2,100	\$ 2,100	\$ 2,100
Health:			
SABG — Administration and Operation.....	\$ 6,186	\$ 6,463	\$ 6,712
SABG — Drug and Alcohol Services.....	56,510	55,203	58,328
Subtotal.....	\$ 62,696	\$ 61,666	\$ 65,040
Public Welfare:			
Homeless Services — SABG.....	\$ 1,983	\$ 1,983	\$ 1,983
TOTAL.....	<u>\$ 66,779</u>	<u>\$ 65,749</u>	<u>\$ 69,123</u>

Workforce Investment

The Federal Workforce Investment Act (WIA) of 1998 replaced the Job Training Partnership Act (JTPA), on July 1, 2000. WIA reformed Federal job training programs and created a new comprehensive workforce investment system governing programs of job training, adult education and literacy, and vocational rehabilitation, and replaced them with streamlined and more flexible components of workforce development systems. The act provided for an orderly transition from JTPA to the new programs. In addition, the law gave states and individuals more authority and responsibility for job training needs and decisions. WIA is scheduled for reauthorization in 2005. The level of integration, coordination, and collaboration between the Temporary Assistance to Needy Families (TANF) and Workforce Investment Act (WIA) programs in each state has been reviewed as part of the reauthorization process. Reauthorization legislation is anticipated soon.

Pennsylvania is implementing the act through the Pennsylvania Workforce Investment Board (PWIB) – a public-private partnership among businesses, government, communities and economic developers to provide resources needed for businesses in Pennsylvania. The PWIB is comprised of five State agencies: Departments of Aging, Community and Economic Development, Education, Labor and Industry and Public Welfare with private sector members from the State's employers, educators, labor unions, and community leaders. WIA emphasizes job placement over job training, with customers empowered to make informed choices about their career path, education and training they need to reach their career goals. The PWIB coordinates the provision of services and use of funds and resources among State agencies consistent with the laws and regulations governing the programs.

Title I of WIA established a one-stop career center system, state and local workforce investment boards, and a unified strategic five-year plan. Funding for numerous career service programs has been consolidated into three basic grants: adult employment and training, disadvantaged youth employment and training, and dislocated workers.

Eighty-five percent of the adult and youth employment and training funds are distributed to local workforce investment boards. Fifteen percent of the adult and youth employment and training funds can be used for Statewide activities of which five percent can be used for administration. Adult program activities include, but are not limited to, basic skills training, occupational skills training, on-the-job training, customized training, skill upgrade and retraining, and supportive services. Training is available for those who met intensive services eligibility, but were unable to find employment.

At least 30 percent of the funds for youth employment and training must be used for services to out-of-school youth. Activities for youth programs, include, but are not limited to, study skills training and instruction leading to completion of secondary school, alternative secondary school services, summer employment directly linked to academic and occupational learning, and occupational skill training.

Sixty percent of dislocated worker funds must go to local workforce investment boards. Twenty-five percent are used for rapid response activities and fifteen percent can be used for Statewide activities. Program activities for dislocated workers include, but are not limited to, intensive services available for unemployed individuals who have been unable to obtain jobs through core services. Training services are available for those individuals who met intensive services eligibility, but were unable to find employment and those defined as incumbent workers.

WIA Title II reauthorized the Federal Adult Education and Literacy programs. WIA Title III amended the Federal Wagner Peyser Act to require the Federal Employment Service/Job Statistics programs to become part of the one-stop career system and established a national employment statistics initiative. WIA Title IV reauthorized the Federal Vocational Rehabilitation Act programs, and links these programs to the workforce development system. Title V contains general provisions that include authority for unified planning, incentive grants for states exceeding performance levels, the Adult Education Act and the Carl D. Perkins Vocational and Technical Education Act.

Department / Appropriation	(Dollar Amounts in Thousands)		
	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Executive Offices:			
WIA — Program Accountability.....	\$ 400	\$ 400	\$ 400
Labor and Industry:			
WIA — Administration.....	\$ 8,499	\$ 8,500	\$ 8,500
WIA — Adult Employment & Training.....	60,000	60,000	60,000
WIA — Youth Employment & Training.....	52,000	52,000	52,000
WIA — Statewide Activities.....	23,000	23,000	23,000
WIA — Dislocated Workers.....	109,000	109,000	109,000
WIA — Veterans Employment and Training.....	618	618	900
Subtotal.....	\$ 253,117	\$ 253,118	\$ 253,400
TOTAL.....	<u>\$ 253,517</u>	<u>\$ 253,518</u>	<u>\$ 253,800</u>

Child Care and Development Fund

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created this block grant which provides funds to states for an integrated child care program. This program allows states flexibility in developing programs to provide child care to children of low-income working parents and parents trying to become independent of public assistance, to provide consumer education information to parents, to promote parental choice, and to implement state health, safety, licensing and registration standards. States are not required to match discretionary funds, however, there are some maintenance of effort and state matching requirements.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Executive Offices:			
<i>Office of Inspector General</i>			
CCDFBG — Subsidized Day Care Fraud.....	\$ 498	\$ 600	\$ 1,000
Education:			
CCDFBG — Early Childhood Development.....	\$ 208	\$ 0	\$ 0
Public Welfare:			
CCDFBG — Administration.....	\$ 12,479	\$ 13,127	\$ 13,480
CCDFBG — Cash Grants.....	133,539	145,008	146,303
CCDFBG — Family Centers	4,000	3,066	3,066
CCDFBG — Child Care	174,723	189,114	189,114
CCDFBG — School Age.....	1,260	1,260	1,260
Subtotal.....	\$ 326,001	\$ 351,575	\$ 353,223
TOTAL.....	<u>\$ 326,707</u>	<u>\$ 352,175</u>	<u>\$ 354,223</u>

Low-Income Home Energy Assistance

This block grant provides funds to assist eligible low-income individuals and families meet the cost of home energy through cash assistance and to alleviate crisis situations. The amounts below include weather-related contingency funding. The Department of Public Welfare's energy assistance program is projected to receive \$1,600,000 in supplemental funding from the Energy Conservation and Assistance Fund in 2005-06.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Community and Economic Development:			
LIHEABG — Administration.....	\$ 500	\$ 535	\$ 535
LIHEABG — Weatherization Program.....	22,700	24,000	24,000
Subtotal.....	\$ 23,200	\$ 24,535	\$ 24,535
Public Welfare:			
LIHEABG — Administration.....	\$ 12,330	\$ 12,164	\$ 12,164
LIHEABG — Low-Income Families and Individuals.....	107,977	152,684	152,684
Subtotal.....	\$ 120,307	\$ 164,848	\$ 164,848
TOTAL.....	<u>\$ 143,507</u>	<u>\$ 189,383</u>	<u>\$ 189,383</u>

Mental Health Services

This block grant provides funds for the provision of services to adults with serious mental illness or children with serious emotional disturbance. Services may be provided by a variety of community-based programs including community mental health programs, psychosocial rehabilitation programs, mental health peer support programs and mental health primary consumer directed programs.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Public Welfare:			
MHSBG — Administration.....	\$ 158	\$ 160	\$ 169
MHSBG — Community Mental Health.....	18,519	17,939	15,590
TOTAL.....	\$ 18,677	\$ 18,099	\$ 15,759

Social Services

Funds are provided to help individuals achieve or maintain self-sufficiency; to prevent, reduce or eliminate dependency; to prevent or remedy abuse and neglect of children and adults; and to prevent or reduce institutional care. Most services are delivered by local entities that receive grants or contract with the Department of Public Welfare. These Federal allocations serve to augment State appropriations thereby increasing the total level of services provided.

In addition to funds received directly through the Social Services Block Grant, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 authorized transfers from the Temporary Assistance to Needy Families Block Grant.

The Omnibus Reconciliation Act of 1993 included a grant program to states under the Social Services Block Grant for the establishment of empowerment zones and enterprise communities. Federal funds were targeted to specific urban or rural areas in proven economic distress. Funds received by the State go directly to eligible communities. Pennsylvania's share of the one-time grant was \$88,007,000 which was totally committed but is being spent over several years. The amounts shown below represent estimated carryover of commitments from the one-time grant. The program was transferred to the Department of Community and Economic Development in 1997-98.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Public Welfare:			
SSBG — Administration.....	\$ 3,691	\$ 3,691	\$ 3,691
SSBG — County Assistance	6,262	6,262	6,262
SSBG — Basic Institutional Program.....	1,056	1,056	1,050
SSBG — Community Mental Health	14,808	14,808	14,808
SSBG — Community Mental Retardation.....	13,984	13,984	13,984
SSBG — Early Intervention.....	2,195	2,195	2,195
SSBG — Child Welfare.....	12,021	12,021	12,021
SSBG — Child Care	30,977	30,977	30,977
SSBG — Domestic Violence.....	1,205	5,705	5,705
SSBG — Rape Crisis.....	634	2,721	2,721
SSBG — Family Planning.....	3,845	3,845	3,845
SSBG — Legal Services.....	5,049	5,049	5,049
SSBG — Legal Services Systems Improvements.....	1,000	0	0
SSBG — Homeless Services.....	2,183	4,183	4,183
SSBG — Services to Persons with Disabilities.....	120	120	120
SSBG — Attendant Care.....	6,971	6,971	10,816
Subtotal.....	\$ 106,001	\$ 113,588	\$ 117,427

Community and Economic Development:

Temporary Assistance to Needy Families

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created a block grant that makes funds available to the states to operate the Temporary Assistance to Needy Families (TANF) Program. Pennsylvania implemented the TANF program on March 3, 1997. Funds are available to provide temporary cash and other benefits to help needy families participating in activities designed to end the dependence on government benefits and to provide services for dependent and abused children. In addition, funds may be utilized for services designed to prevent future dependency. This block grant requires a state maintenance of effort and establishes mandatory work participation rates. States are allowed to transfer up to a total of 30 percent of their TANF funds to the Child Care and Development Fund and Social Services Block Grants. No more than 10 percent may be transferred to the Social Services Block Grant. These transfers are included in the Child Care and Development Fund and the Social Services Block Grant.

(Dollar Amounts in Thousands)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Executive Offices:			
<i>Office of Inspector General</i>			
TANFBG — Program Accountability.....	\$ 1,728	\$ 1,800	\$ 1,500
<i>Juvenile Court Judges Commission</i>			
TANFBG — Juvenile Probation Emergency Assistance Services.....	\$ 2,000	\$ 0	\$ 0
<i>Commission on Crime and Delinquency</i>			
TANFBG — Nurse Home Visitation.....	\$ 5,100	\$ 3,784	\$ 0
TANFBG — Weed and Seed.....	2,000	0	0
Subtotal.....	\$ 10,828	\$ 5,584	\$ 1,500
Community and Economic Development:			
TANFBG — Housing Assistance.....	\$ 5,000	\$ 5,000	\$ 0
TANFBG — Family Savings Account.....	2,000	0	0
TANFBG — Child Care Challenge Grants.....	10,000	0	0
TANFBG — Child Care Challenge Grs.(EA).....	0	500 ^a	0
Subtotal.....	\$ 17,000	\$ 5,500	\$ 0
Corrections:			
TANFBG — HOPE.....	\$ 83 ^a	\$ 52 ^a	\$ 0
Education:			
TANFBG — Teenage Parenting Education	\$ 14,255	\$ 12,255	\$ 12,255
Higher Education Assistance Agency:			
TANFBG — Education Opportunities.....	\$ 1,500	\$ 1,500	\$ 0
Labor and Industry:			
TANFBG — Youth Employment & Training	\$ 15,000	\$ 15,000	\$ 15,000

Temporary Assistance to Needy Families (continued)

Public Welfare:

TANFBG — Administration.....	\$ 5,446	\$ 5,016	\$ 5,172
TANFBG — Information Systems.....	9,808	11,907	9,556
TANFBG — Statewide.....	3,886	3,564	3,403
TANFBG — County Assistance.....	38,183	45,404	44,190
TANFBG — Child Support Enforcement.....	1,850	1,850	0
TANFBG — New Directions.....	163,601	156,494	163,409
TANFBG — Youth Development Center.....	4,918	5,500	0
TANFBG — Cash Grants.....	242,020	254,773	253,110
TANFBG — Alternatives to Abortion.....	1,000	1,000	1,000
TANFBG — Child Welfare.....	295,940	294,940	67,884 ^c
TANFBG — Child Care Services.....	2,000	2,000	2,000
TANFBG — Nurse Family Partnership.....	0	0	1,222
TANFBG — Domestic Violence.....	4,500	0	0
TANFBG — Rape Crisis.....	2,087	0	0
TANFBG — Homeless Assistance.....	2,000	0	0
Subtotal.....	<u>\$ 777,239</u>	<u>\$ 782,448</u>	<u>\$ 550,946</u>

Transportation:

TANFBG — Access to Jobs.....	\$ 10,000	\$ 10,000	\$ 0
GRAND TOTAL ALL PROGRAMS.....	<u>\$ 845,822</u>	<u>\$ 831,787 ^b</u>	<u>\$ 579,701</u>

^a Subgrant not added to total to avoid double counting.

^b Includes carryover funding.

^c See Department of Public Welfare County Child Welfare.

Anti-Drug Abuse

Two grant programs initially authorized by the Anti-Drug Abuse Act of 1986, the Drug Control and System Improvement (DCSI) grant and the Safe and Drug Free Schools and Communities (DFSC) grant, are presented below.

The objective of the Drug Control and System Improvement grant is to assist states and units of local government increase the apprehension, prosecution, adjudication, detention, rehabilitation and treatment of persons who violate State and local laws relating to the production, possession and transfer of controlled substances and to improve the criminal justice system.

The objective of the Safe and Drug Free Schools and Communities program is to establish State and local programs for alcohol and drug abuse education and prevention, in addition to violence prevention, coordinated with related community efforts and resources. The allocation made to Pennsylvania is administered by the Department of Education and the Commission on Crime and Delinquency, with the majority of these funds going to local education agencies.

The Commonwealth also receives funds from the Substance Abuse Block Grant. This program, along with funding recommendations, is described elsewhere in this section.

Department / Appropriation	(Dollar Amounts in Thousands)		
	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
DRUG CONTROL AND SYSTEM IMPROVEMENT FORMULA GRANT PROGRAM (DCSI)			
Executive Offices:			
<i>Integrated Criminal Justice System</i>			
DCSI — Electronic Reporting.....	\$ 2,025 ^a	\$ 1,855 ^a	\$ 200 ^a
<i>Juvenile Court Judges Commission</i>			
DCSI — Specialized Probation Technical Assistance.....	45 ^a	0	0
<i>Commission on Crime and Delinquency</i>			
DCSI — Administration.....	\$ 1,600	\$ 1,925	\$ 1,883
DCSI — Program Grants.....	30,000	30,000	30,000
DCSI — Criminal History Records.....	10	10	10
Subtotal.....	\$ 33,680	\$ 33,790	\$ 32,093
Attorney General:			
DCSI — Senior Crime Prevention University.....	\$ 94 ^a	\$ 68 ^a	\$ 40 ^a
<i>DCSI — Pennsylvania Drug Law Enforcement Coordinating System.....</i>			
	98 ^a	0	0
DCSI — Computer Forensics.....	163 ^a	14 ^a	0
DCSI — Witness Relocation.....	267 ^a	224 ^a	0
Subtotal.....	\$ 622	\$ 306	\$ 40
Aging:			
DCSI — Older Domestic Violence Victims CrossTraining	\$ 19 ^a	\$ 0	\$ 0
DCSI — Protective Services Training	125 ^a	50 ^a	13 ^a
DCSI — Sexual Abuse Response Training.....	93 ^a	49 ^a	25 ^a

Overview and Summaries

Anti-Drug Abuse (continued)

Department / Appropriation	(Dollar Amounts in Thousands)		
	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
Corrections:			
DCSI — Hispanic Therapeutic Community.....	\$ 250 ^a	\$ 200 ^a	\$ 200 ^a
DCSI — Therapeutic Community.....	75 ^a	110 ^a	0
DCSI — Employment Opportunities.....	343 ^a	242 ^a	110 ^a
DCSI — Virtual Visitation.....	67 ^a	67 ^a	0
DCSI — Adult Interactive Living.....	90 ^a	90 ^a	0
DCSI — Sex Offender Assessment.....	115 ^a	164 ^a	100 ^a
DCSI — Inmate Culinary Training.....	53 ^a	15 ^a	35 ^a
Subtotal.....	\$ 993	\$ 888	\$ 445
Health:			
DCSI — Adult Offender Treatment.....	\$ 428 ^a	\$ 498 ^a	\$ 225 ^a
Military and Veterans Affairs:			
DCSI — Drug Enforcement Training.....	\$ 618 ^a	\$ 630 ^a	\$ 418 ^a
Probation and Parole:			
DCSI — Sexual Offenders Treatment.....	\$ 300 ^a	\$ 500 ^a	\$ 131 ^a
DCSI — Case Management.....	139 ^a	0	0
DCSI — Re-Entry Court Planning.....	15 ^a	12 ^a	0
Subtotal.....	\$ 454	\$ 512	\$ 131
State Police:			
DCSI — Triggerlock.....	\$ 180 ^a	\$ 260 ^a	\$ 200 ^a
DCSI — Minority Recruitment.....	30 ^a	0	0
DCSI — MARIS System.....	226 ^a	226 ^a	0
DCSI — PA Criminal Intelligence Center.....	454 ^a	605 ^a	144 ^a
Subtotal.....	\$ 890	\$ 1,091	\$ 344
Legislature:			
<i>Commission on Sentencing</i>			
DCSI — Web Expansion & JNET Interface.....	\$ 87 ^a	\$ 5 ^a	\$ 0
DCSI — Policy Research.....	128 ^a	0	0
DCSI — JNET Information Technology.....	251 ^a	132 ^a	250 ^a
DCSI — Community Corrections.....	177 ^a	0	0
DCSI — Restitution Collections.....	100 ^a	0	0
DCSI — Financial Resource Analyst.....	79 ^a	0	0
DCSI — Research and Data Management.....	0	1,039 ^a	900 ^a
DCSI — RIP Evaluations.....	138 ^a	0	0
Subtotal.....	\$ 960	\$ 1,176	\$ 1,150
TOTAL.....	\$ 33,680	\$ 33,790	\$ 32,093

Anti-Drug Abuse (continued)

Department / Appropriation	2003-04 Actual Block	2004-05 Available Block	2005-06 Recommended Block
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES (DFSC)			
Executive Offices:			
<i>Commission on Crime and Delinquency</i>			
DFSC — Special Programs.....	\$ 4,560	\$ 5,200	\$ 5,200
Education:			
DFSC — Administration.....	\$ 1,698	\$ 1,698	\$ 1,092
DFSC — School Districts.....	14,000	14,000	14,000
Subtotal.....	\$ 15,698	\$ 15,698	\$ 15,092
Health:			
DFSC — Special Programs for Student Assistance.....	\$ 1,125 ^a	\$ 1,125 ^a	\$ 1,125 ^a
Public Welfare:			
DFSC — Special Programs — Juvenile Aftercare			
Services	\$ 1,225	\$ 1,225	\$ 1,225
DFSC — Special Programs for Domestic Violence.....	425	425	425
DFSC — Special Programs for Rape Crisis.....	142	142	142
Subtotal.....	\$ 1,792	\$ 1,792	\$ 1,792
TOTAL.....	\$ 22,050	\$ 22,690	\$ 22,084
GRAND TOTAL ALL PROGRAMS.....	<u>\$ 55,730</u>	<u>\$ 56,480</u>	<u>\$ 54,177</u>

^a Subgrants not added to total to avoid double counting.

Public Information and Communications

The Commonwealth spends funds on activities to provide government information to the news media and the general public and for other essential communications efforts. Funds are budgeted in over 30 agencies to provide public notification and information to the Commonwealth's public, news media, businesses, legislators and citizens regarding the bidding of contracts, issuance of rules and regulations, announcement of public hearings and the availability of services and financial aid. The amounts that are detailed below exclude those items that are strictly educational and materials that are offered for public sale such as the "Game News" and "Pennsylvania Angler and Boater".

	(Dollar Amounts in Thousands)	
	2004-05 Estimate	2005-06 Estimate
Governor's Office.....	\$1,112	\$1,112
Executive Offices.....	177	177
Lt. Governor's Office.....	55	55
Aging.....	208	208
Agriculture.....	401	378
Banking.....	875	1,232
Civil Service Commission.....	44	44
Community and Economic Development.....	373	433
Conservation and Natural Resources.....	257	231
Corrections.....	238	238
Education.....	517	528
Emergency Management Agency.....	144	144
Environmental Protection.....	2,287	2,260
Fish and Boat Commission.....	129	117
Game Commission.....	314	319
General Services.....	69	69
Health.....	477	477
Historical and Museum Commission.....	86	84
Insurance.....	208	208
Labor and Industry.....	385	354
Liquor Control Board.....	229	240
Military and Veterans Affairs.....	209	209
Milk Marketing Board.....	90	90
Probation and Parole Board.....	65	65
Public Television Network.....	17	16
Public Utility Commission.....	200	205
Public Welfare.....	467	466
Revenue.....	480	473
Securities Commission.....	32	31
State.....	223	224
State Police.....	295	257
Transportation.....	1,483	1,483
TOTAL	\$12,146	\$12,427

The Commonwealth also spends funds in these areas:

---- *Lottery sales promotion* - \$30 million will be spent on advertising campaigns to promote lottery sales and to disseminate information on the various lottery programs including property tax and rent assistance for older Pennsylvanians during 2005-06. These expenditures are expected to generate approximately \$2.8 billion in lottery revenues during 2005-06.

---- *Economic development* - A total of \$24.7 million is budgeted in the General Fund to promote tourism and economic development. This will contribute to an estimated \$23.7 billion in 2005-06 travel revenues to Pennsylvania and supports the State's aggressive effort to preserve and create jobs.



COMMONWEALTH PROGRAM BUDGET

This section summarizes the 2005-06 fiscal year budget by major revenue source and major program area of expenditure. This summary includes programs funded from the General Fund, the twelve budgeted special revenue funds, Federal funds, and other revenues including augmentations, restricted receipts and revenues, and other special revenue funds.

Detailed supporting information is provided for each major program area of expenditure by component categories and subcategories (subdivisions of activities) which contribute to the Commonwealth's total effort in that program. Detailed information on individual revenue sources may be found in the appropriate fund presentation in the Summary by Fund section of this document.



COMMONWEALTH PROGRAM BUDGET

This section summarizes the 2005-06 fiscal year budget by major revenue source and major program area of expenditure. This summary includes programs funded from the General Fund, the twelve budgeted special revenue funds, Federal funds, and other revenues including augmentations, restricted receipts and revenues, and other special revenue funds.

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Program Budget Summary

SUMMARY OF REVENUES AND EXPENDITURES FOR THE OPERATING PROGRAM

The following table is a seven year summary of the revenues and expenditures by Commonwealth Program for the operating budget. Balances are included only for State funds - General Fund and Special Funds - as Federal Funds and Other Funds revenues and expenditures are considered to be self-balancing.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
BEGINNING BALANCES							
General Fund (a):	\$ 209,325	\$ 76,750	\$ 201,394	\$ 3,685	\$ 0	\$ 0	\$ 0
Adjustment to Beginning Balance:	\$ -13,098	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjusted Beginning Balance:	<u>\$ 196,227</u>	<u>\$ 77,500</u>	<u>\$ 201,394</u>	<u>\$ 3,685</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Special Funds (b):	<u>\$ 759,673</u>	<u>\$ 945,572</u>	<u>\$ 1,042,095</u>	<u>\$ 987,730</u>	<u>\$ 1,015,418</u>	<u>\$ 1,021,087</u>	<u>\$ 922,656</u>
REVENUES							
General Fund:							
Corporation Taxes:	\$ 4,351,105	\$ 4,786,400	\$ 4,790,200	\$ 4,770,500	\$ 4,798,200	\$ 4,738,500	\$ 4,745,200
Personal Income Tax:	7,733,804	8,595,200	8,967,700	9,366,700	9,778,000	10,205,800	10,628,300
Sales and Use Taxes:	7,728,542	8,001,300	8,266,800	8,581,500	8,915,100	9,261,800	9,609,900
All Other Revenues/Taxes:	3,014,627	2,774,500	2,709,400	2,927,400	2,977,800	3,037,200	3,092,400
Less Refunds:	-1,014,700	-1,060,500	-1,085,000	-1,125,000	-1,165,000	-1,205,000	-1,245,000
Total General Fund:	<u>\$ 21,813,378</u>	<u>\$ 23,096,900</u>	<u>\$ 23,649,100</u>	<u>\$ 24,521,100</u>	<u>\$ 25,304,100</u>	<u>\$ 26,038,300</u>	<u>\$ 26,830,800</u>
Special Funds:	3,921,704	4,042,389	4,217,486	4,275,535	4,325,798	4,348,286	4,374,564
Federal Funds:	15,831,678	17,724,470	16,984,628	17,335,959	17,867,833	18,441,634	19,155,373
Other Funds:	5,768,251	7,341,358	7,440,257	6,905,749	6,351,500	6,150,274	6,114,193
Total Revenues and Balances:	<u>\$ 48,290,911</u>	<u>\$ 53,228,199</u>	<u>\$ 53,534,960</u>	<u>\$ 54,029,758</u>	<u>\$ 54,864,649</u>	<u>\$ 55,999,581</u>	<u>\$ 57,397,586</u>
PROGRAM EXPENDITURES							
Direction and Supportive							
Services:	\$ 1,461,619	\$ 1,522,386	\$ 1,494,018	\$ 1,500,420	\$ 1,505,538	\$ 1,512,091	\$ 1,502,741
Protection of Persons and							
Property:	5,493,124	6,066,440	6,138,336	6,130,399	6,135,725	6,172,903	6,219,073
Education:	10,915,504	11,583,199	11,884,842	12,057,123	12,235,118	12,337,685	12,393,318
Health and Human Services:	22,095,909	24,438,765	24,603,525	24,833,653	25,408,216	26,437,580	27,886,753
Economic Development:	1,966,318	2,414,024	2,344,698	2,369,544	2,397,935	2,423,671	2,434,848
Transportation and							
Communications:	4,178,200	-4,660,870	4,708,700	4,644,927	4,585,609	4,586,298	4,586,999
Recreation and Cultural Enrichment:	560,295	589,850	560,211	559,151	562,306	569,844	575,747
Debt Service:	728,388	823,675	807,986	900,757	961,543	1,017,569	1,061,978
Less General Fund Lapses:	-142,511	-125,000	0	0	0	0	0
Less Special Fund Lapses:	-178,357	-56,630	0	0	0	0	0
Total Operating Expenditures:	<u>\$ 47,078,589</u>	<u>\$ 51,917,579</u>	<u>\$ 52,542,316</u>	<u>\$ 52,996,074</u>	<u>\$ 53,791,990</u>	<u>\$ 55,057,641</u>	<u>\$ 56,661,457</u>
Transfer to Budget Stabilization							
Reserve Fund:	-190,000	-67,131	-1,229	-4,567	-12,893	-4,821	-4,056
ENDING BALANCES							
General Fund:	<u>\$ 76,750</u>	<u>\$ 201,394</u>	<u>\$ 3,685</u>	<u>\$ 13,699</u>	<u>\$ 38,679</u>	<u>\$ 14,463</u>	<u>\$ 12,167</u>
Special Funds (b):	<u>\$ 945,572</u>	<u>\$ 1,042,095</u>	<u>\$ 987,730</u>	<u>\$ 1,015,418</u>	<u>\$ 1,021,087</u>	<u>\$ 922,656</u>	<u>\$ 719,906</u>

(a) Balances are not carried forward beyond 2005-06.

(b) Includes Lottery Fund reserve.

Program Budget Summary

Seven Year Summary of Commonwealth Programs

The following is a summary for the seven Commonwealth Programs of 2003-04 actual expenditures, 2004-05 amounts available, 2005-06 amounts budgeted and future year estimates for all the operating funds and capital bond authorizations as presented in the 2005-06 Governor's Executive Budget. A breakdown of each Commonwealth Program by Category and Subcategory is shown on subsequent pages.

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Direction and Supportive Services							
General Fund.....	\$ 847,926	\$ 904,043	\$ 831,002	\$ 831,061	\$ 830,902	\$ 831,161	\$ 830,902
Special Funds.....	418,873	470,700	498,532	504,875	510,152	516,446	507,355
Federal Funds.....	62,278	20,699	18,638	18,638	18,638	18,638	18,638
Other Funds.....	<u>132,542</u>	<u>126,944</u>	<u>145,846</u>	<u>145,846</u>	<u>145,846</u>	<u>145,846</u>	<u>145,846</u>
Total Operating.....	\$ 1,461,619	\$ 1,522,386	\$ 1,494,018	\$ 1,500,420	\$ 1,505,538	\$ 1,512,091	\$ 1,502,741
Protection of Persons and Property							
General Fund.....	\$ 2,376,747	\$ 2,499,680	\$ 2,386,256	\$ 2,395,307	\$ 2,405,580	\$ 2,416,728	\$ 2,428,844
Special Funds.....	677,931	697,487	795,406	803,359	816,967	832,112	847,852
Federal Funds.....	835,658	992,323	1,011,742	993,332	988,109	1,010,123	1,034,043
Other Funds.....	<u>1,602,788</u>	<u>1,876,950</u>	<u>1,944,932</u>	<u>1,938,401</u>	<u>1,925,069</u>	<u>1,913,940</u>	<u>1,908,334</u>
Total Operating.....	\$ 5,493,124	\$ 6,066,440	\$ 6,138,336	\$ 6,130,399	\$ 6,135,725	\$ 6,172,903	\$ 6,219,073
Education							
General Fund.....	\$ 9,113,350	\$ 9,768,425	\$ 10,010,854	\$ 10,183,085	\$ 10,359,910	\$ 10,461,262	\$ 10,515,864
Special Funds.....	12,139	13,779	15,282	15,439	16,609	17,824	18,855
Federal Funds.....	1,644,749	1,675,950	1,733,776	1,733,669	1,733,669	1,733,669	1,733,669
Other Funds.....	<u>145,366</u>	<u>125,045</u>	<u>124,930</u>	<u>124,930</u>	<u>124,930</u>	<u>124,930</u>	<u>124,930</u>
Total Operating.....	\$ 10,915,604	\$ 11,583,199	\$ 11,884,842	\$ 12,057,123	\$ 12,235,118	\$ 12,337,685	\$ 12,393,318
Health and Human Services							
General Fund.....	\$ 7,852,915	\$ 8,311,644	\$ 8,871,748	\$ 9,240,291	\$ 9,725,888	\$ 10,309,907	\$ 10,989,939
Special Funds.....	1,098,422	1,095,215	1,132,906	1,144,459	1,252,428	1,349,653	1,467,023
Federal Funds.....	11,243,808	12,021,420	11,671,740	12,041,619	12,578,716	13,130,503	13,820,322
Other Funds.....	<u>1,900,764</u>	<u>3,010,486</u>	<u>2,927,131</u>	<u>2,407,284</u>	<u>1,851,184</u>	<u>1,647,517</u>	<u>1,609,469</u>
Total Operating.....	\$ 22,095,909	\$ 24,438,765	\$ 24,603,525	\$ 24,833,653	\$ 25,408,216	\$ 26,437,580	\$ 27,886,753
Economic Development							
General Fund.....	\$ 517,000	\$ 599,710	\$ 446,884	\$ 475,210	\$ 503,501	\$ 529,237	\$ 541,917
Special Funds.....	25,383	22,152	26,927	26,663	26,663	26,663	26,663
Federal Funds.....	691,262	983,657	996,499	996,468	996,468	996,468	996,468
Other Funds.....	<u>732,673</u>	<u>808,505</u>	<u>874,388</u>	<u>871,303</u>	<u>871,303</u>	<u>871,303</u>	<u>869,800</u>
Total Operating.....	\$ 1,966,318	\$ 2,414,024	\$ 2,344,698	\$ 2,369,644	\$ 2,397,935	\$ 2,423,671	\$ 2,434,848

Program Budget Summary

Seven Year Summary of Commonwealth Programs

	(Dollar Amounts in Thousands)						
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
Transportation and Communication							
General Fund.....	\$ 286,777	\$ 306,992	\$ 312,670	\$ 312,670	\$ 312,670	\$ 312,670	\$ 312,670
Special Funds.....	1,447,261	1,488,240	1,595,474	1,545,474	1,485,474	1,485,474	1,485,474
Federal Funds.....	1,303,747	1,599,565	1,505,583	1,505,583	1,505,583	1,505,583	1,505,583
Other Funds.....	1,140,415	1,266,073	1,294,973	1,281,200	1,281,882	1,282,571	1,283,272
Total Operating.....	\$ 4,178,200	\$ 4,660,870	\$ 4,708,700	\$ 4,644,927	\$ 4,585,609	\$ 4,586,298	\$ 4,586,999
Recreation and Cultural Enrichment							
General Fund.....	\$ 221,648	\$ 240,356	\$ 227,393	\$ 227,393	\$ 227,393	\$ 227,393	\$ 227,393
Special Funds.....	195,559	192,946	184,552	185,492	188,647	195,685	201,588
Federal Funds.....	50,176	53,237	46,650	46,650	46,650	46,650	46,650
Other Funds.....	92,912	103,311	101,616	99,616	99,616	100,116	100,116
Total Operating.....	\$ 560,295	\$ 589,850	\$ 560,211	\$ 559,151	\$ 562,306	\$ 569,844	\$ 575,747
Debt Service							
General Fund.....	\$ 669,003	\$ 400,025	\$ 758,773	\$ 841,502	\$ 886,684	\$ 930,658	\$ 967,048
Special Funds.....	38,594	21,977	22,772	22,086	23,189	22,860	22,504
Federal Funds.....	0	377,619	0	0	0	0	0
Other Funds.....	20,791	24,054	26,441	37,169	51,670	64,051	72,426
Total Operating.....	\$ 728,388	\$ 823,675	\$ 807,986	\$ 900,757	\$ 961,543	\$ 1,017,569	\$ 1,061,978
Capital Bond Authorizations.....	\$ 0	\$ 0	\$ 1,897,163	\$ 746,210	\$ 742,950	\$ 738,770	\$ 745,536
Program Total.....	\$ 728,388	\$ 823,675	\$ 2,705,149	\$ 1,646,967	\$ 1,704,493	\$ 1,756,339	\$ 1,807,514
COMMONWEALTH TOTALS							
General Fund.....	\$ 21,885,366	\$ 23,030,875	\$ 23,845,580	\$ 24,506,519	\$ 25,252,528	\$ 26,019,016	\$ 26,814,577
Special Funds.....	3,914,162	4,002,496	4,271,851	4,247,847	4,320,129	4,446,717	4,577,314
Federal Funds.....	15,831,678	17,724,470	16,984,628	17,335,959	17,867,833	18,441,634	19,155,373
Other Funds.....	5,768,251	7,341,368	7,440,257	6,905,749	6,351,500	6,150,274	6,114,193
Total Operating.....	\$ 47,399,457	\$ 52,099,209	\$ 52,542,316	\$ 52,996,074	\$ 53,791,990	\$ 55,057,641	\$ 56,661,457
Capital Bond Authorizations.....	\$ 0	\$ 0	\$ 1,897,163	\$ 746,210	\$ 742,950	\$ 738,770	\$ 745,536
Program Total.....	\$ 47,399,457	\$ 52,099,209	\$ 54,439,479	\$ 53,742,284	\$ 54,534,940	\$ 55,796,411	\$ 57,406,993

Program Budget Summary

Direction and Supportive Services

The goal of this Commonwealth program is to provide an efficient and effective administrative support system through which the goals and objectives of the Commonwealth programs can be attained. This Commonwealth program supports the Administration's goal to Deliver Greater Value and Efficiency in Government through the activities of centralized agencies to support this goal.

Centralized functions affecting all agencies make up this program. Administrative costs specifically related to particular programs usually appear in a program subcategory to which they specifically relate.

The agencies in this program include the Governor's Office, Executive Offices, Lieutenant Governor, Auditor General, Treasury, Civil Service Commission, Department of General Services, Department of Revenue, the State Employees' Retirement System and the Legislature.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Administrative and Support Services..... \$	218,114	225,578	213,301	212,867	212,960	213,811	214,080
Executive Direction.....	213,393	221,053	209,309	208,875	208,968	209,819	210,088
Personnel Selection.....	1	1	1	1	1	1	1
State Retirement System.....	2	4	4	4	4	4	4
Legal Services.....	4,718	4,520	3,987	3,987	3,987	3,987	3,987
Fiscal Management..... \$	612,633	699,967	671,220	677,897	683,081	688,624	679,164
Revenue Collection and Administration.....	511,891	589,439	565,966	572,643	577,827	583,370	573,910
Disbursement.....	51,512	60,349	57,075	57,075	57,075	57,075	57,075
Auditing.....	49,230	50,179	48,179	48,179	48,179	48,179	48,179
Physical Facilities and Commodities Management..... \$	132,025	132,130	129,012	129,171	129,012	129,171	129,012
Facility, Property and Commodity Management.....	132,025	132,130	129,012	129,171	129,012	129,171	129,012
Legislative Processes..... \$	303,117	316,132	315,065	315,065	315,065	315,065	315,065
Legislature.....	303,117	316,132	315,065	315,065	315,065	315,065	315,065
Interstate Relations..... \$	910	936	936	936	936	936	936
Interstate Relations.....	910	936	936	936	936	936	936
PROGRAM TOTAL.....	\$ 1,266,799	\$ 1,374,743	\$ 1,329,534	\$ 1,335,936	\$ 1,341,054	\$ 1,347,607	\$ 1,338,257

Program Budget Summary

Protection of Persons and Property

The goal of this Commonwealth program is to provide an environment and a social system in which the lives of individuals and the property of individuals and organizations are protected from natural and man-made disasters and from illegal and unfair actions. This Commonwealth program supports the Administration's goal to Ensure the Safety of Our Citizens as well as the goal to Protect Our Natural Resources.

This program deals with the following substantive areas: consumer and environmental protection, certain regulatory activities, the criminal justice system and mitigation of the effects of disasters. Within these broad areas, the State Police, Department of Banking, Attorney General, Department of Corrections, Public Utility Commission, Liquor Control Board, Emergency Management Agency, Board of Probation and Parole, the Judiciary, Milk Marketing Board, Securities Commission, Department of State and the Insurance Department deal almost entirely with protection of persons and property. Several agencies such as the Executive Offices and the Departments of Environmental Protection, Agriculture, Labor and Industry, and Military and Veterans Affairs are more diversified and some of their activities are included in this program as well as in other Commonwealth programs.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
General Administration and Support..... \$	66,591 \$	65,952 \$	64,115 \$	64,115 \$	64,115 \$	64,115 \$	64,115
Criminal and Juvenile Justice Planning.....	42,687	44,856	44,382	44,382	44,382	44,382	44,382
Environmental Support Services.....	23,904	21,096	19,733	19,733	19,733	19,733	19,733
Public Protection and Law Enforcement..... \$	720,981 \$	764,127 \$	777,803 \$	777,803 \$	777,803 \$	777,803 \$	777,803
State Police.....	525,722	559,534	573,210	573,210	573,210	573,210	573,210
Attorney General.....	73,842	74,977	74,977	74,977	74,977	74,977	74,977
Highway Safety Administration and Licensing.....	121,417	129,616	129,616	129,616	129,616	129,616	129,616
Control and Reduction of Crime..... \$	1,397,363 \$	1,435,410 \$	1,445,544 \$	1,445,544 \$	1,445,544 \$	1,445,544 \$	1,445,544
Institutionalization of Offenders.....	1,298,500	1,337,766	1,345,590	1,345,590	1,345,590	1,345,590	1,345,590
Reintegration of Adult Offenders.....	98,863	97,644	99,954	99,954	99,954	99,954	99,954
Juvenile Crime Prevention..... \$	23,393 \$	27,147 \$	21,840 \$	21,840 \$	21,840 \$	21,840 \$	21,840
Reintegration of Juvenile Delinquents.....	23,393	27,147	21,840	21,840	21,840	21,840	21,840
Adjudication of Defendants..... \$	246,263 \$	264,053 \$	259,180 \$	259,180 \$	259,180 \$	259,180 \$	259,180
State Judicial System.....	246,263	264,053	259,180	259,180	259,180	259,180	259,180
Public Order and Community Safety..... \$	34,375 \$	41,076 \$	46,815 \$	46,815 \$	46,815 \$	46,815 \$	46,815
Emergency Management.....	16,026	21,592	27,021	27,021	27,021	27,021	27,021
State Military Readiness.....	18,349	19,484	19,794	19,794	19,794	19,794	19,794
Protection From Natural Hazards and Disasters..... \$	213,485 \$	210,404 \$	198,912 \$	198,495 \$	198,495 \$	198,495 \$	198,495
Environmental Protection and Management.....	213,485	210,404	198,912	198,495	198,495	198,495	198,495
Consumer Protection..... \$	284,419 \$	319,586 \$	326,156 \$	343,652 \$	367,533 \$	393,826 \$	421,682
Consumer Protection.....	6,583	5,500	5,434	5,634	5,634	5,634	5,634
Financial Institution Regulation.....	10,824	14,196	16,720	16,720	16,720	16,720	16,720
Securities Industry Regulation.....	2,110	2,395	2,300	2,300	2,300	2,300	2,300
Insurance Industry Regulation.....	170,586	185,984	205,869	225,566	248,132	272,989	299,286
Horse Racing Regulation.....	16,097	16,913	19,491	16,731	18,046	19,482	21,041
Milk Industry Regulation.....	2,567	2,794	2,737	2,737	2,737	2,737	2,737
Protection and Development of Agricultural Industries.....	75,652	84,304	73,605	73,964	73,964	73,964	73,964
Gaming Regulation.....	0	7,500	0	0	0	0	0

Program Budget Summary

Protection of Persons and Property (continued) Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
Community and Occupational Safety and Stability..... \$	57,046 \$	58,292 \$	30,032 \$	29,957 \$	29,957 \$	29,957 \$	29,957
Community and Occupational Safety and Stability.....	29,418	30,215	27,496	27,421	27,421	27,421	27,421
Fire Prevention and Safety.....	27,628	28,077	2,536	2,536	2,536	2,536	2,536
Prevention & Elimination of Discriminatory Practices \$	10,762 \$	11,120 \$	11,265 \$	11,265 \$	11,265 \$	11,265 \$	11,265
Prevention & Elimination of Discriminatory Practices.....	10,762	11,120	11,265	11,265	11,265	11,265	11,265
PROGRAM TOTAL..... \$	3,054,678 \$	3,197,167 \$	3,181,662 \$	3,198,666 \$	3,222,547 \$	3,248,840 \$	3,276,696

Program Budget Summary

Education

The goal of this program is to ensure that funds for education are spent on proven practices that will boost student achievement. Services provided through this program include funding for the first time for pre-kindergarten, full day kindergarten, and class size reduction. In addition, this program ensures the long-standing priority uses for these funds of tutoring, improving teacher practice, upgrading curricula and technology and ensuring high quality vocation and higher education experiences. This Commonwealth program supports the Administration's goal to Build a World Class Public Education System.

This Commonwealth program is financed primarily through the Department of Education. Other agencies providing support are the Departments of Revenue, Public Welfare and Labor and Industry and the Higher Education Assistance Agency and the Tax Equalization Board.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
Educational Support Services \$	32,656	32,011	30,948	30,948	30,948	30,948	30,948
Education Support Services.....	32,656	32,011	30,948	30,948	30,948	30,948	30,948
Basic Education \$	7,267,989	7,854,108	8,073,597	8,246,328	8,423,153	8,524,505	8,579,107
Basic Education.....	7,251,513	7,837,913	8,054,272	8,226,770	8,403,360	8,504,473	8,558,834
Public Utility Realty Payments.....	16,476	16,195	19,325	19,558	19,793	20,032	20,273
Higher Education \$	1,824,844	1,896,085	1,921,591	1,921,248	1,922,418	1,923,633	1,924,664
Higher Education.....	1,417,003	1,476,612	1,493,150	1,492,807	1,493,977	1,495,192	1,496,223
Financial Assistance to Students.....	369,404	380,075	388,255	388,255	388,255	388,255	388,255
Financial Assistance to Institutions.....	38,437	39,398	40,186	40,186	40,186	40,186	40,186
PROGRAM TOTAL \$	9,125,489	9,782,204	10,026,136	10,198,524	10,376,519	10,479,086	10,534,719

Program Budget Summary

Health and Human Services

The goals of this program are to ensure access to quality medical care for all citizens; to support people seeking self-sufficiency; to provide military assistance; and to maximize the capacity of individuals and families to participate in society. This Commonwealth program includes activities that support the Administration's goal to Increase Access to High Quality Health Care.

This program addresses the following substantive areas: research; prevention and treatment of physical, mental health and mental retardation disorders; maternal and child health care; financial assistance for older Pennsylvanians, medically needy individuals and families in transition; and other programs aimed at addressing the various problems individuals encounter in a complex society.

These activities are primarily the responsibility of the Departments of Aging, Health and Public Welfare with contributions by the Departments of Agriculture, Labor and Industry, Military and Veterans Affairs, Revenue and Transportation.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Human Services Support..... \$	114,403	112,427	108,524	108,524	108,524	108,524	108,524
Human Services Support.....	114,403	112,427	108,524	108,524	108,524	108,524	108,524
Social Development of Individuals..... \$	810,904	867,616	1,137,807	1,214,001	1,263,162	1,316,815	1,390,273
Human Services.....	810,904	867,616	1,137,807	1,214,001	1,263,162	1,316,815	1,390,273
Support of Older Pennsylvanians..... \$	923,262	960,853	992,568	1,018,771	1,140,322	1,229,199	1,342,077
Community Services for Older Pennsylvanians.....	258,348	272,079	265,233	266,470	268,728	270,782	272,588
Older Pennsylvanians Transit.....	137,208	161,153	164,189	164,189	164,189	164,189	164,189
Homeowners and Renters Assistance.....	123,175	126,900	131,200	132,500	133,700	135,000	136,300
Pharmaceutical Assistance.....	404,531	400,721	431,946	455,612	573,705	659,228	769,000
Income Maintenance..... \$	925,850	957,378	965,513	975,505	980,639	983,241	986,034
Income Maintenance.....	911,997	941,483	951,571	961,563	966,697	969,299	972,092
Workers Compensation and Assistance.....	2,239	1,989	1,684	1,684	1,684	1,684	1,684
Military Compensation and Assistance.....	11,614	13,906	12,258	12,258	12,258	12,258	12,258
Physical Health Treatment..... \$	4,557,366	4,783,425	5,024,891	5,277,396	5,696,981	6,233,093	6,841,366
Medical Assistance.....	4,081,228	4,290,832	4,594,689	4,863,955	5,303,138	5,837,936	6,447,614
Health Treatment Services.....	19,962	19,848	17,566	17,566	17,566	17,566	17,566
Health Support Services.....	45,270	48,219	46,263	46,263	46,263	46,263	46,263
Health Research.....	103,878	106,019	61,513	49,118	45,270	46,114	44,479
Emergency Food Assistance.....	17,847	19,450	17,000	17,000	17,000	17,000	17,000
Prevention and Treatment of Drug and Alcohol Abuse.....	40,498	41,547	38,646	38,646	38,646	38,646	38,646
Preventive Health.....	171,250	173,764	160,407	156,041	140,291	140,761	140,991
Veterans Homes and School.....	77,433	83,746	88,807	88,807	88,807	88,807	88,807
Mental Health..... \$	701,635	713,291	725,262	725,262	725,262	725,262	725,262
Mental Health.....	701,635	713,291	725,262	725,262	725,262	725,262	725,262
Mental Retardation..... \$	917,917	1,011,869	1,050,089	1,065,291	1,063,426	1,063,426	1,063,426
Mental Retardation.....	917,917	1,011,869	1,050,089	1,065,291	1,063,426	1,063,426	1,063,426
PROGRAM TOTAL..... \$	8,951,337	9,406,859	10,004,654	10,384,750	10,978,316	11,659,560	12,456,962

Program Budget Summary

Economic Development

The goal of this program is to invest public resources to create jobs for Pennsylvanians. To do so, this program offers a compendium of grants, loans and loan guarantees that in tandem will stimulate economic investment, growth and expanded employment. This Commonwealth program supports the Administration's goal to Create Jobs and Build a Vital Economy as well as the goal to Boost the Skills of Our Workers.

This program works in tandem with numerous State authorities and agencies to aggregate resources that are strategically invested to expand and retain Pennsylvania based firms and attract new companies to the Commonwealth that offer Pennsylvania's communities stability, vitality and job opportunities. This program leverages workforce and community development resources that together with business investment enable Pennsylvania to compete on behalf of and for its business partners.

The total efforts of the Department of Community and Economic Development, the Pennsylvania Economic Development Financing Authority, and the Infrastructure Investment Authority (PENNVEST) are devoted to this program. The Executive Offices, Auditor General, Housing Finance Agency, and the Departments of Education, Labor and Industry, and Revenue also contribute to this program.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Economic Development Support Services \$	73,128	94,719	69,299	69,299	69,299	69,299	69,299
Economic Development Support Services.....	73,128	94,719	69,299	69,299	69,299	69,299	69,299
Commonwealth Economic Development \$	244,375	260,416	242,044	269,941	298,061	323,625	336,130
Business and Job Development.....	146,042	159,814	147,517	175,678	203,798	229,362	241,867
Technology Development.....	72,950	78,450	67,600	67,600	67,600	67,600	67,600
Environmental Infrastructure.....	25,383	22,152	26,927	26,663	26,663	26,663	26,663
Workforce Investment \$	65,106	66,161	72,680	72,677	72,677	72,677	72,677
Workforce Development.....	18,200	18,605	27,497	27,494	27,494	27,494	27,494
Vocational Rehabilitation.....	46,906	47,556	45,183	45,183	45,183	45,183	45,183
Community Development \$	159,444	200,566	89,788	89,956	90,127	90,299	90,474
Community Development.....	147,516	188,841	75,797	75,797	75,797	75,797	75,797
Public Utility Realty Payments.....	11,928	11,725	13,991	14,159	14,330	14,502	14,677
Local Government Assistance \$	330	0	0	0	0	0	0
Municipal Pension Systems.....	330	0	0	0	0	0	0
PROGRAM TOTAL \$	542,383	621,862	473,811	501,873	530,164	555,900	568,580

Program Budget Summary

Transportation and Communication

The purpose of this program is to provide a system for the fast, convenient, efficient and safe movement of individuals, cargo, and information within the Commonwealth that is interfaced with a national and international system of transportation and communication. This Commonwealth program supports the Administration's goal to Create Jobs and Build a Vital Economy through the establishment of a first-rate infrastructure.

Transportation systems are developed to serve the needs of citizens, commerce and industry and are financed through the Department of Transportation.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Transportation Systems and Services	\$ 1,734,038	\$ 1,795,232	\$ 1,908,144	\$ 1,858,144	\$ 1,798,144	\$ 1,798,144	\$ 1,798,144
State Highway and Bridge Construction and Reconstructi	410,050	403,218	404,577	404,577	404,577	404,577	404,577
Local Highway and Bridge Assistance.....	194,239	194,764	195,639	195,639	195,639	195,639	195,639
Mass Transportation.....	271,447	289,249	295,005	295,005	295,005	295,005	295,005
Intercity Transportation.....	11,263	15,913	15,913	15,913	15,913	15,913	15,913
State Highway and Bridge Maintenance.....	778,023	821,386	921,386	871,386	811,386	811,386	811,386
Transportation Support Services.....	69,016	70,702	75,624	75,624	75,624	75,624	75,624
PROGRAM TOTAL	\$ 1,734,038	\$ 1,795,232	\$ 1,908,144	\$ 1,858,144	\$ 1,798,144	\$ 1,798,144	\$ 1,798,144

Program Budget Summary

Recreation and Cultural Enrichment

The goal of this program is to improve the quality of life in Pennsylvania's urban, suburban and rural communities. This program focuses resources on our recreational and cultural amenities ensuring that Pennsylvanians can fully enjoy the natural beauty of the Commonwealth. This program also ensures that residents and visitors can explore the diversity of cultural traditions, the creativity of our artistic community and the bountiful history of our state and its prominence in forming the heritage of our nation. This Commonwealth program supports the Administration's goals to Protect Our Natural Resources and Create Jobs and Build a Vital Economy.

In working toward these broad Commonwealth program goals, the Department of Conservation and Natural Resources undertakes a wide variety of activities in the development and provision of outdoor recreational opportunities. The Department of Education conducts a program to develop a system of local, county and regional public libraries, including the operation of the State Library at Harrisburg, and provides recreational opportunities through local school districts. The Historical and Museum Commission provides State and local museum assistance.

In addition, the Fish and Boat Commission, Game Commission, Public Television Network and Council on the Arts contribute to this Commonwealth category.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Recreation	\$ 279,708	\$ 271,709	\$ 265,025	\$ 266,696	\$ 269,409	\$ 275,121	\$ 279,936
Parks and Forests Management.....	194,544	186,843	175,497	172,434	174,124	179,194	183,354
Recreational Fishing and Boating.....	33,607	34,930	36,700	41,434	42,457	43,099	43,754
Wildlife Management.....	51,557	49,936	52,828	52,828	52,828	52,828	52,828
Cultural Enrichment	\$ 137,499	\$ 161,593	\$ 146,920	\$ 146,189	\$ 146,631	\$ 147,957	\$ 149,045
State Historical Preservation.....	24,331	24,719	22,948	22,948	22,948	22,948	22,948
Local Museum Assistance.....	15,746	27,320	16,768	16,209	16,547	17,561	18,393
Development of Artists and Audiences.....	15,117	15,638	15,638	15,638	15,638	15,638	15,638
State Library Services.....	70,365	81,549	81,143	80,971	81,075	81,387	81,643
Public Television Services.....	11,940	12,367	10,423	10,423	10,423	10,423	10,423
PROGRAM TOTAL	\$ 417,207	\$ 433,302	\$ 411,945	\$ 412,885	\$ 416,040	\$ 423,078	\$ 428,981

Program Budget Summary

Debt Service

The goal of this Commonwealth program is to provide sufficient financial resources necessary to meet the timely payment of Commonwealth debt obligations. Debt financing is used by the Commonwealth to finance its capital programs, finance voter-approved bond referendums and to fund certain disaster relief programs. Most long-term financing of the Commonwealth is provided by the issuance of general obligation debt. Debt financing is utilized by all other Commonwealth programs to support the goals of each of the Commonwealth's program categories.

The agency that participates in this program is Treasury.

Contribution by Category and Subcategory

General Fund and Special Funds

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Debt Service.....	\$ 707,597	\$ 422,002	\$ 781,545	\$ 863,588	\$ 909,873	\$ 953,518	\$ 989,552
Debt Service.....	707,597	422,002	781,545	863,588	909,873	953,518	989,552
PROGRAM TOTAL.....	\$ 707,597	\$ 422,002	\$ 781,545	\$ 863,588	\$ 909,873	\$ 953,518	\$ 989,552



GENERAL FUND

The General Fund is the major operating fund of the Commonwealth. It receives all tax receipts and other types of revenue not specified by law to be placed in special funds. Except for certain restricted receipts, the income of the General Fund is appropriated in specific amounts for the ordinary programs of government.

Pennsylvania's major sources of General Fund revenues are corporation taxes, consumption taxes, the Personal Income tax and nontax revenues.

FINANCIAL STATEMENT

The following financial statement and accompanying notes are a summary of the General Fund revenues and expenditures for the 2003-04 actual year, 2004-05 available year and 2005-06 budget year. The financial statement excludes augmentations and Federal funds that are detailed in subsequent tables.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 209,325	\$ 76,750	\$ 201,394
Adjustment to Beginning Balance.....	-13,098	750	0
Adjusted Beginning Balance.....	\$ 196,227	\$ 77,500	\$ 201,394
Revenue:			
Revenue Receipts.....	\$ 22,828,078	\$ 23,866,500	\$ 24,734,100
Adjustment to Official Estimate.....	0	290,900	
Less Refunds.....	-1,014,700	-1,060,500	-1,085,000
Total Revenue.....	\$ 21,813,378	\$ 23,096,900	\$ 23,649,100
Prior Year Lapses.....	142,511	75,000	0
Funds Available.....	\$ 22,152,116	\$ 23,249,400	\$ 23,850,494
Expenditures:			
Appropriations.....	\$ 21,885,366	\$ 22,876,839	\$ 23,845,580
Supplemental Appropriations.....	0	154,036	0
Less Current Year Lapses.....	0	-50,000	0
Total Expenditures.....	\$ 21,885,366	\$ 22,980,875	\$ 23,845,580
Preliminary Balance.....	\$ 266,750	\$ 268,525	\$ 4,914
Less Transfer to Budget Stabilization			
Reserve Fund	-190,000	-67,131	-1,229
Ending Balance	<u>\$ 76,750</u>	<u>\$ 201,394</u>	<u>\$ 3,685</u>

NOTES ON FINANCIAL STATEMENT
(Dollar Amounts in Thousands)

PROPOSED TAX AND REVENUE MODIFICATIONS

		2005-06 Estimated
Tax Revenue:		
Sales and Use Tax	\$	NA
<p>A tax holiday is proposed for qualifying residential purchases of Energy Star household appliances. Retail sales of such appliances will be exempt for the Sales and Use tax if purchased during two specifically designated periods in the fiscal year. The estimated financial impact of the proposed tax holiday is \$2.6 million per year reduction in General Fund revenues. However, the Growing Greener II proposal provides for a reimbursement to the General Fund from the Environmental Stewardship Fund.</p>		
TOTAL PROPOSED TAX AND REVENUE MODIFICATIONS	\$	NA

NOTES ON FINANCIAL STATEMENT

(Dollar Amounts in Thousands)

SUPPLEMENTAL APPROPRIATIONS

	<u>2004-05</u> <u>Available</u>
Education	
Community Colleges Capital Leases and Debt Service.....	\$ 1,800
Emergency Management Agency	
September 1999 Tropical Storm Disaster - Hazard Mitigation	\$ 1,000
September 2004 Tropical Storm Ivan - Public Assistance.....	5,000
Emergency Management Agency Total	<u>\$ 6,000</u>
Health	
Newborn Screening.....	<u>\$ 806</u>
Military and Veterans Affairs	
Scotland School for Veterans' Children.....	<u>\$ 400</u>
Public Welfare	
Cash Grants.....	\$ 19,790
Supplemental Grants - Aged, Blind and Disabled.....	-1,580
Medical Assistance - Outpatient.....	41,860
Medical Assistance - Inpatient.....	1,650
Medical Assistance - Capitation.....	61,560
Long-Term Care Facilities.....	9,380
Medical Assistance - Transportation.....	3,100
Intermediate Care Facilities - Mentally Retarded.....	1,770
Community Mental Retardation Services.....	7,500
Public Welfare Total	<u>\$ 145,030</u>
 TOTAL	 <u>\$ 154,036</u>

STATE FUNDS BY DEPARTMENT

The following is a summary, by department, of 2003-04 actual expenditures, the 2004-05 amounts available and the 2005-06 amounts budgeted as presented in the General Fund Budget.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Budget
Governor's Office.....	\$ 7,619	\$ 7,320	\$ 7,400
Executive Offices.....	255,482	271,906	254,010
Lieutenant Governor's Office.....	1,097	1,559	1,363
Attorney General.....	73,842	74,977	74,977
Auditor General.....	49,560	50,179	48,179
Treasury.....	712,986	449,919	805,389
Aging.....	33,458	36,280	19,518
Agriculture.....	71,908	81,427	67,590
Civil Service Commission.....	1	1	1
Community and Economic Development *.....	439,636	521,824	360,213
Conservation and Natural Resources.....	95,714	98,223	94,279
Corrections.....	1,298,500	1,337,766	1,345,590
Education**.....	8,753,845	9,407,780	9,639,649
Emergency Management Agency.....	43,654	49,669	17,057
Environmental Protection***.....	193,334	192,803	172,153
Fish and Boat Commission.....	13	14	14
Gaming Control Board.....	0	7,500	0
General Services.....	111,443	111,552	108,423
Health.....	248,548	270,352	232,553
Higher Education Assistance Agency.....	407,841	419,473	428,441
Historical and Museum Commission.....	32,757	37,761	29,148
Insurance.....	58,447	82,904	78,086
Labor and Industry.....	96,763	98,365	101,860
Military and Veterans Affairs.....	107,396	117,136	120,859
Probation and Parole Board.....	98,863	97,644	99,954
Public Television Network.....	11,940	12,367	10,423
Public Welfare.....	7,439,650	7,860,921	8,472,674
Revenue****.....	196,315	222,177	176,382
Securities Commission.....	2,110	2,395	2,300
State.....	6,583	5,500	5,434
State Employees' Retirement System.....	2	4	4
State Police.....	173,622	186,841	154,250
Tax Equalization Board.....	1,295	1,330	1,330
Transportation.....	311,762	334,821	341,832
Legislature*****.....	303,117	316,132	315,065
Judiciary.....	246,263	264,053	259,180
GRAND TOTAL.....	\$ 21,885,366	\$ 23,030,875	\$ 23,845,580

* Includes Pennsylvania Housing Finance Agency.

** Includes State System of Higher Education.

*** Includes Environmental Hearing Board.

**** Excludes refunds.

***** Includes Ethics Commission and Health Care Cost Containment Council.

FEDERAL FUNDS BY DEPARTMENT

The following is a summary of Federal funds, by department, of 2003-04 actual expenditures, the 2004-05 amounts available and the 2005-06 amounts budgeted as presented in the General Fund Budget.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Budget
Governor's Office.....	\$ 70	\$ 0	\$ 0
Executive Offices.....	195,920	162,818	169,973
Lieutenant Governor's Office.....	9	0	0
Attorney General.....	15,188	14,591	14,030
Auditor General.....	617	0	0
Treasury.....	431	377,619	0
Aging.....	22,231	27,442	25,554
Agriculture.....	27,733	35,281	35,319
Civil Service Commission.....	154	0	0
Community and Economic Development.....	134,394	119,065	115,025
Conservation and Natural Resources.....	26,472	25,905	25,905
Corrections.....	49,753	37,560	33,202
Education.....	1,643,216	1,674,438	1,733,729
Emergency Management Agency.....	143,596	229,031	221,962
Environmental Protection*.....	147,117	142,531	143,031
General Services.....	966	0	0
Health.....	415,735	456,690	468,272
Higher Education Assistance Agency.....	3,164	3,156	1,697
Historical and Museum Commission.....	2,921	3,139	1,350
Infrastructure Investment Authority.....	136,962	130,740	143,045
Insurance.....	141,695	162,039	157,987
Labor and Industry.....	506,475	824,129	832,698
Liquor Control Board.....	0	436	0
Military and Veterans Affairs.....	86,080	90,567	115,412
Probation and Parole Board.....	1,881	1,208	131
Public Utility Commission.....	1,500	2,000	1,725
Public Welfare.....	10,473,923	11,203,397	10,801,910
Revenue.....	1,797	0	0
Securities Commission.....	26	0	0
State.....	90,590	147,511	151,192
State Police.....	25,122	24,725	25,806
Tax Equalization Board.....	19	0	0
Transportation.....	90,506	85,930	76,273
Legislature.....	1,331	1,481	1,550
Judiciary.....	0	0	430
GRAND TOTAL.....	\$ 14,387,594	\$ 15,983,429	\$ 15,297,208

* Includes Environmental Hearing Board.

AUGMENTATIONS BY DEPARTMENT

The following is a summary of augmentations, by department, of 2003-04 actual expenditures, the 2004-05 amounts available and the 2005-06 amounts budgeted as presented in the General Fund Budget.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Budget
Executive Offices.....	\$ 59,083	\$ 47,213	\$ 49,309
Attorney General*.....	4,782	10,131	6,801
Auditor General.....	8,592	9,679	8,000
Treasury.....	3,675	3,685	3,775
Aging.....	238	214	207
Agriculture.....	2,702	3,017	3,213
Civil Service Commission.....	15,584	15,388	15,547
Community and Economic Development**.....	16,599	17,395	7,443
Conservation and Natural Resources.....	46,854	56,385	54,460
Corrections.....	1,446	1,675	1,944
Education.....	10,527	8,740	8,765
Emergency Management Agency.....	94	151	1,544
Environmental Protection* ***.....	27,084	26,664	27,302
General Services.....	3,024	4,958	19,092
Health.....	2,748	3,069	3,130
Historical and Museum Commission.....	428	705	715
Insurance.....	2,669	2,317	2,284
Labor and Industry*.....	39,513	46,880	41,341
Military and Veterans Affairs.....	25,450	24,285	25,287
Probation and Parole Board.....	11,356	15,604	13,142
Public Utility Commission*.....	46,063	46,723	50,369
Public Welfare*.....	1,521,132	2,588,718	2,513,225
Revenue.....	17,840	19,824	21,486
Securities Commission.....	5,095	5,500	5,829
State*.....	35,357	39,493	39,864
State Police*.....	39,010	41,772	46,908
Transportation*.....	82,817	79,795	79,748
Judiciary*.....	45,844	42,922	42,580
GRAND TOTAL.....	<u>\$ 2,075,606</u>	<u>\$ 3,162,902</u>	<u>\$ 3,093,310</u>

* Includes funds appropriated from restricted revenues.

** Includes Housing Finance Agency.

*** Includes Environmental Hearing Board.

General Fund Revenue Summary

Seven Year Summary of Revenues

The following tables include all General Fund revenues available for general appropriation. This data does not include special restricted receipts, receipts augmenting appropriations or Federal funds.

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
TAX REVENUE							
Corporation Taxes							
Corporate Net Income Tax.....	\$ 1,677,998	\$ 1,950,600	\$ 2,082,000	\$ 2,186,100	\$ 2,249,900	\$ 2,323,500	\$ 2,381,600
Capital Stock and Franchise Taxes..	984,295	957,800	869,300	711,600	619,600	428,500	297,900
Selective Business:							
Gross Receipts Tax.....	1,012,397	1,206,000	1,138,100	1,155,500	1,189,700	1,218,000	1,261,000
Public Utility Realty Tax.....	50,272	35,600	44,400	46,600	44,300	44,800	46,400
Insurance Premiums Tax.....	390,768	408,600	433,100	449,600	473,200	504,100	539,300
Financial Institutions Tax.....	217,550	215,300	210,800	208,600	209,000	207,100	206,500
Other Selective Business Taxes....	17,825	12,500	12,500	12,500	12,500	12,500	12,500
Total — Corporation Taxes.....	\$ 4,351,105	\$ 4,786,400	\$ 4,790,200	\$ 4,770,500	\$ 4,798,200	\$ 4,738,500	\$ 4,745,200
Consumption Taxes							
Sales and Use Tax.....	\$ 7,728,542	\$ 8,001,300	\$ 8,266,800	\$ 8,581,500	\$ 8,915,100	\$ 9,261,800	\$ 9,609,900
Cigarette Tax.....	856,442	804,000	788,100	957,600	938,500	919,900	901,600
Malt Beverage Tax.....	26,201	24,500	24,500	24,500	24,500	24,500	24,500
Liquor Tax.....	195,179	207,600	219,600	230,300	241,500	253,200	265,500
Total — Consumption Taxes.....	\$ 8,806,364	\$ 9,037,400	\$ 9,299,000	\$ 9,793,900	\$ 10,119,600	\$ 10,459,400	\$ 10,801,500
Other Taxes							
Personal Income Tax.....	\$ 7,733,804	\$ 8,595,200	\$ 8,967,700	\$ 9,366,700	\$ 9,778,000	\$ 10,205,800	\$ 10,628,300
Realty Transfer Tax.....	400,590	440,900	416,300	446,000	475,500	511,600	542,600
Inheritance Tax.....	747,625	719,300	729,400	746,900	770,100	794,700	819,300
Minor and Repealed Taxes.....	6,629	-2,700	-2,600	-2,500	-2,400	-2,300	-2,200
Total — Other Taxes.....	\$ 8,888,648	\$ 9,752,700	\$ 10,110,800	\$ 10,557,100	\$ 11,021,200	\$ 11,509,800	\$ 11,988,000
TOTAL TAX REVENUE.....	\$ 22,046,117	\$ 23,576,500	\$ 24,200,000	\$ 25,121,500	\$ 25,939,000	\$ 26,707,700	\$ 27,534,700
NONTAX REVENUE							
State Stores Fund Transfer.....	\$ 50,000	\$ 54,900	\$ 80,000	\$ 65,000	\$ 70,000	\$ 75,000	\$ 80,000
Licenses, Fees and Miscellaneous:							
Licenses and Fees.....	105,176	119,000	115,200	115,200	115,200	115,200	115,200
Miscellaneous.....	591,701	374,100	310,000	315,500	316,000	316,500	317,000
Fines, Penalties and Interest:							
On Taxes.....	31,881	26,000	26,000	26,000	26,000	26,000	26,000
Other.....	3,203	6,900	2,900	2,900	2,900	2,900	2,900
TOTAL NONTAX REVENUES.....	\$ 781,961	\$ 580,900	\$ 534,100	\$ 524,600	\$ 530,100	\$ 535,600	\$ 541,100
GENERAL FUND TOTAL.....	\$ 22,828,078	\$ 24,157,400	\$ 24,734,100	\$ 25,646,100	\$ 26,469,100	\$ 27,243,300	\$ 28,075,800

Totals may not add due to rounding.

General Fund Revenues

Adjustments to Revenue Estimate

On July 4, 2004, the Official Estimate for fiscal year 2004-05 was certified to be \$23,866,500,000. The adjustments detailed below take into account actual revenue collections through the first seven months of the fiscal year and projected collections for the remainder of the fiscal year based on current expectations for the economy and revenue trends.

	(Dollar Amounts in Thousands)		
	2004-05 Official Estimate	Adjustments	2004-05 Revised Estimate
TAX REVENUE			
Corporation Taxes			
Corporate Net Income Tax.....	\$ 1,815,800	\$ 134,800	\$ 1,950,600
Capital Stock and Franchise Taxes.....	958,100	-300	957,800
Selective Business:			
Gross Receipts Tax.....	1,245,900	-39,900	1,206,000
Public Utility Realty Tax.....	40,100	-4,500	35,600
Insurance Premiums Tax.....	409,500	-900	408,600
Financial Institutions Tax.....	210,500	4,800	215,300
Other Selective Business Taxes.....	12,500	0	12,500
Total — Corporation Taxes.....	<u>\$ 4,692,400</u>	<u>\$ 94,000</u>	<u>\$ 4,786,400</u>
Consumption Taxes			
Sales and Use Tax.....	\$ 7,951,300	\$ 50,000	\$ 8,001,300
Cigarette Tax.....	844,700	-40,700	804,000
Malt Beverage Tax.....	24,500	0	24,500
Liquor Tax.....	201,200	6,400	207,600
Total — Consumption Taxes.....	<u>\$ 9,021,700</u>	<u>\$ 15,700</u>	<u>\$ 9,037,400</u>
Other Taxes			
Personal Income Tax.....	\$ 8,521,500	\$ 73,700	\$ 8,595,200
Realty Transfer Tax.....	390,900	50,000	440,900
Inheritance Tax.....	764,300	-45,000	719,300
Minor and Repealed Taxes.....	-2,700	0	-2,700
Total — Other Taxes.....	<u>\$ 9,674,000</u>	<u>\$ 78,700</u>	<u>\$ 9,752,700</u>
TOTAL TAX REVENUE.....	<u>\$ 23,388,100</u>	<u>\$ 188,400</u>	<u>\$ 23,576,500</u>
NONTAX REVENUE			
State Stores Fund Transfer.....	\$ 54,900	\$ 0	\$ 54,900
Licenses Fees and Miscellaneous:			
Licenses and Fees.....	122,000	-3,000	119,000
Miscellaneous.....	272,400	101,700	374,100
Fines, Penalties and Interest:			
On Taxes.....	26,000	0	26,000
Other.....	3,100	3,800	6,900
TOTAL NONTAX REVENUES.....	<u>\$ 478,400</u>	<u>\$ 102,500</u>	<u>\$ 580,900</u>
GENERAL FUND TOTAL.....	<u>\$ 23,866,500</u>	<u>\$ 290,900</u>	<u>\$ 24,157,400</u>

General Fund Revenue Sources

This section provides a brief description of the tax and non-tax State revenue sources for the General Fund. For more complete information refer to the *Pennsylvania Tax Compendium* prepared by the Department of Revenue.

Corporate Net Income Tax

Tax Base: This tax is paid by all domestic and foreign business corporations for the privilege of doing business, carrying on activities, or employing or owning capital or property in Pennsylvania and is levied on Federal taxable income with Pennsylvania modifications. When the entire business of any corporation is not transacted within Pennsylvania, taxable income usually is determined by a three factor apportionment formula, where the sales factor is given a weight of 60 percent.

Tax Rates:	January 1, 1995 and thereafter	9.99%
	January 1, 1994 to December 31, 1994	11.99%
	January 1, 1991 to December 31, 1993	12.25%
	January 1, 1987 to December 31, 1990	8.50%
	January 1, 1985 to December 31, 1986	9.50%
	January 1, 1977 to December 31, 1984	10.50%

Reference: Purdon's Title 72 P.S. §7401—§7412.

Capital Stock and Franchise Taxes

Tax Base: The taxes are levied on the capital stock value of domestic and foreign corporations doing business or having property or capital employed in the State on that portion of the capital stock value apportionable to Pennsylvania under a statutory formula. The first \$125,000 of capital stock value is exempt. Beginning in fiscal year 2002-03, the semiannual transfer to the Hazardous Sites Cleanup Fund (HSCF) is suspended unless the Fund balance is expected to be less than \$5 million.

Tax Rates:

January 1, 2005 through December 31, 2005	5.99 mills (Beginning in 2005, the rate is reduced by one mill per year until the tax is eliminated on January 1, 2011).
January 1, 2004 through December 31, 2004	6.99 mills
January 1, 2002 through December 31, 2003....	7.24 mills
January 1, 2001 through December 31, 2001	7.49 mills (including 0.25 mill for transfer semiannually to HSCF).
January 1, 2000 through December 31, 2000....	8.99 mills (including 0.25 mill for transfer semiannually to HSCF).
January 1, 1999 to December 31, 1999	10.99 mills (including 0.25 mill for transfer semiannually to HSCF).
January 1, 1998 to December 31, 1998	11 mills plus a 0.99 mill surtax (including 0.5 mill for transfer semiannually to HSCF).
January 1, 1992 to December 31, 1997	11 mills plus a 1.75 mill surtax (including 0.5 mill for transfer semiannually to HSCF).
January 1, 1991 to December 31, 1991	11 mills plus a 2 mill surtax (including 0.5 mill for transfer semiannually to HSCF and 0.25 mill for transfer semiannually to the State Lottery Fund).
January 1, 1988 to December 31, 1990	9.5 mills (including 0.5 mill for transfer semiannually to HSCF).
January 1, 1987 to December 31, 1987	9 mills.
Prior to January 1, 1987	10 mills.

Reference: Purdon's Title 72 P.S. §7601—§7606.

General Fund Revenue Sources

Gross Receipts Tax

Tax Base: This tax is levied on the gross receipts from business transacted within Pennsylvania by specified companies owned, operated or leased by corporations, associations or individuals. Beginning January 1, 2004, interstate and cellular telecommunications services are subject to the gross receipts tax. An exemption from the gross receipts tax for the resale of telecommunication services became effective January 1, 2000. Gross receipts of regulated gas companies from the sale of natural and artificial gas were exempted from the tax effective January 1, 2000. The tax on motor transportation companies was repealed effective January 1, 1998. In fiscal year 1998-99 through fiscal year 2002-03, 0.18 percent of total electric gross receipts was transferred to the Public Transportation Assistance Fund. Beginning with fiscal year 1993-94, 0.25 mill is transferred to the Alternative Fuels Incentive Grant Fund. The revenues shown for the General Fund are net of these transfers.

Tax Rates: July 1, 1991 to Current	45 mills plus a 5 mill surtax (electric utilities pay 44 mills or a rate as adjusted by the revenue neutral reconciliation rate, which was permanently set at 15 mills for 2003 and thereafter). Beginning in 2004, an additional surcharge may apply in the event refunds for Public Utility Realty Tax Appeals exceed \$5 million in the prior fiscal year.
January 1, 1988 to June 30, 1991	44 mills.
Prior to January 1, 1988	45 mills.

Reference: Purdon's Title 72 P.S. §8101—§8102; 72 P.S. §2183—§2194.

Public Utility Realty Tax

Tax Base: This tax is levied on the State taxable value of the property owned by utilities furnishing utility service and regulated by the Pennsylvania Public Utility Commission or similar regulatory body. The State taxable value is defined as the current market value of utility realty. Effective January 1, 2000, electric generation assets became subject to local real estate tax and were excluded from the Public Utility Realty Tax base.

Tax Rate: The tax rate is set each year upon determination by the Department of Revenue of the required distribution of the realty tax equivalent to local tax authorities. Revenue from an additional 7.6 mills is deposited in the General Fund. For tax year 2004 and thereafter, the Department of Revenue calculates a Gross Receipts Tax surcharge in the event that refunds for Public Utility Realty Tax appeals exceed \$5 million in the prior fiscal year. This surcharge is 0.6 mill for tax year 2005.

Reference: Purdon's Title 72 P.S. §8101-A—§8109-A.

Insurance Premiums Tax

Tax Base: This tax is levied on the gross premiums from all business transacted within the Commonwealth during each calendar year by domestic and foreign insurance companies.

Tax Rates: The rate is 2 percent of gross premiums plus a retaliatory tax where applicable. Marine insurance companies pay a 5 percent tax on underwriting profits attributable to Pennsylvania in lieu of the gross premiums tax. A tax of 3 percent is imposed on all gross premiums of surplus lines written with an unlicensed insurer.

Reference: Purdon's Title 72 P.S. §7901—§7906.

Financial Institutions Taxes

Tax Base: This category includes taxes levied on the taxable amount of the capital stock of banks, trust and domestic title insurance companies, and on the taxable net income of mutual thrift institutions.

Tax Rates: Since calendar year 1990 the tax rate for the Bank and Trust Company Shares Tax and Title Insurance Shares Tax has been 1.25 percent. For calendar year 1989 the rate was 10.77 percent. Before January 1, 1989, the rate for both taxes was 1.075 percent on the value of capital stock shares. The Mutual Thrift Institutions Tax rate is 20 percent for tax years 1987 through 1990, 12.5 percent for tax year 1991 and 11.5 percent thereafter.

General Fund Revenue Sources

Reference: Purdon's Title 72 P.S. §7701—§7702. Bank and Trust Company Shares Tax
Purdon's Title 72 P.S. §8501—§8505. Mutual Thrift Institution Tax
Purdon's Title 72 P.S. §7801—§7806. Title Insurance Companies Shares Tax

Other Selective Business Taxes

Tax Base: Other selective business taxes include: State Personal Property Tax Act, Act of June 22, 1935, P.L. 414 as amended; Electric Cooperative Law of 1990, 15 Pa.C.S.A. §7301 et seq.; and Agricultural Cooperative Associations Corporate Tax, Act of May 23, 1945, P.L. 893.

Tax Rates: The Loans Tax rate is 4 mills on each dollar of taxable indebtedness. Electric cooperative corporations annually pay a fee of \$10 for each 100 members. The rate for the Agricultural Cooperative Associations Corporate Tax is 4 percent on net income.

Reference: Purdon's Title 72 P.S. §3242—§3250-15. State Personal Property Tax
Purdon's Title 72 P.S. §3420-21—§3420-28. Agricultural Cooperative Associations
15 Pa.C.S.A. §7333 – Electric Cooperative Law Tax

Sales and Use Tax

Tax Base: The tax is levied on the sale at retail, including rental, of tangible personal property and certain services, or upon the use within Pennsylvania of tangible personal property, or taxable services purchased at retail if the tax was not paid at time of purchase. A tax on the occupancy of hotel rooms is imposed as part of the sales and use tax law. A transfer of 0.53 percent of revenues from this tax is deposited in the Public Transportation Assistance Fund. Beginning in fiscal year 1997-98, 1.22 percent of receipts, up to \$75 million, is transferred annually to the General Fund Supplemental Public Transportation Account. Beginning in fiscal year 2003-04, an additional 0.417 percent of receipts is transferred to the Public Transportation Assistance Fund. The revenues shown for the General Fund are net of these transfers.

Tax Rate: A bracket system based on 6 percent of purchase price for Sales and Use Tax and 6 percent of rent for Hotel Occupancy Tax. The current tax rate was enacted in 1968.

Reference: Purdon's Title 72 P.S. §7201 et seq.

Proposed Change: A tax holiday is proposed for qualifying residential purchases of Energy Star household appliances. Retail sales of such appliances will be exempt from the Sales and Use Tax if purchased during two specifically designated periods in the fiscal year.

Cigarette Tax

Tax Base: The tax is imposed and assessed on the sale or possession of cigarettes within Pennsylvania. Only one sale of the cigarette is taxable.

Tax Rates: The rate is 6.75 cents per cigarette. Beginning in January 2004, 18.52 percent of cigarette tax receipts is transferred to the Health Care Provider Retention Account. Beginning in fiscal year 2002-03, fixed annual amounts of \$30.73 million and \$20.485 million of Cigarette Tax receipts are transferred to the Children's Health Insurance Program (CHIP) and the Agricultural Conservation Easement Purchase (ACEP) Fund, respectively. Transfers of Cigarette Tax receipts to CHIP began in fiscal year 1992-93 at the rate of two thirty-firsts of receipts. After January 1, 1997, the transfer amount was increased to three thirty-firsts of receipts. Transfers of Cigarette Tax receipts to the ACEP Fund began in fiscal year 1993-94 at the rate of two thirty-firsts of receipts. The revenues shown for the General Fund are net of these transfers.

Reference: Purdon's Title 72 P.S. §8201 et seq.

Malt Beverage Tax

Tax Base: The tax is levied on the manufacture, sale and use of malt or brewed beverage within the Commonwealth by manufacturers, distributors and importers.

General Fund Revenue Sources

Tax Rates: The tax rate is two-thirds of a cent ($2/3\text{¢}$) per half pint of 8 fluid ounces or fraction thereof, and in larger quantities at the rate of one cent (1¢) per pint of 16 fluid ounces or fraction thereof.

Reference: Purdon's Title 72 P.S. §9001 et seq.

Liquor Tax

Tax Base: All liquor sold by the Pennsylvania Liquor Control Board.

Tax Rate: The rate is 18 percent of the net retail purchase price.

Reference: Purdon's Title 47 P.S. §794—§796.

Personal Income Tax

Tax Base: The tax is paid by all residents, resident trust and estates on eight separate classes of income: (1) compensation, (2) net profits, (3) interest, (4) dividends, (5) income from the disposition of property, (6) rents and royalties, (7) gambling and lottery winnings (except Pennsylvania Lottery winnings won after July 20, 1983), and (8) income from estates and trusts. The tax is also paid by non-resident individuals, estates and trusts on the following income from sources within the Commonwealth: compensation for personal services performed in Pennsylvania unless the taxpayer is a resident of a state with which there is a reciprocal agreement; net profits from activity conducted in Pennsylvania; income from the rental, ownership or disposition of any real or personal property, and income from gambling activity in Pennsylvania except prizes of the Pennsylvania State Lottery. A loss in one class of income may not be offset against income in another class, nor may gains or losses be carried back or forward from year to year. A credit is available to those individuals receiving tax forgiveness under the special provisions for poverty. Beginning in 1999, a qualified single individual with eligibility income of \$6,500 or less would receive 100 percent tax forgiveness. The amount of forgiveness declines by 10 percent for each \$250 of income. The eligibility income limit for each qualifying dependent of a claimant for tax forgiveness under the special tax provisions for poverty increased from \$9,000 in 2003 to \$9,500 in 2004.

Tax Rates: For calendar and fiscal year filers whose year begins in the following periods:

2004 and thereafter	3.07%
1993 to 2003	2.80%
1992	2.95%
1991	2.60%
1987 to 1990	2.10%
1986	2.16%
1985	2.35%

Reference: Purdon's Title 72 P.S. §7301 et seq.

Realty Transfer Tax

Tax Base: The tax is levied on the value of the real estate transferred by a deed, instrument or other writing. Other taxable transfers include long-term leases greater than thirty years, transfers of real estate from industrial development authorities that will not be used primarily for industrial purposes, and "deemed" transfers of real estate because of the acquisition of companies which are in the business of holding or selling real estate. Beginning in July 1994, 15 percent of the revenues are transferred to the Keystone Recreation, Park and Conservation Fund. The transfer rate was reduced to 10 percent of revenues from January 2002 through June 2002, and to 7.5 percent from July 2002 through June 2003. The transfer rate returned to 15 percent for July 2003 and thereafter. The revenues shown for the General Fund are net of this transfer.

Tax Rate: Rate of 1 percent of the value of the property transferred.

Reference: Purdon's Title 72 P.S. §8101-C—§8113-C.

General Fund Revenue Sources

Inheritance and Estate Taxes

Tax Base: The Inheritance Tax is imposed on the value of property transferred to beneficiaries of a deceased person and certain transfers made during the decedent's lifetime. The value of the transfer is established on the date of the decedent's death. The Estate Tax is levied when the Federal estate tax credit for State death taxes exceeds a decedent's Inheritance Tax liability. The Federal estate tax credit is scheduled to be phased out between 2002 and 2005.

Tax Rates: Rates are based on the relationship of the decedent and the beneficiary. Transfers of non-jointly held property to spouses are taxed at a rate of 0 percent. Transfers to parents of decedents 21 years of age or younger are taxed at a rate of 0 percent (effective July 1, 2000). Transfers to lineal beneficiaries are taxed at 4.5 percent (effective July 1, 2000). Transfers to siblings of the decedents are subject to a 12 percent tax rate (effective July 1, 2000). Transfers to all other beneficiaries are taxed at 15 percent. The Estate Tax equals the Federal credit for state death taxes, less the Inheritance Tax paid.

Reference: Purdon's Title 72 P.S. §9101 et seq.

Minor and Repealed Taxes

Minor Taxes Include: Tax on Legal Documents, Act of April 6, 1830, P.L. 272 (Purdon's Title 72 P.S. §3171) and excess Vehicle Rental Tax, Act of June 16, 1994, P.L. 279 (Purdon's Title 72 P.S. §8601-A). The Spirituous and Vinous Liquors Tax, Acts of December 5, 1933, P.L. 38 (Special Session) and December 22, 1933, P.L. 91 (Special Session) (Purdon's Title 47 P.S. §745) was repealed effective July 1, 2001.

State Stores Fund Transfer

The State Stores Fund Transfer is an amount determined by the Liquor Control Board to be available for transfer to the General Fund to be used for general appropriation purposes as provided by Act No. 412-½ of July 18, 1935, P.L. 1316 (Purdon's Title 47 P.S. §744-907b).

Licenses, Fees and Miscellaneous Revenue

Licenses and fees include collections by Commonwealth agencies that are not specifically required by law to be placed in special funds to support a specific purpose. Although amounts obtained from an individual class of license very often are sufficient only to cover regulatory costs, any additional money is available for general purposes. Many licenses and fees are required by laws designed to protect the public from indiscriminate and unsafe practices.

Miscellaneous revenues include all other income to be used for general appropriation purposes in the General Fund, except monies which are given to the Commonwealth by individuals, or are provided by law to be deposited in the Judicial Computer System Augmentation Account in accordance with Act 1988-79 (Purdon's Title 42 Pa.C.S.A. §3733). Any fines, fees or costs which are allocated to counties and municipalities are not affected by this act.

Fines, Penalties and Interest

This revenue source includes penalties and interest collected in the enforcement of corporation taxes.

Also included are fines and penalties not required by law to be placed into a special fund for a specific purpose. Most of these fines and penalties collected by the various departments are an integral part of enforcement of the laws providing for licenses and fees.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
TAX REVENUE			
Corporate Net Income Tax	\$ 1,677,998	\$ 1,950,600	\$ 2,082,000
Capital Stock and Franchise Taxes			
Capital Stock Taxes — Domestic.....	\$ 408,237	\$ 397,248	\$ 360,543
Franchise Taxes — Foreign.....	576,058	560,552	508,757
SUBTOTAL.....	\$ 984,295	\$ 957,800	\$ 869,300
Gross Receipts Tax			
Electric, Hydroelectric and Water Power.....	\$ 660,124	\$ 676,100	\$ 664,300
Motor Transportation.....	185	0	0
Telephone and Telegraph.....	349,142	526,200	470,400
Transportation.....	2,946	3,700	3,400
SUBTOTAL.....	\$ 1,012,397	\$ 1,206,000	\$ 1,138,100
Public Utility Realty Tax	\$ 50,272	\$ 35,600	\$ 44,400
Insurance Premiums Tax			
Domestic Casualty.....	\$ 101,761	\$ 106,405	\$ 112,785
Domestic Fire.....	22,898	23,943	25,378
Domestic Life and Previously Exempted Lines.....	65,734	68,734	72,855
Excess Insurance Brokers.....	22,118	23,127	24,514
Foreign Excess Casualty.....	8,048	8,415	8,920
Foreign Excess Fire.....	5,185	5,422	5,746
Foreign Life.....	149,964	156,807	166,210
Marine.....	181	189	201
Title Insurance.....	9,977	10,432	11,058
Unauthorized Insurance.....	4,902	5,126	5,433
SUBTOTAL.....	\$ 390,768	\$ 408,600	\$ 433,100
Financial Institutions Taxes			
Federal Mutual Thrift Institutions.....	\$ 2,544	\$ 2,335	\$ 1,926
National Banks.....	140,239	140,276	140,276
State Banks.....	31,253	31,261	31,261
State Mutual Thrift Institutions.....	25,456	23,365	19,274
Trust Companies.....	18,058	18,063	18,063
SUBTOTAL.....	\$ 217,550	\$ 215,300	\$ 210,800
Other Selective Business Taxes			
Corporate Loans — Domestic.....	\$ 11,297	\$ 7,679	\$ 7,679
Corporate Loans — Foreign.....	6,820	4,636	4,636
Miscellaneous Business Taxes.....	272	185	185
Corporation Taxes — Clearing Accounts Undistributed.....	-564	0	0
SUBTOTAL.....	\$ 17,825	\$ 12,500	\$ 12,500
Sales and Use Tax			
Motor Vehicle.....	\$ 1,268,695	\$ 1,246,000	\$ 1,255,600
Non-Motor Vehicle.....	6,459,847	6,755,300	7,011,200
SUBTOTAL.....	\$ 7,728,542	\$ 8,001,300	\$ 8,266,800
Cigarette Tax	\$ 856,442	\$ 804,000	\$ 788,100
Malt Beverage Tax	\$ 26,201	\$ 24,500	\$ 24,500
Liquor Tax	\$ 195,179	\$ 207,600	\$ 219,600

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Personal Income Tax			
Non-Withholding.....	\$ 1,609,325	\$ 1,856,100	\$ 1,934,400
Withholding.....	6,124,479	6,739,100	7,033,300
SUBTOTAL.....	\$ 7,733,804	\$ 8,595,200	\$ 8,967,700
Realty Transfer Tax.....	\$ 400,590	\$ 440,900	\$ 416,300
Inheritance Tax			
Nonresident Inheritance and Estate Tax.....	\$ 4,606	\$ 4,431	\$ 4,493
Resident Inheritance and Estate Tax.....	743,019	714,869	724,907
SUBTOTAL.....	\$ 747,625	\$ 719,300	\$ 729,400
Minor and Repealed Taxes			
Spirituos and Vinous Liquors Tax.....	\$ 30	\$ 0	\$ 0
Unallocated EFT Payments.....	-50	-38	-38
Excess Vehicle Rental Tax.....	6,162	6,300	6,400
Job Creation Tax Credit.....	-897	-10,000	-10,000
Payments of Intergrated Taxes (KITS).....	-556	-417	-417
Tax on Writs, Wills and Deeds.....	1,940	1,455	1,455
SUBTOTAL.....	\$ 6,629	\$ -2,700	\$ -2,600
TOTAL TAX REVENUE.....	\$ 22,046,117	\$ 23,576,500	\$ 24,200,000
NONTAX REVENUES			
State Stores Fund Transfer.....	\$ 50,000	\$ 54,900	\$ 80,000
Licenses, Fees and Miscellaneous			
Governor's Offices			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ 4	\$ 4	\$ 4
Refunds of Expenditures Not Credited to Appropriations.....	*	*	*
SUBTOTAL.....	\$ 4	\$ 4	\$ 4
Executive Offices			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ -229	-229	-229
Interest Transferred to Federal JAIBG Program.....	-221	-221	-221
Interest Transferred to Employee Benefits.....	-9,923	-9,923	-9,923
Refunds Of Expenditures Not Credited To Appropriations.....	358	358	358
SUBTOTAL.....	\$ -10,015	\$ -10,015	\$ -10,015
Lieutenant Governor's Office			
LICENSES AND FEES			
Board Of Pardons Fees.....	\$ 8	\$ 8	\$ 8
Board Of Pardons — Filing Fees.....	13	14	14
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ *	*	*
Refunds of Expend Not Credited To Approp.....	0	0	0
SUBTOTAL.....	\$ 21	\$ 22	\$ 22
Auditor General			
LICENSES AND FEES			
Filing Fees — Board of Arbitration of Claims.....	\$ 3	\$ 10	\$ 10
SUBTOTAL.....	\$ 3	\$ 10	\$ 10

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Attorney General			
MISCELLANEOUS REVENUE			
Assessed Civil Penalties Payments.....	\$ 883	\$ 225	\$ 231
Miscellaneous Interest Offset for Appropriation 611.....	-68	-50	-51
Miscellaneous.....	1	18	18
Refunds Of Expenditures Not Credited To Appropriations.....	72	15	15
SUBTOTAL.....	\$ 888	\$ 208	\$ 213

Treasury Department

MISCELLANEOUS REVENUE			
Allocation Of Treasury Costs.....	\$ 2,615	\$ 2,500	\$ 2,500
Depository Adjustments.....	8	0	0
Dividend Income Reinvested - Long Term.....	2,775	0	0
Interest Transferred to Asbestos/Lead Account.....	-64	-25	-25
Interest Transferred to Hodge Trust Fund.....	-8	0	0
Interest Transferred to PA Tech Invest Authority.....	0	-25	-25
Interest Income Reinvested - Long Term.....	13,955	0	0
Interest on Average Collected Balance - WIC Program.....	6	10	10
Interest On Deposits.....	2,383	500	500
Interest On Securities — Liquor License Fund.....	26	50	50
Interest On Securities.....	106,492	124,520	124,525
Miscellaneous.....	1	0	0
Premium on Sale of Securities.....	*	0	0
Realized Gain or Loss on Sale of Investments - Long Term.....	57,018	0	0
Redeposit Of Checks.....	3,470	2,500	2,500
Refunds Of Expenditures Not Credited To Appropriations.....	0	0	0
Unclaimed Property — Administration Cost Reimbursements.....	0	0	0
Unclaimed Property — Claim Payments.....	-20,733	-50,000	-40,000
Unclaimed Property — Financial Institution Deposits.....	45,769	46,000	46,000
Unclaimed Property — Other Holder Deposits.....	310,051	158,400	105,000
SUBTOTAL.....	\$ 523,764	\$ 284,430	\$ 241,035

Department of Agriculture

LICENSES AND FEES			
Abattoir Licenses.....	\$ *	\$ 8	\$ 0
Approved Inspectors Certificate And Registration Fees.....	3	3	3
Domestic Animal Dealers' Licenses.....	52	50	53
Eating & Drinking Licenses.....	1,396	1,644	1,644
Egg Certification Fees.....	12	12	12
Egg Opening Licenses.....	*	*	*
Farm Products Inspection Fees.....	166	138	138
Garbage Feeders Licenses.....	1	1	1
Ice Cream Licenses.....	148	150	150
Livestock Branding Fees.....	*	*	*
Maple Syrup Program.....	*	1	1
Miscellaneous Licenses And Fees.....	14	17	17
Poultry Technician Licenses.....	2	2	2
Public Weighmasters' Liquid Fuel License — State Share.....	191	125	125
Registration Fee — Food Establishment.....	225	220	220
Rendering Plant Licenses.....	5	5	5
Lab Directors Exam Fees.....	2	1	1
Seed Testing And Certification Fees.....	52	30	0
Veterinarian Diagnostic Laboratory Fees.....	446	482	506
MISCELLANEOUS REVENUE			
Refunds Of Expenditures Not Credited To Appropriations.....	\$ 11	\$ 0	\$ 0
SUBTOTAL.....	\$ 2,726	\$ 2,889	\$ 2,878

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Civil Service Commission			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ *	\$ *	\$ *
Refunds of Expend Not Credited to Appropriations.....	*	*	0
SUBTOTAL.....	\$ 0	\$ 0	\$ 0
Department of Community and Economic Development			
LICENSES AND FEES			
Municipal Indebtedness Fees.....	\$ 318	\$ 275	\$ 300
Department of Community and Economic Development (continued)			
MISCELLANEOUS REVENUE			
Infrastructure Developer - Loan Repayments.....	\$ 632	\$ 635	\$ 650
Interest From Grantees.....	36	40	40
Housing and Redevelopment Loan Repayments.....	219	220	220
Miscellaneous.....	571	6,991	6,001
Nursing Home Loans — Repayments.....	58	25	25
PNHLA Prior Year In-Transit.....	3,565	3,600	2,900
Refunds of Expenditures Not Credited to Appropriations.....	861	850	800
Repayable Grant Payments.....	1,047	1,050	1,000
SUBTOTAL.....	\$ 7,307	\$ 13,686	\$ 11,936
Department of Conservation and Natural Resources			
MISCELLANEOUS REVENUE			
Camp Leases.....	\$ 839	\$ 850	\$ 850
Ground Rents.....	12	13	13
Housing Rents.....	25	27	27
Minerals Sales.....	3	4	4
Miscellaneous.....	11	12	12
Refunds Of Expenditures Not Credited To Appropriations.....	170	170	170
Rights-Of-Way.....	356	400	400
Sales Tax Escrow Account.....	2	9	9
Telephone Commissions.....	0	2	2
Water Leases.....	18	20	20
SUBTOTAL.....	\$ 1,436	\$ 1,507	\$ 1,507
Department of Corrections			
MISCELLANEOUS REVENUE			
Antitrust Case Payments.....	\$ 0	\$ 10	\$ 10
Miscellaneous.....	8	40	40
Refunds Of Expenditures Not Credited To Appropriations.....	30	75	75
Telephone Commissions.....	7,098	7,100	7,200
SUBTOTAL.....	\$ 7,136	\$ 7,225	\$ 7,325
Department of Education			
LICENSES AND FEES			
Fees For GED Transcripts.....	\$ 35	\$ 32	\$ 35
Fees For Licensing Private Schools.....	195	213	213
PDE Fees Transcripts — Closed Private Schools.....	*	*	*
Private Academic School Teacher Certification Fees.....	13	12	14
Fees For Licensing Private Driver Training Schools.....	27	132	75
Secondary Education Evaluation Fees.....	12	5	4
Teacher Certification Fees.....	635	774	774
MISCELLANEOUS REVENUE			
Miscellaneous.....	1	0	0
SUBTOTAL.....	\$ 918	\$ 1,168	\$ 1,115

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Emergency Management Agency			
MISCELLANEOUS REVENUE			
Refunds of Expenditures Not Credited to Appropriations.....	\$ 21	\$ 0	\$ 0
SUBTOTAL.....	\$ 21	\$ 0	\$ 0
Department of Environmental Protection			
LICENSES AND FEES			
Anthracite Miners' Examination and Certification Fees.....	\$ *	\$ *	\$ 0
Bituminous Miners' Examination and Certification Fees.....	2	2	3
Bituminous Shot Firers and Machine Runners Exam A.....	0	0	2
Blasters' Examination and Licensing Fees.....	55	55	10
Dams And Encroachment Fees.....	113	113	90
Examination and Certification Fees.....	3	3	0
Explosives Storage Permit Fees.....	47	47	10
Hazardous Waste Facility Annual Permit Administration Fees.....	46	46	46
Hazardous Waste Facility Permit Application Fees.....	6	6	60
Hazardous Waste Transporter License and Fees.....	37	37	35
Hazardous Waste Storage-Disposal Fac-Fee.....	2	2	65
Infectious and Chemical Waste Transport Fees.....	13	13	10
Municipal Waste Annual Permit Administration Fees.....	181	181	200
Municipal Waste Permit Application Fees.....	94	94	150
Residual Waste Permit Administration Fees.....	243	243	250
Residual Waste Permit Application/Modification Fees.....	50	50	75
Sewage Permit Fees.....	377	377	376
Submerged Land Fees.....	53	53	50
Water Bacteriological Examination Fees.....	22	22	23
Water Power and Supply Permit Fees.....	92	92	15
MISCELLANEOUS REVENUE			
Ground Rentals.....	9	9	14
Interest Income - Water Facilities.....	0	125	75
Interest on Loan Payments.....	141	141	115
Interest Payments — Mine Subsidence.....	2	2	1
Mineral Sales.....	*	*	0
Miscellaneous.....	580	580	20
Payment To Occupy Submerged Lands.....	251	251	308
Penalty Charges — Delinquent Interest.....	0	0	0
Refunds of Expenditures Not Credited to Appropriations.....	11	11	30
Repayment Of Loans — Water Facilities.....	573	500	450
Rights-of-Way.....	14	14	10
Royalties for Recovery Of Materials — Schuylkill River.....	134	134	150
Sales Tax Escrow Account.....	0	0	0
Sales Tax — Allegheny County.....	*	*	0
Sewage Treatment And Waterworks Application Fees.....	107	107	104
Surface Subsidence Assistance Loans — Repayments.....	35	35	25
SUBTOTAL.....	\$ 3,293	\$ 3,345	\$ 2,772
Department of General Services			
MISCELLANEOUS REVENUE			
Allocation Of Purchasing Costs Job 7.....	\$ 1,333	\$ 4,058	\$ 2,567
Allocation Of Purchasing Costs Job 19.....	2,568	1,511	1,166
Miscellaneous.....	7	7	7
Real Estate Services.....	639	295	303
Refunds of Expenditures Not Credited to Appropriations.....	5	0	0
Rental Of State Property.....	126	126	126
Sale Of Publications.....	4	5	5
Sale Of State Property.....	10,358	23,461	8,634
Sale Of Unserviceable Property.....	329	300	330

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Department of General Services (continued)			
State Surplus Property's E-Bay Account.....	\$ 0	\$ 0	\$ 150
Reading State Office Building.....	120	230	166
Scranton State Office Building.....	1,348	1,382	1,120
Altoona State Office Building.....	39	3	32
SUBTOTAL.....	\$ 16,876	\$ 31,378	\$ 14,606
Department of Health			
LICENSES AND FEES			
Bathing Place Program — Application Fees.....	\$ 1	\$ 1	\$ 1
Cre Certification Fees.....	17	8	14
Hospice Licensing Fees.....	28	30	31
Immunization Service Fees.....	16	16	16
Life Safety Code Inspection Fees.....	280	240	144
Miscellaneous Licensure Fees.....	82	85	85
Nursing Home Licenses.....	361	345	361
Pediatric Extended Care Licensing Fees.....	1	2	2
Profit Making Hospital Licenses.....	240	215	240
Organized Camps Program Fees.....	5	5	5
Registration Fees — Hearing Aid Act.....	97	99	99
Registration Fees — Drugs Devices and Cosmetics Act.....	385	385	385
Vital Statistics Fees.....	4,582	7,004	7,165
Wholesale Prescription Drug Distribution Licenses.....	61	63	65
MISCELLANEOUS REVENUE			
Interest Transferred to Share Loan Program.....	-10	-7	-7
Miscellaneous.....	93	150	170
Refunds of Expenditures Not Credited to Appropriations.....	1	4	4
SUBTOTAL.....	\$ 6,240	\$ 8,645	\$ 8,780
Historical and Museum Commission			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ *	\$ 2	\$ 2
Refunds of Expenditures Not Credited to Appropriations.....	17	40	40
SUBTOTAL.....	\$ 17	\$ 42	\$ 42
Insurance Department			
LICENSES AND FEES			
Agents' Licenses.....	\$ 20,261	\$ 21,000	\$ 21,000
Brokers' Licenses.....	6,841	5,500	5,500
Division of Companies Certification — Certificates and Filing Fees.....	1,939	3,000	3,200
Examination Fees and Expenses.....	2,448	2,500	2,700
Market Conduct Examination Fees.....	665	775	825
Miscellaneous Fees.....	330	0	0
Renewals.....	-3	0	0
Valuation of Policies Fees.....	6,207	9,500	4,500
MISCELLANEOUS REVENUE			
Contra to Revenue Code 001780-009696-102.....	\$ -2	\$ 0	\$ 0
Miscellaneous.....	-4	323	327
Refunds of Expenditures Not Credited to Appropriations.....	88	1	0
SUBTOTAL.....	\$ 38,770	\$ 42,599	\$ 38,052
Department of Labor and Industry			
LICENSES AND FEES			
Approval of Building Plan Fees.....	\$ 5,344	\$ 5,000	\$ 5,000
Approval of Elevator Plan Fees.....	461	425	425
Bedding And Upholstery Fees.....	671	550	550
Boiler Inspection Fees.....	3,530	3,200	3,200

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Department of Labor and Industry (continued)			
Boiler Plan Fees.....	\$ 40	\$ 90	\$ 90
Elevator Inspection Fees.....	2,044	1,900	1,900
Employment Agency Licenses.....	31	34	34
Employment Agents' Registration Fees.....	6	6	6
Flammable Liquids Storage Fees.....	39	50	50
Industrial Board.....	3	60	60
Industrial Homework Permit Fees.....	*	0	0
Liquefied Petroleum Gas Plan Fees.....	1	2	2
Liquefied Petroleum Gas Registration Fees.....	162	200	200
Projectionists' Examination And License Fees.....	5	0	0
Stuffed Toys Manufacturers' Registration Fees.....	70	60	60
UCC Certifications.....	183	10	10
MISCELLANEOUS REVENUE			
CETA Audit Settlement.....	\$ *	\$ 0	\$ 0
Act 64-Contra Miscellaneous Revenue Code.....	*	0	0
Miscellaneous.....	13	3	3
Refunds of Expenditures Not Credited to Appropriations.....	33	0	0
SUBTOTAL.....	\$ 12,636	\$ 11,590	\$ 11,590
Department of Military and Veterans Affairs			
MISCELLANEOUS REVENUE			
Refunds of Expenditures Not Credited to Appropriations.....	\$ 24	\$ 165	\$ 165
Telephone Commissions.....	2	2	2
SUBTOTAL.....	\$ 26	\$ 167	\$ 167
Board of Probation and Parole			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ 3	\$ 0	\$ 0
Refunds of Expenditures Not Credited to Appropriations.....	1	0	0
SUBTOTAL.....	\$ 4	\$ 0	\$ 0
Department of Public Welfare			
LICENSES AND FEES			
Private Mental Hospital Licenses.....	\$ 52	\$ 52	\$ 52
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ 2,612	543	543
Refunds of Expenditures Not Credited to Appropriations.....	11	81	81
Telephone Commissions.....	17	17	17
SUBTOTAL.....	\$ 2,692	\$ 693	\$ 693
Department of Revenue			
LICENSES AND FEES			
Certification And Copy Fees.....	\$ 31	\$ 30	\$ 30
Cigarette Permit Fees.....	-202	250	250
Domestic Violence and Rape Crisis Program Fee.....	2,012	2,000	2,000
MISCELLANEOUS REVENUE			
Exempt Collections Per Act 1992-67.....	\$ 14,122	13,500	13,500
District Justice Costs.....	7,631	7,500	7,500
Miscellaneous.....	135	10	10
Distribution Due Absentee.....	759	500	500
Income Tax Check-Offs — Olympics.....	1	1	1
Refunds of Expenditures Not Credited to Appropriations.....	42	20	20
SUBTOTAL.....	\$ 24,531	\$ 23,811	\$ 23,811

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Securities Commission			
LICENSES AND FEES			
Associated Persons — Initial.....	\$ 41	\$ 64	\$ 70
Associated Persons — Renewal.....	144	214	230
Associated Persons — Transfer.....	*	5	7
Brokers, Dealers Registration Fees — Initial.....	57	75	88
Brokers, Dealers Registration Fees — Renewal.....	615	910	956
Costs — Examination, Auditing, Investigation, Prosecution — Except Takeover Costs.....	*	1	1
Investment Advisors Filing Fees — Initial.....	24	45	78
Investment Advisors Filing Fees — Renewal.....	105	136	144
Investment Advisors — Notice Filings Initial.....	47	52	57
Investment Advisors — Notice Filings Renewal.....	315	350	368
Mutual Funds — Increase in Amount of Filing.....	588	550	590
Mutual Funds — Initial Filing.....	349	500	500
Mutual Funds — Renewal Filing.....	3,736	4,100	4,100
506 RD Filings.....	927	940	970
Section 203 (D) — Increase in Amount of Filing.....	0	*	*
Section 203 (D) — Initial Filing.....	15	20	2
Section 203 (I) (O) (II) — Initial Filing.....	0	*	*
Section 203(P) — Initial Filing.....	0	*	*
Section 203(S) — Initial Filing.....	3	6	6
Section 203(T) — Filing.....	14	14	14
Section 205 — Security Registration and Amendment Fees.....	49	50	60
Section 206 — Increase in Amount of Filing.....	1	1	1
Section 206 — Qualification Filing — Initial.....	120	125	150
Securities Agents Filing Fees — Initial.....	1,829	3,010	3,055
Securities Agents Filing Fees — Renewal.....	6,677	11,443	11,221
Securities Agents Filing Fees — Transfer.....	296	250	296
Takeover Disclosure Filing Fees + Sct Iv Rgrtn.....	5	5	5
Miscellaneous Takeover Disclosure Filing Fees.....	0	1	1
MISCELLANEOUS REVENUE			
Miscellaneous.....	*	*	*
SUBTOTAL.....	\$ 15,957	\$ 22,867	\$ 22,970
Department of State			
LICENSES AND FEES			
Charities Bureau Registration Fees.....	\$ 1,418	\$ 1,450	\$ 1,500
Commission and Filing Fees — Bureau Of Elections.....	836	850	860
Commission and Filing Fees — Corporation Bureau.....	21,320	22,380	22,838
Commission Fees.....	38	40	41
Notary Public Commission Fees.....	870	890	900
MISCELLANEOUS REVENUE			
Miscellaneous.....	5,300	0	0
Prof. & Occupational Affairs Credit Card Transfers.....	-786	7,000	7,500
Interest Transferred to HAVA Program.....	-910	0	0
Refunds of Expenditures Not Credited to Appropriations.....	600	0	0
SUBTOTAL.....	\$ 28,686	\$ 32,610	\$ 33,639
State Police			
MISCELLANEOUS REVENUE			
Miscellaneous.....	\$ 245	\$ 250	\$ 270
Reimbursement For Lost Property.....	1	5	5
Refunds of Expenditures Not Credited to Appropriations.....	88	125	150
Telephone Commissions.....	*	1	1
SUBTOTAL.....	\$ 334	\$ 381	\$ 426

* Less than \$500.

General Fund Revenue Detail

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Department of Transportation			
MISCELLANEOUS REVENUE			
Refunds of Expenditures Not Credited to Interest	\$ 8	\$ 0	\$ 0
SUBTOTAL.....	\$ 8	\$ 0	\$ 0
Other			
MISCELLANEOUS REVENUE			
Conscience Money.....	\$ 1	\$ 0	\$ 0
Payments in Lieu of Taxes — SWIF.....	6,161	6,800	6,600
Transfers From Special Funds.....	6,436	7,038	5,022
SUBTOTAL.....	\$ 12,598	\$ 13,838	\$ 11,622
Total Licenses, Fees and Miscellaneous.....	\$ 696,877	\$ 493,100	\$ 425,200
Fines, Penalties and Interest on Taxes			
Corporation Net Income Tax.....	\$ 13,685	\$ 11,160	\$ 11,160
Interest on Excise Taxes — Corporations (Department of Revenue).....	16,693	13,614	13,614
Penalties on Excise Taxes — Corporations.....	1,503	1,226	1,226
SUBTOTAL.....	\$ 31,881	\$ 26,000	\$ 26,000
Other Fines and Penalties			
Department of Agriculture			
Amusement Rides and Attractions — Fines.....	\$ 6	\$ 5	\$ 5
Egg Fines.....	0	*	*
General Food Fines.....	2	4	4
Harness Racing Fines and Penalties.....	37	50	50
Horse Racing Fines and Penalties.....	47	40	42
Marking Law Fines.....	0	*	*
Miscellaneous Fines.....	2	0	0
Civil Penalties - Food Establishments.....	0	0	0
Seasonal Farm Laborers Fines & Penalties.....	0	10	10
Weights & Measurements Division - Fines.....	2	2	10
Department of Conservation and Natural Resources			
Miscellaneous Fines.....	3	3	3
Department of Environmental Protection			
Miscellaneous Fines.....	0	0	*
Ethics Commission			
Violations-Act 1978-170.....	80	20	20
Department of General Services			
Traffic Violation Fines.....	26	26	26
Department of Health			
Non-Compliance Fines And Penalties.....	216	5	5
Department of Insurance			
Miscellaneous Fines.....	2,281	2,985	1,955
Department of Labor and Industry			
Minor Labor Law Fines.....	*	0	0
Miscellaneous Fines.....	66	75	75
Public Utility Commission			
Violation Of Order Fines.....	137	1,200	200
Department of Public Welfare			
Miscellaneous Fines & Penalties.....	0	2,000	0
Department of Revenue			
Malt Liquor Fines and Penalties.....	30	5	5
Department of State			
Penalties and Fines - Charities Bureau.....	268	470	490
SUBTOTAL.....	\$ 3,203	\$ 6,900	\$ 2,900
Total Fines, Penalties and Interest.....	\$ 35,084	\$ 32,900	\$ 28,900
TOTAL NONTAX REVENUES.....	\$ 781,961	\$ 580,900	\$ 534,100
TOTAL GENERAL FUND REVENUES.....	\$ 22,828,078	\$ 24,157,400	\$ 24,734,100

* Less than \$500.

General Fund Revenue Summary

Revenue History

This table shows six years of actual General Fund revenues available for general appropriation. This data does not include special restricted receipts, receipts augmenting appropriations or Federal funds.

	(Dollar Amounts in Thousands)					
	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual
TAX REVENUE						
Corporation Taxes						
Corporate Net Income Tax.....	\$ 1,724,945	\$ 1,860,184	\$ 1,603,375	\$ 1,418,493	\$ 1,396,561	\$ 1,677,998
Capital Stock and Franchise Taxes..	1,100,318	1,083,505	1,063,046	913,426	896,329	984,295
Selective Business:						
Gross Receipts Tax.....	670,238	657,260	663,551	710,597	846,775	1,012,397
Public Utility Realty Tax.....	124,588	104,855	42,292	28,850	50,814	50,272
Insurance Premiums Tax.....	261,895	263,879	291,421	300,554	330,609	390,768
Financial Institutions Tax.....	193,293	211,983	189,900	216,310	214,434	217,550
Other Selective Business Taxes.....	12,592	11,065	10,011	13,390	15,413	17,825
Total — Corporation Taxes.....	\$ 4,087,869	\$ 4,192,731	\$ 3,863,596	\$ 3,601,620	\$ 3,750,935	\$ 4,351,105
Consumption Taxes						
Sales and Use Tax.....	\$ 6,605,756	\$ 7,018,332	\$ 7,203,756	\$ 7,292,499	\$ 7,519,561	\$ 7,728,542
Cigarette Tax.....	275,786	272,418	269,339	266,795	826,742	856,442
Malt Beverage Tax.....	25,483	25,776	25,530	26,653	26,726	26,201
Liquor Tax.....	144,990	153,831	162,083	170,769	193,181	195,179
Total — Consumption Taxes.....	\$ 7,052,015	\$ 7,470,357	\$ 7,660,708	\$ 7,756,716	\$ 8,566,210	\$ 8,806,364
Other Taxes						
Personal Income Tax.....	\$ 6,683,575	\$ 7,066,013	\$ 7,491,462	\$ 7,138,668	\$ 7,105,885	\$ 7,733,804
Realty Transfer Tax.....	257,959	271,858	268,816	290,472	362,561	400,590
Inheritance Tax.....	760,698	819,110	799,800	779,571	693,782	747,625
Minor and Repealed Taxes.....	-7,786	-9,163	6,620	6,881	17,747	6,629
Total — Other Taxes.....	\$ 7,694,446	\$ 8,147,818	\$ 8,566,698	\$ 8,215,592	\$ 8,179,975	\$ 8,888,648
TOTAL TAX REVENUE.....	\$ 18,834,330	\$ 19,810,906	\$ 20,091,002	\$ 19,573,928	\$ 20,497,120	\$ 22,046,117
NONTAX REVENUE						
State Stores Fund Transfer.....	\$ 50,000	\$ 50,000	\$ 50,000	\$ 120,000	\$ 155,000	\$ 50,000
Licenses, Fees and Miscellaneous:						
Licenses and Fees.....	81,212	86,765	86,581	90,399	96,410	105,176
Miscellaneous.....	233,172	281,954	301,080	243,030	531,002	591,701
Fines, Penalties and Interest:						
On Taxes.....	26,691	24,776	29,885	28,898	31,869	31,881
Other.....	1,250	2,326	3,197	3,688	3,050	3,203
TOTAL NONTAX REVENUES.....	\$ 392,325	\$ 445,821	\$ 470,743	\$ 486,015	\$ 817,331	\$ 781,961
GENERAL FUND TOTAL.....	\$ 19,226,655	\$ 20,256,727	\$ 20,561,745	\$ 20,059,943	\$ 21,314,451	\$ 22,828,078



MOTOR LICENSE FUND

The Motor License Fund is a special revenue fund composed of monies received from liquid fuels taxes, licenses and fees on motor vehicles, aviation fuel tax revenues, Federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects and other miscellaneous highway revenues.

The fund provides for highway and bridge improvement, design, maintenance, and purchase of rights-of-way, as well as aviation activities and Department of Transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

Financial Statement *

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance.....	\$ 30,449	\$ 113,591	\$ 144,610
Revenue:			
Revenue Receipts.....	\$ 2,085,610	\$ 2,101,860	\$ 2,194,620
Adjustment to Official Estimate.....	0	11,190	0
Prior Year Lapses.....	20,158	0	0
Funds Available	\$ 2,136,217	\$ 2,226,641	\$ 2,339,230
Expenditures:			
Appropriations.....	\$ 2,022,626	\$ 2,082,031	\$ 2,249,294
Less Current Year Lapses.....	0	0	0
Estimated Expenditures.....	\$ -2,022,626	\$ -2,082,031	\$ -2,249,294
Ending Balance.....	\$ <u>113,591</u>	\$ <u>144,610</u>	\$ <u>89,936</u>

* Excludes restricted revenue.

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Executive Offices			
General Government			
Office of the Budget.....	\$ 5,485	\$ 5,457	\$ 5,831
Statewide Public Safety Radio System.....	5,856	5,871	5,871
TOTAL STATE FUNDS.....	<u>\$ 11,341</u>	<u>\$ 11,328</u>	<u>\$ 11,702</u>
Augmentations.....	\$ 813	\$ 988	\$ 792
DEPARTMENT TOTAL.....	\$ 12,154	\$ 12,316	\$ 12,494
Treasury Department			
General Government			
Replacement Checks.....	\$ 39	\$ 100	\$ 100
Refunding Liquid Fuel Tax — Agricultural.....	3,043	4,000	4,000
Administration of Refunding Liquid Fuel Tax.....	374	451	455
Refunding Liquid Fuel Tax — State Share.....	253	350	350
Refunding Emergency Liquid Fuel Tax.....	0	0	0
Refunding Liquid Fuel Tax — Political Subdivisions.....	2,163	3,200	3,200
Refunding Liquid Fuel Tax — Volunteer Services.....	349	400	400
Refunding Liquid Fuel Tax — Boat Fund.....	2,200	2,800	2,800
Subtotal.....	\$ 8,421	\$ 11,301	\$ 11,305
Debt Service Requirements			
Capital Debt — Transportation Projects.....	\$ 29,627	\$ 11,890	\$ 12,097
General Obligation Debt Service.....	8,964	10,037	10,625
Loan and Transfer Agent.....	3	50	50
Subtotal.....	\$ 38,594	\$ 21,977	\$ 22,772
TOTAL STATE FUNDS.....	<u>\$ 47,015</u>	<u>\$ 33,278</u>	<u>\$ 34,077</u>
Restricted Revenue.....	\$ 20,401	\$ 23,554	\$ 23,816
DEPARTMENT TOTAL.....	\$ 67,416	\$ 56,832	\$ 57,893
Department of Conservation and Natural Resources			
Dirt and Gravel Roads.....	\$ 1,000	\$ 2,000	\$ 1,000
TOTAL STATE FUNDS.....	<u>\$ 1,000</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>
Restricted Revenue.....	\$ 4,500	\$ 4,000	\$ 4,000
DEPARTMENT TOTAL.....	\$ 5,500	\$ 6,000	\$ 5,000
Department of Education			
Grants and Subsidies			
Safe Driving Course.....	\$ 1,230	\$ 1,230	\$ 1,230
DEPARTMENT TOTAL.....	\$ 1,230	\$ 1,230	\$ 1,230
Department of Environmental Protection			
Dirt and Gravel Roads.....	\$ 4,000	\$ 4,000	\$ 4,000
DEPARTMENT TOTAL.....	\$ 4,000	\$ 4,000	\$ 4,000
Department of General Services			
Tort Claims Payments.....	\$ 20,000	\$ 20,000	\$ 20,000
Harristown Rental Charges.....	91	94	83
Harristown Utility and Municipal Charges.....	153	166	152
DEPARTMENT TOTAL.....	\$ 20,244	\$ 20,260	\$ 20,235

Summary by Department (continued)

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Emergency Management Agency			
Grants and Subsidies			
Local Disaster Relief.....	\$ 0	\$ 0	\$ 12,500
DEPARTMENT TOTAL.....	\$ 0	\$ 0	\$ 12,500
Department of Revenue			
General Government			
Collections — Liquid Fuels Tax.....	\$ 11,977	\$ 13,215	\$ 13,408
Refunding Liquid Fuels Tax.....	7,900	9,000	9,000
TOTAL STATE FUNDS.....	\$ 19,877	\$ 22,215	\$ 22,408
Augmentations.....	\$ 0	\$ 11	\$ 0
DEPARTMENT TOTAL.....	\$ 19,877	\$ 22,226	\$ 22,408
State Police			
General Government			
General Government Operations.....	\$ 311,975	\$ 331,337	\$ 372,085
Municipal Police Training.....	4,243	3,509	3,846
Patrol Vehicles.....	5,882	5,401	7,000
CLEAN System.....	30,000	30,600	32,135
Automated Fingerprint Identification System	0	1,846	121
Commercial Vehicle Inspection.....	0	0	3,773
DEPARTMENT TOTAL.....	\$ 352,100	\$ 372,693	\$ 418,960
Department of Transportation			
General Government			
General Government Operations.....	\$ 48,047	\$ 47,022	\$ 47,022
Highway Systems Technology.....	15,237	17,100	22,100
Refunding Collected Monies.....	3,918	4,750	4,750
Highway and Safety Improvement.....	150,000	150,000	150,000
Highway Capital Projects.....	222,050	220,218	221,577
Security Walls Pilot Project.....	10,000	5,000	5,000
Highway Maintenance.....	651,000	694,000	694,000
Secondary Roads — Maintenance and Resurfacing.....	65,230	65,230	65,230
Highway Maintenance Safety Projects.....	0	0	10,000
Smoother Roads.....	50,000	50,000	50,000
Disaster Recovery.....	0	0	50,000
Emergency Highway and Bridge Repairs.....	0	0	5,000
Bridge Preservation.....	0	0	28,000
Reinvestment — Facilities.....	9,540	9,540	16,540
Safety Administration and Licensing.....	118,558	126,787	127,708
Welcome Centers.....	0	2,616	2,616
Subtotal.....	\$ 1,343,580	\$ 1,392,263	\$ 1,499,543
Grants and Subsidies			
Local Road Maintenance and Construction Payments.....	\$ 189,239	\$ 189,764	\$ 190,639
Supplemental Local Road Maintenance and.....			
Construction Payments.....	5,000	5,000	5,000
Payment to Turnpike Commission.....	28,000	28,000	28,000
Subtotal.....	\$ 222,239	\$ 222,764	\$ 223,639
TOTAL STATE FUNDS.....	\$ 1,565,819	\$ 1,615,027	\$ 1,723,182
Federal Funds.....	\$ 1,218,822	\$ 1,521,385	\$ 1,435,510
Augmentations.....	59,447	51,761	52,966
Restricted Revenue.....	657,763	789,904	835,763
DEPARTMENT TOTAL.....	\$ 3,501,851	\$ 3,978,077	\$ 4,047,421
Fund Summary			
State Funds — Transportation.....	\$ 1,565,819	\$ 1,615,027	\$ 1,723,182
State Funds — Other Departments.....	456,807	467,004	526,112
TOTAL STATE FUNDS.....	\$ 2,022,626	\$ 2,082,031	\$ 2,249,294

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Liquid Fuels Taxes.....	\$ 1,113,027	\$ 1,159,870	\$ 1,233,800	\$ 1,253,890	\$ 1,254,880	\$ 1,251,460	\$ 1,254,560
Motor Licenses and Fees.....	843,174	852,250	859,730	867,720	883,660	888,040	895,690
Other Motor License Fund Revenues.....	129,408	100,930	101,090	101,510	101,940	102,370	102,810
TOTAL MOTOR LICENSE FUND REVENUES.....	\$ 2,085,609	\$ 2,113,050	\$ 2,194,620	\$ 2,223,120	\$ 2,240,480	\$ 2,241,870	\$ 2,253,060
Aviation Restricted Revenues.....	\$ 11,543	\$ 11,000	\$ 11,050	\$ 11,100	\$ 11,150	\$ 11,200	\$ 11,250
Highway Bridge Improvement Restricted Revenues.....	\$ 85,135	\$ 96,440	\$ 110,130	\$ 111,980	\$ 109,920	\$ 106,930	\$ 105,240
State Highway Transfer Restricted Revenues.....	\$ 18,009	\$ 20,400	\$ 23,830	\$ 24,270	\$ 23,690	\$ 22,860	\$ 22,370
Oil Company Franchise Tax Restricted Revenues.....	\$ 330,161	\$ 374,090	\$ 436,950	\$ 444,910	\$ 434,260	\$ 419,170	\$ 410,190
Supplemental Maintenance Restricted Revenues.....	\$ 231,113	\$ 261,860	\$ 305,870	\$ 311,440	\$ 303,980	\$ 293,420	\$ 287,140

Adjustments to 2004-05 Revenue Estimate

On July 4, 2004, an official estimate for the 2004-05 fiscal year of \$2,101,860 was certified. The revised estimate detailed below reflects actual revenue collections through the first six months of the fiscal year and expected collections for the balance of the fiscal year.

	2004-05 Official Estimate	Adjustments	2004-05 Revised Estimate
Liquid Fuels Taxes.....	\$ 1,167,460	\$ -7,590	\$ 1,159,870
Motor Licenses and Fees.....	845,800	6,450	852,250
Other Motor License Fund Revenues.....	88,600	12,330	100,930
TOTAL.....	\$ 2,101,860	\$ 11,190	\$ 2,113,050

Revenue Sources

Liquid Fuels Taxes

	Actual		Estimated
1998-99.....	\$ 1,034,899	2004-05.....	\$ 1,159,870
1999-00.....	1,054,027	2005-06.....	1,233,800
2000-01.....	1,070,185	2006-07.....	1,253,890
2001-02.....	1,090,488	2007-08.....	1,254,880
2002-03.....	1,105,459	2008-09.....	1,251,460
2003-04.....	1,113,027	2009-10.....	1,254,560

Tax Base and Rates:

Liquid Fuels and Fuels Tax: The Liquid Fuels and Fuels Tax is based on the number of gallons of liquid fuels (primarily gasoline) and fuels (primarily diesel) used, sold or delivered within the Commonwealth by distributors. All monies collected are placed in the Motor License Fund, except discounts and an amount equal to one-half cent per gallon which is placed in the Liquid Fuels Tax Fund. The present tax rate is twelve cents per gallon. Prior to October 1, 1997, liquid fuels and fuels were taxed separately under the Liquid Fuels Tax Act and the Fuels Use Tax Act respectively. Both acts were repealed effective October 1, 1997.

Alternative Fuels Tax: The Alternative Fuels Tax became effective October 1, 1997, and is imposed on fuels other than liquid fuels or fuels used to propel motor vehicles on public highways. The tax rate applied to each gasoline gallon equivalent of alternative fuel equals the current total of the liquid fuels and fuels tax and the oil company franchise tax applicable to one gallon of gasoline.

Motor Carriers Road Tax-International Fuel Tax Agreement: The Motor Carriers Road Tax is levied on motor carriers operating vehicles with a gross weight or registered gross weight in excess of 26,000 pounds. The tax is comprised of: a twelve cent per gallon tax and an oil company franchise tax element based upon 153.5 mills of the average wholesale price for liquid fuels and 208.5 mills of the average wholesale price for fuels and is imposed on a cents-per-gallon equivalent basis. Previously, the tax rate was 115 mills. Prior to October 1, 1997, an additional tax of 6 cents per gallon was collected through the motor carriers road tax. This tax was repealed and replaced by a fifty-five mill addition to the oil company franchise tax rate, imposed on fuels effective October 1, 1997. The fifty-five mill portion of the tax rate is dedicated to the highway bridge restricted account. Credit against the tax is given for liquid fuels and fuels tax and oil company franchise tax paid at the pump or directly remitted. Credit is also given for tax paid on motor fuels purchased in Pennsylvania but consumed elsewhere.

The Motorbus Road Tax which imposed taxes on the amount of motor fuel used by bus companies in their operations on highways within the Commonwealth was repealed, effective January 1, 1996, with the enactment of the International Fuel Tax Agreement (IFTA).

Identification markers are required to be issued annually upon a payment of \$5 per vehicle for each vehicle subject to these taxes based in the Commonwealth.

Interstate Bus Compact Fuels Tax. This tax which imposed a tax on fuels consumed by interstate buses was repealed, effective January 1, 1993, and replaced by the Motorbus Road Tax.

International Fuel Tax Agreement (IFTA). Effective January 1, 1996, Pennsylvania implemented IFTA. Under this agreement, qualified vehicles are subject to base State reporting and payment of fuel tax obligations. Qualified vehicles are those with two axles greater than 26,000 pounds, combinations greater than 26,000 pounds and those with three or more axles regardless of weight. Therefore, 17,001 to 26,000 pound vehicles, which previously were subject to the Motor Carriers Road Tax, are not subject under IFTA. Additionally, the Motorbus Road Tax was repealed and a bus meeting the qualified vehicle definition is subject to IFTA provisions. Identification markers remain at \$5 per qualified vehicle. The underlying fuel tax rates are unaffected by IFTA.

Oil Company Franchise Tax. This tax is an excise tax on all fuels taxed pursuant to the Liquid Fuels and Fuels Tax and Alternative Fuels Tax. The current tax rate is 153.5 mills for liquid fuels and alternative fuels and 208.5 mills for fuels and is imposed on a cents-per-gallon equivalent basis. The tax rate was increased by 38.5 mills effective May 1, 1997. The revenues from this rate increase are dedicated to specific highway maintenance purposes. Of the current tax rate, 57 mills is deposited as unrestricted Motor License Fund revenues. The balance of the tax rate represents revenues restricted to certain highway activities. These dedicated and restricted taxes are not included in the above estimates. Bus companies are entitled to a refund equal to 55 mills of the Oil Company Franchise Tax paid on fuels.

Revenue Sources (Continued)

Motor Licenses and Fees

Actual		Estimated	
1998-99.....	\$ 755,430	2004-05.....	\$ 852,250
1999-00.....	807,859	2005-06.....	859,730
2000-01.....	795,371	2006-07.....	867,720
2001-02.....	814,350	2007-08.....	883,660
2002-03.....	828,821	2008-09.....	888,040
2003-04.....	843,174	2009-10.....	895,690

The Commonwealth receives revenue from the collection of fees levied for the registration and titling of motor vehicles and for the issuance of learners' permits, operators' licenses, certificates of title and transfers of registration. Various motor vehicle registration fees were increased as of either July 1, 1997, or January 1, 1998, by Act 3 of 1997.

Other Motor License Fund Revenues

Actual		Estimated	
1998-99.....	\$ 94,680	2004-05.....	\$ 100,930
1999-00.....	97,478	2005-06.....	101,090
2000-01.....	86,260	2006-07.....	101,510
2001-02.....	50,187	2007-08.....	101,940
2002-03.....	64,487	2008-09.....	102,370
2003-04.....	129,408	2009-10.....	102,810

Other Motor License Fund revenues include the following sources:

Fines — Aeronautics fines collected under the Liquid Fuels and Fuels Tax Act and certain vehicle code fines.

Miscellaneous Revenue — Interest on Motor License Fund deposits; investments and securities, the sale of unserviceable properties, maps, plans and inspection stickers; and the rental of State properties.

Gross Receipts Tax — This excise tax imposed upon the gross receipts of owners and operators of motor vehicles transporting property for hire on public highways was repealed effective January 1, 1998.

Beginning in July 1987, the total of all fines, fees and costs collected by any division of the Unified Judicial System which is in excess of the amount collected from such sources in 1986-87 is to be deposited in the Judicial Computer System Augmentation Account in accordance with Act 64 of 1987. Any fines, fees or costs which are allocated by law to counties and municipalities are not affected by this act.

Revenue Detail

The following is a detailed list of all revenues available for Motor License Fund appropriations. Restricted receipts and revenues for the aviation, highway bridge improvement, State highway turnback programs and the Oil Company Franchise Tax restricted account are not included in these amounts.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
LIQUID FUELS TAXES			
Liquid Fuels Tax			
Liquid Fuels Tax.....	\$ 586,572	\$ 586,570	\$ 592,440
Liquid Fuels Tax Interest.....	135	140	140
Liquid Fuels Tax Penalties.....	364	360	360
Subtotal.....	\$ 587,071	\$ 587,070	\$ 592,940
Fuel Use Tax			
Fuel Use Tax.....	\$ 154,993	\$ 158,490	\$ 160,870
Fuel Use Tax Interest.....	0	0	0
Fuel Use Tax Penalties.....	0	0	0
Subtotal.....	\$ 154,993	\$ 158,490	\$ 160,870
Alternative Fuel Tax			
Alternative Fuel Tax.....	\$ 563	\$ 460	\$ 470
Subtotal.....	\$ 563	\$ 460	\$ 470
Motor Carriers Road Tax — International Fuel Tax Agreement			
Motor Carriers Road/IFTA — Fuels Tax.....	\$ 27,490	\$ 25,640	\$ 26,150
Motor Carriers Road/IFTA— Registration Fees, Special Permit Fees and Fines.....	558	520	530
Subtotal.....	\$ 28,048	\$ 26,160	\$ 26,680
Oil Company Franchise Tax.....	\$ 342,352	\$ 387,690	\$ 452,840
TOTAL LIQUID FUELS TAXES.....	\$ 1,113,027	\$ 1,159,870	\$ 1,233,800
MOTOR LICENSES AND FEES			
Operators' Licenses.....	\$ 60,210	\$ 55,910	\$ 54,730
Other Fees Collected by Bureau of Motor Vehicles.....	31,163	32,550	33,200
Registration Fees Received From Other States/IRP.....	66,912	69,280	69,970
Special Hauling Permit Fees.....	17,651	18,710	19,270
Vehicle Registration and Titling.....	667,238	675,800	682,560
TOTAL MOTOR LICENSES AND FEES.....	\$ 843,174	\$ 852,250	\$ 859,730
OTHER MOTOR LICENSE FUND REVENUES			
Fines and Penalties			
Department of Revenue			
Vehicle Code Fines.....	\$ 27,342	\$ 25,940	\$ 26,060
Department of Transportation			
Vehicle Code Fines.....	5,023	4,760	4,790
Subtotal.....	\$ 32,365	\$ 30,700	\$ 30,850

Revenue Detail (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Miscellaneous Revenues			
Treasury Department			
Dividend Income Reinvested - Long Term.....	\$ 1,646	\$ 1,030	\$ 1,030
Interest on Deposits - Cash Advancement Accounts	15	10	10
Interest Income Reinvested - Long Term.....	6,188	3,870	3,870
Interest on Securities.....	28,957	18,100	18,100
Interest on Securities - Liquid Fuels Tax Fund.....	118	70	70
Premium on Securities Liquid Tax Fund.....	0	0	0
Realized Gain or Loss on Sale of Invest. - Long Term.....	31,010	19,390	19,390
Redeposit of Checks.....	47	30	30
Subtotal.....	\$ 67,981	\$ 42,500	\$ 42,500
Department of General Services			
Sale of Unserviceable Property.....	\$ 316	\$ 350	\$ 360
Subtotal.....	\$ 316	\$ 350	\$ 360
Department of Transportation			
Fees for Reclaiming Abandoned Vehicles.....	\$ 42	\$ 50	\$ 50
Highway Bridge Income.....	185	220	220
Highway Encroachment Permits.....	926	1,090	1,090
Interest Earned - Restricted Revenue.....	-1,738 ^a	-2,040 ^a	-2,040 ^a
Loan Repayments Interest.....	5,456	0	0
Miscellaneous Revenues.....	273	320	320
Recovered Damages.....	1	0	0
Refunds of Expenditures Not Credited to			
Appropriations or Allocations.....	458	540	540
Sale of Bid Proposals and Contract Specifications.....	650	760	760
Sale of Inspection Stickers.....	22,077	25,950	25,950
Sale of Maps and Plans.....	416	490	490
	\$ 28,746	\$ 27,380	\$ 27,380
TOTAL OTHER MOTOR LICENSE FUND REVENUES.....	\$ 129,408	\$ 100,930	\$ 101,090
TOTAL MOTOR LICENSE FUND REVENUES.....	\$ 2,085,608	\$ 2,113,050	\$ 2,194,620

^a Amounts transferred to restricted revenue account.

Restricted Revenues Not Included in Department Total

Aviation Revenues

Actual		Estimated	
1998-99.....	\$ 11,085	2004-05.....	\$ 11,000
1999-00.....	11,658	2005-06.....	11,050
2000-01.....	14,921	2006-07.....	11,100
2001-02.....	12,929	2007-08.....	11,150
2002-03.....	10,316	2008-09.....	11,200
2003-04.....	11,543	2009-10.....	11,250

Aviation revenue includes taxes levied on aviation gasoline and jet fuel, and income earned at State-owned airports. Effective January 2, 1998, in accordance with Act 60 of 1997, ownership of these airports was transferred to a local authority. Therefore, starting with 1997-98, aviation revenues exclude State-owned airport revenue. Aviation gasoline and jet fuel tax rates are adjusted annually based on the change in the jet fuel price index. In accordance with Act 164 of 1984, the aviation gasoline rate is not to exceed 6.0 cents per gallon nor be less than 3.0 cents per gallon. The jet fuel tax is not to exceed 2.0 cents per gallon nor be less than 1.5 cents per gallon. The tax rate as of January 1, 2003, is 4.1 cents per gallon on aviation gasoline and 1.8 cents per gallon on jet fuel. Aviation restricted revenues are not included in Motor License Fund revenue totals.

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
AVIATION REVENUES			
Aviation Liquid Fuels Tax.....	\$ 9,805	\$ 10,000	\$ 10,050
Interest.....	1,738	1,000	1,000
TOTAL AVIATION REVENUES.....	\$ 11,543	\$ 11,000	\$ 11,050

Highway Bridge Improvement Revenues

Actual		Estimated	
1998-99.....	\$ 76,777	2004-05.....	\$ 96,440
1999-00.....	85,118	2005-06.....	110,130
2000-01.....	80,613	2006-07.....	111,980
2001-02.....	83,345	2007-08.....	109,920
2002-03.....	84,989	2008-09.....	106,930
2003-04.....	85,135	2009-10.....	105,240

Highway bridge improvement revenues enacted by Act 56 of 1987, as amended by Act 3 of 1997, include the following: a 55 mill Oil Company Franchise Tax on fuel consumed in Pennsylvania by qualified vehicles; a portion of the registration fee for Pennsylvania based motor vehicles in classes 9-25; and temporary permit fees collected from out-of-state motor carriers for travel in Pennsylvania. Although repealed by Act 3 of 1997, nominal revenues are still received from the motor carrier surcharge.

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
HIGHWAY BRIDGE IMPROVEMENT REVENUES			
Registration Fee Portion-PA-Based Motor Vehicles.....	\$ 18,026	\$ 17,940	\$ 18,120
Temporary Permit Fees.....	227	230	230
Oil Company Franchise Tax.....	66,882	78,270	91,780
TOTAL HIGHWAY BRIDGE REVENUES.....	\$ 85,135	\$ 96,440	\$ 110,130

Restricted Revenues Not Included in Department Total (continued)

State Highway Transfer Revenues

Actual		Estimated	
1998-99.....	\$ 16,988	2004-05.....	\$ 20,400
1999-00.....	17,255	2005-06.....	23,830
2000-01.....	17,070	2006-07.....	24,270
2001-02.....	17,754	2007-08.....	23,690
2002-03.....	18,059	2008-09.....	22,860
2003-04.....	18,009	2009-10.....	22,370

State highway transfer restricted revenues are provided by three mills of the Oil Company Franchise Tax. Act 32 of 1983 established a local highway turnback program funded by a restricted revenue account within the Motor License Fund.

Oil Company Franchise Tax Revenues

Actual		Estimated	
1998-99.....	\$ 311,443	2004-05.....	\$ 374,090
1999-00.....	316,342	2005-06.....	436,950
2000-01.....	312,946	2006-07.....	444,910
2001-02.....	325,486	2007-08.....	434,260
2002-03.....	331,089	2008-09.....	419,170
2003-04.....	330,161	2009-10.....	410,190

Oil Company Franchise Tax Restricted Account revenues are provided by 55 mills of the Oil Company Franchise Tax as a result of Act 26 of 1991. Revenues are restricted to the following purposes: 42 percent for maintenance, 17 percent for capital projects, 13 percent for bridges, 12 percent for municipalities, 14 percent for toll roads and 2 percent for county or forestry bridges.

Supplemental Maintenance Revenues

Actual		Estimated	
1998-99.....	\$ 217,871	2004-05.....	\$ 261,860
1999-00.....	221,401	2005-06.....	305,870
2000-01.....	219,062	2006-07.....	311,440
2001-02.....	227,840	2007-08.....	303,980
2002-03.....	231,757	2008-09.....	293,420
2003-04.....	231,113	2009-10.....	287,140

Supplemental Maintenance Restricted Account revenues are provided by 38.5 mills of the Oil Company Franchise Tax as a result of Act 3 of 1997. Revenues are restricted to the following purposes: 12 percent for municipalities and 88 percent for maintenance.



BANKING DEPARTMENT FUND

The Banking Department Fund is a special revenue fund composed of monies received from fees, assessments, charges and penalties collected or recovered from persons, firms, corporations or associations under the supervision of the Department of Banking. It provides for the administration of the Department of Banking and regulation of financial institutions.

Banking Department Fund

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 22,125	\$ 26,897	\$ 28,500
Receipts:			
Revenue Estimate.....	\$ 15,772	\$ 16,005	\$ 17,634
Prior Year Lapses.....	162	117	0
Total Receipts.....	<u>\$ 15,934</u>	<u>\$ 16,122</u>	<u>\$ 17,634</u>
Funds Available	\$ 38,059	\$ 43,019	\$ 46,134
Expenditures:			
Appropriated.....	\$ 11,162	\$ 14,519	\$ 17,079
Less: Current Year Lapses.....	0	0	0
Estimated Expenditures.....	<u>-11,162</u>	<u>-14,519</u>	<u>-17,079</u>
Ending Balance	<u><u>\$ 26,897</u></u>	<u><u>\$ 28,500</u></u>	<u><u>\$ 29,055</u></u>

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Banking Department			
General Government			
General Government Operations.....	\$ 10,824	\$ 14,196	\$ 16,720
Department of General Services			
General Government			
Harristown Rental Charges.....	\$ 139	\$ 139	\$ 141
Harristown Utility and Municipal Charges.....	199	179	213
DEPARTMENT TOTAL.....	<u>\$ 338</u>	<u>\$ 318</u>	<u>\$ 354</u>
FUND TOTAL.....	<u><u>\$ 11,162</u></u>	<u><u>\$ 14,519</u></u>	<u><u>\$ 17,079</u></u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Licenses and Fees.....	\$ 14,032	\$ 14,649	\$ 16,262	\$ 16,262	\$ 16,262	\$ 16,262	\$ 16,262
Fines and Penalties.....	445	260	275	275	275	275	275
Miscellaneous.....	1,295	1,096	1,097	1,097	1,097	1,097	1,097
TOTAL BANKING DEPARTMENT FUND REVENUES.....	\$ 15,772	\$ 16,005	\$ 17,634	\$ 17,634	\$ 17,634	\$ 17,634	\$ 17,634

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99..... \$ 11,653	2004-05..... \$ 14,649
1999-00..... 11,640	2005-06..... 16,262
2000-01..... 12,544	2006-07..... 16,262
2001-02..... 11,914	2007-08..... 16,262
2002-03..... 13,684	2008-09..... 16,262
2003-04..... 14,032	2009-10..... 16,262

The Commonwealth receives revenue from examination fees based on the actual costs of examining credit unions, savings associations, trust companies, check cashers, consumer discount companies, first mortgage companies, loan correspondents, money transmitters, pawnbrokers and second mortgage companies. Assessment fees, based on total assets, also are charged against all depository institutions (banks, credit unions, savings associations and trust companies). Depository institutions also pay application fees for new charters, branches and mergers. Annual license fees are paid by check cashers, collector-repossessors, consumer discount companies, first mortgage companies, installment sellers, loan brokers, money transmitters, pawnbrokers, sales finance companies and second mortgage companies.

Fines and Penalties

Actual	Estimated
1998-99..... \$ 86	2004-05..... \$ 260
1999-00..... 65	2005-06..... 275
2000-01..... 53	2006-07..... 275

Banking Department Fund

Revenue Sources (continued)

Miscellaneous Revenue

Actual	Estimated
1998-99..... \$ 637	2004-05..... \$ 1,096
1999-00..... 862	2005-06..... 1,097
2000-01..... 1,164	2006-07..... 1,097
2001-02..... 826	2007-08..... 1,097
2002-03..... 530	2008-09..... 1,097
2003-04..... 1,295	2009-10..... 1,097

The Commonwealth receives and deposits in the Banking Department Fund revenues from the sale of copies of the banking laws and the savings association laws, interest on deposits and sale of unserviceable property.

Revenue Detail

The following is a detailed list of all revenues available for Banking Department Fund appropriations and executive authorization.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Banking — Application Fees	\$ 113	\$ 105	\$ 105
Savings Associations — Examinations	150	150	150
Savings Associations — Overhead Assessments	60	48	64
Savings Associations — Application Fees	3	0	0
Check Cashers — Examinations	18	36	37
Check Cashers — Licenses	277	250	357
Check Cashers — Registrations	25	25	25
Consumer Credit — Examinations	229	185	185
Consumer Credit — Pawnbroker Licenses	13	15	25
Consumer Credit — Installment Seller Licenses	961	960	1,088
Consumer Credit — Consumer Discount			
Company Licenses	179	185	329
Consumer Credit — Money Transmitter Licenses	73	64	116
Consumer Credit — Sales Finance Licenses	388	350	675
Consumer Credit — Collector-Repossessor Licenses	53	55	64
Credit Unions — Overhead Assessments	597	634	663
Secondary Mortgage Licenses	1,229	1,300	1,555
Examinations — Credit Union	515	500	500
Examinations — First Mortgage Bankers	99	80	75
Examinations — Pawnbrokers	4	5	5
Examinations — First Mortgage Brokers	125	100	110
Examinations — Second Mortgage	139	141	130
Examinations — Trust Companies	76	220	220
Examinations — Money Transmitters	77	100	110
Examinations — Secondary Mortgage Broker	72	70	72
Examinations — Loan Correspondents	14	7	7
Examinations — Partially Exempt Registered Entities	15	8	8
Examinations — Sales Finance	1	8	10
Examinations — Collector-Reposser	0	1	1
Examinations — Installment Seller	8	30	20
Overhead Assessments — Trust Companies	75	80	90
Total Assessment Charges — Banks	6,832	7,171	7,200
First Mortgage Company — Licenses	1,567	1,700	2,200
Mutual Holding — Application Fees	20	15	15
Investigations	0	30	30
Continuing Education Program Fees.....	15	10	10
Loan Broker Registrations.....	6	6	6
Miscellaneous	4	5	5
TOTAL	\$ 14,032	\$ 14,649	\$ 16,262

Banking Department Fund

Revenue Detail (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Fines and Penalties			
Banking Law--Fines and Penalties.....	\$ 445	\$ 260	\$ 275
Miscellaneous Revenue			
Interest on Securities.....	\$ 1,295	\$ 1,095	\$ 1,096
Miscellaneous.....	0	1	1
TOTAL.....	\$ 1,295	\$ 1,096	\$ 1,097
TOTAL REVENUES.....	\$ 15,772	\$ 16,005	\$ 17,634



BOAT FUND

The Boat Fund is a special revenue fund composed of monies from license fees, fines, penalties, Federal contributions and other sources under the Fish and Boat Law and from liquid fuels taxes transferred from the Motor License and Liquid Fuels Tax Funds. This fund provides for the administration and enforcement of programs relating to boats and boating activities.

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance.....	\$ 13,258	\$ 15,309	\$ 15,682
Receipts:			
Revenue Estimate.....	\$ 10,739	\$ 12,668	\$ 11,202
Prior Year Lapses.....	1,984	850	0
Total Receipts.....	<u>\$ 12,723</u>	<u>\$ 13,518</u>	<u>\$ 11,202</u>
Funds Available.....	<u>\$ 25,981</u>	<u>\$ 28,827</u>	<u>\$ 26,884</u>
Expenditures:			
Appropriated.....	\$ 10,672	\$ 13,145	\$ 13,498
Estimated Expenditures.....	<u>-10,672</u>	<u>-13,145</u>	<u>-13,498</u>
Ending Balance.....	<u>\$ 15,309</u>	<u>\$ 15,682</u>	<u>\$ 13,386</u>

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Fish and Boat Commission			
General Government			
General Operations.....	\$ 8,793	\$ 9,206	\$ 11,116
TOTAL STATE FUNDS.....	<u>\$ 8,793</u>	<u>\$ 9,211</u>	<u>\$ 11,121</u>
Federal Funds.....	\$ 1,857	\$ 3,909	\$ 2,352
Other Funds.....	22	25	25
FUND TOTAL.....	<u>\$ 10,672</u>	<u>\$ 13,145</u>	<u>\$ 13,498</u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Estimated	Budget	Estimated	Estimated	Estimated	Estimated
Licenses and Fees.....	\$ 5,454	\$ 5,322	\$ 5,463	\$ 5,515	\$ 5,567	\$ 5,620	\$ 5,674
Fines and Penalties.....	202	225	150	175	175	175	175
Miscellaneous.....	3,204	3,187	3,212	3,222	3,232	3,222	3,212
TOTAL BOAT FUND REVENUES.....	\$ 8,860	\$ 8,734	\$ 8,825	\$ 8,912	\$ 8,974	\$ 9,017	\$ 9,061
Augmentations.....	\$ 1,879	\$ 3,934	\$ 2,377	\$ 2,377	\$ 2,377	\$ 2,377	\$ 2,377
TOTAL BOAT FUND RECEIPTS.....	\$ 10,739	\$ 12,668	\$ 11,202	\$ 11,289	\$ 11,351	\$ 11,394	\$ 11,438

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99..... \$ 5,123	2004-05..... \$ 5,322
1999-00..... 5,100	2005-06..... 5,463
2000-01..... 5,462	2006-07..... 5,515
2001-02..... 5,130	2007-08..... 5,567
2002-03..... 5,109	2008-09..... 5,620
2003-04..... 5,454	2009-10..... 5,674

The Boat Fund receives revenue from boat registration fees, which were increased with passage of Act 159 of 2004. For motorboats up to 16 feet in length, the annual registration fee is \$26.00. For those between 16 and 20 feet, the fee is \$39.00 per year. The annual fee for motorboats over 20 feet is \$52.00. There is also a voluntary registration fee of \$9.00 per year for all boats not equipped with motors. Other fees, such as duplicate registrations (\$3.00 each) and commercial passenger boat registrations (\$25.00 each), remain unchanged.

Fines and Penalties

Actual	Estimated
1998-99..... \$ 164	2004-05..... \$ 225
1999-00..... 122	2005-06..... 150
2000-01..... 241	2006-07..... 175
2001-02..... 244	2007-08..... 175
2002-03..... 257	2008-09..... 175
2003-04..... 202	2009-10..... 175

The Boat Fund receives fines and penalties for violations of the Motor Boat Law.

Revenue Sources (continued)

Miscellaneous Revenue

	Actual		Estimated	
1998-99.....	\$ 2,699		2004-05.....	\$ 3,187
1999-00.....	2,699		2005-06.....	3,212
2000-01.....	3,081		2006-07.....	3,222
2001-02.....	3,139		2007-08.....	3,232
2002-03.....	2,847		2008-09.....	3,222
2003-04.....	3,204		2009-10.....	3,212

The Boat Fund receives a portion of the Liquid Fuels Tax transferred from the Motor License Fund and the Liquid Fuels Tax Fund for fuel used by motorboats on the waters of the Commonwealth. In addition, a small amount of revenue is collected annually from other miscellaneous sources.

Revenue Detail

The following is a detailed list of all Boat Fund revenues available for appropriations and executive authorizations.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Motor Boat Registration Fees.....	\$ 4,775	\$ 4,816	\$ 4,867
Boat Mooring Permits — Walnut Creek Access.....	43	40	40
Boating Safety Curriculum Fees.....	144	60	100
Boat Capacity Plate Fees.....	11	6	6
Boat Titling Fees.....	481	400	450
TOTAL.....	<u>\$ 5,454</u>	<u>\$ 5,322</u>	<u>\$ 5,463</u>
Fines and Penalties			
Motor Boat Fines.....	\$ 202	\$ 225	\$ 150
TOTAL.....	<u>\$ 202</u>	<u>\$ 225</u>	<u>\$ 150</u>
Miscellaneous Revenues			
Transfer from Motor License and Liquid Fuels			
Tax Funds.....	\$ 2,286	\$ 2,400	\$ 2,400
Miscellaneous.....	59	21	40
Interest on Securities.....	761	725	726
Sale of Unserviceable Property.....	50	1	1
Sales Tax Agent Fee PFC Share.....	44	30	35
North East Marina.....	4	10	10
TOTAL.....	<u>\$ 3,204</u>	<u>\$ 3,187</u>	<u>\$ 3,212</u>
Augmentations			
Sale of Automobiles.....	\$ 22	\$ 25	\$ 25
U.S. Coast Guard Grant for Boating Safety.....	793	2,400	1,400
Boating Infrastructure Grant (BIG).....	201	300	100
Land and Water Conservation Fund.....	65	0	0
Sport Fish Restoration.....	732	1,144	802
Clean Vessel Act.....	66	50	50
Wildlife Conservation & Restoration - Non-game.....	0	15	0
TOTAL.....	<u>\$ 1,879</u>	<u>\$ 3,934</u>	<u>\$ 2,377</u>
TOTAL RECEIPTS.....	<u>\$ 10,739</u>	<u>\$ 12,668</u>	<u>\$ 11,202</u>



ENVIRONMENTAL STEWARDSHIP FUND

The Environmental Stewardship Fund is a special revenue fund composed of monies transferred from the General Fund, Recycling Fund, Hazardous Sites Cleanup Fund and certain landfill fees. The fund provides for farmland preservation projects, open space protection, abandoned mine reclamation, watershed protection and restoration, water and sewer infrastructure, and the improvement and conservation of Commonwealth and community parks and recreational facilities.

Environmental Stewardship Fund

Financial Statement

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 1,529	\$ 5,512	\$ 1,114
Receipts:			
Revenue Estimate.....	\$ 94,970	\$ 91,500	\$ 112,500
Transfer from Recycling Fund.....	15,000	0	0
Prior Year Lapses.....	1,113	0	0
Total Receipts.....	<u>\$ 111,083</u>	<u>\$ 91,500</u>	<u>\$ 112,500</u>
Funds Available	<u>\$ 112,612</u>	<u>\$ 97,012</u>	<u>\$ 113,614</u>
Expenditures:			
Appropriated.....	\$ 107,100	\$ 95,898	\$ 113,614
Estimated Expenditures.....	-107,100	-95,898	-113,614
Ending Balance	<u>\$ 5,512</u>	<u>\$ 1,114</u>	<u>\$ 0</u>

Summary by Department

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Department of Agriculture			
Grants and Subsidies			
Transfer to Agricultural Conservation Easement Purchase Fund.....	\$ 15,851	\$ 16,500 ^a	\$ 16,815
Department of Conservation and Natural Resources			
General Government			
Parks & Forest Facility Rehabilitation.....	\$ 14,186	\$ 15,549	\$ 19,612
Grants and Subsidies			
Community Conservation Grants.....	\$ 11,125	\$ 6,250	\$ 7,018
Natural Diversity Conservation Grants.....	500	750	750
Subtotal.....	<u>\$ 11,625</u>	<u>\$ 7,000</u>	<u>\$ 7,768</u>
DEPARTMENT TOTAL.....	<u>\$ 25,811</u>	<u>\$ 22,549</u>	<u>\$ 27,380</u>
Department of Environmental Protection			
General Government			
Oil and Gas Well Plugging.....	\$ 2,080	\$ 2,100	\$ 2,036
Abandoned Mine Reclamation and Remediation.....	2,308	6,900	2,000
Subtotal.....	<u>\$ 4,388</u>	<u>\$ 9,000</u>	<u>\$ 4,036</u>
Grants and Subsidies			
Watershed Protection and Restoration.....	\$ 31,661	\$ 21,232	\$ 34,068
Sewage and Drinking Water Grants.....	4,006	4,465	4,388
Subtotal.....	<u>\$ 35,667</u>	<u>\$ 25,697</u>	<u>\$ 38,456</u>
DEPARTMENT TOTAL.....	<u>\$ 40,055</u>	<u>\$ 34,697</u>	<u>\$ 42,492</u>
Infrastructure Investment Authority			
Grants and Subsidies			
Stormwater, Water and Sewer Grants.....	\$ 25,383	\$ 22,152	\$ 26,927
TOTAL STATE FUNDS	<u>\$ 107,100</u>	<u>\$ 95,898</u>	<u>\$ 113,614</u>

^a Transfer of revenue to Agricultural Conservation Easement Purchase Fund.

Environmental Stewardship Fund

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Licenses and Fees.....	\$ 90,078	\$ 89,500	\$ 110,500	\$ 110,665	\$ 110,665	\$ 110,665	\$ 110,665
Miscellaneous.....	4,892	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL ENVIRONMENTAL STEWARDSHIP FUND REVENUES.....	\$ 94,970	\$ 91,500	\$ 112,500	\$ 112,665	\$ 112,665	\$ 112,665	\$ 112,665
Transfers from Other							
State Funds.....	\$ 15,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL ENVIRONMENTAL STEWARDSHIP FUND RECEIPTS.....	\$ 109,970	\$ 91,500	\$ 112,500	\$ 112,665	\$ 112,665	\$ 112,665	\$ 112,665

Revenue Sources

Licenses and Fees

Actual		Estimated	
1998-99.....	\$ 0	2004-05.....	\$ 89,500
1999-00.....	1,310	2005-06.....	110,500
2000-01.....	5,951	2006-07.....	110,665
2001-02.....	5,952	2007-08.....	110,665
2002-03.....	55,629	2008-09.....	110,665
2003-04.....	90,078	2009-10.....	110,665

The Environmental Stewardship Fund originally received revenue from a 25 cent per ton, or 25 cent per three cubic yards, fee for all solid waste received at a landfill in the Commonwealth. Act 90 of 2002 added an additional \$4 per ton disposal fee for all solid waste disposed of at any municipal waste landfill. For fiscal year 2002-03, the first \$50 million received from this fee was deposited into this special fund. In fiscal year 2003-04, all revenue from these fees was deposited in this special fund. The Growing Greener II Program proposes new revenue to support activities currently funded within the Environmental Stewardship Fund. An additional \$1 per ton fee on the disposal of municipal solid waste is proposed to ensure the continuation of current activity levels. In addition, this proposal includes reestablishing permanent funding for the Agriculture Conservation Easement Purchase Fund by providing a set percentage (14.8%) of the Environmental Stewardship Fund. Act 233 of 2002 language provided a one time \$16.5 million to this program in 2004-05. Growing Greener II also proposes a new \$4 per ton fee on the disposal of municipal and residual waste, to be deposited into

Miscellaneous Revenues

Actual		Estimated	
1998-99.....	\$ 0	2004-05.....	\$ 2,000
1999-00.....	119	2005-06.....	2,000
2000-01.....	4,042	2006-07.....	2,000
2001-02.....	3,972	2007-08.....	2,000
2002-03.....	2,302	2008-09.....	2,000
2003-04.....	4,892	2009-10.....	2,000

Miscellaneous revenues are earned interest.

Environmental Stewardship Fund

Revenue Sources (continued)

Transfers from Other State Funds

Actual		Estimated	
1998-99.....	\$ 0	2004-05.....	\$ 0
1999-00.....	83,375	2005-06.....	0
2000-01.....	130,000	2006-07.....	0
2001-02.....	80,000	2007-08.....	0
2002-03.....	30,000	2008-09.....	0
2003-04.....	15,000	2009-10.....	0

The intent of Act 68 of 1999 was that an annual appropriation would be made from the General Fund for five years, and that funds from the Hazardous Sites Cleanup Fund and Recycling Fund could be transferred annually for five years. Act 90 of 2002 replaced the General Fund appropriation with the \$4 per ton waste disposal fee.

Revenue Detail

The following is a detailed list of all Environmental Stewardship Fund revenues available for appropriations and executive authorizations.

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Landfill Fees.....	\$ 90,078	\$ 89,500	\$ 110,500
Miscellaneous Revenues			
Miscellaneous.....	\$ 4,892	\$ 2,000	\$ 2,000
Transfers from Other State Funds			
Transfer from Hazardous Sites Cleanup Fund.....	\$ 0	\$ 0	\$ 0
Transfer from Recycling Fund.....	15,000	0	0
TOTAL.....	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL RECEIPTS.....	<u>\$ 109,970</u>	<u>\$ 91,500</u>	<u>\$ 112,500</u>

Environmental Stewardship Fund

Restricted Revenues Not Included in Department Total

Environmental Revitalization Account

(Dollar Amounts in Thousands)

	Actual		Estimated	
1998-99.....	\$ 0		2004-05.....	\$ 0
1999-00.....	0		2005-06.....	70,000
2000-01.....	0		2006-07.....	112,000
2001-02.....	0		2007-08.....	112,000
2002-03.....	0		2008-09.....	112,000
2003-04.....	0		2009-10.....	112,000

Environmental Revitalization Account restricted revenue, proposed under the Growing Greener II Program, would be generated by a new \$4 per ton fee on the disposal of municipal and residual waste. These funds would pay for the debt service on the proposed Growing Greener bond issue and would support the Hazardous Sites Cleanup Fund, Recycling Fund, and other Growing Greener II activities.

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Tipping Fee (\$4/ton).....	\$ 0	\$ 0	\$ 63,000
Residual Waste Fee.....	0	0	7,000
Total Environmental Revitalization Account.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,000</u>

Uses:	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury:			
Debt Service for Growing Greener II Environmental Bond Issue.....	\$ 0	\$ 0	\$ 2,125
Department of Environmental Protection:			
Transfer to Recycling Fund.....	0	0	25,000
Transfer to Hazardous Sites Cleanup Fund.....	0	0	19,275
Green Tax Holiday - General Fund Reimbursement.....	0	0	2,600
Department of Community and Economic Development:			
Historic Preservation Grant Program.....	0	0	11,500
Center for Local Government Services.....	0	0	7,500
Department of General Services:			
Energy Costs - Increased Use of Green Energy.....	0	0	2,000
Total Environmental Revitalization Account.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,000</u>



FARM PRODUCTS SHOW FUND

The Farm Products Show Fund is a special revenue fund made up of monies received from the leasing of space to exhibitors and from rental, entry fees and other monies received or collected by the Farm Products Show Commission. It also includes a transfer from the General Fund.

The fund is used for salaries and expenses of the Farm Products Show Commission, for maintenance of the Farm Show Building and for prizes and premiums.

Farm Products Show Fund

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ -742	\$ 248	\$ 302
Receipts:			
Revenue Estimate.....	\$ 5,404	\$ 5,674	\$ 6,012
Transfer from General Fund.....	1,000	3,000	2,250
Transfer from Agriculture Farm Operations.....	1,000	0	0
Prior Year Lapses.....	1,124	0	0
Total Receipts.....	<u>\$ 8,528</u>	<u>\$ 8,674</u>	<u>\$ 8,262</u>
Funds Available	<u>\$ 7,786</u>	<u>\$ 8,922</u>	<u>\$ 8,564</u>
Expenditures:			
Appropriated.....	\$ 7,538	\$ 8,620	\$ 8,232
Estimated Expenditures.....	7,538	8,620	8,232
Ending Balance	<u>\$ 248</u>	<u>\$ 302</u>	<u>\$ 332</u>

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Department of Agriculture			
General Government			
General Operations.....	\$ 5,538	\$ 5,615	\$ 5,977
TOTAL STATE FUNDS	<u>\$ 5,538</u>	<u>\$ 5,620</u>	<u>\$ 5,982</u>
Augmentations.....	\$ 2,000	\$ 3,000	\$ 2,250
FUND TOTAL	<u>\$ 7,538</u>	<u>\$ 8,620</u>	<u>\$ 8,232</u>

Farm Products Show Fund

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Licenses and Fees.....	\$ 266	\$ 277	\$ 277	\$ 291	\$ 305	\$ 321	\$ 337
Miscellaneous.....	5,138	5,397	5,735	6,022	6,323	6,639	6,971
TOTAL FARM PRODUCTS SHOW FUND REVENUES.....	\$ 5,404	\$ 5,674	\$ 6,012	\$ 6,313	\$ 6,628	\$ 6,960	\$ 7,308
Augmentations.....	\$ 2,000	\$ 3,000	\$ 2,250	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
TOTAL FARM PRODUCTS SHOW FUND RECEIPTS.....	\$ 7,404	\$ 8,674	\$ 8,262	\$ 8,313	\$ 8,628	\$ 8,960	\$ 9,308

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99..... \$ 252	2004-05..... \$ 277
1999-00..... 251	2005-06..... 277
2000-01..... 208	2006-07..... 291
2001-02..... 197	2007-08..... 305
2002-03..... 255	2008-09..... 321
2003-04..... 266	2009-10..... 337

The Commonwealth receives all competitive exhibitor and commercial exhibitor fees and those fees from departments, boards and commissions of the State Government having exhibits at the show.

Miscellaneous Revenues

Actual	Estimated
1998-99..... \$ 3,487	2004-05..... \$ 5,397
1999-00..... 5,816	2005-06..... 5,735
2000-01..... 3,692	2006-07..... 6,022
2001-02..... 3,884	2007-08..... 6,323
2002-03..... 4,939	2008-09..... 6,639
2003-04..... 5,138	2009-10..... 6,971

Miscellaneous revenue is raised through the leasing of the State Farm Show Buildings for exhibitions, conventions or other purposes; collection of service charges, net proceeds and commissions from the sale of exhibits; sale of unserviceable property; collection of interest on securities and deposits; and fees from parking.

Farm Products Show Fund

Revenue Detail

The following is a detailed list of all Farm Products Show Fund revenues available for appropriations and executive authorizations.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Exhibit Fees — Competitive--Farm Show.....	\$ 27	\$ 27	\$ 27
Exhibit — Commercial.....	239	250	250
TOTAL.....	\$ 266	\$ 277	\$ 277
Miscellaneous Revenue			
Concession Revenue.....	\$ 912	\$ 1,051	\$ 1,114
Service Charges.....	380	435	435
Rentals.....	2,149	2,300	2,800
Miscellaneous Revenue.....	207	118	125
Interest on Securities, Deposits, Returned Checks.....	19	29	29
Parking Fees.....	1,401	1,418	1,185
Salary Reimbursement — Dairy and Livestock Association.....	62	37	37
Sign Shop Sales.....	9	9	10
TOTAL.....	\$ 5,138	\$ 5,397	\$ 5,735
Augmentations			
Transfer from General Fund.....	\$ 1,000	\$ 3,000	\$ 2,250
Transfer from Farm Operations Account.....	1,000	0	0
TOTAL.....	\$ 2,000	\$ 3,000	\$ 2,250
TOTAL RECEIPTS.....	\$ 7,404	\$ 8,674	\$ 8,262



FISH FUND

The Fish Fund is a special revenue fund composed of monies from fishing license fees, fines, penalties, Federal contributions and other miscellaneous sources. It provides for the administration and enforcement of the fish laws and the protection and propagation of aquatic life.

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 11,064	\$ 11,239	\$ 10,731
Receipts:			
Revenue Estimate.....	\$ 27,793	\$ 31,306	\$ 32,708
Prior Year Lapses.....	3,304	1,500	0
Total Receipts.....	\$ 31,097	\$ 32,806	\$ 32,708
Funds Available	\$ 42,161	\$ 44,045	\$ 43,439
Expenditures:			
Appropriated.....	\$ 30,922	\$ 33,314	\$ 32,395
Estimated Expenditures.....	-30,922	-33,314	-32,395
Ending Balance	\$ 11,239	\$ 10,731	\$ 11,044

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Fish and Boat Commission			
General Government			
General Operations.....	\$ 24,801	\$ 25,710	\$ 25,570
TOTAL STATE FUNDS	\$ 24,801	\$ 25,715	\$ 25,575
Federal Funds.....	\$ 5,681	\$ 7,246	\$ 6,272
Other Funds.....	440	353	548
FUND TOTAL	\$ 30,922	\$ 33,314	\$ 32,395

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Licenses and Fees.....	\$ 18,836	\$ 21,056	\$ 23,379	\$ 23,379	\$ 23,379	\$ 23,379	\$ 23,379
Fines and Penalties.....	361	400	300	400	425	425	425
Miscellaneous.....	2,475	2,251	2,209	2,055	2,035	2,035	2,045
TOTAL FISH FUND REVENUES.....	\$ 21,672	\$ 23,707	\$ 25,888	\$ 25,834	\$ 25,839	\$ 25,839	\$ 25,849
Augmentations.....	\$ 6,121	\$ 7,599	\$ 6,820	\$ 5,988	\$ 5,988	\$ 5,988	\$ 5,988
TOTAL FISH FUND RECEIPTS.....	\$ 27,793	\$ 31,306	\$ 32,708	\$ 31,822	\$ 31,827	\$ 31,827	\$ 31,837

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99..... \$ 19,994	2004-05..... \$ 21,056
1999-00..... 19,229	2005-06..... 23,379
2000-01..... 19,608	2006-07..... 23,379
2001-02..... 19,302	2007-08..... 23,379
2002-03..... 18,723	2008-09..... 23,379
2003-04..... 18,836	2009-10..... 23,379

The Commonwealth issues resident fishing licenses to persons between the ages of 16 and 64 if the applicant can prove residency within the Commonwealth for 60 days. Through the passage of Act 159 of 2004, the annual resident fees were increased to \$21. The Commonwealth also issues annual senior resident fishing licenses to persons 65 years of age and older for a fee of \$10. An individual eligible for a senior resident license can purchase a lifetime license for a fee of \$50. Act 159 of 2004 also increased nonresident fees to \$51 and the tourist fishing license for three-days to \$25 and seven days to \$33. Persons fishing for trout or salmon are required to buy an \$8.00 stamp in addition to their regular fishing licenses. Other sources of revenue include the annual Lake Erie fishing permit or the special combination trout/salmon/Lake Erie permit.

Fines and Penalties

Actual	Estimated
1998-99..... \$ 292	2004-05..... \$ 400
1999-00..... 224	2005-06..... 300
2000-01..... 481	2006-07..... 400
2001-02..... 446	2007-08..... 425
2002-03..... 383	2008-09..... 425
2003-04..... 361	2009-10..... 425

The Commonwealth receives monies in the form of fines and penalties for violation of the Fish Law and the Frog and Terrapin Act.

Revenue Sources (continued)

Miscellaneous Revenue

	Actual		Estimated
1998-99.....	\$ 3,368	2004-05.....	\$ 2,251
1999-00.....	3,369	2005-06.....	2,209
2000-01.....	2,774	2006-07.....	2,055
2001-02.....	2,288	2007-08.....	2,035
2002-03.....	1,665	2008-09.....	2,035
2003-04.....	2,475	2009-10.....	2,045

The Commonwealth receives contributions for restocking of streams principally from persons or businesses that pollute, dam or interfere with fish propagation and survival. Monies are received from the Fish and Boat Commission publication, *Pennsylvania Angler & Boater*, from the sale of unserviceable and confiscated property, from the collection of interest on securities, and from other miscellaneous sources.

Revenue Detail

The following is a detailed list of all Fish Fund revenues available for appropriations and executive authorizations.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Resident Fishing Licenses.....	\$ 12,795	\$ 13,930	\$ 14,960
Resident Senior Fishing Licenses.....	56	95	136
Nonresident Fishing Licenses.....	1,772	1,875	2,100
Tourist Fishing Licenses - 1 Day.....	0	35	70
Tourist Fishing Licenses - 3 Day.....	518	625	725
Tourist Fishing Licenses - 7 Day.....	97	98	98
Lake Erie Licenses.....	1	1	1
Fishing Lake Licenses.....	22	21	22
Miscellaneous Permits and Fees.....	62	35	65
Scientific Collector's Permits.....	8	8	9
Lifetime Fishing Licenses - Senior Resident.....	200	320	465
H.R. Stackhouse Facilities User Fees.....	2	3	3
Trout/Salmon Stamp.....	3,303	4,010	4,725
TOTAL.....	\$ 18,836	\$ 21,056	\$ 23,379
Fines and Penalties			
Fish Law Fines.....	\$ 361	\$ 400	\$ 300
TOTAL.....	\$ 361	\$ 400	\$ 300

Revenue Detail (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget
Miscellaneous Revenue			
Sale of Publications.....	\$ 61	\$ 30	\$ 60
Sale of Unserviceable Property.....	8	1	1
Miscellaneous Revenue.....	79	25	50
Interest on Securities and Deposits.....	871	800	700
Rental of Fish and Boat Commission Property.....	48	30	36
Income from Sand and Gravel Dredging.....	904	900	925
Sale of Pennsylvania Angler & Boater.....	173	200	190
Sales Tax & Donations Collected.....	1	0	1
Pollution and Stream Disturbance Settlements.....	213	150	150
Aquatic Resource Education Materials.....	1	0	1
Sale of Recreational Fishing Promotional Items.....	7	5	6
Royalty Payments.....	15	20	15
Refunds of Expenditures.....	6	20	6
Sale of Patches.....	33	25	33
Sale of Timber.....	55	45	35
	<u>\$ 2,475</u>	<u>\$ 2,251</u>	<u>\$ 2,209</u>
TOTAL.....	\$ 2,475	\$ 2,251	\$ 2,209
TOTAL REVENUES.....	\$ 21,672	\$ 23,707	\$ 25,888
Augmentations			
Sale of Automobiles and Other Vehicles.....	\$ 50	\$ 55	\$ 55
Reimbursement for Services - Department of Transportation.....	183	65	65
Reimbursement for Services - DEP/EPA Projects.....	54	63	63
Federal Reimbursement - Sport Fish Restoration.....	5,319	5,148	5,530
Reimbursement for Services - Mid-Atlantic			
Federal Reimbursement - Coastal Zone Management..	0	60	0
Federal Reimbursement - Wildlife Conservation.....	95	557	254
Federal Reimbursement - Surface Mine Regulation.....	52	50	50
Federal Reimbursement - NOAA.....	242	1,081	272
Purchasing Card Rebate.....	16	15	16
USFWS - Partner for Wildlife.....	0	10	10
Land and Water Conservation Fund.....	65	0	0
Transportation - Environmental Assessment.....	0	30	30
Transportation - Endangered/Threatened Species.....	0	65	65
Economic/Angler Use Study - Delaware River.....	42	0	0
State Wildlife Grant.....	3	400	410
	<u>\$ 6,121</u>	<u>\$ 7,599</u>	<u>\$ 6,820</u>
TOTAL.....	\$ 6,121	\$ 7,599	\$ 6,820
TOTAL RECEIPTS.....	\$ 27,793	\$ 31,306	\$ 32,708



GAME FUND

The Game Fund is a special revenue fund composed of monies received from hunting license fees, sale of wood products, fines and penalties, interest, rents and Federal contributions. It provides monies for the administration of the game laws and for the protection and propagation of game species.

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 20,830	\$ 14,700	\$ 11,285
Receipts:			
Revenue Estimate.....	\$ 55,975	\$ 56,948	\$ 55,333
Prior Year Lapses.....	620	0	0
Total Receipts.....	<u>\$ 56,595</u>	<u>\$ 56,948</u>	<u>\$ 55,333</u>
Funds Available	<u>\$ 77,425</u>	<u>\$ 71,648</u>	<u>\$ 66,618</u>
Expenditures:			
Appropriated.....	\$ 62,725	\$ 60,363	\$ 61,419
Estimated Expenditures.....	<u>-62,725</u>	<u>-60,363</u>	<u>-61,419</u>
Ending Balance	<u><u>\$ 14,700</u></u>	<u><u>\$ 11,285</u></u>	<u><u>\$ 5,199</u></u>

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Game Commission			
General Government			
General Operations.....	\$ 50,557	\$ 49,936	\$ 52,828
Land Acquisition and Development.....	1,000	0	0
DEPARTMENT TOTAL.....	<u>\$ 51,557</u>	<u>\$ 49,936</u>	<u>\$ 52,828</u>
TOTAL STATE FUNDS	<u><u>\$ 51,557</u></u>	<u><u>\$ 49,941</u></u>	<u><u>\$ 52,833</u></u>
Federal Funds.....	\$ 10,500	\$ 9,086	\$ 7,250
Other Funds.....	668	1,336	1,336
FUND TOTAL.....	<u><u>\$ 62,725</u></u>	<u><u>\$ 60,363</u></u>	<u><u>\$ 61,419</u></u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Licenses and Fees.....	\$ 30,457	\$ 30,427	\$ 30,648	\$ 31,290	\$ 31,290	\$ 31,290	\$ 31,290
Fines and Penalties.....	1,494	1,203	1,203	1,203	1,203	1,203	1,203
Miscellaneous.....	12,856	14,896	14,896	14,896	14,896	14,896	14,896
TOTAL GAME FUND REVENUES.....	\$ 44,807	\$ 46,526	\$ 46,747	\$ 47,389	\$ 47,389	\$ 47,389	\$ 47,389
Augmentations.....	\$ 11,168	\$ 10,422	\$ 8,586	\$ 12,386	\$ 12,386	\$ 12,386	\$ 12,386
TOTAL GAME FUND RECEIPTS.....	\$ 55,975	\$ 56,948	\$ 55,333	\$ 59,775	\$ 59,775	\$ 59,775	\$ 59,775

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99..... \$ 21,878	2004-05..... \$ 30,427
1999-00..... 28,394	2005-06..... 30,648
2000-01..... 27,060	2006-07..... 31,290
2001-02..... 29,956	2007-08..... 31,290
2002-03..... 30,288	2008-09..... 31,290
2003-04..... 30,457	2009-10..... 31,290

Through the passage of Act 166 of 1998, new fees for licenses became effective July 1999. For resident hunting and resident furtaker licenses, the fees are: ages 17 to 64, \$19.00; over age 65, \$12.00; ages 12 to 16, \$5.00. Resident senior lifetime hunting and furtaker licenses are \$50.00 each; and a resident senior lifetime combination hunting and furtaking license is \$100.00. A junior resident combination hunting and furtaker license is \$8.00. Resident bear hunting and archery licenses are \$15.00; a muzzleloading resident license, \$10.00; and a resident antlerless deer license, \$5.00. For nonresidents of the Commonwealth, hunting licenses are: over age 17, \$100.00; ages 12 to 16, \$40.00. A junior nonresident combination hunting and furtaker license is \$50.00. In addition, a license for a nonresident to hunt bear is \$35.00; a license for a nonresident to hunt antlerless deer, \$25.00; and a muzzleloading license for a nonresident, \$20.00. Nonresidents are also able to purchase an adult furtaker license for \$80.00; a junior furtaker license for \$40.00; and a seven-day license to hunt small game for \$30.00. Amounts shown from 1997-98 through 2008-09 are net of transfers of funds to restricted revenue accounts for general habitat improvement, deer food and cover, and natural propagation of game. Please see the Game Commission presentation in Section E for additional information.

Fines and Penalties

Actual	Estimated
1998-99..... \$ 1,240	2004-05..... \$ 1,203
1999-00..... 1,076	2005-06..... 1,203
2000-01..... 1,503	2006-07..... 1,203
2001-02..... 1,288	2007-08..... 1,203
2002-03..... 1,509	2008-09..... 1,203
2003-04..... 1,494	2009-10..... 1,203

The Commonwealth receives revenue in the form of fines and penalties resulting from Game Law violations.

Revenue Sources (continued)

Miscellaneous Revenue

Actual		Estimated	
1998-99.....	\$ 17,975	2004-05.....	\$ 14,896
1999-00.....	20,296	2005-06.....	14,896
2000-01.....	19,756	2006-07.....	14,896
2001-02.....	16,215	2007-08.....	14,896
2002-03.....	16,227	2008-09.....	14,896
2003-04.....	12,856	2009-10.....	14,896

The Commonwealth receives Game Fund revenue from various miscellaneous sources including the sale of wood products; interest on deposits and securities; monies from the sale of publications; funds from the sale of unserviceable property, skins and guns; monies from the rental of State property; gas and oil ground rentals and royalties; and other miscellaneous revenues.

Revenue Detail

The following is a detailed list of all Game Fund revenues available for appropriations and executive authorizations.

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	Actual	Estimate	Budget
Licenses and Fees			
Resident Hunting Licenses.....	\$ 14,280	\$ 14,100	\$ 14,100
Resident Junior Hunting Licenses.....	274	285	285
Nonresident Hunting Licenses.....	6,457	6,200	6,200
Special Game Permits.....	325	350	350
Antlerless Deer Licenses.....	4,542	4,500	4,500
Archery Licenses.....	3,998	4,300	4,300
Landowner Hunting Licenses.....	7	7	7
Resident Senior Hunting Licenses.....	471	500	500
Muzzleloading Hunting Licenses.....	1,771	1,650	1,650
Right-of-Way Licenses.....	470	500	500
Resident Bear Licenses.....	1,784	1,750	1,750
Nonresident Bear Licenses.....	146	140	140
Hunting License Issuing Agents' Application Fees.....	53	55	55
Nonresident Junior Hunting License.....	156	120	120
Nonresident 7-Day Hunting License.....	81	85	85
Senior Resident - Lifetime Hunting License.....	143	140	140
Adult Resident Furtaker License.....	408	410	410
Junior Resident Furtaker License.....	2	4	4
Senior Resident Furtaker License.....	11	10	10
Nonresident Senior Furtaker License.....	21	18	18
Senior Lifetime Furtaker License.....	0	0	0
Junior Nonresident Furtaker.....	0	1	1
Junior Combination License.....	410	385	385
Nonresident Archery License.....	392	330	330
Nonresident Muzzleloading Hunting License.....	195	175	175
Nonresident Migratory Game Bird.....	26	25	25
Nonresident Antlerless Deer License.....	839	800	800
Senior Resident - Lifetime Combination License.....	264	265	265
Nonresident Junior Combination License.....	39	45	45
Elk License & Bobcat Permit Applications.....	165	266	266
DMAP Harvest Permit.....	0	65	65
Resident Military Personnel Hunting.....	141	211	232
Migratory Game Bird License.....	234	235	435
TOTAL.....	\$ 38,105	\$ 37,927	\$ 38,148
Restricted Revenue			
Transfer to General Habitat Improvement.....	-7,648	-7,500	-7,500
TOTAL.....	\$ -7,648	\$ -7,500	\$ -7,500
Net Licenses and Fees			
TOTAL.....	\$ 30,457	\$ 30,427	\$ 30,648

Revenue Detail (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Fines and Penalties			
Game Law Fines.....	\$ 1,494	\$ 1,203	\$ 1,203
TOTAL.....	<u>\$ 1,494</u>	<u>\$ 1,203</u>	<u>\$ 1,203</u>
Miscellaneous Revenue			
Sports Promotional Publications and Materials.....	\$ 6	\$ 6	\$ 6
Sale of Coal.....	293	600	600
Sale of Stone, Sand, Gravel & Limestone.....	55	100	100
Sale of Wood Products.....	7,068	10,000	10,000
Interest on Deposits.....	1	3	3
Redeposit of Checks.....	-2	1	1
Sale of Skins and Guns.....	35	20	20
Rental of State Property.....	16	6	6
Miscellaneous Revenue.....	124	100	100
Interest on Securities.....	1,723	603	602
Gas and Oil Ground Rentals and Royalties.....	1,770	1,440	1,440
Refund of Expenditures Not Credited to Appropriations.....	35	20	20
Miscellaneous Revenue License Division.....	80	60	60
Sale of Game News.....	696	671	671
Sale of Grain and Hay.....	13	19	19
Sale of Nonusable Property.....	16	10	10
Sale of Maps.....	5	1	1
Wildlife Management Promotional Revenue.....	244	250	250
Sale of Wood Products - PR Tracts.....	315	600	600
Promotional Items.....	31	31	31
Working Together For Wildlife - Non-Game Fund.....	131	120	120
Oil and Gas Recovery Support.....	163	200	200
Waterfowl Management Stamp Sales and Royalties.....	40	35	35
Sales Tax.....	-2	0	1
TOTAL.....	<u>\$ 12,856</u>	<u>\$ 14,896</u>	<u>\$ 14,896</u>
TOTAL REVENUES.....	<u>\$ 44,807</u>	<u>\$ 46,526</u>	<u>\$ 46,747</u>
Augmentations			
Sale of Automobiles.....	\$ 171	\$ 150	\$ 150
Federal Reimbursement - Pittman Robinson Act.....	10,449	6,900	6,200
Endangered Species Program.....	4	5	5
Pennsylvania Conservation Corps.....	164	115	115
Federal Reimbursement - Surface Mine Regulation.....	47	45	45
Federal Reimbursement - WCRA.....	0	2,136	1,000
Federal Reimbursement - Conservation Corps Farm Bill.....	0	50	50
Federal Reimbursement - Conservation Service Farm Bill.....	0	450	450
Federal Reimbursement - Chronic Wasting Disease.....	0	54	54
Federal Reimbursement - Other Wildlife Grants.....	0	200	200
Private Donations.....	85	126	126
PennDot Reimbursement - Deer Roadkill.....	133	145	145
PennDot Reimbursement - Road Projects and Mitigation.....	69	0	0
Becoming an Outdoors Woman.....	20	20	20
Wildlife Conservation.....	0	1	1
Purchasing Card Rebate.....	26	25	25
	<u>\$ 11,168</u>	<u>\$ 10,422</u>	<u>\$ 8,586</u>
TOTAL RECEIPTS.....	<u>\$ 55,975</u>	<u>\$ 56,948</u>	<u>\$ 55,333</u>



KEYSTONE RECREATION, PARK AND CONSERVATION FUND

The Keystone Recreation, Park and Conservation Fund is a special revenue fund composed of monies from the sale of specific bonds and certain tax revenues. This fund provides for increased acquisitions, improvements and expansions of Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats.

Keystone Recreation, Park and Conservation Fund

Financial Statement

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 19,948	\$ 64,449	\$ 73,091
Receipts:			
Revenue Estimate.....	\$ 69,996	\$ 81,289	\$ 76,989
Prior Year Lapses.....	69,011	23,447	0
Total Receipts.....	<u>\$ 139,007</u>	<u>\$ 104,736</u>	<u>\$ 76,989</u>
Funds Available	<u>\$ 158,955</u>	<u>\$ 169,185</u>	<u>\$ 150,080</u>
Expenditures:			
Appropriated.....	\$ 94,506	\$ 96,094	\$ 80,710
Estimated Expenditures.....	-94,506	-96,094	-80,710
Ending Balance	<u>\$ 64,449</u>	<u>\$ 73,091</u>	<u>\$ 69,370</u>

Summary by Department

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Department of Conservation and Natural Resources			
General Government			
Park and Forest Facility Rehabilitation — Realty Transfer Tax.....	\$ 25,410	\$ 27,228	\$ 24,387
Grants and Subsidies			
Grants for Local Recreation — Realty Transfer Tax....	\$ 38,192	\$ 26,915	\$ 20,322
Grants to Land Trusts — Realty Transfer Tax.....	8,417	9,928	8,129
Subtotal.....	<u>\$ 46,609</u>	<u>\$ 36,843</u>	<u>\$ 28,451</u>
DEPARTMENT TOTAL.....	<u>\$ 72,019</u>	<u>\$ 64,071</u>	<u>\$ 52,838</u>
Department of Education			
Grants and Subsidies			
Local Libraries Rehabilitation and Development — Realty Transfer Tax.....	\$ 4,258	\$ 5,196	\$ 3,252
State System of Higher Education — Deferred Maintenance — Realty Transfer Tax.....	10,909	12,549	14,052
DEPARTMENT TOTAL.....	<u>\$ 15,167</u>	<u>\$ 17,745</u>	<u>\$ 17,304</u>
Historical and Museum Commission			
Grants and Subsidies			
Historic Site Development — Realty Transfer Tax.....	\$ 7,320	\$ 14,278	\$ 10,568
FUND TOTAL	<u>\$ 94,506</u>	<u>\$ 96,094</u>	<u>\$ 80,710</u>

Keystone Recreation, Park and Conservation Fund

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Realty Transfer Tax.....	\$ 68,456	\$ 77,800	\$ 73,500	\$ 76,100	\$ 83,900	\$ 90,300	\$ 95,800
Miscellaneous.....	1,540	3,489	3,489	3,489	3,489	3,489	3,489
TOTAL KEYSTONE RECREATION, PARK AND CONSERVATION FUND RECEIPTS.....	<u>\$ 69,996</u>	<u>\$ 81,289</u>	<u>\$ 76,989</u>	<u>\$ 79,589</u>	<u>\$ 87,389</u>	<u>\$ 93,789</u>	<u>\$ 99,289</u>

Revenue Sources

Realty Transfer Tax

Actual		Estimated	
1998-99.....	\$ 45,577	2004-05.....	\$ 77,800
1999-00.....	48,321	2005-06.....	73,500
2000-01.....	47,048	2006-07.....	76,100
2001-02.....	50,874	2007-08.....	83,900
2002-03.....	28,465	2008-09.....	90,300
2003-04.....	68,456	2009-10.....	95,800

Act 50 of 1993 approved the transfer of 15% of the revenues from the State Realty Transfer Tax to this fund. These monies are distributed to programs according to the formula contained in the act.

Keystone Recreation, Park and Conservation Fund

Revenue Sources (continued)

Miscellaneous Revenues

Actual		Estimated	
1998-99.....	\$ 5,391	2004-05.....	\$ 3,489
1999-00.....	6,541	2005-06.....	3,489
2000-01.....	8,074	2006-07.....	3,489
2001-02.....	4,124	2007-08.....	3,489
2002-03.....	2,349	2008-09.....	3,489
2003-04.....	1,540	2009-10.....	3,489

Miscellaneous revenues are earned interest.

Revenue Detail

The following is a detailed list of all Keystone Recreation, Park and Conservation Fund revenues available for appropriations and executive authorization.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Realty Transfer Tax.....	\$ 68,456	\$ 77,800	\$ 73,500
Miscellaneous Revenues.....	1,540	3,489	3,489
TOTAL RECEIPTS.....	\$ 69,996	\$ 81,289	\$ 76,989



LOTTERY FUND

The Lottery Fund is a special revenue fund composed of monies received from lottery ticket sales. It provides for lottery prizes and for programs to support older Pennsylvanians including property tax and rent assistance, community care programs, mass transit fare subsidies and partial rebate of prescription drug costs.

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 149,685	\$ 199,766	\$ 257,451
Reserve from Previous Year.....	100,000	100,000	100,000
 Total Beginning Balance.....	 \$ 249,685	 \$ 299,766	 \$ 357,451
Receipts:			
Revenue Estimate.....	\$ 1,170,502	\$ 1,244,636	\$ 1,318,032
Prior Year Lapses.....	18,483	6,861	0
 Total Receipts.....	 \$ 1,188,985	 \$ 1,251,497	 \$ 1,318,032
Funds Available	\$ 1,438,670	\$ 1,551,263	\$ 1,675,483
Expenditures:			
Appropriated.....	\$ 1,138,904	\$ 1,217,784	\$ 1,293,621
Less Current Year Lapses.....	-0	-23,972	0
 Estimated Expenditures.....	 -1,138,904	 -1,193,812	 -1,293,621
Reserve for Current Year.....	\$ -100,000	\$ -100,000	\$ -100,000
Ending Balance	\$ 199,766	\$ 257,451	\$ 281,862

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 17	\$ 50	\$ 50
Department of Aging			
General Government			
Auditor General's Audit Costs.....	\$ 105	\$ 50	\$ 50
Subtotal.....	<u>\$ 105</u>	<u>\$ 50</u>	<u>\$ 50</u>
Grants and Subsidies			
PENNCARE.....	\$ 206,587	\$ 211,899	\$ 217,876
Pre-Admission Assessment.....	0	0	7,253
Pharmaceutical Assistance Fund.....	370,000	370,000	400,000
Subtotal.....	<u>\$ 576,587</u>	<u>\$ 581,899</u>	<u>\$ 625,129</u>
TOTAL STATE FUNDS.....	<u>\$ 576,692</u>	<u>\$ 581,949</u>	<u>\$ 625,179</u>
Federal Funds.....	\$ 79,332	\$ 77,967	\$ 89,276
Augmentations.....	1,328	800	1,699
DEPARTMENT TOTAL.....	<u>\$ 657,352</u>	<u>\$ 660,716</u>	<u>\$ 716,154</u>
Department of Revenue			
General Government			
General Operations.....	\$ 0	\$ 0	\$ 27,211
Lottery Advertising.....	30,000	30,000	30,000
Player Activated Terminal Costs.....	207	3,000	3,000
Expanded Sales.....	8,020	14,600	14,800
On-line Vendor Commissions.....	46,970	50,911	53,658
Instant Vendor Commissions.....	20,856	21,301	24,388
Auditor General's Audit Costs.....	120	86	86
Payment of Prize Money.....	217,765	252,834	247,114
Subtotal.....	<u>\$ 323,938</u>	<u>\$ 372,732</u>	<u>\$ 400,257</u>
Grants and Subsidies			
Property Tax and Rent Assistance for Older Pennsylvanians.....	\$ 123,175	\$ 126,900	\$ 131,200
DEPARTMENT TOTAL.....	<u>\$ 447,113</u>	<u>\$ 499,632</u>	<u>\$ 531,457</u>
Department of Transportation			
Grants and Subsidies			
Older Pennsylvanians Free Transit.....	\$ 49,983	\$ 63,000	\$ 63,579
Older Pennsylvanians Shared Rides.....	65,099	73,153	73,356
DEPARTMENT TOTAL.....	<u>\$ 115,082</u>	<u>\$ 136,153</u>	<u>\$ 136,935</u>
TOTAL STATE FUNDS.....	<u>\$ 1,138,904</u>	<u>\$ 1,217,784</u>	<u>\$ 1,293,621</u>
Federal Funds.....	\$ 79,332	\$ 77,967	\$ 89,276
Other Funds.....	1,328	800	1,699
FUND TOTAL.....	<u>\$ 1,219,564</u>	<u>\$ 1,296,551</u>	<u>\$ 1,384,596</u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Collections.....	\$ 1,152,198	\$ 1,219,729	\$ 1,290,684	\$ 1,313,684	\$ 1,329,811	\$ 1,346,078	\$ 1,362,486
Miscellaneous Revenue..	18,304	24,907	27,348	28,526	26,366	18,286	4,141
TOTAL LOTTERY FUND REVENUES.....	<u>\$ 1,170,502</u>	<u>\$ 1,244,636</u>	<u>\$ 1,318,032</u>	<u>\$ 1,342,210</u>	<u>\$ 1,356,177</u>	<u>\$ 1,364,364</u>	<u>\$ 1,366,627</u>

Revenue Sources

Net Lottery Collections

Actual	Estimated
1998-99..... \$ 899,691	2004-05..... \$ 1,219,729
1999-00..... 908,760	2005-06..... 1,290,684
2000-01..... 858,531	2006-07..... 1,313,684
2001-02..... 989,631	2007-08..... 1,329,811
2002-03..... 1,057,046	2008-09..... 1,346,078
2003-04..... 1,152,198	2009-10..... 1,362,486

Net lottery collections consist of the proceeds from lottery ticket sales less commissions and some prizes. Currently prizes of \$2,500 or less for the on-line games and prizes of \$500 or less for instant games can be paid by the ticket agents. The State Lottery is currently operating seven games. The "Daily Number" game introduced in March 1977, the "Big 4" game introduced in November 1980, the "Cash 5" game introduced in April 1992, "Match 6" started in January of 2004, and "Lucky for Life" which was begun in October of 2004. These games utilize computer sales terminals located across the Commonwealth. The sixth and seventh games are Powerball and Powerplay which began in 2002 as multi-state games. Ticket prices are \$1 for "Cash 5" which consists of 1 play to pick 5 of 39 numbers, \$2 for "Match 6" which consists of 1 play to pick 6 numbers from 1 to 49 with an additional 12 quick picked numbers; and \$2 for "Lucky for Life" with 1 play to pick 6 numbers from 1 to 38 coupled with an additional computer generated instant game. "Daily Number" and "Big 4" game ticket prices range from \$.50 to \$5. The "Instant Game" ticket prices range from \$1 to \$20. Powerball is played for \$1 per play and Powerplay, which doubles winnings, can be added for \$1 per play as well.

Powerball is a lotto game which is a combined large jackpot game and a cash game. It involves drawing five out of 49 numbers and one out of 42 numbers. Players win by matching one of nine ways. The Multi State Lottery Association administers the Powerball game and is a non-profit government-benefit association entirely owned and operated by the member state lotteries. Powerball is a 50% prize payout game which means that 50 cents of every one dollar ticket is paid out in prizes. The State Lottery keeps 50% as its share and then pays the remaining 50% in two parts: out in cash prizes directly to the players in its state, and a percentage share for the jackpot prize back to the association where it is held until there is a winner.

Net lottery collections as reported above correspond to the Lottery Fund revenue remitted to the Commonwealth and reported in the Commonwealth's accounting system. Net lottery collections are derived by subtracting the commissions retained and prizes paid by local lottery agents from the total

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Ticket Sales.....	\$ 2,352,071	\$ 2,612,841	\$ 2,760,899	\$ 2,827,736	\$ 2,868,881	\$ 2,910,589	\$ 2,952,855
Commissions.....	-119,747	-133,179	-140,684	-144,147	-146,258	-148,421	-150,601
Field Paid Prizes.....	<u>-1,080,126</u>	<u>-1,259,933</u>	<u>-1,329,531</u>	<u>-1,369,905</u>	<u>-1,392,812</u>	<u>-1,416,090</u>	<u>-1,439,768</u>
NET LOTTERY COLLECTIONS.....	<u>\$ 1,152,198</u>	<u>\$ 1,219,729</u>	<u>\$ 1,290,684</u>	<u>\$ 1,313,684</u>	<u>\$ 1,329,811</u>	<u>\$ 1,346,078</u>	<u>\$ 1,362,486</u>

Revenue Sources (continued)

Miscellaneous Revenue

Actual		Estimated	
1998-99.....	\$ 26,359	2004-05.....	\$ 24,907
1999-00.....	20,533	2005-06.....	27,348
2000-01.....	22,958	2006-07.....	28,526
2001-02.....	12,866	2007-08.....	26,366
2002-03.....	10,109	2008-09.....	18,286
2003-04.....	18,304	2009-10.....	4,141

Miscellaneous revenue includes interest earned on securities, interest on deposits, premiums on sale of securities and refund of expenditures.

Revenue Detail

The following is a list of all Lottery Fund revenues.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Collections.....	\$ 1,152,198	\$ 1,219,729	\$ 1,290,684
Miscellaneous.....	18,304	24,907	27,348
TOTAL LOTTERY FUND REVENUES.....	<u>\$ 1,170,502</u>	<u>\$ 1,244,636</u>	<u>\$ 1,318,032</u>



MILK MARKETING FUND

The Milk Marketing Fund is a special revenue fund composed of monies received from license fees, fines, penalties and permits relating to the milk industry.

The purpose of this fund is to provide for the operation of the Milk Marketing Board and to serve as a depository for money due dairy farmers from underpayments by milk dealers.

Milk Marketing Fund

Financial Statement

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 1,376	\$ 1,310	\$ 1,133
Receipts:			
Revenue Estimate.....	\$ 2,322	\$ 2,622	\$ 2,622
Prior Year Lapses.....	179	0	0
Total Receipts.....	<u>\$ 2,501</u>	<u>\$ 2,622</u>	<u>\$ 2,622</u>
Funds Available	<u>\$ 3,877</u>	<u>\$ 3,932</u>	<u>\$ 3,755</u>
Expenditures:			
Appropriated.....	\$ 2,567	\$ 2,799	\$ 2,742
Less Current Year Lapses.....	0	0	0
Estimated Expenditures.....	<u>-2,567</u>	<u>-2,799</u>	<u>-2,742</u>
Ending Balance	<u><u>\$ 1,310</u></u>	<u><u>\$ 1,133</u></u>	<u><u>\$ 1,013</u></u>

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 0	\$ 5	\$ 5
Milk Marketing Board			
General Government			
General Operations.....	<u>\$ 2,567</u>	<u>\$ 2,794</u>	<u>\$ 2,737</u>
FUND TOTAL	<u><u>\$ 2,567</u></u>	<u><u>\$ 2,799</u></u>	<u><u>\$ 2,742</u></u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Estimated	Budget	Estimated	Estimated	Estimated	Estimated
Licenses and Fees.....	\$ 2,186	\$ 2,509	\$ 2,509	\$ 2,509	\$ 2,509	\$ 2,509	\$ 2,509
Fines and Penalties.....	17	20	20	20	20	20	20
Miscellaneous Revenue..	119	93	93	93	93	93	93
TOTAL MILK MARKETING FUND REVENUES.....	\$ 2,322	\$ 2,622					

Revenue Sources

Licenses and Fees

Actual	Estimated
1998-99.....	2004-05..... \$ 2,509
1999-00.....	2005-06..... 2,509
2000-01.....	2006-07..... 2,509
2001-02.....	2007-08..... 2,509
2002-03.....	2008-09..... 2,509
2003-04.....	2009-10..... 2,509

The Commonwealth receives revenues from licenses and fees collected annually by the Milk Marketing Board. A flat rate fee is based on the daily average number of pounds of milk handled by dealers and an additional fee, levied on milk for which the board fixes minimum prices, is based on the number of pounds of such milk sold by dealers. Additional license fees are for weighing and measuring permits, testers certificates of proficiency, weighers and samplers certificates of proficiency and applications for examination. Act 135 of 1988 allows the Milk Marketing Board to set fees by regulation. On May 29, 2003, the Independent Regulatory Review Commission approved the regulation increasing fees.

Fines and Penalties

Actual	Estimated
1998-99..... \$ 20	2004-05..... \$ 20
1999-00..... 6	2005-06..... 20
2000-01..... 10	2006-07..... 20
2001-02..... 26	2007-08..... 20
2002-03..... 8	2008-09..... 20
2003-04..... 17	2009-10..... 20

The Commonwealth receives revenue in the form of fines and penalties collected from milk dealers and other persons convicted of violating the Milk Marketing Law.

Milk Marketing Fund

Revenue Sources (continued)

Miscellaneous Revenue

Actual		Estimated	
1998-99.....	\$ 135	2004-05.....	\$ 93
1999-00.....	128	2005-06.....	93
2000-01.....	143	2006-07.....	93
2001-02.....	90	2007-08.....	93
2002-03.....	53	2008-09.....	93
2003-04.....	119	2009-10.....	93

Miscellaneous revenues consist primarily of interest on securities and deposits, plus legal fees for transcripts of hearings.

Revenue Detail

The following is a detailed list of all revenues available for Milk Marketing Fund appropriations and executive authorizations.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Licenses and Fees			
Milk Dealers Licenses.....	\$ 1,559	\$ 1,865	\$ 1,865
Milk Testers Certificate Fees.....	2	2	2
Milk Weighers Certificate Fees.....	36	35	35
Milk Testers and Weighers Examination Fees.....	5	4	4
Milk Haulers License Fees.....	555	575	575
Milk Sub Dealers Licenses.....	14	14	14
Service Contract Fees.....	15	14	14
TOTAL.....	\$ 2,186	\$ 2,509	\$ 2,509
Fines and Penalties			
Milk Marketing Act Fines.....	\$ 17	\$ 20	\$ 20
Miscellaneous Revenues			
Interest on Securities.....	\$ 118	\$ 91	\$ 91
General Operations.....	1	2	2
TOTAL.....	\$ 119	\$ 93	\$ 93
TOTAL REVENUES.....	\$ 2,322	\$ 2,622	\$ 2,622



RACING FUND

The Racing Fund is a special revenue fund composed of monies received from taxes and license fees collected by the State Harness Racing Commission and the State Horse Racing Commission for the regulation of horse and harness racing. Any remaining balance is transferred to the General Fund in the subsequent fiscal year.

Financial Statement

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Beginning Balance	\$ 6,436	\$ 7,037	\$ 5,407
Receipts:			
Revenue Estimate.....	\$ 15,932	\$ 15,740	\$ 17,199
Prior Year Lapses.....	1,134	0	0
Total Receipts.....	<u>\$ 17,066</u>	<u>\$ 15,740</u>	<u>\$ 17,199</u>
Funds Available	<u>\$ 23,502</u>	<u>\$ 22,777</u>	<u>\$ 22,606</u>
Expenditures:			
Appropriated.....	\$ 16,465	\$ 17,370	\$ 19,959
Estimated Expenditures.....	<u>-16,465</u>	<u>-17,370</u>	<u>-19,959</u>
Ending Balance	<u><u>\$ 7,037</u></u>	<u><u>\$ 5,407</u></u>	<u><u>\$ 2,647</u></u>

Summary by Department

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Treasury Department			
General Government			
Replacement Checks.....	\$ 1	\$ 10	\$ 10
Department of Agriculture			
General Government			
State Racing Commissions.....	\$ 7,600	\$ 7,797	\$ 10,597
Equine Toxicology and Research Laboratory.....	2,061	2,078	3,487
Payments to Pennsylvania Fairs—Administration.....	202	212	223
Subtotal	<u>\$ 9,863</u>	<u>\$ 10,087</u>	<u>\$ 14,307</u>
Grants and Subsidies			
Transfer to the General Fund.....	6,436	7,038	5,407
DEPARTMENT TOTAL	<u>\$ 16,299</u>	<u>\$ 17,125</u>	<u>\$ 19,714</u>
Department of Revenue			
General Government			
Collections—Racing.....	\$ 165	\$ 235	\$ 235
FUND TOTAL	<u><u>\$ 16,465</u></u>	<u><u>\$ 17,370</u></u>	<u><u>\$ 19,959</u></u>

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Tax Revenues.....	\$ 11,656	\$ 11,558	\$ 13,087	\$ 13,087	\$ 14,279	\$ 15,587	\$ 17,015
Licenses and Fees.....	384	399	437	450	464	478	492
Miscellaneous Revenue...	3,892	3,783	3,675	3,675	3,785	3,899	4,016
TOTAL RACING FUND REVENUES.....	\$ 15,932	\$ 15,740	\$ 17,199	\$ 17,212	\$ 18,528	\$ 19,964	\$ 21,523

Revenue Sources

Tax Revenues

Actual	Estimated
1998-99..... \$ 14,535	2004-05..... \$ 11,558
1999-00..... 15,301	2005-06..... 13,087
2000-01..... 13,125	2006-07..... 13,087
2001-02..... 12,442	2007-08..... 14,279
2002-03..... 12,252	2008-09..... 15,587
2003-04..... 11,656	2009-10..... 17,015

Act 93 of 1983 combined the Harness Racing Fund and the Horse Racing Fund into the Racing Fund. This act amended portions of the Race Horse Industry Reform Act. For licensed racing corporations annually conducting at least 100 days of racing or for two licensed corporations conducting their racing at the same facility with a minimum of 175 combined racing days, the previous sliding wagering tax rate was changed to 1.5 percent effective July 1, 1986, and thereafter. For licensed racing corporations not conducting the minimum number of racing days, the wagering rate was changed to 2.5 percent from July 1, 1984 to June 30, 1986, and 2 percent thereafter. Act 23 of 2000 changed the amount allocated from the State Racing Fund to the Pennsylvania Breeding Fund to 1 percent of the daily amount wagered for thoroughbred horse racing. Act 127 of 1988 permits off-track betting in the Commonwealth.

Licenses and Fees

Actual	Estimated
1998-99..... \$ 357	2004-05..... \$ 399
1999-00..... 360	2005-06..... 437
2000-01..... 409	2006-07..... 450
2001-02..... 401	2007-08..... 464
2002-03..... 383	2008-09..... 478
2003-04..... 384	2009-10..... 492

Licenses and fees are revenues derived from the licensing of jockeys and such other persons participating in horse racing meets as prescribed by the State Racing Commissions.

Revenue Sources (continued)

Miscellaneous Revenue

Actual		Estimated	
1998-99.....	\$ 3,649	2004-05.....	\$ 3,783
1999-00.....	3,792	2005-06.....	3,675
2000-01.....	3,759	2006-07.....	3,675
2001-02.....	3,383	2007-08.....	3,785
2002-03.....	3,758	2008-09.....	3,899
2003-04.....	3,892	2009-10.....	4,016

Penalties and interest on taxes due, interest on securities and uncashed tickets comprise miscellaneous revenue.

Revenue Detail

The following is a detailed list of all revenues available for Racing Fund appropriations and executive authorizations.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Tax Revenues			
State Admission Tax.....	\$ 78	\$ 85	\$ 70
Wagering Tax.....	10,590	10,298	11,842
Breakage Tax.....	988	1,175	1,175
TOTAL.....	\$ 11,656	\$ 11,558	\$ 13,087
Licenses and Fees			
License Fees.....	\$ 384	\$ 399	\$ 437
Miscellaneous Revenues			
Uncashed Tickets.....	\$ 3,151	\$ 2,800	\$ 3,194
Interest on Securities.....	738	478	478
Redeposit of Checks.....	3	3	3
Premium Sale of Securities.....	0	502	0
TOTAL.....	\$ 3,892	\$ 3,783	\$ 3,675
TOTAL REVENUES.....	\$ 15,932	\$ 15,740	\$ 17,199



TOBACCO SETTLEMENT FUND

The Tobacco Settlement Fund is a special revenue fund composed of monies from all tobacco settlements under the Tobacco Master Settlement Agreement. It provides for smoking prevention and smoking cessation programs and other health related programs including home and community based care, venture capital for medical equipment, support for the uninsured, and catastrophic and uncompensated care.

Updating the Health Investment Plan

Ensuring Continued and Expanded Coverage for Uninsured Adults and Older Pennsylvanians

It has been nearly half a decade since the Tobacco Settlement Fund was created. During that time, it has become apparent that there are fundamental imbalances in the resource allocation plan that was set forth in Act 77 of 2001. Act 77 of 2001 created this new account to receive the revenues from the Master Settlement Agreement (MSA) that was reached with the five major tobacco companies on December 17, 1999. Two of the primary uses of these revenues were to provide health care for uninsured adults and home and community-based care for older Pennsylvanians. While the MSA provides a perpetual reimbursement to states for the costs incurred as a result of tobacco use, the amount of those reimbursements has been decreasing at an average rate of 1.8 percent annually. Over the same time period, however, the annual cost to provide these critical programs has increased, sometimes at double-digit rates. The effect of this imbalance is that the Tobacco Settlement Fund provides fewer services to uninsured adults and older Pennsylvanians each year.

The Tobacco Settlement Fund also currently provides funding for pharmaceutical benefits for the elderly, tobacco use prevention and cessation, broad-based health research, medical care for workers with disabilities and hospital uncompensated care.

The fund also maintains an endowment component to preserve a portion of the receipts to ensure funds for future generations, sustain critical programs if tobacco allocations decrease and provide ongoing revenue if tobacco allocations cease. The initial payment from the MSA of \$142 million was deposited into the endowment account. In addition, strategic contribution payments, earnings from investments, and eight percent of the annual payment from the MSA are currently deposited into the endowment account.

In order for the Tobacco Settlement Fund to fulfill its two primary objectives of providing direct services to uninsured adults and older Pennsylvanians, the current allocation percentages which are mandated at fixed amounts in Act 77 must be rebalanced. This proposal revises the percentage allocations to significantly increase the number of uninsured adults and older Pennsylvanians served in 2005-06. It also anticipates annual adjustments in the percentage allocations to maintain these elevated caseload levels and to meet projected annual increases in the cost per person served. In addition, this budget proposes to begin using the Tobacco Fund interest earnings to increase the revenue available for distribution through the percentage allocations.

This budget recommends the following percentage allocations for 2005-06:

<p>ⓧ Health Care Insurance for the Uninsured: 37% Subsidize health care insurance coverage for uninsured adults with incomes under 200 percent of the Federal poverty level and for workers with disabilities with incomes under 250 percent of the Federal poverty level.</p> <p>ⓧ Home and Community Based Care: 14% Expand home and community-based services for older Pennsylvanians.</p> <p>ⓧ Health Research: 13% Fund health-related research proposals from Pennsylvania-based researchers. The proposals must have been peer reviewed and approved using nationally accepted standards and review boards.</p> <p>ⓧ Tobacco Prevention and Cessation: 10% Fund community-based prevention and cessation programs that are based on best practices for effective intervention from the national Centers for Disease Control.</p>	<p>ⓧ Hospital Uncompensated Care: 10% Support financially distressed hospitals in the provision of uncompensated care and care to Medical Assistance recipients.</p> <p>ⓧ Pharmaceutical Benefits for the Elderly: 8% Support the expansion of the pharmaceutical benefits for the elderly program implemented in 2001.</p> <p>ⓧ Endowment Account: 8% Continue annual contributions to a separate account that can be used to maintain Pennsylvania's commitment to health care spending in the event that the annual allocations cease or decrease to a level that the Governor and General Assembly agree must be augmented.</p> <p style="text-align: right;">TOTAL 100%</p>
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Financial Statement

(Dollar Amounts in Thousands)

	<u>2003-04</u> Actual	<u>2004-05</u> Available	<u>2005-06</u> Estimated
Beginning Balance	\$ 383,715 *	\$ 385,514	\$ 358,970
Receipts:			
Revenue Estimate.....	\$ 370,857 *	\$ 358,970	\$ 351,180
Prior Year Lapses.....	61,085	0	0
Total Receipts.....	<u>431,942</u>	<u>358,970</u>	<u>351,180</u>
Funds Available	\$ 815,657	\$ 744,484	\$ 710,150
Expenditures:			
Appropriated.....	\$ 430,143	\$ 385,514	\$ 399,321
Estimated Expenditures.....	430,143	385,514	399,321
Ending Balance	<u>\$ 385,514</u>	<u>\$ 358,970</u>	<u>\$ 310,829</u>

* Excludes interest earned on receipts transferred to the Health Endowment Account for Long-Term Hope as restricted receipts.

Tobacco Settlement Fund

Summary by Department

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Executive Offices			
General Government			
Transfer of Lapse Amounts to the Endowment Account.....	0	1,500	0
Transfer to Health Endowment Account.....	34,531 ^a	30,721 ^a	31,946 ^a
DEPARTMENT TOTAL.....	\$ 34,531	\$ 32,221	\$ 31,946
Department of Aging			
Grants and Subsidies			
Home and Community-Based Services.....	\$ 18,198	\$ 23,850	\$ 20,536
PACEnet Transfer.....	34,531	30,721	31,946
TOTAL STATE FUNDS.....	\$ 52,729	\$ 54,571	\$ 52,482
Federal Funds.....	\$ 21,062	\$ 25,442	\$ 26,264
Augmentations.....	\$ 6,769	\$ 6,769	\$ 6,769
DEPARTMENT TOTAL.....	\$ 80,560	\$ 86,782	\$ 85,515
Department of Community and Economic Development			
Grants and Subsidies			
Tobacco Settlement Investment Board.....	\$ 0 ^b	\$ 0 ^c	\$ 0 ^d
Department of Health			
Grants and Subsidies			
Health Research - Health Priorities.....	\$ 77,697	\$ 69,123	\$ 0
Health Research - National Cancer Institute.....	4,316	3,840	0
Health Research.....	0	0	51,911
Tobacco Use Prevention and Cessation.....	50,297	46,082	39,931
DEPARTMENT TOTAL.....	\$ 132,310	\$ 119,045	\$ 91,842
Department of Insurance			
Grants and Subsidies			
Adult Health Insurance.....	\$ 112,139	\$ 103,080	\$ 127,783

Summary by Department (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Department of Public Welfare			
Grants and Subsidies			
Medical Care for Workers with Disabilities.....	\$ 17,354	\$ 12,124	\$ 19,966
Uncompensated Care.....	43,165	38,401	39,932
Home and Community-Based Services.....	37,915	26,072	35,370
Subtotal.....	\$ 98,434	\$ 76,597	\$ 95,268
TOTAL STATE FUNDS.....	\$ 98,434	\$ 76,597	\$ 95,268
Federal Funds.....	\$ 106,735	\$ 94,698	\$ 116,488
DEPARTMENT TOTAL.....	\$ 205,169	\$ 171,295	\$ 211,756
TOTAL STATE FUNDS.....	\$ 430,143	\$ 385,514	\$ 399,321
Federal Funds.....	\$ 127,797	\$ 120,140	\$ 142,752
Augmentations.....	6,769	6,769	6,769
FUND TOTAL.....	\$ 564,709	\$ 512,423	\$ 548,842

^a Funds are actually deposited to the Endowment Account for Long-Term Hope immediately upon receipt of settlement payments.

^b Excludes \$276,000 appropriated to the Tobacco Settlement Investment Board in the Executive Offices (actually funded by the Health Endowment Account for Long-Term Hope).

^c Excludes \$276,000 appropriated to the Tobacco Settlement Investment Board (actually funded by the Health Endowment Account for Long-Term Hope).

^d Excludes \$376,000 appropriated to the Tobacco Settlement Investment Board (actually funded by the Health Endowment Account for Long-Term Hope).

REVENUE SUMMARY

(Dollar Amounts in Thousands)

Five Year Revenue Projections

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Tobacco Settlement Revenue.....	\$ 370,857	\$ 399,321	\$ 395,154	\$ 396,309	\$ 405,694	\$ 410,314	\$ 416,646

Revenue Sources

Tobacco Settlement Revenue

Actual	Estimated
1998-99..... \$ 0	2004-05..... \$ 358,970
1999-00..... 464,554	2005-06..... 351,180
2000-01..... 345,013	2006-07..... 346,953
2001-02..... 433,529	2007-08..... 349,238
2002-03..... 416,918	2008-09..... 345,084
2003-04..... 370,857	2009-10..... 341,010

Tobacco Settlement revenue includes payments from all tobacco settlements under the Master Tobacco Settlement Agreement not set aside in the restricted revenue Health Endowment Account for Long-Term Hope. Pending creation of the fund, 1999-00 and 2000-01 year receipts were held in a restricted receipt account.

Miscellaneous Revenue

Actual	Estimated
1998-99..... \$ 0	2004-05..... \$ 40,351
1999-00..... 0	2005-06..... 43,974
2000-01..... 0	2006-07..... 49,356
2001-02..... 0	2007-08..... 56,456
2002-03..... 16,122	2008-09..... 65,230
2003-04..... 0	2009-10..... 75,636

Miscellaneous Revenue includes investment earnings which would have otherwise been deposited to the Health Endowment Account for Long-Term Hope, but were specified for retention within the fund itself by Act 91 of 2002. This budget proposes a similar retention of those earnings for distribution.

Revenue Detail

The following is a detailed list of all Tobacco Settlement Fund revenues.

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Gross Settlements.....	\$ 370,857	\$ 358,970	\$ 351,180

Restricted Revenues Not Included in Department Total

Health Endowment Account for Long-Term Hope Revenue

(Dollar Amounts in Thousands)

	Actual		Estimated
1998-99.....	\$ 0		2004-05..... \$ 33,446
1999-00.....	172,926		2005-06..... 31,612
2000-01.....	67,091		2006-07..... 31,705
2001-02.....	54,089		2007-08..... 54,754
2002-03.....	35,971		2008-09..... 54,798
2003-04.....	80,061		2009-10..... 54,984

Health Endowment Account for Long-Term Hope restricted revenue includes all interest earned in the Tobacco Settlement Fund, the initial payment of Tobacco Settlement funds, strategic contribution payments (beginning in 2007-08), eight percent of each Annual Payment and lapses from the appropriations in the fund except for moneys provided for the Home and Community-Based Care Program and the Health Investment Insurance Program which are reallocated to their respective programs. 1999-00 represents \$142,262,000 Initial Payment; \$4,881,000 interest; and \$25,783,000 in transfer all of which were actually distributed in 2001-02 with the formal establishment of the Fund. The total of the Tobacco Endowment Account includes \$27,601,000 in transfer and \$39,490,000 actually distributed in 2001-02 with the formal establishment of the Fund. Interest amounts are noted as transferred to the Endowment Account on or prior to June 30 of each State Fiscal Year. For 2001-02 the amount includes \$34,682,000 in transfer and \$19,407,000 interest. The 2002-03 figure includes \$33,353,000 and \$2,618,000 interest. For 2003-04 the amount includes \$29,669,000 in transfer and \$49,214,000 interest. The 2003-04 and forward years also include distributions as specified by Act 91 of 2002 which suspended the direct transfer of lapsing funds and investment earnings to the Health Endowment Account for Long-Term Hope during 2002-03 and directed those moneys to the Tobacco Settlement Fund for Long-Term Care expenses and enabling legislation prescribed distribution.

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
8% of Annual Tobacco Settlement Payments.....	\$ 30,847	\$ 31,946	\$ 31,612
Strategic Contribution Payments	0	0	0
Interest	49,214	0	0
Lapses.....	0	1,500	0
Total Health Endowment Account for Long-Term Hope.....	<u>\$ 80,061</u>	<u>\$ 33,446</u>	<u>\$ 31,612</u>

Tobacco Settlement Investment Board Account

(Dollar Amounts in Thousands)

	Actual		Estimated
1998-99.....	\$ 0		2004-05..... \$ 276
1999-00.....	0		2005-06..... 376
2000-01.....	0		2006-07..... 376
2001-02.....	93		2007-08..... 376
2002-03.....	326		2008-09..... 376
2003-04.....	276		2009-10..... 376

The Tobacco Settlement Investment Board restricted revenue represents the approved expenses of the overseeing investment board to be paid from the investment earnings in the Health Endowment Account for Long-Term Hope. An initial budget is submitted for appropriation of these funds and actual expenses are paid as approved.

	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Revenue.....	\$ 276	\$ 276	\$ 376
Distribution.....	-276	-276	-376
Total Tobacco Settlement Investment Board Account	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



TAX EXPENDITURES

Tax credits, deductions, exemptions and exclusions are provided in law which result in a significant reduction in revenues that would otherwise be received at current tax rates. These reductions are tax expenditures.

TAX EXPENDITURE ANALYSIS

The traditional budget process involves estimating Commonwealth revenues and appropriating these moneys for numerous programs. The process is subject to intense scrutiny by interests inside and outside Government. Constrained by available revenues, programs are initiated, expanded, limited, or deleted based on merit. To augment the traditional budget process, this budget includes an analysis of indirect expenditures that occur through special treatment within the tax structure. Various tax credits, deductions, exemptions, and exclusions are provided which result in reductions in revenue that would otherwise be received by the Commonwealth at current tax rates. Cumulatively, they are referred to in this budget as “tax expenditures.”

The Commonwealth’s tax structure contains many tax expenditures. Examples include items as diverse as the sales and use tax exemption for firewood to the S corporation exemption in the corporate net income tax. In general, they are characterized by the fact that they confer special treatment to specific taxpayers, specific activities, or specific goods or services. The tax expenditures listed in this budget are the accumulation of many prior legislative sessions, and the original intent of certain tax expenditures may no longer be valid or consistent with current policies. A comprehensive tax expenditure analysis permits an on-going evaluation of each tax expenditure.

Act 180 of 1992 revised the requirements for the Governor’s Executive Budget tax expenditure analysis. This act stipulated that the tax expenditure data be revised and updated every two years. Therefore, consistent with this provision, tax expenditures presented in this and subsequent budget documents will be updated and revised biennially. Exceptions include tax expenditures initiated, deleted, or amended by statute, expenditures where improved data allow significant revisions or items of significant policy interest

The 2005-06 Governor’s Executive Budget presents this tax expenditure analysis covering Commonwealth taxes with annual receipts of at least \$15 million. A complete list of covered taxes is shown in the Table of Contents. The intended purposes of the current analyses are to:

- (1) Identify indirect sources of budgetary support for various activities,
- (2) Present estimated costs associated with each tax expenditure,
- (3) Present actual or estimated costs of administering each tax expenditure,
- (4) Present actual or estimated numbers and descriptions of benefiting taxpayers, and
- (5) Allow for administration, legislative and public scrutiny and facilitate discussion on each tax expenditure’s merits.

For the purposes of this document, “tax expenditure” is defined as a reduction in revenue that would otherwise be collected by the Commonwealth as the result of an exemption, reduction, deduction, limitation, exclusion, tax deferral, discount, refund, commission, credit, special rate, or special treatment. This definition provides a general framework within which to determine whether to classify certain items as tax expenditures. To facilitate this classification process, six specific criteria have been adopted to augment the general definition of tax expenditure:

- (1) Reduces State revenues,
- (2) Confers special treatment,
- (3) Is included in the defined tax base,
- (4) Is not subjected to equivalent alternative taxation,
- (5) Can be altered by a change in State law, and
- (6) Is not an appropriation.

Tax Expenditure Analysis (continued)

The following examples of several items not considered to be tax expenditures clarify the use of these criteria:

Purchases made by Commonwealth agencies are not subject to sales and use tax. Were these transactions not exempted, tax revenues would increase but increased Commonwealth expenses would offset revenues. Therefore, no net budgetary change occurs. This item is not a tax expenditure.

The exclusion of a sale for resale from sales and use tax is not considered a tax expenditure because the tax is imposed on each separate sale at retail of tangible personal property or services.

Financial institutions and insurance companies are exempted from corporate net income tax (CNIT) and capital stock / foreign franchise tax (CS/FT). However, these corporations are subject to alternative taxes: the bank and trust company shares tax, mutual thrift institutions tax, or insurance premiums tax. The exemption of these corporations from the CNIT and CS/FT is not in itself a tax expenditure; however, to the extent that those taxes may not impose proportionate tax burdens on the exempted companies, the overall tax structure may involve some indirect tax expenditure.

The pro rata exclusion of U.S. securities from the bank and trust company shares tax was a State legislative response to a Federal prohibition against direct taxation of these obligations or income derived from them. As this cannot be altered by changing State law, this exclusion is not a tax expenditure.

There are three primary limitations on the tax expenditure estimates. First, estimated revenue foregone due to a tax expenditure should not be construed as the revenue that could be gained if the tax expenditure provision were to be rescinded. No attempt has been made to account for changes in taxpayer behavior that may occur because of tax law changes. For example, if the sales and use tax exemptions were rescinded for equipment and utilities directly used in manufacturing, it is possible that capital investment in manufacturing would be reduced and that these sales and use tax receipts would be less than the tax expenditure estimate.

A second limitation is that individual estimates are not additive. It is not always possible to estimate each tax expenditure with regard to interactions with other provisions of that tax or other taxes. For example, certain exempt items qualify under multiple tax expenditures. If gasoline were to be included in the sales and use tax base, agricultural, political subdivision, and manufacturing/processing use would continue to be exempt under other provisions. Therefore, no bottom line can be presented similar to that shown for total revenues or expenditures in the current Governor's Executive Budget.

Third, these estimates are, in many cases, necessarily derived from data completely independent of taxpayer returns. Minor differences in data collection techniques among the various data sources used could introduce a small element of error into the estimates. Thus, these estimates are intended to represent the magnitude of each tax expenditure, not to provide pinpoint accuracy.

All estimates appear in millions of dollars. The word "nominal" is used when the estimated impact is less than \$100,000. Estimates of revenue loss or beneficiary count and description that are not available are represented by "NA." Costs incurred to administer tax expenditures are estimated by major tax category or, if available, by specific tax expenditure. Identified costs for a major tax category are provided at the beginning of the tax expenditure group. No administrative costs are reported for tax expenditures that provide incentives to implement or continue programs that replace or supplement efforts that would otherwise be the responsibility of state government.

This analysis is a general guide to tax expenditures in Pennsylvania. It is not intended to be a tax manual, and statements within it should not be construed as interpretations of the law or regulations.

CREDIT PROGRAMS

NEIGHBORHOOD ASSISTANCE PROGRAMS

Authorization: Article XIX-A of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: A tax credit is available to banks, thrift institutions, title insurance and trust companies, and insurance companies (other than foreign fire/casualty insurance companies), as well as corporations doing business in Pennsylvania and subject to the corporate net income tax and the capital stock/foreign franchise tax that engage in certain assistance programs in impoverished areas or contribute to neighborhood organizations which provide such activities. The credit is allowed for neighborhood assistance, job training, or education for individuals, community services, economic development, or crime prevention in an impoverished area. The program must be approved by the Secretary of Community and Economic Development. The credit available to a taxpayer equals up to 50 percent of the contribution to approved programs during the tax year, but may not exceed \$250,000. An expanded credit of 70 percent (maximum of \$350,000 per taxpayer) may be available for investments in certain priority programs defined by the Secretary of Community and Economic Development. The total amount of credits awarded to all taxpayers cannot exceed \$18 million in a fiscal year.

Purpose: This program encourages taxpayers to contribute to neighborhood organizations and engage in activities that promote community economic development in impoverished areas.

Administrative Costs: Costs to administer the Neighborhood Assistance Program credits are borne by the Department of Community and Economic Development and the Department of Revenue. Estimated costs for both departments total \$0.3 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Corporate Net Income Tax						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.6	\$ 3.9	\$ 5.1	\$ 6.3	\$ 7.5	\$ 8.7	\$ 9.9
	Capital Stock/Foreign Franchise Tax						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 8.6	\$ 8.3	\$ 7.1	\$ 5.9	\$ 4.7	\$ 3.5	\$ 2.3
	Selective Business Taxes						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8

Beneficiaries: Approximately 900 companies doing business in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

EMPLOYMENT INCENTIVE PAYMENTS

Authorization: Article XVII-A of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: Any bank, thrift institution, title insurance and trust company, or insurance company, as well as any corporation or person subject to the corporate net income tax or the personal income tax, employing persons formerly receiving welfare benefits may claim an employment incentive payment as credit against any tax liability in selected taxes. The credit is for a portion of wages paid to a qualifying employee in the first three years of employment. Employment incentive payment credits are available for employees hired up to December 31, 2009. Additional credit is available for financing associated day care costs. Total employment incentive payment credits authorized cannot exceed \$25 million in any fiscal year.

Purpose: This program provides tax relief to taxpayers that hire persons previously receiving aid to families with dependent children or classified as chronically or transitionally needy at the time of employment and reduces state aid payments to those individuals.

Administrative Costs: Costs to administer the Employment Incentive Payments credit program are borne by the Department of Public Welfare, Department of Labor and Industry and the Department of Revenue. Estimated costs for all departments total \$0.2 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Corporate Taxes						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 18.0	\$ 18.0	\$ 18.0	\$ 18.0	\$ 18.0	\$ 18.0	\$ 18.0
	Personal Income Tax						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0

Beneficiaries: Employers of approximately 6,000 qualifying employees in Pennsylvania are expected to benefit from this tax expenditure.

HOMEOWNERS' EMERGENCY MORTGAGE ASSISTANCE FUND

Authorization: Article IV-C of the Housing Finance Agency Law (P.L. 1688, No. 621), as amended.

Description: A tax credit is available to any bank, thrift institution, title insurance and trust company, and insurance company (other than a foreign fire/casualty insurance company), as well as any corporation doing business in Pennsylvania and subject to the corporate net income tax, for amounts contributed to the Homeowner's Emergency Mortgage Assistance Fund.

Purpose: This credit encourages businesses to contribute to a fund established to prevent mortgage foreclosure and distress sale of a home resulting from circumstances beyond a homeowner's control.

Administrative Costs: Nominal

Estimates: There has been no application of credits during FY 1985-86 through FY 2003-04. Limited participation in this program is expected in the future.

Beneficiaries: NA

General Fund Tax Expenditures

JOB CREATION TAX CREDIT

Authorization: Article XVIII-B of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: A tax credit is available to businesses and individuals creating and sustaining jobs. The tax credit equals \$1,000 per job for each year in the approved term and may be applied to the corporate net income tax, capital stock/foreign franchise tax, insurance premiums tax, gross receipts tax, bank and trust company shares tax, mutual thrift institution tax, title insurance company shares tax, personal income tax, or any combination thereof. The total amount of funds for tax credits available in a year is \$22.5 million.

Purpose: This tax credit encourages job creation and preservation in the Commonwealth.

Administrative Costs: Costs to administer the Job Creation Tax credits are borne by the Department of Community and Economic Development and the Department of Revenue. Estimated costs for both departments total \$0.2 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 22.5	\$ 22.5	\$ 22.5	\$ 22.5	\$ 22.5	\$ 22.5	\$ 22.5

Beneficiaries: Approximately 110 companies doing business in Pennsylvania benefit from this tax expenditure.

RESEARCH AND DEVELOPMENT TAX CREDIT

Authorization: Article XVII-B of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: A research and development tax credit is available for performing qualified research in Pennsylvania. The credit equals 10 percent of the increase in qualified research expenses for the current taxable year over a base period. For tax credits issued starting in December 2004, total credits in any one fiscal year are capped at \$30 million with \$6 million of the total earmarked exclusively for small business. For tax credits issued through December 2003, total credits in any one fiscal year were capped at \$15 million with \$3 million of the total earmarked exclusively for small business. The credit may be applied against the corporate net income tax, capital stock/foreign franchise tax, personal income tax, or any combination thereof, but may not exceed 50 percent of such qualified tax liability for tax years prior to 2005. For tax years 2005 and forward, the 50 percent limit does not apply. Unused credits may be carried forward fifteen taxable years. Starting in December 2004, unused credits may also be sold or assigned to other taxpayers. Credits are available for tax years ending on or before December 31, 2006.

Purpose: This tax credit is intended to encourage businesses in the Commonwealth to conduct research, especially research of a technological or scientific nature.

Administrative Costs: Costs to administer the Research and Development Tax credits are borne by the Department of Revenue and the Department of Community and Economic Development. Estimated costs for both departments total \$0.2 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 15.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ --	\$ --

Beneficiaries: Approximately 300 companies performing qualified research and development in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

KEYSTONE OPPORTUNITY ZONE

Authorization: Act of October 6, 1998 (P.L. 702, No. 92), as amended.

Description: The Department of Community and Economic Development has designated specific areas of deteriorated property as keystone opportunity zones, keystone opportunity expansion zones, and keystone opportunity improvement zones. The program was last amended by Act 51 of 2003. This Act added a lease-based option allowing companies relocating within Pennsylvania to qualify for zone benefits.

Economic activity occurring in these zones is exempt from most local taxation for a period of up to fifteen years beginning with the creation of the particular zone. In addition to benefiting from a limited state sales and use tax exemption, zone residents and qualified businesses are exempt from the following state taxes: personal income, corporate net income, capital stock/foreign franchise, bank shares, and mutual thrift institutions taxes. In addition, qualified businesses may receive credits against insurance premiums tax for jobs created in a zone. The tax expenditure is the value of all the credits and the state taxes waived within the zone.

Purpose: This program provides tax relief to economically distressed urban and rural communities in an attempt to revive these areas.

Administrative Costs: Costs to administer the Keystone Opportunity Zone program are borne by the Department of Revenue and the Department of Community and Economic Development. Estimated costs for both departments total \$0.5 million annually.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 13.2	\$ 17.5	\$ 17.7	\$ 18.8	\$ 18.9	\$ 20.0	\$ 21.1

Beneficiaries: Qualified businesses and residents of the designated zones within this Commonwealth benefit from this tax expenditure.

COAL WASTE REMOVAL AND ULTRACLEAN FUELS TAX CREDIT

Authorization: Article XVIII-A of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: A tax credit is available for qualifying capital expenditures on facilities producing fuels from coal, culm, or silt. The credit can be used against sales and use tax, corporate net income tax, and capital stock/foreign franchise tax. Unused credits may be sold or assigned to other taxpayers. The total cost of the credit is capped at \$18 million per year.

Purpose: This tax credit provides an incentive for taxpayers to develop facilities dedicated to the production of synthetic fuels within this Commonwealth while removing coal waste from the environment.

Administrative Costs: Costs to administer the Coal Waste Removal and Ultraclean Fuels Tax credit are borne by the Department of Revenue and are considered to be nominal.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: A small number of corporate taxpayers are expected to benefit from this credit program.

General Fund Tax Expenditures

EDUCATIONAL IMPROVEMENT TAX CREDIT

Authorization: Article XX-B of the Public School Code of 1949 (P.L. 30, No. 14), as amended.

Description: A tax credit is available to banks, thrift institutions, title insurance and trust companies, and insurance companies, as well as corporations doing business in Pennsylvania and subject to the corporate net income tax and the capital stock/foreign franchise tax that contribute to nonprofit scholarship organizations or educational improvement organizations approved by the Department of Community and Economic Development (DCED). A tax credit shall be granted to a business firm providing proof of a contribution to a scholarship organization or an educational improvement organization equal to 75 percent of the total amount contributed during the taxable year. The tax credit must be applied in the taxable year the contribution is made. Any unused portion of the tax credit may not be carried forward or back, nor is it refundable or transferable. A tax credit shall be granted equal to 90 percent of the total amount contributed, if the business provides a written commitment to DCED to contribute the same amount for two consecutive tax years. A tax credit shall not exceed the tax liability of a business for any given taxable year, nor shall the credit exceed \$100,000 per business per taxable year. Beginning in fiscal year 2003-04, the total amount of tax credits approved for all taxpayers cannot exceed \$40 million in a fiscal year, with \$26.7 million for contributions to scholarship organizations, and \$13.3 million for contributions to educational improvement organizations. Beginning in fiscal year 2004-05, \$5.0 million per fiscal year is available for contributions to pre-kindergarten scholarship organizations. Through fiscal year 2002-03, the total amount of tax credits approved for all taxpayers was limited to \$30 million in a fiscal year, with no less than \$20 million for contributions to scholarship organizations, and no less than \$10 million for contributions to educational improvement organizations.

Purpose: This program encourages taxpayers to contribute to scholarship organizations or educational improvement organizations in order to promote expanded educational opportunities for students in the Commonwealth.

Administrative Costs: Costs to administer Educational Improvement Tax credits are primarily borne by the Department of Community and Economic Development along with the Department of Revenue and the Department of Education. Estimated costs for all departments total \$0.2 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 40.0	\$ 45.0	\$ 45.0	\$ 45.0	\$ 45.0	\$ 45.0	\$ 45.0

Beneficiaries Approximately 1,050 companies and 330 scholarship organizations and educational improvement organizations benefit from this tax expenditure.

General Fund Tax Expenditures

KEYSTONE INNOVATION ZONE

Authorization: Act of February 12, 2004 (P.L. 99, No. 12).

Description: Act 12 of 2004 created the Keystone Innovation Zone (KIZ) program to foster growth in targeted industry segments, namely research and development and other high technology businesses. The zones are defined parcels and are operated by a partnership of business groups and institutions of higher education.

Qualified businesses operating in a zone are entitled to priority consideration for assistance under a number of state programs, as well as a tax credit. A KIZ company may apply to the Department of Community and Economic Development for a tax credit equal to 50 percent of the increase in its gross revenues from the previous year attributable to its activities in a zone. A KIZ company may not claim in excess of \$100,000 in tax credit per year. No more than \$25 million in tax credits may be awarded in any taxable year.

KIZ companies may apply KIZ tax credits against personal income tax, corporate net income tax, or capital stock/foreign franchise tax liabilities.

KIZ companies may apply for KIZ tax credits beginning September 15, 2006 based on expenses from the prior taxable year. The Department of Community and Economic Development will first award credits no later than December 15, 2006.

Purpose: This tax credit provides a financial incentive to foster growth of research and development and other high technology businesses in affiliation with institutions of higher education.

Administrative Costs: The Department of Community and Economic Development will incur the administrative costs of operating the KIZ program, including the review and award of KIZ tax credits. The Department of Revenue will be responsible for applying credits to taxpayer accounts. Estimated costs for both departments total \$0.2 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ --	\$ --	\$ --	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0

Beneficiaries: Approximately 250 companies are expected to receive KIZ tax credits beginning in 2006.

General Fund Tax Expenditures

FILM PRODUCTION TAX CREDIT

Authorization: Article XVII-C of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Description: A tax credit in the amount of 20 percent of qualified film production expenses is available for expenses incurred in Pennsylvania after June 30, 2004. The tax credit may be used to offset capital stock/foreign franchise tax, corporate net income tax, or personal income tax. To qualify, the expenses must be incurred in the production of a film or television show of at least 15 minutes in length that is intended for a national audience. At least 60 percent of total production expenses must be incurred in Pennsylvania.

The Department of Revenue may award up to \$10 million in credit in a given fiscal year. Taxpayers may carry forward unused credits for three years after the year of issue unused credits may be sold or assigned to other taxpayers. No expenses incurred after December 31, 2012 will qualify for this credit.

Purpose: This tax credit provides an incentive for filmmakers to produce films and television shows in Pennsylvania.

Administrative Costs: The Department of Revenue will bear the costs of administering this credit. The Department of Community and Economic Development will incur the costs of reviewing and approving the sale or transfer of credit. Annual administrative costs are expected to total \$0.1 million.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ --	\$ --	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0

Beneficiaries: A limited number of filmmakers that produce films and television shows in Pennsylvania will benefit from this expenditure.

FIRST CLASS CITIES ECONOMIC DEVELOPMENT DISTRICT

Authorization: Act of December 1, 2004 (P.L. 1750, No. 226).

Description: Act 226 of 2004 created the Economic Development District (EDD) program to provide tax benefits for the construction and operation of a produce terminal in Philadelphia. Companies leasing space in this district may earn tax credits for business conducted within the district. Credits may be taken against personal income tax or corporate net income tax liabilities. These companies are also exempt from sales and use tax on otherwise taxable services or goods consumed exclusively within the district. If the City of Philadelphia and the School District of Philadelphia agree to waive the respective taxes for the district property through the life of the program, the district will be approved by DCED. Tax benefits may not extend beyond December 31, 2018.

Purpose: To provide incentives for economic development in Philadelphia.

Administrative Costs: Costs to administer the Economic Development District program are borne by the Department of Community and Economic Development and the Department of Revenue. Estimated costs for both departments total \$0.1 million per year.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ --	\$ --	\$ 2.2	\$ 2.5	\$ 2.8	\$ 3.0	\$ 3.1

Beneficiaries: Approximately 50 companies are expected to locate in an EDD upon completion of the produce terminal.

General Fund Tax Expenditures

CORPORATION TAXES

Administrative Costs: Costs to administer various tax expenditures associated with the corporate net income tax and the capital stock/foreign franchise tax cannot be separately identified. Tax expenditures are a significant factor associated with the need for more compliance audits and increased complexity of such audits as well as legal rulings, pronouncements, and bulletins. Tax expenditures also contribute significantly to the tax appeals process.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Corporate Net Income Tax and Capital Stock/Foreign Franchise Tax						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.1	\$ 3.2	\$ 3.3	\$ 3.4	\$ 3.5	\$ 3.6	\$ 3.7
	Selective Business Taxes						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

CORPORATE NET INCOME TAX

Authorization: Article IV of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The Pennsylvania corporate net income tax is imposed on domestic and foreign corporations for the privilege of doing business, carrying on activities, having capital or property employed or used, or owning property in Pennsylvania. Certain corporations are exempt from the tax.

The tax is based on federal taxable income before net operating loss deduction and special deductions (line 28 of page 1 of federal IRS form 1120) modified by additions and subtractions to arrive at Pennsylvania taxable income. Taxes based on income and certain tax items are added back to federal taxable income. The tax rate is 9.99 percent for tax years 1995 and thereafter.

Any deductions, exemptions or types of special treatment that are reflected in line 28 on the IRS form 1120, and not modified or adjusted by Pennsylvania statute, are not included below.

DIVIDENDS PAID

Description: A public utility is allowed a deduction for dividends paid on non-participating cumulative preferred stock issued before October 1, 1942.

Purpose: This special deduction is pursuant to IRC section 247 that retains the dividend deduction that was in effect at the time of the change in the federal code in 1942. It provides tax relief to public utilities and also benefits customers to the extent it is reflected in lower utility rates.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3

Beneficiaries: A minimal number of public utilities benefit from this tax expenditure.

General Fund Tax Expenditures

NET OPERATING LOSS CARRYFORWARD

Description: Corporations may deduct from current taxable income the net losses from previous years to arrive at their tax liability.

Act 45 of 1998 increased the three-year carryforward period to ten years for tax years 1995 and thereafter. This act provided a phase-in schedule of net loss deductions making the first ten-year carryforward available in tax year 2005. Suspended losses from 1988 through 1994 could be used variously against 1995 through 1997 tax years. Act 4 of 1999 increased the annual cap on deductions to \$2 million in each of the ten years following the loss, effective January 1, 1999. Act 89 of 2002 increased the ten-year carryforward period to twenty years for losses incurred in the 1998 taxable year and thereafter.

Purpose: This deduction reduces the tax burden for a period of time after an operating loss period thereby aiding a corporation that has returned to economic viability as measured by taxable income.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 168.0	\$ 194.9	\$ 218.0	\$ 232.4	\$ 244.7	\$ 258.1	\$ 274.6

Beneficiaries: Approximately 30,500 businesses per year benefit from this tax expenditure.

TRIPLE-WEIGHTED SALES FACTOR

Description: Beginning in tax year 1995, corporations apportioned their net income using a three-factor formula (payroll, property and sales) that double-weighted the sales factor. The sales factor in the numerator of the corporate net income tax apportionment formula was multiplied by two and the denominator was four. Act 4 of 1999 provided for the sales factor to be triple-weighted beginning in tax year 1999. The sales factor in the numerator is multiplied by three instead of two and the denominator is five.

Purpose: Corporations with a higher percentage of property and payroll invested in Pennsylvania (compared to their percentage of sales in Pennsylvania) will have less taxable income apportioned to the Commonwealth. Therefore, those corporations will have a reduced tax burden. This encourages business investment in Pennsylvania in the form of property and employment.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 57.9	\$ 64.1	\$ 69.7	\$ 73.9	\$ 77.7	\$ 81.1	\$ 83.7

Beneficiaries: Approximately 10,800 corporations operating in Pennsylvania may benefit from this tax expenditure.

General Fund Tax Expenditures

NONPROFIT CORPORATIONS

Description: Nonprofit corporations are exempt from the corporate net income tax. Act 7 of 1997 provided that any nonprofit corporation or entity that is an exempt organization as defined by section 501 of Internal Revenue Code of 1986 (P.L. 99-514, 26 U.S.C.) is exempt from the corporate net income tax. Corporations organized as a nonprofit but not operating as a nonprofit are excluded from this exemption. Act 4 of 1999 provided that insurance and travel agency activities carried on by an auto club are subject to the corporate net income tax. The same act restored exempt status to homeowners associations and membership organizations. The estimates below are based on unrelated business income taxed by the federal government.

Purpose: This exemption provides tax relief to nonprofit corporations including religious, charitable, educational, and scientific organizations that are perceived as providing social benefits.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 8.1	\$ 8.8	\$ 9.6	\$ 10.4	\$ 11.3	\$ 12.4	\$ 13.5

Beneficiaries: Approximately 800 nonprofit corporations operating in Pennsylvania with unrelated business income benefit from this tax expenditure.

PENNSYLVANIA S CORPORATIONS

Description: Corporations with a valid Pennsylvania S corporation election in effect for the taxable year are exempt from the corporate net income tax. However, Pennsylvania S corporation shareholders must include their distributive share of Pennsylvania S corporation income for Pennsylvania personal income tax purposes. The tax expenditure is the difference between what is paid by the shareholders under the personal income tax and what the corporations would have paid under the corporate net income tax. Act 7 of 1997 provided conformity with the federal Small Business Job Protection Act of 1996 by allowing an increase in the number of shareholders from 35 to 75, effective January 1, 1997. Act 7 also permitted S corporations to have qualified subsidiaries. The subsidiary can be either an S or a C corporation. Act 4 of 1999 eliminated the 25 percent passive income test and waived the five-year waiting period with respect to corporations whose S election was terminated for exceeding the passive income limitation.

Purpose: S corporations are often small, closely-held corporations and are believed to be major job creators. This exemption provides an incentive for their existence within the Commonwealth.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 510.5	\$ 525.5	\$ 549.8	\$ 579.1	\$ 610.6	\$ 642.3	\$ 674.8

Beneficiaries: Approximately 125,000 sub-chapter S corporations doing business in Pennsylvania could benefit from this tax expenditure.

General Fund Tax Expenditures

LIMITED LIABILITY COMPANIES (LLCs)

Description: Limited liability companies (LLCs) are hybrid business entities that combine the corporate characteristic of limited liability for all owners (members) with the tax treatment of a partnership. LLCs that are not taxed as corporations for federal purposes are exempt from the Pennsylvania corporate net income tax. Act 45 of 1998 clarified that LLCs and business trusts classified by the federal government as “disregarded entities” are not subject to the Pennsylvania corporate net income tax. Members of the LLC must include their share of the LLC’s income for Pennsylvania personal income tax purposes or corporate net income tax (if a corporate member). The tax expenditure is the difference between what is paid by the members under the personal income tax and corporate net income tax and what the LLC entities would have paid under the corporate net income tax. Act 124 of 1998 provided that a bank or banking organization may organize as an LLC for the sole purpose of marketing and selling title insurance. An insurance agency may also be organized as an LLC.

Purpose: LLCs are a preferred type of business entity for start-up companies. They combine the limited liability of a corporation with the flexibility of a partnership. By taxing LLCs as a flow-through, Pennsylvania is a more attractive place for these new companies.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 246.9	\$ 323.3	\$ 384.3	\$ 430.1	\$ 475.9	\$ 524.4	\$ 576.9

Beneficiaries: Approximately 43,000 companies doing business in Pennsylvania benefit from this tax expenditure.

COMMERCIAL PRINTERS

Description: The mere usage of commercial printer services in Pennsylvania by an out-of-state entity does not create nexus for maintaining a place of business in Pennsylvania.

Purpose: The higher nexus standard ensures that Pennsylvania commercial printers will not lose business due to a concern of the out-of-state customer that he may be subject to Pennsylvania taxation only for such a printing contract.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: A minimal number of corporate taxpayers benefit from this tax expenditure.

FICA TAX ON TIPS

Description: Eating and drinking establishments can claim a deduction from their Pennsylvania taxable income equal to the amount of federal FICA (Federal Insurance Contributions Act) tax on employees’ tips.

Purpose: This deduction corrects for a change in federal law. In 1993, a credit was created in the Internal Revenue Code. Taxpayers taking the credit may not also take a deduction for the amount of FICA tax on employees’ tips. Pennsylvania does not permit the credit and instead allows this additional deduction from federal taxable income.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.3	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.5

Beneficiaries: Approximately 2,400 taxpayers representing eating and drinking establishments could benefit from this tax expenditure.

CAPITAL STOCK/FOREIGN FRANCHISE TAX

Authorization: Article VI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The capital stock tax is a property tax imposed on every domestic corporation with capital stock, every joint-stock association and limited partnership, and every other company organized or incorporated in Pennsylvania. The franchise tax is a privilege tax imposed on foreign corporations, joint-stock associations, limited partnerships, and other companies doing business and liable for taxation within Pennsylvania, or having capital or property employed or used in Pennsylvania. Certain corporations are exempt from these taxes, and some corporations are afforded special treatment.

The capital stock/foreign franchise tax is based on capital stock value which is defined as one-half of the sum of the average net income capitalized at the rate of 9.5 percent plus 75 percent of the net worth, less \$125,000. Act 89 of 2002 modified the Act 23 of 2000 phase-out schedule by reducing the 2001 rate to 7.24 mills in 2002, further reducing the rate to 6.99 mills in 2003, and by reducing the rate by 1 mill per year thereafter until the tax is eliminated. Act 89 of 2002 also suspended the automatic transfer of 0.25 mill of the tax to the Hazardous Sites Cleanup Fund. Beginning in fiscal year 2002-03, the Hazardous Sites Cleanup Fund transfer will only occur if the balance in the Fund is expected to fall below \$5 million. Act 46 of 2003 further modified the phase-out schedule by setting the 2003 rate to 7.24 mills, the 2004 rate to 6.99 mills and then reducing the rate by 1 mill per year until the tax is eliminated for all tax years beginning after December 31, 2010. The estimates in this analysis include only the General Fund portion of the tax and reflect the phase-out of the tax rate.

Various types of assets are exempt from tax. The valuation of capital stock is not affected by these exemptions, but the exemptions are reflected in apportionment formulas used to compute the percentage of the capital stock value base actually subject to tax.

NONPROFIT CORPORATIONS

Description: Nonprofit corporations are exempt from the capital stock/foreign franchise tax. Act 7 of 1997 provided that any nonprofit corporation or entity that is an exempt organization as defined by section 501 of Internal Revenue Code of 1986 (P.L. 99-514, 26 U.S.C.) is exempt. Act 4 of 1999 provided that insurance and travel agency activities carried on by an auto club are subject to the capital stock/foreign franchise tax. The same act restored exempt status to homeowners associations and membership organizations. The estimates below are based on unrelated business income taxed by the federal government.

Purpose: This exemption provides tax relief to nonprofit corporations including religious, charitable, educational, and scientific organizations that are perceived as providing social benefits.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 4.2	\$ 4.1	\$ 3.7	\$ 3.2	\$ 2.6	\$ 2.0	\$ 1.3

Beneficiaries: Approximately 2,000 nonprofit corporations benefit from this tax expenditure.

General Fund Tax Expenditures

FAMILY FARM CORPORATIONS

Description: Family farm corporations are exempt from the capital stock/foreign franchise tax. A family farm corporation is one that devotes at least 75 percent of its assets to agriculture and at least 75 percent of its stock is owned by members of the same family.

Act 45 of 1998 specifically defined LLCs and business trusts to be corporations for capital stock/foreign franchise tax purposes. As a result, LLCs and business trusts are eligible for the family farm exemption, if appropriate.

Purpose: This exemption provides tax relief to family farm corporations thereby recognizing the importance of family-owned farms.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.1	\$ 1.1	\$ 1.0	\$ 0.8	\$ 0.7	\$ 0.5	\$ 0.4

Beneficiaries: Approximately 430 family farm corporations operating in Pennsylvania could benefit from this tax expenditure.

ASSETS USED IN MANUFACTURING, PROCESSING, AND RESEARCH AND DEVELOPMENT

Description: Corporations (except those which enjoy the right of eminent domain, i.e., utilities) organized for manufacturing, processing, or research and development purposes may claim an exemption for capital stock invested in such activities within Pennsylvania. Pollution control assets are included for these corporations. This exemption is reflected in computing the percentage of the capital stock value actually subject to tax and applies to both single-factor and three-factor apportionment.

Act 63 of 1999 modified the manufacturing exemption by disallowing the exemption provided for manufacturing, processing, or research and development activities from the numerator of the sales factor and expanding the exemption by excluding property and payroll attributable to manufacturing, processing, or research and development activities outside of the Commonwealth from the numerator of the property and payroll factors.

Purpose: This exemption encourages investment in manufacturing, processing, and research and development activities that improves the Commonwealth's economic position.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 296.8	\$ 288.6	\$ 258.8	\$ 222.6	\$ 182.7	\$ 139.7	\$ 93.7

Beneficiaries: Approximately 8,500 corporations operating in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

APPORTIONMENT FORMULA OPTIONS

Description: Corporations that have multistate operations have the option of using either a single-factor or a three-factor formula to compute the portion of the capital stock value that is subject to tax. The single-factor formula is based on the ratio of the book value of taxable assets to book value of total assets. The three-factor formula is based on property, payroll, and sales within and without Pennsylvania. Historically, only domestic corporations were permitted to choose the single-factor apportionment method until the Pennsylvania Supreme Court ruled that foreign corporations must be allowed the same option. These estimates measure the difference between the tax on capital stock value apportioned using three-factor apportionment for those corporations choosing the single-factor method and able to use the three-factor method.

Purpose: This option provides tax relief to those corporations with considerable tangible investment in the Commonwealth and thereby encourages corporate investment in Pennsylvania.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 114.0	\$ 110.8	\$ 99.4	\$ 85.5	\$ 70.1	\$ 53.6	\$ 36.0

Beneficiaries: Approximately 2,500 corporations doing business in Pennsylvania benefit from this tax expenditure.

POLLUTION CONTROL DEVICES

Description: Equipment, machinery, facilities, and other tangible property used during the tax year within Pennsylvania for water or air pollution control or abatement devices utilized for the benefit of the general public are exempt from the capital stock/foreign franchise tax. This exemption is reflected as an exclusion from the numerator of the single asset apportionment fraction or the numerator of the property factor when the three-factor apportionment formula is used. However, for manufacturing, processing, or research and development corporations, these assets are included as exempt equipment and shown in the expenditure for assets used in manufacturing, processing, and research and development.

Purpose: This exemption provides tax relief to corporations required to install pollution control devices and encourages investment in pollution control assets.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.8	\$ 2.7	\$ 2.4	\$ 2.1	\$ 1.7	\$ 1.3	\$ 0.9

Beneficiaries: Approximately 20 companies doing business in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

DEDUCTION FROM THE FIXED FORMULA

Description: For tax years beginning in 1997 and thereafter, corporations may deduct \$125,000 from the capital stock value which is then subject to apportionment to determine the taxable base. The valuation deduction was \$100,000 for tax years 1995 and 1996.

Purpose: This exemption provides a tax-free portion of capital stock value for corporations, particularly beneficial to new businesses realizing little or no profit during their early years.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 64.8	\$ 63.0	\$ 56.5	\$ 48.6	\$ 39.9	\$ 30.5	\$ 20.5

Beneficiaries: Approximately 184,000 corporations doing business in Pennsylvania benefit from this tax expenditure.

HOLDING COMPANIES

Description: Holding companies may elect, in lieu of a standard apportionment formula, a special apportionment formula that computes the taxable portion of capital stock value by taking 10 percent of the total capital stock value. The single-factor apportionment formula was used as the standard apportionment formula in the estimating process. Holding companies are corporations (1) which derive at least 90 percent of their income from stock or securities and the rendering of administrative or management services to subsidiary corporations and (2) whose assets are at least 60 percent comprised of securities or indebtedness of subsidiary corporations. Act 45 of 1998 clarified that limited liability companies and business trusts are eligible to receive holding company tax treatment.

Purpose: This special treatment is intended to provide tax relief to those holding companies with considerable intangible assets that otherwise are not exempt under the single assets apportionment fraction.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 70.6	\$ 68.6	\$ 61.5	\$ 52.9	\$ 43.4	\$ 33.2	\$ 22.3

Beneficiaries: Approximately 700 companies doing business in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

REGULATED INVESTMENT COMPANIES/REAL ESTATE INVESTMENT TRUSTS

Description: Regulated investment companies (RICs) are subject to special valuation for capital stock/foreign franchise tax purposes. Their tax is computed by adding the net asset value multiplied by \$75 and divided by one million to the apportioned undistributed personal income multiplied by the personal income tax rate. Undistributed taxable personal income is apportioned to Pennsylvania by a fraction, the numerator of which is all income distributed during the taxable year to resident shareholders and the denominator of which is all income distributed to all shareholders.

There is a potential revenue loss from regulated investment companies and real estate investment trusts (REITs) organized as business trusts. These entities are not subject to capital stock/foreign franchise tax; no cost estimate is available.

There is also a potential revenue loss associated with corporations that conduct Pennsylvania business activity through an investment in business trust RICs, REITs, and certain other related entities. Generally, a corporation's interest in an entity that is not a corporation is considered to be a direct ownership interest in the assets of the entity rather than an intangible interest. Act 232 of 2002 created exceptions to this general rule for RICs, REITs, and certain other related entities that are organized as business trusts. No cost estimate is available.

Purpose: RICs are corporations that derive at least 90 percent of their income from dividends, interest, and gains on disposition of stock and securities. REITs are corporations that own real estate investments and must distribute at least 90% of their income as dividends. This special treatment provides tax relief to these companies thereby allowing them to earn higher rates of return on their investments that, in turn, are passed on to their shareholders. The higher earnings rates may result in higher investment in the economy that is channeled through these companies.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 7.1	\$ 6.9	\$ 6.2	\$ 5.3	\$ 4.4	\$ 3.3	\$ 2.2

Beneficiaries: At least 60 RICs, REITs, and other related entities doing business in Pennsylvania benefit from this tax expenditure. In addition, an unknown number of corporations may benefit from the provisions of Act 232 of 2002.

COMMERCIAL PRINTERS

Description: The mere usage of commercial printer services in Pennsylvania by an out-of-state entity does not create nexus for maintaining a place of business in Pennsylvania.

Purpose: The higher nexus standard ensures that Pennsylvania commercial printers will not lose business due to a concern of the out-of-state customer that he may be subject to Pennsylvania taxation only for such a printing contract.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: A minimal number of corporate taxpayers benefit from this tax expenditure.

General Fund Tax Expenditures

RESTRICTED PROFESSIONAL COMPANIES

Description: Restricted professional companies (RPCs) are limited liability companies (LLCs) performing restricted professional services. LLCs are hybrid business entities that combine the corporate characteristic of limited liability for all owners (members) with the tax treatment of a partnership. Restricted professional services include chiropractic, dentistry, law, medicine and surgery, optometry, osteopathic medicine, podiatry medicine, public accounting, psychology, and veterinary medicine. These types of businesses give members the protection of limited liability for the neglect of another member. RPCs are exempt from the capital stock/foreign franchise tax. However, an annual fee of \$360 per resident member is imposed under the Associations Code, \$25 of which is credited to the Corporation Bureau's restricted account.

No cost estimate is available.

Purpose: RPCs perform valuable professional services for citizens of the Commonwealth.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 1,250 companies doing business in Pennsylvania benefit from this tax expenditure.

EXEMPTION FOR STUDENT LOAN ASSETS

Description: Act 45 of 1998 provided that student loan related assets owned or held by a trust or other entity formed for the securitization of student loans are exempt from capital stock/foreign franchise tax. This provision is effective for tax years beginning on or after January 1, 1998.

Purpose: This program exempts student loan related assets held by loan securitization trusts from the capital stock/foreign franchise tax to conform with the Commonwealth public policy of promoting higher education.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: A minimal number of business trusts and other entities formed for the securitization of student loan assets are the beneficiaries of this tax expenditure.

General Fund Tax Expenditures

FINANCIAL INSTITUTION BUSINESS TRUSTS

Description: Act 23 of 2000 created an exemption from tax for a domestic or foreign business trust that is created or managed by an entity subject to bank shares or mutual thrifts tax, or an 80 percent affiliate thereof. The trust must also be created and managed to facilitate the securitization of intangible assets. For federal tax purposes it is classified as a partnership or disregarded entity. This exemption applies to taxable years beginning after December 31, 1999.

Purpose: This exemption acts as an incentive for these trusts to form and operate in the Commonwealth.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

GROSS RECEIPTS TAX

Authorization: Article XI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The gross receipts tax is imposed on the following companies conducting business in Pennsylvania: pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; freight or oil transporters; telephone and telegraph companies; express service, palace car or sleeping car companies; and electric light, water power and hydroelectric energy companies. Municipalities are entitled to exemptions.

A tax is levied at 50 mills on gross receipts from passengers, baggage, freight, and oil transported within the state; intrastate and interstate telephone and telegraph messages transmitted in the state on landline or cellular systems; and at 44 mills on sales of electric energy. The 44 mill tax rate on sales of electric energy is subject to change based on the revenue neutral reconciliation (RNR) tax rate calculated annually pursuant to Act 138 of 1996, which governs the restructuring of the electric utility industry in Pennsylvania. Act 89 of 2002 established the permanent RNR tax rate at 15 mills for tax years beginning January 1, 2003 and thereafter. The sale of natural gas was subject to the gross receipts tax before Act 4 of 1999 repealed these provisions, effective January 1, 2000.

MUNICIPALLY-OWNED PUBLIC UTILITIES

Description: Gross receipts of public utilities owned or operated by a municipality are exempt from tax to the extent the gross receipts are derived from business done inside the limits of the municipality. The figures for this expenditure are at the statutory utilities gross receipts tax rates applicable to the appropriate tax year.

Purpose: This tax relief encourages municipalities to develop and invest in public utility services and supplemental energy sources including cogeneration facilities. It also benefits residents to the extent the tax relief is reflected through lower utility rates.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 5.3	\$ 5.4	\$ 5.6	\$ 5.7	\$ 5.8	\$ 5.8	\$ 5.8

Beneficiaries: The 31 municipally-owned utilities operating in the Commonwealth benefit from this tax expenditure.

General Fund Tax Expenditures

NUCLEAR GENERATING FACILITY DAMAGE

Description: Gross receipts derived from the sale of electricity by an electric light company which are attributable to the recovery of purchased energy costs, clean-up costs, and investment write-off costs due to damage to a nuclear generating facility are exempt from tax.

Purpose: This tax relief alleviates the financial hardship faced by the public utility as a result of damage caused by an accident or natural disaster. It also benefits consumers to the extent the tax relief is reflected in lower utility rates.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: 47 electric suppliers could potentially benefit from this tax expenditure.

ELECTRIC COOPERATIVES

Description: Gross receipts of electric cooperatives are exempt from the tax. The figures for this expenditure are at the statutory utility gross receipts tax rates applicable to the appropriate tax year.

Purpose: These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide public benefit. This exemption permits this service to be rendered at a reduced cost to the rate payers.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 13.7	\$ 14.1	\$ 14.5	\$ 14.9	\$ 15.0	\$ 15.0	\$ 15.1

Beneficiaries: The 13 cooperatives in the Commonwealth benefit from this tax expenditure.

TELECOMMUNICATIONS SALE FOR RESALE EXEMPTION

Description: Gross receipts from the sale for resale of telecommunication services to purchasers subject to the gross receipts tax who subsequently resell the telecommunication services for final consumption are exempt from the tax for tax years beginning after December 31, 1999.

Purpose: The sale for resale exemption is intended to ensure that telecommunication services are not subject to double taxation under the gross receipts tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 37.6	\$ 51.1	\$ 48.0	\$ 48.0	\$ 49.0	\$ 50.0	\$ 51.1

Beneficiaries: Approximately 580 telecommunication companies could benefit from this tax expenditure.

PUBLIC UTILITY REALTY TAX

Authorization: Article XI-A of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The public utility realty tax (PURTA) is imposed on public utilities furnishing services under the jurisdiction of the Pennsylvania Public Utility Commission or a regulatory body of another state or the United States.

Act 4 of 1999 fundamentally overhauled PURTA for tax year 1998 and thereafter. The tax rate is annually calculated by the Department of Revenue in order to raise an amount of tax revenue equal to the realty tax equivalent. The Commonwealth imposes this tax on public utility realty in lieu of local real estate taxes and distributes revenue to local taxing authorities based on the realty tax equivalent.

Beginning with PURTA tax year 1998, utilities are taxed on the basis of the property's fair market value, which is the local assessed value adjusted by the common level ratio. After December 31, 1999, assets used in the generation of electricity are excluded from the PURTA tax base and the realty tax equivalent.

For fiscal years prior to 2003-04, an additional 7.6 mills of the PURTA tax base was transferred to the Public Transportation Assistance Fund. Beginning in fiscal year 2003-04, the additional 7.6 mills of the PURTA tax base remains in the General Fund. The estimates in this portion of the analysis include the variable tax as well as the additional 7.6 mill levy.

PROPERTY SUBJECT TO LOCAL TAXATION

Description: Property subject to local real estate taxation under any law in effect on April 23, 1968, is excluded from the PURTA base.

Purpose: The Constitution of Pennsylvania was amended April 23, 1968, to provide for state taxation of public utility realty property; however, any law in effect which subjected real property of a public utility to local real estate taxation was left in full force. This provision prevents the double taxation of such property.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.2	\$ 3.4	\$ 3.5	\$ 3.5	\$ 3.6	\$ 3.6	\$ 3.7

Beneficiaries: The 417 public utilities could benefit from this tax expenditure.

EASEMENTS

Description: Easements or similar interests are excluded from the PURTA base. An easement is an interest in land owned by another entity that entitles the public utility company to limited use related to the provision of utility service.

Purpose: PURTA is intended as a tax on real property, and not as a tax on property such as these rights.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.9	\$ 3.0	\$ 3.1	\$ 3.1	\$ 3.2	\$ 3.2	\$ 3.3

Beneficiaries: The 417 public utilities could benefit from this tax expenditure.

General Fund Tax Expenditures

RAILROAD RIGHTS-OF-WAY

Description: Railroad rights-of-way and superstructures thereon are excluded from the PURTA base. Railroad rights-of-way are limited ownership of land to be used exclusively for the provision of rail transportation service.

Purpose: PURTA is intended as a tax on real property, and not as a tax on property such as these rights. This tax relief may encourage the development of our railroad network that benefits the economy.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 6.7	\$ 7.0	\$ 7.1	\$ 7.2	\$ 7.4	\$ 7.5	\$ 7.6

Beneficiaries: The 71 railroad public utilities could benefit from this tax expenditure.

SEWAGE SERVICES

Description: Public utilities furnishing sewage services are exempt from tax.

Purpose: This provides tax relief to companies that are in the business of sewage treatment and encourages investment in sewage treatment facilities that provide public environmental benefits. It also benefits consumers to the extent the tax relief is reflected in lower utility rates.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 5.9	\$ 6.2	\$ 6.3	\$ 6.4	\$ 6.5	\$ 6.6	\$ 6.7

Beneficiaries: The 85 public utilities that provide sewage services benefit from this tax expenditure.

MUNICIPALITIES

Description: Municipalities or municipal authorities furnishing electric, natural gas, telephone, or water public utility services are exempt from tax.

Purpose: The realty used for municipally-furnished utility services is public property used for public purposes. Moreover, taxing such property would result in the municipal government funding the realty tax equivalent distributed to local taxing authorities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.6	\$ 3.8	\$ 3.9	\$ 3.9	\$ 4.0	\$ 4.1	\$ 4.1

Beneficiaries: The 455 municipal authorities and the 33 municipal public utilities benefit from this tax expenditure.

General Fund Tax Expenditures

ELECTRIC GENERATION FACILITIES

Description: After December 31, 1999, land and improvements indispensable to the generation of electricity are subject to local real estate tax and are excluded from the PURTA tax base and the realty tax equivalent.

Purpose: Electric generation facilities were removed from the PURTA tax base because electric generation is no longer regulated as a public utility function. The electric competition statute, Act 138 of 1996, changed the definition of public utility, and generation facilities can be owned by unregulated entities. This exemption allows a level playing field for participants in electricity supply.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 22.3	\$ 23.4	\$ 23.8	\$ 24.2	\$ 24.7	\$ 25.0	\$ 25.3

Beneficiaries: The 22 electric utilities owning generating assets in Pennsylvania benefit from this tax expenditure.

TRANSITION CREDIT

Description: During the transition years 1998 through 2001, the liability of a public utility under PURTA is limited to 250 percent of its immediate prior year's liability with any reduction in the liability capped at \$100,000 per taxable year. The cost of the transition credit in current fiscal years depends on the calculation of the compensating adjustments for the affected tax years.

Purpose: The PURTA transition credit provides limited relief to taxpayers having a significant increase in their PURTA tax base as a result of Act 4 of 1999.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: Approximately 85 taxpayers benefit from this tax expenditure.

INSURANCE PREMIUMS TAX

Authorization: Article IX of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The insurance premiums tax is imposed on domestic and foreign insurance companies that transact business in Pennsylvania. Certain types of insurance companies are exempt from the tax.

The tax is levied on gross premiums received from business done within Pennsylvania during each calendar year. A retaliatory tax is also imposed on taxable insurance companies incorporated in other states that impose a higher burden on Pennsylvania companies doing business there.

The basic tax rate is 2 percent of gross premiums plus any retaliatory tax. A 3 percent rate is imposed on insurance premiums for policies written with unlicensed insurers by a surplus lines agent. Marine insurance companies are subject to a 5 percent tax on their underwriting profits in lieu of the insurance premiums tax.

The estimates in this analysis include the full amount of revenues and the retaliatory charges that would be received from affected insurance companies.

MUTUAL BENEFICIAL ASSOCIATIONS

Description: Purely mutual beneficial associations, whose funds benefit members, families, or heirs and are made up entirely of member contributions and accumulated interest, are exempt from the insurance premiums tax. For the purpose of this tax expenditure, these associations are treated as life insurance companies.

Purpose: Mutual beneficial associations are charitable and benevolent organizations that provide life, accident, and health benefits for their members. The exemption indirectly benefits subscribers to the extent that it is reflected in reduced premiums.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 11.1	\$ 10.3	\$ 10.5	\$ 11.0	\$ 11.5	\$ 12.0	\$ 12.5

Beneficiaries: The 73 mutual beneficial associations doing business in Pennsylvania benefit from this tax expenditure.

NONPROFIT HOSPITAL AND MEDICAL CARE SERVICE ORGANIZATIONS

Description: Companies organized under the Nonprofit Hospital Plan Act (Act of June 21, 1937, P.L. 1948, No. 378) and the Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act (Act of June 27, 1939, P.L. 1125, No. 399) are exempt from the insurance premiums tax. Those exempt include, for example, Capital Blue Cross, Hospital Service Association of Northeastern Pennsylvania, Good Vision Plan, Inc., Highmark Inc., Pennsylvania Dental Service Corp., and Vision Service Plan of Pennsylvania.

Purpose: These companies are deemed to be charitable and benevolent institutions that provide hospital and/or medical care to their subscribers. The exemption provides indirect tax relief to subscribers to the extent that it is reflected in lower premiums.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 134.5	\$ 149.6	\$ 158.8	\$ 167.8	\$ 178.1	\$ 190.8	\$ 201.3

Beneficiaries: The 13 nonprofit hospital and medical care service organizations doing business in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

EXTRAORDINARY MEDICAL BENEFIT

Description: An exemption is allowed for premiums collected by automobile insurance companies for optional extraordinary medical benefit coverage from \$100,000 to \$1,100,000. This exemption applies only to premiums collected in association with policies written after June 1, 1989.

Purpose: This exemption benefits private insurance companies that are required to provide the extraordinary medical coverage as a result of the repeal of Pennsylvania's Catastrophic Loss Trust Fund. This exemption also indirectly benefits subscribers to the extent that it is reflected in reduced premiums.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.9

Beneficiaries: The 789 automobile insurance companies licensed to do business in Pennsylvania may benefit from this tax expenditure.

LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION CREDIT

Description: A tax credit is available to companies that are members of the Pennsylvania Life and Health Insurance Guaranty Association. These companies may offset a proportionate part of assessment payments made to the association against the insurance premiums tax. The credit is for the portion of the assessment that is unrecoverable through premiums and must be taken over five years.

Purpose: The Pennsylvania Life and Health Insurance Guaranty Association protects policyholders and claimants by providing for the payment of benefits and the continuation of coverage under life, health, and accident, and annuity policies under certain circumstances. Members are assessed to provide funds to carry out the purpose of the association. This credit provides relief to member companies by allowing them to recoup a portion of their assessment payments in the form of tax credits. This credit also provides indirect relief to subscribers to the extent that lower premium rates are maintained.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 4.7	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: The 530 life, accident, and health insurance companies doing business in Pennsylvania may benefit from this tax expenditure.

General Fund Tax Expenditures

PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION (PP&CIGA) CREDIT _____

Description: A tax credit is available to companies that are members of the Pennsylvania Property and Casualty Insurance Guaranty Association (PP&CIGA). Companies may claim a credit for assessments paid to the association in a calendar year that exceed one percent of gross premiums collected from policyholders. The credit must be taken proportionately over five years, beginning the year after the assessment is paid. This tax credit was enacted as part of Act 23 of 2000 to allow member companies to recoup a portion of assessments paid to the association in the form of tax credits.

Purpose: The Pennsylvania Property and Casualty Insurance Guaranty Association protects policyholders and claimants by providing for the payment of benefits and claims for property and casualty policies under certain circumstances. Members are assessed to provide funds to carry out the purpose of the association. This credit also provides indirect relief to property and casualty policyholders to the extent that lower premium rates are maintained.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 14.2	\$ 20.2	\$ 21.8	\$ 18.9	\$ 18.6	\$ 15.3	\$ 10.2

Beneficiaries: The 1,006 property and casualty insurers doing business in Pennsylvania benefit from this tax expenditure.

BANK AND TRUST COMPANY SHARES TAX

Authorization: Article VII of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The bank and trust company shares tax is imposed on every bank and trust company having capital stock and doing business in Pennsylvania.

This tax is imposed annually on the value of shares as of January 1. The value of shares is a six-year average calculated by dividing the total number of shares into the average of each of the previous six years' quarterly average value of shares adjusted to exclude the value of United States obligations. The tax rate on the dollar value of each taxable share of stock is 1.25 percent.

The bank and trust company shares tax contains no expenditures as defined for this tax expenditure analysis.

MUTUAL THRIFT INSTITUTIONS TAX

Authorization: Article XV of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The mutual thrift institutions tax is imposed on the net income of savings institutions, savings banks without capital stock, savings and loan associations, and building and loan associations conducting business in Pennsylvania.

The tax is based on net income determined in accordance with generally accepted accounting principals with the following major exceptions: income earned from United States obligations or Pennsylvania state and local obligations is excluded; the interest expense associated with tax exempt interest income is disallowed as a deduction; and net operating losses from previous years may be carried forward for a maximum of three years. Taxable net income is apportioned to Pennsylvania by a three-factor formula comprised of payroll, receipts, and deposits.

The current tax rate is 11.5 percent.

NET OPERATING LOSS CARRYFORWARD

Description: Thrift institutions may deduct from current taxable income the net losses from previous taxable years. A net loss for a taxable year may be carried over three years and must be carried to the earliest allowable tax year. There is no carryback of losses to prior years.

Purpose: This deduction reduces the tax burden for a period of time after an operating loss period thereby aiding the thrift institution after it has attained economic health as measured by its taxable income.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.3	\$ 1.9	\$ 1.7	\$ 1.6	\$ 1.5	\$ 1.5	\$ 1.5

Beneficiaries: The 205 mutual thrift companies could benefit from this tax expenditure.

CREDIT UNIONS

Description: Credit unions are exempt from taxation. The tax expenditure is determined by applying the appropriate mutual thrift institutions tax rate to their net earnings.

Purpose: Credit unions are cooperative associations incorporated to promote thrift and to provide a source of credit for their members. This program provides tax relief to credit unions as well as their members to the extent that it is reflected in higher rates earned on savings and lower rates charged for loans.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 17.0	\$ 17.9	\$ 18.8	\$ 19.8	\$ 20.8	\$ 21.9	\$ 23.0

Beneficiaries: The 707 state and federal credit unions operating in Pennsylvania benefit from this tax expenditure.

General Fund Tax Expenditures

SALES AND USE TAX

Authorization: Article II of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Administrative Costs: Costs incurred to administer the multiple tax expenditures associated with the sales and use tax cannot be separately identified. Tax expenditures are a significant factor associated with the need for more compliance audits and the increased complexity of compliance audits. These audits contribute significantly to the volume of appeals processed by the Department of Revenue.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 12.4	\$ 12.5	\$ 12.7	\$ 12.9	\$ 13.1	\$ 13.3	\$ 13.5

Beneficiaries: Information provided under the sales and use tax "Beneficiaries" heading represent an actual or estimated number and description of Pennsylvania residents, households, or businesses benefiting from that specific tax expenditure. An unreported number of non-Pennsylvania entities may also benefit from the tax expenditure.

GENERAL/PERSONAL EXPENDITURES

FOOD

Description: Food and beverages intended for human consumption purchased from a bakery, pastry shop, donut shop, delicatessen, grocery store, supermarket, farmer's market, convenience store, or vending machine are exempt from taxation. Exceptions are the sale of meals, sandwiches, food from salad bars, hand-dipped or hand-served iced based products including ice cream and yogurt, hot soup, hot pizza and other hot food items, brewed coffee, and hot beverages. The exemption does not apply to soft drinks, alcoholic beverages, or food purchased from an establishment from which ready-to-eat food and beverages are sold.

Purpose: Food is considered to be a basic necessity of life. Additionally, this provision reduces the regressive nature of the tax and eases the tax burden on families who spend a disproportionate share of income on these products.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 994.8	\$1,017.7	\$1,040.1	\$1,064.0	\$1,088.5	\$1,114.6	\$1,143.6

Beneficiaries: Virtually all 4.8 million households benefit from this tax expenditure.

General Fund Tax Expenditures

CANDY AND GUM

Description: The purchase at retail or use of candy and gum, regardless of where sold, is exempt from taxation.

Purpose: Candy and gum are considered to be food. Exempting candy and gum regardless of where sold provides for uniformity in the taxation of these items.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 42.9	\$ 43.9	\$ 44.9	\$ 45.9	\$ 47.0	\$ 48.1	\$ 49.4

Beneficiaries: NA

PERSONAL HYGIENE PRODUCTS

Description: The purchase at retail or use of disposable diapers, incontinence products, toilet paper, feminine hygiene products, toothpaste, toothbrushes, or dental floss are exempt from taxation.

Purpose: These products are considered essential for maintaining a basic standard of life.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 44.1	\$ 47.5	\$ 50.9	\$ 54.4	\$ 58.6	\$ 63.1	\$ 68.0

Beneficiaries: Virtually all 4.8 million households benefit from this tax expenditure.

NEWSPAPERS

Description: The purchase or use of newspapers or publications containing information of general interest and reports of current events that qualify as a "newspaper of general circulation qualified to carry a legal advertisement," not including magazines, is exempt from taxation.

Purpose: The purpose of this tax exemption is to encourage citizens to be well informed.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 27.6	\$ 27.9	\$ 28.2	\$ 28.4	\$ 28.7	\$ 29.0	\$ 29.3

Beneficiaries: NA

General Fund Tax Expenditures

MAGAZINES

Description: The purchase at retail or use of subscriptions for magazines is exempt from taxation. A "magazine" is a periodical published at regular intervals not exceeding three months and circulated among the general public. The exclusion includes any printed advertising material circulated with the periodical. This tax expenditure became effective July 1, 1994, under Act 48 of 1994.

Purpose: The purpose of this tax exemption is to encourage citizens to be well informed.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 26.3	\$ 28.0	\$ 29.9	\$ 31.8	\$ 33.9	\$ 36.2	\$ 38.5

Beneficiaries: Approximately 3.2 million households benefit from this tax expenditure.

CLOTHING AND FOOTWEAR

Description: The purchase at retail or use of wearing apparel, footwear, and other articles of clothing worn on the human body is exempt from taxation. Additionally, the purchase at retail or use of clothing patterns and other items that are to be a component part of clothing is exempt from tax. Accessories, ornamental wear, formal day or evening apparel, furs, and sporting goods are taxable.

Purpose: Clothing and footwear are considered essential for maintaining a basic standard of life. This provision reduces the regressive nature of the tax and eases the tax burden on families who spend a disproportionate share of income purchasing these products.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 845.1	\$ 885.6	\$ 920.2	\$ 958.8	\$ 993.3	\$1,027.1	\$1,066.1

Beneficiaries: Virtually all 4.8 million households benefit from this tax expenditure.

AMUSEMENT DEVICES

Description: Expenditures to play amusement devices are not rentals and therefore not taxable. Examples of such devices are flipper games, video games, pool tables, soccer tables, arcade games, and kiddy rides.

Purpose: These expenditures are considered to be payments for nontaxable services.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 18.0	\$ 17.8	\$ 17.5	\$ 17.3	\$ 17.0	\$ 16.8	\$ 16.6

Beneficiaries: Approximately 1.8 million persons may benefit from this tax expenditure.

General Fund Tax Expenditures

PRESCRIPTION DRUGS AND ORTHOPEDIC EQUIPMENT

Description: The purchase at retail or use of prescription drugs and orthopedic equipment is exempt from taxation. Such equipment includes crutches, wheelchairs, false teeth and dental materials, eyeglasses, artificial limbs and eyes, hearing devices, braces, and supports. Also included are devices to alleviate a physical incapacity such as a hospital bed or dialysis machine.

Purpose: Prescription drugs and orthopedic equipment are considered essential for maintaining a basic standard of life. This provision reduces the regressive nature of the tax and eases the tax burden on families who must spend a disproportionate share of income on these products.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 349.5	\$ 376.0	\$ 402.8	\$ 434.1	\$ 461.3	\$ 489.7	\$ 520.4

Beneficiaries: NA

NON-PRESCRIPTION DRUGS

Description: The purchase at retail or use of non-prescription drugs such as antiseptics, aspirin, milk of magnesia, castor oil, cold capsules, eyewashes, and vitamins is exempt from taxation.

Purpose: Non-prescription drugs are considered essential for maintaining a basic standard of life. This provision reduces the regressive nature of the tax and eases the tax burden on families who spend a disproportionate share of income on these products.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 70.1	\$ 71.8	\$ 73.6	\$ 75.4	\$ 77.2	\$ 79.1	\$ 81.1

Beneficiaries: Virtually all 4.8 million households benefit from this tax expenditure.

LIQUOR OR MALT BEVERAGE PURCHASED FROM RETAIL DISPENSER

Description: Alcoholic beverages purchased in a drinking place or bar are exempt from taxation. Purchases from a state liquor store or a beer distributor are taxed, despite the wholesale nature of a portion of these sales. The estimates represent the difference in the tax that would be collected at the retail level and the tax presently collected on the bulk sale.

Purpose: Taxing container sales rather than per drink sales reduces overall administrative and reporting burdens for vendors and audit efforts by the Department of Revenue.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 91.6	\$ 95.3	\$ 99.1	\$ 103.1	\$ 107.3	\$ 111.6	\$ 116.0

Beneficiaries: Approximately 4.4 million people benefit from this tax expenditure.

General Fund Tax Expenditures

CHARGES FOR RETURNABLE CONTAINERS

Description: Separately stated deposit charges for returnable containers are excluded from the purchase price and are exempt from taxation.

Purpose: Deposit charges usually represent a security in the event a container is not returned. For this reason, a true exchange of property is not considered to have occurred.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 10.7	\$ 11.2	\$ 11.8	\$ 12.4	\$ 13.1	\$ 13.9	\$ 14.7

Beneficiaries: Approximately 188,000 business establishments and an unknown number of households may benefit from this tax expenditure.

WRAPPING AND PACKING SUPPLIES

Description: The purchase or use of wrapping paper, twine, bags, cartons, tape, rope, labels, nonreturnable containers, and all other wrapping supplies which are incidental to the delivery of personal property is exempt from taxation. This exclusion applies to retailers only. A separately stated charge for wrapping or packaging is taxable.

Purpose: Exemption of these items prevents double taxation since the cost of wrapping supplies, as a final input of the product, is included in the price charged by the retailer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 82,300 retail and wholesale establishments benefit from this tax expenditure.

CASKETS AND BURIAL VAULTS

Description: The purchase or use of caskets, burial vaults, markers, cremation urns, and tombstones for human graves, including foundations, is exempt from taxation.

Purpose: These items are considered to be the final basic necessity of life. Additionally, this exemption reduces the regressive nature of the tax and eases the burden on low-income families.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 25.9	\$ 27.8	\$ 29.5	\$ 31.5	\$ 33.7	\$ 35.5	\$ 37.5

Beneficiaries: As many as 130,100 households benefit from this tax expenditure annually.

General Fund Tax Expenditures

FLAGS

Description: The purchase or use of Pennsylvania and United States flags is exempt from taxation.

Purpose: The exemption of flags may be based on the perception that governmental support of national and state symbols is a worthy public policy objective.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.1	\$ 2.3	\$ 2.4	\$ 2.6

Beneficiaries: Approximately 2.4 million households and numerous businesses and organizations benefit from this tax expenditure.

TEXTBOOKS

Description: The purchase or use of textbooks for use in schools, colleges, and universities is exempt from taxation. The purchase must be on behalf of or through schools recognized by the Department of Education as institutions of learning.

Purpose: The education of the Commonwealth's citizens is a major policy objective of state government. This exemption helps to reduce the overall cost of obtaining an education.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 26.0	\$ 27.3	\$ 28.6	\$ 30.0	\$ 31.5	\$ 33.0	\$ 34.6

Beneficiaries: As many as 591,100 college students may benefit from this tax expenditure.

CATALOGS AND DIRECT MAIL ADVERTISING

Description: The purchase or use of a mail order catalog or direct mail advertising literature and materials is exempt from taxation. Effective July 1, 1998, this exemption was extended to the purchase or use of electoral literature or material and certain mailing lists.

Purpose: The purchase of these items may be perceived as incidental to the advertising service being provided.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 62.2	\$ 66.2	\$ 70.2	\$ 74.5	\$ 79.0	\$ 83.8	\$ 88.9

Beneficiaries: NA

General Fund Tax Expenditures

FOOD STAMP PURCHASES

Description: The purchase at retail or use of tangible personal property in accordance with the federal Food Stamp Act of 1977 is exempt from taxation. Primarily, exempt items are soft drinks, certain drink mixes, vegetable and fruit seeds and plants, and certain prepared cold foods.

Purpose: This provision is mandated by federal law for continued state participation in the federally funded food stamp program.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.7	\$ 2.7	\$ 2.6	\$ 2.6	\$ 2.6	\$ 2.6	\$ 2.5

Beneficiaries: Approximately 362,800 households benefit from this tax expenditure.

GRATUITIES

Description: Any amount paid, in excess of charges and tax, for service relating to the purchase of food or beverages or hotel or motel accommodations is an exempt gratuity.

Purpose: Gratuities or tips are not included in the cost of the meal or accommodation acquired by the purchaser but are considered costs of the accompanying non-taxable services.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 59.1	\$ 59.7	\$ 60.2	\$ 60.8	\$ 61.4	\$ 62.1	\$ 62.8

Beneficiaries: Approximately 4.6 million households and an unknown number of businesses benefit from this tax expenditure.

FUELS AND UTILITIES

COAL

Description: The purchase or use of coal is exempt from taxation.

Purpose: This exemption provides special tax treatment of coal versus alternative energy forms. Other major energy sources are exempt only when used directly by the purchaser for residential use. Encouragement of coal consumption may have been perceived as providing or preserving employment when mining was a major employer within the Commonwealth.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 111.7	\$ 109.4	\$ 107.2	\$ 105.0	\$ 102.9	\$ 100.8	\$ 98.7

Beneficiaries: Approximately 106,900 households and 8,400 businesses benefit from this tax expenditure.

FIREWOOD

Description: The purchase or use of firewood cut into lengths for burning or wood pellets is exempt from taxation when used as fuel for cooking, or for heating water, or residential dwellings.

Purpose: Alternative energy sources such as heating oil, natural gas, coal, and electricity are exempt when used for residential purposes. The extension of this exemption to firewood provides consistency among all major energy sources.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.6	\$ 1.7

Beneficiaries: Approximately 678,000 households that use firewood or wood pellets as their primary heat source benefit from this tax expenditure. Also, there are over 1.6 million households with usable fireplaces that may benefit from this tax expenditure.

General Fund Tax Expenditures

RESIDENTIAL UTILITIES

Description: As defined by law, "tangible personal property" specifies taxable items. Specifically omitted from this definition are electricity, steam, natural, manufactured and bottled gas and fuel oil, basic local telecommunications service when purchased directly by the user solely for his residential use, and charges for coin-operated telephone calls. Court decisions have expanded the electricity exemption to include purchases for residential use through an agent, where there is no commercial interest.

Purpose: Residential utilities are considered essential for maintaining a basic standard of life. Additionally, this provision reduces the regressive nature of the tax and reduces the tax burden on families who spend a disproportionate share of income on these services.

(Dollar Amounts in Millions)

Estimates:	Electric:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 271.0	\$ 275.2	\$ 279.4	\$ 282.7	\$ 286.1	\$ 289.6	\$ 293.0
	Fuel Oil/Gas:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 191.1	\$ 180.6	\$ 170.1	\$ 170.5	\$ 172.2	\$ 174.1	\$ 176.4
	Telephone:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 92.2	\$ 94.4	\$ 97.1	\$ 99.8	\$ 102.7	\$ 105.8	\$ 109.4

Beneficiaries: Approximately 4.6 million households (electricity), 3.8 million households (fuel oil/gas), and 4.6 million households (telephone) benefit from this tax expenditure.

WATER

Description: The purchase at retail or use of water or ice is exempt from taxation.

Purpose: Water is a basic necessity of life. Additionally, this provision reduces the regressive nature of the tax and reduces the tax burden on families who spend a disproportionate share of income on this product.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 179.1	\$ 192.5	\$ 206.4	\$ 221.3	\$ 237.5	\$ 255.3	\$ 274.5

Beneficiaries: Approximately 3.6 million households and about 274,300 businesses benefit from this tax expenditure.

General Fund Tax Expenditures

GASOLINE AND MOTOR FUELS

Description: The purchase or use of gasoline and other motor fuels, taxed under the Liquid Fuels and Fuels Tax Act, is exempt from the sales and use tax.

Purpose: Because these items are already subject to fuels taxes, the legislature has provided for their exemption from the sales and use tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 637.2	\$ 712.3	\$ 731.9	\$ 722.9	\$ 707.4	\$ 698.0	\$ 699.4

Beneficiaries: Approximately 4.4 million households and owners of more than 1.5 million heavy trucks, buses, etc., benefit from this tax expenditure.

MOTOR VEHICLES / VESSELS

COMMON CARRIERS

Description: Vehicles purchased by a public utility, engaged in business as a common carrier, to be used in rendering utility services are exempt from taxation. Since the enactment of the Federal Aviation Act, effective January 1, 1995, Pennsylvania has recognized contract carriers as common carriers. Household goods carriers and private carriers remain taxable.

Purpose: Without this exemption, the tax would be built into the rate base of public utility services and, ultimately, passed on to consumers. Therefore, this exemption reduces the overall cost of utility services that are considered to be basic necessities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 300.9	\$ 309.6	\$ 318.6	\$ 327.8	\$ 337.3	\$ 347.1	\$ 357.1

Beneficiaries: Approximately 6,100 common carriers could benefit from this tax expenditure.

COMMERCIAL VESSELS (Construction)

Description: The purchase or use of commercial vessels of fifty tons or larger is exempt from taxation if delivery is taken in Pennsylvania.

Purpose: This exclusion places Pennsylvania shipbuilders at a competitively neutral position relative to shipbuilders in those states allowing this exemption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.6	\$ 3.7	\$ 3.8	\$ 3.9	\$ 4.0	\$ 4.1	\$ 4.2

Beneficiaries: NA

General Fund Tax Expenditures

COMMERCIAL VESSELS (Repair)

Description: Property or services purchased or used in building, rebuilding, repairing and making additions to, or replacements in commercial vessels of fifty tons or more are exempt from taxation.

Purpose: Imposition of the tax at the point of sale would place Pennsylvania ship repair facilities at a competitive disadvantage relative to those states allowing this exemption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.2

Beneficiaries: As many as 10 establishments may benefit from this tax expenditure.

COMMERCIAL VESSELS (Equipment, Maintenance)

Description: The purchase or use of fuel, supplies, equipment, ships or sea stores, and cleaning or maintenance supplies is exempt from taxation. This exemption applies to vessels of fifty tons or more designed for commercial use.

Purpose: Imposition of the tax at the point of sale would place Pennsylvania vendors at a competitive disadvantage relative to those vendors operating in other states that allow this exemption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

MOTOR VEHICLES (Out-of-State Purchasers)

Description: The purchase or use of a motor vehicle by a non-resident, to be used outside Pennsylvania, which is registered in another state within twenty days of delivery is exempt from taxation. Delivery must be taken outside of Pennsylvania.

Purpose: The exemption protects the participation of Pennsylvania car dealers in the out-of-state market while preventing potential abuses of such an exemption by Pennsylvania residents.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

General Fund Tax Expenditures

SCHOOL BUSES

Description: The purchase at retail or use of school buses is exempt from taxation. These buses must be used exclusively for the transportation of children for school purposes. The provision is extended to persons who have contracts with school districts to transport children.

Purpose: The costs of transporting school children are directly borne by school districts and indirectly by state government through subsidy programs. This exemption, while limiting state sales and use tax revenues, also decreases state educational subsidy costs.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 15.3	\$ 15.9	\$ 16.5	\$ 17.2	\$ 17.9	\$ 18.7	\$ 19.5

Beneficiaries: Approximately 900 private contractors and 5,700 schools benefit from this tax expenditure.

PRODUCTION EXPENDITURES

MANUFACTURING EXEMPTION (Manufacture and Processing) _____

Description: By law, "sale at retail" does not include, and therefore exempts, rendering services or the purchase or use of machinery, equipment and parts and supplies including utilities used directly or consumed in the manufacture and processing of personal property or remanufacture of certain motor vehicle parts. This exemption does not apply to motor vehicles, maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate, or obtaining disinfecting or pest control services, or building maintenance and cleaning services.

Purpose: Exemption of manufacturing equipment and supplies prevents the multiple taxation that could occur in the production of a finished good for consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 860.2	\$ 923.9	\$1,001.8	\$1,079.5	\$1,099.3	\$1,114.6	\$1,152.6

Beneficiaries: Approximately 17,000 manufacturers and an unknown number of processors and remanufacturers benefit from this tax expenditure.

MANUFACTURING EXEMPTION (Agriculture) _____

Description: By law, "sale at retail" does not include, and therefore exempts, rendering services or the purchase or use of machinery, equipment and parts and supplies including utilities used directly or consumed in farming, dairying, horticulture, floriculture, or aquaculture. Under Act 45 of 1998, farming includes the propagation and raising of horses to be used exclusively for commercial racing activities. This exemption does not apply to motor vehicles, maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate or obtaining disinfecting or pest control services or building maintenance and cleaning services.

Purpose: Exemption of agricultural equipment and supplies prevents the multiple taxation that could occur in the production of an agricultural commodity for sale and consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 197.3	\$ 206.3	\$ 215.7	\$ 225.5	\$ 235.8	\$ 246.7	\$ 258.1

Beneficiaries: Approximately 59,000 farm operators benefit from this tax expenditure.

General Fund Tax Expenditures

MANUFACTURING EXEMPTION (Public Utility) _____

Description: By law, "sale at retail" does not include, and therefore exempts, rendering services or the purchase or use of machinery, equipment and parts and supplies used directly or consumed in producing, delivering or rendering a public utility service. This exemption does not apply to motor vehicles (except those used as common carriers), maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate, or obtaining disinfecting or pest control services, or building maintenance and cleaning services.

Purpose: Exemption of equipment and supplies used in producing and delivering a public utility service prevents the multiple taxation that could occur in providing the service. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 7,000 public utilities could benefit from this tax expenditure.

MANUFACTURING EXEMPTION (Foundations for Machinery and Equipment) _____

Description: Foundations for machinery and equipment used directly in manufacturing, farming, dairying, agriculture, horticulture, floriculture, aquaculture, processing or producing, and delivering or rendering a public utility service are exempt from taxation. Included for a public utility, are sand, gravel, crushed rock, concrete, or similar material used as bedding or surrounding pipe used directly to render sewer or water service.

Purpose: Exemption of foundations for manufacturing equipment prevents the multiple taxation that could occur in the production of a finished good for consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.5	\$ 1.5	\$ 1.6	\$ 1.7

Beneficiaries: Approximately 82,600 entities benefit from this tax expenditure.

General Fund Tax Expenditures

CONTRACT FARMING

Description: The purchase or use of tangible personal property or services that are directly used in farming, dairying, or agriculture for the production of food are exempt from tax, even if the purchaser is not the entity directly involved in the agricultural activity. This exemption applies to machinery, equipment, parts, supplies, and utilities used in the production of food.

Purpose: Exemption of agricultural equipment and supplies prevents the multiple taxation that could occur in the production of an agricultural food commodity for sale and consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 33.0	\$ 34.6	\$ 36.3	\$ 38.1	\$ 40.0	\$ 41.9	\$ 44.0

Beneficiaries: An unknown number of businesses engaged in contract farming benefit from this tax expenditure.

COMMERCIAL MOTION PICTURES

Description: Tangible personal property used directly in the production of a feature-length commercial motion picture distributed to a national audience is exempt from taxation. This exemption does not apply to nonoperational activities or materials.

Purpose: Exemption of property used directly in producing a commercial motion picture provides an incentive for businesses to operate in Pennsylvania.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.1	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.5	\$ 1.6	\$ 1.7

Beneficiaries: Approximately 10 film companies annually benefit from this tax expenditure.

OTHER

AIRLINE CATERING

Description: Airline purchases of catered food and non-alcoholic beverages served to passengers in connection with the airline service is exempt from tax.

Purpose: This tax exemption lowers the cost of catered food and non-alcoholic beverages purchased by airlines, which may also reduce the cost of airline travel for consumers.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.8	\$ 3.8	\$ 3.9	\$ 3.9	\$ 3.9	\$ 4.0	\$ 4.0

Beneficiaries: Approximately 25 airlines may benefit from this expenditure.

General Fund Tax Expenditures

COIN-OPERATED FOOD AND BEVERAGE VENDING MACHINES

Description: The tax on food and beverages dispensed from coin-operated vending machines is derived from total receipts collected from the machines rather than from the price of individual items sold.

Purpose: This provision eases reporting and administrative burdens on the vendor and reduces audit efforts required by the Department of Revenue.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.0	\$ 2.0	\$ 2.1	\$ 2.1	\$ 2.2	\$ 2.3	\$ 2.3

Beneficiaries: As many as 695 vending machine operators may benefit from this tax expenditure.

HOTEL-PERMANENT RESIDENT

Description: An exemption is provided, under the hotel occupancy tax, for a person occupying or having the right to occupy a room in a hotel, inn, tourist home, lodging house, rooming house, summer camp, apartment hotel, resort lodging, or cabin for 30 consecutive days or more. This exemption does not extend to prepared meals or other taxable items.

Purpose: Residency of this length is felt to approximate permanent dwelling rental, which is non-taxable as a basic necessity of life.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.6

Beneficiaries: Approximately 2,700 persons benefit from this tax expenditure.

General Fund Tax Expenditures

COMMISSION

Description: A licensed vendor is permitted a 1% discount as a credit against the gross amount of tax collected provided that a tax return, with full payment due the department, is postmarked on or before the due date. Nearly all tax returns are due 20 days after the end of a collection period.

Purpose: This provision is intended to defray the vendor's cost of collecting and remitting the sales and use tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 59.0	\$ 61.3	\$ 63.4	\$ 65.7	\$ 67.9	\$ 69.8	\$ 70.8

Beneficiaries: Approximately 214,000 vendors benefit from this tax expenditure.

OUT-OF-STATE CREDIT

Description: A credit is allowed for the purchase of personal property or taxable services for use outside Pennsylvania equal to the sales tax paid in the applicable state. The state must grant substantially similar tax relief as provided by Pennsylvania.

Purpose: Allowing a credit for tax paid in another state prevents double taxation.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

TRADE-IN VALUE

Description: A deduction is allowed against the gross purchase price for the value of personal property actually taken in trade or exchange. The trade-in property does not have to be of like kind to the purchased property. The reduction in purchase price is considered to be the value of the trade-in.

Purpose: Usually, tangible personal property taken as a trade-in is resold. Therefore, it is treated as a sale for resale.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 291.7	\$ 301.6	\$ 310.4	\$ 323.4	\$ 333.2	\$ 345.2	\$ 357.7

Beneficiaries: Approximately 90 purchasers of aircraft, 11,900 purchasers of computers, 11,900 purchasers of boats, and 699,000 purchasers of cars and trucks annually benefit from this tax expenditure.

General Fund Tax Expenditures

ISOLATED SALES

Description: Infrequent personal property sales of a non-recurring nature by persons not in the business of selling such items are exempt from taxation. By regulation, exempt entity sales can occur no more than three times nor more than a total of seven days in a year. These sales may include the sale of a lawn mower to a neighbor, liquidation of an estate, sale of a used typewriter by an insurance company, or yard sale items. Motor vehicles and property that must be registered or licensed are not granted this exemption.

Purpose: The exclusion of isolated sales from taxation greatly reduces compliance and administration burdens for the seller and the Commonwealth.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 82.4	\$ 85.0	\$ 87.8	\$ 91.1	\$ 94.1	\$ 96.9	\$ 99.7

Beneficiaries: NA

TEMPORARY USAGE

Description: Property purchased outside Pennsylvania by a nonresident and temporarily used in Pennsylvania for seven days or less or any length of time by a tourist or vacationer is exempt from taxation. If the property is consumed in the state it becomes taxable.

Purpose: Providing an exemption for temporary usage of taxable property in Pennsylvania does not discourage entry into the state by vacationers, tourists, or others who attend, or are involved in specific short term events or activities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

HORSES

Description: The sale of a horse is exempt from taxation if the seller is directed to deliver the horse to an out-of-state location. A horse may be temporarily delivered to a resident or agent prior to being delivered out-of-state.

Purpose: This exemption provides preferential treatment of horses relative to other tangible personal property by permitting temporary location in Pennsylvania before being delivered out-of-state.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2

Beneficiaries: Approximately 1,900 Standard bred horse purchasers and an unknown number of purchasers of other types of horses benefit from this tax expenditure.

General Fund Tax Expenditures

YOUTH SPORTS PROGRAMS

Description: The purchase of food and beverages from nonprofit associations which support sports programs for participants aged 18 or younger or for persons with a physical or mental handicap regardless of age is exempt from taxation.

Purpose: The exemption of these items encourages such organizations to support programs that provide activities beneficial to young people and the handicapped.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

EXEMPT ORGANIZATIONS

Description: The sale of personal property or services to or for use by any institution of purely public charity as defined by Act 55 of 1997 is exempt from taxation. Act 45 of 1998 extended this exemption to include the purchase or use of certain machinery and equipment used in a construction contract with an exempt entity. The purchase or use may be made by a construction contractor or the exempt entity. Transactions unrelated to the trade or business of such organizations are taxable as are certain materials and supplies purchased for use in connection with real estate.

Purpose: These organizations provide public and charitable services that are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Charitable Organizations:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 236.5	\$ 239.7	\$ 244.8	\$ 248.9	\$ 254.7	\$ 260.1	\$ 265.6
	Volunteer Fireman's Organizations:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 56.1	\$ 56.9	\$ 58.1	\$ 59.1	\$ 60.5	\$ 61.7	\$ 63.0
	Nonprofit Educational Institutions:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 73.0	\$ 74.0	\$ 75.5	\$ 76.8	\$ 78.6	\$ 80.3	\$ 82.0
	Religious Organizations:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 47.7	\$ 48.4	\$ 49.4	\$ 50.2	\$ 51.4	\$ 52.5	\$ 53.6

Beneficiaries: Approximately 33,200 organizations currently benefit from this tax expenditure.

General Fund Tax Expenditures

EXEMPT GOVERNMENTAL UNITS

Description: The sale of tangible personal property or services to or for use by the federal government, the Commonwealth, or its instrumentalities, or political subdivisions is exempt from taxation. Act 45 of 1998 extended this exemption to include the purchase or use of certain machinery or equipment used in a construction contract with a governmental unit. The purchase or use may be by a contractor or governmental unit. Based on the criteria adopted to define tax expenditures, federal transactions are not included in this study. Commonwealth transactions are also excluded because revenues would offset expenditures with no net effect. The estimates, therefore, represent the tax on local government expenditures and construction contractors.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 304.6	\$ 314.4	\$ 329.5	\$ 343.1	\$ 356.3	\$ 369.1	\$ 382.3

Beneficiaries: Approximately 3,100 local governmental units benefit from this tax expenditure.

VETERANS' ORGANIZATIONS

Description: Act 96 of 1998 provides that the sale of tangible personal property or services to or for use by veteran organizations for benevolent, charitable, or patriotic purposes is exempt from taxation. Certain machinery and equipment, purchased for or used in construction contracts with veteran organizations, is also exempt, whether purchased or used by a contractor or the veteran organization. Purchases of alcoholic beverages remain taxable.

Purpose: These organizations provide patriotic and charitable services. This exemption permits these services to be rendered at reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.5

Beneficiaries: Approximately 1,500 organizations benefit from this tax expenditure.

SUBSTITUTED TAX BASE

Description: The tax on tangible personal property purchased at least six months prior to the first taxable use in Pennsylvania may be based on the prevailing market price at the time of the taxable use. This substituted base would be in lieu of taxing the original purchase price.

Purpose: This alternative tax base permits taxpayers to pay tax relative to the current market value of such assets that most closely approximates current taxable value.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

General Fund Tax Expenditures

OUT-OF-STATE PURCHASES

Description: Tangible personal property purchased and used outside the state by a nonresident who later brings the property into Pennsylvania while establishing a permanent residence or business is exempt from taxation. This property must be purchased more than six months prior to the first taxable use in Pennsylvania.

Purpose: This provision eases administrative costs for the Commonwealth and compliance costs for the taxpayer and prevents a substantial tax liability from being imposed when a person moves to Pennsylvania.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

RAIL TRANSPORTATION EQUIPMENT

Description: The purchase or use of rail transportation equipment by a business, other than a utility, in the movement of its own personal property is exempt from taxation.

Purpose: Exemption of rail equipment provides preferential treatment benefiting specific users of this transportation mode. Were these items not exempt, this additional cost may be passed through to the ultimate consumer.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

FISH FEED

Description: The purchase or use of fish feed by sportsmen's clubs, fish cooperatives, or nurseries approved by the Pennsylvania Fish Commission is exempt from taxation.

Purpose: The exemption provides special treatment benefiting organizations that raise fish intended for human consumption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: The 176 cooperative nurseries and an unknown number of other entities benefit from this tax expenditure.

General Fund Tax Expenditures

TOURIST PROMOTION AGENCIES

Description: The purchase or use of supplies and materials by tourist promotion agencies for distribution to the public is exempt from taxation. To be permitted this exemption, an agency must receive grants from the state.

Purpose: Excluding supplies and materials used by tourist promotion agencies that receive state grants reduces the cost of performing promotional activities. The need for direct support to these agencies is decreased by providing this exemption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.8

Beneficiaries: All 45 tourist promotion agencies benefit from this tax expenditure.

TROUT

Description: The purchase or use of brook trout, brown trout, or rainbow trout is exempt from taxation.

Purpose: Special treatment is conferred to those involved in the raising or sale of trout intended for human consumption.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: Approximately 40 entities benefit from this tax expenditure.

CONSTRUCTION OF MEMORIALS

Description: The purchase or use of materials used in the construction or erection of objects commemorating or memorializing historical events is exempt from taxation. These objects must be purchased by not-for-profit organizations and erected on publicly owned property.

Purpose: This exemption has been provided because these memorials are presumably erected for public benefit and gratification.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

Beneficiaries: NA

General Fund Tax Expenditures

STORAGE

Description: Charges for storage, other than for self-storage, of tangible personal property are exempt from taxation.

Purpose: Commercial storage services may be considered an integral part of the production and distribution of tangible personal property.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 32.9	\$ 34.6	\$ 36.3	\$ 38.1	\$ 40.0	\$ 42.0	\$ 44.1

Beneficiaries: NA

PUBLIC TRANSPORTATION (Local)

Description: Expenditures for public transportation fares are not taxable.

Purpose: State and local governments are the primary financial contributors to public transportation systems. Taxing these services would be contrary to the public policy of supporting public transportation.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 153.0	\$ 158.4	\$ 163.1	\$ 167.5	\$ 172.2	\$ 177.2	\$ 183.0

Beneficiaries: Approximately 5.3 million people benefit from this tax expenditure.

STAIR LIFT DEVICES

Description: The purchase or use of property or services used in installing or repairing stair lift devices is exempt from taxation when the device is installed or used in the residence of a physically disabled person requiring the device to ascend or descend stairs. The physical disability must be certified by a physician.

Purpose: Stair lift devices could be considered essential for people with a physical disability that prevents them from ascending or descending stairs. This exemption reduces the regressive nature of the tax and eases the tax burden on people requiring the devices.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6

Beneficiaries: Approximately 1,018,000 disabled persons could benefit from this tax expenditure.

General Fund Tax Expenditures

BAD DEBTS

Description: Sales tax vendors may apply for a refund equal to one hundred percent of bad debts associated with sales tax paid to the state for sales written off by the vendor and deducted for federal income tax purposes because the vendor did not receive full payment from the purchaser. No refund is granted for interest, finance charges, or expenses incurred in attempting to collect receivables. This expenditure is based on actual refund amounts approved by the Department.

Purpose: The bad debt refund provision lessens the economic impact experienced by vendors when they extend credit to customers for taxable purchases and subsequently incur uncollectible accounts receivable (bad debts).

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.8	\$ 3.9	\$ 4.0	\$ 4.2	\$ 4.3	\$ 4.5	\$ 4.6

Beneficiaries: Any of the 250,000 licensed vendors could benefit from this tax expenditure, if they extend credit or accept checks for payment.

UNIFORM COMMERCIAL CODE FILING FEES

Description: Separately stated Uniform Commercial Code (UCC) filing fees, copy requests, and certification fees paid to a state or local agency are exempt from tax.

Purpose: UCC filing legally identifies the lien holder for personal property collateral. These fees may be perceived as incidental to the purchase or use of the tangible personal property and as such, are exempt from tax.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.6	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7

Beneficiaries: As many as 79,500 entities benefit from this tax expenditure annually.

CALL CENTER CREDIT

Description: A tax credit is available to call centers for the sales and use tax paid on incoming and outgoing interstate telecommunications. The credit is equal to the gross receipts tax paid by a telephone company on the receipts derived from the incoming and outgoing interstate telecommunications. An eligible call center must be located in Pennsylvania, employ 150 or more employees who initiate or answer telephone calls using at least 200 phone lines, and utilize an automated call distribution system. The total amount of credits awarded is limited to \$30 million per year. The tax credit is available for sales and use tax paid beginning January 1, 2004.

Purpose: This exemption retains jobs by providing an incentive for call centers to maintain and expand operations in Pennsylvania.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ --	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0

Beneficiaries: Call centers located in Pennsylvania will benefit from this tax credit.

General Fund Tax Expenditures

SERVICES

Description: Expenditures for services are not taxable under the sales and use tax except when specifically taxed by law.

Purpose: Because the primary basis for the sales and use tax is tangible personal property, the majority of services are not taxed unless they are related to taxable property. Legislation adopted in 1991 imposed the tax on charges for selected business services. Act 7 of 1997 removed computer services from the list of taxable services.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
LODGING							
Trailer parks and camps.....	\$ 13.2	\$ 14.4	\$ 15.7	\$ 17.1	\$ 18.6	\$ 20.3	\$ 22.1
PERSONAL SERVICES							
Cleaning, storage & repair of clothing & shoes ⁽¹⁾	\$ 13.3	\$ 13.9	\$ 14.6	\$ 15.3	\$ 16.0	\$ 16.8	\$ 17.6
Dry-cleaning ⁽¹⁾	12.0	12.5	13.0	13.5	14.0	14.6	15.2
Barber and beauty shops.....	48.3	50.5	52.8	55.2	55.7	60.4	63.2
Funeral parlors and crematories	26.5	27.1	27.7	28.3	28.9	29.5	30.1
All other personal services.....	6.6	7.2	7.8	8.5	9.2	10.0	10.8
BUSINESS SERVICES							
Advertising (local).....	\$ 368.7	\$ 384.8	\$ 401.8	\$ 419.4	\$ 438.0	\$ 457.5	\$ 477.9
Interior office building services.....	53.7	59.0	64.8	71.2	78.2	85.9	94.4
Management, consulting & public relations	522.2	570.2	622.7	680.0	742.6	810.9	885.5
Research.....	163.7	186.4	212.2	241.6	275.1	313.2	356.6
Detective agencies.....	69.3	74.6	80.3	86.5	93.2	100.4	108.1
COMPUTER SERVICES							
Computer and data processing	\$ 296.1	\$ 325.5	\$ 354.4	\$ 381.2	\$ 403.2	\$ 422.3	\$ 444.6
AUTOMOTIVE SERVICES							
Automobile parking	\$ 33.9	\$ 36.6	\$ 39.5	\$ 42.5	\$ 45.8	\$ 49.4	\$ 53.3
RECREATION SERVICES							
Commercial sports admissions	\$ 48.2	\$ 51.9	\$ 55.9	\$ 60.2	\$ 64.9	\$ 69.9	\$ 75.3
Entertainers.....	7.7	8.1	8.6	9.1	9.6	10.1	10.7
Memberships.....	50.0	52.8	55.7	58.8	62.1	65.5	69.1
Other admissions	56.4	59.4	62.5	65.8	69.3	72.9	76.7
HEALTH SERVICES							
Health, except hospitals, physicians and dentists.....	\$ 927.6	\$ 986.4	\$ 1,048.9	\$ 1,115.4	\$ 1,186.1	\$ 1,261.3	\$ 1,341.2
Hospitals	1,316.3	1,404.2	1,409.8	1,580.8	1,684.2	1,802.6	1,929.3
Physician office services.....	678.9	722.5	768.9	818.2	870.7	926.6	986.0
Dental office services.....	199.3	214.9	231.8	250.0	269.6	290.8	313.6
PROFESSIONAL SERVICES							
Legal	\$ 499.2	\$ 534.3	\$ 571.9	\$ 612.1	\$ 655.1	\$ 701.2	\$ 750.5
Engineering.....	531.2	578.1	629.1	684.6	745.0	810.7	882.2
Surveying, architectural.....	106.5	115.7	125.7	136.6	148.4	161.3	175.3
Accounting, auditing and bookkeeping services.....	117.7	189.5	202.0	215.4	229.7	244.9	261.1
Specialized design	31.4	33.4	35.5	37.7	40.1	42.6	45.3
MISCELLANEOUS SERVICES							
Basic television ⁽¹⁾	\$ 97.1	\$ 104.1	\$ 110.6	\$ 118.1	\$ 126.4	\$ 133.3	\$ 140.5
Educational services	473.5	507.4	539.0	575.5	616.1	649.8	684.9
Electrical, plumbing, heating & air conditioning service fees.....	NA	NA	NA	NA	NA	NA	NA
Veterinary fees	39.9	42.8	45.5	48.6	52.0	54.8	57.8
Stockbroker fees	NA	NA	NA	NA	NA	NA	NA
Real estate agent fees	NA	NA	NA	NA	NA	NA	NA
Financial institution fees.....	368.1	395.0	420.9	451.1	483.9	511.1	540.5
Pilots fees.....	NA	NA	NA	NA	NA	NA	NA
Other	169.1	182.6	197.2	213.0	230.1	248.5	268.4

⁽¹⁾ These services are specifically exempt by statute.

Beneficiaries: Virtually all 4.8 million households benefit from one or more of these service tax expenditures.

General Fund Tax Expenditures

CIGARETTE TAX

Authorization: Article XII of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The cigarette tax is an excise tax, based on a rate of 6.75 cents per cigarette, levied on the sale or possession of cigarettes in Pennsylvania. Prior to January 7, 2004 the tax rate was 5.0 cents per cigarette. Only one sale of cigarettes, whether individual cigarettes, packages, cartons, or cases, is taxable. Beginning in fiscal year 2002-03, fixed annual amounts of \$30.73 million and \$20.485 million of Cigarette Tax receipts are transferred to the Children's Health Insurance Program (CHIP) and the Agricultural Conservation Easement Purchase (ACEP) Fund, respectively. Transfers of Cigarette Tax receipts to CHIP began in fiscal year 1992-93 at the rate of two thirty-firsts of receipts. After January 1, 1997, the transfer amount was increased to three thirty-firsts of receipts. Transfers of Cigarette Tax receipts to the ACEP fund began in fiscal year 1993-94 at the rate of two thirty-firsts of receipts. Beginning January 7, 2004, 18.52 percent of Cigarette Tax receipts are transferred to the Health Care Provider Retention Account (HCPRA). The analyses below reflect only the General Fund portion of the tax expenditures.

Administrative Costs: Costs to administer the cigarette tax expenditures are nominal.

STATE VETERANS HOMES

Description: Sales to retail dealers located in state veterans homes for resale to residents in such homes are exempt. Federal veterans hospitals are exempt under federal law.

Purpose: It is perceived to be good public policy to reduce taxes for veterans who have served their country and are now residing in a veteran's home or hospital.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: Residents in four state veterans homes benefit from this tax expenditure.

UNSTAMPED CIGARETTES (200 AND UNDER)

Description: Vacationers or tourists crossing state lines with one carton or less of unstamped cigarettes are not required to pay tax on those cigarettes. The carton (200 cigarettes) cannot be resold and must be for personal use only.

Purpose: Persons crossing state lines with one carton or less of cigarettes are presumed to possess such cigarettes for personal use rather than intentionally avoiding payment of the cigarette tax. This expenditure helps to relieve administration and enforcement burdens as well as promote tourism.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

General Fund Tax Expenditures

COMMISSIONS ON SALES OF STAMPS

Description: Cigarette stamping agents are permitted a commission of 0.98 percent of the value of all cigarette tax stamps purchased from the Department of Revenue or its authorized agents to be affixed to cigarettes for sale within the Commonwealth. Prior to January 7, 2004, the commission was equal to 1.25 percent. The commission does not apply to purchases of stamps by a cigarette-stamping agent in amounts of less than one hundred dollars (\$100).

Purpose: This commission is paid to the cigarette-stamping agent as compensation for services and expenses incurred while acting as an agent of the Commonwealth in affixing tax stamps.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 11.1	\$ 10.6	\$ 10.4	\$ 10.2	\$ 10.0	\$ 9.9	\$ 9.7

Beneficiaries: Approximately 124 cigarette stamping agents may benefit from this tax expenditure.

MALT BEVERAGE TAX

Authorization: Article XX of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The malt beverage tax is levied on malt and brewed beverages manufactured, sold and used in Pennsylvania, or manufactured outside of Pennsylvania but sold for importation and use in Pennsylvania. The tax is borne by the consumer, but manufacturers, distributors and importers remit the tax to the Commonwealth.

Administrative Costs: Costs to administer the malt beverage tax expenditures are nominal.

EMERGENCY TAX CREDIT

Description: The emergency tax credit provides manufacturers of malt or brewed beverages, whose annual production of malt or brewed beverages does not exceed 1,500,000 barrels, a maximum annual credit of \$200,000 for capital improvement expenditures. Prior to January 1, 2004, the tax credit was limited to manufacturers whose annual production of malt or brewed beverages did not exceed 300,000 barrels. This tax credit cannot exceed the amount of qualifying capital expenditures made during the emergency tax credit period (items of plant, equipment, and machinery intended for use in the manufacture and sale of malt or brewed beverages within the Commonwealth). Under current law, the effective tax credit period expires after December 31, 2008. This tax credit may only be used during the emergency tax credit period.

Purpose: This credit grants a limited tax subsidy for capital improvements made by small brewers. This provision could help lower the risk of business failure and subsequent loss of employment opportunities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.3	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	--

Beneficiaries: Approximately 20 manufacturers of malt or brewed beverages may benefit from this tax expenditure.

General Fund Tax Expenditures

LIQUOR TAX

Enabling legislation is the Liquor Code, Act of June 29, 1987 (P.L. 32, No. 14) and the Emergency Liquor Sales Tax Act, Act of June 9, 1936 (Special Session, P.L. 13). The liquor tax is imposed on all liquor sold by the Pennsylvania Liquor Control Board. The tax is assessed, since 1968, at the rate of 18 percent of the net price paid by the consumer.

The liquor tax contains no tax expenditures as defined for this tax expenditure analysis.

PERSONAL INCOME TAX

Authorization: Article III of the Tax Reform Code of 1971 (P.L. 6 No. 2), as amended.

The personal income tax is levied against the taxable income of resident and nonresident individuals, estates and trusts, partnerships, S corporations, business trusts, and limited liability companies that are not taxed as corporations for federal purposes. Pennsylvania taxes eight classes of income: (1) compensation; (2) net profits from the operation of a business, profession, or farm; (3) net gains on income less net losses from dispositions of property; (4) net gains on income from rents, royalties, patents, and copyrights; (5) dividends; (6) interest; (7) gambling and lottery winnings; and (8) net gains on income derived through estates or trusts.

Administrative Costs: Costs to administer various tax expenditures associated with the personal income tax cannot be separately identified. The existence of tax expenditures may result in taxpayer uncertainties, which creates an administrative burden on the department relative to additional compliance audits, letter rulings, pronouncements and bulletins.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.2	\$ 3.3	\$ 3.4	\$ 3.5	\$ 3.6	\$ 3.7	\$ 3.8

EXCLUSIONS FROM INCOME

RETIREMENT INCOME

Description: Payments commonly recognized as old age or retirement benefits paid to persons retired from service after reaching a specific age or after a stated period of service are exempt from taxation.

Purpose: The exemption limits the impact of the tax on retired persons. It also prevents taxation of previously taxed employee contributions to retirement plans.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$1,778.4	\$1,989.4	\$2,130.9	\$2,282.5	\$2,444.9	\$2,618.9	\$2,805.2

Beneficiaries: As many as 2.0 million retired residents and their survivors benefit from this tax expenditure.

General Fund Tax Expenditures

RETIREMENT CONTRIBUTIONS BY EMPLOYERS

Description: Payments made by employers for programs covering employee retirement and employer social security contributions are exempt from taxation.

Purpose: This provision lessens the burden of the tax on Pennsylvania wage earners and maintains fairness, since the employee often does not have the right to possess the funds in the retirement plan except upon retirement or separation from the company after a set number of years of service.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 554.4	\$ 604.0	\$ 631.4	\$ 660.2	\$ 689.7	\$ 720.0	\$ 751.5

Beneficiaries: As many as 5.7 million employees benefit from this tax expenditure.

EMPLOYEE BENEFIT PROGRAM EMPLOYER CONTRIBUTIONS

Description: Payments made by employers or labor unions for programs covering hospitalization, sickness, disability, or death, supplemental unemployment benefits, group life insurance, and strike benefits are exempt from taxation. Effective January 1, 1998, this expenditure also includes personal use of employer provided property and services.

Purpose: This provision lessens the burden of the tax upon Pennsylvania wage earners, along with maintaining fairness, since these payments are not usually based on actual use by each wage earner.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 634.6	\$ 691.4	\$ 722.8	\$ 755.7	\$ 789.6	\$ 824.2	\$ 860.2

Beneficiaries: As many as 5.7 million employees benefit from this tax expenditure.

CAFETERIA PLANS

Description: Payments made by employers, on behalf of employees, into a qualifying cafeteria plan are exempt from taxation if the program does not discriminate in favor of highly compensated individuals. This exemption parallels the limited exemption treatment of employee benefit programs covering hospitalization, sickness, disability, or death, supplemental unemployment benefits, or strike benefits. Effective January 1, 1998, this expenditure also includes payments made on behalf of employees for personal use of employer provided property and services.

Purpose: This provision lessens the burden of the tax upon Pennsylvania wage earners, along with maintaining fairness, since these payments are not usually based on actual use by each wage earner.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 56.1	\$ 61.1	\$ 63.8	\$ 66.7	\$ 69.7	\$ 72.8	\$ 76.0

Beneficiaries: NA

General Fund Tax Expenditures

LIFE INSURANCE PROCEEDS

Description: Amounts paid to beneficiaries or the estate of a decedent due to the death of the decedent are exempt from tax.

Purpose: Life insurance proceeds are not considered compensation for services rendered. Also, premiums are often paid with after-tax dollars.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 72.2	\$ 79.5	\$ 83.6	\$ 88.0	\$ 92.5	\$ 97.4	\$ 102.4

Beneficiaries: The death payment beneficiaries of approximately 190,100 life insurance policies benefit from this tax expenditure.

SICKNESS OR DISABILITY PROCEEDS

Description: Payments, other than regular wages or salary, received for periods of sickness or disability are excluded from compensation.

Purpose: These payments are excluded because they do not take the place of an employee's regular wages or salary. However, sick pay in the form of regular wages or salary is taxable.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

UNEMPLOYMENT AND SUPPLEMENTAL UNEMPLOYMENT COMPENSATION

Description: Amounts received as unemployment compensation or supplemental unemployment compensation are excluded from taxable income.

Purpose: This exemption assists unemployed persons in providing the basic necessities of life.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 95.3	\$ 82.1	\$ 81.5	\$ 84.0	\$ 86.5	\$ 89.1	\$ 91.8

Beneficiaries: Approximately 775,000 people benefit from this tax expenditure.

General Fund Tax Expenditures

WORKER'S COMPENSATION

Description: Disability, retirement, or other payments arising under workmen's compensation acts, occupational disease acts, and similar legislation are exempt from taxation.

Purpose: These benefits are not related to services rendered and are intended to provide income or subsistence during periods of disability when the taxpayer was injured on the job and also to pay workers' medical bills for injuries sustained on the job. These benefits more closely resemble insurance payments, which are not taxable.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 73.4	\$ 77.3	\$ 77.7	\$ 78.2	\$ 78.7	\$ 79.2	\$ 79.7

Beneficiaries: As many as 95,200 residents benefit from this tax expenditure.

STRIKE BENEFITS

Description: Amounts designated as strike benefits are exempt from tax.

Purpose: These benefits are not considered compensation for services rendered and are thus excluded from tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

PUBLIC ASSISTANCE

Description: Public assistance payments from governmental entities are excluded from taxable income.

Purpose: This provision limits the impact of the tax on the poor and increases the effectiveness of state payments under this program.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 13.7	\$ 14.5	\$ 14.6	\$ 14.7	\$ 14.8	\$ 14.8	\$ 14.8

Beneficiaries: Approximately 274,300 people benefit from this tax expenditure.

General Fund Tax Expenditures

SALE OF A PRINCIPAL RESIDENCE

Description: Beginning January 1, 1998, the gain from a sale of principal residence is excludable from income. Prior to January 1, 1998, this expenditure was a once in a lifetime exclusion of up to \$100,000 for those 55 and over.

Purpose: A principal residence is typically sold to meet the changing needs of the taxpayer and not in an effort to recognize a capital gain.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 85.6	\$ 90.7	\$ 96.4	\$ 98.6	\$ 101.0	\$ 103.4	\$ 105.9

Beneficiaries: The owners of approximately 178,500 principal residences that are sold each year in Pennsylvania benefit from this tax expenditure.

COMPENSATION FOR MILITARY SERVICE

Description: Compensation for military service by a Pennsylvania resident in a combat zone is excludable from tax. Income received for military service outside the Commonwealth (whether or not it is in a combat zone) while on active duty as a member of the armed forces is excludable from compensation.

Purpose: This provision reduces tax on members of the armed forces while on active duty in service of the country.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 75.0	\$ 83.7	\$ 89.3	\$ 94.2	\$ 99.4	\$ 105.0	\$ 111.3

Beneficiaries: Approximately 61,200 residents benefit from this tax expenditure.

SCHOLARSHIPS, GRANTS, FELLOWSHIPS, AND STIPENDS

Description: Scholarships, grants, fellowships, and stipends awarded on the basis of need or academic achievement for the purpose of encouraging or allowing the recipient to further his educational development are not taxable. Fellowships and stipends are taxable if they are awarded as compensation for past, present, or future services.

Purpose: Awards made on the basis of detached generosity are considered to be gifts and are not taxable as income.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 55.2	\$ 62.3	\$ 67.1	\$ 72.4	\$ 78.1	\$ 84.2	\$ 90.8

Beneficiaries: The recipients of approximately 150,000 state grants and scholarships, 154,000 federal grants and scholarships, and an unknown number of private scholarships, grants, fellowships, and stipends, benefit from this tax expenditure.

General Fund Tax Expenditures

REIMBURSEMENTS FOR ACTUAL EXPENSES

Description: Payments by an employer to an employee to reimburse actual expenses incurred by the employee in the conduct of the employer's business are excludable from compensation.

Purpose: This provision insures that employees incurring business expenses, for which they are later reimbursed in the actual amount of the expenses, are not taxed on the reimbursements. Such expenses and reimbursements are treated as if the employer had made the expenditure directly.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

UNREIMBURSED EXPENSES

Description: Unreimbursed expenditures made by employees are excludable from compensation if they are: necessary to enable the taxpayer to properly perform the duties of employment, reasonable in amount, directly related to the taxpayer's occupation, and customary in the taxpayer's occupation.

Purpose: This provision enhances the fairness of the tax for those employees who incur expenses for the benefit of the employer, in order to properly perform a job, or to retain a rate of compensation.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 70.4	\$ 76.2	\$ 78.9	\$ 81.6	\$ 84.5	\$ 87.4	\$ 90.5

Beneficiaries: Individuals filing approximately 1.2 million returns benefit from this tax expenditure.

BUSINESS INCOME DEDUCTIONS

Description: Ordinary and reasonable expenses necessary to operate a business or profession may be deducted from the gross receipts of that business or profession. This expenditure does not measure the cost of sales and operations or wages and salaries deductions.

Purpose: Businesses and professions are taxed on "net" profits; therefore, expenses necessary to produce the income may be deducted before tax is computed.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<i>Depreciation:</i>						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 75.1	\$ 84.5	\$ 89.2	\$ 93.4	\$ 99.1	\$ 104.7	\$ 108.9

	<i>Other:</i>						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 936.6	\$ 1,053.1	\$ 1,112.6	\$ 1,164.5	\$ 1,235.3	\$ 1,305.0	\$ 1,358.1

Beneficiaries: Approximately 1.2 million businesses and professions benefit from this tax expenditure.

General Fund Tax Expenditures

FOSTER CARE

Description: Payments received by foster parents are explicitly excluded from the definition of compensation.

Purpose: This exemption provides an incentive for families to bear the burden of caring for foster children.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 6.0	\$ 6.5	\$ 6.8	\$ 7.1	\$ 7.4	\$ 7.7	\$ 8.1

Beneficiaries: The foster parents of approximately 21,400 children benefit from this tax expenditure.

MEDICAL SAVINGS ACCOUNTS

Description: Annual contributions made to medical savings accounts via an account administrator and the interest earned on these accounts are not taxable. The account must be combined with a health insurance policy with an annual deductible of \$1,500 to \$2,500 for an individual and \$3,000 to \$4,500 for a family. Tax-deductible annual contributions must not exceed 65 percent of the insurance policy's deductible for individual coverage and 75 percent for family coverage. Act 179 of 1996 established this expenditure based on a four-year federal pilot program effective January 1, 1997. Participants in the program may continue to contribute after the federal pilot program's expiration date. In addition, new participants may be permitted on a limited basis.

Purpose: This exemption reduces the cost and could improve the quality and availability of health care to Pennsylvanians.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4

Beneficiaries: Individuals filing approximately 10,400 returns benefit from this tax expenditure.

TUITION PREPAYMENT PROGRAM

Description: The tax expenditure is based on the difference between the amount paid into the program and the value of credits redeemed or payments from the program. The value of credits redeemed from a tuition prepayment program is exempt from taxation.

Purpose: This provision lessens the burden of tax on families saving for college education.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

General Fund Tax Expenditures

EXEMPTION FOR ELECTION OFFICIALS

Description: Compensation and other payments received by county election officials are exempt from taxation.

Purpose: This exemption provides an incentive to serve as a county election official.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5

Beneficiaries: As many as 104,400 election officials benefit from this tax expenditure.

PENNSYLVANIA LOTTERY WINNINGS

Description: Prizes of the Pennsylvania Lottery are exempt from the state personal income tax. Prior to fiscal year 1999-00, an amount equal to total Lottery prizes paid multiplied by the current PIT rate was transferred from the Lottery Fund to the General Fund. Since the General Fund was reimbursed for the exemption of Lottery prizes, this transfer was considered a Lottery expenditure. Act 4 of 1999 eliminated the transfer, creating an actual General Fund expenditure. Since Pennsylvania Lottery winnings paid (if they were reported on a taxpayer return) could be offset by lottery and other gambling losses on a taxpayer's return, an estimate of this expenditure is not available.

Purpose: This provision provides an additional benefit to individuals winning lottery prizes.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

CREDITS

SPECIAL POVERTY PROVISIONS (TAX FORGIVENESS)

Description: Special tax forgiveness provisions allow eligible claimants to reduce their tax liability depending on the amount of their eligibility income. For tax year 2004, a taxpayer with no dependents and with eligibility income of \$8,750 or less will qualify for some amount of forgiveness. A married couple with no dependents and with eligibility income of \$15,250 or less will also qualify for some amount of forgiveness. The eligibility income limits increase by \$9,500 for each dependent.

Purpose: This provision provides tax relief for taxpayers with low incomes.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 276.4	\$ 307.8	\$ 298.7	\$ 289.9	\$ 281.3	\$ 272.9	\$ 264.8

Beneficiaries: Individuals filing approximately 1.3 million returns benefit from this tax expenditure.

General Fund Tax Expenditures

OUT-OF-STATE CREDIT

Description: Pennsylvania residents who have income which is subject to both Pennsylvania personal income tax and the income or wage tax of another state (excluding compensation earned in states with reciprocal agreements) or country may claim the lesser of the actual tax paid to the other state or country or the tax calculated using PA taxable income earned in the other state or country multiplied by the current PA tax rate as a credit against the personal income tax.

Purpose: This provision prevents the double taxation of income earned by a Pennsylvania resident in another state or country.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 146.8	\$ 163.2	\$ 172.9	\$ 182.1	\$ 191.9	\$ 202.9	\$ 213.9

Beneficiaries: Individuals filing approximately 115,100 returns benefit from this tax expenditure.

ESTIMATED TAXES

ESTIMATED TAXES FOR FARMERS

Description: Individuals having an estimated gross income from farming which is at least two-thirds of their total gross income may file an estimated tax declaration any time on or before January 15 of the succeeding year. If such an individual files a final return and pays the entire tax due by March 1, the return may be considered the declaration due on or before January 15. The estimates measure the interest lost due to delayed estimated payments.

Purpose: This provision provides assistance to farmers by allowing more liberal estimated payment rules, enhancing the farmers' cash flow.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: Farmers operating approximately 59,000 farms benefit from this tax expenditure.

ESTIMATED PAYMENTS FOR SMALL AMOUNTS

Description: Individuals with taxable income of \$8,000 or less not subject to withholding are not required to pay estimated taxes. The threshold was changed from \$2,500 effective January 1, 2000.

Purpose: These provisions reduce paperwork for the Department of Revenue and taxpayers with small amounts of income not subject to withholding.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0

Beneficiaries: Approximately 1.6 million Pennsylvania residents benefit from this tax expenditure.

General Fund Tax Expenditures

REALTY TRANSFER TAX

Authorization: Article XI-C of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The realty transfer tax is a documentary stamp tax on the value of any interest in real estate transferred by deed. The tax rate is 1 percent of the value of the real estate transferred. Each party to a document is jointly and severally liable for the tax imposed, unless the party is an excluded party or the document evidences an excludable transaction. The excluded status of a party does not relieve the other parties to a transaction from the entire tax due. The amounts below represent the General Fund portion of the realty transfer tax expenditures only and do not include expenditures for the portion transferred to the Keystone Recreation, Park and Conservation Fund pursuant to Act 50 of 1993, as amended by Act 89 of 2002. Prior to Act 89 of 2002, 15 percent of the state levied realty transfer tax was transferred to the Keystone Recreation Park and Conservation Fund. Act 89 of 2002 lowered the transfer to 10 percent for January 2002 through June 2002 and to 7.5 percent for July 2002 through June 2003. For July 2003 and thereafter the transfer rate returns to 15 percent.

Administrative Costs: Costs to administer the realty transfer tax expenditures are approximately \$0.3 million annually.

TRANSFERS TO GOVERNMENTAL UNITS

Description: A transfer to the Commonwealth, the federal government, or their agencies, political subdivisions, or instrumentalities by gift, dedication, condemnation, or in lieu of condemnation is exempt from taxation.

Purpose: This exemption provides tax relief to the grantor of property to a governmental entity. Without an exemption, the grantor would be required to pay the tax. The exemption may encourage donation of property to a governmental entity.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.0	\$ 2.9	\$ 3.1	\$ 3.3	\$ 3.5	\$ 3.6	\$ 3.7

Beneficiaries: Approximately 3,100 local governmental units could benefit from this tax expenditure.

PARTITION OF REALTY BY CO-TENANTS

Description: A partition of realty, passed by testate or intestate succession and held by co-tenants, into two or more distinctive portions with each party taking shares equal to their undivided interest is an excluded transaction.

Purpose: Tax relief is given to the heirs to assist in the equitable settlement of the estate. Heirs to realty do not always want joint ownership in the realty willed to them as co-tenants. This exemption enables the parties to partition the realty into two or more distinct portions with each party taking shares equal to their undivided interest without incurring tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: NA

General Fund Tax Expenditures

TRANSFERS AMONG FAMILY MEMBERS

Description: Transfers between husband and wife, parent and child or the spouse of such child, siblings and/or the spouse of a sibling, and a grandparent and grandchild, or the spouse of such a grandchild are exempt from taxation.

Purpose: This exemption reduces the tax burden on families by exempting transfers to family members.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 61.6	\$ 59.8	\$ 63.3	\$ 67.9	\$ 71.3	\$ 73.8	\$ 76.5

Beneficiaries: NA

TRANSFERS TO SHAREHOLDERS OR PARTNERS

Description: A transfer from a corporation or association to its shareholder or member, where the grantee owns stock or holds an interest in the same proportion as his interest in the real estate being conveyed is an excluded transaction. The stock or interest must be held by the grantee for more than two years.

Purpose: This exemption recognizes that the grantee has an ownership interest in the realty conveyed to him in the same proportion as stock owned in the corporation or interest in the association.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.3	\$ 1.4	\$ 1.5	\$ 1.6	\$ 1.6	\$ 1.7

Beneficiaries: NA

TRANSFERS TO OR FROM A NONPROFIT INDUSTRIAL DEVELOPMENT AGENCY

Description: A transfer to a nonprofit industrial development agency or authority is an excluded transaction. A transfer from a nonprofit industrial development agency or authority to a grantee purchasing directly from it is an excluded transaction if (1) the grantee uses such real estate for the primary purpose of manufacturing, fabricating, compounding, processing, publishing, research and development, transportation, energy conversion, energy production, pollution control, warehousing, or agriculture and (2) the authority has full ownership interest in the real estate transferred.

Purpose: These exemptions encourage transfers of realty to nonprofit organizations for industrial development and from nonprofit organizations for use in various activities that may contribute to economic development in the Commonwealth.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 2.9	\$ 2.8	\$ 3.0	\$ 3.2	\$ 3.4	\$ 3.5	\$ 3.6

Beneficiaries: NA

General Fund Tax Expenditures

TRANSFERS BETWEEN RELIGIOUS ORGANIZATIONS

Description: A transfer between religious organizations or persons holding title for a religious organization, with both parties possessing tax-exempt status under the Internal Revenue Code, is an excluded transaction. The real estate cannot have been used by such transferor for commercial purposes.

Purpose: This exemption provides tax relief to religious organizations that are perceived to provide social benefits.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.3	\$ 1.4

Beneficiaries: Approximately 18,900 religious organizations could benefit from this tax expenditure.

TRANSFERS TO A CONSERVANCY

Description: A transfer to or from a conservancy that possesses a tax-exempt status pursuant to the Internal Revenue Code and which has as its primary purpose preservation of land for historic, recreational, scenic, agricultural, or open space opportunities is an excluded transaction.

Purpose: This exemption encourages the preservation of realty with historic, recreational, scenic, or agricultural value.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: Approximately 80 land conservancies could benefit from this tax expenditure.

REAL ESTATE DEVOTED TO AGRICULTURE

Description: A transfer of real estate devoted to the business of agriculture to a family farm corporation or family farm partnership by a member of the same family is an excluded transaction. The family must own at least 75 percent of each class of stock in a family farm corporation. The family farm may also lease the farmland as long as it is used for farming.

Purpose: This exemption provides tax relief for the establishment or expansion of the family farm corporation or family farm partnership thereby recognizing the importance of the family-owned farm.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 4,450 family farm corporations or partnerships could benefit from this tax expenditure.

General Fund Tax Expenditures

OWNERSHIP INTEREST IN REAL ESTATE COMPANY OR FAMILY FARM _____

Description: A transfer between members of the same family of an ownership interest in a real estate company, family farm corporation, or family farm partnership is an excluded transaction.

Purpose: A transfer of ownership interest between members of the same family is not considered a change in ownership of the business. This exemption encourages the preservation of family farm corporations, family farm partnerships, and family-owned real estate businesses by allowing transfers of ownership interests between members of the same family not to count toward the corporation becoming an acquired company.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 4,450 family farm corporations or partnerships and an unknown number of real estate companies could benefit from this tax expenditure.

TRANSFERS OF REALTY VALUED AT \$100 OR LESS _____

Description: A transaction where the tax due is one dollar (\$1.00) or less is an excluded transaction.

Purpose: The administrative costs of collecting the revenue from a transfer of realty valued at \$100 or less are thought to be greater than the revenue.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: NA

PRODUCTION OR EXTRACTION OF COAL, OIL, NATURAL GAS, OR MINERALS _____

Description: Leases for the production or extraction of coal, oil, natural gas, or minerals and assignments thereof are excluded transactions.

Purpose: This exemption gives tax relief to the mining and extracting industries to produce and extract coal, oil, natural gas, and minerals at a lower cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 1,400 companies may benefit from this tax expenditure.

General Fund Tax Expenditures

PUBLIC UTILITY EASEMENTS

Description: A transfer of an easement to a person furnishing public utility service is an excluded transaction if the easement is used in, or useful for, furnishing public utility services.

Purpose: Public utility easements are numerous and the majority of them are conveyed for a small consideration. The administrative costs of collecting the revenue from an easement to a provider of public utility services are thought to be greater than the revenue.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: The 417 public utilities could benefit from this tax expenditure.

STANDING TIMBER OR CROPS

Description: Standing timber and crops are not deemed to actually pass with the conveyance of realty when the instrument provides for severance and removal within an immediate ascertainable date.

Purpose: Timber and crops are personal property in this instance, the transfer of which is not subject to realty transfer tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

INHERITANCE TAX

Authorization: Article XXI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Administrative Costs: Costs to administer the inheritance tax expenditures are approximately \$0.3 million annually. Costs incurred to administer the multiple tax expenditures associated with inheritance tax cannot be separately identified.

FAMILY RELATED EXEMPTIONS AND EXCLUSIONS

PREFERENTIAL RATE FOR TRANSFERS TO LINEAL BENEFICIARIES

Description: Effective July 1, 2000, assets transferred to lineal beneficiaries are taxed at a 4.5 percent rate rather than the 15 percent rate for assets transferred to non-lineal heirs. Lineal beneficiaries include grandparents, parents, and lineal descendants (including adopted or step children). Prior to July 1, 2000, transfers to lineal beneficiaries were taxed at a rate of 6 percent.

Purpose: This provision lowers the tax burden on immediate family members of the decedent.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 689.5	\$ 716.6	\$ 745.3	\$ 774.7	\$ 805.7	\$ 837.8	\$ 871.3

Beneficiaries: Approximately 27,500 estates benefit from this tax expenditure.

General Fund Tax Expenditures

TRANSFERS OF PROPERTY TO SPOUSE

Description: Property passing to a spouse of a decedent is exempt from inheritance tax. This estimate is based on the difference between taxing all assets transferred between spouses at the lineal rate of 4.5 percent and the spousal rate of 0 percent.

Purpose: This provision prevents an undue tax burden on a surviving spouse especially when assets cannot be jointly owned. It allows spouses to maintain homes and other assets without being subject to inheritance tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$1,042.9	\$1,084.5	\$1,127.8	\$1,172.8	\$1,219.6	\$1,268.3	\$1,318.9

Beneficiaries: Approximately 34,000 estates benefit from this tax expenditure.

EXEMPTION FOR TRANSFERS OF PROPERTY FROM A CHILD TO PARENT

Description: Property passing from a child twenty-one years of age or younger to a parent is subject to a 0 percent tax rate. This estimate measures the difference between taxing child to parent transfers at the lineal rate of 4.5 percent and the child to parent rate of 0 percent.

Purpose: This provision reduces the tax burden on families receiving assets due to the untimely death of a child. The transfer of assets to parents was previously taxed as a lineal transfer. This rate change, authorized by Act 23 of 2000, is effective for decedents dying July 1, 2000 or later.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 7.7	\$ 8.0	\$ 8.4	\$ 8.7	\$ 9.0	\$ 9.4	\$ 9.8

Beneficiaries: Approximately 600 estates benefit from this tax expenditure.

PREFERENTIAL RATE FOR TRANSFERS TO SIBLINGS

Description: Effective July 1, 2000, assets transferred to siblings, defined as brothers or sisters with at least one parent in common, by blood or adoption, are taxed at a rate of 12 percent rather than at a rate of 15 percent for assets transferred to non-lineal heirs. Prior to July 1, 2000, transfers to siblings were taxed at a rate of 15 percent.

Purpose: This provision reduces the tax burden on estates that transfer assets to a sibling of the decedent. It recognizes that a sibling is often a decedent's closest relative and that transfers to siblings should be taxed at a lower rate than transfers to unrelated beneficiaries.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 32.6	\$ 33.8	\$ 35.2	\$ 36.6	\$ 38.0	\$ 39.6	\$ 41.1

Beneficiaries: Approximately 5,000 estates benefit from this tax expenditure.

General Fund Tax Expenditures

LIFE INSURANCE PROCEEDS

Description: Life insurance proceeds, whether or not payable to the estate of the decedent, are exempt from inheritance tax.

Purpose: This provision lessens the tax burden on the insurance beneficiaries of the decedent, who are likely to be family members. A common reason for purchasing life insurance is to assist with the payment of inheritance and estate taxes.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 98.6	\$ 103.4	\$ 108.5	\$ 113.8	\$ 119.4	\$ 125.2	\$ 131.4

Beneficiaries: Estates of the decedents associated with approximately 190,100 life insurance policies benefit from this expenditure.

FEDERAL WAR RISK INSURANCE AND NATIONAL SERVICE LIFE INSURANCE PROCEEDS

Description: Proceeds of federal war risk insurance, national service life insurance, or other similar governmental insurance are exempt from inheritance tax.

Purpose: This provision lessens the tax burden on beneficiaries of U.S. military personnel and dependents who receive increased insurance when stationed in an area where military conflict is possible.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

Beneficiaries: The families of fallen Pennsylvanians benefit from this tax expenditure.

FAMILY EXEMPTION

Description: A \$3,500 family exemption from inheritance tax is permitted for the decedent's surviving spouse, children, or parents living in the decedent's household at the time of death.

Purpose: This provision allows a small tax-free transfer of property to immediate family members residing with the decedent. Smaller taxable estates benefit to a greater extent.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4

Beneficiaries: Approximately 9,000 families benefit from this tax expenditure.

PERSONAL EXCLUSIONS AND DEDUCTIONS

EMPLOYMENT BENEFITS

Description: Employment benefits that the decedent did not have the right to possess, enjoy, assign, or anticipate before death are exempt from inheritance tax. Exempt benefits include pensions, stock-bonuses, profit-sharing plans, Keoghs, Individual Retirement Accounts, and other retirement plans. If the decedent did have the right to possess, enjoy, assign, or anticipate the benefits, they are exempt from Pennsylvania inheritance tax only to the same extent they are exempt from the federal estate tax.

Purpose: This provision limits inheritance tax on employment benefits to which the decedent did not have full rights. An individual is presumed to have full rights to these employment benefits after age 59 ½ -- the age at which someone may utilize at least a portion of these funds without penalty under the Internal Revenue Code.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 19.9	\$ 21.4	\$ 23.0	\$ 24.8	\$ 26.7	\$ 28.7	\$ 30.8

Beneficiaries: Estates of the approximately 7,000 decedents of working age and under 59½ at death may benefit from this tax expenditure.

ESTATE ADMINISTRATION EXPENSES

Description: Expenses for attorney fees, funeral and burial expenses, tombstones and grave markers, and other expenses incurred in administering the estate are deductible from the taxable estate.

Purpose: This provision allows for the deduction of reasonable and necessary expenses associated with managing the estate.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 69.2	\$ 71.9	\$ 74.8	\$ 77.8	\$ 80.9	\$ 84.1	\$ 87.4

Beneficiaries: Approximately 46,000 estates benefit from this tax expenditure.

DEBTS AND LIABILITIES OF THE DECEDENT

Description: A deduction from the gross estate is allowed for debts and liabilities of the decedent.

Purpose: This provision increases the fairness of the tax by insuring that property is included in the taxable estate based on its net value. For example, a mortgage is deducted from the value of real property to properly value the decedent's interest in that property.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 39.0	\$ 40.6	\$ 42.2	\$ 43.9	\$ 45.6	\$ 47.5	\$ 49.4

Beneficiaries: Approximately 30,000 estates benefit from this tax expenditure.

General Fund Tax Expenditures

SOCIAL SECURITY DEATH PAYMENTS

Description: The lump-sum social security death benefit is exempt from inheritance tax.

Purpose: This provision helps limit the impact of the tax on poorer beneficiaries. The social security death benefit could comprise the majority of assets for many small taxable estates.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0

Beneficiaries: Approximately 48,000 estates benefit from this tax expenditure.

RAILROAD RETIREMENT BURIAL BENEFITS

Description: The lump-sum railroad retirement burial benefit is exempt from inheritance tax.

Purpose: This provision helps limit the impact of the tax on poorer beneficiaries. The railroad retirement burial benefit could comprise the majority of assets for many small taxable estates.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: An estimated 400 estates receive lump sum benefit payments from the U.S. Railroad Retirement Board.

ADVANCEMENTS

Description: Transfers made as an advancement of or on account of an intestate share or in satisfaction or partial satisfaction of a gift by will are exempt unless the gift was made within a year of death and gifts to the transferee exceeded \$3,000 during that calendar year.

Purpose: Gifts, as long as they are not made within one year of the date of death, are exempt from inheritance tax. This provision provides that these advancements be treated as gifts that are not intended to avoid the tax.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 56,000 estates might benefit from this tax expenditure.

General Fund Tax Expenditures

PROPERTY SUBJECT TO POWER OF APPOINTMENT

Description: Property left to a trust by the decedent (grantor) subject to a power of appointment (by a grantee), whether or not exercised and notwithstanding any blending of such property with property of the grantee, is exempt from inheritance tax in the estate of the grantee.

Purpose: Pennsylvania taxes the transfer of these assets subject to a power of appointment at the time the interest is created (when the grantor dies). The grantee may have a life interest in the estate with any remainder passing to some other person. This provision prevents taxation when the property is subsequently distributed upon the death of the grantee, having already been taxed in the estate of the grantor.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

NOMINAL OWNERSHIP OF PROPERTY

Description: Property held in the name of a decedent who held no beneficial interest in the property is exempt from inheritance tax.

Purpose: This provision prevents property in which the decedent had no real interest from being included in the taxable estate.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

General Fund Tax Expenditures

BUSINESS RELATED EXCLUSIONS AND DEDUCTIONS

PREFERENTIAL VALUATION OF FARMLAND

Description: Farmland which was devoted to agricultural use for the three years preceding the death of the decedent and is not less than ten contiguous acres or has an anticipated yearly gross income derived from agricultural use of \$2,000 or more, is valued based on its current use rather than its highest use.

Purpose: This provision helps to maintain family farms since land currently devoted to agricultural use is often more valuable if developed.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

SMALL BUSINESS INTEREST TRANSFER EXTENDED PAYMENT SCHEDULE

Description: The inheritance tax due on the transfer of a qualified small business interest may be paid in 20 consecutive quarterly installments beginning nine months after the decedent's death. Each installment payment bears interest of 9 percent per annum.

Purpose: This provision helps protect small business upon the death of the owner from a sudden tax burden. Payments are spread out over time so that asset sales can be avoided.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

OTHER EXCLUSIONS

TRANSFERS TO GOVERNMENTS

Description: Intervivos transfers and bequests to governments are exempt from inheritance tax.

Purpose: This exemption is an indirect means of assistance to governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.8

Beneficiaries: Approximately 3,100 governmental units could benefit from this tax expenditure.

General Fund Tax Expenditures

TRANSFERS TO CHARITABLE AND FRATERNAL ORGANIZATIONS _____

Description: Intervivos transfers and bequests to charitable and fraternal organizations are exempt from inheritance tax.

Purpose: Charitable and fraternal organizations provide public services that are believed to benefit citizens. This exemption represents an indirect means of assistance to these entities and may increase the money available for charitable purposes.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 97.8	\$ 101.7	\$ 105.7	\$ 109.9	\$ 114.3	\$ 118.9	\$ 123.6

Beneficiaries: An estimated 33,200 charitable and fraternal organizations might benefit from this tax expenditure.

Motor License Fund Tax Expenditures

LIQUID FUELS AND FUELS TAX

Authorization: Chapter 90 of Title 75 of the Pennsylvania Consolidated Statutes. The tax is a permanent trust fund tax of 12.0 cents per gallon imposed on all liquid fuels and fuels used or sold and delivered by distributors in the Commonwealth beginning October 1, 1997. Prior to this date, liquid fuels were taxed under the provisions of the Act of May 21, 1931 (P.L. 149, No. 105), as amended, known as the Liquid Fuels Tax Act and fuels were taxed under the Act of January 14, 1952 (P.L. 1965 No. 550), as amended, known as the Fuels Use Tax Act. Both of these acts were repealed effective October 1, 1997. Aviation gasoline and jet fuel are also taxed under the liquid fuels and fuels tax. However, separate tax rates are set for these fuels. Effective January 1, 2005, the tax rate for aviation gasoline is 4.7 cents per gallon and the tax rate for jet fuels is 2.0 cents per gallon.

OIL COMPANY FRANCHISE TAX

Authorization: Chapter 95 of Title 75 of the Pennsylvania Consolidated Statutes. Beginning October 1, 1997, the tax is imposed on all taxable liquid fuels and fuels on a cents-per gallon equivalent basis. The tax rate is calculated annually by the Department of Revenue. The tax rate for calendar year 2005 is 18.0 cents per gallon for liquid fuels and 24.4 cents per gallon for fuels. Receipts from 57 mills of the tax are deposited as unrestricted Motor License Fund revenue. Prior to October 1, 1997, the tax was an excise tax of 153.5 mills per gallon imposed on all oil companies conducting business in Pennsylvania for the privilege of exercising their corporate franchise, doing business, employing capital, owning or leasing property, maintaining an office, or having employees in the Commonwealth.

ALTERNATIVE FUELS TAX

Authorization: Chapter 90 of Title 75 of the Pennsylvania Consolidated Statutes. Beginning October 1, 1997, the tax is imposed on alternative fuels used to propel vehicles on public highways. Alternative fuels include natural gas, compressed natural gas, liquid propane gas and liquefied petroleum gas, alcohols, gasoline-alcohol mixtures containing at least 85 percent alcohol by volume, hydrogen, hythane, electricity, and any other fuel not taxable as liquid fuels or fuels. The tax rate applied to each gasoline gallon equivalent of alternative fuel equals the current liquid fuels tax and oil company franchise tax applicable to one gallon of gasoline.

Administrative Costs: Costs to administer the multiple tax expenditures associated with the liquid fuels and fuels, oil company franchise, and alternative fuels taxes cannot be separately identified. Tax expenditures are a significant factor associated with the need for more compliance audits and the increased complexity of such audits.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.8

Motor License Fund Tax Expenditures

POLITICAL SUBDIVISIONS

Description: Fuels purchased by political subdivisions of the Commonwealth are exempt from the tax.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

Estimates: **Liquid Fuels:**

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 5.8	\$ 5.9	\$ 6.0	\$ 6.1	\$ 6.2	\$ 6.2	\$ 6.3

Jet Fuel & Aviation Gasoline:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Nominal						

Fuels:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 3.8	\$ 3.8	\$ 3.9	\$ 3.9	\$ 4.0	\$ 4.1	\$ 4.1

Oil Company Franchise:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 12.7	\$ 14.5	\$ 16.8	\$ 17.2	\$ 16.7	\$ 16.2	\$ 15.8

Beneficiaries: Approximately 3,100 governmental units benefit from these tax expenditures.

VOLUNTEER EMERGENCY VEHICLES

Description: Fuel purchased by a volunteer fire company, volunteer ambulance service, or volunteer rescue squad and used solely in official vehicles is exempt from the tax.

Purpose: Volunteer emergency organizations provide public services that are perceived to benefit citizens. This exemption permits these services to be rendered at a reduced cost.

(Dollar Amounts in Millions)

Estimates: **Liquid Fuels:**

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2

Jet Fuel & Aviation Gasoline:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Nominal						

Fuels:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.4

Oil Company Franchise:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 4.7	\$ 5.4	\$ 6.2	\$ 6.3	\$ 6.2	\$ 6.0	\$ 5.8

Beneficiaries: Approximately 2,200 volunteer fire departments and an unknown number of other volunteer organizations benefit from these tax expenditures.

Motor License Fund Tax Expenditures

NONPROFIT NONPUBLIC SCHOOLS

Description: Fuel purchased by any nonprofit nonpublic school in which a Commonwealth resident may legally fulfill compulsory school attendance requirements is granted an exemption from the tax.

Purpose: Since state government indirectly subsidizes transporting public school children, this exemption provides similar treatment to nonprofit nonpublic schools.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: As many as 3,000 nonprofit nonpublic schools may benefit from these tax expenditures.

SECOND CLASS COUNTY PORT AUTHORITIES

Description: Purchases of fuel by second class county port authorities are exempt from the tax.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-065</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: One second class county port authority benefits from these tax expenditures.

Motor License Fund Tax Expenditures

ELECTRIC COOPERATIVES

Description: Fuel purchases for vehicles operated by electric cooperatives are exempt from the tax.

Purpose: These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide a public benefit. This exemption permits this service to be rendered at a reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

Beneficiaries: There are 13 electric cooperatives in the Commonwealth that benefit from these tax expenditures.

AGRICULTURAL USE

Description: A full refund of tax paid is granted for agricultural use relating to the actual production of farm products. Fuel used in farm machinery or equipment engaged in the production or harvesting of agricultural products is exempt from taxation under these provisions.

Purpose: This exemption allows farmers to provide agricultural products at a reduced price.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.9	\$ 2.2	\$ 2.5	\$ 2.6	\$ 2.5	\$ 2.4	\$ 2.4

Beneficiaries: Individuals operating approximately 59,000 farms benefit from these tax expenditures.

Motor License Fund Tax Expenditures

TRUCK REFRIGERATION UNITS

Description: A full refund of tax paid is granted for undyed diesel fuel used in truck refrigeration units when the tank that fuels the refrigeration unit is used solely for that purpose and is separate from that which powers the vehicle.

Purpose: This provision allows a refund for fuel consumed in an off-road manner when such use can be clearly documented.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.9	\$ 1.0	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.1

Beneficiaries: Approximately 220 entities benefit from this tax expenditure.

POWER TAKE-OFF

Description: A full refund of tax paid is granted for undyed fuel consumed in a power takeoff used to load for delivery to a farm or to unload at a farm, farm feed, feed products, lime, or limestone products for agricultural use. Tax paid will be refunded provided that the fuel usage is documented by an electronic monitoring device used in conjunction with an electronically controlled engine.

Purpose: This provision allows a refund for fuel consumed in an off-road manner when such use can be clearly documented.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

Beneficiaries: Fewer than 20 taxpayers are expected to benefit from this tax expenditure.

Motor License Fund Tax Expenditures

DISCOUNT

Description: A distributor is permitted a variable percentage discount based on gross tax due provided the liquid fuels and fuels tax return and payment due are timely filed. Returns and payments are due on or before the 20th day of each month for the preceding month's sales.

Purpose: This discount is intended to defray the cost of preparing and remitting the liquid fuels and fuels tax reports and payments.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 4.6	\$ 4.7	\$ 4.8	\$ 4.8	\$ 4.9	\$ 5.0	\$ 5.0
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.5	\$ 1.5	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.7

Beneficiaries: Approximately 510 distributors benefit from these tax expenditures.

FOREIGN DIPLOMATS

Description: Fuel purchased by foreign diplomats whose country has entered into a treaty with the United States is exempt from payment of the tax.

Purpose: The Commonwealth grants this exemption administratively at the request of the federal government.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Liquid Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Jet Fuel & Aviation Gasoline:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
	Fuels:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Oil Company Franchise:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: The number of foreign diplomats benefiting from these tax expenditures is unknown but presumed to be nominal.

Motor License Fund Tax Expenditures

BUSES

Description: A bus company is entitled to a refund equal to 55 mills of the oil company franchise tax imposed on fuels consumed by motorbuses within this Commonwealth.

Purpose: Act 3 of 1997 repealed the 6 cent surtax imposed on all motor carriers and replaced it with a 55 mill increase in the oil company franchise tax imposed on fuels. Since buses were historically exempt from the surtax, they have been granted a refund for the 55-mill surtax replacement effective January 1, 1999.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3

Beneficiaries: Approximately 100 bus companies benefit from this tax expenditure.

MOTOR CARRIERS ROAD TAX / IFTA

Authorization: Chapter 96 of Title 75 of the Pennsylvania Consolidated Statutes. The motor carriers road tax is equal to the current Pennsylvania liquid fuels and fuels or alternative fuels tax rate per gallon plus the oil franchise tax currently in effect. Prior to October 1, 1997, an additional tax of 6 cents per gallon was collected through the motor carriers road tax. Effective October 1, 1997, this tax was repealed and replaced by a tax of 55 mills on each gallon of fuels and collected through the oil franchise tax. Effective January 1, 1996, under Act 75 of 1995, Pennsylvania implemented the provisions of the International Fuel Tax Agreement (IFTA). Under IFTA, fuel consumed in "qualified motor vehicles" is subject to taxation at current rates. A qualified motor vehicle is a motor vehicle, other than a recreational vehicle, which is used, designed, or maintained for transportation of persons or property and which has two axles and a registered gross weight exceeding 26,000 pounds, three axles or more regardless of weight or used in combination when the registered gross weight exceeds 26,000 pounds. IFTA provisions do not distinguish taxable use by vehicle types, only by weight and axle configuration. Therefore, Act 75 of 1995 repealed the motorbus road tax effective January 1, 1996. The following estimates reflect the full tax rate imposed.

Administrative Costs: Costs to administer the multiple tax expenditures associated with motor carrier road tax/IFTA cannot be identified separately. Tax expenditures are not believed to be a significant factor associated with the need for more compliance audits and contribute minimally to the length of time necessary to complete such audits.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.8

Motor License Fund Tax Expenditures

POLITICAL SUBDIVISIONS

Description: Vehicles operated by political subdivisions are exempt from the requirements of the motor carriers road tax.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 11.1	\$ 12.1	\$ 13.4	\$ 13.6	\$ 13.8	\$ 14.0	\$ 14.2

Beneficiaries: Approximately 3,100 governmental units benefit from this tax expenditure.

FARM VEHICLES

Description: Qualified motor vehicles bearing a Pennsylvania farm truck registration operating under restricted use and farm vehicles exempt from registration are exempt from the motor carriers road tax.

Purpose: This exemption allows farmers to provide agricultural products at a reduced price.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 3.3	\$ 3.6	\$ 4.0	\$ 4.0	\$ 4.1	\$ 4.2	\$ 4.2

Beneficiaries: Individuals operating approximately 59,000 farms benefit from this tax expenditure.

EMERGENCY VEHICLES

Description: Fire, rescue, ambulance, and select other emergency vehicles are exempt from the motor carriers road tax.

Purpose: Emergency organizations provide public services that are perceived to benefit citizens. This exemption permits these services to be rendered at a reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 6.6	\$ 7.1	\$ 7.9	\$ 8.0	\$ 8.1	\$ 8.2	\$ 8.3

Beneficiaries: Approximately 2,500 fire departments and an unknown number of other organizations benefit from this tax expenditure.

Motor License Fund Tax Expenditures

SPECIAL MOBILE EQUIPMENT

Description: Vehicles not designed or used primarily for the transportation of persons or property that only incidentally operate or move over a highway, such as ditch digging apparatus, well-boring apparatus, earth moving, and road construction machinery, are exempt from the motor carriers road tax.

Purpose: Exemption is granted to these vehicles because of their specialized off-highway use.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.0	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2

Beneficiaries: The owners of approximately 1,700 special mobile equipment vehicles benefit from this tax expenditure.

IMPLEMENTS OF HUSBANDRY

Description: A vehicle designed or adapted to be used exclusively for agricultural operations is exempt from the motor carriers road tax.

Purpose: This exemption allows the farmer to provide agricultural products at a reduced price.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: The owners of approximately seven implements of husbandry vehicles benefit from this tax expenditure.

CHARITABLE AND RELIGIOUS ORGANIZATIONS

Description: Vehicles operated by charitable and religious organizations are exempt from the motor carriers road tax.

Purpose: These organizations provide services which are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.3	\$ 1.4	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.7

Beneficiaries: Approximately 33,200 charitable and religious organizations may benefit from this tax expenditure.

Motor License Fund Tax Expenditures

CHURCHES

Description: A motorbus owned by and registered to a church, exempt under section 1901 of Title 75, is exempt from the motor carriers road tax.

Purpose: These organizations provide services which are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: As many as 12,000 churches may benefit from this tax expenditure.

ELECTRIC COOPERATIVES

Description: Qualified motor vehicles operated by electric cooperatives are exempt from the motor carriers road tax.

Purpose: These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide public benefit. This exemption permits this service to be rendered at a reduced cost to the rate payers.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: There are 13 cooperatives in the Commonwealth that benefit from this tax expenditure.

VEHICLES NEEDING EMERGENCY REPAIRS

Description: A qualified motor vehicle needing emergency repairs, which was granted authorization from the Pennsylvania State Police to enter this Commonwealth, is exempt from the motor carriers road tax.

Purpose: This exemption was granted due to the temporary emergency nature of the vehicle entering Pennsylvania for needed repairs.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

Motor License Fund Tax Expenditures

VEHICLES SECURING REPAIRS OR RECONDITIONING

Description: Exemption from the motor carriers road tax is provided for unladen or towed motor vehicles or unladen trailers entering Pennsylvania solely for the purpose of securing repairs or reconditioning.

Purpose: This exemption was granted so as to not discourage vehicle owners from obtaining repairs or reconditioning of a vehicle from a Pennsylvania business.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

SCHOOL BUSES

Description: Buses designed to carry 11 or more passengers used for the transportation of preprimary, primary, or secondary school students to or from public, private, or parochial schools or school-related activities or events are exempt from the motor carriers road tax.

Purpose: Since state government indirectly subsidizes transporting school children, this exemption decreases state educational subsidy costs.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 8.0	\$ 8.7	\$ 9.6	\$ 9.7	\$ 9.8	\$ 10.0	\$ 10.1

Beneficiaries: Approximately 5,700 schools benefit from this tax expenditure.

RECREATIONAL VEHICLES

Description: Qualified motor vehicles such as motor homes, pickup trucks with attached campers and buses when used exclusively for personal pleasure by individuals are exempt from the motor carriers road tax.

Purpose: The motor carrier road tax/IFTA requirements are intended to apply to selected commercial vehicles. This provision exempts personal use only vehicles which would otherwise be subject to these taxing requirements.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: NA

Motor License Fund Tax Expenditures

MOTOR VEHICLE CODE

Authorization: The Motor Vehicle Code, contained in Title 75 of the Act of June 17, 1976 (P.L. 162, No. 81), became effective July 1, 1977. This amended the Act of April 29, 1959 (P.L. 58, No. 32) known as "The Vehicle Code." Contained in the Motor Vehicle Code are provisions for the titling, registration and licensing of vehicles, operation of vehicles, vehicle characteristics, and the administration and enforcement of the code.

Administrative Costs: Costs to administer motor vehicle code tax expenditures are borne by the Department of Transportation and cannot be separately identified.

(Dollar Amounts in Millions)

Estimates:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

VEHICLE REGISTRATIONS

Description: Specific entities that request the authority to operate are granted a full or partial exemption from the registration fee. Not shown below are exempt categories with unknown numbers of vehicles which include, for example, mobile/modular homes and off road construction vehicles.

Purpose: This exemption provides relief to the organizations or individuals cited below. Many of those cited are dependent upon charitable contributions or augmented incomes. This exemption is also an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

Estimates:	<i>Disabled/Severely Disabled Veterans:</i>						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: The owners of approximately 9,000 vehicles benefit from this tax expenditure.

Charitable Organizations:

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1

Beneficiaries: The owners of approximately 14,900 vehicles benefit from this tax expenditure.

Former Prisoners of War:

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: The owners of approximately 1,100 vehicles benefit from this tax expenditure.

Motor License Fund Tax Expenditures

Farm Trucks:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 3.3	\$ 3.4	\$ 3.4	\$ 3.4	\$ 3.5	\$ 3.5	\$ 3.5

Beneficiaries: The owners of approximately 12,800 farm trucks benefit from this tax expenditure.

Emergency Vehicles:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.6	\$ 3.6	\$ 3.6	\$ 3.7

Beneficiaries: Approximately 2,200 volunteer fire departments and an unknown number of other organizations benefit from this tax expenditure.

Fire Department Vehicles:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 4.0	\$ 4.1	\$ 4.1	\$ 4.2	\$ 4.2	\$ 4.3	\$ 4.3

Beneficiaries: Approximately 2,500 fire departments benefit from this tax expenditure.

Political Subdivisions:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 15.0	\$ 15.2	\$ 15.3	\$ 15.5	\$ 15.7	\$ 15.8	\$ 15.9

Beneficiaries: Approximately 3,100 governmental units benefit from this tax expenditure.

Older Pennsylvanians:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 5.8	\$ 6.0	\$ 6.3	\$ 6.6	\$ 7.0	\$ 7.3	\$ 7.4

Beneficiaries: Older Pennsylvanians owning approximately 177,400 vehicles benefit from this tax expenditure.

CARNIVAL TRUCKS/TRUCK TRACTORS

Description: Owners who document with the Department of Transportation that the truck or tractor is used exclusively for the purpose of transporting circus or carnival personnel, equipment, or machinery are granted a reduced registration fee.

Purpose: The reduced registration fee provides partial relief for those vehicles being used only between April 1 and September 30.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: The owners of approximately 150 carnival vehicles benefit from this tax expenditure.

Motor License Fund Tax Expenditures

CERTIFICATES OF TITLE

Description: Ownership of a particular vehicle is recorded by the issuance of a certificate of title for which a fee is charged. Specific entities exempt from this title fee are political subdivisions, totally disabled veterans, emergency vehicles, and foreign nationals.

Purpose: This exemption provides relief to the organizations or individuals cited above. The General Assembly has provided exemption for these entities due to their perceived special status.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2

Beneficiaries: The owners of approximately 9,000 vehicles benefit from this tax expenditure.

INSPECTION STICKERS

Description: All vehicles registered in Pennsylvania are required to have periodic safety inspections to insure their roadworthiness. A certificate of inspection is issued for a fee to show the vehicle meets specified safety standards. The Commonwealth administratively grants an exemption from the certificate fee to vehicles operated by political subdivisions.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3

Beneficiaries: Approximately 3,100 governmental units benefit from this tax expenditure.

BRIDGE PERMITS

Description: Bridges on state owned rights-of-way need periodic maintenance and construction work. Permits are issued, for a fee, by the state to perform such work. The Commonwealth administratively grants an exemption from the permit fee to political subdivisions who are performing work for the state.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: As many as 3,100 political subdivisions may benefit from this tax expenditure.

Motor License Fund Tax Expenditures

HAULING PERMITS

Description: Permits, for which a fee is charged, are issued to firms who wish to haul loads that exceed the maximum size or weight specifications of certain highways and bridges. The Commonwealth administratively grants an exemption from the permit fee to political subdivisions.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: As many as 3,100 political subdivisions may benefit from this tax expenditure.

POLICE ACCIDENT REPORTS

Description: Traffic accident reports are generated as a result of any accident where there is bodily injury or death or if one or more vehicles must be towed from the scene. A fee is charged to obtain a copy of the police accident report. The Commonwealth administratively grants an exemption for paying an accident report fee to political subdivisions.

Purpose: This exemption provides local prosecuting officials an aid in law enforcement.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: As many as 3,100 political subdivisions may benefit from this tax expenditure.

Racing Fund Tax Expenditures

The Racing Fund, a special revenue fund, is comprised of monies received from taxes, licenses and fees, and miscellaneous revenues collected by the State Racing Commissions derived from the regulation of harness and horse racing. Prior to December 30, 1983, thoroughbred racing tax revenues consisted of wagering, breakage, and admissions taxes and harness racing tax revenues consisted of wagering and admissions taxes as assessed by the Race Horse Industry Reform Act (Act 135 of December 17, 1981). The Harness Racing Fund and the Horse Racing Fund were combined into the Racing Fund by Act 93 of 1983. This act also amended portions of the Race Horse Industry Reform Act relating to taxation.

Administrative Costs: Administrative costs associated with these tax expenditures are nominal.

WAGERING TAX

Authorization: Act of May 16, 1986 (P.L. 205, No. 63).

NEW CORPORATIONS

Description: Racing Corporations licensed after May 16, 1986 are subject to a reduced wagering tax rate, 1 percent rather than the normal 1.5 percent rate, for a period of four years.

Purpose: This provision may have been perceived as an incentive to promote the formation of new racing corporations.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Any racing corporation licensed after the cited date will benefit from this tax expenditure.

ADMISSIONS TAX

Authorization: Department of Revenue letter ruling with concurrence of counsel for Racing Commission.

DARK DAY SIMULCASTS

Description: The minimum admissions tax, currently 5 percent of 50 cents, is waived at events where no admission charge is levied and where simulcasts of races from other facilities are featured rather than live races.

Purpose: This provision may have been perceived as a way to promote simulcast attendance at Commonwealth racing facilities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: All seven racing associations benefit from this tax expenditure.

UNEMPLOYMENT COMPENSATION INSURANCE TAX

Administrative Costs: The costs of administering the tax expenditure associated with the unemployment compensation insurance tax are nominal.

LIMITATION OF THE TAXABLE WAGE BASE _____

Authorization: Act of December 5, 1936 (2nd special session, 1937 P.L. 2897, No. 1), 4(x)(1), as amended, 43 P.S. 753(x)(1).

Description: The Commonwealth's unemployment compensation law provides for a limitation of the taxable wage base to the first \$8,000 of wages paid to each employee during a calendar year by an employer. Prior to 1984 the limitation on taxable remuneration had been \$7,000. All state governments are required by the federal government to tax at least the first \$7,000 of subject wages. Many states, including Pennsylvania, have chosen to keep their bases close to the federal minimum. The estimate represents the cost of this limitation as measured by the difference between contributions based on taxable wages and contributions based on total wages. In 1988, legislation was enacted which provides for a "trigger" mechanism to regulate employer and employee contributions. The trigger mechanism working in conjunction with the experience rating system would change tax rates in response to a change in the taxable wage base. The methodology used for this estimate does not incorporate the changes that would occur to the tax rates as a result of tax base changes. Projected tax rates were used to estimate contributions based on currently taxable wages. The same tax rates were used to estimate contributions based on total wages paid by contributory employers.

Purpose: The limitation on taxable wages limits growth in employer tax liabilities that would otherwise occur as wages rise.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$5,443.7	\$6,497.2	\$7,014.7	\$7,326.8	\$7,685.6	\$8,049.6	\$8,424.0

Beneficiaries: Pennsylvania's unemployment compensation tax system is legislatively designed to generate a sufficient amount of revenue to meet annual benefit payments and maintain an adequate reserve in the state's Unemployment Compensation Trust Fund. Since the tax rates are a function of taxable wages, an increase in the amount of taxable wages to total wages would result in a decrease in the assigned tax rates (trigger mechanism). Ultimately, this would maintain revenues at a level comparable to the current tax structure. This situation, however, involves special treatment for some employers compared to others based upon the level of wages paid to the employees. This special treatment (tax expenditure) would be different for every contributory employer in each major industry division and would have to be calculated on an individual employer basis. In general, under the current system, an employer with higher wage employees benefits by paying on a small portion of total wages. If the taxable wage base were total wages paid to employees, the employer with higher employee wages would have to pay a greater amount in taxes, even though the rate would be reduced significantly.

As of the first quarter of 2004 there were 270,866 contributory employers to the Unemployment Compensation Fund. The following is a breakdown of these employers according to major industry division¹:

Natural Resources and Mining	2,596	Financial Activities	19,381
Construction	31,783	Professional and Business Services.	46,939
Manufacturing	16,190	Education and Health Services.....	26,476
Trade	54,187	Leisure and Hospitality	25,934
Transportation, Warehousing, Utilities	7,288	Other Services	34,190
Information.....	4,013	Local Government	844

¹Based on NAICS industry classification. Data may not add to totals due to the unavailability of industry classification for some employers.

PUBLIC TRANSPORTATION ASSISTANCE FUND

Authorization: Article XXIII of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

The Public Transportation Assistance Fund provides for the capital, asset maintenance, and certain other transportation needs of the Commonwealth's public transit entities.

Fund revenues are derived from a motor vehicle lease tax; a motor vehicle rental fee; a fee on the sale of new tires; 0.44 percent of total sales and use tax receipts in lieu of the repealed periodicals tax; 0.09 percent of total sales and use tax receipts in lieu of the repealed lease tax on class four and above motor carriers, and 0.417 percent of sales and use tax in lieu of transfers from the public utility realty tax (PURTA) and the utilities gross receipts tax. By provisions of Act 46 of 2003, beginning in fiscal year 2003-04, revenues associated with the 7.6 mills of PURTA, previously transferred to this fund, will remain in the General Fund. Act 138 of 1996 (electric competition) provided for transfers from the utility gross receipts tax to the Public Transportation Assistance Fund beginning in fiscal year 1998-99. Act 46 of 2003 repealed this transfer effective for fiscal year 2003-04 and forward. Certain entities and transactions are exempt from these taxes and fees. With the exception of the fee on tires and the class 4 and above motor carrier tax expenditure, the remaining tax expenditures parallel those in the General Fund sales and use tax expenditures.

Administrative Costs: Administrative costs are believed to be nominal.

MOTOR VEHICLE LEASE TAX AND MOTOR VEHICLE RENTAL FEE

The Commonwealth levies a 3 percent tax on the total price charged for each lease of a motor vehicle subject to tax under Article II of the Tax Reform Code of 1971.

A fee of \$2 per day or portion of a day is imposed on each rental of a motor vehicle subject to tax under Article II of the Tax Reform Code of 1971.

COMMON CARRIERS

Description: Vehicles leased or rented by a public utility, engaged in business as a common carrier, to be used in rendering utility services are exempt from taxation. Since the enactment of the Federal Aviation Act, effective January 1, 1995, Pennsylvania has recognized contract carriers as common carriers. Household goods carriers and private carriers remain taxable.

Purpose: Without this exemption, the tax would be built into the rate base of these types of public utility services and, ultimately, passed on to consumers. Therefore, this exemption reduces the overall cost of utility services that are considered to be basic necessities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Motor Vehicle Leases:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Motor Vehicle Rentals:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 6,100 common carriers could benefit from this tax expenditure.

Special Fund Tax Expenditures

SCHOOL BUSES

Description: The lease or rental of school buses is exempt from taxation. These buses must be used exclusively for the transportation of children for school purposes. The provision is extended to persons who have contracts with school districts to transport children. For the purposes of this analysis, the majority of these contracts are assumed to be leases.

Purpose: The costs of transporting school children are directly borne by school districts and indirectly by state government through subsidy programs. This exemption, while limiting state Public Transportation Assistance Fund revenues, decreases state educational subsidy costs.

(Dollar Amounts in Millions)

Estimates: **Motor Vehicle Leases:**

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 4.0	\$ 4.2	\$ 4.4	\$ 4.5	\$ 4.7	\$ 4.9	\$ 5.1

Motor Vehicle Rentals:

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

Beneficiaries: Approximately 5,700 schools may benefit from this tax expenditure.

MOTOR CARRIERS (CLASS 4 AND ABOVE)

Description: Motor carriers in vehicle classes 4 and above are exempt from the motor vehicle lease tax.

Purpose: This exemption benefits those entities engaged in commercial leasing. Presumably, many of these vehicles are operated as common carriers that are normally treated as a utility service.

(Dollar Amounts in Millions)

Estimates: **Motor Vehicle Leases:**

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
NA	NA	NA	NA	NA	NA	NA

Beneficiaries: The owners of 296,300 motor carrier vehicles (class 4 and above) benefit from this tax expenditure.

Special Fund Tax Expenditures

EXEMPT ORGANIZATIONS

Description: The lease or rental of personal property to or for use by any (1) charitable organization, (2) volunteer fireman's organization, (3) nonprofit educational institution, or (4) religious organization is exempt from taxation. Transactions unrelated to the trade or business of such organizations are taxable.

Purpose: These organizations provide public and charitable services that are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Motor Vehicle Leases:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA
	Motor Vehicle Rentals:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	NA	NA	NA	NA	NA	NA	NA

Beneficiaries: Approximately 33,200 organizations might benefit from this tax expenditure.

EXEMPT GOVERNMENTAL UNITS

Description: The lease or rental of personal property to or for use by the federal government, the Commonwealth, or its instrumentalities or political subdivisions is exempt from taxation. Based on the criteria adopted to define tax expenditures, federal transactions are not included in this study. Commonwealth transactions are also excluded because revenues would offset expenditures with no net effect. The estimates, therefore, represent local government tax expenditures.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	Motor Vehicle Leases:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.9
	Motor Vehicle Rentals:						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5

Beneficiaries: Approximately 3,100 political subdivisions may benefit from this tax expenditure.

Special Fund Tax Expenditures

TIRE FEE

The Commonwealth imposes a \$1 fee per tire on each sale of new tires intended for highway use.

EXEMPT GOVERNMENTAL UNITS

Description: The sale of new tires to or for use by the federal government, the Commonwealth, or its instrumentalities or political subdivisions is exempt from taxation. Based on the criteria adopted to define tax expenditures, federal transactions are not included in this study. Commonwealth transactions are also excluded because revenues would offset expenditures with no net effect. The estimates, therefore, represent only local government tax expenditures.

Purpose: This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

(Dollar Amounts in Millions)

<i>Estimates:</i>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
	Nominal						

Beneficiaries: Approximately 3,100 political subdivisions may benefit from this tax expenditure.



GOVERNOR'S OFFICE

The Governor directs and coordinates the work of State Government and guides the programs of the agencies in the direction that assures compliance with existing law, definable needs and administration goals.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GENERAL FUND:

General Government:

Governor's Office	\$	7,619	\$	7,320	\$	7,400
(F)General Fund Share - PEBTF Contribution (EA).....		70		0		0
		<hr/>		<hr/>		<hr/>
Subtotal - State Funds.....	\$	7,619	\$	7,320	\$	7,400
Subtotal - Federal Funds.....		70		0		0
		<hr/>		<hr/>		<hr/>
Total - General Government.....	\$	7,689	\$	7,320	\$	7,400
		<hr/>		<hr/>		<hr/>
STATE FUNDS.....	\$	7,619	\$	7,320	\$	7,400
FEDERAL FUNDS.....		70		0		0
		<hr/>		<hr/>		<hr/>
GENERAL FUND TOTAL	\$	7,689	\$	7,320	\$	7,400

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EXECUTIVE DIRECTION							
GENERAL FUND.....	\$ 7,619	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	70	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 7,689	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400
ALL PROGRAMS:							
GENERAL FUND.....	\$ 7,619	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	70	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 7,689	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400

PROGRAM OBJECTIVE: To provide an effective administrative system through which the substantive programs of the Commonwealth can be accomplished.

Program: Executive Direction

The executive authority of the Commonwealth is vested in the Governor by the Pennsylvania Constitution. It is the duty of the Governor to ensure that the laws of the Commonwealth are faithfully executed. The Governor also oversees the publication of public information including bulletins of the work of State Government. The Governor submits an annual budget to the General Assembly and performs all other functions required of this office as delegated by the State Constitution and in law.

domicile for the Governor and the First Family. The expenses for official functions, as well as those essential to managing a household, are paid from the Governor's Office appropriation. The maintenance of the residence is primarily the responsibility of the Department of General Services. Equipment, supplies (except food) and housekeeping services are provided by the department.

This program also provides for the Governor's Residence. The residence is used for State functions and to provide a

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND
Governor's Office
 \$ 80 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Governor's Office	\$ 7,619	\$ 7,320	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400



EXECUTIVE OFFICES

To assist the Governor in the administration of State Government, the Office of Administration performs the duties of a central management agency and coordinates through the Office of Information Technology the Commonwealth's information technology strategies. The Office of the Budget performs the duties of a central financial management agency, prepares the annual Governor's Budget and Five Year Financial Plan based upon the Governor's priorities and analysis of program effectiveness, and provides comptroller services for the maintenance and management of all agency accounts in the Commonwealth.

The Office of General Counsel provides legal counsel in matters affecting the operation of State agencies. The Juvenile Court Judges Commission provides technical and financial assistance to the juvenile probation staffs of the county courts. The Inspector General investigates suspected improper use of State resources and investigates and recovers funds disbursed as a result of fraud or overpayment of welfare benefits. The Commission on Crime and Delinquency provides the planning and technical assistance for the improvement of the criminal justice system as well as financial assistance to relieve the financial hardship of individuals who have been victimized by criminal acts.

The Human Relations Commission, the Commission for Women, the African-American Affairs Commission, the Asian-American Affairs Commission and the Latino Affairs Commission promote equal opportunities for all people in employment, housing, public accommodations and education.

The Rural Development Council works to promote rural development in Pennsylvania. The Council on the Arts provides for encouragement and development of the arts in Pennsylvania. The Public Employee Retirement Commission monitors public employee retirement plans to assure their actuarial viability. The Governor's Office of Health Care Reform oversees systematic reform of publicly funded health care in Pennsylvania.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
Office of Administration	\$ 8,592	\$ 8,638	\$ 8,516
(F)General Fund Share - PEBTF Contribution (EA).....	1,174	0	0
(A)Classification and Pay Services.....	2,453	2,451	2,451
(A)Workplace Support Division (SEAP).....	1,803	1,364	1,636
(A)Clerical Testing Program.....	59	57	57
(A)Temporary Clerical Pool.....	3,752	4,699	4,683
(A)Bureau of Management Consulting.....	2,173	1,606	1,640
(A)Executive Board/Directives Management.....	370	179	170
(A)Labor Relations.....	290	519	520
(A)Managing for Government Responsiveness Training.....	160	435	214
(A)Group Life Insurance Program Commissions.....	88	90	90
(A)Leadership Development Institute.....	16	102	102
Subtotal.....	\$ 20,930	\$ 20,140	\$ 20,079
Medicare Part B Penalties	440	480	536
Health Insurance Portability and Accountability Act	4,000	0	0
Commonwealth Technology Services	54,287 ^a	60,346	60,144
(F)Justice Info Tech Integration Implementation (EA).....	300	0	0
(F)DCSI - Electronic Reporting (EA).....	2,025	1,855	200
(F)Juvenile Accountability Incentive Block Grants (EA).....	200	448	0
(F)Juvenile Tracking System Development (EA).....	0	405	0
(F)Public Health Threat Identification and Response (EA).....	500	400	0
(A)Commonwealth Technology Center.....	12,724	0	0
Subtotal.....	\$ 70,036	\$ 63,454	\$ 60,344
Integrated Enterprise System	45,000	43,502	39,710
Office of Inspector General	3,230	3,350	3,339
(A)Reimbursements for Special Fund Investigations.....	1,050	1,050	1,100
Subtotal.....	\$ 4,280	\$ 4,400	\$ 4,439
Inspector General - Welfare Fraud	12,645	13,244	13,100
(F)TANFBG - Program Accountability.....	1,728	1,800	1,500
(F)Food Stamps - Program Accountability.....	6,225	6,755	6,755
(F)Medical Assistance - Program Accountability.....	3,778	4,000	4,000
(F)CCDFBG - Subsidized Day Care Fraud.....	498	600	1,000
Subtotal.....	\$ 24,874	\$ 26,399	\$ 26,355
Office of the Budget	29,719	30,631	30,544
(F)Government Services & Programs.....	40,000 ^b	0	0
(F)WIA - Program Accountability.....	400	400	400
(F)Aging and Disability Resource Center.....	0	550	384
(F)Health Care Access.....	0	800	900
(F)Long-term Care Initiative.....	0	700	391
(F)Quality Assurance Improvement.....	0	400	303
(F)Real Choice - Housing Integration.....	0	0	575
(F)Real Choice Systems Change.....	0	0	600
(A)Support for Commonwealth Payroll Operations.....	6,536	6,568	7,083
(A)Support for PLCB Comptroller's Office.....	7,764	7,531	8,070
(A)Support for Comptroller Services.....	19,804	20,437	21,118
(A)Cash and Counseling.....	0	0	250
Subtotal.....	\$ 104,223	\$ 68,017	\$ 70,618
Audit of the Auditor General	0	0	100
Office of General Counsel	4,718	4,520	3,987
(A)CLE Registration Fees.....	24	100	100
Subtotal.....	\$ 4,742	\$ 4,620	\$ 4,087
Rural Development Council	221	213	188
(F)Rural Development.....	75	80	80
(F)PA Community Resource Matrix.....	0	25	0

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 296	\$ 318	\$ 268
Human Relations Commission.....	9,946	10,284	10,323
(F)EEOC - Special Project Grant.....	1,925	2,000	2,000
(F)HUD - Special Project Grant.....	3,500	3,500	3,500
(A)Miscellaneous Revenues.....	15	25	25
Subtotal.....	\$ 15,386	\$ 15,809	\$ 15,848
Latino Affairs Commission.....	211	219	212
African American Affairs Commission.....	337	344	318
Asian-American Affairs Commission.....	0	0	139
Council on the Arts.....	1,117	1,138	1,138
(F)NEA - Grants to the Arts - Administration.....	250	250	240
Subtotal.....	\$ 1,367	\$ 1,388	\$ 1,378
Commission for Women.....	268	273	273
Juvenile Court Judges Commission.....	2,149	2,203	2,129
(F)DCSI - Specialized Probation Technical Assistance (EA).....	45	0	0
Subtotal.....	\$ 2,194	\$ 2,203	\$ 2,129
Public Employee Retirement Commission.....	671	721	721
Commission on Crime and Delinquency.....	4,403	4,643	4,073
(F)Plan for Juvenile Justice.....	321	480	350
(F)DCSI - Administration.....	1,600	1,925	1,883
(F)DCSI - Program Grants.....	30,000	30,000	30,000
(F)DCSI - Criminal History Records.....	10	10	10
(F)Juvenile Justice - Title V.....	1,500	3,000	3,000
(F)Juvenile Justice - Title V - Administration.....	70	70	28
(F)Statistical Analysis Center.....	50	150	150
(F)Criminal Identification Technology.....	5,800	4,800	4,800
(F)Crime Victims Compensation Services.....	1,100	6,000	8,053
(F)Crime Victims Assistance.....	18,000	18,000	18,000
(F)Violence Against Women.....	6,000	6,000	6,000
(F)Violence Against Women - Administration.....	144	370	250
(F)Juvenile Justice State Challenge Grants.....	417	600	400
(F)Local Law Enforcement Block Grant.....	4,381	4,000	4,000
(F)Truth in Sentencing Incentive Grants.....	25,000	25,000	40,000
(F)Residential Substance Abuse Treatment Program.....	3,000	3,000	3,000
(F)DFSC - Special Programs.....	4,560	5,200	5,200
(F)Crime Victims Assistance (VOCA) - Admin/Operations.....	888	1,148	1,148
(F)Juvenile Accountability Incentive Program.....	13,956	13,500	10,000
(F)Juvenile Accountability Incentive Program - Administration.....	195	400	240
(F)Combat Underage Drinking Program.....	450	450	500
(F)Pennsylvanians Against Underage Drinking.....	100	400	500
(F)Victim Assistance Training Academy.....	90	60	0
(F)Juvenile Justice and Delinquency Prevention.....	3,500	4,500	4,500
(F)Safe Neighborhoods.....	1,000	1,600	1,600
(F)Forensic Science Program.....	150	150	400
(F)Drug Court Coordination.....	0	200	200
(F)Integrated Justice Data Hubs.....	0	500	500
(F)Services for Human Trafficking Victims.....	0	295	295
(F)Terrorism Awareness and Prevention (EA).....	40	40	40
(F)Homeland Security Master Trainer (EA).....	0	150	200
(F)VOCA - Flight 93 Disaster - Assistance & Reimbursements (EA).....	1,100	1,200	1,200
(F)Early Childhood Analysis (EA).....	25	118	75
(A)PCCD - Special Projects.....	2	0	0
Subtotal.....	\$ 127,852	\$ 137,959	\$ 150,595
Partnership for Safe Children.....	6,001	6,034	5,675
Victims of Juvenile Crime.....	3,647	3,668	3,450
Weed and Seed Program.....	3,390	3,374	3,173
(F)TANFBG - Weed and Seed.....	2,000	0	0

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 5,390	\$ 3,374	\$ 3,173
Subtotal - State Funds.....	\$ 194,992	\$ 197,825	\$ 191,788
Subtotal - Federal Funds.....	188,070	158,284	169,350
Subtotal - Augmentations.....	59,083	47,213	49,309
Total - General Government.....	\$ 442,145	\$ 403,322	\$ 410,447
Grants and Subsidies:			
Intermediate Punishment Programs.....	\$ 3,180	\$ 3,430	\$ 3,430
Intermediate Punishment Drug and Alcohol Treatment.....	13,000	13,325	15,825
Drug Education and Law Enforcement.....	3,101	3,101	2,791
Research-Based Violence Prevention.....	5,965	7,281	5,965
(F)TANFBG - Nurse Home Visitation.....	5,100	3,784	0
Improvement of Juvenile Probation Services.....	5,918	5,918	5,918
Safe Neighborhoods.....	0	3,700	0
(F)TANFBG - Juvenile Probation Emergency Services.....	2,000	0	0
Specialized Probation Services.....	15,326	15,326	13,793
Law Enforcement Activities.....	0	7,500	0
Grants to the Arts.....	14,000	14,500	14,500
(F)NEA - Grants to the Arts.....	750	750	623
Subtotal - State Funds.....	\$ 60,490	\$ 74,081	\$ 62,222
Subtotal - Federal Funds.....	7,850	4,534	623
Total - Grants and Subsidies.....	\$ 68,340	\$ 78,615	\$ 62,845
STATE FUNDS.....	\$ 255,482	\$ 271,906	\$ 254,010
FEDERAL FUNDS.....	195,920	162,818	169,973
AUGMENTATIONS.....	59,083	47,213	49,309
GENERAL FUND TOTAL.....	\$ 510,485	\$ 481,937	\$ 473,292
<u>MOTOR LICENSE FUND:</u>			
General Government:			
Office of the Budget.....	\$ 5,485	\$ 5,457	\$ 5,831
(A)Reimbursement for Comptroller Services.....	813	988	792
Subtotal.....	\$ 6,298	\$ 6,445	\$ 6,623
Statewide Public Safety Radio System.....	5,856	5,871	5,871
Subtotal - State Funds.....	\$ 11,341	\$ 11,328	\$ 11,702
Subtotal - Augmentations.....	813	988	792
Total - General Government.....	\$ 12,154	\$ 12,316	\$ 12,494
STATE FUNDS.....	\$ 11,341	\$ 11,328	\$ 11,702
AUGMENTATIONS.....	813	988	792
MOTOR LICENSE FUND TOTAL.....	\$ 12,154	\$ 12,316	\$ 12,494
<u>TOBACCO SETTLEMENT FUND:</u>			
Grants and Subsidies:			
Transfer to Health Endowment Account (EA).....	\$ 34,531 c	\$ 30,721 c	\$ 31,946 c
Transfer of Lapse Amounts to the Endowment Account (EA).....	0	1,500	0
Total - Grants and Subsidies.....	\$ 34,531	\$ 32,221	\$ 31,946
TOBACCO SETTLEMENT FUND TOTAL.....	\$ 34,531	\$ 32,221	\$ 31,946

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

OTHER FUNDS:

GENERAL FUND:

Victim/Witness Services.....	\$ 5,982	\$ 6,440	\$ 6,577
Crime Victims Reimbursements.....	8,843	6,000	6,000
Constables Education and Training Account.....	1,618	1,881	1,881
Deputy Sheriffs Education and Training Account.....	1,778	265	265
Drug Abuse Resistance Education.....	55	68	68
Substance Abuse Education & Demand Reduction Programs.....	0	1,230	1,230
Substance Abuse Education & Demand Reduction - Admin.....	0	65	65
GENERAL FUND TOTAL.....	\$ 18,276	\$ 15,949	\$ 16,086
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 255,482	\$ 271,906	\$ 254,010
SPECIAL FUNDS.....	45,872	43,549	43,648
FEDERAL FUNDS.....	195,920	162,818	169,973
AUGMENTATIONS.....	59,896	48,201	50,101
OTHER FUNDS.....	18,276	15,949	16,086
TOTAL ALL FUNDS.....	\$ 575,446	\$ 542,423	\$ 533,818

^a Originally appropriated at \$7,245,000 for Technology Investment Program; \$1,500,000 for Electronic Government; \$4,910,000 for Communications Management; \$10,442,000 for Integrated Criminal Justice System; and \$30,190,000 for Commonwealth Technology Services.

^b Actually subgranted to various agencies for General Fund Share – PEBTF Contribution.

^c Funds are actually deposited to the Endowment Account for Long-Term Hope immediately upon receipt of settlement payments.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EXECUTIVE DIRECTION							
GENERAL FUND.....	\$ 158,805	\$ 168,625	\$ 156,898	\$ 156,798	\$ 156,798	\$ 156,898	\$ 156,798
SPECIAL FUNDS.....	45,872	43,549	43,648	43,314	43,407	44,158	44,527
FEDERAL FUNDS.....	56,903	19,218	17,088	17,088	17,088	17,088	17,088
OTHER FUNDS.....	59,855	48,076	49,976	49,976	49,976	49,976	49,976
SUBCATEGORY TOTAL.....	\$ 321,435	\$ 279,468	\$ 267,610	\$ 267,176	\$ 267,269	\$ 268,120	\$ 268,389
LEGAL SERVICES							
GENERAL FUND.....	\$ 4,718	\$ 4,520	\$ 3,987	\$ 3,987	\$ 3,987	\$ 3,987	\$ 3,987
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	24	100	100	100	100	100	100
SUBCATEGORY TOTAL.....	\$ 4,742	\$ 4,620	\$ 4,087	\$ 4,087	\$ 4,087	\$ 4,087	\$ 4,087
PREVENTION AND ELIMINATION OF DISCRIMINATORY PRACTICES							
GENERAL FUND.....	\$ 10,762	\$ 11,120	\$ 11,265	\$ 11,265	\$ 11,265	\$ 11,265	\$ 11,265
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	5,425	5,500	5,500	5,500	5,500	5,500	5,500
OTHER FUNDS.....	15	25	25	25	25	25	25
SUBCATEGORY TOTAL.....	\$ 16,202	\$ 16,645	\$ 16,790	\$ 16,790	\$ 16,790	\$ 16,790	\$ 16,790
DEVELOPMENT OF ARTISTS AND AUDIENCES							
GENERAL FUND.....	\$ 15,117	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,000	1,000	863	863	863	863	863
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 16,117	\$ 16,638	\$ 16,501	\$ 16,501	\$ 16,501	\$ 16,501	\$ 16,501
CRIMINAL AND JUVENILE JUSTICE PLANNING AND COORDINATION							
GENERAL FUND.....	\$ 42,687	\$ 44,856	\$ 44,382	\$ 44,382	\$ 44,382	\$ 44,382	\$ 44,382
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	130,547	137,100	146,522	146,522	146,522	146,522	146,522
OTHER FUNDS.....	18,278	15,949	16,086	16,086	16,086	16,086	16,086
SUBCATEGORY TOTAL.....	\$ 191,512	\$ 197,905	\$ 206,990	\$ 206,990	\$ 206,990	\$ 206,990	\$ 206,990
REINTEGRATION OF JUVENILE DELINQUENTS							
GENERAL FUND.....	\$ 23,393	\$ 27,147	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	2,045	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 25,438	\$ 27,147	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
ALL PROGRAMS:							
GENERAL FUND.....	\$ 255,482	\$ 271,906	\$ 254,010	\$ 253,910	\$ 253,910	\$ 254,010	\$ 253,910
SPECIAL FUNDS.....	45,872	43,549	43,648	43,314	43,407	44,158	44,527
FEDERAL FUNDS.....	195,920	162,818	169,973	169,973	169,973	169,973	169,973
OTHER FUNDS.....	78,172	64,150	66,187	66,187	66,187	66,187	66,187
DEPARTMENT TOTAL.....	\$ 575,446	\$ 542,423	\$ 533,818	\$ 533,384	\$ 533,477	\$ 534,328	\$ 534,597

PROGRAM OBJECTIVE: To provide an effective administrative system through which the substantive programs of the Commonwealth can be achieved.

Program: Executive Direction

The Executive Direction Program provides administrative support and policy direction for implementing, maintaining and monitoring the substantive programs of the Commonwealth.

Program Element: Administration

The Office of Administration provides administrative support and policy direction of centralized human resource services to all agencies under the Governor's jurisdiction. The Office of Administration provides leadership in transformation of human resource business systems and processes through implementation of the Enterprise Resource Planning initiative, Integrated Enterprise System. The Office of Administration sustains positive working relationships with unions, negotiating and administering collective bargaining agreements between the Commonwealth and the various unions representing State employees under the provision of the Public Employee Relations Act of 1970, as well as administering the classification, salary, and benefits structures for all employees. The Office of Administration maximizes performance through attracting, developing, training and retaining human resources. The Office of Administration also assures a diverse workforce and workplace free from discrimination by administering the Commonwealth's Equal Employment Opportunity policy and programs.

The Office of Administration also provides overall direction and support for the Governor's cost saving, revenue enhancement and customer service initiatives through the Office of Management and Productivity.

Program Element: Information Technology

The Office of Administration is responsible for developing and administering Statewide policies and standards governing management and use of the Commonwealth's information technology (IT) resources.

These responsibilities are coordinated through the Office for Information Technology (OIT), which is comprised of six organizational units: Bureau of Enterprise Architecture; Bureau of Enterprise Projects; Bureau of Planning and Administration; Bureau of Services and Solutions; Bureau of Infrastructure and Operations, and Bureau of Geographic Information Systems (GIS) Coordination.

The Bureau of Enterprise Architecture is responsible for overseeing development of IT technical standards and monitoring compliance across Commonwealth agencies. It also has responsibility for establishing enterprise architectural guidance in policy and technology, including network management security, monitoring of IT product licensing and enterprise architecture policy and planning.

The Bureau of Enterprise Projects coordinates development of significant Commonwealth enterprise-wide initiatives. These are projects which have multi-agency/disciplinary impact and implications, including the Justice Network (JNET), PA Open for Business and Public Safety Radio.

The Bureau of Planning and Administration directs IT strategic planning efforts through an integrated "communities of practice" focus involving all Commonwealth agencies; conducts IT recruiting, training and grant writing activities; and oversees issuance of Information Technology Bulletins (ITBs), which document enterprise IT policies and practices. This bureau also provides oversight for OIT budget, procurement and contracting-related activities and administers the Invitation to Qualify (ITQ) process.

The Bureau of Services and Solutions provides direct customer service and support to agencies across a broad range of OIT initiatives. This includes offering enterprise client/server application management and Unix, NT and database development services and support for OA and Commonwealth agencies. This bureau is responsible for continued development and management of Pennsylvania state government's Internet portal and other enterprise applications. This bureau also is responsible for enterprise database services.

The Bureau of Infrastructure and Operations provides overall direction, support and management of Technology Park, which includes the Commonwealth Technology Center (CTC). This bureau manages the Enterprise Server Farm (ESF) and Exchange email operations for 70,000 users in 47 agencies under the Governor's jurisdiction.

It also provides data voice, video network management administration, engineering and support services; manages service and performance requirements for the Data PowerHouse; and coordinates disaster recovery and Alternate Site planning efforts; facilitates delivery of Desktop Technology services and manages the OA's video conferencing facilities and cable television resources.

The Bureau of Geographic Information Systems (GIS) Coordination works with local, State and Federal agencies to implement enterprise GIS data standards and facilitate interoperability of data and systems across all levels of government.

Program Element: Fraud Detection and Prevention

The purpose of the Office of Inspector General is to detect, deter and eradicate fraud and waste of State resources, and misconduct by State employees; keep the Governor fully informed of problems and deficiencies in executive

Program: Executive Direction (continued)

agencies; and help ensure that executive agencies operate efficiently, with integrity, and in accordance with applicable laws and regulations. The Office of Inspector General is designed to maintain public confidence, integrity and efficiency in State Government.

The Office of Inspector General's Welfare Fraud Investigations and Recovery Operation is responsible for conducting investigations into suspected welfare fraud and abuse as well as performing collection activities for welfare programs administered by the Department of Public Welfare. The collection activities involve the recovery of benefits provided due to clerical errors, omissions or inaccurate information supplied by applicants, and in the case of medical assistance, charges for services exceeding allowable amounts. In addition, the Office of Inspector General recovers the costs of benefits provided to recipients who are eligible for Supplemental Security Income, tort recoveries, unemployment compensation, workers' compensation and veterans' benefits.

Program Element: Commonwealth Budget and Accounting

The Office of the Budget assists the Governor in formulating fiscal policies and procedures and in preparing the Commonwealth Budget for delivery to the General Assembly. The establishment of authorized complement levels for those agencies within the scope of authority of the Governor is the responsibility of the Office of the Budget. The office also prepares fiscal notes and reviews proposed regulations as mandated by Act 149 of 1978.

In addition, the Office of the Budget provides accounting, auditing and financial advisory and supportive services to all Commonwealth agencies. The office also provides resources and support to the Integrated Enterprise System initiative.

Program Element: Rural Development

The Rural Development Council is responsible for the development and implementation of plans that integrate private expertise and Federal, State and local government efforts for the promotion of rural development in Pennsylvania. The Council's responsibilities include: assessing Pennsylvania's rural development needs, identifying the State's various available resources and compiling and analyzing data to produce insights into rural development.

Program Element: Public Employee Pensions

The Public Employee Retirement Commission, in accordance with Act 66 of 1981, is mandated to provide actuarial analyses to the General Assembly and the Governor in conjunction with their consideration of public pension legislation and to study and advise on public employee pension policy. Under Act 293 of 1972, the commission reviews actuarial valuation reports filed by county employee retirement plans. Under Act 205 of 1984 the commission regulates and enforces the actuarial funding standards governing municipal pension plans and certifies the cost data utilized in allocating General Municipal Pension System State Aid.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Office of Administration:							
Cost per contract hour of management/supervisory training	NA	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Contact hours of briefings and training for Human Resource professionals and others*	1,470	1,000	1,000	1,000	1,000	1,000	1,000
Reclassification requests (Approved/Disapproved/Modified/Returned Without Action)*	1,091	1,180	1,280	1,280	1,280	1,280	1,280
Vacancies Filled (Permanent/Temporary)* ..	4,977	4,236	3,876	3,876	3,876	3,876	3,876
EEO complaints investigated*	NA	612	612	612	612	612	612
Office for Information Technology:							
Average Daily Email Volume (in thousands)*	NA	2,200	2,400	2,400	2,400	2,400	2,400
Percent of Emails Delivered in less than 30 seconds*	NA	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%
Availability of email during work hours	99.5%	99.6%	99.7%	99.8%	99.9%	99.9%	99.9%
Data PowerHouse Data Center:							
Maintain high level of Production and Batch Critical Output							
Services Levels*	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%
Voice Network Availability*	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%
Data Network Availability*	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%
Office of the Budget:							
Months between fiscal year end and CAFR publication	NA	NA	5.5	5.0	4.5	4.0	4.0
Percent of invoices that are electronic invoices*	NA	53%	55%	57%	59%	61%	63%

Executive Offices

Program: Executive Direction (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Pay percentage of invoices with 30 days from receipt of invoice (baseline date in SAP)*	NA	74%	76%	78%	79%	80%	81%
Office of Inspector General/Welfare Fraud:							
Collections, recovery, and recoupments (in thousands)*	\$39,998	\$38,500	\$39,800	\$39,800	\$39,800	\$39,800	\$39,800
*New program measure.							

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND</p> <p>Office of Administration —reduction in administrative costs.</p> <p>\$ -122</p> <p>Medicare Part B Penalties —to continue current program.</p> <p>\$ 56</p> <p>Commonwealth Technology Services —reduction in administrative costs.</p> <p>\$ -202</p> <p>Integrated Enterprise System —program reduction.</p> <p>\$ -3,792</p> <p>Office of Inspector General —reduction in administrative costs.</p> <p>\$ -11</p> <p>Inspector General - Welfare Fraud —reduction in administrative costs.</p> <p>\$ -144</p> <p>Office of the Budget —reduction in administrative costs.</p> <p>\$ -87</p> <p>Audit of the Auditor General —triennial audit of the Department of the Auditor General.</p> <p>\$ 100</p>	<p>\$ -25</p> <p>\$ -7,500</p> <p>\$ 374</p> <p>\$ 1,225</p> <p>\$ -1,500</p>	<p>Rural Development Council —reduction in administrative costs.</p> <p>Law Enforcement Activities —nonrecurring project.</p> <p>MOTOR LICENSE FUND Office of the Budget —to continue current program.</p> <p>TOBACCO SETTLEMENT FUND Transfer to Health Endowment Account (EA) —to continue transfers to the Tobacco Endowment Account in accordance with the provisions of the Tobacco Settlement Act.</p> <p>Transfer of Lapse Amounts to the Endowment Account (EA) —reduction in lapse amounts.</p>
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All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Office of Administration	\$ 8,592	\$ 8,638	\$ 8,516	\$ 8,516	\$ 8,516	\$ 8,516	\$ 8,516
Medicare Part B Penalties	440	480	536	536	536	536	536
Health Insurance Portability and Accountability Act	4,000	0	0	0	0	0	0
Commonwealth Technology Services	54,287	60,346	60,144	60,144	60,144	60,144	60,144
Integrated Enterprise System	45,000	43,502	39,710	39,710	39,710	39,710	39,710
Office of Inspector General	3,230	3,350	3,339	3,339	3,339	3,339	3,339
Inspector General - Welfare Fraud	12,645	13,244	13,100	13,100	13,100	13,100	13,100
Office of the Budget	29,719	30,631	30,544	30,544	30,544	30,544	30,544
Audit of the Auditor General	0	0	100	0	0	100	0
Rural Development Council	221	213	188	188	188	188	188
Public Employee Retirement Commission ..	671	721	721	721	721	721	721
Law Enforcement Activities	0	7,500	0	0	0	0	0
TOTAL GENERAL FUND	\$ 158,805	\$ 168,625	\$ 156,898	\$ 156,798	\$ 156,798	\$ 156,898	\$ 156,798

Program: Executive Direction (continued)

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
MOTOR LICENSE FUND:							
Office of the Budget	\$ 5,485	\$ 5,457	\$ 5,831	\$ 5,831	\$ 5,831	\$ 5,831	\$ 5,831
Statewide Public Safety Radio System	5,856	5,871	5,871	5,871	5,871	5,871	5,871
TOTAL MOTOR LICENSE FUND	\$ 11,341	\$ 11,328	\$ 11,702	\$ 11,702	\$ 11,702	\$ 11,702	\$ 11,702
TOBACCO SETTLEMENT FUND:							
Transfer to Health Endowment Account (EA)	\$ 34,531	\$ 30,721	\$ 31,946	\$ 31,612	\$ 31,705	\$ 32,456	\$ 32,825
Transfer of Lapse Amounts to the Endowment Account (EA)	0	1,500	0	0	0	0	0
TOTAL TOBACCO SETTLEMENT FUND	\$ 34,531	\$ 32,221	\$ 31,946	\$ 31,612	\$ 31,705	\$ 32,456	\$ 32,825

PROGRAM OBJECTIVE: To provide legal advice to the Governor and the Cabinet, and to supervise, coordinate and administer legal services for the Commonwealth.

Program: Legal Services

The Office of the General Counsel was created by Act 164 of 1980. The General Counsel serves as the chief legal advisor to the Governor and has the responsibility to appoint deputy general counsel, the chief counsel and assistant counsel in each Executive Branch agency and to supervise, coordinate and administer legal services throughout the Executive Branch.

There are several areas of responsibility for the Office of General Counsel (OGC). The major responsibility is to provide general legal advice to the Governor, his staff and the Cabinet. This includes rendering legal advice and representation concerning matters and issues arising in connection with the operation of agencies under the Governor's jurisdiction. The office and agency chief counsel review and approve for form and legality all Commonwealth deeds, leases, contracts, rules and regulations.

The Office of General Counsel provides advice to the Governor on pending legislative matters and issues and

reviews for constitutionality and legality all legislation presented to the Governor for approval. OGC also is responsible for initiating appropriate actions or defending the Commonwealth when the Attorney General delegates or declines to initiate appropriate proceedings. It also has the authority to intervene in any action by or against an agency under the Governor's jurisdiction whenever the Governor requests. The General Counsel administers the operations of the Juvenile Court Judges Commission and provides the legal representation for the Pennsylvania Public Television Network.

In addition, the General Counsel serves as a member of the Board of Commissioners on Uniform State Laws, the Pennsylvania Emergency Management Agency, the Joint Committee on Documents, the Board of Property, the Local Government Records Committee, the Medical Advisory Board, the Board of Finance and Revenue and the Civil Disorder Commission.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Office of General Counsel
 \$ -533 —reduction in administrative costs.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Office of General Counsel	\$ 4,718	\$ 4,520	\$ 3,987	\$ 3,987	\$ 3,987	\$ 3,987	\$ 3,987

PROGRAM OBJECTIVE: To insure equal opportunities and participation for all individuals regardless of race, religion, color, creed, handicap or disability, ancestry, national origin, familial status, age or sex in all areas of employment, housing, credit, commercial property, public accommodations and education.

Program: Prevention and Elimination of Discriminatory Practices

The Human Relations Commission is responsible for identifying, preventing and eliminating illegal discriminatory practices as defined by the Pennsylvania Human Relations Act and the Pennsylvania Fair Educational Opportunities Act. The two principal methods utilized by the commission to secure compliance with the law are processing complaints of discrimination that might result in legal proceedings being initiated, and providing technical assistance to organizations, businesses, governmental bodies and individuals to promote voluntary compliance. Processing formal complaints continues to be the major activity of the commission.

Substantial resources are also devoted to providing technical assistance to anyone who requests guidance in avoiding illegal discriminatory acts. The commission coordinates the State's response to racial and ethnic tensions, and trains law enforcement officials and local government and community leaders on appropriate responses. The commission is also involved with major outreach programs to provide information to community leaders and public officials regarding the Pennsylvania Human Relations Act and its procedures.

The commission, in conjunction with the Pennsylvania Department of Education, is working with several urban school districts to improve the educational achievement of minority and disadvantaged students.

Federal funds are received for investigating complaints that are dual filed with the commission and with either the Equal Employment Opportunity Commission or the U.S. Department of Housing and Urban Development.

The commission's efforts to identify and remedy systemic discrimination continue in order to address the major problems of discrimination against whole classes of individuals. In addition, litigation remains a significant feature of the commission's workload.

The Latino Affairs Commission functions as an advocate for the Latino community. The commission advises the Governor on policies, procedures, legislation and regulations that impact upon the Latino community. The commission also assists Latino individuals in making the most of their talents and capabilities, and works with local Latino communities in developing strategies and programs that enhance their social and economic status.

The African American Affairs Commission functions as the Commonwealth's advocate for the African American community. The commission advises the Governor and legislative caucuses on policies, procedures, legislation and regulations that impact upon the African American community. The commission also provides information from state government directly to the African American community.

The Commission for Women functions as the Commonwealth's advocate for women and girls, and is responsible for developing and implementing policies and programs that work to ensure equal opportunity. In addition to legislative advocacy, the commission monitors women's employment and educational needs, promotes healthcare awareness and political participation. The commission's work includes the dissemination of information through its website and hotline, as well as the publication of periodicals and handbooks; news releases to press and broadcast media; speeches to groups and media appearances.

The Commission on Asian American Affairs is an advocate agency for the Asian American residents of the Commonwealth. It advises the Governor on policies, procedures, legislation and regulations that affect the growing Asian American communities in Pennsylvania. The commission also serves as a resource to Commonwealth departments and agencies on how to better serve the Asian American communities.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Human Relations Commission:							
Formal complaint investigation:							
Average complaints active*	13,614	12,933	12,287	11,672	11,089	10,534	10,008
Complaints closed	5,100	5,650	5,750	5,850	5,950	6,000	6,100
Financial awards to complainants							
(thousands)*	\$10,802	\$10,802	\$11,300	\$11,600	\$11,900	\$12,100	\$12,300
Case settlement rate*	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
Commission for Women:							
Website visits for educational, employment, and health care information							
	75,000	100,000	150,000	200,000	200,000	200,000	200,000

Complaints closed are lower than shown in last year's budget due to actual activity and improved case tracking.

*New program measure.

Program: Prevention and Elimination of Discriminatory Practices (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$	39	Human Relations Commission —to continue current program.	\$	-26	African American Affairs Commission —reduction in administrative costs.
\$	-7	Latino Affairs Commission —reduction in administrative costs.	\$	139	Asian American Affairs Commission —new program.

The Commission for Women appropriation is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Human Relations Commission	\$ 9,946	\$ 10,284	\$ 10,323	\$ 10,323	\$ 10,323	\$ 10,323	\$ 10,323
Latino Affairs Commission	211	219	212	212	212	212	212
African American Affairs Commission	337	344	318	318	318	318	318
Asian American Affairs Commission	0	0	139	139	139	139	139
Commission for Women	268	273	273	273	273	273	273
TOTAL GENERAL FUND	\$ 10,762	\$ 11,120	\$ 11,265	\$ 11,265	\$ 11,265	\$ 11,265	\$ 11,265

PROGRAM OBJECTIVE: To increase public exposure to quality artistic and cultural programs and to stimulate a climate that offers opportunities and encouragement to artists.

Program: Development of Artists and Audiences

The Commonwealth encourages cultural development in the arts through the Pennsylvania Council on the Arts. The 19-member council supports the arts through a grant program, service programs and community organizations. The organizations and artists served are geographically, culturally and ethnically diverse and range from small community organizations that engender and support local arts programs to world-renowned orchestras, museums, dance companies, theatres and festivals.

The council functions with 15 advisory panels, each chaired by a council member and composed of several professionals in each program area such as: dance, folklore and music. These advisory review panels provide an evaluation of applications and review program structures to recommend needed changes in policy and procedures.

The council supports and assists the arts in the Commonwealth in several specific areas: 1) a grant program that responds to most applications and program initiatives either directly or through a decentralized network of 13 regional funding partners, 2) partnerships and initiatives developed by the council to seek opportunities and address issues affecting the arts that are beyond the capacity of a single arts institution, and 3) additional services provided by staff and through partnerships with state, regional and national service organizations.

Through programs such as Accessibility to the Arts for Individuals with Disabilities, Arts in Education Partnership, Local Government, and Preserving Diverse Cultures, ethnically diverse organizations, artists and ensembles are encouraged to participate in the arts.

Program Measures:	2003-04)	2004-05)	2005-06)	2006-07)	2007-08)	2008-09)	2009-10)
Attendance at supported events (in thousands)	27,000	27,500	28,000	29,000	30,000	31,000	32,000
Grant applications received/reviewed	2,492	2,326	2,500	2,600	2,700	2,800	2,900
Awards made	1,773	1,794	1,825	1,880	1,935	1,990	2,045

Grant applications received/reviewed increased from last year's presentation based on increased access to direct funding and use of the decentralized funding network.

Awards made increased from last year's presentation based on actual activity.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

The Council on the Arts and the Grants to the Arts appropriations are recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Council on the Arts	\$ 1,117	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138
Grants to the Arts	14,000	14,500	14,500	14,500	14,500	14,500	14,500
TOTAL GENERAL FUND	\$ 15,117	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638	\$ 15,638

PROGRAM OBJECTIVE: To provide criminal and juvenile justice system policy analysis, coordination and planning to improve criminal justice programs.

Program: Criminal and Juvenile Justice Planning and Coordination

Program Element: Planning and Coordination

The Pennsylvania Commission on Crime and Delinquency (PCCD) supports the criminal justice system by providing system-wide criminal statistical and analytical services, and by fostering interagency coordination and cooperation, as well as by rendering training and technical assistance. Appointed task forces, advisory groups and planning committees, encompassing commission and non-commission members, advise the commission in addressing specific problem areas.

The commission also administers a mix of State and Federal grant programs that are designed to provide support to local elements of the criminal justice system and, through selective financing of proposals, demonstrate new solutions to statewide problems.

The commission fosters the development of criminal justice policy by conducting research on timely criminal justice issues and has established a link to Pennsylvania's academic community through the formation of an evaluation advisory committee composed of leading criminal justice researchers. Integral to its role in criminal justice coordination and analysis of legislative issues, PCCD has formed a multi-agency correctional population projection committee that provides policymakers with accurate projections of the Commonwealth's correctional population and conducts policy impact analysis. In the area of criminal justice record information, PCCD coordinates a multidisciplinary committee that analyzes criminal justice information and develops and implements strategies to improve the quality and value of the information.

The commission is the designated State agency to administer the Federal Violence Against Women Act of 1994. The program provides funding to Pennsylvania to develop a coordinated and integrated approach to improving the criminal justice system's response to violence against women.

Under the guidance of its gubernatorially appointed Juvenile and Delinquency Prevention Advisory Committee, PCCD plays a central role in collaborative initiatives involving the Department of Public Welfare, the Juvenile Court Judges Commission, the Department of Education and other agencies in the development and implementation of policy and programming relative to juvenile justice and delinquency prevention—especially research-based, evidence-based prevention programs. The Research-based Violence Prevention Program has supported these efforts since 1998-99. PCCD is the State's focal point for promoting local efforts to implement risk-focused, community mobilization programming directed toward preventing delinquency, violence, substance abuse and other adolescent problem

behaviors. The Partnership for Safe Children program has supported these efforts since 1999-00. The commission administers the Federal Juvenile Justice and Delinquency Prevention Act Formula Grant Program, as well as the Juvenile Accountability Block Grant Program—both of which provide funds that support treatment/intervention programs and juvenile justice system improvement projects. The commission also administers the Governor's portion of the Commonwealth's Federal Safe and Drug Free Schools and Communities Act funding allocation that is used to support projects and programs that prevent drug use/abuse and violence among children and youth. Federal Enforcing Underage Drinking Laws Block Grant funds are also administered by the commission, which support underage and binge drinking prevention and enforcement efforts.

The commission provides training and technical assistance to county prison boards and local officials through the County Intermediate Punishment Act. This act provided counties with opportunities to develop various intermediate punishment programs for nonviolent offenders to alleviate overcrowding in the county prisons. The Commission also administers a program to support drug and alcohol assessment, evaluation and treatment services related to this program.

Through the use of Federal Drug Control and System Improvement (DCSI) formula grant funds administered by PCCD, State and local units of government receive start-up monies for projects to improve the justice system. Major priorities for new local projects include juvenile justice initiatives; community-based criminal justice initiatives; corrections; community-based planning initiatives; new and expanded criminal justice automation efforts; comprehensive victim services; training; and evaluation activities.

PCCD administers a training program for deputy sheriffs that is financed through a surcharge on fees levied by the sheriffs for legal services executed. In 2003, the Board began a new 760-hour basic training curriculum, which provides for certification of deputy sheriffs and biennial continuing education, which provides for re-certification. Similarly, PCCD provides training and certification for constables. The 80-hour basic and 20 hour annual continuing education training is supported through a surcharge on constable services.

PCCD provides Statewide training and technical assistance for law enforcement personnel to implement community-based crime reduction strategies; coordinates Statewide efforts promoting law enforcement's involvement in policing practices, sponsors an annual program to recognize citizen contributions to local crime reduction projects, and administers a Statewide crime prevention

Program: Criminal and Juvenile Justice Planning and Coordination (continued)

review group. PCCD also provides training to law enforcement agencies to implement drug education and law enforcement education in the schools.

The commission administers the Federal Residential Substance Abuse Treatment Program of the Violent Crime Control and Law Enforcement Act of 1994. This program provides funding to develop and implement residential substance abuse treatment programs within State and local correctional facilities in which prisoners are incarcerated for a period of time sufficient to permit substance abuse treatment. In addition, the commission also administers the Governor's portion of the Local Law Enforcement Block Grant (LLEBG) Program that provides support to local jurisdictions that by formula do not qualify for a direct LLEBG allocation.

Through Act 30 of 2001, the powers and duties of PCCD were expanded to include the continuing development of comprehensive, community-based violence prevention plans including efforts initiated by the Governor's Partnership for Safe Children, as well as the development and promotion of comprehensive targeted crime prevention efforts and a planning process for the revitalization of high-crime and distressed communities, such as those already underway with the Weed and Seed Program.

Program Element: Victim Services

PCCD uses county-based policy boards to define local victim service needs and develop cost-effective victim/witness service strategies. Technical and financial assistance is provided to community-based organizations and district attorney offices in all 67 counties to support comprehensive service to victims of all violent crime with particular emphasis on services to victims of sexual assault, domestic violence and child abuse. In addition, the Victims of Juvenile Offenders Program supports community-based services to assist victims of juvenile offenders through grants to district attorneys, juvenile probation offices, and community-based victims services providers. Grants are made using court imposed costs authorized by Act 96 of 1984, as amended by Act 155 of 1992, and the Federal Victims of Crime Act of 1984. In addition, the Commission is the State administering agency for the S.T.O.P. (Services, Training, Officers, and Prosecution) Grant Program authorized through the Violence Against Women Act. These funds support the efforts of teams in 46 counties comprised of law enforcement, prosecutors, and victims' services programs.

Act 86 of 2000 amended the Crime Victims Act by adding definitions for adult, juvenile and preadjudication disposition. The act provides victims of crimes committed by juvenile

offenders with the same rights as victims of crimes committed by adult offenders including receiving basic information pertaining to victims assistance, obtaining access to information concerning disposition of cases and receiving reimbursement of losses. Act 85 of 2002 further amended the Act to provide victims notification of an adult offender's release from a boot camp, facility, and the right to witness the execution of an offender.

The Victims Compensation Assistance Program was created by Act 139 of 1976 as a response to the financial losses incurred by victims of crime. The Office of Victim Services is responsible for the administration of the program. Currently, individuals who are injured during a crime may be compensated for uninsured or unreimbursable medical expenses, counseling, relocation expenses, crime scene clean-up expenses, and loss of earnings and monies that are stolen or defrauded from individuals on fixed incomes. In the case of a homicide, funeral expenses, within limits, and loss of support may be compensated to those who qualify. The program does not pay for pain and suffering nor does it pay for property loss, in most instances. The maximum award is \$35,000 including \$20,000 for loss of support and \$15,000 for loss of earnings. Payments for counseling, crime-scene cleanup and certain other costs are over and above the \$35,000 maximum award. The Victims Compensation Assistance Program is the payer of last resort for crime victims' losses and the office is required to verify all aspects of each claim prior to payment.

Payments to victims are disbursed from a special nonlapsing restricted revenue account that receives its funding from a \$35 penalty assessment against certain offenders who plead guilty or nolo contendere, who are convicted of a crime or who are placed in a diversionary program. Juveniles, when there is a consent decree or an adjudication of delinquency, pay a penalty assessment of at least \$25, which is also paid into the fund.

Payment funds are also provided by the Federal Victims of Crime Act of 1984 that allocates Federal reimbursements to states for compensation programs based on a formula of prior year payments to victims

The passage of Act 45 of 2003 became effective on February 21, 2004. Prior to its passage, crime victims' restitution payments unclaimed by rightful owners for more than five years were presumed abandoned and deposited in the Commonwealth's General Fund. The Act directs the State Treasurer to deposit the unclaimed restitution payments in the Crime Victims Compensation Fund (CVCF) on or before June 30 of each year. The first deposit received by the CVCF amounted to slightly over \$358,000.

Program: Criminal and Juvenile Justice Planning and Coordination (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Planning and Coordination							
Counties with Communities That Care (CTC) sites*	58	58	67	67	67	67	67
Average reduction in one or more priority risk factors*	9%	12%	12%	13%	14%	15%	20%
Number of intensive treatment model programs implemented to date*	40	40	50	60	70	80	90
Number of non-intensive treatment model programs implemented to date*	71	86	96	106	116	126	136
Reduction in juvenile crime/recidivism, foster care and/or institutional placement*	5.8%	8.0%	10.0%	12.0%	12.0%	15.0%	18.0%
Active offenders sentenced to the Intermediate Punishment Program successfully completing their sentence (as determined by the Court)*	65%	65%	65%	65%	65%	65%	65%
Average number of jail days saved per active offender through participation in the Intermediate Punishment Program*	60	60	60	60	60	60	60
Active offenders in the program that will successfully complete the treatment-based Restrictive Intermediate Punishment portion of their sentence*	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%
Average number of jail days saved per active offender through participation in a treatment-based Restrictive Intermediate Punishment*	160	160	160	160	160	160	160
Reduction of incidents of youth violence in a Weed and Seed site*	N/A	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Number of new businesses started in a Weed and Seed site*	N/A	3	3	3	3	3	3
Reduction in blighted properties in a Weed and Seed site*	N/A	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Victim Services							
Victims compensation claim processing time - new claims (weeks)	10.01	11.00	11.00	10.75	10.75	10.50	10.50
Victims compensation claims paid	3,807	4,102	4,594	5,145	5,763	6,454	7,228

The average Crime Victim's Compensation program reimbursement per claim in 2003-04 was \$2,467.

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>\$ -22</p> <p>-548</p> <hr/> <p>\$ -570</p> <p>\$ -359</p> <p>\$ -218</p>	<p>Commission on Crime and Delinquency</p> <p>—Initiative - Victims Compensation Assistance Program Enhancements. Savings from a reduction in staff overtime.</p> <p>—reduction in administrative costs.</p> <p><i>Appropriation Decrease</i></p> <p>Partnership for Safe Children</p> <p>—reduction in administrative costs.</p> <p>Victims of Juvenile Crime</p> <p>—reduction in administrative costs.</p>	<p>\$ -201</p> <p>\$ 2,500</p> <p>\$ -310</p> <p>\$ -1,316</p>	<p>Weed and Seed Program</p> <p>—reduction in administrative costs.</p> <p>Intermediate Punishment Drug & Alcohol</p> <p>—to continue current program.</p> <p>Drug Education and Law Enforcement</p> <p>—reduction in administrative costs.</p> <p>Research Based Violence Prevention</p> <p>—Nonrecurring project.</p>
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The Intermediate Punishment Programs appropriation is recommended at the current year funding level.

This budget also recommends \$82,000 in Federal funds and \$26,000 in other funds to increase the claims processing staff for the Victims Compensation Assistance Program.

Program: Criminal and Juvenile Justice Planning and Coordination (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Commission on Crime and Delinquency	\$ 4,403	\$ 4,643	\$ 4,073	\$ 4,073	\$ 4,073	\$ 4,073	\$ 4,073
Partnership for Safe Children	6,001	6,034	5,675	5,675	5,675	5,675	5,675
Victims of Juvenile Crime	3,647	3,668	3,450	3,450	3,450	3,450	3,450
Weed and Seed Program	3,390	3,374	3,173	3,173	3,173	3,173	3,173
Intermediate Punishment Programs	3,180	3,430	3,430	3,430	3,430	3,430	3,430
Intermediate Punishment Drug and Alcohol Treatment	13,000	13,325	15,825	15,825	15,825	15,825	15,825
Drug Education and Law Enforcement	3,101	3,101	2,791	2,791	2,791	2,791	2,791
Research-Based Violence Prevention	5,965	7,281	5,965	5,965	5,965	5,965	5,965
TOTAL GENERAL FUND	\$ 42,687	\$ 44,856	\$ 44,382	\$ 44,382	\$ 44,382	\$ 44,382	\$ 44,382

PROGRAM OBJECTIVE: To reduce the recurrence of juvenile delinquency through replacement of criminal behavior with socially acceptable behavior.

Program: Reintegration of Juvenile Delinquents

The Juvenile Court Judges Commission (JCJC) is responsible for the development and improvement of juvenile probation services throughout the Commonwealth. These services focus on the provision of balanced attention to the protection of the community, the imposition of accountability for offenses committed and the development of competencies to enable children to become responsible and productive members of the community. The provision of Statewide juvenile justice training, education, research, statistical information, and the development and enhancement of specialized intensive probation and aftercare services for juveniles have significantly improved the quality of service within the Commonwealth's juvenile justice system.

All of the Commonwealth's sixty-seven counties participate in the commission's grant-in-aid program and have adopted the commission's required Juvenile Court Standards, participated in commission sponsored training programs and complied with all commission statistical reporting requirements. The grant-in-aid program is the only source of State funding for juvenile probation services. It supports the commission's major programs including training, education and specialized projects such as the provision of liability insurance and financial support for necessary equipment and software to enable counties to participate in the commission's juvenile probation management information system.

The commission annually sponsors from 40 to 45 state-of-the-art-training programs for juvenile justice practitioners. In addition to the provision of training, the commission, in conjunction with Shippensburg University and Mercyhurst College, provides the support to enable probation officers to receive Master of Science Degrees in the Administration of Justice. By the end of 2005-06, 494 juvenile justice professionals will have earned graduate degrees through this program since its inception in 1982.

The commission continues to support the Specialized Probation Services Program, including school-based probation, community-based probation, intensive probation and aftercare services including assistance for drug and alcohol abuse prevention and treatment. The commission provides support for 412 specialized probation officers pursuant to JCJC standards. Of these positions, 144 are for school-based probation, 115 are for community-based probation, 65 are for intensive probation, 58 are for aftercare services, and 30 are specialized probation services supervisors. The commission will continue this program during 2005-06.

The commission's Drug and Alcohol initiative continues to be a priority. Fifty-eight of the Commonwealth's counties are using urinalysis drug testing techniques on those juveniles who are known or suspected drug users. Juveniles referred by the court are tested for one or more of the following drugs: THC, cocaine, barbiturates, amphetamines, opiates, PCP, benzodiazepines and alcohol. Outcome information regarding each youth tested is collected by the commission and entered into its drug-testing database.

Juvenile arrests for violent crimes (murder, forcible rape, robbery and aggravated assault) increased from 4,842 in 2002 to 4,893 in 2003. The arrest rate per 100,000 juveniles increased from 352 in 2002 to 355 in 2003.

JCJC participates in the Commonwealth's Unified Information Technology System. The commission's primary role in the project is to assist in the design, development and implementation of a juvenile tracking system. The project is part of the development of the Statewide Integrated Criminal Justice System and the establishment of a network to electronically connect criminal justice agencies to facilitate information sharing.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Children referred to court	41,036	41,036	41,036	41,036	41,036	41,036	41,036
Commitments as a percent of referrals	14.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Children arrested for violent crime	4,893	4,893	4,893	4,893	4,893	4,893	4,893
Full-time equivalent Juvenile Probation Officer positions	1,445	1,445	1,445	1,445	1,445	1,445	1,445
Juvenile cases closed that received probation supervision or other services	n/a	16,500	16,500	16,500	16,500	16,500	16,500

Program: Reintegration of Juvenile Delinquents (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Percent employed or engaged in an educational/vocational activity at case closing	n/a	77.2%	77.2%	77.2%	77.2%	77.2%	77.2%
Juvenile offenders who completed supervision without a new offense resulting in a Consent Decree, adjudication of delinquency, or conviction*	n/a	14,000	14,000	14,000	14,000	14,000	14,000

Children arrested for violent crime increased from last year's presentation based on projection of actual data.

*New program measure, replacing the measure "Percent who completed supervision without a new offense."

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ -74	Juvenile Court Judges Commission —reduction in administrative costs.	\$ -1,533	Specialized Probation Services —program reduction.
\$ -3,700	Safe Neighborhoods —nonrecurring project.		

Improvement of Juvenile Probation Services is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Juvenile Court Judges Commission	2,149	2,203	2,129	2,129	2,129	2,129	2,129
Improvement of Juvenile Probation Services	5,918	5,918	5,918	5,918	5,918	5,918	5,918
Safe Neighborhoods	0	3,700	0	0	0	0	0
Specialized Probation Services	15,326	15,326	13,793	13,793	13,793	13,793	13,793
TOTAL GENERAL FUND	\$ 23,393	\$ 27,147	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840	\$ 21,840



LIEUTENANT GOVERNOR

The Lieutenant Governor serves as President of the Senate and Chairman of the Board of Pardons. In case of the death, conviction or impeachment, failure to qualify or resignation of the Governor, the Lieutenant Governor will become Governor for the remainder of the term. In case of the disability of the Governor, the powers, duties and emoluments of the office will transfer to the Lieutenant Governor until the disability is removed.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

2003-04	2004-05	2005-06
ACTUAL	AVAILABLE	BUDGET

GENERAL FUND:

General Government:

Lieutenant Governor's Office	\$	738	\$	1,194	\$	979
(F)General Fund Share - PEBTF Contribution (EA).....		9		0		0
Board of Pardons		359		365		384
Subtotal - State Funds.....	\$	1,097	\$	1,559	\$	1,363
Subtotal - Federal Funds.....		9		0		0
Total - General Government.....	\$	1,106	\$	1,559	\$	1,363
STATE FUNDS.....	\$	1,097	\$	1,559	\$	1,363
FEDERAL FUNDS.....		9		0		0
GENERAL FUND TOTAL	\$	1,106	\$	1,559	\$	1,363

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EXECUTIVE DIRECTION							
GENERAL FUND.....	\$ 1,097	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	9	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 1,106	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363
ALL PROGRAMS:							
GENERAL FUND.....	\$ 1,097	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	9	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 1,106	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363

Lieutenant Governor

PROGRAM OBJECTIVE: To provide an effective administrative system through which substantive programs of the agency can be accomplished.

Program: Executive Direction

This program provides for the execution of duties relating to the Office of the Lieutenant Governor. These duties, as prescribed by the Constitution, include presiding over the Senate; assuming the Office of the Governor for the remainder of the Governor's term, if necessary, as a result of the death, conviction or impeachment, failure to qualify or resignation of the Governor; and serving as Chairman of

the Pennsylvania Board of Pardons which reviews applications for reprieve, commutation of sentences and pardons. Through statute, the Lieutenant Governor also serves as Chairman of the Local Government Advisory Committee, which advises the Governor's Center for Local Government Services and the Administration on the needs and concerns of local government entities.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	Lieutenant Governor's Office		Board of Pardons
\$ 84	—to continue current program.	\$ 19	—to continue current program.
-299	—nonrecurring costs.		
\$ -215	<i>Appropriation Decrease</i>		

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Lieutenant Governor's Office	\$ 738	\$ 1,194	\$ 979	\$ 979	\$ 979	\$ 979	\$ 979
Board of Pardons	359	365	384	384	384	384	384
TOTAL GENERAL FUND	\$ 1,097	\$ 1,559	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363	\$ 1,363



ATTORNEY GENERAL

The State constitution provides that the Attorney General shall be the chief law enforcement officer of the Commonwealth and shall exercise such powers and perform such duties as may be imposed by law.

The Commonwealth Attorneys Act establishes the Attorney General as the chief legal and law enforcement officer of the Commonwealth and provides the following fundamental duties and responsibilities of the Office of Attorney General:

To be the Commonwealth's chief law enforcement officer charged with the responsibility for the prosecution of organized crime and public corruption. This law enforcement program includes a criminal investigations unit and drug law enforcement program as well as direction of Statewide and multi-county investigating grand juries and a Medicaid Fraud Control Section.

To represent the Commonwealth and all Commonwealth agencies and upon request the Auditor General, State Treasurer and Public Utility Commission in any action brought by or against the Commonwealth or its agencies; to furnish upon request legal advice to the Governor or the head of any Commonwealth agency.

To review for form and legality all proposed rules and regulations for Commonwealth agencies.

To review for form and legality all Commonwealth deeds, leases and contracts to be executed by Commonwealth agencies.

To collect, by suit or otherwise, all debts, taxes and accounts due the Commonwealth which shall be referred to and placed with the Attorney General.

To administer the provisions relating to consumer protection as well as appoint the Advisory Committee.

To represent the Commonwealth and its citizens in any action brought for violation of the Antitrust Laws of the United States and the Commonwealth.

The Attorney General, in addition, serves as a member of the Board of Pardons, the Joint Committee on Documents, the Hazardous Substances Transportation Board, the Board of Finance and Revenue, the Pennsylvania Commission on Crime and Delinquency, the Civil Disorder Commission and the Municipal Police Officers Education and Training Commission.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
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GENERAL FUND:

General Government:

General Government Operations.....	\$ 37,796	\$ 37,796	\$ 37,796
(F)Medicaid Fraud.....	3,633	3,788	3,831
(F)MAGLOCLEN.....	6,427	6,409	6,933
(F)Gun Violence Prosecution.....	40	40	0
(F)DCSI - Senior Crime Prevention University (EA).....	94	68	40
(F)General Fund Share - PEBTF Contribution.....	590	0	0
(A)Legal Fees Reimbursement.....	20	20	20
(A)Medicaid Fraud Reimbursements.....	28	72	72
(A)Collections - Legal.....	4	10	10
(A)Investigative Costs Reimbursements.....	73	50	50
(A)Environmental Crimes Investigative Costs.....	17	48	48
(A)Public Protection Law Enforcement.....	0	3,454	1,000
(A)Continuing Legal Education.....	2	5	5
Subtotal.....	\$ 48,724	\$ 51,760	\$ 49,805
(R)Office of Consumer Advocate.....	4,594	4,689	4,846
Computer Enhancements.....	1,000	1,000	1,000
Drug Law Enforcement.....	22,334	22,971	22,971
(F)High Intensity Drug Trafficking Areas.....	3,151	3,187	3,226
(F)Prescription Drug Monitoring.....	180	413	0
(F)DCSI - PA Drug Law Enforcement Coordinating System (EA).....	98	0	0
(F)DCSI - Computer Forensics (EA).....	163	14	0
(F)DCSI - Witness Relocation (EA).....	267	224	0
(F)Witness Protection.....	545	448	0
(A)Seized/Forfeited Property - U.S. Department of Justice.....	0	1,367	750
(A)Seized/Forfeited Property - U.S. Treasury Department.....	0	400	0
(A)Recovery of Narcotics Investigation Overtime Costs.....	44	16	0
Subtotal.....	\$ 26,782	\$ 29,040	\$ 26,947
Local Drug Task Forces.....	8,788	9,216	9,216
Drug Strike Task Force.....	1,700	1,770	1,770
Capital Appeals Case Unit.....	612	612	612
Charitable Nonprofit Conversions.....	949	949	949
Tobacco Law Enforcement.....	513	513	513
Subtotal - State Funds.....	\$ 73,692	\$ 74,827	\$ 74,827
Subtotal - Federal Funds.....	15,188	14,591	14,030
Subtotal - Augmentations.....	188	5,442	1,955
Subtotal - Restricted Revenues.....	4,594	4,689	4,846
Total - General Government.....	\$ 93,662	\$ 99,549	\$ 95,658

Grants and Subsidies:

County Trial Reimbursement.....	\$ 150	\$ 150	\$ 150
STATE FUNDS.....	73,842	74,977	74,977
FEDERAL FUNDS.....	15,188	14,591	14,030
AUGMENTATIONS.....	188	5,442	1,955
RESTRICTED REVENUES.....	4,594	4,689	4,846

GENERAL FUND TOTAL.....	\$ 93,812	\$ 99,699	\$ 95,808
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OTHER FUNDS:

GENERAL FUND:

Seized/Forfeited Property - State Court Awarded.....	\$ 2,590	\$ 1,975	\$ 1,925
Seized/Forfeited Property - U.S. Department of Justice.....	67	260	275
Seized/Forfeited Property - PSP-OAG Agreement.....	660	1,000	1,000
OAG Investigative Funds - Outside Sources.....	3,233	3,749	3,519
Seized/Forfeited Property - U.S. Treasury Department.....	164	260	275
Public Protection Law Enforcement.....	1,535	3,804	1,400

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Coroner's Education Board.....	33	35	21
GENERAL FUND TOTAL.....	<u>\$ 8,282</u>	<u>\$ 11,083</u>	<u>\$ 8,415</u>
 DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 73,842	\$ 74,977	\$ 74,977
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	15,188	14,591	14,030
AUGMENTATIONS.....	188	5,442	1,955
RESTRICTED.....	4,594	4,689	4,846
OTHER FUNDS.....	8,282	11,083	8,415
TOTAL ALL FUNDS.....	<u>\$ 102,094</u>	<u>\$ 110,782</u>	<u>\$ 104,223</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PUBLIC PROTECTION AND LAW ENFORCEMENT							
GENERAL FUND.....	\$ 73,842	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	15,188	14,591	14,030	14,232	14,410	14,597	14,792
OTHER FUNDS.....	13,064	21,214	15,216	15,216	15,216	15,216	15,216
SUBCATEGORY TOTAL.....	\$ 102,094	\$ 110,782	\$ 104,223	\$ 104,425	\$ 104,603	\$ 104,790	\$ 104,985
ALL PROGRAMS:							
GENERAL FUND.....	\$ 73,842	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977	\$ 74,977
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	15,188	14,591	14,030	14,232	14,410	14,597	14,792
OTHER FUNDS.....	13,064	21,214	15,216	15,216	15,216	15,216	15,216
DEPARTMENT TOTAL.....	\$ 102,094	\$ 110,782	\$ 104,223	\$ 104,425	\$ 104,603	\$ 104,790	\$ 104,985

PROGRAM OBJECTIVE: To enforce the criminal laws of the Commonwealth to protect the interests of Pennsylvania citizens in areas of consumer protection, antitrust enforcement, operation of charitable trusts and organizations, and civil rights; and to provide legal services to Commonwealth agencies.

Program: Public Protection and Law Enforcement

The Attorney General as the chief law enforcement officer of the Commonwealth is charged with the responsibility for the investigation and prosecution of organized crime and public corruption. The agency investigates and prosecutes criminal activity in accordance with Sections 205 and 206 of the Commonwealth Attorneys Act and utilizes Statewide investigative grand juries as appropriate. The Attorney General's Office works with the State Police to curtail drug abuse in the Commonwealth by immobilizing illegal drug traffickers.

Other major activities of this program involve: decreasing the incidence of fraud and deceptive business practices and securing recovery of damages to the Commonwealth and its citizens; encouraging free enterprise and competition; prosecuting hazardous waste cases; and providing for representation of the consumer in utility rate

proceedings before the Public Utility Commission through the Office of the Consumer Advocate. The Consumer Advocate also represents the consumer in cases such as competition in the electric, gas and telecommunications industries, filings of alternative regulatory plans by telephone utilities, purchased gas cases and filings by major natural gas pipelines. Act 166 of 1994 established a Section of Insurance Fraud within the Attorney General's Office to prosecute and investigate insurance fraud.

This program also provides legal services for governmental agencies of the Commonwealth, as required by Section 204 of the Commonwealth Attorneys Act. Specifically, the Attorney General's Office represents the Commonwealth in any action brought by or against the Commonwealth or its agencies, particularly tort claims.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Cases presented to the Statewide Investigating Grand Jury	38	44	44	44	44	44	44
Local drug task force arrests	4,969	5,200	5,200	5,200	5,200	5,200	5,200
Drug arrests resulting from Grand Jury presentments	267	250	250	250	250	250	250
Review of estates, charities, nonprofits, and healthcare conversions for compliance with rules and regulations ...	2,170	2,400	2,400	2,400	2,400	2,400	2,400
Consumer complaints concerning business practices investigated and mediated	44,805	43,000	43,000	43,000	43,000	43,000	43,000
Dollar value of recoupment to consumers regarding business practices (in thousands)	\$36,087	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Consumer complaints concerning business practices - healthcare industry	1,128	1,600	1,600	1,600	1,600	1,600	1,600

Dollar value of recoupment to consumers regarding business practices for 2003-04 is higher than projected in last year's budget due to a large one-time savings in an individual case.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

All General Fund appropriations are recommended at the current year funding levels.

This budget also recommends the following for the Office of the Consumer Advocate from its restricted account in the General Fund.

Office of the Consumer Advocate
\$ 157 —to continue current program.

Program: Public Protection and Law Enforcement (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	37,796	37,796	37,796	37,796	37,796	37,796	37,796
Computer Enhancements	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Drug Law Enforcement	22,334	22,971	22,971	22,334	22,334	22,334	22,334
Local Drug Task Forces	8,788	9,216	9,216	8,788	8,788	8,788	8,788
Drug Strike Task Force	1,700	1,770	1,770	1,770	1,770	1,770	1,770
Capital Appeals Case Unit	612	612	612	612	612	612	612
Charitable Nonprofit Conversions	949	949	949	949	949	949	949
Tobacco Law Enforcement	513	513	513	513	513	513	513
County Trial Reimbursement	150	150	150	150	150	150	150
TOTAL GENERAL FUND	\$ 73,842	74,977	74,977	74,977	74,977	74,977	74,977



AUDITOR GENERAL

The Department of the Auditor General post-audits the affairs of State Government agencies and certain local government agencies, officials and organizations. The objective is to insure conformance with established legislative and administrative regulations and to assure that all money has been disbursed legally and properly. In addition, the Auditor General examines the accounts of revenue collecting agents to insure that all money due the Commonwealth was reported and transmitted properly.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
Auditor General's Office	\$ 45,351	\$ 46,259	\$ 46,259
(F)General Fund Share - PEBTF Contribution (EA).....	617	0	0
(A)Reimbursement Auditing Services.....	8,592	9,679	8,000
Subtotal.....	<u>\$ 54,560</u>	<u>\$ 55,938</u>	<u>\$ 54,259</u>
Board of Claims	1,879	1,920	1,920
Computer Enhancements	2,000	2,000	0
Subtotal.....	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 0</u>
Subtotal - State Funds.....	\$ 49,230	\$ 50,179	\$ 48,179
Subtotal - Federal Funds.....	617	0	0
Subtotal - Augmentations.....	8,592	9,679	8,000
Total - General Government.....	<u>\$ 58,439</u>	<u>\$ 59,858</u>	<u>\$ 56,179</u>
<i>Grants and Subsidies:</i>			
Municipal Pension System State Aid	\$ 330	\$ 0	\$ 0
STATE FUNDS.....	\$ 49,560	\$ 50,179	\$ 48,179
FEDERAL FUNDS.....	617	0	0
AUGMENTATIONS.....	8,592	9,679	8,000
GENERAL FUND TOTAL	<u>\$ 58,769</u>	<u>\$ 59,858</u>	<u>\$ 56,179</u>
OTHER FUNDS:			
MUNICIPAL PENSION AID FUND:			
Municipal Pension Aid.....	\$ 167,763	\$ 170,000	\$ 172,000
SUPPLEMENTAL STATE ASSISTANCE FUND:			
Supplemental State Assistance (EA).....	\$ 329	\$ 1	\$ 0
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 49,560	\$ 50,179	\$ 48,179
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	617	0	0
AUGMENTATIONS.....	8,592	9,679	8,000
OTHER FUNDS.....	168,092	170,001	172,000
TOTAL ALL FUNDS	<u>\$ 226,861</u>	<u>\$ 229,859</u>	<u>\$ 228,179</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
AUDITING							
GENERAL FUND.....	\$ 49,230	\$ 50,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	617	0	0	0	0	0	0
OTHER FUNDS.....	8,592	9,679	8,000	8,000	8,000	8,000	8,000
SUBCATEGORY TOTAL.....	\$ 58,439	\$ 59,858	\$ 56,179	\$ 56,179	\$ 56,179	\$ 56,179	\$ 56,179
MUNICIPAL PENSION SYSTEMS							
GENERAL FUND.....	\$ 330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	168,092	170,001	172,000	172,000	172,000	172,000	172,000
SUBCATEGORY TOTAL.....	\$ 168,422	\$ 170,001	\$ 172,000	\$ 172,000	\$ 172,000	\$ 172,000	\$ 172,000
ALL PROGRAMS:							
GENERAL FUND.....	\$ 49,560	\$ 50,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	617	0	0	0	0	0	0
OTHER FUNDS.....	176,684	179,680	180,000	180,000	180,000	180,000	180,000
DEPARTMENT TOTAL.....	\$ 226,861	\$ 229,859	\$ 228,179	\$ 228,179	\$ 228,179	\$ 228,179	\$ 228,179

PROGRAM OBJECTIVE: To insure that all revenue to which the Commonwealth is entitled is deposited in the State Treasury and that public money is disbursed legally and properly.

Program: Auditing

The Auditor General is required by the Fiscal Code to audit the financial affairs of State Government and certain local government entities. The Auditor General is mandated to perform audits of any entity receiving funds from the Commonwealth or any entity collecting funds that belong to the Commonwealth. Each year, the department performs thousands of regular and special post audits of Commonwealth agencies, persons, associations and corporations to insure money is disbursed legally and properly. The Auditor General also examines accounts of revenue collecting agents to assure that all funds due the Commonwealth have been reported and transmitted properly and that the Commonwealth's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The Single Audit, which is a single financial/compliance audit of the Commonwealth's Federal aid programs, and an audit of the Commonwealth's General Purpose Financial Statements are jointly performed each year by the Auditor General and an independent certified public accounting firm.

Special audits may be made when the Auditor General determines they appear to be necessary. Special audits must also be conducted when the Governor calls upon the Auditor General to do them.

The Fiscal Code also requires the Auditor General to audit public assistance payments to determine the eligibility of persons receiving public assistance grants. Recipients are subject to continuous audit. These audits serve to adjust grants to persons either ineligible or receiving overpayments or underpayments.

In addition to fiscal duties, by statute the Auditor General serves as a member of the State Public School Building Authority and other major Commonwealth boards and commissions.

The Board of Claims operates within this program as an independent judicial and administrative body with jurisdiction to hear and determine claims against the Commonwealth that equal or exceed \$300.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Computer Enhancements
 \$ -2,000 —nonrecurring program.

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Auditor General's Office	\$ 45,351	\$ 46,259	\$ 46,259	\$ 46,259	\$ 46,259	\$ 46,259	\$ 46,259
Board of Claims	1,879	1,920	1,920	1,920	1,920	1,920	1,920
Computer Enhancements	2,000	2,000	0	0	0	0	0
TOTAL GENERAL FUND	\$ 49,230	\$ 50,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179	\$ 48,179

PROGRAM OBJECTIVE: To assist municipal pension systems through loans and disbursement of annual supplemental State assistance.

Program: Municipal Pension Systems

In 1984, the General Assembly passed Act 205, known as the Municipal Pension Plan Funding Standard and Recovery Act. The enactment of this legislation was in response to the solvency problems facing many of the Commonwealth's municipal pension systems. The act requires the submission of municipal pension plan actuarial reports to the Public Employee Retirement Commission (PERC) every two years and establishes criteria for determination of actuarial soundness and the amount of State financed support that will be provided. The Auditor General is responsible for audits of approximately 1,300 municipal pension funds for nonuniformed employes where municipalities choose to allocate State aid to those funds.

The Auditor General administers the Municipal Pension Systems Aid program, established by Act 205 to distribute funding to municipal pension plans for police officers and paid firefighters. The program is funded through the Municipal

Pension Aid Fund, which receives all proceeds of the Foreign Casualty Insurance Premium Tax and a portion of the Foreign Fire Insurance Premium Tax.

The Auditor General is also responsible for distributing proceeds from the Foreign Fire Insurance Tax Fund to municipalities for payment to volunteer firefighter relief associations. Financial statements for the Municipal Pension State Aid Fund and the Fire Insurance Tax Fund are presented in the Special Fund Appendix section of this budget.

Under Act 205, the Auditor General was responsible for the administration of the Supplemental State Assistance Program, including disbursement of funds to distressed municipal pension systems based on certifications provided by PERC. By statute, this program and fund terminated in 2003.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Municipal Pension System State Aid

The program was eliminated per Act 205 of 1984

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Municipal Pension System State Aid	\$ 330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	<u>330</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>



TREASURY DEPARTMENT

The Treasury Department is responsible for receiving all Commonwealth monies and for depositing such monies in State depositories approved by the Board of Finance and Revenue, for managing all securities in its custody to the best advantage of the Commonwealth, for preauditing all requisitions for the expenditures of funds and for disbursement of all State monies upon proper authorization to those entitled to receive payment.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
State Treasurer's Office.....	\$ 23,173	\$ 23,976	\$ 23,976
(F)General Fund Share - PEBTF Contribution (EA).....	431	0	0
(A)Expenses - Unemployment Compensation.....	2,563	2,455	2,545
(A)Fees - Federal Savings Bonds.....	20	25	25
(A)Receipts From SWIF.....	60	120	120
(A)Sale of Automobiles.....	0	2	2
(A)Photocopy Services.....	5	3	3
(A)Administrative Fees.....	630	575	575
(A)Miscellaneous.....	7	5	5
Computer Integration Program.....	1,473	335	0
Escheats Administration.....	11,691	17,576	14,620
Subtotal.....	\$ 40,053	\$ 45,072	\$ 41,871
Board of Finance and Revenue.....	2,057	2,309	2,309
Tuition Account Program Advertising.....	1,000	1,000	1,000
Intergovernmental Organizations.....	910	936	936
Publishing Monthly Statements.....	14	25	25
Replacement Checks (EA).....	2,500	3,000	3,000
Subtotal.....	\$ 6,481	\$ 7,270	\$ 7,270
Subtotal - State Funds.....	\$ 42,818	\$ 49,157	\$ 45,866
Subtotal - Federal Funds.....	431	0	0
Subtotal - Augmentations.....	3,285	3,185	3,275
Total - General Government.....	\$ 46,534	\$ 52,342	\$ 49,141
<i>Grants and Subsidies:</i>			
Law Enforcement Officers Death Benefits.....	\$ 739	\$ 762	\$ 775
Intergovern. Cooperation Authority for Second Class Cities.....	440	0	0
Total - Grants and Subsidies.....	\$ 1,179	\$ 762	\$ 775
<i>Debt Service:</i>			
Loan and Transfer Agents.....	\$ 12	\$ 75	\$ 75
General Obligation Debt Service.....	668,977	399,925	758,673
(F)Debt Service - Federal Fiscal Relief.....	0	377,619	0
(A)Student Community Building Fees.....	390	500	500
Subtotal - State Funds.....	\$ 668,989	\$ 400,000	\$ 758,748
Subtotal - Federal Funds.....	0	377,619	0
Subtotal - Augmentations.....	390	500	500
Total - Debt Service.....	\$ 669,379	\$ 778,119	\$ 759,248
STATE FUNDS.....	\$ 712,986	\$ 449,919	\$ 805,389
FEDERAL FUNDS.....	431	377,619	0
AUGMENTATIONS.....	3,675	3,685	3,775
GENERAL FUND TOTAL.....	\$ 717,092	\$ 831,223	\$ 809,164
MOTOR LICENSE FUND:			
<i>General Government:</i>			
Administration Refunding Liquid Fuels Tax.....	\$ 374	\$ 451	\$ 455
Replacement Checks - Motor License Fund (EA).....	39	100	100
Total - General Government.....	\$ 413	\$ 551	\$ 555
<i>Refunds:</i>			
Refunding Liquid Fuels Tax - Agriculture.....	\$ 3,043	\$ 4,000	\$ 4,000

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Refunding Liquid Fuels Tax - State Share.....	253	350	350
Refunding Liquid Fuels Tax - Political Subdivisions.....	2,163	3,200	3,200
Refunding Liquid Fuels Tax - Volunteer Services.....	349	400	400
Refunding Marine Liquid Fuels Tax - Boat Fund.....	2,200	2,800	2,800
Total - Refunds.....	\$ 8,008	\$ 10,750	\$ 10,750
Debt Service:			
Capital Debt Transportation Projects.....	\$ 29,627	\$ 11,890	\$ 12,097
General Obligation Debt Service.....	8,964	10,037	10,625
(R)Capital Bridge Debt (EA).....	20,401	23,554	23,816
Loan and Transfer Agent.....	3	50	50
Subtotal - State Funds.....	\$ 38,594	\$ 21,977	\$ 22,772
Subtotal - Restricted Revenues.....	20,401	23,554	23,816
Total - Debt Service.....	\$ 58,995	\$ 45,531	\$ 46,588
STATE FUNDS.....	\$ 47,015	\$ 33,278	\$ 34,077
RESTRICTED REVENUES.....	20,401	23,554	23,816
MOTOR LICENSE FUND TOTAL.....	\$ 67,416	\$ 56,832	\$ 57,893
<u>BANKING DEPARTMENT FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Banking Department Fund (EA).....	\$ 0	\$ 5	\$ 5
<u>BOAT FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Boat Fund (EA).....	\$ 0	\$ 5	\$ 5
<u>FARM PRODUCTS SHOW FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Farm Products Show Fund (EA).....	\$ 0	\$ 5	\$ 5
<u>FISH FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Fish Fund (EA).....	\$ 0	\$ 5	\$ 5
<u>GAME FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Game Fund (EA).....	\$ 0	\$ 5	\$ 5
<u>LOTTERY FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Lottery Fund (EA).....	\$ 17	\$ 50	\$ 50
<u>MILK MARKETING FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Milk Marketing Fund (EA).....	\$ 0	\$ 5	\$ 5

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
<u>RACING FUND:</u>			
<i>General Government:</i>			
Replacement Checks-Racing Fund (EA).....	\$ 1	\$ 10	\$ 10
	<hr/>	<hr/>	<hr/>
<u>OTHER FUNDS:</u>			
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM FUND:			
Tuition Account Program Bureau.....	\$ 919	\$ 1,033	\$ 1,033
(A)Application Fees.....	257	200	150
	<hr/>	<hr/>	<hr/>
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM FUND TOTAL.....	\$ 1,176	\$ 1,233	\$ 1,183
	<hr/>	<hr/>	<hr/>
<u>ENVIRONMENTAL STEWARDSHIP FUND:</u>			
<i>General Government:</i>			
(R)Debt Service for Growing Greener (EA).....	\$ 0	\$ 0	\$ 2,125
	<hr/>	<hr/>	<hr/>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 712,986	\$ 449,919	\$ 805,389
SPECIAL FUNDS.....	47,033	33,368	34,167
FEDERAL FUNDS.....	431	377,619	0
AUGMENTATIONS.....	3,675	3,685	3,775
RESTRICTED.....	20,401	23,554	25,941
OTHER FUNDS.....	1,176	1,233	1,183
	<hr/>	<hr/>	<hr/>
TOTAL ALL FUNDS.....	\$ 785,702	\$ 889,378	\$ 870,455
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
DISBURSEMENT							
GENERAL FUND.....	\$ 43,073	\$ 48,958	\$ 45,680	\$ 45,680	\$ 45,680	\$ 45,680	\$ 45,680
SPECIAL FUNDS.....	8,439	11,391	11,395	11,395	11,395	11,395	11,395
FEDERAL FUNDS.....	431	0	0	0	0	0	0
OTHER FUNDS.....	4,461	4,418	4,458	4,458	4,458	4,458	4,458
SUBCATEGORY TOTAL.....	\$ 56,404	\$ 64,767	\$ 61,533	\$ 61,533	\$ 61,533	\$ 61,533	\$ 61,533
INTERSTATE RELATIONS							
GENERAL FUND.....	\$ 910	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 910	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936
DEBT SERVICE							
GENERAL FUND.....	\$ 669,003	\$ 400,025	\$ 758,773	\$ 841,502	\$ 886,684	\$ 930,658	\$ 967,048
SPECIAL FUNDS.....	38,594	21,977	22,772	22,086	23,189	22,860	22,504
FEDERAL FUNDS.....	0	377,619	0	0	0	0	0
OTHER FUNDS.....	20,791	24,054	26,441	37,169	51,670	64,051	72,426
SUBCATEGORY TOTAL.....	\$ 728,388	\$ 823,675	\$ 807,986	\$ 900,757	\$ 961,543	\$ 1,017,569	\$ 1,061,978
ALL PROGRAMS:							
GENERAL FUND.....	\$ 712,986	\$ 449,919	\$ 805,389	\$ 888,118	\$ 933,300	\$ 977,274	\$ 1,013,664
SPECIAL FUNDS.....	47,033	33,368	34,167	33,481	34,584	34,255	33,899
FEDERAL FUNDS.....	431	377,619	0	0	0	0	0
OTHER FUNDS.....	25,252	28,472	30,899	41,627	56,128	68,509	76,884
DEPARTMENT TOTAL.....	\$ 785,702	\$ 889,378	\$ 870,455	\$ 963,226	\$ 1,024,012	\$ 1,080,038	\$ 1,124,447

PROGRAM OBJECTIVE: To receive and safeguard the monies of the Commonwealth, to manage the funds to the best advantage of the Commonwealth and to insure that all disbursements of funds are legal and proper.

Program: Disbursement

The Treasury Department is required by the Fiscal Code to receive and deposit all monies of the Commonwealth; to invest in securities any Commonwealth monies which accumulate beyond the daily needs of the various funds; to manage to the best possible advantage all securities in its custody; to preaudit all requisitions for the expenditure of funds; and to disburse all State monies upon proper authorization to those entitled to receive payment. In this capacity the department is responsible for the receipt, custody and disbursement of billions of dollars each year.

The Treasury Department also audits disbursement records, maintains accounting controls and disburses all checks to recipients of public assistance. Thousands of checks are processed each working day for distribution to recipients. This processing includes preauditing, collating, authenticating and mailing the checks to individual recipients and banks. Hundreds of participating banks throughout the Commonwealth distribute thousands of checks daily.

The State Treasurer is Chairman of the Board of Finance and Revenue and serves on various State boards and commissions including several public retirement boards.

The Board of Finance and Revenue operates within this program by reviewing and deciding appeals concerning settlements made between the Commonwealth and persons, associations and corporations. The board also administers the program for refunding certain monies to which the Commonwealth is not legally entitled.

Under the provisions of Act 101 of 1976, as amended by Act 161 of 1994, the Treasury Department is required to pay death benefits, adjusted annually for inflation, to the surviving spouse or children of firemen or law enforcement officers of the Commonwealth killed in the performance of their duties and to reimburse political subdivisions for such payments made to survivors of local firemen or law enforcement officers. The Treasury Department administers the Tuition Account Program that provides for two programs for postsecondary educational savings. The Tuition Account Guaranteed Savings Program Fund provides for the advance purchase of tuition credits for students who will attend institutions of higher education. Savings for higher education may also be made through the Tuition Account Investment Program Fund. A cash flow statement for each fund is included in the Special Funds Appendix.

The State Treasurer is responsible for the administration and enforcement of the Commonwealth's abandoned and unclaimed property laws. Tangible and intangible property that has remained unclaimed for five or more years is reported and remitted to the Treasury Department by holders in possession of the property. The Commonwealth maintains perpetual custody of the property until it is claimed by the rightful owner. Revenues generated by collection of unclaimed property cover the costs of paying claims.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Disbursements issued.....							
Disbursements — checks.....	5,217,339	5,100,000	5,100,000	N/A	N/A	N/A	N/A
Disbursements — wires.....	5,355,924	5,500,000	5,500,000	N/A	N/A	N/A	N/A
Interest earned on investments:							
General Fund (in thousands).....	\$ 123,122	\$ 130,000	\$ 130,000	N/A	N/A	N/A	N/A
Motor License Fund (in thousands).....	36,792	42,500	42,500	N/A	N/A	N/A	N/A
TOTAL	\$ 159,914	\$ 172,500	\$ 172,500	N/A	N/A	N/A	N/A

Disbursements -- checks decreases and wires increases from last year's budget due to the requirement for all Commonwealth employees to receive paychecks through direct deposit.

Interest earned on investments in the General Fund and Motor License Fund changed from the projections shown in last year's budget based on actual data and updated projections.

Program: Disbursement (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND Computer Integration Program \$ -335 —nonrecurring computer integration costs.</p>	<p>Law Enforcement Officers Death Benefits \$ 13 —to continue current program.</p>
<p>Escheats Administration \$ -2,956 —nonrecurring advertising costs.</p>	<p>MOTOR LICENSE FUND Administration Refunding Liquid Fuels Tax \$ 4 —based on most recent projection of program requirements.</p>

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
State Treasurer's Office	\$ 23,173	\$ 23,976	\$ 23,976	\$ 23,976	\$ 23,976	\$ 23,976	\$ 23,976
Computer Integration Program	1,473	335	0	0	0	0	0
Escheats Administration	11,691	17,576	14,620	14,620	14,620	14,620	14,620
Board of Finance and Revenue	2,057	2,309	2,309	2,309	2,309	2,309	2,309
Tuition Account Program Advertising	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Replacement Checks (EA)	2,500	3,000	3,000	3,000	3,000	3,000	3,000
Law Enforcement Officers Death Benefits	739	762	775	775	775	775	775
Intergovern. Cooperation Authority for Second Class Cities	440	0	0	0	0	0	0
TOTAL GENERAL FUND	\$ 43,073	\$ 48,958	\$ 45,680	\$ 45,680	\$ 45,680	\$ 45,680	\$ 45,680
MOTOR LICENSE FUND:							
Administration Refunding Liquid Fuels Tax	\$ 374	\$ 451	\$ 455	\$ 455	\$ 455	\$ 455	\$ 455
Replacement Checks - Motor License Fund (EA)	39	100	100	100	100	100	100
Refunding Liquid Fuels Tax - Agriculture ...	3,043	4,000	4,000	4,000	4,000	4,000	4,000
Refunding Liquid Fuels Tax - State Share..	253	350	350	350	350	350	350
Refunding Liquid Fuels Tax - Political Subdivisions	2,163	3,200	3,200	3,200	3,200	3,200	3,200
Refunding Liquid Fuels Tax - Volunteer Services	349	400	400	400	400	400	400
Refunding Marine Liquid Fuels Tax - Boat Fund	2,200	2,800	2,800	2,800	2,800	2,800	2,800
TOTAL MOTOR LICENSE FUND	\$ 8,421	\$ 11,301	\$ 11,305	\$ 11,305	\$ 11,305	\$ 11,305	\$ 11,305
BANKING DEPARTMENT FUND:							
Replacement Checks — Banking Department Fund (EA)	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5

Program: Disbursement (continued)

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
BOAT FUND:							
Replacement Checks — Boat Fund (EA) ...	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
FARM PRODUCTS SHOW FUND:							
Replacement Checks — Farm Products Show Fund (EA)	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
FISH FUND:							
Replacement Checks — Fish Fund (EA) ...	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
GAME FUND:							
Replacement Checks — Game Fund (EA) .	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
LOTTERY FUND:							
Replacement Checks — Lottery Fund (EA)	\$ 17	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
MILK MARKETING FUND:							
Replacement Checks — Milk Marketing Fund (EA)	\$ 0	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
RACING FUND:							
Replacement Checks — Racing Fund (EA)	\$ 1	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10

PROGRAM OBJECTIVE: To promote interstate cooperation and progress through participation in various associations and organizations both regionally and nationally.

Program: Interstate Relations

Pennsylvania helps promote interstate progress and cooperation through participation in various organizations, associations and commissions with other states and other units of government. As a member of the Council of State Governments, Education Commission of the States, National Conference of State Legislatures and the National Governors' Association, Pennsylvania helps coordinate ideas on programs, interstate progress, budgets, Federal-State relations, education, labor, research, governmental techniques and general information with other states, the Congress and the Federal Executive Branch.

The Governmental Accounting Standards Board is also included within this program. The board provides guidance and establishes standards to promote uniformity and

comparability in governmental accounting and financial reporting.

The State and Local Legal Center provides for Pennsylvania's participation in a center to advance and defend the interests of state and local governments in matters involving Federal preemption, state taxing and spending powers, the tenth amendment and other issues.

This program also covers Pennsylvania's cost of the Great Lakes Commission and the Council of Great Lakes Governors. These organizations were established to plan and promote a unified and balanced program for the development, use and conservation of Great Lakes Basin water resources.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

The Intergovernmental Organizations appropriation is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Intergovernmental Organizations	\$ 910	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936	\$ 936

PROGRAM OBJECTIVE: To provide for interest and principal requirements of notes and bonds issued by the Commonwealth and other expenses related to debt service.

Program: Debt Service

The Commonwealth, through the Treasury Department, is obligated to meet principal and interest requirements and other expenses related to debt service.

Long-term bonds are issued by the State to cover the cost of financing public improvements which represent such a heavy financial burden that they cannot be funded through current revenues. These bond issues have provided funds for the acquisition and development of public recreation and historic sites and facilities; payment for disaster recovery costs; economic revitalization efforts; low-cost loans for water supply and sewage treatment improvements; loans to

volunteer fire companies; and a wide variety of construction and renovation projects for hospitals, higher education facilities, State parks, flood control, correctional institutions and various public buildings.

The Commonwealth has saved substantial amounts of debt service interest payments through the issuance of refunding bonds to retire debt incurred in prior years when interest rates were considerably higher. The Commonwealth continues to monitor its debt for additional refunding opportunities.

Program Recommendations:

GENERAL FUND
 \$ 358,748 —the net effect on principal and interest requirements and other costs relating to the General Fund debt service.

All other appropriations are recommended at the current year funding levels.

MOTOR LICENSE FUND
 \$ 795 —the net effect on principal and interest requirements and other costs relating to the Motor License Fund debt service.

The budget recommends the following from restricted accounts:

ENVIRONMENTAL STEWARDSHIP FUND
 \$ 2,125 —Initiative — Growing Greener II. To provide for General Fund debt service payments for the Growing Greener II program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Publishing Monthly Statements	\$ 14	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
Loan and Transfer Agents	12	75	75	75	75	75	75
General Obligation Debt Service	668,977	399,925	758,673	841,402	886,584	930,558	966,948
TOTAL GENERAL FUND	\$ 669,003	\$ 400,025	\$ 758,773	\$ 841,502	\$ 886,684	\$ 930,658	\$ 967,048
MOTOR LICENSE FUND:							
Capital Debt Transportation Projects	\$ 29,627	\$ 11,890	\$ 12,097	\$ 11,461	\$ 12,564	\$ 12,318	\$ 11,962
General Obligation Debt Service	8,964	10,037	10,625	10,575	10,575	10,492	10,492
Loan and Transfer Agent	3	50	50	50	50	50	50
TOTAL MOTOR LICENSE FUND	\$ 38,594	\$ 21,977	\$ 22,772	\$ 22,086	\$ 23,189	\$ 22,860	\$ 22,504



DEPARTMENT OF AGING

The mission of the Department of Aging is to enhance the quality of life of older Pennsylvanians by empowering the community, the family and the individual.

The Department of Aging consolidates services for older Pennsylvanians and provides a single point of contact through which older Pennsylvanians can address their concerns to State Government.

Statewide services are provided through the local Area Agencies on Aging. Services include long-term care assessment, home and community-based services, nutrition, employment, transportation, domiciliary care and protection. Additionally, the Department of Aging manages the pharmaceutical assistance program for older Pennsylvanians.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 15,981	\$ 17,613	\$ 7,912
(F)Programs for the Aging - Title III - Administration.....	1,817	1,817	1,817
(F)Programs for the Aging - Title V - Administration.....	173	173	173
(F)Medical Assistance - Administration.....	999	938	1,042
(F)DCSI - Older Domestic Violence Victims Cross Training (EA).....	19	0	0
(F)DCSI - Protective Services Training (EA).....	125	50	13
(F)Pharmacy Education.....	0	5,000 ^a	12,084
(F)DCSI - Sexual Abuse Response Training (EA).....	93	49	25
(F)General Fund Share - PEBTF Contribution.....	69	0	0
(A)Intergovernmental Transfer - Administration.....	197	206	199
(A)Day Care Licensure.....	7	8	8
Subtotal.....	<u>\$ 19,480</u>	<u>\$ 25,854</u>	<u>\$ 23,273</u>
Subtotal - State Funds.....	\$ 15,981	\$ 17,613	\$ 7,912
Subtotal - Federal Funds.....	3,295	8,027	15,154
Subtotal - Augmentations.....	204	214	207
Total - General Government.....	<u>\$ 19,480</u>	<u>\$ 25,854</u>	<u>\$ 23,273</u>
Grants and Subsidies:			
Family Caregiver.....	\$ 11,461	\$ 11,461	\$ 11,461
(F)Programs for the Aging - Title III - Family Caregiver.....	10,000	10,000	10,000
Subtotal.....	<u>\$ 21,461</u>	<u>\$ 21,461</u>	<u>\$ 21,461</u>
Pre-Admission Assessment.....	5,871	6,080	0
(F)Pre-Admission Assessment.....	8,271	8,818	0
(A)Intergovernmental Transfer.....	34	0	0
Subtotal.....	<u>\$ 14,176</u>	<u>\$ 14,898</u>	<u>\$ 0</u>
Legal Advocacy for Older Pennsylvanians.....	0	600	0
Alzheimer's Outreach.....	145	526	145
(F)Memory Loss Screening.....	665	597	400
Subtotal.....	<u>\$ 810</u>	<u>\$ 1,123</u>	<u>\$ 545</u>
Subtotal - State Funds.....	\$ 17,477	\$ 18,667	\$ 11,606
Subtotal - Federal Funds.....	18,936	19,415	10,400
Subtotal - Augmentations.....	34	0	0
Total - Grants and Subsidies.....	<u>\$ 36,447</u>	<u>\$ 38,082</u>	<u>\$ 22,006</u>
STATE FUNDS.....	\$ 33,458	\$ 36,280	\$ 19,518
FEDERAL FUNDS.....	22,231	27,442	25,554
AUGMENTATIONS.....	238	214	207
GENERAL FUND TOTAL.....	<u>\$ 55,927</u>	<u>\$ 63,936</u>	<u>\$ 45,279</u>
LOTTERY FUND:			
General Government:			
Auditor General's Audit Cost.....	\$ 105	\$ 50	\$ 50
Subtotal.....	<u>\$ 105</u>	<u>\$ 50</u>	<u>\$ 50</u>
Grants and Subsidies:			
PENNCARE.....	\$ 206,587	\$ 211,899	\$ 217,876
(F)Programs for the Aging - Title III.....	52,000	52,000	52,000
(F)Programs for the Aging - Nutrition.....	10,000	10,000	10,000
(F)Programs for the Aging - Title V - Employment.....	5,250	5,300	5,300
(F)Programs for the Aging - Title VII - Elder Rights Protection.....	4,300	4,700	4,700
(F)Medical Assistance - Attendant Care.....	4,429	4,067	6,010
(F)Medical Assistance Support.....	2,428 ^b	800	1,250

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
(F)Older Refugee Services.....	125	0	0
(F)Disability Resource Center.....	800	800	0
(F)Training Grant to Stop Abuse (F).....	0	300	0
(A)Intergovernmental Transfer - MA Support.....	1,328 ^c	800	600
Subtotal.....	\$ 287,247	\$ 290,666	\$ 297,736
Pre-Admission Assessment.....	0	0	7,253
(F)Pre-Admission Assessment.....	0	0	10,016
(A)Intergovernmental Transfer.....	0	0	1,099
Subtotal.....	\$ 0	\$ 0	\$ 18,368
Pharmaceutical Assistance Fund.....	370,000	370,000	400,000
Subtotal - State Funds.....	\$ 576,587	\$ 581,899	\$ 625,129
Subtotal - Federal Funds.....	79,332	77,967	89,276
Subtotal - Augmentations.....	1,328	800	1,699
Total - Grants and Subsidies.....	\$ 657,247	\$ 660,666	\$ 716,104
STATE FUNDS.....	\$ 576,692	\$ 581,949	\$ 625,179
FEDERAL FUNDS.....	79,332	77,967	89,276
AUGMENTATIONS.....	1,328	800	1,699
LOTTERY FUND TOTAL.....	\$ 657,352	\$ 660,716	\$ 716,154
<u>TOBACCO SETTLEMENT FUND:</u>			
<i>Grants and Subsidies:</i>			
Home and Community-Based Services (EA).....	\$ 18,198	\$ 23,850	\$ 20,536
(F)Medical Assistance - Community Services.....	21,062 ^d	25,442	26,264
(A)Intergovernmental Transfer - MA Support.....	6,769 ^e	6,769	6,769
PACENET Transfer (EA).....	34,531	30,721	31,946
Subtotal - State Funds.....	\$ 52,729	\$ 54,571	\$ 52,482
Subtotal - Federal Funds.....	21,062	25,442	26,264
Subtotal - Augmentations.....	6,769	6,769	6,769
Total - Grants and Subsidies.....	\$ 80,560	\$ 86,782	\$ 85,515
STATE FUNDS.....	\$ 52,729	\$ 54,571	\$ 52,482
FEDERAL FUNDS.....	21,062	25,442	26,264
AUGMENTATIONS.....	6,769	6,769	6,769
TOBACCO SETTLEMENT FUND TOTAL.....	\$ 80,560	\$ 86,782	\$ 85,515
<u>OTHER FUNDS:</u>			
PHARMACEUTICAL ASSISTANCE FUND:			
Contracted Services (EA).....	\$ 67,212 ^f	\$ 99,800 ^f	\$ 88,776 ^f
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 33,458	\$ 36,280	\$ 19,518
SPECIAL FUNDS.....	629,421	636,520	677,661
FEDERAL FUNDS.....	122,625	130,851	141,094
AUGMENTATIONS.....	8,335	7,783	8,675
OTHER FUNDS.....	67,212	99,800	88,776
TOTAL ALL FUNDS.....	\$ 861,051	\$ 911,234	\$ 935,724

Footnotes to Summary by Fund and Appropriation

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- ^a Includes recommended supplemental appropriation of \$5,000,000.
- ^b Actually appropriated as \$11,474,000. Amount shown is net of transfer to Medical Assistance-Community Services.
- ^c Actual is \$8,097,000. Amount shown net of transfer to Intergovernmental Transfer-MA Support associated with the Home and Community-Based Services appropriation.
- ^d Includes \$9,046,000 actually appropriated as part of Medical Assistance Support.
- ^e Actual includes \$6,679,000 originally associated with the PENNCARE appropriation.
- ^f Transfer to Pharmaceutical Assistance Fund not added to the total to avoid double counting: 2003-04 Actual is \$370,000,000, 2004-05 Available is \$370,000,000 and 2005-06 Budget is \$400,000,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
COMMUNITY SERVICES FOR OLDER PENNSYLVANIANS							
GENERAL FUND.....	\$ 33,458	\$ 36,280	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518
SPECIAL FUNDS.....	224,890	235,799	245,715	246,952	249,210	251,264	253,070
FEDERAL FUNDS.....	122,625	130,851	141,094	125,702	128,198	130,468	132,464
OTHER FUNDS.....	8,335	7,783	8,675	8,675	8,675	8,675	8,675
SUBCATEGORY TOTAL.....	\$ 389,308	\$ 410,713	\$ 415,002	\$ 400,847	\$ 405,601	\$ 409,925	\$ 413,727
PHARMACEUTICAL ASSISTANCE							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	404,531	400,721	431,946	455,612	573,705	659,228	769,000
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	67,212	99,800	88,776	88,776	88,776	88,776	88,776
SUBCATEGORY TOTAL.....	\$ 471,743	\$ 500,521	\$ 520,722	\$ 544,388	\$ 662,481	\$ 748,004	\$ 857,776
ALL PROGRAMS:							
GENERAL FUND.....	\$ 33,458	\$ 36,280	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518
SPECIAL FUNDS.....	629,421	636,520	677,661	702,564	822,915	910,492	1,022,070
FEDERAL FUNDS.....	122,625	130,851	141,094	125,702	128,198	130,468	132,464
OTHER FUNDS.....	75,547	107,583	97,451	97,451	97,451	97,451	97,451
DEPARTMENT TOTAL.....	\$ 861,051	\$ 911,234	\$ 935,724	\$ 945,235	\$ 1,068,082	\$ 1,157,929	\$ 1,271,503

PROGRAM OBJECTIVE: To enable older Pennsylvanians to maintain active and independent lives in their own homes or alternative community living arrangements.

Program: Community Services for Older Pennsylvanians

The Department of Aging has established a network of in-home and community-based services addressing the varied needs of older Pennsylvanians. These programs enrich the lives of older Pennsylvanians and enable frail older Pennsylvanians to delay or avoid institutionalization. The 52 Area Agencies on Aging, serving all 67 counties, provide aging services at the local level.

Many older Pennsylvanians require only minimal outside support to function independently, therefore, a basic service of Area Agencies on Aging (AAA) is to inform these people of available services. AAAs sponsor over 650 senior centers throughout the Commonwealth that provide a full range of socialization, recreational and educational activities. Congregate meals, served by the centers at lunchtime, provide older Pennsylvanians with a hot, nutritionally balanced meal. Transportation services arranged by the agencies allow older Pennsylvanians to visit the doctor, shop or attend senior center events. Job placement services help older Pennsylvanians find unsubsidized private sector employment and offers job training and subsidized part-time community service employment.

Frail older Pennsylvanians require more extensive and personalized services to remain in their homes and communities and avoid relocating to an institutional setting such as a nursing home or personal care home. A nursing home pre-admission screening program helps older Pennsylvanians and their families determine the least restrictive environment needed and assists them in securing and managing intensive in-home services tailored to their needs. A continuum of services is available based on the functional and financial qualifications of the consumer ranging from home delivered meals to intensive in-home services for older Pennsylvanians needing the level of care

available in institutional settings. Persons with higher income or assets share in the cost of services. This budget proposes to increase the availability of home and community-based care as an alternative to nursing facility care. Home and community-based services promote independence and self-reliance, and maximize opportunities for family and community involvement.

A variety of personal support services are available for the growing population of frail older Pennsylvanians. The most common service is home delivered meals for people unable to prepare adequate meals for themselves or participate in group dining at senior centers. Personal care and related services assist functionally limited persons with key activities of daily living such as eating, dressing and personal hygiene either in their own homes or in adult daily living centers. Home support services provide for performance of labor intensive, unskilled or semiskilled maintenance, cleaning tasks or routine household chores. Protective services are provided to older Pennsylvanians who are at imminent risk of abuse, neglect, exploitation or abandonment. Services are designed to provide the least restrictive alternative to meet the client's need.

Attendant care services are maintained for disabled adults transitioning at age 60 from the Department of Public Welfare's Attendant Care Program. The enhanced level of personal care services is provided until health changes indicate a change in care level is appropriate.

The Department of Aging assists families who maintain frail relatives in their home through the Family Caregiver Program. Working through the AAAs, the program provides benefits counseling and, depending on income, financial assistance including supplies, services and home adaptations and devices.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Pennsylvanians 60 years and older	2,470,100	2,479,600	2,487,000	2,518,500	2,568,100	2,608,900	2,649,200
Pennsylvanians 85 years and older	270,100	278,000	286,900	296,000	303,500	309,200	314,900
Persons served in the community who are clinically nursing home eligible	32,670	33,092	37,562	37,860	37,860	37,860	37,860
Pre-Admission Assessment:							
Initial Assessments	64,838	77,691	81,500	81,500	81,500	81,500	81,500
Referrals to nursing homes.	33,223	39,804	41,758	41,758	41,758	41,758	41,758
Referrals for community services	31,534	37,786	39,635	39,635	39,635	39,635	39,635

Program: Community Services for Older Pennsylvanians (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons receiving assistance:							
Congregate meals	136,396	136,396	136,400	136,400	136,400	136,400	136,400
Transportation (complete round trips)	90,689	90,689	90,700	90,700	90,700	90,700	90,700
Personal assistance services	1,293	1,293	1,300	1,300	1,300	1,300	1,300
Attendant care services	713	868	995	995	995	995	995
Home delivered meals	45,095	47,500	47,500	47,500	47,500	47,500	47,500
Home support services	11,184	10,916	10,920	10,920	10,920	10,920	10,920
Personal care services	18,430	18,430	18,430	18,430	18,430	18,430	18,430
Protective services	11,694	11,694	11,700	11,700	11,700	11,700	11,700
Families receiving caregiver support	5,227	5,227	5,225	5,225	5,225	5,225	5,225

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND: General Government Operations \$ -9,819 —to transfer PACE claims processing costs to the Pharmaceutical Assistance Fund. 626 —to continue current program. -244 —nonrecurring matching funds for Federal DCSI grants. -264 —nonrecurring projects. <hr/> \$ -9,701 <i>Appropriation Decrease</i></p> <p>Pre-Admission Assessment \$ -6,080 —transfer to Lottery Fund.</p> <p>Legal Advocacy for Older Pennsylvanians \$ -600 —nonrecurring projects.</p> <p>Alzheimer's Outreach \$ -381 —nonrecurring projects.</p>	<p>LOTTERY FUND: PENNCARE \$ 1,176 —to provide Attendant Care services to an additional 136 recipients. 4,151 —to provide a two percent cost of living adjustment for direct care workers. 650 —to fund a falls prevention program. <hr/> \$ 5,977 <i>Appropriation Increase</i></p> <p>Pre-Admission Assessment \$ 5,829 —transfer from General Fund. 1,424 —transfer from Tobacco Fund. <hr/> \$ 7,253 <i>Appropriation Increase</i></p> <p>TOBACCO SETTLEMENT FUND: Home and Community-Based Services \$ 2,768 —to continue current home and community-based services and expand to additional recipients. -2,385 —program reduction. -1,697 —transfer pre-admission assessments to Lottery Fund. -2,000 —non-recurring budgetary reserve. <hr/> \$ -3,314 <i>Appropriation Decrease</i></p>
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All other appropriations are recommended at the current year funding levels.

Program: Community Services for Older Pennsylvanians (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	15,981	17,613	7,912	7,912	7,912	7,912	7,912
Family Caregiver	11,461	11,461	11,461	11,461	11,461	11,461	11,461
Pre-Admission Assessment	5,871	6,080	0	0	0	0	0
Legal Advocacy for Older Pennsylvanians ...	0	600	0	0	0	0	0
Alzheimer's Outreach	145	526	145	145	145	145	145
TOTAL GENERAL FUND	\$ 33,458	\$ 36,280	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518	\$ 19,518
LOTTERY FUND:							
Auditor General's Audit Cost	105	50	50	50	50	50	50
PENNCARE	206,587	211,899	217,876	218,483	218,483	218,483	218,483
Pre-Admission Assessment	0	0	7,253	7,253	7,253	7,253	7,253
TOTAL LOTTERY FUND	\$ 206,692	\$ 211,949	\$ 225,179	\$ 225,786	\$ 225,786	\$ 225,786	\$ 225,786
TOBACCO SETTLEMENT FUND:							
Home and Community-Based Services	\$ 18,198	\$ 23,850	\$ 20,536	\$ 21,166	\$ 23,424	\$ 25,478	\$ 27,284

PROGRAM OBJECTIVE: To assist eligible older Pennsylvanians who experience difficulty meeting the cost of prescription drugs necessary to maintain healthy lives.

Program: Pharmaceutical Assistance

The pharmaceutical assistance program provides limited pharmaceutical assistance to qualified older Pennsylvanians who are 65 years of age and over and who face a growing burden from the cost of drugs required to maintain healthy, productive lives. The program, financed by Lottery and Tobacco Settlement Fund revenue and administered by the Department of Aging, is referred to as PACE.

The PACE program has two components. Act 37 of 2003 expanded the income eligibility limits for both components to enroll additional consumers. The traditional, comprehensive program is for older Pennsylvanians whose annual income is at or below \$14,500 for single persons and \$17,700 for married persons. PACE pays the entire cost of prescription drugs and insulin supplies after a mandatory copayment of \$6 for generic and \$9 for brand-name prescriptions is made. The PACE Needs Enhancement Tier (PACENET) program is available for older Pennsylvanians whose annual income is between \$14,500 and \$23,500 for single persons and between \$17,700 and \$31,500 for married persons. PACENET pays the entire cost of prescription drugs and insulin supplies after a claimant meets a \$40 per person per month deductible and a mandatory copayment of \$8 for generic and \$15 for brand-name prescriptions. The \$40 deductible is cumulative if it is not met each month. Participating pharmacies are reimbursed at 90 percent of the average wholesale costs of prescription drugs plus a dispensing fee, their usual and customary charge, or the most current Federal upper payment limit established in the Medicaid Program for generic drugs plus a dispensing fee, whichever is less. Pharmacies are required to stock and dispense A-rated generic drugs included in the Federal Drug Administration "Orange Book" unless an A-rated generic drug is deemed

by the Department of Aging to have too narrow a therapeutic index for safe and effective dosing or the usual and customary charge for the brand name drug is equal to or less than the least expensive generic drug. In addition, Act 134 of 1996 prohibits payment for cosmetic drugs and for less than effective drugs without certification by a physician.

The Department of Aging is responsible for insuring compliance with the PACE program requirements. In addition to careful review of eligibility, including income verification by matching with Pennsylvania income tax returns, the department audits providers to detect and deter fraud and has established both a prospective and a retrospective drug utilization review system to monitor and correct misuse of drug therapies.

A prudent pharmaceutical purchasing program ensures that the PACE program receives a discount from drug manufacturers. PACE pays for drug products from manufacturers who agree to pay a rebate for brand drugs pursuant to the determination established by section 1927(c) (1) of the Social Security Act and a rebate of 14 percent of the average manufacturer price for generic drugs purchased through the program. In addition, participating manufacturers agree to pay an excessive pharmaceutical price inflation discount equivalent to the difference between the quarterly average manufacturers price charged for a drug and the average quarterly price charged for that drug one year earlier inflated by the Consumer Price Index-Urban.

As provided in Act 37 of 2003, the department will facilitate the enrollment of its participants in the new Federal Medicare pharmacy benefit, while working with the Federal government and Medicare benefit plans to develop and implement a seamless coordination of benefits.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Comprehensive PACE Program:							
Older Pennsylvanians enrolled (average) .	192,997	195,300	191,400	184,400	175,700	167,400	159,500
Total prescriptions per year	9,359,232	10,126,260	10,418,600	10,539,500	10,544,300	10,548,500	10,553,300
Average PACE cost per prescription	\$46.08	\$47.17	\$50.47	\$54.00	\$57.78	\$61.82	\$66.15
PACE Needs Enhancement Tier (PACENET):							
Older Pennsylvanians enrolled (average) .	49,758	105,900	125,000	135,900	148,950	160,100	173,200
Total prescriptions per year	1,528,858	3,495,360	4,537,500	5,426,500	6,542,300	7,735,300	9,205,000
Average PACENET cost per prescription ..	\$48.81	\$54.68	\$58.23	\$62.01	\$66.04	\$70.33	\$74.90

PACENET Older Pennsylvanians enrolled and total prescriptions per year increase in 2004-05 from the projections shown in last year's budget due to a quicker phase-in of new consumers than anticipated from Act 37 of 2003 which increased eligibility limits.

The average PACENET cost per prescription increased from the projection shown in last year's budget due to the mix of products used and higher than projected pharmaceutical price inflation.

The program measures above do not reflect any impact of the Federal Medicare pharmacy benefit plan.

Program: Pharmaceutical Assistance (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	LOTTERY FUND:		TOBACCO SETTLEMENT FUND:
	Pharmaceutical Assistance Fund		PACENET Transfer (EA)
\$ 30,000	—to provide for increased cost per prescription and number of prescriptions per person.	\$ 1,225	—increase in Tobacco Settlement Funds available for transfer.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
LOTTERY FUND:							
Pharmaceutical Assistance Fund.....	\$ 370,000	\$ 370,000	\$ 400,000	\$ 424,000	\$ 542,000	\$ 643,000	\$ 769,000
TOBACCO SETTLEMENT FUND:							
PACENET Transfer (EA)	\$ 34,531	\$ 30,721	\$ 31,946	\$ 31,612	\$ 31,705	\$ 16,228	\$ 0



DEPARTMENT OF AGRICULTURE

The mission of the Department of Agriculture is to encourage and promote agriculture and related industries throughout the Commonwealth.

The department's mission is accomplished through four major programs: consumer protection, property protection, farmland preservation and farmers and agribusiness development. The department provides a full range of services to farmers and consumers from Harrisburg and through seven regional offices located around the State.

The Department of Agriculture carries out activities to ensure wholesome and safe agricultural products for consumers; expand existing and develop new domestic and foreign markets for Pennsylvania's farmers to compete in the global economy; develop and encourage proper farming and conservation practices; prevent, control and eradicate diseases among livestock, poultry and plants; regulate the conduct of horse racing and improve the quality of life in rural Pennsylvania.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
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GENERAL FUND:

General Government:

General Government Operations.....	\$ 30,009	\$ 31,254	\$ 29,451
(F)Plant Pest Detection System.....	1,200	1,200	1,200
(F)Poultry Grading Service.....	59	59	59
(F)Medicated Feed Mill Inspection.....	27	27	30
(F)National School Lunch Administration.....	325	350	350
(F)Emergency Food Assistance.....	3,000	3,200	3,200
(F)Pesticide Control.....	1,000	1,000	1,000
(F)Agricultural Risk Protection.....	1,000	2,000	2,000
(F)Commodity Supplemental Food.....	1,400	1,500	1,500
(F)Organic Cost Distribution.....	750	180	180
(F)Animal Disease Control.....	400	2,000	2,000
(F)Food Establishment Inspections.....	100	100	300
(F)Food Safety Inspection Service.....	70	35	0
(F)Integrated Pest Management.....	150	150	150
(F)Avian Influenza Surveillance.....	96	500	1,000
(F)Oral Rabies Vaccine.....	100	100	100
(F)Johnes Disease Herd Project.....	1,800	1,800	1,800
(F)Exotic Newcastle Disease Control.....	258	300	300
(F)Scrapie Disease Control.....	60	60	600
(F)Bioterrorism Preparedness (EA).....	250	1,170	2,000
(F)West Nile Virus Control (EA).....	111	200	200
(F)General Fund Share - PEBTF Distribution.....	330	0	0
(F)Foot and Mouth Disease Monitoring.....	100	100	100
(F)Wildlife Services.....	0	800	800
(F)Animal Identification.....	0	2,000	2,000
(A)Lime Inspection.....	20	31	31
(A)Feed Inspections and Registrations.....	512	499	499
(A)Milk Plant Inspections.....	22	26	26
(A)Mailing List Production.....	7	7	7
(A)Special Conferences and Projects.....	10	129	119
(A)Administrative Services.....	587	926	1,024
(A)Pesticide Regulation.....	1,180	1,055	1,155
(A)Training Rides and Attractions.....	20	20	20
(A)Food Site Inspection.....	43	45	45
(A)Farm Account Reimbursement.....	3	2	0
(A)Nutrient Management Certification Fees.....	8	9	11
(A)Apiary Registration and Fees.....	5	15	5
(A)Biomass Energy.....	0	20	20
(A)Weights and Measures Inspection Services.....	10	10	100
(A)Food Employe Certification Fees.....	120	100	25
Subtotal.....	\$ 45,142	\$ 52,979	\$ 53,407
Farmers' Market Food Coupons.....	1,397	2,000	2,000
(F)Farmers' Market Food Coupons.....	3,000	4,300	4,300
(F)Senior Farmers' Market Nutrition.....	3,000	3,000	3,000
Agricultural Conservation Easement Administration.....	572	520	520
(F)Farmland Protection.....	6,000	6,000	4,000
(A)Reimbursement from PennDOT.....	0	0	3
Agricultural Research.....	3,363	3,000	2,100
Agricultural Promotion, Education, and Exports.....	1,186	1,286	1,186
(A)International Promotion.....	18	8	8
(A)Aquaculture Promotion.....	29	15	15
(A)Transfer from Fertilizer Account.....	108	100	100
Hardwoods Research and Promotion.....	727	780	598
Farm Safety.....	111	111	111
Nutrient Management.....	284	297	320

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal - State Funds.....	\$ 37,649	\$ 39,248	\$ 36,286
Subtotal - Federal Funds.....	24,586	32,131	32,169
Subtotal - Augmentations.....	2,702	3,017	3,213
Total - General Government.....	\$ 64,937	\$ 74,396	\$ 71,668
 Grants and Subsidies:			
Animal Health Commission.....	\$ 4,250	\$ 5,250	\$ 3,825
Animal Indemnities.....	50	20	20
Transfer to State Farm Products Show Fund.....	1,000	3,000	2,250
Payments to Pennsylvania Fairs.....	3,400	4,400	2,600
Livestock Show.....	225	225	225
Open Dairy Show.....	225	225	225
Junior Dairy Show.....	50	50	50
4-H Club Shows.....	55	55	55
State Food Purchase.....	16,450	17,450	15,000
Food Marketing and Research.....	0	3,000	1,500
Product Promotion and Marketing.....	850	850	850
(F)Market Improvement.....	150	150	150
(F)Keystone Agriculture Innovation Center.....	997	1,000	1,000
Future Farmers.....	104	104	104
Agriculture & Rural Youth.....	110	110	110
Transfer to Nutrient Management Fund.....	3,280	3,280	3,280
Local Soil and Water Districts.....	1,210	1,660	1,210
Crop Insurance (06/06).....	2,000	2,000	0
(F)Crop Insurance.....	2,000	2,000	2,000
Plum Pox Virus - Fruit Tree Indemnities (06/06).....	1,000	500	0
Subtotal - State Funds.....	\$ 34,259	\$ 42,179	\$ 31,304
Subtotal - Federal Funds.....	3,147	3,150	3,150
Total - Grants and Subsidies.....	\$ 37,406	\$ 45,329	\$ 34,454
 STATE FUNDS.....	 \$ 71,908	 \$ 81,427	 \$ 67,590
FEDERAL FUNDS.....	27,733	35,281	35,319
AUGMENTATIONS.....	2,702	3,017	3,213
GENERAL FUND TOTAL.....	\$ 102,343	\$ 119,725	\$ 106,122
 FARM PRODUCTS SHOW FUND:			
General Government:			
General Operations (EA).....	\$ 5,538	\$ 5,615	\$ 5,977
(A)Transfer from General Fund.....	0 ^a	0 ^a	0 ^a
Subtotal - State Funds.....	\$ 5,538	\$ 5,615	\$ 5,977
Total - General Government.....	\$ 5,538	\$ 5,615	\$ 5,977
 STATE FUNDS.....	 \$ 5,538	 \$ 5,615	 \$ 5,977
FARM PRODUCTS SHOW FUND TOTAL.....	\$ 5,538	\$ 5,615	\$ 5,977
 ENVIRONMENTAL STEWARDSHIP FUND:			
Grants and Subsidies:			
Transfer to Agricultural Conservation Easement Purchase (EA).....	\$ 15,851	\$ 16,500 ^b	\$ 16,815 ^c
 RACING FUND:			
General Government:			
State Racing Commissions (EA).....	\$ 7,600	\$ 7,797	\$ 10,597
Equine Toxicology and Research Laboratory (EA).....	2,061	2,078	3,487
Payments to Pennsylvania Fairs - Administration (EA).....	202	212	223

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Total - General Government.....	\$ 9,863	\$ 10,087	\$ 14,307
Grants and Subsidies:			
Transfer to General Fund (EA).....	\$ 6,436	\$ 7,038	\$ 5,407
RACING FUND TOTAL.....	\$ 16,299	\$ 17,125	\$ 19,714
OTHER FUNDS:			
GENERAL FUND:			
Agriculture Farm Operations.....	\$ 1,022	\$ 23	\$ 23
Dog Law Administration.....	6,558	6,754	6,806
Pesticide Regulation.....	2,069	1,992	2,614
Plant Pest Management.....	353	500	534
National School Lunch.....	60	60	60
GENERAL FUND TOTAL.....	\$ 10,062	\$ 9,329	\$ 10,037
AGRICULTURAL CONSERVATION EASEMENT PURCHASE FUND:			
Purchase of County Easements (EA).....	\$ 50,000	\$ 50,000	\$ 51,815
NUTRIENT MANAGEMENT FUND:			
Planning, Loans, Grants, and Technical Assistance (EA).....	\$ 4,852	\$ 3,016	\$ 2,745
Nutrient Management - Administration (EA).....	254	303	327
NUTRIENT MANAGEMENT FUND TOTAL.....	\$ 5,106	\$ 3,319	\$ 3,072
RACING FUND:			
Sire Stakes Fund.....	\$ 4,288	\$ 4,562	\$ 4,790
Breeders' Fund.....	8,411	9,250	8,500
RACING FUND TOTAL.....	\$ 12,699	\$ 13,812	\$ 13,290
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 71,908	\$ 81,427	\$ 67,590
SPECIAL FUNDS.....	37,688	39,240	42,506
FEDERAL FUNDS.....	27,733	35,281	35,319
AUGMENTATIONS.....	2,702	3,017	3,213
OTHER FUNDS.....	77,867	76,460	78,214
TOTAL ALL FUNDS.....	\$ 217,898	\$ 235,425	\$ 226,842

^a Not added to the total to avoid double counting: 2003-04 Actual is \$1,000,000, 2004-05 Available is \$3,000,000, and 2005-06 Budget is \$2,250,000.

^b Act 233 of 2003 provided a one-time \$16,500,000 for the farmland preservation program in 2004-05.

^c Beginning in 2005-06, Growing Greener II will dedicate \$16,815,000 for the continued purchase of agricultural easements.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PROTECTION AND DEVELOPMENT OF AGRICULTURAL INDUSTRIES							
GENERAL FUND.....	\$ 54,061	\$ 61,977	\$ 50,590	\$ 50,340	\$ 50,340	\$ 50,340	\$ 50,340
SPECIAL FUNDS.....	21,591	22,327	23,015	23,624	23,624	23,624	23,624
FEDERAL FUNDS.....	17,273	20,421	19,919	19,919	19,919	19,919	19,919
OTHER FUNDS.....	67,870	65,665	68,137	51,322	51,322	51,322	51,322
SUBCATEGORY TOTAL.....	\$ 160,795	\$ 170,390	\$ 161,661	\$ 145,205	\$ 145,205	\$ 145,205	\$ 145,205
HORSE RACING REGULATION							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	16,097	16,913	19,491	16,731	18,046	19,482	21,041
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	12,699	13,812	13,290	13,290	13,290	13,290	13,290
SUBCATEGORY TOTAL.....	\$ 28,796	\$ 30,725	\$ 32,781	\$ 30,021	\$ 31,336	\$ 32,772	\$ 34,331
EMERGENCY FOOD ASSISTANCE							
GENERAL FUND.....	\$ 17,847	\$ 19,450	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	10,460	14,860	15,400	15,400	15,400	15,400	15,400
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 28,307	\$ 34,310	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400	\$ 32,400
ALL PROGRAMS:							
GENERAL FUND.....	\$ 71,908	\$ 81,427	\$ 67,590	\$ 67,340	\$ 67,340	\$ 67,340	\$ 67,340
SPECIAL FUNDS.....	37,688	39,240	42,506	40,355	41,670	43,106	44,665
FEDERAL FUNDS.....	27,733	35,281	35,319	35,319	35,319	35,319	35,319
OTHER FUNDS.....	80,569	79,477	81,427	64,612	64,612	64,612	64,612
DEPARTMENT TOTAL.....	\$ 217,898	\$ 235,425	\$ 226,842	\$ 207,626	\$ 208,941	\$ 210,377	\$ 211,936

PROGRAM OBJECTIVE: To strengthen the agricultural economy and related enterprises.

Program: Protection and Development of Agricultural Industries

The Department of Agriculture facilitates an environment in which small, medium and large farming operations can be profitable and related industries can thrive.

Program Element: Development of Pennsylvania's Agriculture Industry.

With nearly 59,000 farms covering over 7.7 million acres within the Commonwealth, the stewardship and sustainability of the agricultural industry is integral to the competitiveness of Pennsylvania's overall economy and the quality of life of its citizens.

To ensure the Commonwealth's agricultural sector continues to succeed, the department has adopted three objectives; (1) increase farm profitability through a strong economic development agenda that improves income opportunities, (2) increase farm profitability by assisting producers in lowering their production costs, and (3) increase public awareness and acceptance of Pennsylvania agriculture through education and outreach. These objectives are addressed through the following department activities.

Commodity promotion focuses on direct consumer market development and creating trade and consumer demands for Pennsylvania agriculture and food products, usually through promotional activities. Equally important, promotional activities are designed to increase and enhance the awareness of consumers within and outside the borders of Pennsylvania about the product and agribusiness opportunities in the Commonwealth. In order to further enhance these efforts, the Pennsylvania Preferred program has been developed. The intent of this program is to identify Pennsylvania produced, processed, and packaged products to consumers, recognizing that over 90% of Pennsylvania consumers surveyed indicate a desire to purchase Pennsylvania products. This program allows Pennsylvania Preferred products to be easily identified by consumers using packages and point of sale trademarks.

In recognition that nearly \$1 billion in Pennsylvania products are exported annually, the department helps Pennsylvania companies market their products outside Pennsylvania by providing promotional opportunities in foreign market places. Technical outreach is provided to Pennsylvania food and agriculture businesses to enable them to adequately understand and prepare for market opportunities in foreign economies. The department has aggressively developed business relationships world-wide by hosting trade delegations, leading trade missions, participating in international trade shows, and working cooperatively with the USDA Foreign Agriculture Service and other state agencies export efforts.

Market opportunities examines domestic and foreign marketplaces to identify market needs and communicate

these needs to the Pennsylvania food and agriculture industry. Pennsylvania businesses then are better able to expand as they develop products and services that meet the needs of the Pennsylvania farmer, producer and processor

Further assisting the department in meeting these objectives and providing further development opportunities for the Commonwealth's agricultural industry the Department of Community and Economic Development's Small Business First Program and the Machinery and Equipment Loan Fund are now available. These two programs will allow farm businesses to borrow funds at competitive rates. In addition, with the full implementation of the First Industries Fund, over \$100 million in business financing will be available to production agriculture. These programs form the foundation for the Commonwealth's growing agribusiness industry and economic development assistance and further allow the department to leverage the existing business development support provided to agriculture.

Market opportunities also provides resources for the operation of the Farm Show Complex in Harrisburg. A grant program, Payments to Pennsylvania Fairs, provides for agricultural fair operating reimbursements and grants to Statewide agricultural organizations, Future Farmers of America and 4-H groups in accordance with the guidelines of Act 92 of 1986. After these requirements have been fulfilled, the remaining appropriation balance is used for capital improvements at fairgrounds.

Other promotional activities include appearances at shopping centers and other public functions; developing and displaying exhibits that depict agriculture's role in the economy of Pennsylvania; and working with Statewide commodity organizations.

The agricultural land preservation activity, through a special fund created by Act 64 of 1988 that implemented a referendum approved by the electorate in November of 1988, purchases easements on prime agricultural land to ensure its continued use for agricultural purposes. Easements have been funded from bonds and a dedicated portion of the cigarette tax. In 1999, two separate acts provided new funding for the program. Act 15 of 1999 established a Supplemental Agricultural Conservation Easement Purchase Program and made \$43 million available from the General Fund to accelerate the purchase of easements. Act 68 of 1999, the Environmental Stewardship and Watershed Protection Act, provides \$82.6 million from the General Fund and Environmental Stewardship Fund for farmland preservation over a period of about five years. Act 233 of 2002 provided a one-time \$16.5 million for the program in 2004-05. Beginning in 2005-06, Growing Greener II will dedicate \$16.815 million through the Environmental

Program: Protection and Development of Agricultural Industries (continued)

Stewardship Fund, for the continued purchase of agricultural easements.

Agricultural research grants provide for scientific research into plant and animal health. This research identifies prevention mechanisms for disease and proactive mechanisms for enhancement of the quality and quantity of agricultural products.

Program Element: Quality and safety of consumer products

The Department is committed to protecting the health and safety of the consumer and assure the availability of quality agriculture products to consumers. This goal is being met through the following objectives; (1) ensuring a department-wide strategy on emergency preparedness and coordination with Federal, state and local partners, (2) ensuring a continued commitment to strong food safety consumer protection, (3) ensuring a department-wide strategy on eradicating hunger, and coordination with federal, state, and local partners and (4) conserving natural resources for the future generations.

Act 124 of 2000 established a voluntary food safety-training program for non-profit organizations. Department personnel conduct training courses for food handlers including school cafeteria, day care center, fair concession and other nonprofit organizations. The Bureau of Food Safety and Laboratory Services inspects and registers 4,524 food manufacturing firms, 2,150 warehouses, and 15,473 retail food stores; licenses and inspects 21,720 public eating and drinking places, and 4,139 frozen dessert operations; inspects 2,735 schools and approximately 600 camps and summer food sites; and permits and inspects approximately 280 seasonal farm labor camps. The division of Milk Sanitation issues milk permits and inspects approximately 400 dairy processing, manufacturing and distribution facilities. The Eggs, Fruits, and Vegetables division inspects egg processing plants, grocery stores, and warehouses in relation to eggs, fruits and vegetables grading.

Also included in these activities is the regulation and maintenance of uniform standards of legal weights and measures of Commonwealth products.

Additional activities guarantee the quality of animal feeds, fertilizers, liming materials, plant materials and pesticides. Act 53 of 1996 transferred the responsibility for enforcement of the Seasonal Farm Labor Act from the Department of Environmental Protection to the Department of Agriculture. Act 97 of 2001 updated the licensing and registration requirements relating to the sale and distribution of fertilizers, soil conditioners and plant growth substances in the Commonwealth.

To protect the consumer and ensure the availability of quality agriculture products, the department regulates the sale of feed, fertilizer, lime and seeds by requiring certain label information and by sampling and analyzing products in its Harrisburg laboratories. During 2003-04, 2,563 agribusinesses were inspected and 2,526 feed, fertilizer and

lime samples were analyzed. In addition, 5,480 samples of seed were tested. The department inspects stone fruit trees for the plum pox virus to control the disease and reduce the potential harm to the fruit industry.

The department is improving the process to protect Pennsylvania's food production system from agro-terrorism. Fertilizer, feed and pesticide manufacturers, dealers and distributors will be advised on preventing the use of agricultural production tools for terrorist activities. An extensive training program for veterinarians and growers will be developed and implemented to recognize animal diseases or agents that may be used by bioterrorists.

The department inspects all ornamental nurseries and greenhouses periodically to determine the presence of new plant pests. This activity is intended to ensure correct diagnosis of the pest and to quarantine and/or prescribe proper treatment. During 2003-04, 1,863 dealer and 3,787 nursery and greenhouse inspections were conducted, along with 2,321 certificates for the exportation of plant material. The department also inspected 1,436 apiaries involving 8,522 colonies of bees in 2003-04 for disease problems. The Pesticide Control Law provides for the regulation of the use, handling, storage and transportation of pesticides. The department fulfills its statutory responsibilities by requiring registration of all pesticide products, testing and licensing of all persons who use pesticides to insure minimum competency levels, and periodically inspecting those who use, store or transport pesticides. The department also investigates complaints about misuse. During 2003-04, 619 pesticide dealers and 6,054 pesticide application businesses were licensed, 33,762 pesticide applicators certified, 3,018 service technicians registered, more than 11,759 pesticide products registered, and 789 inspections conducted. This program attempts to provide for the optimum use of pesticides while minimizing their adverse effects on human life and the environment.

Pesticide expenditures are reflected in this program as Other Funds.

The State Conservation Commission, whose chairmanship alternates each year between the Secretary of Agriculture and the Secretary of the Department of Environmental Protection, is the primary implementing authority for the Nutrient Management Act. The law is designed to minimize surface and ground water pollution from agricultural operations. The Departments of Agriculture and Environmental Protection in cooperation with the commission work with farmers to develop and implement nutrient management plans to reduce pollution.

Program Element: Animal Health

The department is committed to maintaining the health of domestic animals in order to protect human health, to protect the quantity, quality and safety of food of animal origin, and to provide for the general welfare of domestic animals. Emphasis is placed on disease prevention by surveillance

Program: Protection and Development of Agricultural Industries (continued)

and diagnostic activity to detect disease, control of animal movements to prevent the spread of disease, health certification programs to identify disease-free animals, and research to develop improved husbandry and health maintenance methods. Of major concern are interstate and international movements of animals and animal products that may introduce any one of numerous dangerous transmissible diseases existing outside the Commonwealth. Compliance with animal health rules is achieved by regular inspection of animal marketing and processing activities by veterinarians and livestock disease control technicians.

The Pennsylvania Animal Health and Diagnostic Commission provide animal research initiatives and coordination of animal disease diagnostic laboratories. This commission, an administrative unit Pennsylvania Animal Diagnostic Laboratory System (PADLS), which is composed of the diagnostic laboratory resources of the Department of Agriculture, Pennsylvania State University and the University of Pennsylvania School of Veterinary Medicine. PADLS is part of a nationwide network of state and federal laboratories dedicated to identifying and combating animal diseases. The system provides rapid and accurate diagnostic services to clients while maintaining a bio-secure environment. The

laboratories provide animal health services for domestic animals with emphasis on infectious, nutritional and toxic diseases; state-of-the-art testing methods to help diagnose common diseases; and surveillance to detect emerging diseases. All of the programs are designed to protect the livestock, poultry, wildlife, food chain and human population of Pennsylvania. The laboratories also provide testing for state and federal regulatory programs and the export testing of live animals and genetic materials.

Also included in this program is dog law enforcement. Primary functions include: control and regulation of the sale and transportation of dogs; kennel inspections; reimbursement of law enforcement agencies for the detention and disposition of stray dogs and reimbursement to owners of livestock and poultry for damage caused by dogs and coyotes. In 2003, 942,142 dogs and 2,449 kennels were licensed under this program.

Dog law expenditures are reflected in this program as Other Funds.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Development of Pennsylvania's agricultural industry							
Dollar volume of food and agricultural exports (millions)	\$1,251	\$1,305	\$1,325	\$1,360	\$1,400	\$1,450	\$1,494
Small Business, First, Machinery and Equipment Loan Fund, and Next Generation Farmer Loan Program applications funded*							
	N/A	11	14	17			2620
Dollar value of Federal USDA investments in agriculture projects pertaining to increasing income or decreasing costs for farmers and agribusinesses (Thousands)*							
	\$26,903	\$35,281	\$35,279	\$35,000	\$35,000	\$35,000	\$35,000
Farm acreage preserved-Growing Greener II**							
	23,017	20,780	21,240	19,838	18,569	18,073	17,597
Farm acreage preserved (with existing funds)*							
	23,017	20,780	13,956	13,035	12,201	11,875	11,563
Annual increase in new shows at the Farm Show Complex*							
	5	7	7	7	7	5	5
Nutrient management:							
Dollars invested in helping producers meet nutrient management requirements (thousands)*							
	\$2,650	\$2,450	\$2,275	\$2,500	\$2,325	\$2,325	\$2,325
Number of ordinances received**							
	NA	NA	5	10	10	10	10
Percent of adjudications not appealed** ..							
	NA	NA	25%	35%	45%	60%	75%

Program: Protection and Development of Agricultural Industries (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Increase in percentage of farms meeting the Nutrient Management Act and the CAFO (Concentrated Animal Feeding Operations) requirements**	NA	NA	10%	30%	20%	10%	10%
Increase in the number of farms developing nutrient management plans** .	NA	NA	85	255	170	85	85
Importing farms required to have additional documentation to protect water resources**	NA	NA	425	850	850	850	850
Nutrient management plans approved** .	350	350	350	350	350	350	350
Department of Agriculture's crop insurance policies sold*	15,288	16,202	16,200	16,500	16,500	16,500	16,500
Value of crop insurance protection policies (millions)*	\$258	\$281	\$281	\$290	\$290	\$290	\$300
Homeland security exercises attended by Department of Agriculture personnel. This includes exercises set up by PEMA and the responsibility of the State Animal Response Team (SART).*	8	12	10	8	7	6	5
Food, safety, weights, and measures, and plant industry inspections completed that require follow-up action (thousands)*	9	7	9	10	10	11	12
Animal samples diagnosed at the PADLS labs (thousands)*	757	800	810	820	830	840	850

Farm acreage preserved is declining due to higher per acre costs.

*New program measure.

**Measures show performance that would be achieved if the Administration's Acre Proposal is enacted by the General Assembly.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND General Government Operations \$ -1,803 —reduction in administrative costs.</p> <p>Agricultural Research -900 —program reduction.</p> <p>Agricultural Promotion, Education and Exports \$ -100 —nonrecurring costs.</p> <p>Hardwoods Research and Promotion \$ -182 —program reduction.</p> <p>Nutrient Management \$ 23 —to continue current program.</p> <p>Animal Health Commission \$ -1,000 —nonrecurring costs. -425 —program reduction. <u> </u> \$ -1,425 <i>Appropriation Decrease</i></p>	<p>Transfer to State Farm Products Show Fund \$ -750 —reduction in general fund contribution.</p> <p>Payments to Pennsylvania Fairs \$ -1,000 —nonrecurring costs. -800 —program reduction. <u> </u> \$ -1,800 <i>Appropriation Decrease</i></p> <p>Food Marketing and Research \$ -1,500 —nonrecurring costs.</p> <p>Local Soil and Water Districts \$ -450 —nonrecurring costs.</p> <p>Crop Insurance \$ -1,000 —nonrecurring costs. -1,000 —program reduction. <u> </u> \$ -2,000 <i>Appropriation Decrease</i></p> <p>Plum Pox Virus - Fruit Tree Indemnities \$ -500 —nonrecurring costs.</p>
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PROGRAM OBJECTIVE: To prevent consumer fraud in the racing industry.

Program: Horse Racing Regulation

Activities in this program area include the development and implementation of rules, regulations and procedures to insure the public and harness and horse owners of honest, safe, and competitive pari-mutuel harness and horse racing.

Horse racing in Pennsylvania is governed by Act 93 of 1983. This act merged the State Harness Racing Fund and the State Horse Racing Fund into the Racing Fund, adjusted the tax schedule and revised the distribution of funds in order to assist the racing industry by increasing the funds retained by the tracks.

The Racing Fund pays all expenses of the State Racing Commissions. After these obligations have been met, a portion of the money remaining in the fund is credited to the Breeding Fund and Sire Stakes Fund. The amount credited to each fund is a percentage of the amount wagered as specified by law. Act 23 of 2000 amended the Race Horse Industry Reform Act to increase the percentage credited to the Breeding Fund from 0.7 to 1.0% of the amount wagered

on thoroughbred races. The Sire Stakes Fund is credited with 1.5% of wagers on harness races. All remaining monies in the Racing Fund are then transferred to the General Fund in the subsequent fiscal year.

Act 71 of 2004 established the Race Horse Development Fund, which will receive revenue generated by licensed gaming facilities. Proceeds will be distributed to licensees conducting live horse racing. Track owners will deposit 80% of the proceeds into a purse account. Thoroughbred tracks will commit the remaining proceeds to the Breeding Fund and a Horseman's Organization Fund. Standard Bred tracks will commit proceeds to the Sire Stakes Fund, the PA Standard Bred Fund, and a Horsemen's Organizational Fund.

The Equine Toxicology and Research Laboratory tests for the presence of foreign substances in the blood and urine of race horses following all races to ensure that no foreign substances have been administered prior to a race.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Equine toxicology and research lab successful identification of weekly quality control test substance at least 90% of the time*	90%	90%	91%	91%	92%	92%	93%
Participant licenses issued: harness and horse racing**	9,200	9,800	10,200	12,600	12,600	12,600	12,600
Investigations to ensure compliance with established rules and regulations: harness and horse racing**	3,400	3,400	3,400	4,500	4,500	4,500	4,500
Licenses suspended for noncompliance of rules and regulations: harness and horse racing**	145	160	170	185	185	185	185

Participant licenses issued: harness and horse racing increase from the projections shown in last year's budget due to the planned opening of two new tracks.

Licenses suspended for noncompliance of rules and regulations: harness and horse racing increase from the projections in last year's budget due to the increase in the overall number of licensees.

* New program measure

** Data for harness and horse racing was shown separately in last year's budget.

Program: Horse Racing Regulation (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	RACING FUND		
	State Racing Commissions (EA)		Transfer to General Fund (EA)
\$ 882	—to provide funding for new tracks and gaming implementation.	\$ -1,631	—decrease in funds available to transfer.
1,918	—to continue current program.		Law requires June 30th ending surplus to be transferred to the General Fund.
<hr/>			
\$ 2,800	Executive authorization increase		
	 Equine Toxicology and Research Laboratory (EA)		
\$ 1,020	—to provide funding for equipment relating to the new tracks and gaming implementation.		
389	—to continue current program.		
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\$ 1,409	Executive authorization increase		

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
RACING FUND:							
State Racing Commissions (EA)	\$ 7,600	\$ 7,797	\$ 10,597	\$ 10,597	\$ 10,597	\$ 10,597	\$ 10,597
Equine Toxicology and Research Laboratory (EA)	2,061	2,078	3,487	3,487	3,487	3,487	3,487
Transfer to General Fund (EA)	6,436	7,038	5,407	2,647	3,962	5,398	6,957
 TOTAL STATE RACING FUND	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 16,097	\$ 16,913	\$ 19,491	\$ 16,731	\$ 18,046	\$ 19,482	\$ 21,041

PROGRAM OBJECTIVE: To distribute surplus and donated food through institutions and counties or designated lead agencies to individuals and families who are dependent or disadvantaged to support minimum standards of living and economic independence.

Program: Emergency Food Assistance

The State Food Purchase Program provides grants to counties or a designated lead agency to purchase food to be provided to the needy. Grants are allocated based on unemployment, food stamp recipients not on public assistance, legal immigrants, medical assistance recipients and households with earned income receiving assistance. Administrative costs of this program are funded from the grants with an eight percent limit on administrative allocations.

This program distributes Federal surplus food through the traditional program involving schools, prisons, hospitals and summer camps. The Federal Emergency Food

Assistance Program (TEFAP) involves distribution of U.S. Department of Agriculture surplus food to the needy in Pennsylvania who meet certain eligibility criteria.

The traditional program distributes commodities among the states based on the prior year participation and allocates commodities within the State based on the same criteria. The TEFAP commodities are allocated among the states according to unemployment and poverty levels and are allocated within the State based on the same criteria. Administrative and warehousing costs for both programs are borne by the Federal Government.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Improving participant access to Pennsylvania fruits and vegetables by increasing the number of farmer markets participating in the Farmers Market Nutrition Program *	769	807	847	890	934	981	1030
Dollar value of commodities distributed (thousands)	\$ 41,467	\$ 44,000	\$ 44,000	\$ 44,000	\$ 44,000	\$ 44,000	\$ 44,000
Persons receiving donated or surplus foods (thousands):							
Traditional program	975	1,000	1,000	1,000	1,000	1,000	1,000
TEFAP	2,695	2,700	2,700	2,700	2,700	2,700	2,700
State Food Purchase Program	2,455	2,507	2,600	2,600	2,600	2,600	2,660
Percentage of farmers' market coupons redeemed by:							
WIC recipients	62%	62%	62%	62%	62%	62%	62%
Seniors	91%	95%	95%	95%	95%	95%	95%

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	GENERAL FUND
	State Food Purchases
\$ -1,000	—nonrecurring costs
-1,450	—program reduction
\$ -2,450	<i>Appropriation Decrease</i>

Farmers' Market Food Coupons is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Farmers' Market Food Coupons	\$ 1,397	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
State Food Purchase	16,450	17,450	15,000	15,000	15,000	15,000	15,000
TOTAL GENERAL FUND	\$ 17,847	\$ 19,450	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000



DEPARTMENT OF BANKING

The mission of the Department of Banking is to ensure the safety and soundness of State-chartered deposit-taking institutions; to ensure compliance with State laws and regulations which impact other financial service entities; and to provide a regulatory environment that will facilitate development of a sound financial services industry that adequately meets the needs of industry and the public.

The Department of Banking protects the public through the supervision, regulation and examination of records, accounts and policies of State-chartered financial institutions.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
2003-04 2004-05 2005-06
ACTUAL AVAILABLE BUDGET

BANKING DEPARTMENT FUND:

General Government:

General Government Operations.....	\$	10,824	\$	14,196	\$	16,720
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Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
REGULATION OF FINANCIAL INSTITUTIONS							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
SPECIAL FUNDS.....	10,824	14,196	16,720	16,720	16,720	16,720	16,720
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 10,824	\$ 14,196	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
SPECIAL FUNDS.....	10,824	14,196	16,720	16,720	16,720	16,720	16,720
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 10,824	\$ 14,196	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720

PROGRAM OBJECTIVE: To insure the maintenance of an economically sound and competitive system of State-chartered financial institutions.

Program: Financial Institution Regulation

This program involves supervision, regulation and examination of the records, accounts and policies of State-chartered banking institutions, savings associations, credit unions and state-licensed sales finance companies, installment sellers, money transmitters, consumer discount companies, collector-repossessors, pawnbrokers, first mortgage bankers and brokers, second mortgage lenders, brokers and brokers' agents, and check cashers. In addition to these activities, the department received approximately 5,286 consumer inquiries during 2003-04.

As of June 30, 2004, there were 170 banking institutions under the department's supervision: 43 commercial banks, 48 bank and trust companies, 51 savings banks, one private bank, 26 non-depository trust companies, and one foreign bank which maintained a representative office in Pennsylvania. There were 10 savings associations and 77 credit unions chartered and supervised by the Department of Banking. Also operating in the Commonwealth were 134 one-bank holding companies and 19 multi-bank holding companies. The department renews non-depository institution licenses annually and issues new licenses upon review and approval of license applications. The 14,638 non-depository entities at the end of June 2004 included: 3,694 installment sellers; 4,001 first mortgage bankers and brokers; 3,901 second mortgage lenders, brokers and brokers' agents; 963 sales finance companies; and 488 consumer discount companies. The remaining 1,591 licenses were held by pawnbrokers, money transmitters, check cashers and collector-repossessors.

In 2004-2005, as part of the redesigning of the organizational structure, an investigation unit was created to facilitate a reduction in financial abuse. The Office of Financial Education was established in April 2004 to promote financial literacy and help consumers avoid financial abuse. Also at this time an electronic government initiative was developed to provide internet-based licensing and reporting of complaints towards institutions under the department's purview.

Recent legislative enactments have impacted the Department of Banking's program responsibilities. Act 22 of 1998, as amended by Act 200 of 2002, requires the annual

licensing, or for certain retail food stores the registration, and regulation of all check cashers doing business in Pennsylvania.

Act 89 of 2000 provides state-chartered commercial and savings banks with parity in activities permitted for national banks and federally chartered savings banks and savings associations. It also provides parity in activities permitted state-chartered banks located in other states when the activity has been approved by the Federal Deposit Insurance Corporation (FDIC) (under Section 24 of the FDIC Act).

Act 55 of 2001, the Mortgage Bankers and Brokers and Consumer Equity Protection Act, provides the department with broad regulatory and enforcement authority over financial entities which make covered or "predatory loans" in the Commonwealth; strengthens industry bonding requirements; authorizes the department to obtain criminal background information from applicants and provides licensing exemption for religious organizations which meet certain requirements.

Act 186 of 2002, which amended the Motor Vehicle Sales Finance Act, provides increased exam and enforcement authority and additional consumer disclosures and permits incidental items relating to automobile sales to be financed under the Act.

Act 207 of 2002, commonly referred to as the Credit Union Parity Legislation, authorized state chartered credit unions to engage in activities permitted by federally chartered credit unions subject to conditions of the department.

Act 209 of 2002, which amended the Department of Banking Code, authorized the department to receive criminal history record information from other state and federal agencies when evaluating initial applicants for departmental licensure; permitted the publishing of final orders for violation of departmental licensing statutes; clarified the department's ability to share examination and regulatory information with other state and federal securities and insurance regulatory agencies; and provided increased enforcement authority, injunctive authority, fining authority and clarification of departmental authority to promulgate regulations, statements of policy and interpretive letters.

Program Measures:

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Supervision of State-chartered:							
Banks	170	172	172	173	173	173	173
Savings and loan associations	10	10	10	10	10	10	10
Credit unions	77	77	77	77	77	77	77

Program: Financial Institution Regulation (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Consumer credit agencies:							
First mortgage bankers/brokers	4,001	4,000	4,000	4,000	4,000	4,000	4,000
Second mortgage lenders/brokers/ broker's agents	3,901	3,700	3,700	3,700	3,700	3,700	3,700
Sales finance companies	963	950	950	950	950	950	950
Consumer discount companies	488	490	490	490	490	490	490
Pawnbrokers	53	55	55	55	55	55	55
Money transmitters	25	25	25	25	25	25	25
Collectors-repossessors	157	150	150	150	150	150	150
Installment sellers licensed	3,694	3,700	3,700	3,700	3,700	3,700	3,700
Check casher licenses	523	550	550	550	550	550	550
Electronic filing of license applications	N/A	640	1,280	1,282	1,284	1,300	1,300
Percentage of license applications filed electronically	N/A	5.5%	10.1%	10.2%	10.5%	11.0%	15.0%
Electronic filing of annual reports	N/A	266	553	573	593	600	625
Percentage of annual reports filed electronically	N/A	2.1%	4.4%	4.5%	4.7%	5.0%	5.5%

Second mortgage lenders/brokers/brokers agents, and sales finance companies licenses increased compared to the projections in last year's budget because federal preemption from state licensing requirements did not occur on the scale initially expected. Estimates for 2004-05 and subsequent years have been reduced to reflect current market conditions and anticipated federal preemption from state licensing requirements.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

General Government Operations	
\$ 1,253	—to continue current program.
370	—to conduct a Working Families Summit and for other financial literacy activities and administrative resources as part of the Governor's Task Force for Working Families.
901	—to continue expansion of audits and investigations.
\$ 2,524	<i>Appropriation Increase</i>

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
BANKING DEPARTMENT FUND:							
General Government Operations	\$ 10,824	\$ 14,196	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720	\$ 16,720



CIVIL SERVICE COMMISSION

The mission of the Civil Service Commission is to provide greater efficiency and economy in the government of the Commonwealth by establishing conditions of employment that will attract to the service of the Commonwealth qualified persons of character and ability and appointing and promoting all persons on the basis of merit and fitness.

The Civil Service Commission administers the Commonwealth's merit system. The responsibilities of the commission include recruitment of qualified candidates; evaluation of applicants' education and experience to determine if minimum requirements have been met; development and administration of examinations; and certification of eligibles to the appointing agencies.

Civil Service Commission

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GENERAL FUND:

General Government:

General Government Operations.....	\$	1	\$	1	\$	1
(F)General Fund Share - PEBTF Contribution (EA).....		154		0		0
(A)Fees From Agencies.....		14,700		14,536		14,669
(A)Special Merit System Services.....		884		852		878
		<hr/>		<hr/>		<hr/>
Subtotal - State Funds.....	\$	1	\$	1	\$	1
Subtotal - Federal Funds.....		154		0		0
Subtotal - Augmentations.....		15,584		15,388		15,547
		<hr/>		<hr/>		<hr/>
Total - General Government.....	\$	15,739	\$	15,389	\$	15,548
		<hr/>		<hr/>		<hr/>
STATE FUNDS.....	\$	1	\$	1	\$	1
FEDERAL FUNDS.....		154		0		0
AUGMENTATIONS.....		15,584		15,388		15,547
		<hr/>		<hr/>		<hr/>
GENERAL FUND TOTAL.....	\$	15,739	\$	15,389	\$	15,548

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PERSONNEL SELECTION							
GENERAL FUND.....	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	154	0	0	0	0	0	0
OTHER FUNDS.....	15,584	15,388	15,547	15,547	15,547	15,547	15,547
SUBCATEGORY TOTAL.....	\$ 15,739	\$ 15,389	\$ 15,548	\$ 15,548	\$ 15,548	\$ 15,548	\$ 15,548
ALL PROGRAMS:							
GENERAL FUND.....	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	154	0	0	0	0	0	0
OTHER FUNDS.....	15,584	15,388	15,547	15,547	15,547	15,547	15,547
DEPARTMENT TOTAL.....	\$ 15,739	\$ 15,389	\$ 15,548	\$ 15,548	\$ 15,548	\$ 15,548	\$ 15,548

Civil Service Commission

PROGRAM OBJECTIVE: To provide a sufficient number of qualified, available persons to meet agency merit system staffing needs.

Program: Personnel Selection

Through this program, the Civil Service Commission provides qualified persons to meet merit system staffing needs.

The commission ensures the Commonwealth merit system is in full compliance with all State laws and regulations concerning employee selection procedures and the Federal Uniform Guidelines on Employee Selection Procedures. This includes job analysis and implementation of a program to identify and correct adverse impacts of examinations on protected groups.

Goals of the commission include identification and elimination of adverse impact, development of more valid examinations, identification and elimination of discrimination in the Commonwealth's personnel system, increased

efficiency in meeting personnel needs of State agencies, and prompt and accurate resolution or adjudication of complaints, grievances and appeals.

The commission recently implemented the Candidate Application Processing and Scheduling (CAPS) system, which allows applicants to schedule examinations online as well as pre-screen for certain eligibility requirements as they complete their applications. The commission is in the process of configuring software that will facilitate the migration of paper application supplements to online forms. Upon completion, all commission applications and supplements will be available online.

The funds supporting this program are received from billing various General and Special Fund agencies.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total eligibles on list	238,364	220,000	220,000	220,000	220,000	220,000	220,000
Persons scheduled for exams	158,690	160,000	160,000	160,000	160,000	160,000	160,000
Appeal requests received and processed	605	600	600	600	600	600	600
Certifications audited	9,715	11,000	11,000	11,000	11,000	11,000	11,000
People with disabilities provided employment information	3,164	3,000	3,000	3,000	3,000	3,000	3,000
Persons taking computerized exams	71,372	72,000	72,000	72,000	72,000	72,000	72,000
Annual cost of merit system per covered employee	\$211	\$220	\$223	\$233	\$245	\$254	\$263
Agency client satisfaction rating (based on a 5-point scale)	N/A	3	3	3	3	3	3
Test-taker satisfaction rating (based on a 5-point scale)	N/A	3	3	3	3	3	3

Total eligibles on list increased in 2003-04 from the projection shown in last year's budget due to a high demand for open job announcements.

Certifications audited decreased in 2003-04 from the projection shown in last year's budget due to limited hiring and promotion of personnel.

Program Recommendations:

This budget recommends the following changes in augmentations received from agency billings: (Dollar Amounts in Thousands)

General Government Operations
\$ 159 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1



DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

The mission of the Department of Community and Economic Development is to foster opportunities for businesses and communities to succeed and thrive in a global economy, thereby enabling Pennsylvanians to achieve a superior quality of life.

The Department of Community and Economic Development administers programs which recognize that community development and economic development are linked. This includes expanding and providing for more efficient delivery of local services; coordinating community and economic development resources to restore and maintain the vitality of our communities; advancing the economic well-being of communities through the maximization of community and economic development resources; and promoting housing and community revitalization in conjunction with economic development activities.

Community and Economic Development

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 16,614	\$ 16,469	\$ 17,990
(F)ARC - Technical Assistance.....	250	250	275
(F)DOE - Weatherization Administration.....	500	535	535
(F)SCDBG - Administration.....	1,300	1,720	1,720
(F)CSBG - Administration.....	1,370	1,402	1,402
(F)LIHEABG - Administration.....	500	535	535
(F)Communications Infrastructure.....	830	830	830
(F)ARC - Regional Initiative.....	300	0	0
(F)Americorps Training and Technical Assistance (EA).....	100	0	0
(F)General Fund Share - PEBTF Contribution.....	204	0	0
(A)Minority Business Development Authority.....	42	0	0
(A)Copy Center Services.....	0	10	10
(A)Pennsylvania Industrial Development Authority.....	1,952	2,016	2,016
(A)Pennsylvania Economic Development Financing Authority.....	440	390	403
(A)Industrial Sites Cleanup.....	181	0	0
(A)PA Energy Development Authority.....	10	0	0
(A)Machinery and Equipment Loan Fund Reimbursement.....	164	0	0
(A)Environmental Training Partnership.....	1,020	750	750
(A)Small Business First.....	708	0	0
(A)Local Area Transportation.....	417	300	300
(A)Tobacco Fund Reimbursement.....	54	0	0
(A)Community Development Bank.....	0	110	110
(A)Economic Stimulus.....	0	1,280	1,280
(A)Community Revitalization.....	0	105	119
(R)Small Business Advocate - Utilities.....	973	967	975
Commonwealth Financing Authority Operations.....	0	500	0
Local Earned Income Tax Registry.....	0	550	0
International Trade.....	5,964	6,200	5,734
International Marketing.....	0	700	0
Interactive Marketing.....	2,400	2,400	2,040
Marketing to Attract Tourists.....	11,427	14,100	13,600
(A)Reimbursement for Travel Advertisements.....	0	2,896	400
Marketing to Attract Business.....	2,898	2,472	3,985
Cultural Exhibitions and Expositions.....	0	5,050	0
Regional Marketing Partnerships.....	5,000	5,000	4,500
Brain Gain.....	1,000	0	0
Marketing to Attract Film Business.....	597	600	600
Housing Research Center.....	238	388	0
Business Retention and Expansion.....	3,996	7,429	3,476
PENNPORTS.....	15,246	16,275	9,900
Land Use Planning Assistance.....	3,491	3,496	3,321
Base Realignment and Closure (06/06).....	1,250	3,300	0
Subtotal - State Funds.....	\$ 70,121	\$ 84,929	\$ 65,146
Subtotal - Federal Funds.....	5,354	5,272	5,297
Subtotal - Augmentations.....	4,988	7,857	5,388
Subtotal - Restricted Revenues.....	973	967	975
Total - General Government.....	\$ 81,436	\$ 99,025	\$ 76,806
Grants and Subsidies:			
Transfer to Municipalities Financial Recovery Revolving Fund.....	\$ 0	\$ 2,000	\$ 1,500
Transfer to Ben Franklin Tech. Development Authority Fund.....	53,500	53,000	50,200
Transfer to Industrial Sites Environmental Assessment Fund.....	0	500	500
Transfer to Commonwealth Financing Authority.....	0	0	15,294
Opportunity Grant Program.....	50,000	50,000	49,000
Customized Job Training.....	32,500	32,500	30,000
Keystone Innovation Zones.....	0	3,300	2,000
Workforce Leadership Grants.....	5,000	5,000	4,050
Emergency Responders Resources and Training.....	5,500	5,500	0
Infrastructure Development.....	25,000	25,000	22,500

Community and Economic Development

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
CyberStart	1,000	0	0
Housing & Redevelopment Assistance	25,000	30,000	30,000
(F)DOE - Weatherization.....	17,600	18,000	18,000
(F)Emergency Shelter for the Homeless.....	75	75	75
(F)Centralia Recovery(EA).....	2,000	1,400	0
(F)LIHEABG - Weatherization Program.....	22,700	24,000	24,000
(F)Centralia Recovery.....	0	0	1,400
(F)TANFBG - Housing Assistance.....	5,000	5,000	0
(F)SCDBG - HUD Disaster Recovery.....	2,000	2,000	2,000
(A)Intergovernmental Transfer.....	0	1,000	0
PHFA - Homeowners Emergency Mortgage Assistance (06/06)	0	5,000	5,000
PHFA - Legal Expenses Reimbursement (06/06)	0	50	0
Family Savings Accounts	826	826	826
(F)Assets for Independence.....	1,800	1,800	1,000
(F)TANFBG - Family Savings Account.....	2,000	0	0
Shared Municipal Services	900	1,500	1,400
Local Government Resources and Development	20,500	33,000	0
New Communities	15,000	19,000	18,000
(F)Enterprise Communities - SSBG.....	32,000	28,000	28,000
Appalachian Regional Commission	900	900	1,000
Industrial Development Assistance	3,500	4,500	3,150
Local Development Districts	5,640	5,640	4,050
Small Business Development Centers	6,400	6,750	5,737
Tourist Promotion Assistance	11,000	11,000	10,450
Tourism - Accredited Zoos	2,000	2,000	0
Community Revitalization	50,000	51,800	0
(A)DCNR Transfer.....	2,787	0	0
Urban Development	8,500	8,500	0
Community and Business Assistance	2,300	2,500	0
Economic Growth & Development Assistance	0	2,500	0
Community & Municipal Facilities Assistance	0	2,500	0
Market Development	0	10,000	0
Rural Leadership Training	200	200	200
Flood Plain Management	0	60	60
(F)FEMA Technical Assistance.....	120	120	150
(F)FEMA - Mapping.....	70	70	120
Community Conservation and Employment	20,999	24,869	15,000
(F)Community Services Block Grant.....	28,000	28,000	28,000
(F)TANFBG - Child Care Challenge Grants.....	10,000	0	0
(F)TANFBG - Child Care Challenge Grants (EA).....	0	500	0
(F)Supported Work Program (EA).....	5,675	4,828	6,983
(A)Supported Work.....	7,851	7,571	1,080
Super Computer Center	1,500	1,500	1,200
Infrastructure Technical Assistance	4,000	5,000	1,000
Minority Business Development	1,000	2,000	0
Fay Penn	400	500	0
Tourist Product Development	2,500	2,500	2,000
Industrial Resource Center	10,200	15,200	15,200
Early Intervention for Distressed Municipalities	0	1,000	750
Manufacturing and Business Assistance	2,500	2,500	0
PENNTAP	300	300	0
Agile Manufacturing	750	750	0
Powdered Metals	200	200	0
Regional Economic Development	0	300	0
Municipal Code Training	0	250	0
Infrastructure & Facilities Improvement Grants	0	5,000	5,000
Subtotal - State Funds.....	\$ 369,515	\$ 436,895	\$ 295,067
Subtotal - Federal Funds.....	129,040	113,793	109,728
Subtotal - Augmentations.....	10,638	8,571	1,080
Total - Grants and Subsidies.....	\$ 509,193	\$ 559,259	\$ 405,875

Community and Economic Development

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
STATE FUNDS.....	\$ 439,636	\$ 521,824	\$ 360,213
FEDERAL FUNDS.....	134,394	119,065	115,025
AUGMENTATIONS.....	15,626	16,428	6,468
RESTRICTED REVENUES.....	973	967	975
GENERAL FUND TOTAL.....	\$ 590,629	\$ 658,284	\$ 482,681
 ENVIRONMENTAL STEWARDSHIP FUND:			
<i>Grants and Subsidies:</i>			
(R)Center for Local Government Services (EA).....	\$ 0	\$ 0	\$ 7,500
(R)Historic Preservation (EA).....	0	0	11,500
Total - Grants and Subsidies.....	\$ 0	\$ 0	\$ 19,000
ENVIRONMENTAL STEWARDSHIP FUND TOTAL.....	\$ 0	\$ 0	\$ 19,000
 TOBACCO SETTLEMENT FUND:			
<i>General Government:</i>			
(R)Tobacco Settlement Investment Board.....	\$ 0 a	\$ 0 a	\$ 0 a
 OTHER FUNDS:			
GENERAL FUND:			
Industrial Sites Environmental Assessment Fund.....	\$ 0	\$ 5,000	\$ 0
 BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY FUND:			
Ben Franklin Technology.....	\$ 55,485	\$ 55,485	\$ 55,485
Assistive Technology (F).....	0	2,000	2,000
Telecommunications Initiatives (F).....	0	6,000	6,000
Technology Opportunities (F).....	0	500	500
Telecommunications Infrastructure (F).....	0	2,000	2,000
Integrated Technology (F).....	0	1,000	1,000
Telecommunication Projects (F).....	0	500	500
BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY FUND TOTAL.....	\$ 55,485	\$ 67,485	\$ 67,485
 ENERGY DEVELOPMENT FUND:			
Energy Development - Administration (EA).....	\$ 75	\$ 75	\$ 0
Energy Development Loans/Grants (EA).....	50	50	0
ENERGY DEVELOPMENT FUND TOTAL.....	\$ 125	\$ 125	\$ 0
 HOME INVESTMENT TRUST FUND:			
HOME Investment Partnership.....	\$ 1,000	\$ 1,300	\$ 1,200
 INDUSTRIAL DEVELOPMENT FUND:			
PA Industrial Development Authority.....	\$ 5	\$ 7	\$ 0
 INDUSTRIAL SITES CLEANUP FUND:			
Industrial Sites Cleanup - Administration (EA).....	\$ 200	\$ 210	\$ 210
Industrial Sites Cleanup - Projects (EA).....	9,000	14,000	6,000
INDUSTRIAL SITES CLEANUP FUND TOTAL.....	\$ 9,200	\$ 14,210	\$ 6,210
 LOCAL GOVERNMENT CAPITAL PROJECT LOAN FUND:			
Local Government Capital Project Loans (EA).....	\$ 1,000	\$ 1,000	\$ 1,000
 MACHINERY AND EQUIPMENT LOAN FUND:			
General Operations (EA).....	\$ 204	\$ 250	\$ 450

Community and Economic Development

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Machinery and Equipment Loans (EA).....	17,000	20,000	70,000
MACHINERY AND EQUIPMENT LOAN FUND TOTAL.....	\$ 17,204	\$ 20,250	\$ 70,450
MINORITY BUSINESS DEVELOPMENT FUND:			
General Operations (EA).....	\$ 250	\$ 275	\$ 275
Minority Business Development Loans (EA).....	1,000	2,500	2,500
MINORITY BUSINESS DEVELOPMENT FUND TOTAL.....	\$ 1,250	\$ 2,775	\$ 2,775
MUNICIPALITIES FINANCIAL RECOVERY REVOLVING AID FUND:			
Distressed Community Assistance (EA).....	\$ 3,350	\$ 2,800	\$ 3,800
SMALL BUSINESS FIRST FUND:			
Administration (EA).....	\$ 1,400	\$ 1,600	\$ 1,600
Loans (EA).....	28,000	28,000	28,000
Pollution Prevention Loans (EA).....	1,700	2,000	700
EDA - Loans (EA).....	500	500	500
Environmental Loans (EA).....	700	700	700
EDA - Defense Conversion (EA).....	200	200	200
Community Economic Development Loans (EA).....	5,000	5,000	5,000
SMALL BUSINESS FIRST FUND TOTAL.....	\$ 37,500	\$ 38,000	\$ 36,700
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND:			
Underground Storage Tank Administration (EA).....	\$ 440	\$ 45	\$ 45
Upgrade Loans (EA).....	10,000	1,500	1,500
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND TOTAL.....	\$ 10,440	\$ 1,545	\$ 1,545
WORKMEN'S COMPENSATION ADMINISTRATION FUND:			
Small Business Advocate - Workers' Compensation (R).....	\$ 184	\$ 184	\$ 184
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 439,636	\$ 521,824	\$ 360,213
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	134,394	119,065	115,025
AUGMENTATIONS.....	15,626	16,428	6,468
RESTRICTED.....	973	967	19,975
OTHER FUNDS.....	136,743	154,681	191,349
TOTAL ALL FUNDS.....	\$ 727,372	\$ 812,965	\$ 693,030

^a Excludes \$276,000 appropriated to the Tobacco Settlement Investment Board in FY 2003-04 (actually appropriated in the Executive Offices) and \$276,000 actually appropriated in FY 2004-05 to the board in Community and Economic Development; excludes \$376,000 recommended in Community and Economic Development in FY 2005-06. In all years, program actually funded by the Health Endowment Account for Long-Term Hope.

Community and Economic Development

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
COMMUNITY AND ECONOMIC DEVELOPMENT							
SUPPORT SERVICES							
GENERAL FUND.....	\$ 73,128	\$ 94,719	\$ 69,299	\$ 69,299	\$ 69,299	\$ 69,299	\$ 69,299
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	4,854	4,737	4,762	4,762	4,762	4,762	4,762
OTHER FUNDS.....	6,145	9,008	14,047	14,047	14,047	14,047	12,544
SUBCATEGORY TOTAL.....	\$ 84,127	\$ 108,464	\$ 88,108	\$ 88,108	\$ 88,108	\$ 88,108	\$ 86,605
BUSINESS AND JOB DEVELOPMENT							
GENERAL FUND.....	\$ 146,042	\$ 159,814	\$ 147,517	\$ 175,678	\$ 203,798	\$ 229,362	\$ 241,867
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	190	190	270	270	270	270	270
OTHER FUNDS.....	75,724	81,912	117,680	117,680	117,680	117,680	117,680
SUBCATEGORY TOTAL.....	\$ 221,956	\$ 241,916	\$ 265,467	\$ 293,628	\$ 321,748	\$ 347,312	\$ 359,817
TECHNOLOGY DEVELOPMENT							
GENERAL FUND.....	\$ 72,950	\$ 78,450	\$ 67,600	\$ 67,600	\$ 67,600	\$ 67,600	\$ 67,600
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	55,485	67,485	67,485	67,485	67,485	67,485	67,485
SUBCATEGORY TOTAL.....	\$ 128,435	\$ 145,935	\$ 135,085	\$ 135,085	\$ 135,085	\$ 135,085	\$ 135,085
COMMUNITY DEVELOPMENT							
GENERAL FUND.....	\$ 147,516	\$ 188,841	\$ 75,797	\$ 75,797	\$ 75,797	\$ 75,797	\$ 75,797
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	129,350	114,138	109,993	109,993	109,993	109,993	109,993
OTHER FUNDS.....	15,988	13,671	18,580	18,580	18,580	18,580	18,580
SUBCATEGORY TOTAL.....	\$ 292,854	\$ 316,650	\$ 204,370	\$ 204,370	\$ 204,370	\$ 204,370	\$ 204,370
ALL PROGRAMS:							
GENERAL FUND.....	\$ 439,636	\$ 521,824	\$ 360,213	\$ 388,374	\$ 416,494	\$ 442,058	\$ 454,563
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	134,394	119,065	115,025	115,025	115,025	115,025	115,025
OTHER FUNDS.....	153,342	172,076	217,792	217,792	217,792	217,792	216,289
DEPARTMENT TOTAL.....	\$ 727,372	\$ 812,965	\$ 693,030	\$ 721,191	\$ 749,311	\$ 774,875	\$ 785,877

Community and Economic Development

PROGRAM OBJECTIVE: To utilize State economic development resources in a cohesive and cost-effective manner in order to assist in the job creation and retention process within the Commonwealth.

Program: Community and Economic Development Support Services

This program works in partnership with hundreds of local, community and regional service providers to deliver resources to businesses, communities and individuals in need of assistance. Because of the complexity of the delivery system, the department plays a key role in ensuring that the system is effective and efficient. This ensures that Pennsylvania's businesses and communities provide the opportunity for all of the Commonwealth's residents to achieve a high quality of life.

The Governor's Action Team plays a key role. The Action Team reacts immediately to major problems and opportunities related to economic development including major business locations, relocations, expansions or dislocations, which require administration-wide, multi-departmental involvement.

Marketing and local planning assistance efforts further supplement the daily operations of the Department of Community and Economic Development. Marketing plays an important role in two distinct areas: promoting Pennsylvania to individuals as an attractive place to vacation in order to maximize Pennsylvania's share of the tourism dollar and promoting Pennsylvania to industry as possessing a good business climate, as well as being an excellent place to live and work. Toward these ends, the department operates two separate extensive multi-media advertising campaigns, one targeting economic development and the other targeting tourism. The department also focuses on interactive marketing to highlight Pennsylvania's economy and quality of life.

The economic development marketing component includes efforts to increase foreign and domestic investments

in Pennsylvania, and to expand the markets for products of Pennsylvania firms overseas. Trade missions and trade shows provide opportunities for companies to develop their export potential and expand their export base. In collaboration with 15 contracted trade offices, small businesses are provided support in overcoming the many legal, financial and logistical problems inherent in doing business internationally. Domestically the current marketing program targets the promotion of Pennsylvania's recently approved Economic Stimulus Package which includes \$2.3 billion in economic development funding, giving Pennsylvania a particular competitive advantage.

The tourism marketing component involves the Tourist Promotion Assistance (TPA) Grant Program, which assists county and regional tourist promotion agencies in Pennsylvania by providing grants as matching assistance for advertising and promotion expenses. A key element of tourism marketing is the coordination of the Commonwealth's tourism program with the TPAs efforts. The Regional Marketing Partnership Program coordinates regional efforts to promote tourist destinations and events. Act 189 of 2002 further supports these efforts through the Pennsylvania Travel and Tourism Partnership by ensuring the Commonwealth's strategic tourism plan is continually evaluated and advanced.

Local business development organizations assist in arranging financing packages, and local marketing and promotion activities, while providing direct managerial and technical assistance to small businesses. Development of collaborative day care options by groups of small businesses is supported by grants through Act 100 of 1998.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Traveler expenditures (in millions)	\$22,799	\$23,255	\$23,720	\$24,195	\$24,679	\$24,679	\$24,679
Tourist Promotion Assistance:							
Public/private funds leveraged (in thousands)	\$59,100	\$62,800	\$64,700	\$66,600	\$68,600	\$68,600	\$68,600
Export sales facilitated*	64,802	66,746	68,748	70,810	72,935	75,123	77,377
Percentage increase in export sales*	N/A	3%	3%	3%	3%	3%	3%
Visitors from targeted countries*	N/A	450,000	500,000	540,000	590,000	635,000	685,000

* New program measure.

Community and Economic Development

Program: Community and Economic Development Support Services (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND General Government Operations \$ 1,521 —to continue current program.</p> <p>Commonwealth Financing Authority Operations \$ -500 —nonrecurring program costs.</p> <p>Local Earned Income Tax Registry \$ -550 —nonrecurring program costs.</p> <p>International Trade \$ -466 —reduction in administrative costs.</p> <p>International Marketing \$ -700 —non-recurring projects.</p> <p>Interactive Marketing \$ -360 —nonrecurring program costs.</p> <p>Marketing to Attract Tourists \$ -500 —reduction in administrative costs.</p> <p>Marketing to Attract Business \$ 1,513 —to continue current program.</p> <p>Cultural Exhibitions and Expositions \$ -5,050 —nonrecurring projects.</p> <p>Regional Marketing Partnerships \$ -500 —nonrecurring program costs.</p> <p>Housing Research Center \$ -388 —nonrecurring projects.</p> <p>Base Realignment and Closure (06/06) \$ -3,300 —nonrecurring continuing appropriation.</p>	<p>Appalachian Regional Commission \$ 100 —to continue current program.</p> <p>Industrial Development Assistance \$ -1,350 —nonrecurring program costs.</p> <p>Local Development Districts \$ -1,590 —nonrecurring program costs.</p> <p>Tourist Promotion Assistance \$ -550 —nonrecurring program costs.</p> <p>Tourism - Accredited Zoos \$ -2,000 —nonrecurring projects.</p> <p>Market Development \$ -10,000 —nonrecurring projects.</p> <p>Tourist Product Development \$ -500 —nonrecurring projects.</p> <p>Municipal Code Training \$ -250 —nonrecurring program costs.</p> <p>ENVIRONMENTAL STEWARDSHIP FUND Center for Local Government Services (EA) \$ 7,500 - Initiative – Growing Greener II. To increase the capacity of the Center for Local Government Services to provide planning assistance to counties and municipalities as part of the Growing Greener II Program.</p>
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All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 16,614	\$ 16,469	\$ 17,990	\$ 17,990	\$ 17,990	\$ 17,990	\$ 17,990
Commonwealth Financing Authority							
Operations	0	500	0	0	0	0	0
Local Earned Income Tax Registry	0	550	0	0	0	0	0
International Trade	5,964	6,200	5,734	5,734	5,734	5,734	5,734
International Marketing	0	700	0	0	0	0	0
Interactive Marketing	2,400	2,400	2,040	2,040	2,040	2,040	2,040
Marketing to Attract Tourists	11,427	14,100	13,600	13,600	13,600	13,600	13,600
Marketing to Attract Business	2,898	2,472	3,985	3,985	3,985	3,985	3,985
Cultural Exhibitions and Expositions	0	5,050	0	0	0	0	0
Regional Marketing Partnerships	5,000	5,000	4,500	4,500	4,500	4,500	4,500
Marketing to Attract Film Business	597	600	600	600	600	600	600
Housing Research Center	238	388	0	0	0	0	0
Base Realignment and Closure (06/06)	1,250	3,300	0	0	0	0	0

Community and Economic Development

Program: Community and Economic Development Support Services (continued)

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
CyberStart	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Appalachian Regional Commission	900	900	1,000	1,000	1,000	1,000	1,000
Industrial Development Assistance	3,500	4,500	3,150	3,150	3,150	3,150	3,150
Local Development Districts	5,640	5,640	4,050	4,050	4,050	4,050	4,050
Tourist Promotion Assistance	11,000	11,000	10,450	10,450	10,450	10,450	10,450
Tourism - Accredited Zoos	2,000	2,000	0	0	0	0	0
Market Development	0	10,000	0	0	0	0	0
Rural Leadership Training	200	200	200	200	200	200	200
Tourist Product Development	2,500	2,500	2,000	2,000	2,000	2,000	2,000
Municipal Code Training	0	250	0	0	0	0	0
TOTAL GENERAL FUND	\$ 73,128	\$ 94,719	\$ 69,299	\$ 69,299	\$ 69,299	\$ 69,299	\$ 69,299
ENVIRONMENTAL STEWARDHIP FUND:							
Center for Local Government							
Services (EA)	\$ 0	\$ 0	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 5,997

Community and Economic Development

PROGRAM OBJECTIVE: To ensure that capital for the creation, location, retention and expansion of private business is available at each step of the business life cycle for all types and sizes of business, and to make possible lower capital costs as an attraction for businesses to invest or re-invest in Pennsylvania.

Program: Business and Job Development

The department has a broad array of programs available to create the best possible climate for business development. The InventPA website links new and developing businesses to information and applications. The single application process allows businesses to apply for funding from the many available loan and grant programs with one application, which may be accessed and submitted online.

Program Element: Economic Development

The Business Retention and Expansion program works with the Commonwealth's ten marketing regions to promote job retention, expansion and creation by contacting Pennsylvania businesses to identify their needs in an effort to retain and improve their operations in Pennsylvania. Information gathered is entered into a database, providing an efficient means to access, analyze and acquire in-depth information on Pennsylvania's community and economic assets.

The Export Network links the ten regions to the overseas offices, which offer assistance to support the international trade activities of Pennsylvania businesses. The Entrepreneurial Support Networks provides improved quality and availability of services to potential entrepreneurs.

The Opportunity Grant Program is a tool used by the Governor's Action Team to secure job creating economic development opportunities by preserving and expanding existing industry as well as attracting economic development prospects to the Commonwealth. The program's flexibility is the key to its usefulness. Program funds are used for job training, infrastructure, land and building improvements, machinery and equipment, working capital and environmental assessment and remediation.

The Small Business First Fund (fund), created by Act 67 of 1996, merged the Pennsylvania Capital Loan Fund, Storage Tank Loan Fund and Air Quality Loan Fund into a single multi-purpose fund that can make loans to small businesses for a wide range of needs. Eligible uses include financing for: environmental needs like air quality, storage tank replacement, recycling and water quality, as well as defense conversion and hospitality industry projects. In addition, the Small Business First Fund provides financial assistance for export-related, advanced technology and computer-related services. Act 213 of 2002 expanded the definition of a small business to include agricultural producers. The department began the Community and Economic Development Loan Program for small businesses located in distressed areas that have social or economic

disadvantage in 1999. Act 100 of 1998 allows for the fund to provide pollution prevention loans; Act 213 of 2002 increased the maximum loan from \$50,000 to \$100,000.

The Infrastructure Development Program provides grants and loans to develop and improve business sites. Funding may be provided for specific infrastructure improvements necessary to complement planned industrial investment by private companies, to restore blighted land to productive use and to develop the restored land, or to develop local infrastructure at present and future business sites. Local public and nonprofit sponsors may receive grants and loans on behalf of industrial, manufacturing, research and development, agriculturally-related and export service enterprises for the following improvements: energy facilities, fire and safety facilities, sewer and water systems, transportation and waste disposal facilities. Private real estate developers are also eligible if they are developing sites for eligible private companies.

The Pennsylvania Industrial Development Authority (PIDA) was established in 1956 to make long-term, low-interest business loans for job-creation or retention to firms, which are engaged in manufacturing or industrial enterprises. PIDA funds may be used for land and buildings. Current policy targets PIDA funds to small and advanced technology businesses, and areas of high unemployment. A qualified business may receive up to \$1.75 million at interest rates ranging from two and three quarters percent to four percent, depending upon the unemployment rate in the county where the project is located.

The Machinery and Equipment Loan Fund, recodified in Act 213 of 2002, provides low-interest loan financing to manufacturing and industrial companies and to production agriculture to acquire and install new or used machinery and equipment. Interest rates are similar to PIDA and vary depending on the county and municipality unemployment levels. A criterion of the program is that the applicant must agree to create or preserve jobs.

Job Creation Tax Credits, authorized by Act 23 of 2001, provide \$1,000 in tax credits to approved businesses that agree to create or preserve jobs in the Commonwealth within three years. Businesses must agree to create at least 25 new jobs or new jobs equaling at least 20 percent of the existing workforce. Twenty-five percent of the tax credits allocated each year are reserved for businesses with less than 100 employees and may not be utilized until the jobs are actually created. Annually, \$22.5 million is available for

Community and Economic Development

Program: Business and Job Development (continued)

these credits; credits not fully utilized or recaptured from any fiscal year may be reissued by the department.

The Industrial Sites Program provides grants and low-interest loan financing to companies, private real estate developers, and municipalities performing environmental site assessment and remediation work at former industrial sites. Funds are not available for companies that caused the environmental contamination on the property.

The Commonwealth Financing Authority, created by Act 22 of 2004, is authorized to issue debt to support a full cadre of new economic development programs and to capitalize some existing programs such as the Machinery and Equipment Loan Fund. New programs include: Business in Our Sites, which will create shovel-ready sites for expanding business and the Tax Increment Financing Guarantee Program which will enable local governments to achieve more favorable borrowing terms while allowing the debt to be repaid with future revenues. Building PA, New Pennsylvania Venture Guarantee Program, and the First Industries Program were also created under the act.

The Infrastructure and Facilities Grant Program, established in Act 23 of 2004, awards multi-year grants to debt issuing authorities toward the payment of debt service and related costs for economic development projects. Grant awards are calculated based on the expected sales tax, hotel occupancy tax, or personal income tax to be generated by the identified project.

The Pennsylvania Race Horse Development and Gaming Act will provide additional funding from gaming revenues to support economic development grants under this act. Grants will not be available until proceeds from the Gaming Fund become available.

Program Element: Workforce Development

The Customized Job Training (CJT) Program supports new and existing firms in Pennsylvania by specifically training Pennsylvanians for new jobs or upgrading existing employees skills to accommodate new technologies. WEDnetPA, a major part of CJT, works with companies in need of workers with special skills and guarantees training to meet the standards agreed to between the company and the educational provider. Most of the training is targeted to manufacturing and technology-based companies providing jobs, which pay at least 150 percent of minimum wage. WEDnetPA has trained over 256,000 employees since its

inception and is critical to ensuring that highly skilled workers are available for Pennsylvania companies. The Job Enhancement Act of 2002 recodified CJT, expanded eligible programs and included private companies and local workforce investment boards as potential applicants.

The Workforce Leadership Grants Program establishes integrated academic programs in three industry clusters: bio/life sciences, information technology/optoelectronics and advanced manufacturing and materials.

Another focus of workforce development is the retention of young people who are trained in the colleges, universities and technical schools in the Commonwealth. The Stay Incent the Future Program helps to market Pennsylvania, showcasing its opportunities, and helps bring students and Pennsylvania employers together through internships and informational sessions.

Program Element: Ports Development

The PENNPORTS office provides for the development of Pennsylvania's ports, including Erie Port, the Philadelphia Regional Port Authority and the Pittsburgh Port Commission. Funding is used to aid in the development of these ports, which not only generate port and shipping related jobs, but also assist Pennsylvania firms in exporting their products.

Program Element: Pennsylvania Economic Development Financing Authority (PEDFA)

The Pennsylvania Economic Development Financing Authority (PEDFA) pools taxable and tax-exempt bond financing with the ability to finance economic development projects. PEDFA can finance land, buildings, machinery and equipment, and working capital including refinancing. Applications must be submitted through an industrial development authority.

Program Element: Minority Business

The Pennsylvania Minority Business Development Authority (PMBDA) offers low-interest loans to minority-owned businesses for fixed asset financing, working capital and other financing needs. These efforts can be particularly crucial given the difficulty minority entrepreneurs have in securing adequate funding, especially working capital. Since 1998-99, some of these programs are provided through a transfer from the Pennsylvania Minority Business Development Fund to the Small Business First Fund.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Business Assistance:							
Businesses assisted	16,656	20,930	23,055	23,055	23,055	23,055	23,055
Jobs created*	58,281	69,957	67,343	67,383	68,063	67,157	67,157
Jobs retained*	45,974	61,985	58,717	58,767	59,617	58,485	58,485
Public/private funds leveraged (in thousands)*	\$3,225,308	\$3,687,308	\$3,677,308	\$3,677,308	\$3,685,308	\$3,525,308	\$3,525,308

Community and Economic Development

Program: Business and Job Development (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons receiving job training	108,702	111,963	111,963	111,963	111,963	111,963	111,963
Opportunity grant projects	142	149	149	149	149	149	149
Brownfield redevelopment projects*	66	96	91	86	83	76	76

Businesses assisted increased from the projections shown in last year's budget based on the actual number of businesses receiving assistance and the latest evaluation of future year estimates.

Jobs created is defined as new full-time positions created as a direct result of Community and Economic Development fundings.

Jobs retained is defined as existing full-time positions that will be retained as a direct result of Community and Economic Development funding.

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>\$ -3,953 Business Retention and Expansion —reflects reduction in administrative costs and nonrecurring projects.</p> <p>\$ -6,375 PENNPORTS —reflects reduction in administrative costs and nonrecurring projects.</p> <p>\$ 15,294 Transfer to Commonwealth Financing Authority —to provide debt service for economic development bonds.</p> <p>\$ -1,000 Opportunity Grant Program —funding reduction.</p> <p>\$ -2,500 Customized Job Training —funding reduction.</p> <p>\$ -1,300 Keystone Innovation Zones —funding reduction.</p>	<p>\$ -950 Workforce Leadership Grants —funding reduction.</p> <p>\$ -5,500 Emergency Responders Resources and Training —nonrecurring projects.</p> <p>\$ -2,500 Infrastructure Development —funding reduction.</p> <p>\$ -1,013 Small Business Development Centers —funding reduction.</p> <p>\$ -2,000 Minority Business Development —nonrecurring projects.</p> <p>\$ -500 Fay Penn —nonrecurring projects.</p>
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All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Brain Gain	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business Retention and Expansion	3,996	7,429	3,476	3,476	3,476	3,476	3,476
PENNPORTS	15,246	16,275	9,900	9,900	9,900	9,900	9,900
Transfer to Industrial Sites Environmental Assessment Fund	0	500	500	500	500	500	500
Transfer to Commonwealth Financing Authority	0	0	15,294	43,455	71,575	97,139	109,644

Community and Economic Development

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Opportunity Grant Program	\$ 50,000	\$ 50,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000
Customized Job Training	32,500	32,500	30,000	30,000	30,000	30,000	30,000
Keystone Innovation Zones	0	3,300	2,000	2,000	2,000	2,000	2,000
Workforce Leadership Grants	5,000	5,000	4,050	4,050	4,050	4,050	4,050
Emergency Responders Resources and Training	5,500	5,500	0	0	0	0	0
Infrastructure Development	25,000	25,000	22,500	22,500	22,500	22,500	22,500
Small Business Development Centers	6,400	6,750	5,737	5,737	5,737	5,737	5,737
Flood Plain Management	0	60	60	60	60	60	60
Minority Business Development	1,000	2,000	0	0	0	0	0
Fay Penn	400	500	0	0	0	0	0
Infrastructure & Facilities Improvement Grants	0	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL GENERAL FUND	\$ 146,042	\$ 159,814	\$ 147,517	\$ 175,678	\$ 203,798	\$ 229,362	\$ 241,867

Community and Economic Development

PROGRAM OBJECTIVE: To promote the use of advanced technology in order to help Pennsylvania industries compete successfully in the national and international market places; to encourage research and development of new products and processes that will foster the start-up of new business within the Commonwealth; and to fund research centers that will provide an incentive for indigenous business formation, as well as serving to attract investment in Pennsylvania.

Program: Technology Development

Technology based economic development drives the entrepreneurial spirit of the Commonwealth enabling businesses and individuals to develop the skills and opportunities necessary to remain competitive in the international marketplace. Technology development allows our communities to build the infrastructure necessary to continue to attract and grow new businesses and connect to the world.

The Ben Franklin Technology Development Authority was established by Act 38 of 2001 to continue the promotion of advanced technology in Pennsylvania's traditional and emerging manufacturing industries as well as small businesses. The program supports a wide range of initiatives to modernize machinery and equipment to improve productivity, streamline operations and increase product choice and develop a technologically skilled workforce for Pennsylvania. The Pennsylvania Technology Investment Authority (PTIA), within the Ben Franklin Technology Development Authority Fund, focuses on helping companies that want to develop new technologies. Its efforts are designed to meet the financing needs of high technology, knowledge-based companies whose needs differ from more traditional asset-based financing. The Authority provides a series of support and financing including a Technology Company Investment program, a Technology Development Grant program, and University Research Grants program. A loan guarantee program for individuals with disabilities so

that they may purchase assistive technologies, which allow them to fully participate in their community's economy, is also included. Keystone Innovation Zone operational grants are also funded through the Authority and are being used to drive economic development partnering between universities and community-focused organizations. The Regional Biotechnology Center initiative and the Life Sciences Greenhouses, funded by Tobacco Settlement dollars in FY 2001-2002, support three regional technology based economic development organizations focused on increasing the creation and growth of Pennsylvania's Life Science companies.

The Industrial Resource Centers (IRCs) are focused on improving the competitive ability of Pennsylvania's traditional and emerging manufacturing firms by helping them to understand and implement modern manufacturing techniques. The IRCs work with existing small- and medium-size manufacturers to quickly adopt existing technologies and techniques. The centers are operated as nonprofit corporations and are given significant direction from the IRC Strategic Advisory Board, comprised, in the majority, of private sector representatives.

The Pennsylvania Infrastructure Technical Alliance (the PITA) integrates university-based technology research with business and economic development by partnering students at major universities in the State with businesses for research and development.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Technology Investment:							
Jobs pledged*	5,589	5,589	7,200	10,345	10,345	10,345	10,345
Jobs retained*	8,235	8,500	8,750	9,987	9,987	9,987	9,987
Public/private funds leveraged (\$ in thousands)	\$363,922	\$363,922	\$420,000	\$641,000	\$641,000	\$641,000	\$641,000
Businesses assisted	5,649	5,649	5,758	5,778	5,778	5,778	5,778

Jobs pledged is defined as new full-time positions to be created as a direct result of Community and Economic Development fundings.

Jobs retained is defined as existing full-time positions that will be retained as a direct result of Community and Economic Development funding.

Public/private funds leveraged has been updated from the projections shown in last year's budget to reflect actual year data and the anticipated future year demand of the Governor's Economic Stimulus Package.

Businesses assisted has been updated from the projections shown in last year's budget to reflect actual year data and the anticipated future year demand of the Governor's Economic Stimulus Package.

* New program measure.

Community and Economic Development

Program: Technology Development (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	Transfer to Ben Franklin Technology Development Authority Fund	\$			PENNTAP
\$ -2,800	—program reduction.		-300		—nonrecurring projects.
	Super Computer Center				Powdered Metals
\$ -300	—program reduction.		-200		—nonrecurring projects.
	Infrastructure Technical Assistance				Agile Manufacturing
\$ -4,000	—nonrecurring projects.		-750		—nonrecurring projects.
	Manufacturing and Business Assistance				
\$ -2,500	—nonrecurring projects.				

All appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Transfer to Ben Franklin Technology Development Authority Fund	\$ 53,500	\$ 53,000	\$ 50,200	\$ 50,200	\$ 50,200	\$ 50,200	\$ 50,200
Super Computer Center	1,500	1,500	1,200	1,200	1,200	1,200	1,200
Infrastructure Technical Assistance	4,000	5,000	1,000	1,000	1,000	1,000	1,000
Industrial Resource Center	10,200	15,200	15,200	15,200	15,200	15,200	15,200
Manufacturing and Business Assistance	2,500	2,500	0	0	0	0	0
PENNTAP	300	300	0	0	0	0	0
Powdered Metals	200	200	0	0	0	0	0
Agile Manufacturing	750	750	0	0	0	0	0
TOTAL GENERAL FUND	\$ 72,950	\$ 78,450	\$ 67,600	\$ 67,600	\$ 67,600	\$ 67,600	\$ 67,600

Community and Economic Development

PROGRAM OBJECTIVE: To enhance the total environment of Pennsylvania's communities through improvements in the areas of housing, community development, job training and human services.

Program: Community Development

Program Element: Housing and Redevelopment

The department administers one State and three federally funded programs which target affordable housing for low and moderate income Pennsylvanians. The State Housing and Redevelopment Assistance program provides grants to communities, redevelopment authorities and nonprofit organizations to improve blighted neighborhoods through redevelopment, to revitalize central business districts in aging communities, and to provide low- and moderate-income housing through rehabilitation. The program provides funding for projects which enhance reinvestment and rebuilding of communities. The "Brownfields for Housing" component of this program provides funding for counties on a formula basis to rehabilitate and develop housing on previously developed sites.

The Federal Small Communities Development Block Grant (SCDBG) provides assistance in expanding low- and moderate-income housing opportunities, enhancing economic development and job opportunities for low- and moderate-income individuals, correcting public facilities such as water and sewer systems, and improving public facilities that affect public health and safety. The federal HOME Investment Partnerships program provides funding to expand the supply of affordable housing for low-income families. A variety of options are available to meet this objective: incentives to develop and support rental housing and home ownership through acquisition, construction or rehabilitation; funding to finance relocation of displaced persons; rental assistance; and rehabilitation of substandard housing. Federal funds for both SCDBG and HOME are provided to recipients through the U.S. Department of Housing and Urban Development (HUD) Integrated Disbursement and Information System. Funds are appropriated to the department to administer the program. Act 172 of 1992 established a separate special fund entitled the HOME Investment Trust Fund, as required by HUD, to administer these funds.

The Federal Weatherization Assistance Program is designed to cut heating costs and improve living conditions for low income persons by adding energy conservation measures to their homes. The U.S. Department of Energy (DOE) component supports activities such as the installation of insulation, shell repairs and heating system improvements. The Low Income Housing Energy Assistance Block Grant (LIHEABG) also funds home weatherization but also supports a heating crisis program that operates during the winter in close coordination with the Department of Public Welfare's LIHEAP program.

Program Element: New Communities

The department's New Communities effort provides funding for both planning and direct project grants. Funding is targeted to projects which rebuild depressed inner city neighborhoods and rural areas, and generally stabilize communities so economic and social growth can occur.

The New Communities program includes the State Enterprise Zone, Main Street and Elm Street programs to provide flexibility to address community needs such as downtown revitalization, residential improvements, or economic development components. The State funded Enterprise Zones receive grants for business development projects which stimulate private investment and create jobs in State designated Enterprise Zones. These efforts are supported by the use of Enterprise Zone Tax Credits through the Neighborhood Assistance Act.

The Main Street component of New Communities helps restore downtown areas through a four-point approach: enhancing the area's physical appearance; marketing to shoppers, businesses, and tourists; creating partners and local organizational structure; and strengthening and diversifying downtown businesses. The program also helps restore the physical appearance of downtown through Downtown Reinvestment Grants and Anchor Buildings Grants that reuse older buildings to draw shoppers, workers and other people to downtown business districts.

The new Elm Street component of New Communities, established in Act 7 of 2004, is a counterpart to Main Street that promotes revitalization of residential areas that are physically and programmatically connected to downtown improvement efforts. The program includes: creating local nonprofits to support the neighborhood; marketing real estate and special events; enhancing the physical appearance; developing and implementing a strategy for revitalization; and cleaning and maintenance of public spaces as well as addressing threats of crime.

A related federal program under New Communities - the Empowerment Zone/Enterprise Community program - provides a combination of grants and tax incentives to rebuild poor inner-cities and rural distressed areas. Pennsylvania has five communities involved in this federal effort: Philadelphia, Harrisburg, Pittsburgh, Lock Haven and Fayette County.

Program Element: Pennsylvania Housing Finance Agency

The Pennsylvania Housing Finance Agency (PHFA) operates programs to increase and protect the supply of

Community and Economic Development

Program: Community Development (continued)

decent, safe and affordable multi-family rental and single family homeownership housing. These programs are financed with proceeds from the sale of securities to private investors.

The Single Family Homeownership Program is the PHFA homebuyer assistance program which offers below market rate mortgage loans to first time buyers of single-family houses. Funds to operate the program come from the sale of mortgage revenue bonds. In 2004, the agency financed the purchase of houses for 6,478 Pennsylvania families with \$591 million of funding. The Growing Greener II bond referendum planned for 2005-06 would enhance PHFA's capacity to finance housing initiatives and mixed use redevelopment projects.

The PHFA also operates the Homeowners Emergency Mortgage Assistance Program (HEMAP), a program to protect distressed homeowners from foreclosure. HEMAP was established by Act 91 of 1983, and amended by Act 160 of 1998 to protect citizens who, through no fault of their own, are in danger of losing their homes to foreclosure. Eligible applicants receive assistance in an amount sufficient to bring mortgage payments current and may also receive continuing assistance for up to 24 months. HEMAP payments are loans upon which repayment begins and interest starts to accrue when the recipient is financially able to pay. Current law requires HEMAP loan recipients to repay their loans only when the recipient's housing expense (mortgage, taxes, utilities and insurance) does not exceed 40 percent of net household income (gross income minus Federal, State and local income taxes).

PHFA has channeled over \$ 182 million of General Fund monies and \$184 million of repayments into HEMAP to save more than 33,500 homes from foreclosure.

Program Element: Community Development

The Federal Small Communities Development Block Grant (SCDBG) provides assistance in expanding low- and moderate-income housing opportunities, enhancing economic development and job opportunities for low- and moderate-income individuals, correcting public facilities such as water and sewer systems, and improving public facilities that affect public health and safety.

Act 92 of 1998 established the Keystone Opportunity Zones (KOZs). The KOZs are community development initiatives to revive economically distressed urban and rural communities. These zones are defined, limited areas in communities with greatly reduced or no tax burdens for residents and businesses located within the zones. Twelve zones are designated for this one-time program. Act 119 of 2000 extended the life of a KOZ from 12 to 15 years and authorized the department to establish 12 smaller Keystone Opportunity Expansion Zones (KOEZs). The act extended the expiration date of the program until 2013 and increased the eligible tax-exempt activity. Act 217 of 2002 provided for designation of subzones within KOZs and KOEZs to enable acreage remaining undesignated within the original limitation to be designated for State and local tax exemption. In

accordance with the act, the Keystone Opportunity Improvement Zones (KOIZ) were designated by Executive Order in 2002.

The Land Use Planning and Technical Assistance Program helps communities in the preparation, updating and implementation of municipal and county comprehensive plans to address issues such as: economic revitalization and expansion; municipal infrastructure, services and transportation needs; commercial and neighborhood rehabilitation efforts; land use controls; municipal capital improvement programs and budgets; and housing solutions with particular emphasis placed on low to moderate income families. The program is coordinated by the Center for Local Government Services. The Growing Greener II proposal planned for fiscal year 2005-06 would increase the capacity of the Center to provide planning assistance to counties and municipalities.

The Shared Municipal Services Program assists communities in improving operational efficiencies through cooperative activities. Typical projects include combined police records administration, shared data processing operations, municipal insurance pooling, shared public works operations, regional recreation activities, shared uniform code enforcement activities, the purchase of vehicles, the purchase or construction of buildings, and other inter-municipal projects which will reduce local government costs and implement more efficient and coordinated local government services.

Communities declared financially distressed in accordance with the provisions of Act 157 of 1988 receive assistance in the form of grants and loans.

The Job Enhancement Act as amended by Act 100 of 1998 established the Community Development Bank. The bank makes capital available for community development lending and provides technical assistance grants to promote the creation and ownership of community development financial institutions within distressed communities.

The Local Government Capital Loan Program provides low interest loans for municipal facilities. The program gives small local governments that find conventional borrowing prohibitive an opportunity to secure needed funds for equipment and buildings.

Program Element: Job Training and Human Services

The Community Conservation and Employment Program provides funds to municipalities, community action agencies and nonprofit sponsors for the development of employment opportunity and conservation activities.

Act 23 of 1997 established the Family Savings Account Program to provide matching funds as an incentive for low-income families to establish savings accounts for home ownership, educational expenses and to start businesses.

The Community Services Block Grant (CSBG) provides funds for community-based programs that offer health, nutrition, housing and employment related services to improve the standard of living of low-income persons.

Community and Economic Development

Program: Community Development (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Housing and Redevelopment:							
Housing units assisted	4,307	4,300	4,300	4,300	4,300	4,300	4,300
Homes weatherized	12,397	12,000	12,000	12,000	12,000	12,000	12,000
Community Development:							
Designated distressed communities assisted	15	16	17	16	16	15	15
Local governments assisted through early intervention*	12	15	15	15	15	15	15
Land use planning and technical assistance:							
Municipalities assisted	766	780	790	790	790	790	790
Shared Municipal Services:							
Local governments assisted	766	780	790	790	790	790	790
Job Training and Human Services:							
Persons Participating:							
Community Services Block Grant	324,436	324,000	324,000	324,000	324,000	324,000	324,000
Job Placement Program:							
Persons placed (Supported Work)	1,279	1,200	1,200	1,200	1,350	1,350	1,350
Family Savings Accounts:							
Families Participating	1,782	2,000	2,000	2,000	2,000	2,000	2,000
Main Street projects*	63	63	63	63	63	63	63
Elm Street projects*	21	35	35	35	35	35	35
Pennsylvania Housing Finance Agency:							
Approved mortgage assistance loans	2,550	2,750	2,750	2,750	2,750	2,750	2,750
Annual value of assistance loans recorded (in thousands)	\$26,091	\$28,325	\$28,325	\$28,325	\$28,325	\$28,325	\$28,325

Municipalities assisted increased from the projections shown in last year's budget to account for the number of countywide comprehensive plans completed and the latest evaluation of future year estimates.

Approved mortgage assistance loans increased from the projections shown in last year's budget based on an increase in home foreclosures and anticipated future year demand.

Annual value of assistance loans recorded increased from the projections shown in last year's based on actual loans recorded and the latest evaluation of future year estimates.

*New program measures.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND</p> <p>Land Use Planning and Assistance</p> <p>\$ -175 —funding reduction.</p> <p>Transfer to Municipalities Financial Recovery Revolving Fund</p> <p>\$ -500 —funding reduction.</p> <p>PHFA - Legal Expenses Reimbursement (06/06)</p> <p>\$ -50 —nonrecurring program costs.</p> <p>Shared Municipal Services</p> <p>\$ -100 —funding reduction.</p>	<p>Local Government Resources and Development</p> <p>\$ -33,000 —nonrecurring projects.</p> <p>New Communities</p> <p>\$ -1,000 —funding reduction.</p> <p>Community Revitalization</p> <p>\$ -51,800 —nonrecurring projects.</p> <p>Urban Development</p> <p>\$ -8,500 —nonrecurring projects.</p>
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Community and Economic Development

Program: Community Development (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ -2,500	Community and Business Assistance —nonrecurring projects.	\$ -300	Regional Economic Development —nonrecurring projects.
\$ -2,500	Economic Growth and Development Assistance —nonrecurring projects.	\$ 11,500	ENVIRONMENTAL STEWARDSHIP FUND Historic Preservation (EA) – Initiative – Growing Greener II. To provide historic preservation assistance to small businesses, developers and some homeowners to rebuild older communities as part of the Growing Greener II Program.
\$ -2,500	Community and Municipal Facilities Assistance —nonrecurring projects.		
\$ -9,869	Community Conservation and Employment —nonrecurring projects.		
\$ -250	Early Intervention for Distressed Municipalities —funding reduction.		

All other appropriations are recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Land Use Planning Assistance	3,491	3,496	3,321	3,321	3,321	3,321	3,321
Transfer to Municipalities Financial							
Recovery Revolving Fund	0	2,000	1,500	1,500	1,500	1,500	1,500
Housing & Redevelopment Assistance	25,000	30,000	30,000	30,000	30,000	30,000	30,000
PHFA - Homeowners Emergency							
Mortgage Assistance (06/06)	0	5,000	5,000	5,000	5,000	5,000	5,000
PHFA - Legal Expenses Reimbursement (06/06)	0	50	0	0	0	0	0
Family Savings Accounts	826	826	826	826	826	826	826
Shared Municipal Services	900	1,500	1,400	1,400	1,400	1,400	1,400
Local Government Resources and Development	20,500	33,000	0	0	0	0	0
New Communities	15,000	19,000	18,000	18,000	18,000	18,000	18,000
Community Revitalization	50,000	51,800	0	0	0	0	0
Urban Development	8,500	8,500	0	0	0	0	0
Community and Business Assistance	2,300	2,500	0	0	0	0	0
Economic Growth & Development Assistance	0	2,500	0	0	0	0	0
Community & Municipal Facilities Assistance	0	2,500	0	0	0	0	0
Community Conservation and Employment							
Early Intervention for Distressed Municipalities	20,999	24,869	15,000	15,000	15,000	15,000	15,000
Regional Economic Development	0	1,000	750	750	750	750	750
Regional Economic Development	0	300	0	0	0	0	0
TOTAL GENERAL FUND	\$ 147,516	\$ 188,841	\$ 75,797	\$ 75,797	\$ 75,797	\$ 75,797	\$ 75,797
ENVIRONMENTAL STEWARDSHIP FUND:							
Historic Preservation (EA)	\$ 0	\$ 0	\$ 11,500	\$ 11,500	\$ 11,500	\$ 11,500	\$ 11,500



DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

The mission of the Department of Conservation and Natural Resources is to promote sound stewardship of Pennsylvania's State Park and State Forest lands, provide education information and technical assistance regarding geologic and ecologic resources of the State, and provide funding to help develop and acquire recreation lands and facilities, greenways, river corridors, and to conserve the State's natural and cultural heritage. The department is the State's lead land conservation and outdoor recreation agency and advocate for the wise management of natural resources on both public and private lands. The department's programs support the revitalization of communities, sustainable economic growth, outdoor and nature tourism, and help improve the quality of life for all citizens.

Conservation and Natural Resources

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 18,914	\$ 19,863	\$ 17,862
(F)Surface Mining Control and Reclamation.....	180	180	180
(F)Topographic and Geologic Survey Grants.....	175	175	175
(F)Bituminous Coal Resources.....	150	150	150
(F)Economic Action Programs.....	100	100	100
(F)Intermodal Surface Transportation Act.....	5,000	5,000	5,000
(F)Land and Water Conservation Fund.....	12,000	12,000	12,000
(F)General Fund Share - PEBTF Contribution (EA).....	802	0	0
(F)August 2003 Disaster Assistance (EA).....	215	0	0
(A)Payment for Department Services.....	356	135	400
(A)Water Well Drillers.....	44	65	65
(A)Keystone Recreation, Park and Conservation Fund.....	1,448	3,060	2,500
(A)Internet Record Imaging System.....	120	90	90
(A)Purchasing Card Rebate.....	83	40	85
Subtotal.....	\$ 39,587	\$ 40,858	\$ 38,607
State Parks Operations.....	50,537	55,244	54,870
(F)Recreational Trails.....	3,500	3,500	3,500
(A)PCC Programs - Parks.....	147	400	400
(A)Reimbursement - Sewer System.....	192	225	225
(A)Reimbursement - Kings Gap Use.....	56	75	75
(A)State Parks User Fees.....	13,000	16,200	14,325
(A)Prior Year Revenue - Parks.....	0	500	500
(A)Donations.....	5	20	20
(A)Reimbursement for Services.....	1,243	95	495
Subtotal.....	\$ 68,680	\$ 76,259	\$ 74,410
State Forests Operations.....	14,165	15,025	14,616
(F)Forest Fire Protection and Control.....	1,000	1,000	1,000
(F)Forestry Incentives and Agriculture Conservation.....	50	50	50
(F)Forest Management and Processing.....	400	850	850
(F)Cooperative Forest Insect and Disease Control.....	250	250	250
(F)Aid to Volunteer Fire Companies.....	450	450	450
(F)Wetland Protection Fund.....	200	200	200
(A)Reimbursement for Services.....	282	100	285
(A)Reimbursement - Forest Fires.....	771	350	775
(A)Sale of Vehicles - Forests.....	62	25	50
(A)Private Donations.....	0	35	35
(A)Timber Sales.....	29,000	34,570	33,730
(A)PCC Programs - Forests.....	42	200	200
(A)Miscellaneous Tickets and Fines.....	3	0	5
Subtotal.....	\$ 46,675	\$ 53,105	\$ 52,496
Forest Pest Management.....	2,346	2,276	2,111
(F)Forest Insect and Disease Control.....	2,000	2,000	2,000
(A)Reimbursement from Counties.....	0	200	200
Subtotal.....	\$ 4,346	\$ 4,476	\$ 4,311
Subtotal - State Funds.....	\$ 85,962	\$ 92,408	\$ 89,459
Subtotal - Federal Funds.....	26,472	25,905	25,905
Subtotal - Augmentations.....	46,854	56,385	54,460
Total - General Government.....	\$ 159,288	\$ 174,698	\$ 169,824
Grants and Subsidies:			
Heritage and Other Parks.....	\$ 6,950	\$ 2,950	\$ 1,950
Annual Fixed Charges - Flood Lands.....	52	55	55
Annual Fixed Charges - Project 70.....	29	30	35
Annual Fixed Charges - Forest Lands.....	2,421	2,480	2,480
Annual Fixed Charges - Park Lands.....	300	300	300

Conservation and Natural Resources

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Total - Grants and Subsidies.....	\$ 9,752	\$ 5,815	\$ 4,820
STATE FUNDS.....	\$ 95,714	\$ 98,223	\$ 94,279
FEDERAL FUNDS.....	26,472	25,905	25,905
AUGMENTATIONS.....	46,854	56,385	54,460
GENERAL FUND TOTAL.....	\$ 169,040	\$ 180,513	\$ 174,644
<u>ENVIRONMENTAL STEWARDSHIP FUND:</u>			
<i>General Government:</i>			
Parks & Forest Facility Rehabilitation (EA).....	\$ 14,186	\$ 15,549	\$ 19,612
<i>Grants and Subsidies:</i>			
Community Conservation Grants (EA).....	\$ 11,125	\$ 6,250	\$ 7,018
Natural Diversity Conservation Grants (EA).....	500	750	750
Total - Grants and Subsidies.....	\$ 11,625	\$ 7,000	\$ 7,768
ENVIRONMENTAL STEWARDSHIP FUND TOTAL.....	\$ 25,811	\$ 22,549	\$ 27,380
<u>KEYSTONE RECREATION, PARK AND CONSERVATION FUND:</u>			
<i>General Government:</i>			
Park & Forest Facility Rehab. - Realty Transfer (97-98) (EA).....	\$ 494	\$ 8	\$ 0
Park & Forest Facility Rehab. - Realty Transfer (98-99) (EA).....	1,558	151	0
Park & Forest Facility Rehab. - Realty Transfer (99-00) (EA).....	1,957	23	0
Park & Forest Facility Rehab. - Realty Transfer (00-01) (EA).....	3,655	240	0
Park & Forest Facility Rehab. - Realty Transfer (01-02) (EA).....	8,501	4,116	0
Park & Forest Facility Rehab. - Realty Transfer (02-03) (EA).....	9,245	1,885	24,387
Park & Forest Facility Rehab. - Realty Transfer (03-04) (EA).....	0	20,805	0
Total - General Government.....	\$ 25,410	\$ 27,228	\$ 24,387
<i>Grants and Subsidies:</i>			
Grants for Local Recreation-Realty Transfer Tax (97-98) (EA).....	\$ 1,954	\$ 0	\$ 0
Grants for Local Recreation-Realty Transfer Tax (98-99) (EA).....	3,855	2	0
Grants for Local Recreation-Realty Transfer Tax (99-00) (EA).....	4,846	209	0
Grants for Local Recreation-Realty Transfer Tax (00-01) (EA).....	10,365	1,184	0
Grants for Local Recreation-Realty Transfer Tax (01-02) (EA).....	9,468	727	0
Grants for Local Recreation-Realty Transfer Tax (02-03) (EA).....	7,704	7,455	20,322
Grants for Local Recreation-Realty Transfer Tax (03-04) (EA).....	0	17,338	0
Grants to Land Trusts - Realty Transfer Tax (98-99) (EA).....	33	0	0
Grants to Land Trusts - Realty Transfer Tax (99-00) (EA).....	195	0	0
Grants to Land Trusts - Realty Transfer Tax (00-01) (EA).....	2,258	634	0
Grants to Land Trusts - Realty Transfer Tax (01-02) (EA).....	2,849	2,022	0
Grants to Land Trusts - Realty Transfer Tax (02-03) (EA).....	3,082	337	8,129
Grants to Land Trusts - Realty Transfer Tax (03-04) (EA).....	0	6,935	0
Total - Grants and Subsidies.....	\$ 46,609	\$ 36,843	\$ 28,451
KEYSTONE RECREATION, PARK AND CONSERVATION FUND TOTAL.....	\$ 72,019	\$ 64,071	\$ 52,838
<u>MOTOR LICENSE FUND:</u>			
<i>General Government:</i>			
Dirt and Gravel Road.....	\$ 1,000	\$ 1,000	\$ 1,000
Maintenance of Recreational Trails and Vehicles.....	0	1,000	0

Conservation and Natural Resources

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Total - General Government.....	\$ 1,000	\$ 2,000	\$ 1,000
Grants and Subsidies:			
(R)Forestry Bridges - Excise Tax (EA).....	\$ 4,500	\$ 4,000	\$ 4,000
STATE FUNDS.....	\$ 1,000	\$ 2,000	\$ 1,000
RESTRICTED REVENUES.....	4,500	4,000	4,000
MOTOR LICENSE FUND TOTAL.....	\$ 5,500	\$ 6,000	\$ 5,000
 OTHER FUNDS:			
GENERAL FUND:			
Snowmobile & ATV Regulation.....	\$ 6,145	\$ 6,200	\$ 6,000
Forest Regeneration.....	5,072	6,300	4,000
Ohiopyle State Park Water Treatment System.....	606	606	1,000
Forestry Research.....	556	1,000	1,000
Forest Lands Beautification Act.....	3,077	1,892	0
GENERAL FUND TOTAL.....	\$ 15,456	\$ 15,998	\$ 12,000
 ENVIRONMENTAL EDUCATION FUND:			
General Operations (EA).....	\$ 198	\$ 150	\$ 150
 OIL AND GAS LEASE FUND:			
General Operations.....	\$ 7,500	\$ 7,500	\$ 7,200
 STATE GAMING FUND:			
Forest Reserves Municipal Financial Relief (EA).....	\$ 0	\$ 0	\$ 5,000
 WILD RESOURCE CONSERVATION FUND:			
General Operations (EA).....	\$ 450	\$ 390	\$ 390
 DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 95,714	\$ 98,223	\$ 94,279
SPECIAL FUNDS.....	98,830	88,620	81,218
FEDERAL FUNDS.....	26,472	25,905	25,905
AUGMENTATIONS.....	46,854	56,385	54,460
RESTRICTED.....	4,500	4,000	4,000
OTHER FUNDS.....	23,604	24,038	24,740
TOTAL ALL FUNDS.....	\$ 295,974	\$ 297,171	\$ 284,602

Conservation and Natural Resources

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PARKS AND FORESTS MANAGEMENT							
GENERAL FUND.....	\$ 95,714	\$ 98,223	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279
SPECIAL FUNDS.....	98,830	88,620	81,218	78,155	79,845	84,915	89,075
FEDERAL FUNDS.....	26,472	25,905	25,905	25,905	25,905	25,905	25,905
OTHER FUNDS.....	74,958	84,423	83,200	81,200	81,200	81,700	81,700
SUBCATEGORY TOTAL.....	\$ 295,974	\$ 297,171	\$ 284,602	\$ 279,539	\$ 281,229	\$ 286,799	\$ 290,959
ALL PROGRAMS:							
GENERAL FUND.....	\$ 95,714	\$ 98,223	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279
SPECIAL FUNDS.....	98,830	88,620	81,218	78,155	79,845	84,915	89,075
FEDERAL FUNDS.....	26,472	25,905	25,905	25,905	25,905	25,905	25,905
OTHER FUNDS.....	74,958	84,423	83,200	81,200	81,200	81,700	81,700
DEPARTMENT TOTAL.....	\$ 295,974	\$ 297,171	\$ 284,602	\$ 279,539	\$ 281,229	\$ 286,799	\$ 290,959

Conservation and Natural Resources

PROGRAM OBJECTIVE: To protect and manage outdoor recreation facilities and open space areas, to provide, or assist in, effective management of forest lands, to reduce plant loss and damage caused by insects, disease and forest fires, and to provide data on geology, energy resources, groundwater and topography within the Commonwealth.

Program: Parks and Forests Management

Program Element: Management of Recreation Facilities and Areas

The system of State parks consists of 116 parks and 2 conservation areas in 62 counties. Over 255,860 acres of land and 33,500 acres of water are within these parks. They attract over 36 million visitors each year and provide picnicking, swimming, hiking, bicycling, horseback riding, cross-country skiing, camping, boating, fishing and hunting opportunities for citizens and guests of the Commonwealth. In addition to managing these facilities, this program element also maintains and restores the State parks and upgrades facilities where needed. Upgraded amenities are needed to provide quality visitor services, increase tourism and enhance revenue opportunities. User fees and concession charges are used to support the maintenance and operation of the park system. The Keystone Recreation, Park and Conservation Fund provides real-estate transfer tax revenues for rehabilitation, repairs and upgrade of facilities and land acquisition for State park and forest lands. Act 68 of 1999 created the Environmental Stewardship Fund, providing funds for additional rehabilitation projects and land acquisitions as part of the "Growing Greener" initiative. With the passage of Act 90 of 2002, the primary revenue source for the Environmental Stewardship Fund was restructured from a General Fund contribution to a \$4 tipping fee per ton of solid waste disposed in Pennsylvania's municipal waste landfills. The first \$50 million of revenue from the fee was deposited into the Environmental Stewardship Fund in 2002-03, with the fund receiving all revenue generated by the fee thereafter. This provides a specific, dedicated source of funding for the Growing Greener program and extends the \$4 tipping fee until 2012. The Growing Greener II proposal for fiscal 2005-06 includes a new \$1.00 municipal solid waste disposal fee dedicated solely to the Environmental Stewardship Fund in order to maintain current program funding levels.

Program Element: Management of Forest Resources

This element is responsible for the management of two million acres of State forest lands. These forest lands offer many social and recreational opportunities and help enhance rural economies. Hiking, camping, hunting, fishing, cross-country skiing, canoeing and snowmobiling are examples of the diverse activities in State forests. Properly managed, forests yield economic benefits such as the promotion of tourism, harvest of timber for wood products, the protection of groundwater for municipal and other uses, and the production and underground storage of natural gas. This

element also provides management assistance to the more than 490,000 owners of private forestlands and oversees fire, insect and disease control activities affecting Pennsylvania's forests. Private forest lands constitute three-quarters of all forest land in the State, and the conservation of these lands is important to the future health of the forests, protecting water quality and water supplies, providing recreational opportunities, and maintaining the state's \$5 billion a year timber industry.

Although there are five native insects that defoliate trees, the primary insect threat to Pennsylvania's forests is the gypsy moth. Growing populations of gypsy moth and other insects increase the number of acres that need treatment. The need for targeted intervention will remain because it is difficult to predict outbreaks of insect species.

The other major threat to Pennsylvania's forests is fire. Through aggressive prevention and extinction activities, the size of the average forest fire has been held to about five acres.

This program element also maintains the Pennsylvania Natural Diversity Inventory. This computerized database contains location information for rare, unique and unusual features of the Commonwealth. While new research and information is needed to make this a more valuable tool to support land development and conservation decisions, this program currently provides basic information for State and Federal regulatory agencies and for State, regional and local government planning.

Program Element: Topographic and Geologic Services

This element gathers, analyzes, interprets and disseminates information about the surface and sub-surface geology, mineral and fossil energy resources, groundwater, and digital and analog topography of all areas of the Commonwealth. These surveys are used to locate hazards such as sinkholes and areas prone to landslide, to catalog coal extraction and oil and gas drilling operations, and to provide data for activities where knowledge of the Commonwealth's topography and geology is needed.

Program Element: Local Recreation & Conservation Programs

The department administers Community, Land Trust, Rivers Conservation and Rail-to-Trails Grants from the Keystone Recreation, Park and Conservation Fund, the Environmental Stewardship Fund and Recreational Trails Grants from the Federal TEA 21 (Transportation Equity Act for the 21st Century) Program. The department also

Conservation and Natural Resources

Program: Parks and Forests Management (continued)

administers the Act 68 Snowmobile/ATV Fund and the Federal Land and Water Conservation Fund. Grants and technical assistance are provided to communities and non-profit organizations for the planning, acquisition; and development of park, recreation and conservation areas and facilities; and linking these investments to build greenways, promote tourism, reduce sprawl and foster sustainable development. Grants are provided to urban areas to promote neighborhood revitalization and rehabilitation of recreational

facilities and are provided to rapidly developing areas outside cities to purchase park lands, protect open space and provide the tools to encourage more environmentally sensitive growth.

The Heritage Parks Program is an economic development and conservation partnerships initiative that enables regions of the Commonwealth to comprehensively plan, enhance, manage and market significant natural, cultural, recreational and scenic resources for heritage tourism.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Management of Recreation Facilities and Areas							
State park attendance (in thousands) **	34,692	35,000	35,000	35,262	35,527	35,793	36,061
State park attendance (in thousands)	34,692	35,000	35,000	35,000	35,000	35,000	35,000
State park family campsite nights rented annually**	347,787	347,787	350,000	350,000	352,625	355,270	357,934
State park family campsite nights rented annually	347,787	347,787	350,000	350,000	350,000	350,000	350,000
State park family campsite days available *	1,498,814	1,498,814	1,498,814	1,498,814	1,498,814	1,498,814	1,498,814
Percentage of available State park family campsite rented *	23%	23%	23%	23%	23%	23%	23%
State park family cabin days rented annually *	57,093	57,093	58,000	58,000	58,000	58,000	58,000
State park family cabin days available *	93,000	93,000	93,000	93,000	93,000	93,000	93,000
Percentage of available State park family cabins nights rented*	61%	61%	62%	62%	62%	62%	62%
Management of Forest Resources							
Forest fires suppressed	225	1,000	1,000	1,000	1,000	1,000	1,000
Forest fire acres suppressed**	2,250	10,000	10,000	10,000	10,000	10,000	10,000
Acres of private timber land affected by .. professional assistance	1,595,514	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Timber sales - millions of board feet sold *	11,609	14,057	14,057	14,057	14,057	14,057	14,057
Recreational and Conservation Programs							
Community Conservation Partnership Grants**	344	350	600	600	600	600	600
Community Conservation Partnership Grants	344	350	350	350	350	350	350
Heritage Park Grants **	78	80	130	130	130	130	130
Heritage Park Grants	78	80	80	80	80	80	80
Total Grant Funds Requested (in millions) **	\$84	\$90	\$140	\$140	\$140	\$140	\$140
Total Grant Funds Requested (in millions)	\$84	\$90	\$90	\$90	\$90	\$90	\$90
Total Grant Funds Awarded (in millions)** .	\$36	\$38	\$72	\$72	\$72	\$72	\$72
Total Grant Funds Awarded (in millions) .	\$36	\$38	\$38	\$38	\$38	\$38	\$38
STATEMAP - Square miles mapped *	250	250	320	320	400	400	400
PAMAP - Square miles flown for aerial photographs *	0	2,000	8,000	6,000	5,000	5,000	5,000

State park family cabin days rented annually increased due to additional demand. Cabin figures are computed for both modern and rustic cabins available to rent. Park managers report that modern cabins are rented and filled first, then remaining demand is met with rustic cabins.

Timber sale revenue exceeded expectations due to higher market prices for wood.

Heritage park grants decreased from the projection shown in last year's budget because less funding was available to support more grant applications.

*New program measures.

**Measures show performance that would be achieved if the Administration's Growing Greener II Initiative is enacted by the General Assembly.

Conservation and Natural Resources

Program: Parks and Forests Management (continued)

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$	-2,001	General Government Operations —reductions to administrative costs.	\$	-1732	Community Conservation Grants (EA) —nonrecurring community conservation grants and open space projects related to the Growing Greener initiative.
\$	-374	State Parks Operations —reductions to administrative costs.		2,500	—Initiative – Growing Greener II. To provide additional grants for community conservation and open space projects as part of the Growing Greener II Program.
\$	-409	State Forests Operations —reductions to administrative costs.		768	<i>Appropriation Increase</i>
	-165	Forest Pest Management —to continue current program.			
\$	-1,000	Heritage and Other Parks —nonrecurring heritage and other parks projects.			
\$	5	Annual Fixed Charges - Project 70 —to continue current program.	\$	5,000	STATE GAMING FUND Forest Reserves Municipal Financial Relief (EA) —additional funding for in-lieu of taxes to compensate municipalities for State parks and forests lands.
\$	1,502	ENVIRONMENTAL STEWARDSHIP FUND Parks and Forest Facility Rehabilitation (EA) —additional grants for repair and maintenance projects related to the Growing Greener Initiative.			This budget commits \$27,380,000 from the Environmental Stewardship Fund for environmental projects related to the Growing Greener Initiative.
\$	2,561	—Initiative – Growing Greener II. To provide for additional repair and maintenance projects as part of the Growing Greener II Program.			Projects funded by the Keystone, Park and Conservation Fund will continue until the amount allotted by law is completely committed.
\$	4,063	<i>Appropriation Increase</i>			All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 18,914	\$ 19,863	\$ 17,862	\$ 17,862	\$ 17,862	\$ 17,862	\$ 17,862
State Parks Operations	50,537	55,244	54,870	54,870	54,870	54,870	54,870
State Forests Operations	14,165	15,025	14,616	14,616	14,616	14,616	14,616
Forest Pest Management	2,346	2,276	2,111	2,111	2,111	2,111	2,111
Heritage and Other Parks	6,950	2,950	1,950	1,950	1,950	1,950	1,950
Annual Fixed Charges - Flood Lands	52	55	55	55	55	55	55
Annual Fixed Charges - Project 70	29	30	35	35	35	35	35
Annual Fixed Charges - Forest Lands	2,421	2,480	2,480	2,480	2,480	2,480	2,480
Annual Fixed Charges - Park Lands	300	300	300	300	300	300	300
TOTAL GENERAL FUND	\$ 95,714	\$ 98,223	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279	\$ 94,279
ENVIRONMENTAL STEWARDSHIP FUND:							
Parks & Forest Facility Rehabilitation (EA)	\$ 14,186	\$ 15,549	\$ 19,612	\$ 19,612	\$ 19,612	\$ 19,612	\$ 19,612
Community Conservation Grants (EA)	11,125	6,250	7,018	6,750	6,750	6,750	6,750
Natural Diversity Conservation Grants (EA)	500	750	750	750	750	750	750
TOTAL ENVIRONMENTAL STEWARDSHIP FUND	\$ 25,811	\$ 22,549	\$ 27,380	\$ 27,112	\$ 27,112	\$ 27,112	\$ 27,112

Conservation and Natural Resources

Program: Parks and Forests Management (continued)

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
KEYSTONE RECREATION, PARK AND CONSERVATION FUND:							
Park & Forest Facility Rehab - Realty Transfer (EA)	4,009	182	0	0	0	0	0
Grants for Local Recreation - Realty Transfer Tax (EA)	10,655	211	0	0	0	0	0
Grants to Land Trusts - Realty Transfer Tax (EA)	228	0	0	0	0	0	0
Park & Forest Facility Rehab. - Realty Transfer (00-01) (EA)	3,655	240	0	0	0	0	0
Grants for Local Recreation-Realty Transfer Tax (00-01) (EA)	10,365	1,184	0	0	0	0	0
Grants to Land Trusts - Realty Transfer Tax (00-01) (EA)	2,258	634	0	0	0	0	0
Park & Forest Facility Rehab. - Realty Transfer (01-02) (EA)	8,501	4,116	0	0	0	0	0
Grants to Land Trusts - Realty Transfer Tax (01-02) (EA)	2,849	2,022	0	0	0	0	0
Grants for Local Recreation-Realty Transfer Tax (01-02) (EA)	9,468	727	0	0	0	0	0
Park & Forest Facility Rehab. - Realty Transfer (02-03) (EA)	9,245	1,885	24,387	23,097	23,877	26,217	28,137
Grants for Local Recreation-Realty Transfer Tax (02-03)	7,704	7,455	20,322	19,247	19,897	21,847	23,447
Grants to Land Trusts - Realty Transfer Tax (02-03) (EA)	3,082	337	8,129	7,699	7,959	8,739	9,379
Park & Forest Facility Rehab. - Realty Transfer (03-04) (EA)	0	20,805	0	0	0	0	0
Grants for Local Recreation-Realty Transfer Tax (03-04)	0	17,338	0	0	0	0	0
Grants to Land Trusts - Realty Transfer Tax (03-04) (EA)	0	6,935	0	0	0	0	0
TOTAL KEYSTONE RECREATION, PARK AND CONSERVATION FUND	\$ 72,019	\$ 64,071	\$ 52,838	\$ 50,043	\$ 51,733	\$ 56,803	\$ 60,963
MOTOR LICENSE FUND:							
Dirt and Gravel Road	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000



DEPARTMENT OF CORRECTIONS

The mission of the Department of Corrections is to protect the public by confining persons committed to the department's custody in safe, secure facilities, and to provide opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens; while respecting the rights of crime victims.

The department maintains a State system for the custody and rehabilitation of convicted criminals. Included within this system are residential programs and pre-release programs to provide inmates with supervision, counseling and treatment to enable them to satisfactorily adjust to society.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>Institutional:</i>			
General Government Operations.....	\$ 34,187	\$ 31,195	\$ 31,494
(F)Volunteer Support.....	20	20	20
(F)Federal Inmates.....	25	25	0
(F)General Fund Share - PEBTF Contribution.....	13,021	0	0
(A)County Training.....	199	225	225
(A)Purchasing Card Rebates.....	7	15	12
(A)Augmentations from State Agencies.....	2	25	25
Subtotal.....	\$ 47,461	\$ 31,505	\$ 31,776
Medical Care.....	171,681	176,913	182,270
(F)DCSI - Adult Interactive Living (EA).....	90	90	0
(A)Medical Co-payment.....	261	427	500
(A)Purchasing Card Rebates.....	8	7	7
Subtotal.....	\$ 172,040	\$ 177,437	\$ 182,777
Inmate Education and Training.....	37,043	37,945	40,445
(F)Library Services.....	50	50	0
(F)Youth Offenders Education.....	545	545	565
(F)Correctional Education.....	1,390	1,480	1,420
(A)Reimbursement for Services.....	13	11	13
Subtotal.....	\$ 39,041	\$ 40,031	\$ 42,443
State Correctional Institutions.....	1,055,589	1,091,713	1,091,381
(F)SABG - Drug and Alcohol Programs.....	2,100	2,100	2,100
(F)DCSI - Therapeutic Community (EA).....	75	110	0
(F)DCSI - Hispanic Therapeutic Community (EA).....	250	200	200
(F)DCSI - Virtual Visitation (EA).....	67	67	0
(F)DCSI - Employment Opportunities (EA).....	343	242	110
(F)DCSI - Inmate Culinary Training (EA).....	53	15	35
(F)DCSI - Sex Offender Assessment (EA).....	115	164	100
(F)Reimbursement for Alien Inmates.....	1,841	2,750	1,157
(F)TANFBG - HOPE (EA).....	83	52	0
(F)Truth In Sentencing.....	26,000	26,000	25,614
(F)RSAT - Drug Treatment.....	1,600	1,100	550
(F)Inmate Reentry Program.....	2,000	2,000	1,250
(F)Forensic Community.....	85	50	0
(F)Prison Rape Elimination.....	0	500 ^a	81
(A)Community Service Centers.....	481	625	640
(A)Institutional Reimbursements.....	234	165	257
(A)Purchasing Card Rebates.....	144	100	155
(A)Social Security.....	97	75	110
Subtotal.....	\$ 1,091,157	\$ 1,128,028	\$ 1,123,740
Subtotal - State Funds.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590
Subtotal - Federal Funds.....	49,753	37,560	33,202
Subtotal - Augmentations.....	1,446	1,675	1,944
Total - Institutional.....	\$ 1,349,699	\$ 1,377,001	\$ 1,380,736
STATE FUNDS.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590
FEDERAL FUNDS.....	49,753	37,560	33,202
AUGMENTATIONS.....	1,446	1,675	1,944
GENERAL FUND TOTAL.....	\$ 1,349,699	\$ 1,377,001	\$ 1,380,736
OTHER FUNDS:			
LOCAL CRIMINAL JUSTICE FUND:			
County Grants (EA).....	\$ 5,743	\$ 3,414	\$ 1,300

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
MANUFACTURING FUND:			
General Operations (EA).....	\$ 41,500	\$ 47,000	\$ 45,980
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	49,753	37,560	33,202
AUGMENTATIONS.....	1,446	1,675	1,944
OTHER FUNDS.....	47,243	50,414	47,280
TOTAL ALL FUNDS.....	\$ 1,396,942	\$ 1,427,415	\$ 1,428,016

^a Includes recommended supplemental appropriation of \$500,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
INSTITUTIONALIZATION OF OFFENDERS							
GENERAL FUND.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	49,753	37,560	33,202	33,121	7,507	7,507	7,507
OTHER FUNDS.....	48,689	52,089	49,224	49,224	49,224	49,224	49,224
SUBCATEGORY TOTAL.....	\$ 1,396,942	\$ 1,427,415	\$ 1,428,016	\$ 1,427,935	\$ 1,402,321	\$ 1,402,321	\$ 1,402,321
ALL PROGRAMS:							
GENERAL FUND.....	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	49,753	37,560	33,202	33,121	7,507	7,507	7,507
OTHER FUNDS.....	48,689	52,089	49,224	49,224	49,224	49,224	49,224
DEPARTMENT TOTAL.....	\$ 1,396,942	\$ 1,427,415	\$ 1,428,016	\$ 1,427,935	\$ 1,402,321	\$ 1,402,321	\$ 1,402,321

PROGRAM OBJECTIVE: To decrease the recurrence of crime by replacing criminal behavior with socially acceptable behavior.

Program: Institutionalization of Offenders

The Department of Corrections protects the public by confining offenders in state correctional institutions for the period of time specified by the courts and the Board of Probation and Parole. The department is charged with maintaining safe and humane prisons and providing opportunities to the inmate population for growth and change. These programs are aimed at drug and alcohol treatment, education, work, and family/parenting needs. Community re-entry is also an important part of the department's job.

The department seeks to provide sufficient and secure permanent housing space for the inmate population. The goal is to operate the State correctional system at operational bed capacity, which represents the optimal number of inmates that each facility can house based on a number of factors. In addition to cell size and security level, operational capacity takes into consideration availability of inmate employment or programming, support services, and facility infrastructure. The State-administered system for the institutionalization of offenders includes 25 correctional institutions, 14 community corrections centers and a motivational boot camp. There were 40,965 inmates housed in the State system at the end of December 2004 and an operational capacity of 37,570. In 2003, State Correctional Institution (SCI) Fayette opened and SCI Waynesburg was mothballed. In 2004, SCI Forest opened in October and is expected to reach full operational capacity by July 2005. In January 2005, SCI Pittsburgh closed; its inmates have been transferred to other institutions.

Program Element: Institutional Operations

In addition to protecting the public by separating offenders from society, the department emphasizes the safety and security of its staff, volunteers, inmates, and visitors to the institutions. Security operations are improved through security assessments, training, structural improvements, and use of technology such as biometrics and intrusion detection systems. The department's drug interdiction program has been cited as a best practice by the American Correctional Association. All inmates undergo a diagnostic and classification process to determine the inmate's appropriate security classification, medical needs and programs needed for reentry into society as well as other needs and requirements.

Two of the largest support services needed to operate the institutions are food service and facility maintenance. Staff and inmates perform most of these functions; this gives the opportunity for inmates to learn a trade while constructively occupying their time. Another large support

service is health care services, which includes mental health services. A combination of staff and contractors provides health care services. The department provides special needs units in most institutions and licenses mental health units in six institutions. Also provided are two renal dialysis units, geriatric services, infectious care treatment, and other necessary services.

Program Element: Inmate Programs

In addition to providing the basic necessities of life, programs are available which enable inmates to leave prison better prepared to adjust to life in the community. Inmates are classified for programming during intake procedures, at which time a correctional plan is developed. This plan is a chart of behavior and program performance for the duration of the inmate's incarceration. Research has shown that inmate participation in appropriately structured interventions can reduce recidivism.

Counseling services are designed to modify the inmate's social behavior to a more acceptable level for institutional management and reduce criminal behavior when released, thus providing a basis for better community protection. All facilities provide alcohol and other drug treatment (AOD) programs. Approximately 28,000 inmates are assessed as needing AOD treatment, and approximately 18,000 offenders currently receive treatment services. Therapeutic communities provide more intensive AOD programming, which is more effective in changing behavior. The department is increasing the number of these intensive programs, which currently treat approximately 1,700 inmates.

Other counseling services and programs are available. All facilities offer sex offender treatment, some with special sex offender units. Other areas in which counseling and programming are offered include parenting, religious services, work, education, activities and citizenship.

Educational programs offer inmates the opportunity to obtain high school diplomas or adult basic education skills. A Correctional Education Association study shows that attendance of educational courses in prison reduces the likelihood of recidivism by 23%. New inmates who do not have a high school diploma or GED are required to attend classes.

Vocational training is dedicated to the development of marketable job skills so that inmates are more employable upon their release. A variety of vocational programs are offered, including plumbing, auto mechanics, barbering, electronics and machinist training. Work is another component of inmate programming. The department is

Program: Institutionalization of Offenders (continued)

continuing its efforts to have inmates perform meaningful work. Employment in institutional jobs and in correctional industries provides inmates with the opportunity to learn responsibility, good work habits, and skills that can be used to find employment after release. Over 85% of inmates assessed as being able and eligible to work are working, and this number will grow to over 88% in 2005-06. Community work programs are available at most institutions in which low-risk inmates perform community service projects outside the institutions.

Program Element: Re-Entry

Most inmates committed to the Department of Corrections are later released back to the community. The success of their release is often contingent upon the

programming they received during incarceration. The last step in treatment is re-entry or community corrections. Community corrections centers (CCC's) permit highly screened inmates, who meet established criteria, to live in halfway houses in the community. At these centers, inmates receive 24-hour supervision and can utilize counseling services while working or attending school. CCC's provide programming reinforcement during the inmate's transition back to the community. They offer AOD treatment services, employment assistance, specialized counseling for hard to place offenders and other services. Community corrections placement is also available to some parolees as either an alternative to a return to prison or as a transition from prison to the community. There are approximately 3,000 offenders in the CCC's, and approximately two thirds are parolees.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Inmates (December)	40,817	40,965	41,628	42,065	42,324	42,524	42,935
Prison Operational Bed Capacity (December)*	36,347	37,570	38,438	39,932	39,932	39,932	39,932
Inmates in excess of Operational Bed Capacity*	4,470	3,395	3,190	2,133	2,392	2,592	3,003
Inmate to central office administrative staff ratio	107	104	106	107	107	108	109
Inmates in state intermediate punishment program (December)*	N/A	N/A	175	450	650	800	950
Inmates able and eligible to work*	32,950	33,240	33,595	33,959	34,169	34,330	34,662
Inmates involved in work programs as of December 31	27,250	28,387	29,597	29,952	30,342	30,485	30,780
Inmates in institutions assessed as needing alcohol or other drug services* ..	27,755	27,992	28,307	28,604	28,780	28,916	29,195
Offenders in institutions and community corrections centers receiving alcohol and other drug services as of December 31*	18,035	18,169	18,360	18,530	18,630	18,730	18,900
Inmates in educational or vocational programs on a specific day*	11,749	12,516	12,516	12,516	12,516	12,516	12,516
Inmates receiving high school diplomas/GED's	958	1,043	1,072	1,072	1,072	1,072	1,072
Cost per inmate per year (state funds)	\$30,672	\$31,308	\$30,979	\$30,657	\$30,469	\$30,326	\$30,036
Cost per inmate per year for health care* ..	\$4,206	\$4,319	\$4,379	\$4,333	\$4,307	\$4,286	\$4,245
Monies collected from inmates to pay for victim restitution and other fines, fees, costs, penalties and reparations* ..	\$3,070,663	\$3,224,196	\$3,320,922	\$3,523,166	\$3,628,861	\$3,737,727	\$3,849,859

Inmate to central office administrative staff ratio decreased from the projections in last year's budget because last year's projections excluded some central operational staff. This measure was shown in last year's budget as Inmates per Central Office Staff.

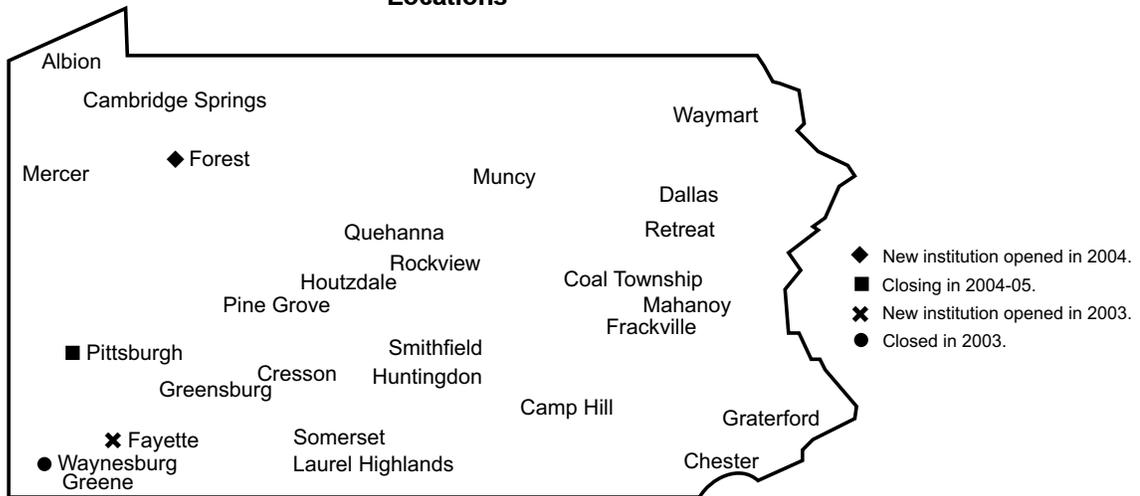
Inmates involved in work programs as of December 31st was shown in last year's budget as Inmates involved in work programs.

Inmates receiving high school diplomas/GED's during calendar year decreased from the projections in last year's budget due to the introduction of a new test which discarded scores from prior test sections.

*New program measure.

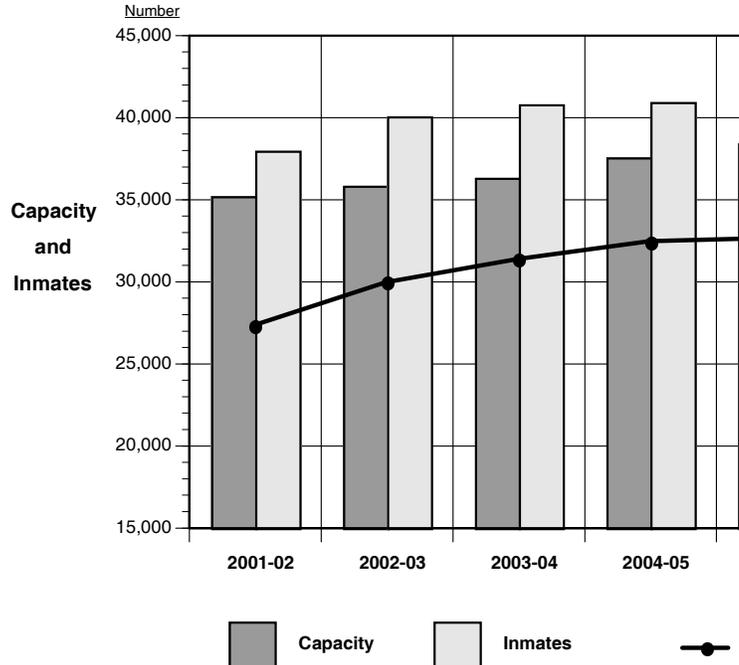
Program: Institutionalization of Offenders (continued)

State Correctional Institutions Locations



State Correctional Institution

Capacity, Inmate Population and Operating Costs



The cost of operating the State correctional institution system is projected to increase from over \$1.1 billion in 2001-02 to over \$1.3 billion in 2005-06. During this timeframe, the inmate population is projected to increase from 37,995 to 41,628 and the operational capacity from 35,209 to an estimated 38,438.

Program: Institutionalization of Offenders (continued)

Population and Capacity	Population	Estimated	Cap
Institutions	Dec 2004	Population	Dec
		Dec 2005	Dec
Albion.....	2,193	2,202	
Cambridge Springs.....	803	768	
Camp Hill.....	3,441	3,450	
Chester.....	1,135	1,128	
Coal Township.....	1,839	1,828	
Cresson.....	1,338	1,318	
Dallas.....	2,024	2,030	
Fayette.....	1,906	1,721	
Forest.....	356	1,704	
Frackville.....	1,079	1,045	
Graterford.....	3,289	3,240	
Greene.....	1,820	1,832	
Greensburg.....	897	882	
Houtzdale.....	2,269	2,208	
Huntingdon.....	2,027	1,993	
Laurel Highlands.....	882	867	
Mahanoy.....	2,196	2,184	
Mercer.....	1,048	1,036	
Muncy.....	1,002	1,022	
Pine Grove.....	622	597	
Pittsburgh.....	126	0	
Quehanna.....	225	306	

Program: Institutionalization of Offenders (continued)

Expenditures by Institution: (Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	
Albion				Forest
State Funds.....	\$ 47,558	\$ 48,403	\$ 50,917	State Fur
Federal Funds.....	787	225	24	Federal F
Augmentations.....	21	24	32	Augment
TOTAL.....	<u>\$ 48,366</u>	<u>\$ 48,652</u>	<u>\$ 50,973</u>	TOTAL
Cambridge Springs				Frackvi
State Funds.....	\$ 24,396	\$ 24,568	\$ 25,380	State Fur
Federal Funds.....	582	98	99	Federal F
Augmentations.....	13	17	19	Augment
TOTAL.....	<u>\$ 24,991</u>	<u>\$ 24,683</u>	<u>\$ 25,498</u>	TOTAL
Camp Hill				Graterfc
State Funds.....	\$ 82,651	\$ 85,968	\$ 87,556	State Fur
Federal Funds.....	1,422	230	8,321	Federal F
Augmentations.....	43	48	77	Augment
TOTAL.....	<u>\$ 84,116</u>	<u>\$ 86,246</u>	<u>\$ 95,954</u>	TOTAL
Chester				Greene
State Funds.....	\$ 31,944	\$ 33,385	\$ 33,571	State Fur
Federal Funds.....	346	0	0	Federal F
Augmentations.....	11	12	20	Augment
TOTAL.....	<u>\$ 32,301</u>	<u>\$ 33,397</u>	<u>\$ 33,591</u>	TOTAL
Coal Township				Greenst
State Funds.....	\$ 44,300	\$ 45,630	\$ 45,819	State Fur
Federal Funds.....	525	75	90	Federal F
Augmentations.....	21	26	34	Augment
TOTAL.....	<u>\$ 44,846</u>	<u>\$ 45,731</u>	<u>\$ 45,943</u>	TOTAL

Program: Institutionalization of Offenders (continued)

Expenditures by Institution: (Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	
	Actual	Available	Budget	
Mahanoy				
State Funds.....	\$ 47,714	\$ 47,464	\$ 48,412	Smithfi
Federal Funds.....	516	17	28	State Fur
Augmentations.....	21	26	28	Federal F
TOTAL.....	<u>\$ 48,251</u>	<u>\$ 47,507</u>	<u>\$ 48,468</u>	Augment
				TOTAL
Mercer				
State Funds.....	\$ 31,275	\$ 31,214	\$ 32,473	Somers
Federal Funds.....	429	5,520	21	State Fur
Augmentations.....	13	17	21	Federal F
TOTAL.....	<u>\$ 31,717</u>	<u>\$ 36,751</u>	<u>\$ 32,515</u>	Augment
				TOTAL
Muncy				
State Funds.....	\$ 37,573	\$ 39,294	\$ 37,527	Wayma
Federal Funds.....	649	5,431	92	State Fur
Augmentations.....	18	36	31	Federal F
TOTAL.....	<u>\$ 38,240</u>	<u>\$ 44,761</u>	<u>\$ 37,650</u>	Augment
				TOTAL
Pine Grove				
State Funds.....	\$ 27,096	\$ 27,692	\$ 28,123	Waynes
Federal Funds.....	441	104	108	State Fur
Augmentations.....	6	6	9	Federal F
TOTAL.....	<u>\$ 27,543</u>	<u>\$ 27,802</u>	<u>\$ 28,240</u>	Augment
				TOTAL
Pittsburgh				
State Funds.....	\$ 42,617	\$ 33,814	\$ 1,426	Commu
Federal Funds.....	529	0	0	State Fur
Augmentations.....	10	9	0	Federal F
TOTAL.....	<u>\$ 43,156</u>	<u>\$ 33,823</u>	<u>\$ 1,426</u>	Augment
				TOTAL

Program: Institutionalization of Offenders (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ 299	General Government Operations —to continue current program.	\$ 2,500	Inmate Education and Training —to continue current program.
\$ 5,357	Medical Care —to continue current program.	\$ -332	State Correctional Institutions —reduction in administrative costs.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 34,187	\$ 31,195	\$ 31,494	\$ 31,494	\$ 31,494	\$ 31,494	\$ 31,494
Medical Care	171,681	176,913	182,270	182,270	182,270	182,270	182,270
Inmate Education and Training	37,043	37,945	40,445	40,445	40,445	40,445	40,445
State Correctional Institutions	1,055,589	1,091,713	1,091,381	1,091,381	1,091,381	1,091,381	1,091,381
GENERAL FUND TOTAL	\$ 1,298,500	\$ 1,337,766	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590	\$ 1,345,590



DEPARTMENT OF EDUCATION

The mission of the department is to academically prepare children and adults to succeed in their chosen profession. The department seeks to ensure that the technical support, resources and physical plant are in place for all students whether children or adults to receive a high quality education.

The department establishes standards and measures aimed at continuous improvement of school curriculum. The department manages staff development and research dissemination systems to ensure that all educational institutions can select from proven practices to boost student achievement. Local school districts, school boards and other educational institutions receive technical assistance from the department via a network of Intermediate Units. The department supports the improvement of Pennsylvania's higher education and community colleges via educational programs, funding to support students and direct resources for facility development.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 26,219	\$ 25,432	\$ 24,474
(F)Adult Basic Education - Administration.....	1,800	1,800	1,800
(F)Education of Exceptional Children.....	10,000	10,000	10,000
(F)Special Education Improvement.....	1,700	2,100	2,100
(F)ESEA - Title I - Administration.....	6,000	6,000	8,500
(F)State Approving Agency (VA).....	1,028	1,028	1,250
(F)Food and Nutrition Service.....	4,650	4,700	4,750
(F)Migrant Education - Administration.....	515	639	505
(F)Emergency Immigrant Education (EA).....	10	0	0
(F)Vocational Education - Administration.....	3,910	3,910	3,910
(F)Improving Teacher Quality - Title II - Administration/State.....	7,000	9,000	7,000
(F)Byrd Scholarships.....	1,645	1,656	1,656
(F)ESEA - Title V - Administration/State.....	3,580	3,000	2,820
(F)Homeless Assistance.....	2,120	2,120	2,120
(F)Preschool Grant.....	980	1,000	1,000
(F)DFSC - Administration.....	1,698	1,698	1,092
(F)State Literacy Resource Centers.....	150	150	125
(F)School Health Education Programs.....	600	600	400
(F)Learn and Serve America - School Based.....	1,409	1,022	882
(F)Environmental Education Workshops.....	220	500	500
(F)Bilingual Education(EA).....	15	0	0
(F)Charter Schools Initiatives.....	10,007	6,000	6,000
(F)Educational Technology - Administration.....	1,200 ^a	1,207 ^a	1,500
(F)America Reads Challenge - Administration (EA).....	250	107	107
(F)Comprehensive School Reform - Administration.....	200	800	800
(F)Advanced Placement Testing.....	200	300	300
(F)ESEA - Title X-Education Partnerships.....	215	700	700
(F)Refugee Children Education.....	1,363	2,054	2,054
(F)Medical Assistance - Nurses' Aide Training.....	300	300	300
(F)State and Community Highway Safety.....	0	747 ^b	747
(F)CCDFBG - Early Childhood Development.....	208	0	0
(F)Reading First Initiative - Administration.....	6,219	6,465	8,000
(F)Title VI - Rural and Low Income School Program - Admin.....	40	60	0
(F)Title IV - 21st Century Community Learning Centers -Admin.....	1,154	18,435	1,834
(F)National Assessment of Educational Progress (NAEP).....	85	225	137
(F)Evaluation of Student & Parent Access.....	650	650	630
(F)Youth Offenders Grant.....	1,000	1,000	1,000
(F)Drug and Violence Prevention Data.....	0	500	693
(F)General Fund Share - PEBTF Contribution (EA).....	364	0	0
(A)Management Services.....	71	56	57
(A)Environmental Education.....	520	261	261
(A)Approved Private Schools.....	148	157	159
(A)National Center for Educational Statistics.....	104	77	77
(A)Reimbursement from Department of Banking.....	16	16	16
(A)Teenage Parenting.....	5,036	4,791	4,791
(A)EPSDT Administration.....	1,002	1,214	1,214
(A)Troops for Teachers.....	37	98	98
Subtotal.....	\$ 105,638	\$ 122,575	\$ 106,359
Office of Safe Schools Advocate.....	996	1,000	350
Information and Technology Improvement.....	5,142	5,249	5,144
PA Assessment.....	20,356	20,356	20,356
(F)Title VI-Part A State Assessments.....	22,000	26,000	22,000
Subtotal.....	\$ 48,494	\$ 52,605	\$ 47,850
State Library.....	4,125	4,176	4,336
(F)LSTA - Library Development.....	1,650	1,644	1,650
(A)Penalties and Reimbursements.....	4	4	5
(A)Photocopy Service.....	18	17	17
(A)Keystone Fund.....	340	65	67
(A)Gates Foundation.....	53	135	135

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 6,190	\$ 6,041	\$ 6,210
Subtotal - State Funds.....	\$ 56,838	\$ 56,213	\$ 54,660
Subtotal - Federal Funds.....	96,135	118,117	98,862
Subtotal - Augmentations.....	7,349	6,891	6,897
Total - General Government.....	\$ 160,322	\$ 181,221	\$ 160,419
Institutional:			
Youth Development Centers - Education.....	\$ 11,083	\$ 11,638	\$ 11,900
Scranton State School for the Deaf.....	6,057	6,252	6,565
(F)Individuals with Disabilities Education - Scranton.....	74	85	85
(F)School Milk Lunch.....	35	50	50
(F)ESEA - Scranton.....	199	452	452
(F)Life Long Learning.....	1	11	11
(F)Adult Basic Education.....	0	10	10
(A)Cafeteria and Other Fees.....	33	60	30
(A)Tuition Recovery.....	937	937	986
Subtotal.....	\$ 7,336	\$ 7,857	\$ 8,189
Subtotal - State Funds.....	\$ 17,140	\$ 17,890	\$ 18,465
Subtotal - Federal Funds.....	309	608	608
Subtotal - Augmentations.....	970	997	1,016
Total - Institutional.....	\$ 18,419	\$ 19,495	\$ 20,089
Grants and Subsidies:			
Support of Public Schools:			
Basic Education Funding.....	\$ 4,210,623	\$ 4,361,024	\$ 4,470,050
Dual Enrollment Payments.....	0	0	5,000
Basic Education/Reimbursement of Additional Expenses.....	4,600	0	0
Philadelphia School District.....	25,000	25,000	25,000
School Improvement Grants.....	24,314	21,717	21,717
Education Support Services.....	9,000	9,000	9,000
Pennsylvania Accountability Grants.....	0	200,000	200,000
Education Assistance Program.....	25,000	38,000	76,000
Technology Initiative.....	1,290	1,290	1,290
(A)Gates Foundation Grant.....	1,666	0	0
Head Start Supplemental Assistance.....	0	15,000	30,000
Science and Math Education Programs.....	2,000	2,200	0
Teacher Professional Development.....	4,167 ^c	4,167 ^c	13,867
Adult and Family Literacy.....	18,534	18,534	18,534
(F)Adult Basic Education - Local.....	27,000	23,000	20,000
Career and Technical Education.....	56,762 ^d	58,181 ^d	59,636
(F)Vocational Education Act - Local.....	51,000	53,000	53,000
New Choices / New Options.....	2,000	2,500	0
Authority Rentals and Sinking Fund Requirements.....	291,183	294,483	294,483
Pupil Transportation.....	466,033	490,413	505,761
Nonpublic and Charter School Pupil Transportation.....	76,642	76,663	74,037
Special Education.....	904,606	929,175	952,404
(F)Individuals with Disabilities Education - Local.....	380,000	405,000	434,800
(F)Vocational Rehabilitation Basic Support (EA).....	3,148	3,148	3,148
(A)Vocational Rehabilitation.....	542	852	852
Early Intervention.....	113,111	117,607	123,487
Homebound Instruction.....	850	782	705
Tuition for Orphans and Children Placed in Private Homes.....	47,288	50,005	50,005
Payments in Lieu of Taxes.....	180	208	241
Education of Migrant Laborers' Children.....	759	784	839
PA Charter Schools for the Deaf and Blind.....	27,882	29,847	30,862
Special Education - Approved Private Schools.....	67,617	80,753	83,499
Audit Resolution (06/06).....	0	6,904	3,000
Intermediate Units.....	6,311	6,311	6,311
School Food Services.....	26,542	27,244	27,532

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
(F)Food and Nutrition - Local.....	298,496	311,879 ^e	318,117
(F)Color Me Healthy (EA).....	0	45	45
School Employees' Social Security.....	426,403	443,862	453,577
School Employees' Retirement.....	167,647	228,830	258,133
School District Demonstration Projects.....	13,000	8,500	0
Education of Indigent Children.....	100	55	35
High School Reform.....	0	0	4,700
Subtotal.....	\$ 7,781,296	\$ 8,345,963	\$ 8,629,667
(F)ESEA - Title V - School Districts.....	56,000	12,890	9,575
(F)ESEA - Title I - Local.....	450,000	475,000	475,000
(F)DFSC - School Districts.....	14,000	14,000	14,000
(F)Improving Teacher Quality - Title II - Local.....	115,000	115,000	117,000
(F)Educational Technology - Local.....	21,641 ^f	23,388 ^f	23,388
(F)America Reads Challenge - Local (EA).....	3,000	0	0
(F)Comprehensive School Reform - Local.....	20,000	20,000	15,776
(F)ESEA - Title VI - Class Size Reduction (EA).....	8,000	79	79
(F)Reading First Initiative - Local.....	26,000	25,925	25,465
(F)Title V - Empowerment Schools.....	19,970	20,000	25,000
(F)Title IV 21st Century Community Learning Centers - Local.....	19,192	19,192	45,373
(F)Title III - Language Instruction for LEP & Immigrant Student.....	11,000	11,361	11,650
(F)Title VI - Rural & Low Income School - Local.....	849	849	309
(F)Title IV - Community Services for Expelled Students.....	1,837	1,837	0
Subtotal.....	\$ 766,489	\$ 739,521	\$ 762,615
Other Grants and Subsidies:			
Education Mentoring.....	1,200	3,050	1,200
Services to Nonpublic Schools.....	74,052	76,697	78,614
Textbooks, Materials and Equipment for Nonpublic Schools.....	22,647	23,456	24,042
Teen Pregnancy and Parenthood.....	1,725	2,225	1,725
(F)TANF - Teenage Parenting Education.....	14,255	12,255	12,255
(F)Teenage Parenting - Food Stamps.....	944	944	863
Public Library Subsidy.....	47,789^g	57,914^g	59,362
Library Services for the Visually Impaired and Disabled.....	2,965	2,965	2,965
Recording for the Blind and Dyslexic.....	0	70	0
Library Access.....	7,386	7,386	7,386
Electronic Library Catalog.....	3,842	3,842	3,842
Ethnic Heritage.....	165	165	165
Governor's Schools of Excellence.....	2,492	2,492	2,492
Job Training Programs.....	5,100	9,100	0
Charter Schools.....	1,000	1,000	0
Independent Schools.....	500	0	0
Reimbursement of Charter Schools.....	52,940	80,587	82,602
Safe and Alternative Schools.....	23,326	23,326	23,326
Alternative Education Demonstration Grants.....	7,200	26,300	0
Subtotal.....	\$ 269,528	\$ 333,774	\$ 300,839
Higher Education - Other Grants and Subsidies:			
Community Colleges.....	213,977	226,281	249,081
Community Colleges Capital Leases and Debt Service.....	3,000	4,800^h	3,000
Regional Community Colleges Services.....	550	750	0
Subtotal.....	\$ 217,527	\$ 231,831	\$ 252,081
(F)Teacher Quality Enhancement.....	5,000	6,481	4,000
(F)Teacher Recruitment.....	440	440	505
Subtotal.....	\$ 5,440	\$ 6,921	\$ 4,505
Higher Education - Other Grants and Subsidies:			
Higher Education for the Disadvantaged.....	9,320	9,320	9,320

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Higher Education of Blind or Deaf Students.....	54	54	54
Enhanced Technology Initiative.....	1,000	1,000	0
Engineering Equipment Grants.....	0	1,000	0
Higher Education Assistance.....	2,068	4,250	2,000
Dormitory Sprinklers.....	3,000	500	500
Community Education Councils.....	1,968	1,968	1,343
Thaddeus Stevens College of Technology.....	7,948	10,087	8,208
Subtotal.....	\$ 25,358	\$ 28,179	\$ 21,425
State System of Higher Education:			
State Universities.....	417,222	433,435	443,187
Recruitment of the Disadvantaged.....	328	430	430
McKeever Center.....	204	206	206
Affirmative Action.....	1,103	1,111	1,111
Program Initiatives.....	15,927	16,046	16,046
Employee Benefits--PEBTF Transfer.....	0	2,400	0
Subtotal.....	\$ 434,784	\$ 453,628	\$ 460,980
The Pennsylvania State University:			
Educational and General.....	232,508	241,178	246,002
Medical Programs.....	4,793	4,829	3,185
(F)MA-Medical Programs.....	0	0	3,853
Children's Hospital.....	4,793	4,829	2,185
(F)MA-Children's Hospital.....	0	0	2,644
Agricultural Research.....	22,922	23,094	23,094
Agricultural Extension Services.....	27,580	27,787	27,787
Recruitment of the Disadvantaged.....	332	434	434
Central Pennsylvania Psychiatric Institute.....	1,864	1,878	850
(F)MA-Central PA Psychiatric Institute.....	0	0	1,028
Pennsylvania College of Technology.....	11,673	11,761	11,761
Pennsylvania College of Technology - Debt Service.....	1,379	1,389	1,389
Subtotal.....	\$ 307,844	\$ 317,179	\$ 324,212
University of Pittsburgh:			
Educational and General.....	145,625	150,393	153,401
Medical Programs.....	6,558	6,607	3,990
(F)MA-Medical Programs.....	0	0	4,827
Dental Clinics.....	1,029	1,037	469
(F)MA-Dental Clinics.....	0	0	568
Recruitment of the Disadvantaged.....	321	423	423
Western Psychiatric Institute.....	7,682	7,740	3,503
(F)MA-Western Psychiatric Institute.....	0	0	4,237
Western Teen Suicide Center.....	496	500	500
Graduate School of Public Health.....	249	251	114
(F)MA-Graduate School of Public Health.....	0	0	137
Rural Education Outreach.....	1,013	1,401	1,401
Student Life Initiatives.....	413	416	416
Subtotal.....	\$ 163,386	\$ 168,768	\$ 173,986
Temple University:			
Educational and General.....	153,006	157,865	161,022
Medical Programs.....	8,729	8,794	4,980
(F)MA-Medical Programs.....	0	0	6,025
Dental Clinics.....	1,029	1,037	469
(F)MA-Dental Clinics.....	0	0	568
Recruitment of the Disadvantaged.....	321	423	423
Maxillofacial Prosthodontics.....	125	126	57
(F)MA-Maxillofacial Prosthodontics.....	0	0	69
Podiatric Medicine.....	1,280	1,290	584
(F)MA-Podiatric Medicine.....	0	0	706
Bio-Medical Center.....	451	454	205
(F)MA-Bio-Medical Center.....	0	0	249

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 164,941	\$ 169,989	\$ 175,357
Lincoln University:			
Educational and General.....	12,155	12,619	12,871
Subtotal.....	\$ 12,155	\$ 12,619	\$ 12,871
Non-State Related Universities and Colleges:			
Drexel University.....	6,470	6,632	6,731
University of Pennsylvania - Dental Clinics.....	846	1,035	1,051
University of Pennsylvania - Cardiovascular Studies.....	1,520	1,531	1,554
University of Pennsylvania - Medical Programs.....	3,832	3,861	3,919
University of Pennsylvania - Veterinary Activities.....	36,523	37,364	37,924
Philadelphia Health and Education Corp. - Medical Programs.....	7,329	7,384	7,495
Phila. Health & Education Corp - Operations & Maintenance.....	1,623	1,635	1,660
Phila. Health & Educ. Cor - Recruitment of the Disadvantaged.....	290	292	296
Philadelphia Health and Education Corporation.....	1,900	1,914	1,943
Thomas Jefferson University - Doctor of Medicine Instruction.....	5,282	5,322	5,402
Thomas Jefferson University - Operations & Maintenance.....	3,847	4,035	4,096
Philadelphia College of Osteopathic Medicine.....	4,650	4,766	4,837
Lake Erie College of Osteopathic Medicine.....	1,750	1,763	1,789
Pennsylvania College of Optometry.....	1,391	1,425	1,446
Philadelphia University of the Arts.....	1,122	1,150	1,167
Subtotal.....	\$ 78,375	\$ 80,109	\$ 81,310
Non-State Related Institutions:			
Berean - Operations and Maintenance.....	1,392	1,425	1,446
Berean - Rental Payments.....	85	86	87
Johnson Technical Institute.....	182	183	186
Williamson Free School of Mechanical Trades.....	65	67	68
Subtotal.....	\$ 1,724	\$ 1,761	\$ 1,787
Subtotal - State Funds.....	\$ 8,679,867	\$ 9,333,677	\$ 9,566,524
Subtotal - Federal Funds.....	1,546,772	1,555,713	1,634,259
Subtotal - Augmentations.....	2,208	852	852
Total - Grants and Subsidies.....	\$ 10,228,847	\$ 10,890,242	\$ 11,201,635
STATE FUNDS.....	\$ 8,753,845	\$ 9,407,780	\$ 9,639,649
FEDERAL FUNDS.....	1,643,216	1,674,438	1,733,729
AUGMENTATIONS.....	10,527	8,740	8,765
GENERAL FUND TOTAL.....	\$ 10,407,588	\$ 11,090,958	\$ 11,382,143
<u>MOTOR LICENSE FUND:</u>			
<i>Grants and Subsidies:</i>			
Safe Driving Course.....	\$ 1,230	\$ 1,230	\$ 1,230
<u>KEYSTONE RECREATION, PARK AND CONSERVATION FUND:</u>			
<i>Grants and Subsidies:</i>			
Local Libraries Rehabilitation and Development (EA).....	\$ 4,258	\$ 5,196	\$ 3,252
State System of Higher Educ. - Deferred Maintenance (EA).....	10,909	12,549	14,052
Total - Grants and Subsidies.....	\$ 15,167	\$ 17,745	\$ 17,304
KEYSTONE RECREATION, PARK AND CONSERVATION FUND TOTAL.....	\$ 15,167	\$ 17,745	\$ 17,304

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
OTHER FUNDS:			
GENERAL FUND:			
LSTA - Library Grants.....	\$ 4,977	\$ 4,950	\$ 4,950
Emergency Immigrant Assistance.....	200	0	0
Surety Bond Proceeds.....	0	14	0
Temporary Special Aid.....	3,993	0	0
Distressed School Districts Assistance (Section 2502.30).....	1,363	0	0
Private Licensed Schools.....	469	623	534
Medical Assistance Reimbursements.....	59,650	58,000	62,000
Approved Private Schools - Audit Resolution.....	6,383	0	0
Woodland Hills Desegregation.....	7	0	0
Telecommunications Education Fund Grant.....	46	0	0
GENERAL FUND TOTAL.....	\$ 77,088	\$ 63,587	\$ 67,484
GOV. CASEY ORGAN & TISSUE DONATION AWARENESS FUND:			
Governor Casey Organ and Tissue Donation Awareness Fund (EA).....	\$ 150	\$ 150	\$ 150
SCHOOL EMPLOYEES' RETIREMENT FUND:			
Administration.....	\$ 42,947	\$ 41,776	\$ 39,539
Directed Commissions.....	931	1,480	1,480
(A)Health Insurance - Administration Reimbursement.....	725	805	844
(A)Health Options - Administration Reimbursement.....	291	342	358
SCHOOL EMPLOYEES' RETIREMENT FUND TOTAL.....	\$ 44,894	\$ 44,403	\$ 42,221
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 8,753,845	\$ 9,407,780	\$ 9,639,649
SPECIAL FUNDS.....	16,397	18,975	18,534
FEDERAL FUNDS.....	1,643,216	1,674,438	1,733,729
AUGMENTATIONS.....	10,527	8,740	8,765
OTHER FUNDS.....	122,132	108,140	109,855
TOTAL ALL FUNDS.....	\$ 10,546,117	\$ 11,218,073	\$ 11,510,532

^a Appropriated as Technology Literacy Challenge - Administration.

^b Includes recommended supplemental appropriation of \$747,000.

^c Originally appropriated at \$3,867,000 for Teacher Professional Development and \$300,000 for Comprehensive Reading.

^d Appropriated as Vocational Education.

^e Includes recommended supplemental appropriation of \$13,383,000.

^f Appropriated as Technology Literacy Challenge – Local.

^g Appropriated as Improvement of Library Services.

^h Includes recommended supplemental appropriation of \$1,800,000.

ⁱ Appropriated as Rural Initiatives.

^j Appropriated as Osteopathic Medicine.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EDUCATION SUPPORT SERVICES							
GENERAL FUND.....	\$ 31,361	\$ 30,681	\$ 29,618	\$ 29,618	\$ 29,618	\$ 29,618	\$ 29,618
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	75,633	93,621	78,360	78,253	78,253	78,253	78,253
OTHER FUNDS.....	52,839	52,562	50,280	50,280	50,280	50,280	50,280
SUBCATEGORY TOTAL.....	\$ 159,833	\$ 176,864	\$ 158,258	\$ 158,151	\$ 158,151	\$ 158,151	\$ 158,151
BASIC EDUCATION							
GENERAL FUND.....	\$ 7,250,283	\$ 7,836,683	\$ 8,053,042	\$ 8,225,540	\$ 8,402,130	\$ 8,503,243	\$ 8,557,604
SPECIAL FUNDS.....	1,230	1,230	1,230	1,230	1,230	1,230	1,230
FEDERAL FUNDS.....	1,560,493	1,572,252	1,624,303	1,624,303	1,624,303	1,624,303	1,624,303
OTHER FUNDS.....	74,428	59,147	63,166	63,166	63,166	63,166	63,166
SUBCATEGORY TOTAL.....	\$ 8,886,434	\$ 9,469,312	\$ 9,741,741	\$ 9,914,239	\$ 10,090,829	\$ 10,191,942	\$ 10,246,303
LIBRARY SERVICES							
GENERAL FUND.....	\$ 66,107	\$ 76,353	\$ 77,891	\$ 77,891	\$ 77,891	\$ 77,891	\$ 77,891
SPECIAL FUNDS.....	4,258	5,196	3,252	3,080	3,184	3,496	3,752
FEDERAL FUNDS.....	1,650	1,644	1,650	1,650	1,650	1,650	1,650
OTHER FUNDS.....	5,392	5,171	5,174	5,174	5,174	5,174	5,174
SUBCATEGORY TOTAL.....	\$ 77,407	\$ 88,364	\$ 87,967	\$ 87,795	\$ 87,899	\$ 88,211	\$ 88,467
HIGHER EDUCATION							
GENERAL FUND.....	\$ 1,406,094	\$ 1,464,063	\$ 1,479,098	\$ 1,478,598	\$ 1,478,598	\$ 1,478,598	\$ 1,478,598
SPECIAL FUNDS.....	10,909	12,549	14,052	14,209	15,379	16,594	17,625
FEDERAL FUNDS.....	5,440	6,921	29,416	29,416	29,416	29,416	29,416
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 1,422,443	\$ 1,483,533	\$ 1,522,566	\$ 1,522,223	\$ 1,523,393	\$ 1,524,608	\$ 1,525,639
ALL PROGRAMS:							
GENERAL FUND.....	\$ 8,753,845	\$ 9,407,780	\$ 9,639,649	\$ 9,811,647	\$ 9,988,237	\$ 10,089,350	\$ 10,143,711
SPECIAL FUNDS.....	16,397	18,975	18,534	18,519	19,793	21,320	22,607
FEDERAL FUNDS.....	1,643,216	1,674,438	1,733,729	1,733,622	1,733,622	1,733,622	1,733,622
OTHER FUNDS.....	132,659	116,880	118,620	118,620	118,620	118,620	118,620
DEPARTMENT TOTAL.....	\$ 10,546,117	\$ 11,218,073	\$ 11,510,532	\$ 11,682,408	\$ 11,860,272	\$ 11,962,912	\$ 12,018,560

PROGRAM OBJECTIVE: To provide an effective administrative system through which the substantive programs of the agency can be achieved.

Program: Education Support Services

Education Support Services provides for the administrative and overhead systems that support the operation of programs necessary for the achievement of Commonwealth and agency objectives. The success or failure of these supportive efforts can only be indirectly reflected by the effectiveness of the activities they support. A primary concern of the Commonwealth and each agency is to minimize these administrative costs in relation to the costs of services provided. The Department continues to transfer mainframe applications to client servers which permits departmental employees to perform their responsibilities in a more efficient manner.

In addition to including the executive, budget, communications and legal offices of the agency, this program also provides staff support to the State Board of

Education and other administrative boards and commissions. These include boards for private, academic, business, trade and correspondence schools, and the Professional Standards and Practices Commission.

The funds from the School Employees' Retirement Fund used for administration of the School Employees' Retirement System are also included as Other Funds in this program. Administration of the School Employees' Retirement System is directed by the Pennsylvania School Employees' Retirement Board and includes provision of benefits for retired school employees and counseling and information services for active employees. The system currently provides benefits to over 125,000 retirees and beneficiaries. The School Employees' Retirement Fund is shown in the Special Funds Appendix.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

General Government Operations
 \$ -958 —reduction in administrative costs.

Information and Technology Improvement
 \$ -105 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

		2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:								
General Government Operations	\$	26,219	\$ 25,432	\$ 24,474	\$ 24,474	\$ 24,474	\$ 24,474	\$ 24,474
Information and Technology Improvement		5,142	5,249	5,144	5,144	5,144	5,144	5,144
TOTAL GENERAL FUND	\$	31,361	\$ 30,681	\$ 29,618	\$ 29,618	\$ 29,618	\$ 29,618	\$ 29,618

PROGRAM OBJECTIVE: To provide students with the skills, attitudes and abilities needed for effective living in our complex society.

Program: Basic Education

Program Element: Basic Education

The Commonwealth and local school districts share the financing of public elementary and secondary education in Pennsylvania. There are 501 local school districts in Pennsylvania.

The Basic Education Funding appropriation is the largest subsidy the Commonwealth provides to support local school districts. Funding is allocated to each district through a formula that is based on district enrollment and relative wealth, with the most State resources directed to the communities with the greatest need. Act 70 of 2004 established the funding formula for the 2004-05 Basic Education Funding appropriation. In addition to providing each school district an amount equal to its 2003-04 allocation, the formula contains a number of components, including a base (equity) supplement, a growth supplement, a poverty supplement, a tax effort supplement, a minimum increase guarantee, a small district assistance supplement and a Limited English Proficiency subsidy.

The performance of public schools and districts is measured through the Pennsylvania Accountability System. In 2003-04, 61% of Pennsylvania 5th graders were proficient or advanced in math and 63% were proficient or advanced in reading; in 11th grade, 49% of students were proficient or advanced in math and 61% were proficient or advanced in reading.

In order to increase academic achievement, districts are encouraged to invest in early childhood education and other proven programs. The Department of Education supports school improvement through intensive training and other capacity-building initiatives.

Program Element: Accountability Block Grants

Beginning with \$200 million in the 2004-05 school year, all school districts receive an Accountability Block Grant to invest in educational programs that are proven to help children learn. The Accountability Block Grant law includes a menu of 11 program options, providing flexibility to school districts while ensuring that taxpayer resources will be used for academic initiatives that are shown to be effective. More than \$2 out of every \$3 in block grant funding is being invested in early childhood education: high-quality pre-kindergarten, full-day kindergarten, and class-size reduction in kindergarten through third grade.

<u>Accountability Block Grant Program</u>	<u>Number of Students Benefiting</u>	<u>Number of Districts</u>
Quality Pre-Kindergarten	2,995	38
Quality Full-day Kindergarten	50,849	302
K-3rd Grade Class Size Reduction	18,700	103
Tutoring	18,632	91
Professional Education	291,461	99
Literacy and Math Coaching	216,796	106
Performance of Student Subgroups	109,346	111
Science and Applied-Knowledge Skills ..	141,193	86
Social and Health Services	93,756	61
Other District-Specific Proven Programs	25,704	37

Program Element: Head Start Supplemental Assistance Program

By providing first-ever State funding for Head Start in 2004-05 and launching the Accountability Block Grant, Pennsylvania removed itself from the list of nine states in the nation that failed to provide funding for pre-school. The \$30 million Head Start Supplemental Assistance Program allows Head Start providers to expand their programs to serve additional children and to provide extended-day services. A total of 2,484 children are benefiting from State-funded Head Start programs in 2004-05.

Program Element: Tutoring

Pennsylvania provides tutoring support as a strategic intervention to help students who are struggling in reading and math. The State funds two main tutoring programs and holds tutoring providers accountable for their students' progress:

- Educational Assistance Program – Pennsylvania's largest State-funded tutoring initiative is targeted to struggling students in school districts where a school failed to make Adequate Yearly Progress in reading or math as required by No Child Left Behind. In 2004-05, approximately 77,000 students in 82 eligible districts are benefiting from this tutoring program.
- Classroom Plus – Classroom Plus provides small grants to parents of students who score below proficient to allow them to purchase tutoring for their children. In 2004-05, approximately 18,000 children are receiving tutoring through Classroom Plus.

Program Element: Special Education

Special education, in partnership with basic education, is serving over 324,000 school-aged students in Pennsylvania school districts, charter schools, intermediate units, approved private schools, private residential facilities and State centers.

Program: Basic Education (continued)

The major special education appropriation provides support for programs for exceptional children served by the public schools of the Commonwealth. Public school special education programs are administered by all 501 school districts. These programs may be directly operated by the districts or contracted with other school districts, intermediate units or other providers. When appropriate public education is not available, students may be assigned to department-approved private schools. In 2003-04, approximately 14% of Pennsylvania students were classified as having a disability, but the proportion of special education students varies from one school district or charter school to the next:

Percent Special Education of Total Enrollment	School Districts	Charter Schools
Less than 10%	6%	52%
At least 10% but less than 12%	6%	5%
At least 12% but less than 15%	39%	14%
15% or more	39%	29%

Funds are also provided under this element for the State-operated Scranton State School for the Deaf, Early Intervention, and Approved/Private Charter Schools for the Deaf and Blind.

Program Element: Career and Technical Education

Career and Technical Education, formerly known as Vocational Education, also in partnership with basic education, is serving approximately 100,000 secondary students. The appropriation for vocational education is paid to area vocational-technical schools and school districts that provide vocational-technical instruction. Vocational education is intended to provide a rigorous high school education to students while delivering skilled training in high-demand employment fields and – wherever possible – relevant industry-based certification.

Other Program Elements:

Educational Support: The activities included in this element are those that support basic education programs but are not directly involved with their implementation, including payments to school districts to cover the State share of payroll costs for Social Security and Retirement, Authority

Rental and Sinking Fund payments for the State share of school construction projects, Pupil Transportation, School Food Service subsidy and subsidy payments to Intermediate Units.

Basic Education-Nonpublic Schools: The Commonwealth provides aid to nonprofit, nonpublic and private school students through this element. Appropriations are for auxiliary services, textbooks, instructional materials, equipment, technology and transportation to and from nonpublic schools. Services provided include guidance counseling, testing psychological services, speech and hearing services, remedial reading, remedial math and similar services.

Basic Education-Adjudicated Youth (Youth Development Centers): This element includes educational services for adjudicated youth placed in State-operated juvenile correctional facilities by the juvenile courts in the Commonwealth. These facilities are development centers, forestry camps, secure treatment units and an intensive treatment unit.

Basic Education-Education Mentoring: This program element supports community-based organizations that partner with schools to provide senior/adult/older mentors to at-risk teens and younger students. Mentors are matched with those students most at-risk of dropping out, students with high absentee rates or truancy and poor academic performance.

Basic Education-Teen Parenting: Through this element, the Commonwealth offers program grants, training and technical assistance to schools to provide educational and support services necessary to help pregnant and parenting teens stay in school and graduate.

Safe and Alternative Schools: Through the Center for Safe Schools, school districts receive grants to implement their localized innovative plans for safer schools. A portion of the funding is targeted to those school districts that have experienced the greatest problems with violence. This program element also provides for the development of alternative education programs for disruptive students.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
BASIC EDUCATION							
TARGETED INVESTMENT							
Public school enrollment (preK-12)	1,821,146	1,815,170	1,808,380	1,797,060	1,784,130	1,768,900	1,753,100
State average spending per student*	\$9,124	\$9,624	\$10,150	\$10,650	\$11,200	\$11,750	\$12,300
Percent of students in districts spending less than the State average per student	65.8%	65.7%	65.6%	65.5%	65.4%	65.3%	65.2%
Percent of the State Basic Education Funding increase directed to poorer-than -average districts	65.0%	71.2%	71.3%	71.4%	71.5%	71.6%	71.7%
EARLY CHILDHOOD EDUCATION							
Number of school districts offering pre-kindergarten ⁽¹⁾	30	58	58	58	58	58	58

Program: Basic Education (continued)

Program Measures: (continued)-	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Number of students enrolled in pre-kindergarten ^{(1)*}	2,438	9,700	9,700	9,700	9,700	9,700	9,700
Number of students in State-funded Head Start expansion [†]	0	2,484	5,000	5,000	5,000	5,000	5,000
Number of school districts offering full-day kindergarten ^{(2)†}	252	350	350	350	350	350	350
Percent of kindergarten students in full-day programs [†]	39%	54%	54%	54%	54%	54%	54%
SECONDARY EDUCATION							
Percent of students demonstrating college-level mastery of an AP course in high school ^{(3)*}	10.1%	10.6%	11.0%	11.5%	11.9%	12.4%	12.8%
High School graduation rate*	86.6%	86.6%	86.6%	86.7%	86.8%	86.9%	87.0%
Percent of graduates enrolling in 4-year colleges /universities*	50.8%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%
Percent of graduates enrolling in community colleges*	14.3%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
Percent of graduates enrolling in other post-secondary education*	10.4%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
ACCOUNTABILITY							
Percent of students proficient/advanced in reading ^{(4)†}	64%	65%	68%	70%	72%	74%	76%
Percent of students proficient/advanced in math ^{(4)†}	57%	57%	59%	61%	63%	64%	66%
CAREER & TECHNICAL (VOCATIONAL) EDUCATION							
Enrollment	95,445	96,399	97,362	98,335	99,318	100,311	100,500
Percent of vocational education program completers*	55.7%	55.7%	57.2%	58.7%	60.2%	61.7%	63.2%
SPECIAL EDUCATION							
Pupils with disabilities enrolled in special education programs	255,797	262,000	268,000	275,000	282,000	289,000	289,000
Special education incidence rate*	14.0%	14.4%	14.8%	15.3%	15.8%	16.3%	16.5%
OTHER EDUCATION PROGRAMS							
Nonpublic school enrollment	302,700	301,700	300,700	299,700	298,700	297,700	296,700
Youth Development Centers - Total youth served	2,325	2,325	2,325	2,325	2,325	2,325	2,325
Enrollment in adult basic education	55,427	55,000	55,000	55,000	55,000	55,000	55,000

*New program measure.

- (1) Includes pre-kindergarten and K4 (kindergarten for 4-year-olds) for 2004-05; in 2003-04 PDE did not collect figures for pre-kindergarten.
 (2) Includes only districts where at least 10 students are enrolled in full-day kindergarten.
 (3) Source: The College Board AP Report to the Nation 2005; 2004-05 through 2009-10 projections are based on 2000 to 2004 rate of progress.
 (4) Projections for 2004-05 through 2009-10 are based on the rate of progress over the last four years.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND Office of Safe Schools Advocate \$ -650 —program reduction.</p> <p>Youth Development Centers — Education \$ 262 —to continue current program.</p> <p>Scranton State School for the Deaf \$ 313 —to continue current program.</p> <p>Basic Education Funding \$ 109,026 —Initiative—Increasing Academic Achievement. To provide a two and one-half percent increase in new funding for school district basic education programs.</p>	<p>Dual Enrollment Payments \$ 5,000 —Initiative—Job Ready Pennsylvania. To provide grants to school districts for dual enrollment programs that enhance college participation and credentialing of students.</p> <p>Education Assistance Program \$ 38,000 —Initiative—Job Ready Pennsylvania. To provide additional tutoring resources for schools that have not made or are in danger of not making Adequate Yearly Progress in math or reading.</p> <p>Head Start Supplemental Assistance \$ 15,000 —Initiative—Early Education and Care. To expand Head Start programs to serve an additional 2,500 Pennsylvania children in high-quality pre-kindergarten programs.</p>
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Program: Basic Education (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ -2,200	Science and Math Education Programs —nonrecurring item.	\$ 2,746	Special Education - Approved Private Schools —to continue current program.
\$ 10,000	Teacher Professional Development —Initiative—Increasing Academic Achievement. To implement school improvement strategies, professional development and leadership development programs that will increase student academic achievement and success in struggling school districts and across the State.	\$ -3,904	Audit Resolution —to continue current program.
\$ -300	—redirected program costs.	\$ 288	School Food Services —to continue current program.
\$ 9,700	<i>Appropriation Increase</i>	\$ 9,715	School Employees' Social Security —to continue current program.
\$ 1,455	Career and Technical Education —Initiative—Increasing Academic Achievement. To provide a two and one-half percent increase in new funding for vocational education programs.	\$ 29,303	School Employees' Retirement —to continue current program at the actuarially determined employer contribution rate.
\$ -2,500	New Choices/New Options —nonrecurring item.	\$ -8,500	School District Demonstration Projects —nonrecurring projects.
\$ 15,348	Pupil Transportation —to continue current program.	\$ -20	Education of Indigent children —to continue current program.
\$ -2,626	Nonpublic and Charter School Pupil Transportation —to continue current program.	\$ 4,700	High School Reform —Initiative—Job Ready Pennsylvania. To provide grants to school districts to transform high schools by increasing the rigor of academic programs and enhancing post-secondary opportunities for students.
\$ 23,229	Special Education —Initiative—Increasing Academic Achievement. To provide a two and one-half percent increase in new funding for special education programs.	\$ -1,850	Education Mentoring —nonrecurring projects.
\$ 5,880	Early Intervention —Initiative—Early Education and Care. To expand early intervention services to 2,000 additional children from ages three through five.	\$ 1,917	Services to Nonpublic Schools —to continue current program.
\$ -77	Homebound Instruction —to continue current program.	\$ 586	Textbooks, Materials and Equipment for Nonpublic Schools —to continue current program.
\$ 33	Payments in Lieu of Taxes —to continue current program.	\$ -500	Teen Pregnancy and Parenthood —nonrecurring project.
\$ 55	Education of Migrant Laborers' Children —to continue current program.	\$ -9,100	Job Training Programs —nonrecurring projects.
\$ 1,015	PA Charter Schools for the Deaf and Blind —to continue current program.	\$ -1,000	Charter Schools —program elimination.
		\$ 2,015	Reimbursement of Charter Schools —to continue current program.
		\$ -26,300	Alternative Education Demonstration Grants —nonrecurring projects.

All other appropriations are recommended at the current year funding levels.

Program: Basic Education (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Office of Safe Schools Advocate	\$ 996	\$ 1,000	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350
PA Assessment	20,356	20,356	20,356	20,356	20,356	20,356	20,356
Youth Development Centers - Education ..	11,083	11,638	11,900	11,900	11,900	11,900	11,900
Scranton State School for the Deaf	6,057	6,252	6,565	6,565	6,565	6,565	6,565
Basic Education Funding	4,210,623	4,361,024	4,470,050	4,470,050	4,470,050	4,470,050	4,470,050
Dual Enrollment Payments	0	0	5,000	5,000	5,000	5,000	5,000
Basic Education/Reimbursement of							
Additional Expenses	4,600	0	0	0	0	0	0
Philadelphia School District	25,000	25,000	25,000	25,000	25,000	25,000	25,000
School Improvement Grants	24,314	21,717	21,717	21,717	21,717	21,717	21,717
Education Support Services	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Pennsylvania Accountability Grants	0	200,000	200,000	200,000	200,000	200,000	200,000
Education Assistance Program	25,000	38,000	76,000	76,000	76,000	76,000	76,000
Technology Initiative	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Head Start Supplemental Assistance	0	15,000	30,000	30,000	30,000	30,000	30,000
Science and Math Education Programs	2,000	2,200	0	0	0	0	0
Teacher Professional Development	4,167	4,167	13,867	13,867	13,867	13,867	13,867
Adult and Family Literacy	18,534	18,534	18,534	18,534	18,534	18,534	18,534
Career and Technical Education	56,762	58,181	59,636	59,636	59,636	59,636	59,636
New Choices / New Options	2,000	2,500	0	0	0	0	0
Authority Rentals and Sinking Fund							
Requirements	291,183	294,483	294,483	294,483	294,483	294,483	294,483
Pupil Transportation	466,033	490,413	505,761	505,761	505,761	505,761	505,761
Nonpublic and Charter School Pupil							
Transportation	76,642	76,663	74,037	74,037	74,037	74,037	74,037
Special Education	904,606	929,175	952,404	952,404	952,404	952,404	952,404
Early Intervention	113,111	117,607	123,487	123,487	123,487	123,487	123,487
Homebound Instruction	850	782	705	705	705	705	705
Tuition for Orphans and Children Placed							
in Private Homes	47,288	50,005	50,005	50,005	50,005	50,005	50,005
Payments in Lieu of Taxes	180	208	241	241	241	241	241
Education of Migrant Laborers' Children ...	759	784	839	839	839	839	839
PA Charter Schools for the Deaf and							
Blind	27,882	29,847	30,862	30,862	30,862	30,862	30,862
Special Education - Approved Private							
Schools	67,617	80,753	83,499	83,499	83,499	83,499	83,499
Audit Resolution (06/06)	0	6,904	3,000	3,000	3,000	3,000	3,000
Intermediate Units	6,311	6,311	6,311	6,311	6,311	6,311	6,311
School Food Services	26,542	27,244	27,532	27,532	27,532	27,532	27,532
School Employees' Social Security	426,403	443,862	453,577	467,184	481,200	495,636	510,505
School Employees' Retirement	167,647	228,830	258,133	417,024	579,598	666,275	705,767
School District Demonstration Projects	13,000	8,500	0	0	0	0	0
Education of Indigent Children	100	55	35	35	35	35	35
High School Reform	0	0	4,700	4,700	4,700	4,700	4,700
Education Mentoring	1,200	3,050	1,200	1,200	1,200	1,200	1,200
Services to Nonpublic Schools	74,052	76,697	78,614	78,614	78,614	78,614	78,614
Textbooks, Materials and Equipment for							
Nonpublic Schools	22,647	23,456	24,042	24,042	24,042	24,042	24,042
Teen Pregnancy and Parenthood	1,725	2,225	1,725	1,725	1,725	1,725	1,725
Ethnic Heritage	165	165	165	165	165	165	165
Governor's Schools of Excellence	2,492	2,492	2,492	2,492	2,492	2,492	2,492
Job Training Programs	5,100	9,100	0	0	0	0	0
Charter Schools	1,000	1,000	0	0	0	0	0
Independent Schools	500	0	0	0	0	0	0
Reimbursement of Charter Schools	52,940	80,587	82,602	82,602	82,602	82,602	82,602
Safe and Alternative Schools	23,326	23,326	23,326	23,326	23,326	23,326	23,326
Alternative Education Demonstration							
Grants	7,200	26,300	0	0	0	0	0
TOTAL GENERAL FUND	\$ 7,250,283	\$ 7,836,683	\$ 8,053,042	\$ 8,225,540	\$ 8,402,130	\$ 8,503,243	\$ 8,557,604
MOTOR LICENSE FUND:							
Safe Driving Course	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230

PROGRAM OBJECTIVE: To provide and improve library services to citizens of the Commonwealth, special libraries, and government agencies and employees.

Program: Library Services

This program supports State and local library services and ensures access to library services by citizens of the Commonwealth. The program includes: the Public Library Subsidy, Library Services for Visually Impaired and Disabled, Library Access, the Electronic Library Catalog, and the State Library.

The Office of Commonwealth Libraries is the agency of the Commonwealth charged with developing, improving and coordinating library services and systems in the State. It provides Statewide leadership in the development of libraries as essential contributors to the educational, cultural and economic well-being of Pennsylvania communities.

The appropriation for the **Public Library Subsidy** supports basic operations in local public libraries, enabling these libraries to provide direct service to meet the demands of Pennsylvania residents for information, education and cultural enrichment. Pennsylvania remains a leader in its State-level investment in local libraries. According to the most recent data from the National Center for Education Statistics, Pennsylvania's State appropriation for libraries and the State share of total library expenditures are both among the highest in the nation, yet Pennsylvania is below the national average on the total level of library funding and the share that comes from local government. The State's library funding formula is designed to help address this challenge by encouraging increased local investment in community libraries, as well as high standards for service levels.

As a result of the state Public Library Subsidy and local library funding in 2004-05:

- Local libraries operated for 1,507,547 hours.
- 36,938,074 patrons visited public libraries.
- 58,261,723 books and other materials were borrowed.

The Public Library Subsidy also supports the district library center program in 28 designated public libraries, which are charged with providing resources and services to the local libraries and residents of their defined geographic areas. In addition, these funds subsidize four Statewide Library Resource Center Libraries, charged with acquiring research collections, making those collections available to all residents, providing online reference services and reference databases, and converting historic parts of their

collections to digital format, accessible via the Internet.

Library Services for Visually Impaired and Disabled provides operating funds to Pennsylvania's regional libraries for direct mail services to Pennsylvania residents who are blind or who have a physical disability that prevents them from using regular print materials. Seventy percent of the users of this program are elderly persons who are often homebound and isolated with no other access to the world of books.

The **Library Access** appropriation supports three program components. First, the Statewide Library Card program allows people to use any participating public library no matter where they live. Second, the Interlibrary Delivery Service (IDS) provides cost-effective delivery of materials between libraries to encourage resource sharing. Third, Library Access supports the POWER (Pennsylvania Online World of Electronic Resources) Library to provide online periodical and reference databases for use in public and school libraries and by Pennsylvania residents at home.

The **Electronic Library Catalog**, also known as the Access Pennsylvania Database program supports the development and expansion of the largest union (joint) catalog in North America. This database is a web-based automated catalog of more than 2,797 Pennsylvania libraries and provides access to books, journals and other information held by any participating school, public, college or university library.

The **State Library**, located in Harrisburg, is a major resource library serving the State Government, as well as libraries and residents of the Commonwealth. It includes an extensive general and legal reference collection, comprehensive collections of Pennsylvania newspapers and Pennsylvania State and U.S. Government publications, online databases to provide desktop access to over 300 databases, many of which have full-text articles. The State Library provides research assistance to State Government by several avenues. Patrons can request services in person, via the phone and through the library's webpage. The computer catalog gives all users more rapid access to information about the collection. The State Library's holdings are also available to all Pennsylvania Libraries through Access Pennsylvania.

Program: Library Services (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Items accessed (in thousands)	148,553	150,038	151,540	153,054	154,585	156,131	157,692
Visits to public libraries (in thousands)*	33,401	35,238	35,590	35,946	36,306	36,669	37,036
Materials borrowed from public libraries ... (in thousands)*	55,030	58,057	58,637	59,224	59,816	60,414	61,018
Items borrowed from public library children's collections- included above (in thousands)*	20,588	21,720	21,938	22,157	22,378	22,602	22,828
Total public library hours open annually (in thousands)*	1,362	1,424	1,424	1,424	1,424	1,424	1,424
Number of people served by Regional Libraries for Blind and Physically Handicapped (in thousands)*	26,570	27,101	27,643	28,196	28,760	29,335	29,922
Materials borrowed from Libraries for Blind and Physically Handicapped (in thousands)*	1,665	1,698	1,732	1,767	1,802	1,838	1,875
Items loaned under the Statewide Library . ACCESS program	14,456	14,500	14,790	15,086	15,388	15,695	16,006

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND: State Library —to continue current program.</p> <p>\$ 160</p> <p>Public Library Subsidy —to continue current program.</p> <p>\$ 1,448</p> <p>Recording for the Blind and Dyslexic —nonrecurring project.</p> <p>\$ -70</p>	<p>KEYSTONE RECREATION, PARK AND CONSERVATION FUND: Local Libraries Rehabilitation and Development (EA) —nonrecurring projects.</p> <p>\$ -1,944</p>
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All other appropriations are recommended at current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
State Library	\$ 4,125	\$ 4,176	\$ 4,336	\$ 4,336	\$ 4,336	\$ 4,336	\$ 4,336
Public Library Subsidy.....	47,789	57,914	59,362	59,362	59,362	59,362	59,362
Library Services for the Visually Impaired and Disabled	2,965	2,965	2,965	2,965	2,965	2,965	2,965
Recording for the Blind and Dyslexic	0	70	0	0	0	0	0
Library Access	7,386	7,386	7,386	7,386	7,386	7,386	7,386
Electronic Library Catalog	3,842	3,842	3,842	3,842	3,842	3,842	3,842
TOTAL GENERAL FUND	\$ 66,107	\$ 76,353	\$ 77,891	\$ 77,891	\$ 77,891	\$ 77,891	\$ 77,891
KEYSTONE RECREATION, PARK AND CONSERVATION FUND:							
Local Libraries Rehabilitation and Development (EA)	\$ 4,258	\$ 5,196	\$ 3,252	\$ 3,080	\$ 3,184	\$ 3,496	\$ 3,752

PROGRAM OBJECTIVE: To fulfill Pennsylvania's requirements for graduates of higher education programs, to respond to the demands of students for higher education and to support the public institutions providing those programs.

Program: Higher Education

Higher education in Pennsylvania is provided through 267 degree-granting institutions, which include the State System of Higher Education, the community colleges, the four State-related universities, the Commonwealth's independent universities and colleges, the State affiliated Thaddeus Stevens College of Technology and other specialized associate degree-granting institutions.

Funding for these institutions is through direct grant appropriations and, for most of the independent sector, through the Institutional Assistance Grants and student support programs of the Pennsylvania Higher Education Assistance Agency.

Table 1
Full-Time Equivalent Enrollments at State-Supported Universities and Colleges, Actual and Projected

Institutional Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State System of Higher Education	95,523	96,520	97,716	98,593	99,249	99,914	100,612
Community Colleges	86,935	91,892	95,242	97,950	100,589	103,484	106,584
State-Related Universities	140,806	141,759	142,338	142,428	142,486	142,546	142,616
Non-State Related Universities & Colleges ...	41,678	42,736	43,427	43,913	44,331	44,754	45,188
TOTAL	364,942	372,907	378,723	382,884	386,655	390,698	395,000

Program Element: State System of Higher Education

Funding for the 14 universities of the State System of Higher Education is distributed through the Chancellor's Office to the individual universities in accordance with a formula that considers the enrollment and programs of the school and the cost of operating and maintaining the individual campuses. While all the universities provide a broad liberal arts curriculum, each has a specific mission — health sciences, business, technologies, etc. All of the universities provide teacher preparation programs. Also, most offer the master's degree level in some of their programs.

Program Element: Community Colleges

Funding for the community colleges is shared by sponsoring counties or school districts, the students through tuition payments and the Commonwealth. Commonwealth appropriations are based on a formula that considers the number of students enrolled, the number of students in each of several technical programs for which additional stipends are paid to recognize the high cost of those programs and the capital costs of the colleges. The colleges offer two-year liberal arts curricula for transfer to other institutions and two-year programs in technologies or other vocational areas that culminate in an associate degree or certificate. They also offer non-credit programs such as public safety, or for the improvement of personal and professional skills. They also play a major role in the Commonwealth's workforce development initiative.

Program Element: State-related Universities

Funding for the four State-related universities — Pennsylvania State University, the University of Pittsburgh, Temple University and Lincoln University — provides basic support for their educational programs. The first three of these Commonwealth universities are major research universities; they provide programs to the doctoral level in the arts and sciences and professional schools in the medical, podiatry, dental and legal fields. The fourth, Lincoln University, provides programs in numerous disciplines at the baccalaureate and master's degree levels. The universities also play a major role in the Commonwealth's workforce development initiative.

Program Element: Enrollment and Degree Programs

In 2003, approximately 74% percent of high school graduates planned to attend postsecondary institutions. This is a significant improvement over the past decade when only slightly more than half of Pennsylvania high school graduates indicated they planned to attend a postsecondary institution. Participation rates of older students and part-time students continue to increase. Full-time equivalent enrollment in State-supported universities and colleges is expected to increase in the immediate future at levels in excess of two percent annually with the trends differing from sector to sector. Community College growth, for example, has been and will continue to be quicker, especially if a sluggish economy persists in upcoming fiscal years. This

Program: Higher Education (continued)

Table 2
State-Supported Universities and Colleges FTE Enrollments by Subject Area

Subject Area	Number and Percent of Total	2003-04 Actual	2004-05 Projected	2005-06 Projected	2006-07 Projected	2007-08 Projected	2008-09 Projected	2009-10 Projected	Percent Change
Agricultural and Natural Resources	# %	3,624 0.99%	3,670 0.98%	3,704 0.98%	3,712 0.97%	3,714 0.96%	3,721 0.95%	3,728 0.94%	2.87%
Arts and Letters	# %	75,621 20.72%	76,861 20.61%	78,300 20.67%	79,915 20.87%	81,371 21.04%	83,042 21.25%	84,713 21.45%	12.02%
Business, Management and Data Processing	# %	54,400 14.91%	55,395 14.85%	56,067 14.80%	56,496 14.76%	56,922 14.72%	57,354 14.68%	57,856 14.65%	6.35%
Communications and Related Technologies	# %	13,754 3.77%	14,001 3.75%	14,128 3.73%	14,153 3.70%	14,198 3.67%	14,221 3.64%	14,288 3.62%	3.88%
Computer and Information Sciences	# %	14,488 3.97%	14,807 3.97%	15,037 3.97%	15,202 3.97%	15,399 3.98%	15,582 3.99%	15,783 4.00%	8.94%
Education	# %	36,304 9.95%	37,394 10.03%	38,059 10.05%	38,420 10.03%	38,864 10.05%	39,327 10.07%	39,732 10.06%	9.44%
Engineering, Architecture and Environmental Design	# %	17,716 4.85%	17,826 4.78%	17,922 4.73%	17,992 4.70%	18,077 4.68%	18,173 4.65%	18,274 4.63%	3.15%
Engineering Technologies and Related Technologies	# %	7,031 1.93%	6,839 1.83%	6,936 1.83%	7,045 1.84%	7,161 1.85%	7,273 1.86%	7,402 1.87%	5.28%
Health Professions, Health Sciences and Biological Sciences	# %	51,661 14.16%	54,159 14.52%	55,077 14.54%	55,561 14.51%	55,985 14.48%	56,428 14.44%	56,925 14.41%	10.19%
Home Economics, Human Services and Public Affairs	# %	25,589 7.01%	26,196 7.02%	26,850 7.09%	27,273 7.12%	27,539 7.12%	27,805 7.12%	28,119 7.12%	9.89%
Industrial, Repair, Construction and Transport Technologies	# %	3,455 0.95%	3,394 0.91%	3,452 0.91%	3,520 0.92%	3,579 0.93%	3,641 0.93%	3,715 0.94%	7.53%
Law	# %	5,159 1.41%	5,375 1.44%	5,523 1.46%	5,535 1.45%	5,551 1.44%	5,572 1.43%	5,607 1.42%	8.68%
Physical Sciences, Mathematics and Related Technologies	# %	14,735 4.04%	14,869 3.99%	14,984 3.96%	15,054 3.93%	15,121 3.91%	15,191 3.89%	15,259 3.86%	3.56%
Social Sciences, Psychology, Area Studies and Foreign Languages	# %	37,248 10.21%	37,968 10.18%	38,486 10.16%	38,798 10.13%	38,960 10.08%	39,149 10.02%	39,375 9.97%	5.71%
Multi-Interdisciplinary Studies/ Military Sciences	# %	4,157 1.14%	4,153 1.11%	4,198 1.11%	4,208 1.10%	4,214 1.09%	4,219 1.08%	4,224 1.07%	1.61%
TOTAL		364,942	372,907	378,723	382,884	386,655	390,698	395,000	8.24%

Percentages in some columns may not total to 100.00% due to rounding.

overall growth is not only the result of minor growth in the population of traditional age students but also especially due to the increase in participation rates of non-traditional and part-time students. The enrollment is affected by two factors: as the population of traditional college age students continues to decline that decrease is offset by increases in the participation rates of non-traditional and part-time students.

The Pennsylvania Higher Education Assistance Agency and the Department of Education work with school districts to disseminate information to students and their parents about the importance of postsecondary education, the

choices available to students, the financial aid available and the high school preparation required.

Along with higher education enrollment size, the mix of enrollments by discipline will shape the future of higher education. Table 2 shows projections of enrollment by subject area in the State-supported universities and colleges from 2003-04 through 2009-10. It reflects the increased choices of career-oriented disciplines with good employment rates such as engineering technology and industrial technologies, but also reflects slower than anticipated growth in the engineering and physical science and mathematics enrollments.

Program: Higher Education (continued)

Table 3
Higher Education Degrees Awarded by State-Supported
and Private Universities and Colleges,
Actual and Projected

Institutional Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State System of Higher Education	20,162	20,247	20,530	20,775	20,996	21,219	21,422
Community Colleges	9,710	10,076	10,411	10,686	10,952	11,224	11,547
State-Related Universities	32,616	32,798	32,924	32,965	32,972	32,998	33,032
Non-State Related Universities & Colleges	12,357	12,940	13,353	13,567	13,763	13,955	14,156
Private Universities & Colleges	48,069	49,271	50,503	51,766	53,060	54,386	55,746
TOTAL	122,914	125,332	127,721	129,759	131,743	133,782	135,903

The State-supported universities and colleges in Pennsylvania graduate over 75,000 students annually with degrees ranging from the two-year associate degree to doctoral and professional degrees. Pennsylvania degree graduates from both State-supported and private universities and colleges total over 122,000 annually.

Program Element: Support for Educationally Disadvantaged and Minority Students

Under Act 101 of 1971, the Higher Education Equal Opportunity Program provides grants to colleges for tutorial and counseling services for economically and educationally disadvantaged students to aid them in succeeding in college.

In 1996, the Department of Education and the Federal Office of Civil Rights embarked on a joint venture designed to assess and address the challenges in providing higher education opportunities for African American students in Pennsylvania. Funding is included in this subcategory and in the capital budget to further help with the cost of recruiting and retaining minority students. Funds are also provided for an affirmative action program at the State System of Higher Education and to continue infrastructure improvements at Cheyney and Lincoln Universities. In addition, funding for higher education scholarships for students of Cheyney and Lincoln Universities is made available through programs administered by the Pennsylvania Higher Education Assistance Agency.

Program Element: Research

An essential ingredient for a healthy economy and the creation of new jobs in any region is the existence of vigorous research universities. Regions with the most dynamic economies are those where research and development investments have been significant. The research university not only provides new ideas, technologies and products to industry, but also educates and motivates graduates to turn those ideas, technologies and products into industry and jobs.

While the University of Pittsburgh and Temple University are also major research universities, Pennsylvania State University (Penn State) is the primary recipient of direct research funds designated by the Commonwealth to support

research in agriculture, engineering, biological and physical sciences, earth and mineral sciences, health and human services, and other disciplines. Pennsylvania State University is the Commonwealth's Federally designated land-grant university and as such has received funds designated for agricultural research since 1901.

The continued State support for organized research is a means of promoting a responsive position on the ever-changing needs of the Commonwealth. In this regard, colleges and universities play a major role in the economic development of the Commonwealth through the creation of a climate that will attract new high technology industries to the State.

Program Element: Community Service

Public and community services are provided by all sectors of higher education and include short-term courses and workshops and programs in the arts. The bulk of Commonwealth funding in this area supports the Cooperative Extension Service of Penn State. This service offers consultation to any State resident on agricultural or environmental issues. It operates the Agricultural Extension Computer Network, which, with a computer in every county extension office, offers a Statewide network of information linked to the resources of the main campus.

Program Element: Support Services and Performance Indicators

The Department of Education provides leadership and support services to all sectors of higher education. Responsibilities include liaison with the national accrediting agencies, the State Board of Education and other governing boards; policy review and development based on comprehensive planning and research; and implementation of the higher education master plan and the Commonwealth's plan for equal education opportunity. The Department also partners with other Commonwealth agencies on workforce development strategies. Additionally, the department provides certificates to those seeking teaching certification in Pennsylvania.

Pennsylvania has been a national leader in education reform by introducing concepts of quality performance and

Program: Higher Education (continued)

accountability in basic and secondary education. This budget will continue these efforts and introduce programmatic initiatives through a combined effort of

elementary/secondary and postsecondary and higher education, jointly with the United States Department of Education, to fulfill the initiatives of "No Child Left Behind".

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Access & Affordability							
Minority enrollment at public institutions	55,359	57,000	58,000	59,000	60,000	61,000	62,000
Disadvantaged students served by specialized programs	13,768	14,456	15,175	15,500	15,750	16,000	16,300
Outcomes							
Six-year graduation rate for full-time, first-time students at State System institutions*	53.5%	54.2%	54.9%	55.6%	56.3%	57.0%	57.7%
Six-year graduation rate for full-time, first-time students at State-related institutions*	63.3%	64.5%	65.7%	66.9%	68.1%	69.3%	70.5%
Three-year graduation rate for full-time, first-time students at community colleges*	18.2%	18.3%	18.4%	18.5%	18.6%	18.7%	18.8%

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND:</p> <p>Community Colleges</p> <p>\$ 22,800 —Initiative - Job Ready Pennsylvania. To implement a more predictable operating and capital funding methodology for Community Colleges.</p> <p>Community Colleges Capital Leases and Debt Service</p> <p>\$ -1,800 —nonrecurring project.</p> <p>Regional Community Colleges Services</p> <p>\$ -750 —nonrecurring project.</p> <p>Enhanced Technology Initiative</p> <p>\$ -1,000 —nonrecurring project.</p> <p>Engineering Equipment Grants</p> <p>\$ -1,000 —nonrecurring project.</p> <p>Higher Education Assistance</p> <p>\$ -2,250 —nonrecurring project.</p> <p>Community Education Councils</p> <p>\$ -625 —funding reduction.</p> <p>Thaddeus Stevens College of Technology</p> <p>\$ -2,000 —nonrecurring project. 121 —to continue current program.</p> <hr/> <p>\$ -1,879 <i>Appropriation Decrease</i></p> <p>State System of Higher Education (SSHE)</p> <p>\$ 7,352 —to provide an increase in State support.</p>	<p>\$ -5,316</p> <hr/> <p>4,824</p> <p>\$ -492 <i>Appropriation Decrease</i></p> <p>\$ -7,559</p> <hr/> <p>3,008</p> <p>\$ -4,551 <i>Appropriation Decrease</i></p> <p>\$ -5,406</p> <hr/> <p>3,157</p> <p>\$ -2,249 <i>Appropriation Decrease</i></p> <p>\$ 252</p> <p>\$ 1,201</p>	<p>Pennsylvania State University</p> <p>—Initiative - Federalizing Academic Medical Centers. Savings as the result of claiming \$7.5 million in new Federal Medicaid funds for the university-affiliated medical centers.</p> <p>—to provide an increase in State support.</p> <p><i>Appropriation Decrease</i></p> <p>University of Pittsburgh</p> <p>—Initiative - Federalizing Academic Medical Centers. Savings as the result of claiming \$9.8 million in new Federal Medicaid funds for the university-affiliated medical centers.</p> <p>—to provide an increase in State support.</p> <p><i>Appropriation Decrease</i></p> <p>Temple University</p> <p>—Initiative - Federalizing Academic Medical Centers. Savings as the result of claiming \$7.6 million in new Federal Medicaid funds for the university-affiliated medical centers.</p> <p>—to provide an increase in State support.</p> <p><i>Appropriation Decrease</i></p> <p>Lincoln University</p> <p>—to provide an increase in State support.</p> <p>Non-State-related Universities and Colleges</p> <p>—to provide an increase in State support.</p>
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Program: Higher Education (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ 26 **Non-State-related Institutions**
—to provide an increase in State support.

KEYSTONE RECREATION, PARK AND CONSERVATION FUND:
State System of Higher Education - Deferred Maintenance (EA)
\$ 1,503 —to continue current program.

All other appropriations are recommended at the current year funding levels.

This budget also recommends \$24.9 million in Federal Medicaid funding to support the medical centers affiliated with the Pennsylvania State University, the University of Pittsburgh and Temple University. Please refer to the Department of Education's Summary by Fund and Appropriation for details.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Community Colleges	\$ 213,977	\$ 226,281	\$ 249,081	\$ 249,081	\$ 249,081	\$ 249,081	\$ 249,081
Community Colleges Facilities and Services	3,000	4,800	3,000	3,000	3,000	3,000	3,000
Regional Community Colleges Services	550	750	0	0	0	0	0
Higher Education for the Disadvantaged ..	9,320	9,320	9,320	9,320	9,320	9,320	9,320
Higher Education of Blind or Deaf Students	54	54	54	54	54	54	54
Enhanced Technology Initiative	1,000	1,000	0	0	0	0	0
Higher Education Assistance	2,068	4,250	2,000	2,000	2,000	2,000	2,000
Engineering Equip Grants	0	1,000	0	0	0	0	0
Dormitory Sprinklers	3,000	500	500	0	0	0	0
Community Education Councils	1,968	1,968	1,343	1,343	1,343	1,343	1,343
Thaddeus Stevens College of Technology	7,948	10,087	8,208	8,208	8,208	8,208	8,208
State System of Higher Education	434,784	453,628	460,980	460,980	460,980	460,980	460,980
Pennsylvania State University	307,844	317,179	316,687	316,687	316,687	316,687	316,687
University of Pittsburgh	163,386	168,768	164,217	164,217	164,217	164,217	164,217
Temple University	164,941	169,989	167,740	167,740	167,740	167,740	167,740
Lincoln University	12,155	12,619	12,871	12,871	12,871	12,871	12,871
Non-State-related Universities and College	78,375	80,109	81,310	81,310	81,310	81,310	81,310
Non-State-related Institutions	1,724	1,761	1,787	1,787	1,787	1,787	1,787
TOTAL GENERAL FUND	\$ 1,406,094	\$ 1,464,063	\$ 1,479,098	\$ 1,478,598	\$ 1,478,598	\$ 1,478,598	\$ 1,478,598
KEYSTONE RECREATION, PARK AND CONSERVATION FUND:							
State System of Higher Education — Deferred Maintenance (EA)	\$ 10,909	\$ 12,549	\$ 14,052	\$ 14,209	\$ 15,379	\$ 16,594	\$ 17,625



EMERGENCY MANAGEMENT AGENCY

The Pennsylvania Emergency Management Agency develops and maintains a comprehensive plan and program for the civil defense of the Commonwealth. Primarily the plan calls for the protection of life and property both prior to and in the event of natural and other disasters. The agency, through the Office of the State Fire Commissioner, provides loans to volunteer fire, ambulance and rescue companies, and coordinates State fire services. The Emergency Management Agency also administers post-disaster aid to affected localities and citizens.

Emergency Management Agency

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 6,882	\$ 7,122	\$ 5,838
(F)Civil Preparedness.....	5,042	7,424 ^a	5,688
(F)Flash Flood Project - Warning System.....	105	85	85
(F)Weather Radio Transmitter.....	44	0	0
(F)Hazardous Materials Planning and Training.....	469	408	408
(F)Homeland Security Activities (EA).....	11,760	10,000	0
(F)Domestic Preparedness - First Responders (EA).....	71,060	145,699	150,000
(F)Domestic Preparedness - Critical Infrastructure (EA).....	8,000	0	0
(F)General Fund Share - PEBTF Contribution.....	116	0	0
(F)Incident Response Reporting.....	0	450	0
(A)Statewide Radio Project Operations.....	0	0	77
(A)Nuclear Facility.....	90	74	67
(A)E-911 Emergency Services.....	0	0	1,100
Information Systems Management.....	1,027	1,163	1,151
Subtotal.....	\$ 104,595	\$ 172,425	\$ 164,414
State Fire Commissioner.....	2,118	2,067	2,026
(F)Fire Prevention.....	250	0	66
(A)Fire Academy Fees.....	4	75	298
(A)Arson Fines.....	0	2	2
Subtotal.....	\$ 2,372	\$ 2,144	\$ 2,392
Security.....	6,192	1,557	1,132
Subtotal - State Funds.....	\$ 16,219	\$ 11,909	\$ 10,147
Subtotal - Federal Funds.....	96,846	164,066	156,247
Subtotal - Augmentations.....	94	151	1,544
Total - General Government.....	\$ 113,159	\$ 176,126	\$ 167,938
Grants and Subsidies:			
(F)Hazard Mitigation Grants 1994 Winter Disaster (EA).....	\$ 1,200	\$ 1,200	\$ 0
(F)1994 Winter Disaster - Public Assistance (EA).....	5	0	0
(F)January 1996 Flood Disaster (EA).....	500	500	0
(F)Hazard Mitigation Grants - January 1996 Flood (EA).....	1,100	1,100	0
(F)June 1996 Storm Disaster (EA).....	5	0	0
(F)June 1996 Storm Disaster - Hazard Mitigation (EA).....	5	0	0
(F)July 1996 Storm Disaster - Public Assistance (EA).....	500	500	0
(F)July 1996 Storm Disaster - Hazard Mitigation (EA).....	50	50	0
(F)September 1996 Storm Disaster (EA).....	5	0	0
(F)September 1996 Storm Disaster - Hazard Mitigation (EA).....	5	0	0
(F)May-June 1998 Storm Disaster - Public Assistance (EA).....	5	0	0
(F)May-June 1998 Storm Disaster - Hazard Mitigation (EA).....	5	0	0
1999 Disasters - Public Assistance & Hazard Mitigation.....	575	0	0
(F)August 1999 Flood Disaster - Hazard Mitigation (EA).....	95	95	0
(F)August 1999 Flood Disaster - Public Assistance (EA).....	20	20	0
(F)September 1999 Tropical Storm Disaster-Public Assistance(EA).....	1,500	1,500	315
September 1999 Tropical Storm Disaster-Hazard Mitigation.....	0	1,000^b	0
(F)September 1999 Tropical Storm Disaster-Hazard Mitigation(EA).....	2,000	7,000	9,400
(F)June 2001 Storm Disaster - Public Assistance (EA).....	3,000	3,000	2,000
June 2001 Storm Disaster - Hazard Mitigation.....	750	0	0
(F)June 2001 Disaster - Hazard Mitigation (EA).....	3,000	3,000	0
September 2001 Disaster Relief.....	400	0	0
(F)February 2003 Snow Storm Disaster (EA).....	18,000	0	0
July 2003 Storm Relief.....	100	0	0
(F)July 2003 Storm Disaster - Hazard Mitigation (EA).....	750	2,000	500
(F)July 2003 Storm Disaster - Public Assistance (EA).....	15,000	0	5,000
September 2003 Storm Relief.....	100	0	0
August 2004 Storm Relief.....	0	250	100
August 2004 Storm Disaster - Hazard Mitigation.....	0	0	100
(F)August 2004 Storm Disaster - Hazard Mitigation (EA).....	0	1,000	1,000

Emergency Management Agency

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
August 2004 Storm Disaster - Public Assistance.....	0	0	100
(F)August 2004 Storm Disaster - Public Assistance (EA).....	0	1,000	1,000
September 2004 Storm Relief.....	0	500	100
(F)September 2004 Tropical Storm Frances - Hazard Mitigation.....	0	1,000	1,000
(F)September 2004 Tropical Storm Frances - Public Assistance.....	0	1,000	500
September 2004 Tropical Storm Ivan - Hazard Mitigation.....	0	0	1,000
(F)September 2004 Tropical Storm Ivan - Hazard Mitigation (EA).....	0	1,000	5,000
September 2004 Tropical Storm Ivan - Public Assistance.....	0	10,000^c	5,000
(F)September 2004 Tropical Storm Ivan - Public Assistance (EA).....	0	40,000	40,000
Firefighters' Memorial Flag.....	10	10	10
Volunteer Company Grants.....	25,000	25,000	0
Red Cross Extended Care Program.....	500	1,000	500
Subtotal - State Funds.....	\$ 27,435	\$ 37,760	\$ 6,910
Subtotal - Federal Funds.....	46,750	64,965	65,715
Total - Grants and Subsidies.....	\$ 74,185	\$ 102,725	\$ 72,625
STATE FUNDS.....	\$ 43,654	\$ 49,669	\$ 17,057
FEDERAL FUNDS.....	143,596	229,031	221,962
AUGMENTATIONS.....	94	151	1,544
GENERAL FUND TOTAL.....	\$ 187,344	\$ 278,851	\$ 240,563
<u>MOTOR LICENSE FUND:</u>			
<i>Grants and Subsidies:</i>			
September 2004 Tropical Storm Ivan - Public Assistance.....	\$ 0	\$ 0	\$ 12,500
<u>OTHER FUNDS:</u>			
GENERAL FUND:			
Emergency Management and Disaster Assistance.....	\$ 2,300	\$ 672	\$ 0
Radiological Emergency Response Planning.....	486	565	600
Radiation Emergency Response Fund.....	498	500	500
GENERAL FUND TOTAL.....	\$ 3,284	\$ 1,737	\$ 1,100
DISASTER RELIEF FUND:			
January 1996 Disaster Bond Proceeds-Mitigation (EA).....	\$ 0	\$ 0	\$ 900
1996 Disaster Areas-Hazard Mitigation (EA).....	83	910	0
DISASTER RELIEF FUND TOTAL.....	\$ 83	\$ 910	\$ 900
HAZARDOUS MATERIAL RESPONSE FUND:			
General Operations.....	\$ 117	\$ 117	\$ 117
Hazardous Materials Response Team.....	417	417	417
Grants to Counties.....	824	824	824
Public and Facilities Owners Education.....	117	117	117
HAZARDOUS MATERIAL RESPONSE FUND TOTAL.....	\$ 1,475	\$ 1,475	\$ 1,475
STATE GAMING FUND:			
Volunteer Company Grants (EA).....	\$ 0	\$ 0	\$ 25,000
VOLUNTEER COMPANIES LOAN FUND:			
Volunteer Company Loans.....	\$ 17,897	\$ 18,000	\$ 17,500
WIRELESS E-911 EMERGENCY SERVICES FUND:			
General Operations.....	\$ 0	\$ 1,100	\$ 1,100
Wireless E-911 Emergency Services Grants.....	0	25,000	53,900

Emergency Management Agency

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
WIRELESS E-911 EMERGENCY SERVICES FUND TOTAL.....	<u>\$ 0</u>	<u>\$ 26,100</u>	<u>\$ 55,000</u>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 43,654	\$ 49,669	\$ 17,057
SPECIAL FUNDS.....	0	0	12,500
FEDERAL FUNDS.....	143,596	229,031	221,962
AUGMENTATIONS.....	94	151	1,544
OTHER FUNDS.....	22,739	48,222	100,975
TOTAL ALL FUNDS.....	<u>\$ 210,083</u>	<u>\$ 327,073</u>	<u>\$ 354,038</u>

^a Includes recommended supplemental of \$4,000,000.

^b Includes recommended supplemental of \$1,000,000.

^c Includes recommended supplemental of \$5,000,000.

Emergency Management Agency

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EMERGENCY MANAGEMENT							
GENERAL FUND.....	\$ 16,026	\$ 21,592	\$ 14,521	\$ 14,521	\$ 14,521	\$ 14,521	\$ 14,521
SPECIAL FUNDS.....	0	0	12,500	12,500	12,500	12,500	12,500
FEDERAL FUNDS.....	143,346	229,031	221,896	186,896	186,896	186,896	186,896
OTHER FUNDS.....	4,932	4,196	29,719	29,719	29,719	29,719	29,719
SUBCATEGORY TOTAL.....	\$ 164,304	\$ 254,819	\$ 278,636	\$ 243,636	\$ 243,636	\$ 243,636	\$ 243,636
FIRE PREVENTION AND SAFETY							
GENERAL FUND.....	\$ 27,628	\$ 28,077	\$ 2,536	\$ 2,536	\$ 2,536	\$ 2,536	\$ 2,536
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	250	0	66	66	66	66	66
OTHER FUNDS.....	17,901	44,177	72,800	72,577	72,577	72,577	72,577
SUBCATEGORY TOTAL.....	\$ 45,779	\$ 72,254	\$ 75,402	\$ 75,179	\$ 75,179	\$ 75,179	\$ 75,179
ALL PROGRAMS:							
GENERAL FUND.....	\$ 43,654	\$ 49,669	\$ 17,057	\$ 17,057	\$ 17,057	\$ 17,057	\$ 17,057
SPECIAL FUNDS.....	0	0	12,500	12,500	12,500	12,500	12,500
FEDERAL FUNDS.....	143,596	229,031	221,962	186,962	186,962	186,962	186,962
OTHER FUNDS.....	22,833	48,373	102,519	102,296	102,296	102,296	102,296
DEPARTMENT TOTAL.....	\$ 210,083	\$ 327,073	\$ 354,038	\$ 318,815	\$ 318,815	\$ 318,815	\$ 318,815

Emergency Management Agency

PROGRAM OBJECTIVE: To develop and maintain a Statewide emergency force capable of immediate and effective action in the event of natural, technological or other man-made disasters and rapid organizational expansion to assure civil preparedness for war or resource based emergencies.

Program: Emergency Management

The Pennsylvania Emergency Management Agency (PEMA) has developed an organization designed on the National Governors' Association model of comprehensive emergency management. A multi-agency training program develops and maintains a Statewide emergency force composed of State, county and local units jointly capable of: prompt and effective action to protect life and property; alleviating human suffering and hardship resulting from natural and man-made disasters; and deploying rapidly when required in the event of war or other resource based emergencies.

Act 1 of Special Session 2 of 1996 increased the amount of unused appropriated funds available for the Governor to transfer for disaster relief from \$5 million to \$10 million in any one year.

Act 64 of 1999, the Emergency Management Assistance Compact, allows PEMA to provide and coordinate emergency services to other states participating in a mutual assistance agreement. The Governor is authorized to transfer up to \$15 million in unused appropriated funds for these expenses, which may be reimbursed by other states.

The agency's mission includes programs concerning prison/community safety, 911-program implementation and maintenance, statewide chemical and nuclear power safety and hazardous materials transportation.

The Commonwealth's civil preparedness and emergency response capability is provided through the maintenance of a Statewide system, to facilitate hazard assessment, emergency planning, warning, and emergency communications. A network for radiation monitoring is provided. To facilitate rapid deployment of resources to protect life and property, an emergency response and command center has been developed. Training and education are provided to county and local entities on an ongoing basis to maintain their civil preparedness and emergency response readiness.

Counties are required to have an approved emergency program plan consisting of: a statement of

accomplishments, required financial needs, hazard vulnerability and goals indicating projected activity. The Federal Emergency Management Agency (FEMA) requires annual review and update of emergency operations plans. Federal and State laws mandate conduct of exercise programs. The FEMA requirement calls for a four-year rotation of natural, technological and national security exercises at the State, county and local (over 50,000 population) level annually. The comprehensive exercise program is an extensive and integrated training and testing program that enhances and measures the ability of county and local forces to provide a comprehensive and coordinated first line of response to emergency conditions. The agency coordinates urban search and rescue capabilities for response to certain types of disasters. Regional rapid assessment teams are trained to provide assessment of needs in disaster areas. The agency coordinates regional counter-terrorism task forces and incident support teams. The agency is constructing a resource database and an online disaster information center so that information can be provided in a timely manner to State and county entities.

Activities required by the Environmental Protection Agency under the Federal Superfund Amendments and Reauthorization Act (SARA Title III) and the Federal Clean Air Act amendments include upgrading chemical emergency preparedness facility plans. Responsibilities for preparedness involve State and county governments and chemical manufacturers. Agency activities also required by SARA Title III are planning and training activities for compliance with the Hazardous Materials Transportation Uniform Safety Act.

Act 56 of 2003 establishes the Wireless E-911 Emergency Services Fund which provides for the collection of a monthly surcharge on wireless telephone customers to support a Statewide integrated wireless E-911 system. The surcharge will fund grants to public safety answering points to upgrade 911 technology enabling emergency responders to locate emergency calls from wireless telephones.

Emergency Management Agency

Program: Emergency Management (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
County/Local Emergency plans developed	1,017	1,000	1,050	1,100	1,100	1,150	1,150
Emergency management training recipients	6,500	6,500	7,000	7,000	7,000	7,100	7,100
Emergency management grants	312	733	445	445	445	445	445
Emergency exercise participants	802,191	796,801	800,000	800,000	800,000	800,000	800,000
Responses to Statewide emergency incidents	5,755	7,200	7,200	10,000	10,000	15,000	25,000
Federal disaster funds disbursed (in thousands)	\$97,531	\$210,581	\$210,581	\$170,583	\$161,733	\$160,383	\$159,883

Responses to Statewide emergency incidents increased from the projections shown in last year's budget to account for the actual number of incidents reported to the agency's web-based reporting system. Future year estimates assume an increased number of incidents will be reported to the agency's E-911 system.

Federal disaster funds disbursed vary based on actual data and estimated cost of recent disasters.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>General Government Operations</p> <p>\$ -1,384 —reduction in State funds offset by Federal funds.</p> <p>100 —transfer of Continuity of Government project from the Office of Administration.</p> <hr/> <p>-1,284 <i>Appropriation Decrease</i></p> <p>Information Systems Management</p> <p>\$ -12 —to continue current program.</p> <p>Security</p> <p>\$ -425 —reduction in administrative costs.</p> <p>September 1999 Tropical Storm Disaster - Hazard Mitigation</p> <p>-1,000 —nonrecurring State match for federally funded projects.</p> <p>August 2004 Storm Relief</p> <p>\$ -150 —nonrecurring program costs.</p>	<p>August 2004 Storm Disaster - Hazard Mitigation</p> <p>\$ 100 —State match for federally funded projects.</p> <p>August 2004 Storm Disaster - Public Assistance</p> <p>\$ 100 —State match for federally funded projects.</p> <p>September 2004 Storm Relief</p> <p>\$ -400 —nonrecurring program costs.</p> <p>September 2004 Tropical Storm Ivan - Hazard Mitigation</p> <p>\$ 1,000 —State match for federally funded projects.</p> <p>September 2004 Tropical Storm Ivan - Public Assistance</p> <p>\$ -5,000 —nonrecurring State match for federally funded projects.</p>
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Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
General Government Operations	\$ 6,882	\$ 7,122	\$ 5,838	\$ 5,838	\$ 5,838	\$ 5,838	\$ 5,838
Information Systems Management	1,027	1,163	1,151	1,151	1,151	1,151	1,151
Security	6,192	1,557	1,132	1,132	1,132	1,132	1,132
1999 Disasters - Public Assistance & Hazard Mitigation	575	0	0	0	0	0	0
September 1999 Tropical Storm Disaster-Hazard Mitigation	0	1,000	0	0	0	0	0
June 2001 Storm Disaster - Hazard Mitigation	750	0	0	0	0	0	0

Emergency Management Agency

Program: Emergency Management (continued)

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
September 2001 Disaster Relief	\$ 400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
July 2003 Storm Relief	100	0	0	0	0	0	0
September 2003 Storm Relief	100	0	0	0	0	0	0
August 2004 Storm Relief	0	250	100	100	100	100	100
August 2004 Storm Disaster - Hazard Mitigation	0	0	100	100	100	100	100
August 2004 Storm Disaster - Public Assistance	0	0	100	100	100	100	100
September 2004 Storm Relief	0	500	100	100	100	100	100
September 2004 Tropical Storm Ivan - Hazard Mitigation	0	0	1,000	1,000	1,000	1,000	1,000
September 2004 Tropical Storm Ivan - Public Assistance	0	10,000	5,000	5,000	5,000	5,000	5,000
TOTAL GENERAL FUND	\$ 16,026	\$ 21,592	\$ 14,521	\$ 14,521	\$ 14,521	\$ 14,521	\$ 14,521

Emergency Management Agency

PROGRAM OBJECTIVE: To minimize the loss of life and property due to fire by developing and maintaining Statewide municipal fire and emergency service capability.

Program: Fire Prevention and Safety

This program provides operating funds for the Fire Commissioner to coordinate and organize State-level fire safety functions, the administration and operation of the Volunteer Loan Assistance Program, and the administration and operation of the State Fire Academy that provides training classes to paid and volunteer fire personnel.

The State Fire Commissioner is responsible for coordinating Federal, State and private fire safety funds; assisting State agencies in the development of plans related to fire safety; reviewing existing or proposed rules and regulations affecting the safety of Commonwealth citizens; and providing a cost-effective fire-loss management system for the Commonwealth.

Through contacts with government agencies, the business community, consumers and the fire service, the Fire Commissioner's Office renders technical assistance; collects, reviews and disseminates pertinent information about fire death data and fire prevention and control techniques; and conducts statewide fire safety educational programs for the entire fire community.

The State Fire Academy at Lewistown is the foundation for fire training delivery. The academy provides advanced professional development for fire service officers, command personnel, instructors and other specialists engaged in fire prevention and suppression activities; offers a Firefighter Certification Program based on nationally accepted professional standards; acts as the educational hub for all other fire and emergency services training in Pennsylvania; and serves as the designated Commonwealth government center for hazardous chemical and radioactive material training, providing training for both first responders and certified county hazardous materials response teams. Fire Academy personnel work closely with the community colleges for local level course development, community college and county fire school instructor certification and delivery of local level fire training courses to over 60,000

students a year.

Another area of assistance to the fire fighting, ambulance and rescue community is the Volunteer Company Loan Assistance Program. The purpose of the program is to improve the capabilities of volunteer fire companies, ambulance services and rescue squads by offering low-interest loans (two percent per annum) for establishing or modernizing facilities to house fire fighting apparatus, purchasing new apparatus or equipment for fire fighting, communications and accessory equipment. Priority is given to replacement of outmoded or unsafe equipment and the purchase of additional equipment to meet unusual demand. Under this program, loans of \$15,000 or less are limited to five years, loans between \$15,001 and \$99,000 are limited to 10 years, and loans between \$99,001 up to the maximum of \$200,000 are limited to 15 years. Funding for the loan program is reflected in the financial statement for the Volunteer Companies Loan Fund included in the Special Funds Appendix.

Act 17 of 2003 established the Volunteer Companies Grants program. The program provides \$25 million for volunteer fire companies and ambulance services for the purpose of further supporting emergency services. Grants are awarded based on a formula which considers purchase or upgrade of safety equipment, debt reduction, and personnel certification among other factors. Fire companies are eligible for grants up to \$15,000 and ambulance services are eligible for grants up to \$10,000. In 2003, for the first time, applicants could apply electronically via the Internet. This program will be supported with gaming proceeds from Act 71 beginning in the 2005-06 fiscal year.

The Volunteer Fire and Emergency Services referendum, approved by the voters on November 5, 2002, allows incurring indebtedness up to \$100 million to support firefighting and emergency activities. Legislation would be required to establish a program.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Local fire training graduates	75,060	75,000	75,000	75,000	75,000	75,000	75,000
State Fire Academy resident training hours	32,720	33,000	33,000	33,000	33,000	33,000	33,000
Volunteer loans granted (in thousands)	\$14,371	\$18,000	\$18,000	\$18,000	\$18,500	\$19,000	\$19,500
Fire departments participating in Fire Information Reporting System	1,500	1,800	1,800	2,000	2,100	2,150	2,200

Emergency Management Agency

Program: Fire Prevention and Safety (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	GENERAL FUND:		Red Cross Extended Care Program
	State Fire Commissioner	\$	-500
\$ -41	—reduction in administrative costs.		—nonrecurring costs.
	Volunteer Company Grants		
\$ -25,000	—will be supported by the State Gaming Fund beginning in 2005-06.		

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
State Fire Commissioner	\$ 2,118	\$ 2,067	\$ 2,026	\$ 2,026	\$ 2,026	\$ 2,026	\$ 2,026
Firefighters' Memorial Flag	10	10	10	10	10	10	10
Volunteer Company Grants	25,000	25,000	0	0	0	0	0
Red Cross Extended Care Program	500	1,000	500	500	500	500	500
TOTAL GENERAL FUND	\$ 27,628	\$ 28,077	\$ 2,536	\$ 2,536	\$ 2,536	\$ 2,536	\$ 2,536



DEPARTMENT OF ENVIRONMENTAL PROTECTION

The mission of the Department of Environmental Protection is to protect Pennsylvania's air, land and water from pollution and to provide for the health and safety of its citizens through a cleaner environment. The department will work as partners with individuals, organizations, governments and businesses to prevent pollution and restore our natural resources.

Environmental Protection

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 22,171	\$ 19,325	\$ 17,962
(F)Surface Mine Conservation.....	413	413	413
(F)General Fund Share - PEBTF Contribution (EA).....	1,458	0	0
(A)Reimbursement - Laboratory Services.....	9,493	0	0
(A)Reimbursement - EDP Services.....	7,690	7,900	7,900
(A)Department Services.....	75	75	75
(A)Purchasing Card Rebate.....	10	15	15
(A)Vehicle Sales.....	15	10	10
Subtotal.....	\$ 41,325	\$ 27,738	\$ 26,375
Environmental Hearing Board.....	1,733	1,771	1,771
(F)General Fund Share - PEBTF Contribution (EA).....	15	0	0
(A)Reimbursement for Services.....	8	25	25
Subtotal.....	\$ 1,756	\$ 1,796	\$ 1,796
Cleanup of Scrap Tires.....	0	6,800	0
Environmental Program Management.....	43,679	38,294	37,049
(F)Coastal Zone Management.....	3,700	4,700	4,700
(F)Construction Management Assistance Grants - Administration.....	1,400	1,400	1,400
(F)Storm Water Permitting Initiative.....	2,300	2,300	2,300
(F)Safe Drinking Water Act - Management.....	5,500	5,500	5,500
(F)Water Pollution Control Grants - Management.....	3,300	3,500	3,500
(F)Training Reimbursement for Small Systems.....	3,500	3,500	3,500
(F)Air Pollution Control Grants - Management.....	2,400	2,400	2,400
(F)Surface Mine Conservation.....	6,500	6,500	6,500
(F)Wetland Protection Fund.....	240	240	240
(F)Diagnostic X-Ray Equipment Testing.....	340	340	340
(F)Water Quality Outreach Operator Training.....	200	200	200
(F)Water Quality Management Planning Grants.....	1,150	1,150	1,150
(F)Small Operators Assistance.....	2,000	2,000	2,000
(F)Wellhead Protection Fund.....	250	250	250
(F)Indoor Radon Abatement.....	500	500	500
(F)Non-Point Source Implementation.....	12,800	12,800	12,800
(F)Hydroelectric Power Conservation Fund.....	51	51	51
(F)Survey Studies.....	3,000	3,000	3,000
(F)National Dam Safety.....	150	150	150
(F)Great Lakes Restoration.....	1,700	1,700	1,700
(F)Abandoned Mine Reclamation (EA).....	34,000	34,000	34,000
(F)Nuclear and Chemical Security (EA).....	3,225	3,225 ^a	3,225 ^a
(F)Homeland Security Initiative (EA).....	0	500	500
(F)State Energy Program.....	4,951	4,951	4,951
(F)Pollution Prevention.....	600	600	600
(F)Heavy Duty Vehicle Program.....	200	200	200
(F)Alternative Fuels.....	175	175	175
(F)National Industrial Competitiveness.....	933	933	933
(F)Energy & Environmental Opportunities.....	1,200	1,200	1,200
(A)Payments - Department Services.....	57	100	100
(A)Vehicle Sales.....	20	20	20
(A)Clean Air Fund.....	815	0	0
(A)Clean Water Fund.....	273	0	0
(A)Reimbursement from Water Pollution Control Revolving Fund.....	185	185	185
(A)Safe Drinking Water Account.....	185	0	0
(A)Solid Waste Abatement.....	535	0	0
(A)Reimbursement - PENNVEST.....	75	75	75
(A)Safe Drinking Water Revolving Fund Administration.....	127	127	127
(R)Sewage Facilities Program Administration (EA).....	1,331	1,210	1,500
(R)Used Tire Pile Remediation (EA).....	0	15	15
Subtotal.....	\$ 143,547	\$ 137,991	\$ 137,036
Chesapeake Bay Agricultural Source Abatement.....	3,105	3,098	3,271
(F)Chesapeake Bay Pollution Abatement.....	6,200	6,200	6,200

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 9,305	\$ 9,298	\$ 9,471
Office of Pollution Prevention and Compliance Assistance.....	3,569	0	0
Subtotal.....	\$ 3,569	\$ 0	\$ 0
Environmental Protection Operations.....	76,393	85,897	87,897
(F) Training & Education of Underground Coal Miners.....	750	1,700	1,700
(F) EPA Planning Grant - Administration.....	6,800	7,800	7,800
(F) Water Pollution Control Grants.....	4,500	4,800	4,800
(F) Air Pollution Control Grants.....	2,900	2,900	2,900
(F) Surface Mine Control and Reclamation.....	7,583	7,583	7,583
(F) Construction Management Assistance Grants.....	350	350	350
(F) Safe Drinking Water.....	2,700	2,700	2,700
(F) Oil Pollution Spills Removal.....	1,000	1,000	1,000
(F) Emergency Disaster Relief (EA).....	120	120	120
(F) Technical Assistance to Small Systems (EA).....	3,263	1,000	1,000
(F) Assistance to State Programs (EA).....	2,800	3,000	3,000
(F) Local Assistance and Source Water Protection (EA).....	10,000	5,000	5,500
(A) Clean Air Fund.....	1,573	1,955	1,955
(A) Clean Water Fund.....	2,838	2,005	2,005
(A) Vehicle Sale.....	45	90	90
(A) Reimbursement from Water Pollution Control Revolving Fund.....	270	703	703
(A) Safe Drinking Water Account.....	19	200	200
(A) Solid Waste Abatement.....	0	549	549
(A) Reimbursement - PENNVEST.....	71	80	80
(A) Reimbursement - Department Services.....	69	100	100
(A) PADOT ISTEPA Program.....	350	438	438
(A) Safe Drinking Water Revolving Fund.....	0	223	223
(A) Reimbursement - Laboratory Services.....	0	9,449	9,797
(A) Lab Accreditation.....	0	190	190
Subtotal.....	\$ 124,394	\$ 139,832	\$ 142,680
Black Fly Control and Research.....	4,419	4,415	0
(A) County Contributions.....	830	800	0
Subtotal.....	\$ 5,249	\$ 5,215	\$ 0
Nutrient Management.....	0	250	0
West Nile Virus Control.....	7,430	7,418	7,473
Subtotal.....	\$ 7,430	\$ 7,668	\$ 7,473
Subtotal - State Funds.....	\$ 162,499	\$ 167,268	\$ 155,423
Subtotal - Federal Funds.....	147,117	142,531	143,031
Subtotal - Augmentations.....	25,628	25,314	24,862
Subtotal - Restricted Revenues.....	1,331	1,225	1,515
Total - General Government.....	\$ 336,575	\$ 336,338	\$ 324,831
Grants and Subsidies:			
Flood Control Projects.....	\$ 2,793	\$ 2,793	\$ 2,793
Storm Water Management.....	1,200	1,200	1,200
Sewage Facilities Planning Grants.....	1,950	1,950	1,950
Sewage Facilities Enforcement Grants.....	5,000	5,000	5,000
Safe Water.....	14,000	7,500	0
Delaware River Master.....	92	93	94
Ohio River Basin Commission.....	14	14	14
Susquehanna River Basin Commission.....	725	1,232	732
Interstate Commission on the Potomac River.....	46	46	48
Delaware River Basin Commission.....	1,132	1,382	1,132
Ohio River Valley Water Sanitation Commission.....	172	164	164
Chesapeake Bay Commission.....	265	265	265
Local Soil and Water District Assistance.....	3,100	3,550	3,100
(A) Soil and Water Assistance Augmentations.....	125	125	125
Interstate Mining Commission.....	38	38	38
Northeast-Midwest Institute.....	58	58	0

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Sea Grant Program	250	250	200
Subtotal - State Funds.....	\$ 30,835	\$ 25,535	\$ 16,730
Subtotal - Augmentations.....	125	125	125
Total - Grants and Subsidies.....	\$ 30,960	\$ 25,660	\$ 16,855
STATE FUNDS.....	\$ 193,334	\$ 192,803	\$ 172,153
FEDERAL FUNDS.....	147,117	142,531	143,031
AUGMENTATIONS.....	25,753	25,439	24,987
RESTRICTED REVENUES.....	1,331	1,225	1,515
GENERAL FUND TOTAL	\$ 367,535	\$ 361,998	\$ 341,686
<u>ENVIRONMENTAL STEWARDSHIP FUND:</u>			
<i>General Government:</i>			
Oil and Gas Well Plugging (EA).....	\$ 2,080	\$ 2,100	\$ 2,036
Abandoned Mine Reclamation and Remediation (EA).....	2,308	6,900	2,000
Total - General Government.....	\$ 4,388	\$ 9,000	\$ 4,036
<i>Grants and Subsidies:</i>			
Watershed Protection and Restoration (EA).....	\$ 31,661	\$ 21,232	\$ 34,068
Sewage and Drinking Water Grants (EA).....	4,006	4,465	4,388
(R)Green Tax Holiday (EA).....	0	0	2,600
(R)Transfer to Hazardous Sites Cleanup Fund (EA).....	0	0	19,275
(R)Transfer to Recycling Fund (EA).....	0	0	25,000
Subtotal - State Funds.....	\$ 35,667	\$ 25,697	\$ 38,456
Subtotal - Restricted Revenues.....	0	0	46,875
Total - Grants and Subsidies.....	\$ 35,667	\$ 25,697	\$ 85,331
STATE FUNDS.....	\$ 40,055	\$ 34,697	\$ 42,492
RESTRICTED REVENUES.....	0	0	46,875
ENVIRONMENTAL STEWARDSHIP FUND TOTAL	\$ 40,055	\$ 34,697	\$ 89,367
<u>MOTOR LICENSE FUND:</u>			
<i>General Government:</i>			
Dirt and Gravel Road.....	\$ 4,000	\$ 4,000	\$ 4,000
<u>OTHER FUNDS:</u>			
GENERAL FUND:			
Safe Drinking Water Account.....	\$ 351	\$ 200	\$ 400
Radiation Protection Fund.....	5,809	5,745	5,910
Clean Water Fund.....	5,995	3,600	3,600
Solid Waste Abatement Fund.....	5,940	4,000	4,000
Well Plugging Account.....	436	445	457
Abandoned Well Plugging.....	165	165	165
Orphan Well Plugging.....	594	600	600
Alternative Fuels Incentive Grants.....	6,000	6,000	6,000
Industrial Land Recycling.....	0	22	22
GENERAL FUND TOTAL.....	\$ 25,290	\$ 20,777	\$ 21,154
ACID MINE DRAINAGE ABATEMENT AND TREATMENT FUND:			
Acid Mine Drainage Abatement and Treatment (F) (EA).....	\$ 5,164	\$ 6,179	\$ 6,218

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
CLEAN AIR FUND:			
Major Emission Facilities (EA).....	\$ 26,960	\$ 25,067	\$ 25,901
Mobile and Area Facilities (EA).....	8,282	7,333	7,370
CLEAN AIR FUND TOTAL.....	\$ 35,242	\$ 32,400	\$ 33,271
COAL AND CLAY MINE SUBSIDENCE INSURANCE FUND:			
General Operations (EA).....	\$ 2,941	\$ 3,001	\$ 3,231
Payment of Claims (EA).....	2,000	2,000	2,000
COAL AND CLAY MINE SUBSIDENCE INSURANCE FUND TOTAL.....	\$ 4,941	\$ 5,001	\$ 5,231
ENERGY CONSERVATION AND ASSISTANCE FUND:			
Energy Conservation.....	\$ 38	\$ 676	\$ 500
ENVIRONMENTAL EDUCATION FUND:			
General Operations (EA).....	\$ 616	\$ 601	\$ 607
HAZARDOUS SITES CLEANUP FUND:			
General Operations (EA).....	\$ 19,056	\$ 19,056	\$ 20,707
Hazardous Sites Cleanup (EA).....	30,000	31,000	15,000
Host Municipality Grants (EA).....	750	750	150
Transfer-Industrial Sites Environmental Assessment Fund (EA).....	2,000	2,000	2,000
Small Business Pollution Prevention (EA).....	2,000	1,900	500
HAZARDOUS SITES CLEANUP FUND TOTAL.....	\$ 53,806	\$ 54,706	\$ 38,357
LOW LEVEL WASTE FUND:			
General Operations (EA).....	\$ 350	\$ 247	\$ 272
NON-COAL SURFACE MINING CONSERVATION & RECLAMATION FUND:			
General Operations (EA).....	\$ 800	\$ 800	\$ 800
NUTRIENT MANAGEMENT FUND:			
Education, Research and Technical Assistance (EA).....	\$ 1,788	\$ 2,233	\$ 2,277
RECYCLING FUND:			
Recycling Coordinator Reimbursement (EA).....	\$ 1,300	\$ 1,300	\$ 1,300
Reimbursement for Municipal Inspection (EA).....	375	375	375
Reimburse-Host Municipality Permit Applications Review (EA).....	10	10	10
Administration of Recycling Program (EA).....	1,500	1,500	1,000
County Planning Grants (EA).....	850	850	850
Municipal Recycling Grants (EA).....	39,500	39,500	56,500
Municipal Recycling Performance Program (EA).....	21,000	21,500	22,000
Public Education/Technical Assistance (EA).....	8,000	7,000	7,000
Small Business Pollution Prevention (EA).....	0	1,000	0
Transfer to Solid Waste Abatement Fund.....	0	1,000	0
Transfer to Environmental Stewardship Fund (EA).....	15,000	0	0
RECYCLING FUND TOTAL.....	\$ 87,535	\$ 74,035	\$ 89,035
REMINING ENVIRONMENTAL ENHANCEMENT FUND:			
Remining and Reclamation Incentives (EA).....	\$ 1,000	\$ 1,000	\$ 1,000
REMINING FINANCIAL ASSURANCE FUND:			
Remining Financial Assurance (EA).....	\$ 25	\$ 25	\$ 25
STORAGE TANK FUND:			
General Operations (EA).....	\$ 8,914	\$ 8,411	\$ 9,309
Underground Storage Tanks (F) (EA).....	251	251	251
Leaking Underground Storage Tanks (F) (EA).....	2,700	2,700	2,700

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Transfer to Storage Tank Loan Program.....	0 ^b	0 ^b	0 ^b
STORAGE TANK FUND TOTAL.....	\$ 11,865	\$ 11,362	\$ 12,260
SURFACE MINING CONSERVATION & RECLAMATION FUND:			
General Operations (EA).....	\$ 2,705	\$ 2,705	\$ 2,724
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND:			
Environmental Cleanup Program (EA).....	\$ 5,500	\$ 5,500	\$ 5,500
Pollution Prevention Program (EA).....	1,000	1,000	1,000
Catastrophic Release Program.....	5,500	5,500	5,500
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND TOTAL.....	\$ 12,000	\$ 12,000	\$ 12,000
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 193,334	\$ 192,803	\$ 172,153
SPECIAL FUNDS.....	44,055	38,697	46,492
FEDERAL FUNDS.....	147,117	142,531	143,031
AUGMENTATIONS.....	25,753	25,439	24,987
RESTRICTED.....	1,331	1,225	48,390
OTHER FUNDS.....	243,165	224,747	225,731
TOTAL ALL FUNDS.....	\$ 654,755	\$ 625,442	\$ 660,784

^a Recommended executive authorization from the Federal government's Emergency Response Fund. Additional revisions may occur as the Federal government provides more information on these funds.

^b Although authorized by legislation, no activity is anticipated during the year.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
ENVIRONMENTAL SUPPORT SERVICES							
GENERAL FUND.....	\$ 23,904	\$ 21,096	\$ 19,733	\$ 19,733	\$ 19,733	\$ 19,733	\$ 19,733
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,886	413	413	413	413	413	413
OTHER FUNDS.....	17,291	8,025	8,025	8,025	8,025	8,025	8,025
SUBCATEGORY TOTAL.....	\$ 43,081	\$ 29,534	\$ 28,171	\$ 28,171	\$ 28,171	\$ 28,171	\$ 28,171
ENVIRONMENTAL PROTECTION AND MANAGEMENT							
GENERAL FUND.....	\$ 169,430	\$ 171,707	\$ 152,420	\$ 152,420	\$ 152,420	\$ 152,420	\$ 152,420
SPECIAL FUNDS.....	44,055	38,697	46,492	45,910	45,910	45,910	45,910
FEDERAL FUNDS.....	145,231	142,118	142,618	142,618	142,618	142,618	142,618
OTHER FUNDS.....	252,958	243,386	291,083	317,690	302,043	285,914	275,308
SUBCATEGORY TOTAL.....	\$ 611,674	\$ 595,908	\$ 632,613	\$ 658,638	\$ 642,991	\$ 626,862	\$ 616,256
ALL PROGRAMS:							
GENERAL FUND.....	\$ 193,334	\$ 192,803	\$ 172,153	\$ 172,153	\$ 172,153	\$ 172,153	\$ 172,153
SPECIAL FUNDS.....	44,055	38,697	46,492	45,910	45,910	45,910	45,910
FEDERAL FUNDS.....	147,117	142,531	143,031	143,031	143,031	143,031	143,031
OTHER FUNDS.....	270,249	251,411	299,108	325,715	310,068	293,939	283,333
DEPARTMENT TOTAL.....	\$ 654,755	\$ 625,442	\$ 660,784	\$ 686,809	\$ 671,162	\$ 655,033	\$ 644,427

Environmental Protection

PROGRAM OBJECTIVE: To provide administrative and technical support for the Commonwealth's environmental protection programs.

Program: Environmental Support Services

This program provides the administrative and technical systems that direct and support the department's programs. It includes the executive and administrative offices, the Office of Chief Counsel, information and data processing systems, the Citizens Advisory Council, the Environmental Quality Board and the Bureau of Laboratories.

The Environmental Hearing Board's purpose is to safeguard the environmental rights of Pennsylvania's citizens through appeals of actions taken or instituted by the Department of Environmental Protection and/or the private sector. It is included here for presentation purposes.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

General Government Operations	
\$ -1,063	—reductions to administrative costs.
-300	—nonrecurring program costs.
\$ -1,363	<i>Appropriation Decrease</i>

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	22,171	19,325	17,962	17,962	17,962	17,962	17,962
Environmental Hearing Board	1,733	1,771	1,771	1,771	1,771	1,771	1,771
TOTAL GENERAL FUND	\$ 23,904	\$ 21,096	\$ 19,733	\$ 19,733	\$ 19,733	\$ 19,733	\$ 19,733

PROGRAM OBJECTIVE: To protect and improve the quality of the air, water and environment for the health and safety of the citizens of the Commonwealth, to protect the people from dangerous or unnecessary radiation from natural and man-made sources, including occupational and medical exposure and to manage water and mineral resources in a way which insures against their undue destruction and depletion while allowing economic benefits from their use.

Program: Environmental Protection and Management

This program encompasses the major program elements that help to protect the health and safety of the citizens of the Commonwealth as well as the quality of their environment. While protection of citizens and the environment is the highest priority, the Commonwealth's economic health and development are also major concerns. These activities are all associated with the department's goals for Clean Air, Clean Water, Land Protection, Community Health and Safety and Sustainable Energy.

Act 68 of 1999, the Environmental Stewardship and Watershed Protection Act, authorized the beginning of the "Growing Greener" Program. The goal of this program is to ensure citizens their rights to clean air, to pure water and to the preservation of the natural, scenic, historic and esthetic values of the environment. In the Department of Environmental Protection, a number of program elements are affected: Water Quality Protection, Water Supply Management, Regulation of Mining and Watershed Conservation. Expanded activities include the reclamation of abandoned mines, plugging of certain oil and gas wells, protection and restoration of watersheds, and improvements to drinking water and sewer systems. With the passage of Act 90 of 2002, the primary revenue source for the Environmental Stewardship Fund was restructured from a General Fund contribution to a \$4 tipping fee per ton of solid waste disposed in Pennsylvania's municipal waste landfills. The first \$50 million of revenue from the fee was deposited into the Environmental Stewardship Fund in 2002-03, with the fund receiving all revenue generated by the fee in 2003-04 and thereafter. The act provides a specific, dedicated source of funding for the Growing Greener Program and extends the \$4 tipping fee until 2012. The Growing Greener II proposal for fiscal year 2005-06 includes a new \$1.00 municipal solid waste disposal fee dedicated solely to the Environmental Stewardship Fund in order to maintain current program funding levels.

The Bureau of Laboratories provides analytical data for the department that determines and identifies pollution levels in samples from any part of the environment. Samples from streams and lakes, solid wastes, drinking water, industrial wastes and fish are analyzed for toxic chemicals. Milk, food, water and air are examined for radiation. Water from supply systems, beaches and sewage treatment plants is examined for bacteria; and homeowners' water is examined for potability. With the passage of the Environmental

Laboratory Accreditation Act (Act 90 of 2002), an accreditation program for environmental laboratories within the department was established to assure the quality of compliance data in all program areas.

Program Element: Protection of Air Quality

Emissions of air contaminants are closely monitored and controlled by the department in order to protect public health as required by the Federal Clean Air Act, the Pennsylvania Air Pollution Control Act and regulations adopted under the acts. Pollutants of primary concern include ground-level ozone, suspended particulates, sulfur and nitrogen oxides, volatile organic compounds and toxic air pollutants. Despite progress, significant challenges remain. Only 12 percent of the population of Pennsylvania lives in counties attaining the 8-hour National Ambient Air Quality Standard for ground-level ozone. Ozone is a strong irritant to the eyes and upper respiratory system. Forty-four percent of the population of Pennsylvania lives in counties attaining the National Ambient Air Quality Standard for fine particulate pollution. Small particles and toxic air pollutants they carry with them can aggravate or cause respiratory ailments.

Many of the volatile organic compounds and heavy metals resulting from industrial processes and combustion sources are toxic air pollutants. The emission of these pollutants must be controlled under Federal Maximum Achievable Control Technology requirements. In 2004, approximately 44,000 tons of toxic air pollutants were emitted statewide.

Monitoring air quality occurs at two levels. The department's 60 ambient (outside) monitors measure overall air quality in an area. Sites are chosen primarily for their proximity to populated areas in order to determine the air quality where greater numbers of people are affected. Source monitoring, by both operators and mobile teams from the department, is used to check individual sources of emissions. Certain large facilities are required to have instruments installed that continuously monitor emissions.

Permits and inspections are the primary means for ensuring that sources of emissions are designed, constructed and operated in accordance with air quality regulations. The department must approve plans for new construction or modification of existing facilities. Inspections are conducted to assure that facilities conform to approved designs and standards for operation. In addition, on-site inspections and stack tests are conducted to investigate complaints, initiate

Program: Environmental Protection and Management (continued)

enforcement actions and provide assistance during emergencies. The department uses compliance agreements and abatement orders to correct violations.

The department assists businesses with compliance with State rules for "area" sources such as auto body refinishing, and works with other State agencies, the Federal government and regional entities to obtain reductions from mobile sources of pollution.

The department reviews plans for the management and removal of asbestos in schools, regulates companies doing removal work and oversees the safe disposal of the asbestos.

The department provides multimedia assistance to businesses to promote pollution prevention and environmental management systems. These activities protect the environment and promote economic activity. In addition, the department provides a grant program that allows small businesses to hire a consultant to assess pollution prevention opportunities, and a loan program that small businesses can use for equipment that prevents pollution.

Program Element: Protection of Water Quality

The department protects public health and safety and preserves natural aquatic systems for public use in Pennsylvania's watersheds through such activities as: monitoring and assessing surface water quality, developing water quality standards, managing non-point sources of pollution, protecting coastal zone resources, and regulating mining and oil and gas development.

Water quality assessments have been conducted for 69,760 miles of streams and 343 lakes in the Commonwealth. A total of 56,600 assessed stream miles and 234 assessed lakes support the Federal "fishable/swimmable" goal and the fish and aquatic life use designated in Pennsylvania's water quality standards. Each year, approximately 100 new stream miles and 15 lakes attain assessed water quality standards, including 50 miles of streams affected by mine or oil and gas well drainage.

Water pollution sources are classified into two general categories: point and non-point sources. Point sources are those in which the polluting substances are conveyed into a body of water by a pipe or channel, such as sewage discharges, industrial waste discharges and storm or combined sewage drainage. Non-point sources are generally diffused discharges. Of the 8,385 miles identified as impaired by either point sources or non-point sources in the department's 2002 Water Quality Assessment, the broadest impacts were caused by non-point sources: abandoned mine drainage (3,129 miles) and agricultural runoff (3,116 miles).

Over four years, funding from the Growing Greener II bond will help to restore or improve approximately 1,000 acres of wetlands, install or improve 1,100 miles of riparian buffers and improve 246 miles of streams affected by abandoned mine drainage. In addition, the Agriculture, Communities

and Rural Environment (ACRE) initiative is expected to install roughly 160 miles of riparian buffers on farms in 2005-06, and increase that amount in future years.

Through its planning, permitting, surveillance, monitoring, enforcement and grant administration activities, the department carries out its duties and responsibilities for regulating water pollution control facilities and maintaining a statewide surface and groundwater quality monitoring program. The National Pollutant Discharge Elimination System (NPDES), a delegated program under the Federal Clean Water Act, requires the Commonwealth to permit and monitor point source discharges.

Under the Storm Water Management Act (Act 167 of 1978), the department ensures that municipalities develop management plans to address the quantity of, and contaminants in, stormwater runoff from development activities. Inadequate management of accelerated runoff from development increases flood flows, contributes to erosion, and impairs stream water quality. Ninety-five percent of the Commonwealth's 2,568 municipalities are designated as flood prone by the National Flood Insurance Program. The department approves approximately 100 storm water management plans each year.

The department is implementing a significant effort to bring municipalities into compliance with Federal combined sewer overflow discharge requirements. Approximately 89 percent of the Commonwealth's municipalities are in compliance with the nine minimum controls specified by the department.

Under the Sewage Facilities Act (Act 537 of 1965), the department reviews plans from each municipality to meet current and future sewage treatment needs in coordination with their land use plans. These plans are the basis for permit decisions concerning local sewage systems. The department approves about 100 sewage facilities plans each year.

The department provides technical and financial support to Pennsylvania's 66 county conservation districts, which implement several of the water quality protection programs for the department, including erosion and sedimentation control, wetlands and stream encroachments, agricultural application of sewage sludge and dirt and gravel road maintenance.

The Clean Water State Revolving Fund (CWSRF) Program provides low-interest loans to communities for construction of wastewater facilities. The department assists the Pennsylvania Infrastructure Investment Authority (PENNVEST) in implementing this program by establishing priorities for funding and managing and inspecting projects during construction. To date, more than 800 wastewater projects have been funded through the CWSRF.

Mining activities can degrade water quality through erosion and sediment runoff. The department requires applicants for mining permits to provide detailed information

Program: Environmental Protection and Management (continued)

about hydrology, geology and proposed operations, in order to demonstrate that the mining activity will not adversely impact water quality.

The department also regulates oil and gas development. Through a permitting system for drilling activity, inspection of drilling and storage sites, and monitoring and enforcement actions, the department works toward protecting the environment and balancing conflicting interests among the oil, gas and coal industries.

Program Element: Water Allocation

Under the Water Rights Act of 1939, the department protects aquatic life and downstream users by providing surface water allocation permits to water suppliers. The department has processed allocation permits for 700 water suppliers using this authority, while providing in-stream flow protection for 200 streams. Each year, the Department issues about 15-25 Water Allocation Permits, including 5-10 new water sources and 10-15 renewals or increases from existing sources. These permits, which grant water rights to public water supply agencies, contain conditions designed to ensure adequate stream flows to protect other in-stream and downstream withdrawal uses and ensure implementation of effective water conservation practices.

The department coordinates interstate management of water resources with other states through agreements covered by the Delaware River Basin Commission, the Susquehanna River Basin Commission and the Great Lakes Commission.

Program Element: Safe Waste Management

The department encourages reduction in the amount of wastes produced, promotes recycling and reuse of waste products, and protects the public by providing for safe disposal of the remainder of the waste stream. Its principal programs concern municipal waste, residual waste and hazardous waste.

Act 101 of 1988, the Municipal Waste Planning and Recycling Act, requires mandatory recycling in 408 communities. The department regulates new and existing landfills to ensure that they are designed, constructed and operated with minimal risk to nearby residents and to the environment. Communities in which landfills or waste-to-energy facilities are located have taken an active role in permitting and inspecting these facilities to assure that they are operated properly.

In 1998, Pennsylvania met the goal set by Act 101 of 1988 by recycling more than 25 percent of its municipal waste. The goal was raised to 35 percent by 2003. Act 175 of 2002 requires the department to develop a plan to assist municipalities in making recycling programs under this act financially self-sufficient. This plan was completed in 2004. Among the recommendations being implemented is creation of an independent Pennsylvania Recycling Markets Center to encourage the continued growth and economic health of Pennsylvania's recycling industries.

Residual waste is non-hazardous material from industrial, mining, commercial and other similar operations. Approximately 2.4 million tons of this material are disposed in Pennsylvania's municipal waste landfills annually. The department performs permitting, closure and ongoing monitoring of residual waste management facilities. Act 93 of 1988 established a manifest system to track infectious (hospital) wastes from generation until disposal.

The department licenses hazardous waste transporters and provides permits to waste management facilities. In addition, the department tracks the movement of hazardous waste from generation to ultimate treatment or disposal through a hazardous waste management system. An optical imaging system enables the Department of Revenue to process manifest and report data, collect fees and store optical images of documents. The Department uses this information to identify discrepancies and take enforcement actions against violators. Approximately 250,000 manifests are processed each year.

Program Element: Protection of Land

The department protects land by regulating storage tanks and active mining activities. The Storage Tank and Spill Prevention Act, Act 32 of 1989, protects health, safety and environment by preventing releases of dangerous materials from Pennsylvania's 44,000 regulated storage tanks. This is accomplished through a program of registration, permitting, compliance assistance and inspection of above ground and underground storage tanks. In addition, the department certifies storage tank installers and inspectors.

The Federal Surface Mining Conservation and Reclamation Act established a comprehensive set of performance standards for mining and reclamation of surface coal mines, underground coal mines, coal refuse disposal and coal preparation facilities. Pennsylvania is required to follow a mandatory enforcement and civil penalty program under this law, and to inspect each mining operation violator monthly until reclamation is achieved.

The department offers mine subsidence insurance to residential and small commercial property owners. This insurance program is financially self-supporting and directed by the Coal and Clay Mine Subsidence Insurance Board. The growth in the number and value of policies has steadily increased since the program's inception in 1961. Today, more than 53,000 mine subsidence insurance policies are in effect. A cash flow statement for this fund is included in the Special Funds Appendix.

Program Element: Restoration of Land

The department has several programs to protect health and the environment and promote community development by restoring sites contaminated by hazardous substances or affected by historic mining or oil and gas development. More than 15,300 sites in Pennsylvania are known to be contaminated by hazardous substances. Collectively, the

Program: Environmental Protection and Management (continued)

department completed or certified cleanups at more than 2,000 contaminated sites in 2004.

The department's Land Recycling Program, which promotes voluntary cleanups, was established by three statutes passed in 1995: Act 2, the Land Recycling and Environmental Remediation Standards Act; Act 3, the Economic Development Agency, Fiduciary and Lender Environmental Liability Act; and Act 4, the Industrial Sites Environmental Assessment Act. The program identifies risk-based standards for cleanups, simplifying the approval process and limiting future liability. In 1999, the department created the Brownfields Inventory Grant Program to encourage cleanups through grants to local government and economic development agencies for brownfields inventories. In 2004, the department completed or certified cleanups at 282 land recycling sites.

The department's Hazardous Sites Cleanup Program, authorized by the Hazardous Sites Cleanup Act (HSCA), Act 108 of 1988, provides funding to conduct cleanups where there is no known responsible party. HSCA also provides the department with enforcement authorities to force the persons who are responsible for releases of hazardous substances to conduct cleanup actions or repay cleanup funds spent by the department. HSCA funds are also used to pay Pennsylvania's share of cleanup costs for sites in the Federal Superfund program. The department is actively involved in over 94 Superfund sites and 123 State Hazardous Sites Cleanup Program sites.

Chapter 9 of HSCA established the Hazardous Sites Cleanup Fund (HSCF), which has been utilized to finance thousands of contaminated site cleanups. A portion (one-half mill) of the Capital Stock and Franchise Tax (CSFT) was deposited annually into the HSCF as the primary funding source for the program. In 1999 this tax was reduced to one-quarter mill and in 2003 the tax was diverted from the HSCF to the General Fund. Annual expenditures (\$45 million) are exceeding income (\$6 million) by \$39 million. Without action by the General Assembly, the Fund projects a \$6-14 million deficit at the end of fiscal year 2004-2005.

A plan has been developed to slow down and eventually stop all hazardous sites cleanup work at various locations within the Commonwealth if revenue does not increase. No new cleanup sites are being approved and contractors have been told to start backing out of current operations, jeopardizing 300 HSCA Fund will potentially put citizens of Pennsylvania and our environment in a critical situation.

The department's Storage Tank Cleanup Program, authorized by the Pennsylvania Storage Tank and Spill Prevention Act, Act 32 of 1989, oversees a corrective action program for regulated above and underground storage tanks. There have been more than 14,000 reported releases from storage tanks since 1989, and remedial actions have been completed at almost 10,000 of these sites. In the last several years the numbers of completed remedial actions has exceeded the number of new releases.

The department's multi-site remediation agreements ensure the investigation and cleanup of the remaining sites contaminated by hazardous materials.

The department resolves environmental degradation and health and safety problems resulting from inactive and abandoned coal mines. The Remining Operator Assistance Program (ROAP) provides assistance and funding to coal operators who mine and reclaim abandoned mine lands by paying for the cost of data collection and permit application. The department also provides direct funding from the Federal Office of Surface Mining for the reclamation of abandoned mines, abatement and treatment of acid mine drainage, control of underground mine fires and refuse bank fires, and control of surface subsidence from abandoned deep mines. In 2004, more than 2,500 acres of abandoned mine lands were reclaimed.

The Oil and Gas Act of 1984 requires oil and gas well operators to plug non-producing wells and authorizes permit fees to support the department's orphaned and abandoned well plugging program. More than 350,000 oil and gas wells have been drilled in Pennsylvania since 1859. An unplugged abandoned well can be a hazard to the health and safety of people living near it, and the environment. The department plugged 219 orphan and abandoned wells in 2003-04.

Program Element: Safe Drinking Water

The department ensures safe drinking water by regulating more than 10,000 public water systems. There are 2,200 community water systems in Pennsylvania serving 10.4 million residents, and 7,900 non-community water systems generally serving restaurants, industries, schools and motels, which must comply with standards. In 2004, approximately 95 percent of the population was served by water supply systems that meet all health-based standards. The department also provides some consultative services and inspections for the 700,000 domestic water supplies (residential wells) in Pennsylvania.

As a result of amendments to the Federal Safe Drinking Water Act in 1996, the department is giving increased emphasis to source water protection and capacity development strategies for public water systems to address technical, managerial and financial issues. Community water systems have adopted source water protection strategies covering approximately 12 percent of Pennsylvania's source water areas. The department has assessed nearly 14,000 drinking water sources that serve public water systems for susceptibility to contamination. Source water assessments support the development of local, voluntary source water protection strategies.

The amendments also placed additional emphasis on water infrastructure financing programs like the Safe Drinking Water State Revolving Fund, which is jointly administered by the department and PENNVEST. To date, more than 650 drinking water projects have been funded through this program.

Program: Environmental Protection and Management (continued)

Program Element: Radiation Protection

The department protects citizens from exposure to dangerous levels of radiation through licensing and inspection of radiation source users. This includes registering radiation-producing equipment, licensing users of radioactive materials, and inspecting facilities to assure compliance. The department inspects more than 11,000 users possessing approximately 30,000 x-ray units and over 460 users of naturally occurring and accelerator-produced radioactive material.

The department also monitors the environment for radiation, primarily in the vicinity of nuclear power plants. Samples from ambient air, milk produced on local farms, surface waters, vegetation, fish, and silt are collected and tested at regular intervals.

The department works with the Federal Nuclear Regulatory Commission (NRC) to provide routine inspection and oversight for all nuclear power generating facilities in the Commonwealth. The department also inspects decommissioning and decontamination activities as well as active sites regulated by the NRC for occupational, public, and environmental radiation exposures. Surveys and samples are taken to ensure the cleanup levels established for the site have been met.

The department provides public outreach for the measurement and remediation of naturally occurring radon gas in private dwellings, and helps to identify effective solutions. The department certifies radon testing and mitigation firms to ensure accurate test results and effective construction or remedial techniques. Approximately 23,000 buildings are discovered each year in Pennsylvania with unsafe levels of radon, and 7,500 buildings have these levels mitigated by certified installers. Up to 40 percent of the buildings in Pennsylvania may have unsafe radon levels.

The department ensures safe disposal of low-level radioactive waste (LLRW), including contaminated soils, filters, gloves and clothing from industries, hospitals and university research centers. The Appalachian Low-Level Radioactive Waste Compact Act of 1985 and the Low-Level Radioactive Waste Disposal Act of 1988 committed Pennsylvania to establish a LLRW disposal facility. The department suspended the siting process in 1998 because of the dramatic reduction in the volume of LLRW being generated in the Appalachian Compact. The department has prepared a siting re-start plan and will monitor national LLRW disposal developments to ensure adequate disposal capacity. The department will also continue to promote LLRW volume reduction during the suspension period.

Program Element: Nuisance and Vector Control

The department provides surveillance and control to reduce the threat of West Nile Virus, in cooperation with the Departments of Health and Agriculture. The department monitors mosquito populations, takes steps to control

mosquitoes that may carry the virus, and examines unknown vectors and reservoirs involved in the transmission of the virus. The department also provides information, outreach and funding to build a long-term infrastructure for county government. In 2004, 7,500 breeding areas were sprayed to control the threat of West Nile Virus.

Program Element: Emergency Preparedness and Response

The department's emergency response personnel are available whenever there is an immediate threat to public health, safety, or the environment. Each year, the department responds to more than 3,300 environmental releases. While the department's major focus is response to spills to land and water, the department also has significant involvement with air pollution incidents (either from a fire or industrial-transportation-related release) and leaking underground storage tanks. In addition, the department responds to a smaller number of incidents involving public water supply shortages or contamination, mining-related discharges, oil and gas production-related discharges and waterborne illness outbreaks. The department is developing plans to address any contingencies associated with fuel supply disruptions. In addition, the department is prepared to protect the citizens of Pennsylvania in the event of an accident involving radioactive materials at a power plant or other facility utilizing radioactive materials.

Program Element: Flood Protection and Dam Safety

The department's flood protection and stream improvement programs, in existence for over 50 years, protect lives and property through the construction of physical structures such as dams, levees, walls, channels, culverts and bank stabilization works. Major flood protection projects are generally designed to protect communities from damages during the 100-year flood event.

The department regulates dams and reservoirs under the Dam Safety and Encroachments Act of 1978. The department reviews plans and specifications in an application for a dam permit and conducts inspections of new dams under construction as well as existing dams to determine their general condition. There are approximately 3,000 dams under active regulation in the Commonwealth. Of this total, there are 900 high-hazard dams and 2,100 additional dams that require inspection and monitoring. High-hazard dams are inspected annually to assure proper operation and maintenance because of the significant threat posed by their possible failure. Each year, more than 30 high-hazard dams are upgraded or repaired. In addition, the department regulates construction and maintenance of any obstructions, encroachments and changes to the course and current of streams, as well as the related flood plains.

Program: Environmental Protection and Management (continued)

Program Element: Mine Safety

The department protects the health and safety of miners through safety programs that reduce the possibility of accidents in both surface and underground mines. Mine safety inspections include technical evaluations for explosive use, subsidence, map composition, electrical installations, cleaning plant safety, active refuse banks and safety zones. In addition, the department provides safety and emergency medical training and certifications for underground mine workers.

In the event of an emergency, the department responds in order to rescue the affected mine workers. Additionally, the department investigates all fatal and serious accidents that occur at Pennsylvania mines. A report is made outlining the cause of the accident and possible means of preventing a similar accident.

Program Element: Explosives Safety

The department regulates the use, handling and storage of explosives in mining and non-mining situations alike. The department has drafted a new statute to modernize the existing outdated statutes of 1937 and 1957. The department, the Pennsylvania State Police and the Pennsylvania Office of Homeland Security have also collaborated on regulations that will greatly enhance the security of explosives storage sites from terrorism and other threats.

The department reviews and issues approximately 1,600 licenses and permit applications for blasting activities annually. The department also conducts inspections at the sites where these activities occur. Additional training and public outreach on explosives is frequently provided. In addition, the department responds to approximately 50 incidents each year involving "orphaned" explosives that are found unsecured or improperly stored. Although blasting seldom results in damage to nearby structures, its effects, such as vibrations, often concern neighbors. The department investigates approximately 400 complaints from blasting activities annually.

Program Element: Advanced Energy Development

The department promotes renewable and advanced energy development through grants, financing and technical support for projects that simultaneously protect the environment and support Pennsylvania's economy. Program goals include greater energy security through a distributed power infrastructure as well as the retention of energy dollars in the State.

The department's Energy Harvest grant program has provided \$10 million for more than 60 advanced energy projects over the past two years. In 2004, Governor Rendell reestablished the Pennsylvania Energy Development Authority, which can provide grants, loans and loan guarantees for advanced energy projects.

Funding from the Growing Greener II bond is expected to leverage an additional ten trillion BTUs of electricity generation per year from renewable sources by 2009-10, and additional capacity from non-renewable advanced energy sources.

The department is also playing a lead role in initiatives to support Statewide net metering and interconnection, the acquisition of credit for energy efficiency and renewable energy in the State Implementation Plan and other outreach efforts to promote advanced energy development. Through the Governor's Green Government Council, the department has promoted and helped to implement the Commonwealth's 10% green electricity purchase.

The department promotes the use of coal bed methane and coal refuse, which are both advanced energy resources. Coal bed methane has long been considered a mining and safety problem but until recently it was overlooked as a resource by the oil and gas industry. The department has issued approximately 263 well permits related to coal bed methane exploration, extraction, or production. Of this total, 68 were issued in 2003-04. Coal refuse is generally reclaimed for power generation in cogeneration plants.

Program Element: Energy Conservation and Efficiency

The department provides technical support to more than 40,000 companies and other entities each year for the design and installation of technologies to promote energy conservation and efficiency. Many of these technologies originate as Federal Department of Energy Best Practices for the industrial sector. The State Energy Program (SEP) is a Federal program that provides funding to promote energy efficiency and pollution prevention. SEP activities range from a Pollution Prevention/Energy Efficiency Conference that promotes technology transfer to the Governor's Green Government Council, which commits the Commonwealth to set an example by taking the lead in reducing operating costs through energy efficiency, cleaner fleet vehicles and recycling.

Act 166 of 1992 provided for an Alternative Fuels Incentive Grant Program, funded by a portion of the Utilities Gross Receipts Tax. The department awards grants to school districts, municipal authorities and other nonprofit entities to fund a portion of the expenses to purchase or retrofit vehicles to use fuels other than gasoline as well as the equipment needed to refuel these vehicles.

During 2004, the department became a partner in the Federal Energy Star program. This program will provide technical assistance to the Commonwealth on energy efficient buildings and appliances. The department will launch a statewide initiative to benchmark the energy performance of buildings across the Commonwealth.

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Protection of Air Quality							
Percent of population in counties attaining the ambient ozone standard	12%	35%	35%	35%	69%	70%	70%
Tons of hazardous air pollutants emitted ...	44,404	44,400	44,400	44,400	41,150	41,150	41,150
Tons of emissions avoided by pollution prevention activities encouraged by the department	4,249	4,678	4,739	4,919	5,016	5,122	5,239
Protection of Water Quality							
Cumulative miles of assessed streams attaining assessed water uses**	56,600	61,880	66,100	66,355	66,670	67,505	68,940
<i>Cumulative miles of assessed streams ... attaining assessed water uses</i>	<i>56,600</i>	<i>61,880</i>	<i>66,100</i>	<i>66,220</i>	<i>66,400</i>	<i>67,100</i>	<i>68,400</i>
Cumulative miles of assessed streams	69,760	76,460	83,160	83,160	83,160	83,160	83,160
Annual miles of assessed (and reassessed)	8,919	6,700	6,700	4,000	4,000	4,000	4,000
Annual miles of stream buffers installed or improved**	500	250	500	785	785	785	785
Annual miles of stream buffers installed or improved***	500	250	660	820	1,080	1,340	1,500
<i>Annual miles of stream buffers installed or improved</i>	<i>500</i>	<i>250</i>	<i>500</i>	<i>500</i>	<i>500</i>	<i>500</i>	<i>500</i>
Acres of wetlands restored or improved**	650	500	650	650	990	990	990
<i>Acres of wetlands restored or improved ...</i>	<i>650</i>	<i>500</i>	<i>650</i>	<i>650</i>	<i>650</i>	<i>650</i>	<i>650</i>
Allocation of Water Resources							
Streams protected by in-stream flow protection requirements	192	199	206	213	220	227	234
Safe Waste Management							
Tons of municipal solid waste generated per capita	0.87	0.87	0.87	0.87	0.87	0.87	0.87
Tons of municipal solid waste recycled (millions)**	4.09	4.10	4.15	4.20	4.75	4.80	4.85
<i>Tons of municipal solid waste recycled (millions)</i>	<i>4.09</i>	<i>4.10</i>	<i>4.15</i>	<i>4.20</i>	<i>4.25</i>	<i>4.30</i>	<i>4.35</i>
Tons of municipal solid waste imported into Pennsylvania (millions)	10.56	10.60	10.60	10.60	10.60	10.60	10.60
Tons of non-wastewater residual waste generated per million dollars of Gross State Product	60	59	45	44	41	40	37
Tons of hazardous waste generated per million dollars of Gross State Product	0.74	0.72	0.70	0.68	0.65	0.64	0.60
Protection of Land							
New releases from storage tanks	407	400	400	400	400	400	400
Mine subsidence insurance policies in effect	53,487	56,160	58,960	61,910	65,010	68,260	71,670
Restoration of Land							
Cleanups completed at sites contaminated with hazardous substances**	282	300	300	300	300	300	300
<i>Cleanups completed at sites contaminated with hazardous substances</i>	<i>282</i>	<i>300</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Acres of abandoned mine land reclaimed**	2,520	2,590	2,490	3,470	3,270	3,270	3,270
<i>Acres of abandoned mine land reclaimed</i>	<i>2,520</i>	<i>2,590</i>	<i>2,490</i>	<i>2,490</i>	<i>2,290</i>	<i>2,290</i>	<i>2,290</i>
Abandoned or orphaned oil and gas wells plugged **	219	225	225	315	315	315	315
<i>Abandoned or orphaned oil and gas wells plugged</i>	<i>219</i>	<i>225</i>	<i>225</i>	<i>225</i>	<i>225</i>	<i>225</i>	<i>225</i>

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Sites contaminated by hazardous substances known by the department**	10,868	10,800	10,700	10,600	10,500	10,400	10,300
<i>Sites contaminated by hazardous substances known by the department</i>	<i>10,868</i>	<i>10,800</i>	<i>10,700</i>	<i>10,900</i>	<i>11,100</i>	<i>11,300</i>	<i>11,500</i>
Leaking storage tank sites known by the department	4,873	4,500	4,175	4,000	4,000	4,000	4,000
Acres of abandoned mine land known by the department **	39,000	39,000	39,000	39,000	38,110	37,220	36,300
<i>Acres of abandoned mine land known by the department</i>	39,000	39,000	39,000	39,000	39,000	39,000	<i>39,000</i>
Abandoned or orphaned oil and gas wells known by the department **	8,712	8,600	8,500	8,400	8,120	7,930	7,740
<i>Abandoned or orphaned oil and gas wells known by the department</i>	<i>8,712</i>	<i>8,600</i>	<i>8,500</i>	<i>8,400</i>	<i>8,300</i>	<i>8,200</i>	<i>8,100</i>
Safe Drinking Water							
Percent of population served by water supply systems that meet health-based standards	95%	95%	95%	95%	95%	95%	95%
Percent of community water system source water areas with source water protection strategies in place	12%	15%	25%	45%	65%	85%	95%
Radiation Protection							
Annual number of buildings with radon mitigated by certified installers (both residential and commercial)	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Annual number of buildings measured with unsafe radon levels (both residential and commercial)	23,056	23,000	23,000	23,000	23,000	23,000	23,000
Nuisance and Vector Control							
New human infections with West Nile Virus	250	250	250	250	250	250	250
Breeding areas treated to control West Nile Virus	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Emergency Preparedness and Response							
Percent of material contained or recovered in emergency responses	NA	75%	80%	85%	90%	90%	90%
Emergency responses to environmental releases	3,368	3,600	3,800	4,000	4,200	4,400	4,600
Flood Protection and Dam Safety							
High-hazard dams upgraded or repaired	32	35	45	45	45	45	45
Mine Safety							
Lost time accidents per 200,000 employee-hours of exposure	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Advanced Energy Development							
BTUs generated from renewable energy resources and coal-mine methane (billions)**	7,580	8,110	9,360	12,584	20,912	24,684	30,794
<i>BTUs generated from renewable energy resources and coal-mine methane (billions)</i>	<i>7,580</i>	<i>8,110</i>	<i>9,360</i>	<i>10,930</i>	<i>14,660</i>	<i>16,920</i>	<i>19,580</i>
BTUs generated from advanced non-renewable energy resources including waste coal (billions) **	64,624	70,000	75,000	81,200	89,600	139,500	139,500
<i>BTUs generated from advanced non-renewable energy resources including waste coal (billions)</i>	<i>64,624</i>	<i>70,000</i>	<i>75,000</i>	<i>80,000</i>	<i>85,000</i>	<i>90,000</i>	<i>90,000</i>

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Value of advanced energy development resulting from the department's activities (\$ thousands)**	\$4,100	\$5,200	\$5,300	\$8,700	\$15,900	\$24,000	\$24,000
<i>Value of advanced energy development resulting from the department's activities (\$ thousands)</i>	<i>\$4,100</i>	<i>\$5,200</i>	<i>\$5,300</i>	<i>\$6,000</i>	<i>\$6,000</i>	<i>\$6,000</i>	<i>\$6,000</i>
Energy Conservation and Efficiency							
BTUs of electricity consumed per dollar of Gross State Product	1,144	1,132	1,120	1,108	1,096	1,084	1,073
Number of entities provided assistance for energy efficiency	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Department-wide Totals							
Percent of facilities with no health, safety or environmental violations	90%	90%	90%	90%	91%	91%	91%
Complaints received	5,605	5,516	5,516	5,516	5,516	5,516	5,516
Permit applications or requests for authorizations processed**	23,957	23,938	23,595	23,645	23,625	23,640	23,665
<i>Permit applications or requests for authorizations processed</i>	<i>23,957</i>	<i>23,938</i>	<i>21,805</i>	<i>21,855</i>	<i>21,835</i>	<i>21,850</i>	<i>21,875</i>
Inspections completed**	100,042	100,123	100,253	99,013	97,403	97,923	99,583
<i>Inspections completed</i>	<i>100,042</i>	<i>100,123</i>	<i>98,338</i>	<i>97,098</i>	<i>95,488</i>	<i>96,008</i>	<i>97,668</i>
Enforcement matters executed**	11,597	11,208	11,095	11,000	10,930	10,855	10,805
<i>Enforcement matters executed</i>	<i>11,597</i>	<i>11,208</i>	<i>10,945</i>	<i>10,850</i>	<i>10,780</i>	<i>10,705</i>	<i>10,655</i>
Permits or authorizations required by regulated entities	199,084	197,743	195,628	193,838	192,585	191,260	190,100

** Measures show performance that would be achieved if the Administration's Growing Greener II Initiative is enacted by the General Assembly.
 *** Measures show performance that would be achieved if the Administration's ACRE Proposal is enacted by the General Assembly.

Program Recommendations: (continued)

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>\$ -6,800 Cleanup of Scrap Tires —nonrecurring projects.</p> <p>\$ -1,245 Environmental Program Management —reduction to administrative costs.</p> <p>\$ 173 Chesapeake Bay Agricultural Source Abatement —to continue current program.</p> <p>\$ 2,000 Environmental Protection Operations —to continue current program.</p> <p>\$ -7,500 Safe Water —nonrecurring safe water projects.</p> <p>\$ -4,415 Black Fly Control and Research —program elimination.</p> <p>\$ 55 West Nile Virus Control —to continue current program.</p> <p>\$ 1 Delaware River Master —to continue current level of participation.</p> <p>\$ -500 Susquehanna River Basin Commission —reduction to administrative costs.</p> <p>\$ 2 Interstate Commission on the Potomac River —to continue current level of participation.</p> <p>\$ -250 Delaware River Basin Commission —reduction to administrative costs.</p> <p>\$ -450 Local Soil and Water District Assistance —reduction to administrative costs.</p>	<p>Northeast - Midwest Institute —program elimination.</p> <p>Sea Grant Program —nonrecurring program costs.</p> <p>ENVIRONMENTAL STEWARDSHIP FUND Oil and Gas Well Plugging (EA) —nonrecurring grants related to the Growing Greener initiative.</p> <p>Abandoned Mine Reclamation and Remediation (EA) —nonrecurring grants related to the Growing Greener initiative.</p> <p>Watershed Protection and Restoration (EA) —for additional grants related to the Growing Greener initiative.</p> <p>—Initiative – Growing Greener II. To provide for additional grants through the renewal and expansion of the Growing Greener Program.</p> <p>Appropriation Increase</p> <p>Sewage and Drinking Water Grants (EA) —for additional grants related to the Growing Greener initiative.</p> <p>—Initiative – Growing Greener II. To provide for additional grants through the renewal and expansion of the Growing Greener Program.</p> <p>Appropriation Decrease</p>
	<p>\$ -58</p> <p>\$ -50</p> <p>\$ -64</p> <p>\$ -4,900</p> <p>\$ 5,767</p> <p>7,069</p> <p>\$ 12,836</p> <p>\$ -862</p> <p>785</p> <p>\$ -77</p>

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

	Environmental Stewardship Fund		Transfer to Recycling Fund (EA)
	Green Tax Holiday (EA)	\$ 25,000	—Initiative – Growing Greener II. To provide increased support for community recycling programs as part of the Growing Greener II Program.
\$ 2,600	—Initiative – Growing Greener II. To support a sales tax holiday program on the purchase of energy efficient appliances as part of the Growing Greener II Program.		

	Transfer to Hazardous Sites Cleanup Fund (EA)	
	—Initiative – Growing Greener II. To provide increased support for the cleanup of hazardous waste sites as part of the Growing Greener II Program.	This budget commits \$89,367,000 from the Environmental Stewardship Fund for environmental projects related to the Growing Greener Initiative.
\$ 19,275		Funding levels assume inclusion of the Growing Greener II Initiative.
		All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Cleanup of Scrap Tires	\$ 0	\$ 6,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Environmental Program Management	43,679	38,294	37,049	37,049	37,049	37,049	37,049
Chesapeake Bay Agricultural Source Abatement	3,105	3,098	3,271	3,271	3,271	3,271	3,271
Office of Pollution Prevention and Compliance Assistance	3,569	0	0	0	0	0	0
Environmental Protection Operations	76,393	85,897	87,897	87,897	87,897	87,897	87,897
Black Fly Control and Research	4,419	4,415	0	0	0	0	0
Nutrient Management	0	250	0	0	0	0	0
West Nile Virus Control	7,430	7,418	7,473	7,473	7,473	7,473	7,473
Flood Control Projects	2,793	2,793	2,793	2,793	2,793	2,793	2,793
Storm Water Management	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Sewage Facilities Planning Grants	1,950	1,950	1,950	1,950	1,950	1,950	1,950
Sewage Facilities Enforcement Grants	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Safe Water	14,000	7,500	0	0	0	0	0
Delaware River Master	92	93	94	94	94	94	94
Ohio River Basin Commission	14	14	14	14	14	14	14
Susquehanna River Basin Commission	725	1,232	732	732	732	732	732
Interstate Commission on the Potomac River	46	46	48	48	48	48	48
Delaware River Basin Commission	1,132	1,382	1,132	1,132	1,132	1,132	1,132
Ohio River Valley Water Sanitation Commission	172	164	164	164	164	164	164
Chesapeake Bay Commission	265	265	265	265	265	265	265
Local Soil and Water District Assistance ..	3,100	3,550	3,100	3,100	3,100	3,100	3,100
Interstate Mining Commission	38	38	38	38	38	38	38
Northeast-Midwest Institute	58	58	0	0	0	0	0
Sea Grant Program	250	250	200	200	200	200	200
TOTAL GENERAL FUND	\$ 169,430	\$ 171,707	\$ 152,420	\$ 152,420	\$ 152,420	\$ 152,420	\$ 152,420
ENVIRONMENTAL STEWARDSHIP FUND:							
Oil and Gas Well Plugging (EA)	\$ 2,080	\$ 2,100	\$ 2,036	\$ 2,007	\$ 2,007	\$ 2,007	\$ 2,007
Abandoned Mine Reclamation and Remediation (EA)	2,308	6,900	2,000	2,000	2,000	2,000	2,000
Watershed Protection and Restoration (EA)	31,661	21,232	34,068	34,068	34,068	34,068	34,068
Sewage and Drinking Water Grants (EA)	4,006	4,465	4,388	4,000	4,000	4,000	4,000
TOTAL ENVIRONMENTAL STEWARDSHIP FUND	\$ 40,055	\$ 34,697	\$ 42,492	\$ 42,075	\$ 42,075	\$ 42,075	\$ 42,075
MOTOR LICENSE FUND:							
Dirt and Gravel Road	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000



FISH AND BOAT COMMISSION

The mission of the Fish and Boat Commission is to provide fishing and boating opportunities through the protection and management of aquatic resources.

Fish and Boat Commission

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>Grants and Subsidies:</i>			
Atlantic States Marine Fisheries Commission.....	\$ 13	\$ 14	\$ 14
BOAT FUND:			
<i>General Government:</i>			
General Operations (EA).....	\$ 8,793	\$ 9,206	\$ 11,116
(F)US Coast Guard Grant - Boating Safety.....	793	2,400	1,400
(F)Sport Fish Restoration.....	732	1,144	802
(F)Boating Infrastructure Grant (BIG) Program.....	201	300	100
(F)Land and Water Conservation Fund.....	65	0	0
(F)Clean Vessels.....	66	50	50
(F)Wildlife Conservation & Restoration - Non-Game.....	0	15	0
(A)Sale of Vehicles.....	22	25	25
Subtotal - State Funds.....	\$ 8,793	\$ 9,206	\$ 11,116
Subtotal - Federal Funds.....	1,857	3,909	2,352
Subtotal - Augmentations.....	22	25	25
Total - General Government.....	\$ 10,672	\$ 13,140	\$ 13,493
STATE FUNDS.....	\$ 8,793	\$ 9,206	\$ 11,116
FEDERAL FUNDS.....	1,857	3,909	2,352
AUGMENTATIONS.....	22	25	25
BOAT FUND TOTAL.....	\$ 10,672	\$ 13,140	\$ 13,493
FISH FUND:			
<i>General Government:</i>			
General Operations (EA).....	\$ 24,801	\$ 25,710	\$ 25,570
(F)Sport Fish Restoration.....	5,319	5,148	5,530
(F)Wildlife Conservation and Restoration - Non-Game.....	95	557	254
(F)Coastal Zone Management.....	0	60	0
(F)Surface Mine Regulation.....	52	50	50
(F)NOAA.....	242	1,081	272
(F)USFWS - Partner for Fish & Wildlife.....	0	10	10
(F)State Wildlife Grant.....	0	400	410
(F)Land and Water Conservation Fund.....	68	0	0
(A)Sale of Vehicles.....	50	55	55
(A)Reimbursement - DEP/EPA Projects.....	54	63	63
(A)Reimbursement for Services - PennDOT.....	183	65	65
(A)Transportation - Endangered/Threatened Species.....	0	65	65
(A)Transportation - Environmental Assessment.....	0	30	30
(A)Purchasing Card Rebate.....	16	15	16
(A)Economic Angler Use Study - Delaware River.....	42	0	0
Subtotal - State Funds.....	\$ 24,801	\$ 25,710	\$ 25,570
Subtotal - Federal Funds.....	5,776	7,306	6,526
Subtotal - Augmentations.....	345	293	294
Total - General Government.....	\$ 30,922	\$ 33,309	\$ 32,390
STATE FUNDS.....	\$ 24,801	\$ 25,710	\$ 25,570
FEDERAL FUNDS.....	5,776	7,306	6,526
AUGMENTATIONS.....	345	293	294
FISH FUND TOTAL.....	\$ 30,922	\$ 33,309	\$ 32,390

Fish and Boat Commission

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 13	\$ 14	\$ 14
SPECIAL FUNDS.....	33,594	34,916	36,686
FEDERAL FUNDS.....	7,633	11,215	8,878
AUGMENTATIONS.....	367	318	319
TOTAL ALL FUNDS.....	\$ 41,607	\$ 46,463	\$ 45,897

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
RECREATIONAL FISHING AND BOATING							
GENERAL FUND.....	\$ 13	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14
SPECIAL FUNDS.....	33,594	34,916	36,686	39,420	40,443	41,085	41,740
FEDERAL FUNDS.....	7,633	11,215	8,878	8,878	8,878	8,878	8,878
OTHER FUNDS.....	367	318	319	319	319	319	319
SUBCATEGORY TOTAL.....	\$ 41,607	\$ 46,463	\$ 45,897	\$ 48,631	\$ 49,654	\$ 50,296	\$ 50,951
ALL PROGRAMS:							
GENERAL FUND.....	\$ 13	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14
SPECIAL FUNDS.....	33,594	34,916	36,686	39,420	40,443	41,085	41,740
FEDERAL FUNDS.....	7,633	11,215	8,878	8,878	8,878	8,878	8,878
OTHER FUNDS.....	367	318	319	319	319	319	319
DEPARTMENT TOTAL.....	\$ 41,607	\$ 46,463	\$ 45,897	\$ 48,631	\$ 49,654	\$ 50,296	\$ 50,951

Fish and Boat Commission

PROGRAM OBJECTIVE: To conserve aquatic resources including fish and wildlife populations, to provide recreational opportunities for fishing and boating on Commonwealth waters, and to promote safe recreational use of these aquatic resources.

Program: Recreational Fishing and Boating

The Fish and Boat Commission is responsible for the enforcement of the fishing and boating laws and regulations, registration of boats, the State boating and water safety education programs, and the management and promotion of recreational boating. The Boating Advisory Board, a group of knowledgeable boaters appointed by the Governor, advises the commission on boating matters.

In addition to recreational boating, the commission is responsible for recreational fishing in the Commonwealth.

This includes fish propagation, stocking, fisheries, environmental services, the cooperative nurseries program, research and fish management. The commission also provides for the development, improvement and maintenance of facilities for lake and access areas. As water quality is a major factor in aquatic recreation, the commission's goals are to protect, conserve and enhance aquatic resources by monitoring the water quality of many streams, lakes and rivers in the Commonwealth.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Fishing licenses sold	909,053	912,329	914,389	914,389	914,389	914,389	914,389
Fishing licenses sold - cost per license	\$0.49	\$0.53	\$0.54	\$0.57	\$0.58	\$0.59	\$0.60
Pounds of fish stocked in Commonwealth streams and lakes	2,069,340	2,124,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000
Pounds of fish stocked in streams and lakes-cost per pound	\$3.48	\$3.35	\$3.44	\$3.66	\$3.74	\$3.81	\$3.89
Boats registered	361,168	365,000	370,000	374,000	378,000	383,000	387,000
Warnings issued for violations of fishing and boating laws	32,556	35,000	35,000	35,000	35,000	35,000	35,000
Convictions for violations of fishing and boating laws	9,034	9,000	9,000	9,000	9,000	9,000	9,000

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

FISH FUND	
\$ 1,338	General Operations (EA)
	—for projects on marinas and other commission land and buildings.
374	—to continue current program.
-1,852	—nonrecurring projects on commission land and buildings.
\$ -140	<i>Executive Authorization Decrease</i>

BOAT FUND	
\$ 2,000	General Operations (EA)
	—Initiative – Boat Access Development and Improvement. To provide new and improved public boating access points across the Commonwealth.
508	—for projects on marinas and other commission land and buildings.
113	—to continue current program.
-711	—nonrecurring projects on commission land and buildings.
\$ 1,910	<i>Executive Authorization Increase</i>

Fish and Boat Commission

Program: Recreational Fishing and Boating (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Atlantic States Marine Fisheries Commission	\$ 13	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14
BOAT FUND:							
General Operations (EA)	\$ 8,793	\$ 9,206	\$ 11,116	\$ 11,578	\$ 11,840	\$ 12,009	\$ 12,181
FISH FUND:							
General Operations (EA)	\$ 24,801	\$ 25,710	\$ 25,570	\$ 27,842	\$ 28,603	\$ 29,076	\$ 29,559



GAME COMMISSION

The mission of the Game Commission is to protect, conserve and manage the diversity of wildlife and their habitats, provide wildlife related education and recreational opportunities for both consumptive and non-consumptive uses of wildlife, and maintain and promote Pennsylvania's hunting and trapping heritage.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GAME FUND:

General Government:

General Operations(EA)	\$ 50,557	\$ 49,936	\$ 52,653
(F)Pittman-Robinson Act Reimbursements.....	10,217	7,522	6,200
(F)Wildlife Conservation Reinvestment Act.....	0	26	0
(F)Endangered Species.....	4	20	5
(F)Surface Mine Regulatory Program.....	47	45	45
(F)Harvest Information Program.....	0	10	0
(F)USDA - Animal & Plant Health Inspection Service.....	0	54	54
(F)USDA - Credit Commodity Corporation.....	0	107	50
(F)USDA - Natural Resources Conservation Service.....	0	450	450
(F)USFWS - State Wildlife Grants.....	0	2,100	1,200
(A)Sale of Vehicles.....	171	250	150
(A)Pennsylvania Conservation Corps.....	164	200	125
(A)Donations.....	83	127	115
(A)Becoming an Outdoors Woman.....	20	40	20
(A)Wildlife Management Institute.....	0	5	1
(A)Transportation Reimbursement - Elk Lick Project.....	0	50	0
(A)Transportation Reimbursement - Animal Removal.....	132	145	145
(A)Transportation Reimbursement - Route 22 Mitigation.....	69	62	0
(A)Purchasing Card Rebate.....	26	30	25
(A)PEMA - Homeland Security Reimbursement.....	0	150	0
(R)Resident License Fee-Natural Propagation of Wildlife.....	7,847	7,500	7,500
Subtotal.....	<u>\$ 69,337</u>	<u>\$ 68,829</u>	<u>\$ 68,738</u>

Land Acquisition and Development(EA)	1,000	0	175
(F)Pittman-Robinson Act Reimbursements.....	232	0	0
(A)Land Acquisition Donations.....	3	0	2
Subtotal.....	<u>\$ 1,235</u>	<u>\$ 0</u>	<u>\$ 177</u>

Subtotal - State Funds.....	\$ 51,557	\$ 49,936	\$ 52,828
Subtotal - Federal Funds.....	10,500	10,334	8,004
Subtotal - Augmentations.....	668	1,059	583
Subtotal - Restricted Revenues.....	7,847	7,500	7,500
Total - General Government.....	<u>\$ 70,572</u>	<u>\$ 68,829</u>	<u>\$ 68,915</u>

STATE FUNDS.....	\$ 51,557	\$ 49,936	\$ 52,828
FEDERAL FUNDS.....	10,500	10,334	8,004
AUGMENTATIONS.....	668	1,059	583
RESTRICTED REVENUES.....	7,847	7,500	7,500

GAME FUND TOTAL	\$ 70,572	\$ 68,829	\$ 68,915
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Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
WILDLIFE MANAGEMENT							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	51,557	49,936	52,828	52,828	52,828	52,828	52,828
FEDERAL FUNDS.....	10,500	10,334	8,004	8,004	8,004	8,004	8,004
OTHER FUNDS.....	8,515	8,559	8,083	8,083	8,083	8,083	8,083
SUBCATEGORY TOTAL.....	\$ 70,572	\$ 68,829	\$ 68,915	\$ 68,915	\$ 68,915	\$ 68,915	\$ 68,915
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	51,557	49,936	52,828	52,828	52,828	52,828	52,828
FEDERAL FUNDS.....	10,500	10,334	8,004	8,004	8,004	8,004	8,004
OTHER FUNDS.....	8,515	8,559	8,083	8,083	8,083	8,083	8,083
DEPARTMENT TOTAL.....	\$ 70,572	\$ 68,829	\$ 68,915	\$ 68,915	\$ 68,915	\$ 68,915	\$ 68,915

PROGRAM OBJECTIVE: To establish habitats and environments which will sustain wildlife populations for recreational uses and for the perpetuation of species.

Program: Wildlife Management

The main responsibility of the Game Commission is the perpetuation of the species of wildlife found in Pennsylvania. The commission achieves its mission through wildlife research, management of game habitat, operation of programs for endangered and threatened species, and enforcement of the Game and Wildlife Code. Wildlife conservation officers enforce the provisions of the Game and Wildlife Code to protect the natural balance of the Commonwealth's wildlife population.

The primary means of ensuring the propagation and preservation of wildlife is properly managing land and game habitats. The commission currently administers over 1.4 million acres of State Game Lands and is judiciously acquiring additional lands, including critically important wetlands. The commission also administers cooperative programs to encourage good land use management and habitat improvement by private landowners. Wildlife habitat

assessment techniques are used to develop management plans. These assessments apply to all Pennsylvania State Game Lands, Farm Game Projects and other areas actively managed by the Game Commission.

All species receive mandated protection. However, those species considered game animals, such as deer, turkey and bear, receive the most attention. The number of antlerless deer licenses available for sale is based on the deer population projections. The optimal number of deer is based on acres of forested land in the Commonwealth. Hunting, while recreational in nature, is a management tool as well. Future year projection numbers indicate the number of deer that need to be harvested to sustain the population. Also protected by the commission are endangered and threatened species such as river otters, osprey, peregrine falcons, and bald and golden eagles.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Hunting licenses sold	1,018,248	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Deer taken	464,890	500,000	500,000	500,000	500,000	500,000	500,000
Arrests for violation of game laws	8,041	6,835	6,433	6,400	6,400	6,400	6,400
Development of wildlife management plans	4	6	2	2	2	2	2

Arrests for violation of game laws are expected to decrease slowly over time due to a new sliding fine structure, which became effective on February 29, 2004.

Wildlife management plans are developed jointly by the commission and interest groups to assess specific game or endangered animal species in the Commonwealth. Only a few plans are completed annually due to the amount of time required to study a specific animal population.

It is the commission's goal to have wildlife management plans for all animal species in order to enhance their respective habitats and ensure their survival.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GAME FUND		Land Acquisition and Development (EA)
General Operations (EA)	\$ 175	—land acquisition and development costs.
2,642 —to continue current program.		
421 —for program and wildlife grants.		
\$ -346 —nonrecurring operating costs for current program.		
<hr/>		
\$ 2,717 <i>Executive Authorization Increase</i>		

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GAME FUND:							
General Operations(EA)	\$ 50,557	\$ 49,936	\$ 52,653	\$ 52,653	\$ 52,653	\$ 52,653	\$ 52,653
Land Acquisition and Development(EA) ...	1,000	0	175	175	175	175	175
TOTAL GAME FUND	\$ 51,557	\$ 49,936	\$ 52,828	\$ 52,828	\$ 52,828	\$ 52,828	\$ 52,828



GAMING CONTROL BOARD

The Gaming Control Board regulates the implementation and operation of limited slot machine gaming intended to create new revenues to provide assistance to the Commonwealth's horse racing industry, provide tax relief and economic development opportunities.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
<u>GENERAL FUND:</u>			
<i>General Government:</i>			
Gaming Control Board (06/06).....	\$ 0	\$ 7,500	\$ 0
	<hr/>	<hr/>	<hr/>
<u>OTHER FUNDS:</u>			
STATE GAMING FUND:			
Local Law Enforcement Grants (EA).....	\$ 0	\$ 0	\$ 5,000
	<hr/>	<hr/>	<hr/>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 0	\$ 7,500	\$ 0
SPECIAL FUNDS.....	0	0	0
OTHER FUNDS.....	0	0	5,000
	<hr/>	<hr/>	<hr/>
TOTAL ALL FUNDS.....	\$ 0	\$ 7,500	\$ 5,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GAMING REGULATION							
GENERAL FUND.....	\$ 0	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	5,000	5,000	5,000	5,000	5,000
SUBCATEGORY TOTAL.....	\$ 0	\$ 7,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	5,000	5,000	5,000	5,000	5,000
DEPARTMENT TOTAL.....	\$ 0	\$ 7,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000

PROGRAM OBJECTIVE: To assist the Commonwealth's horse racing industry, increase economic opportunity and provide tax relief by overseeing the implementation and operation of limited slot machine gaming.

Program: Gaming Regulation

Act 71 of 2004 established the Gaming Control Board to regulate and oversee the implementation and operation of limited slot machine gaming intended to create new revenue to support the Commonwealth's horse racing industry, property tax relief, wage tax reduction in Philadelphia and economic development opportunities throughout the Commonwealth.

The Gaming Control Board consists of seven members, three gubernatorial appointees, including the chairman of the board, and four legislative appointees. The Secretary of Revenue, the Secretary of Agriculture, and the State Treasurer serve as ex officio members.

The board will oversee the licensing of fourteen gaming facilities and up to 61,000 slot machines. According to the act, the board will issue seven Category 1 licenses to applicants licensed by either the State Horse Racing Commission or the State Harness Racing Commission, five Category 2 licenses to applicants seeking to locate a gaming facility unrelated to a race track, and two Category 3 licenses to facilities in well established resort hotels having no fewer than 275 rooms.

The State Gaming Fund is established in the act to receive all license fees provided for in the act and 34 percent of the gross terminal revenue (GTR) generated by licensed gaming facilities. These proceeds will be disbursed on an annual basis as follows: \$1,500,000 or .001 percent of the GTR, whichever is greater, to the Compulsive and Problem Gambling Treatment Fund in the Department of Health, \$25,000,000 to the Volunteer Company Loans Program in the Emergency Management Agency, \$5,000,000 to the board for Local Law Enforcement Grants, and \$5,000,000

to the Department of Conservation and Natural Resources for In-Lieu-of Tax payments. The balance will be used to fund property tax relief as provided in Act 72 of 2004.

The State Gaming Fund will also receive four percent of the GTR to be distributed to counties and municipalities as specified by the act.

The Economic Development and Tourism Fund established in the act will receive five percent of the GTR for specific development projects contained in a subsequently enacted Economic Development Capital Budget. The fund will be administered by the Department of Community and Economic Development.

The Race Horse Development Fund established by the act will receive a maximum of twelve percent of the GTR generated at each licensed facility. Proceeds will be distributed to Category 1 licensees conducting live racing based on eighteen percent of the GTR of all Category 1 licensees.

The Department of Revenue is responsible for procuring and implementing a centralized computer system which will calculate the State's share of GTR on a daily basis and monitor the operation of all licensed gaming machines. Also, the Pennsylvania State Police and the Attorney General will have responsibilities under the act. The board will determine the specific activities each of the agencies will undertake.

This budget assumes seven Category 1 licenses will be issued at \$50 million per license during the 2005-06 fiscal year. Depending on the board's implementation plan, fewer or more licenses could be issued and facilities opened. The State Gaming Fund is shown in the Special Fund Appendix.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND:
Gaming Control Board (06/06)
 \$ -7,500 —nonrecurring General Fund loan to support start-up costs of the board.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Gaming Control Board (06/06)	\$ 0	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	<u>0</u>	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>



DEPARTMENT OF GENERAL SERVICES

The mission of the Department of General Services is to provide the highest quality services, support, commodities, and facilities based on customer needs to get the best value for the taxpayers' money. The department strives to improve operational efficiency, reduce costs and burdens of doing business, and expand government contracting opportunities, while ensuring integrity and accountability in operations and activities.

The Department of General Services administers the leasing, purchasing, transportation, construction, repair and maintenance services for all agencies of the Commonwealth.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 75,103^a	\$ 74,365	\$ 70,948
(F)February 2003 Disaster (EA).....	75	0	0
(F)General Fund Share - PEBTF Contribution.....	891	0	0
(A)Federal Surplus Property.....	1,002	1,347	1,381
(A)State Buildings Use.....	91	536	536
(A)Sound Equipment.....	16	38	38
(A)Employe Liability Self Insurance Program.....	134	108	108
(A)Newsroom Services.....	8	15	15
(A)Computer Services.....	89	100	100
(A)Plans Forefeiture.....	19	57	57
(A)Media Center Reimbursements.....	962	2,021	2,021
(A)Recycling Program.....	575	575	575
(A)PA Drug Reduction Property Program.....	55	0	0
(A)Law Enforcement Purchasing Program.....	5	0	0
(A)Metrology Services.....	0	105	105
(A)Capitol Police Services.....	68	56	56
(A)Centralized Procurement.....	0	0	14,100
Subtotal.....	\$ 79,093	\$ 79,323	\$ 90,040
Harristown Rental Charges.....	6,666	6,665	6,674
Utility Costs.....	13,979	15,675	16,984
Harristown Utility and Municipal Charges.....	10,463	10,469	11,351
Printing the Pennsylvania Manual (06/06).....	0	159	0
Asbestos Response.....	318	150	150
Excess Insurance Coverage.....	3,802	3,049	1,296
Capital Project Leasing.....	92	0	0
Subtotal - State Funds.....	\$ 110,423	\$ 110,532	\$ 107,403
Subtotal - Federal Funds.....	966	0	0
Subtotal - Augmentations.....	3,024	4,958	19,092
Total - General Government.....	\$ 114,413	\$ 115,490	\$ 126,495
 <i>Grants and Subsidies:</i>			
Capitol Fire Protection.....	\$ 1,020	\$ 1,020	\$ 1,020
STATE FUNDS.....	\$ 111,443	\$ 111,552	\$ 108,423
FEDERAL FUNDS.....	966	0	0
AUGMENTATIONS.....	3,024	4,958	19,092
GENERAL FUND TOTAL.....	\$ 115,433	\$ 116,510	\$ 127,515
 <u>BANKING DEPARTMENT FUND:</u>			
<i>General Government:</i>			
Harristown Rental Charges.....	\$ 139	\$ 139	\$ 141
Harristown Utility and Municipal Charges.....	199	179	213
Total - General Government.....	\$ 338	\$ 318	\$ 354
BANKING DEPARTMENT FUND TOTAL.....	\$ 338	\$ 318	\$ 354
 <u>ENVIRONMENTAL STEWARDSHIP FUND:</u>			
<i>Grants and Subsidies:</i>			
(R)Green Energy (EA).....	\$ 0	\$ 0	\$ 2,000

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
<u>MOTOR LICENSE FUND:</u>			
<i>General Government:</i>			
Harristown Rental Charges (EA).....	\$ 91	\$ 94	\$ 83
Harristown Utility and Municipal Charges (EA).....	153	166	152
	<u>244</u>	<u>260</u>	<u>235</u>
Total - General Government.....	\$ 244	\$ 260	\$ 235
<i>Grants and Subsidies:</i>			
Tort Claims Payments.....	\$ 20,000	\$ 20,000	\$ 20,000
MOTOR LICENSE FUND TOTAL.....	<u>\$ 20,244</u>	<u>\$ 20,260</u>	<u>\$ 20,235</u>
 DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 111,443	\$ 111,552	\$ 108,423
SPECIAL FUNDS.....	20,582	20,578	20,589
FEDERAL FUNDS.....	966	0	0
AUGMENTATIONS.....	3,024	4,958	19,092
RESTRICTED.....	0	0	2,000
	<u>0</u>	<u>0</u>	<u>2,000</u>
TOTAL ALL FUNDS.....	<u>\$ 136,015</u>	<u>\$ 137,088</u>	<u>\$ 150,104</u>

^a Includes \$10,937,000 actually appropriated for Capitol Police Operations.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
FACILITY, PROPERTY AND COMMODITY MANAGEMENT							
GENERAL FUND.....	\$ 111,443	\$ 111,552	\$ 108,423	\$ 108,582	\$ 108,423	\$ 108,582	\$ 108,423
SPECIAL FUNDS.....	20,582	20,578	20,589	20,589	20,589	20,589	20,589
FEDERAL FUNDS.....	966	0	0	0	0	0	0
OTHER FUNDS.....	3,024	4,958	21,092	21,092	21,092	21,092	21,092
SUBCATEGORY TOTAL.....	\$ 136,015	\$ 137,088	\$ 150,104	\$ 150,263	\$ 150,104	\$ 150,263	\$ 150,104
ALL PROGRAMS:							
GENERAL FUND.....	\$ 111,443	\$ 111,552	\$ 108,423	\$ 108,582	\$ 108,423	\$ 108,582	\$ 108,423
SPECIAL FUNDS.....	20,582	20,578	20,589	20,589	20,589	20,589	20,589
FEDERAL FUNDS.....	966	0	0	0	0	0	0
OTHER FUNDS.....	3,024	4,958	21,092	21,092	21,092	21,092	21,092
DEPARTMENT TOTAL.....	\$ 136,015	\$ 137,088	\$ 150,104	\$ 150,263	\$ 150,104	\$ 150,263	\$ 150,104

PROGRAM OBJECTIVE: To maintain the Commonwealth's real property and facilities; to provide Commonwealth agencies with quality commodities in a timely manner; and to settle tort claims in an equitable manner while reducing risks.

Program: Facility, Property and Commodity Management

This program provides for management of the 23 State-owned buildings of the Capitol complex and Harristown; five regional State office buildings in Pittsburgh, Philadelphia, Scranton, Reading and two executive residences. These facilities contain nearly 8.1 million square feet of office space, with 117 acres of related grounds, parking areas and roadways. The department also manages the acquisition and utilization of space and facilities by State agencies totaling 10.9 million square feet for 1,354 leases, with annual rental costs exceeding \$135 million and provides agencies with commodities that conform to accepted standards of quality. This program is responsible for preparing plans, designs, surveys and specifications for all State construction projects. All projects are closely monitored to ensure compliance with State laws and building codes.

Police and security services are provided within the Capitol Complex and related buildings as well as for the regional State office buildings.

Act 57 of 1998 amended Title 62, the Procurement Code, by codifying Commonwealth procurement policies and practices into a single, all-inclusive Commonwealth Procurement Code. The Procurement Code centralizes the policy-making and procurement activities for supplies, goods, commodities and services within the Department of General Services.

The strategic sourcing program aggregates the Commonwealth's market volume to leverage lower per unit prices with suppliers. This program has resulted in the aggregation of 13 new categories of goods and services which is estimated to save the Commonwealth \$130 million by the end of this fiscal year. This program has also been successful in incorporating supplier diversity to the Request for Proposal process resulting in dramatic increases in the participation of minority and women-owned business. Local governments and school districts are eligible to participate giving them the same purchasing power as the Commonwealth.

In 2003-04, Commonwealth agencies were given a goal to reduce their automotive fleets by five percent and use longer replacement cycles, which helped eliminate 660 vehicles. The fleet reduction effort reached this goal and will save taxpayers \$15 million.

The department handles tort claims, in conjunction with the Attorney General's Office, brought against the Commonwealth, its officials and employees. Act 151 of 1986 reaffirmed the Commonwealth's use of sovereign immunity as a defense against tort claims, but established criteria for limited amounts of liability in nine specific areas:

vehicle liability; medical professional liability; personal property; Commonwealth real estate; potholes and other dangerous conditions; care, custody and control of domestic animals; liquor store sales; National Guard activities; and toxoids and vaccines. The department investigates claims in the pre-litigation stage, while the Office of Attorney General defends those claims in litigation. This program is responsible for the Commonwealth's Liability Self-Insurance Programs. Claims are a result of damages incurred because of a willful act or an act of negligence by employees of departments, boards or commissions. Coverage is provided for 25,658 Commonwealth vehicles (including construction trucks and trailers) that travel 300 million miles annually. Excess liability coverage is extended for employees using personal vehicles on Commonwealth business.

This program funds the ongoing assessment of the asbestos danger in Commonwealth-owned buildings. In locations where asbestos is present, the assessment allows the hazard potential to be calculated and abatement costs estimated.

This program provides funding to purchase catastrophic property insurance on Commonwealth-owned buildings.

The department consolidated 19 Commonwealth warehouses to four to save the Commonwealth \$4 million annually. The Department will manage the consolidated warehouses, each housing a separate group of commodities, to offer more efficient service to state government agencies.

The Commonwealth Agency Recycling Office assists agencies in collecting more than 3,800 tons of paper, generating \$113,000 in revenue and saving \$190,000 in disposal costs during 2003-04. Collection of other types of recyclable materials generated additional income of \$356,000.

Commonwealth Media Services provides high quality, cost-effective, creative audio-video, photographic and media services required by State agencies. Services are available on a continuous basis in the event of emergencies. News conferencing facilities are maintained for more than 150 events at the Capitol Media Center. In addition, a full range of creative audio-video services are incorporated into the production of 200 documentary, educational, promotional, training and public service programs.

This program administers the Federal and State surplus property programs. The property is first offered to public and non-profit organizations at low cost before auctioning the property to the highest bidder in the private sector. The department has conducted online auctions with companies such as eBay and AssetAuctions. Federal surplus property

Program: Facility, Property and Commodity Management (continued)

is sold to State agencies, local municipalities, not-for-profit organizations and law enforcement entities for a nominal service charge. During 2003-04, property originally valued at \$47.3 million was distributed to eligible organizations. Through the Shelter Share Program, the bureau donated

\$700,000 in clothing, beds, blankets, and medical equipment and supplies to needy citizens. Disposal of unneeded items generated nearly \$4.32 million in revenue in 2003-04.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Commonwealth spending awarded to MBE's/WBE's	N/A	4.0%	6.0%	8.0%	10.0%	11.0%	14.0%
Enterprise-wide annual procurement related savings (in thousands)	\$88,700	\$169,800	\$200,000	\$240,000	\$280,000	\$320,000	\$350,000
Total square footage leased by Executive agencies (in thousands)	7,854	7,500	7,200	6,900	6,900	6,900	6,900
Surplus property distributed (in thousands)	\$57,458	\$45,000	\$22,440	\$20,930	\$20,930	\$20,930	\$20,930
Capital facilities projects in design and/or construction	375	375	375	375	375	375	375
Capitol projects completed within 10% of schedule date	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Value (in thousands)	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000
Tort claims filed	7,733	7,346	7,420	7,791	8,025	8,105	8,186
Tort claims closed (includes settlements, judgments and denials)	7,856	8,013	8,093	8,134	8,158	8,174	8,183
Tort claims pending	9,093	8,426	7,753	7,410	7,276	7,207	7,210
Amount of claims pending (in thousands) .	\$309,245	\$278,321	\$274,825	\$272,077	\$269,356	\$266,662	\$260,250

Enterprise-wide annual procurement, strategic sourcing and related savings has been updated to reflect actual savings and the latest evaluation of future year estimates.

Surplus property distributed increased in 2003-04 from the projection shown in last year's budget due to the continued release of large numbers of computers. This volume is anticipated to continue through 2004-05.

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>General Government Operations \$ -3,417 —to reflect reductions in administrative costs and increases in augmenting revenue.</p> <p>Harristown Rental Charges \$ 9 —increase in debt service schedule.</p> <p>Utility Costs \$ 1,309 —to reflect increased consumption and energy costs.</p> <p>Harristown Utility and Municipal Charges \$ 882 —to provide pro rata share of charges.</p> <p>Printing the Pennsylvania Manual \$ -159 —biennial cost not scheduled for budget year.</p> <p>Excess Insurance Coverage \$ -1,753 — to reflect decreased insurance premium.</p>	<p>BANKING DEPARTMENT FUND Harristown Rental Charges \$ 2 —to provide pro rata share of charges.</p> <p>Harristown Utility and Municipal Charges \$ 34 —to provide pro rata share of charges.</p> <p>ENVIRONMENTAL STEWARDSHIP FUND Green Energy (EA) \$ 2,000 — Initiative – Growing Greener II. To provide for an increase in the purchase of Green Energy derived from renewable resources as part of the Growing Greener II Program.</p> <p>MOTOR LICENSE FUND Harristown Rental Charges \$ -11 —decrease in pro rata share of charges.</p> <p>Harristown Utility and Municipal Charges \$ -14 —decrease in pro rata share of charges.</p>
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All other appropriations are recommended at the current year funding level.

General Services

Program: Facility, Property and Commodity Management (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 64,166	\$ 74,365	\$ 70,948	\$ 70,948	\$ 70,948	\$ 70,948	\$ 70,948
Capitol Police Operations	10,937	0	0	0	0	0	0
Harristown Rental Charges	6,666	6,665	6,674	6,674	6,674	6,674	6,674
Utility Costs	13,979	15,675	16,984	16,984	16,984	16,984	16,984
Harristown Utility and Municipal Charges ..	10,463	10,469	11,351	11,351	11,351	11,351	11,351
Printing the Pennsylvania Manual (06/06) ..	0	159	0	159	0	159	0
Asbestos Response	318	150	150	150	150	150	150
Excess Insurance Coverage	3,802	3,049	1,296	1,296	1,296	1,296	1,296
Capital Project Leasing	92	0	0	0	0	0	0
Capitol Fire Protection	1,020	1,020	1,020	1,020	1,020	1,020	1,020
TOTAL GENERAL FUND	\$ 111,443	\$ 111,552	\$ 108,423	\$ 108,582	\$ 108,423	\$ 108,582	\$ 108,423
BANKING DEPARTMENT FUND:							
Harristown Rental Charges	\$ 139	\$ 139	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141
Harristown Utility and Municipal Charges ..	199	179	213	213	213	213	213
TOTAL BANKING DEPARTMENT FUND	\$ 338	\$ 318	\$ 354	\$ 354	\$ 354	\$ 354	\$ 354
ENVIRONMENTAL STEWARDSHIP FUND:							
Green Energy (EA)	\$ 0	\$ 0	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
TOTAL ENVIRONMENTAL STEWARDSHIP FUND	\$ 0	\$ 0	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
MOTOR LICENSE FUND:							
Harristown Rental Charges (EA)	\$ 91	\$ 94	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83
Harristown Utility and Municipal Charges (EA)	153	166	152	152	152	152	152
Tort Claims Payments	20,000	20,000	20,000	20,000	20,000	20,000	20,000
TOTAL MOTOR LICENSE FUND	\$ 20,244	\$ 20,260	\$ 20,235	\$ 20,235	\$ 20,235	\$ 20,235	\$ 20,235



DEPARTMENT OF HEALTH

The mission of the Department of Health is identified through its slogan, "...in pursuit of good health," and all of its activities are defined by its core functions: health needs assessment, resource development, assuring access to health care, promoting health and disease prevention, assuring quality, and providing leadership in the area of health planning and policy development.

The department works in active partnership with providers and consumers of health care services to assess, analyze, and report on health threats; promote healthy behavior; reduce illness, injury, disability, and premature death; support research; and assure the quality and availability of health care services.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 25,771	\$ 27,560	\$ 26,134
(F)WIC Administration and Operation.....	12,122	12,143	13,000
(F)Health Assessment.....	411	511	455
(F)PHHSBG - Administration and Operation.....	2,925	3,167	3,167
(F)SABG - Administration and Operation.....	6,186	6,463	6,712
(F)MCHSBG - Administration and Operation.....	16,517	18,371	18,371
(F)Adult Blood Lead Epidemiology.....	43	43	43
(F)Pediatric Prehospital Emergency Care.....	224	240	166
(F)TB - Administration and Operation.....	684	770	770
(F)Trauma Planning.....	0	0	60
(F)Lead - Administration and Operation.....	1,406	1,191	800
(F)AIDS Health Education - Administration and Operation.....	3,755	4,100	3,830
(F)Community Migrant Health.....	236	327	343
(F)HIV / AIDS Surveillance.....	729	1,177	1,419
(F)HIV Care - Administration and Operation.....	1,038	1,250	1,350
(F)Crash Outcomes Data Evaluation.....	50	75	54
(F)State Incentive Grant - Administration and Operation.....	276	275	348
(F)Rural Access to Emergency Devices.....	519	504	200
(F)Cancer Prevention and Control.....	4,239	5,250	3,740
(F)Environmental Public Health Tracking.....	587	931	712
(F)Public Health Emergency Preparedness and Response (EA).....	67,902	76,216	80,750
(F)General Fund Share - PEBTF Contribution (EA).....	831	0	0
(A)Data Center Services.....	23	17	20
(A)Departmental Services.....	1	0	0
(A)Robert Wood Johnson Foundation.....	0	328	406
Subtotal.....	<u>\$ 146,475</u>	<u>\$ 160,909</u>	<u>\$ 162,850</u>
Organ Donation.....	109	109	109
Diabetes Programs.....	426	426	426
(F)Diabetes Control.....	566	608	624
Subtotal.....	<u>\$ 992</u>	<u>\$ 1,034</u>	<u>\$ 1,050</u>
Quality Assurance.....	15,367	16,590	16,057
(F)Medicare - Health Service Agency Certification.....	8,031	10,145	11,675
(F)Medicaid Certification.....	5,573	6,727	6,487
(A)Publication Fees.....	21	21	21
Subtotal.....	<u>\$ 28,992</u>	<u>\$ 33,483</u>	<u>\$ 34,240</u>
Vital Statistics.....	6,377	6,599	6,677
(F)Cooperative Health Statistics.....	1,304	1,420	1,229
(F)Health Statistics.....	52	66	56
(F)Traumatic Brain Injury.....	200	400	400
(A)Reimbursement for Microfilming.....	92	92	92
(A)Vital-Chek Surcharge.....	294	294	294
Subtotal.....	<u>\$ 8,319</u>	<u>\$ 8,871</u>	<u>\$ 8,748</u>
State Laboratory.....	4,132	4,069	4,072
(F)Clinical Laboratory Improvement.....	625	657	636
(F)Epidemiology and Laboratory Surveillance and Response.....	1,377	1,358	1,358
(F)Environmental Biomonitoring.....	234	372	0
(A)Blood Lead Testing.....	12	12	12
(A)Blood Lead Specimen Testing.....	19	19	19
(A)Erythrocyte Protoporphyrin Testing.....	7	7	7
(A)Alcohol Proficiency Testing.....	59	59	59
(A)Drug Abuse Proficiency.....	137	138	138
(A)Licensure for Clinical Laboratories.....	258	258	258
(A)Low Volume Proficiency Testing.....	107	107	107
(A)Training Course Fees.....	2	2	2
(A)Reimbursement for Food Safety Implementations.....	0	20	0
Subtotal.....	<u>\$ 6,969</u>	<u>\$ 7,078</u>	<u>\$ 6,668</u>

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
State Health Care Centers.....	21,290	21,980	22,383
(F)Disease Control Immunization.....	8,922	10,411	10,203
(F)PHHSBG - Block Program Services.....	3,679	3,679	3,679
(F)Preventive Health Special Projects.....	2,199	3,410 ^a	3,045
(F)Lake Erie Beach Monitoring.....	152	506	460
(F)Steps to a Healthier US.....	0	2,000	2,000
Subtotal.....	\$ 36,242	\$ 41,986	\$ 41,770
Sexually Transmitted Disease Screening and Treatment.....	2,195	2,195	2,195
(F)Survey and Follow-Up - Sexually Transmitted Diseases.....	3,221	3,607	3,257
Subtotal.....	\$ 5,416	\$ 5,802	\$ 5,452
Subtotal - State Funds.....	\$ 75,667	\$ 79,528	\$ 78,053
Subtotal - Federal Funds.....	156,815	178,370	181,399
Subtotal - Augmentations.....	1,032	1,374	1,435
Total - General Government.....	\$ 233,514	\$ 259,272	\$ 260,887
Grants and Subsidies:			
Newborn Screening.....	\$ 4,000	\$ 4,806^b	\$ 4,000
Primary Health Care Practitioner.....	4,630	4,630	4,630
(F)Loan Repayment Program.....	270	312	312
(F)Rural Hospital Flexibility Program.....	361	537	558
(F)Medical Assistance - Primary Health Care.....	0	800	800
Subtotal.....	\$ 5,261	\$ 6,279	\$ 6,300
Cancer Programs.....	2,085	2,085	2,085
Subtotal.....	\$ 2,085	\$ 2,085	\$ 2,085
AIDS Programs.....	6,801	7,801	6,801
(F)AIDS Health Education.....	2,020	2,121	1,793
(F)HIV Care.....	13,607	14,303	12,400
(F)Housing Opportunities for People with AIDS.....	1,655	1,765	1,771
Subtotal.....	\$ 24,083	\$ 25,990	\$ 22,765
Regional Cancer Institutes.....	2,000	2,400	2,000
Rural Cancer Outreach.....	0	200	0
School District Health Services.....	38,700	39,532	38,842
Local Health Departments.....	28,502	30,095	27,607
Local Health - Environmental.....	7,568	7,978	7,474
Maternal and Child Health.....	2,401	2,990	2,090
(F)MCH Lead Poisoning Prevention and Abatement.....	1,232	2,009	2,000
(F)MCHSBG - Program Services.....	17,665	19,109	19,109
(F)Women, Infants and Children (WIC).....	150,970	150,970	162,000
(F)Abstinence Education.....	3,572	625	0
(F)Environmental Assessment - Child Lead Poisoning.....	234	234	234
(F)Family Health Special Projects.....	125	392	245
(F)Medicaid Outreach (EA).....	10	0	0
(F)Children's Health Insurance Program (CHIP)(EA).....	10	0	0
(F)Screening Newborns.....	219	219	219
(F)Newborn Hearing Screening & Intervention.....	420	350	422
Subtotal.....	\$ 176,858	\$ 176,898	\$ 186,319
Assistance to Drug and Alcohol Programs.....	40,498	41,547	38,646
(F)SABG - Drug and Alcohol Services.....	56,510	55,203	58,328
(F)Substance Abuse Special Project Grants.....	7,446	12,053	13,167
(F)Access to Recovery.....	0	15,000	15,000
(F)DFSC - Special Programs for Student Assistance (EA).....	1,125	1,125	1,125
(F)Substance Abuse - Terrorism Disaster Response (EA).....	876	0	0
(F)DCSI - Adult Offender Treatment (EA).....	428	498	225
(A)State Stores Fund Transfer.....	1,716	1,694	1,694
(A)Community Restitution Payments.....	0	1	1

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 108,599	\$ 127,121	\$ 128,186
Tuberculosis Screening and Treatment.....	959	1,009	1,009
(F)Tuberculosis Control Program.....	165	165	165
Subtotal.....	\$ 1,124	\$ 1,174	\$ 1,174
Renal Dialysis.....	9,722	8,895	8,895
Services for Children with Special Needs.....	1,645	1,645	1,645
Adult Cystic Fibrosis.....	685	721	685
Cooley's Anemia.....	188	198	165
Arthritis Outreach and Education.....	238	412	325
Hemophilia.....	1,428	1,504	1,428
Lupus.....	200	275	238
Sickle Cell.....	1,808	1,903	1,808
Hepatitis Screening and Prevention.....	285	300	0
(F)Viral Hepatitis.....	0	530	0
Regional Poison Control Centers.....	1,225	1,250	1,066
Trauma Programs Coordination.....	285	350	318
Trauma Center Certification.....	0	100	0
Rural Trauma Preparedness and Outreach.....	0	200	0
Epilepsy Support Services.....	500	600	500
Keystone State Games.....	220	220	150
Bio-Technology Research.....	3,000	4,200	0
Tourette Syndrome.....	58	100	58
Emergency Care Research.....	1,500	1,750	0
Newborn Hearing Screening.....	435	500	265
Osteoporosis Prevention and Education.....	95	100	95
Health Research and Services.....	7,350	16,469	0
Fox Chase Institute for Cancer Research.....	776	776	388
The Wistar Institute - Research: Operation and Maintenance.....	214	214	0
The Wistar Institute - Research: AIDS Research.....	92	92	46
Central Penn Oncology Group.....	130	130	65
Lancaster - Cleft Palate Clinic.....	49	49	25
Pittsburgh - Cleft Palate Clinic.....	49	49	0
Tay Sachs Disease - Jefferson Medical College.....	49	49	25
Burn Foundation.....	418	418	209
The Children's Institute, Pittsburgh.....	781	970	391
Children's Hospital of Philadelphia.....	451	451	226
Phila. Health & Educ Corp-Pediatric Outpatient & Inpatient.....	712	712	248
Phila. Health & Educ Corp -Med-Handicapped Children's Clinic.....	149	149	52
Subtotal - State Funds.....	\$ 172,881	\$ 190,824	\$ 154,500
Subtotal - Federal Funds.....	258,920	278,320	289,873
Subtotal - Augmentations.....	1,716	1,695	1,695
Total - Grants and Subsidies.....	\$ 433,517	\$ 470,839	\$ 446,068
STATE FUNDS.....	\$ 248,548	\$ 270,352	\$ 232,553
FEDERAL FUNDS.....	415,735	456,690	471,272
AUGMENTATIONS.....	2,748	3,069	3,130
GENERAL FUND TOTAL.....	\$ 667,031	\$ 730,111	\$ 706,955
<u>TOBACCO SETTLEMENT FUND:</u>			
<i>Grants and Subsidies:</i>			
Tobacco Use Prevention and Cessation (EA).....	\$ 50,297	\$ 46,082	\$ 39,931
Health Research - Health Priorities (EA).....	77,697	69,123	0
Health Research - National Cancer Institute (EA).....	4,316	3,840	0
Health Research (EA).....	0	0	51,911
Total - Grants and Subsidies.....	\$ 132,310	\$ 119,045	\$ 91,842

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
TOBACCO SETTLEMENT FUND TOTAL	\$ 132,310	\$ 119,045	\$ 91,842
OTHER FUNDS:			
EMERGENCY MEDICAL SERVICES OPERATING FUND:			
Emergency Medical Services.....	\$ 11,102	\$ 13,033	\$ 13,033
Catastrophic Medical and Rehabilitation.....	3,000	3,000	3,000
EMERGENCY MEDICAL SERVICES OPERATING FUND TOTAL	\$ 14,102	\$ 16,033	\$ 16,033
GOV. CASEY ORGAN & TISSUE DONATION AWARENESS FUND:			
Implementation Costs (EA).....	\$ 5	\$ 5	\$ 5
Hospital and Other Medical Costs (EA).....	60	60	60
Grants to Certified Procurement Organizations (EA).....	300	300	320
Project Make-A-Choice (EA).....	90	90	179
GOV. CASEY ORGAN & TISSUE DONATION AWARENESS FUND TOTAL	\$ 455	\$ 455	\$ 564
STATE GAMING FUND:			
Transfer to the Compulsive Gambling Treatment Fund (EA).....	\$ 0	\$ 0	\$ 1,500
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 248,548	\$ 270,352	\$ 232,553
SPECIAL FUNDS.....	132,310	119,045	91,842
FEDERAL FUNDS.....	415,735	456,690	471,272
AUGMENTATIONS.....	2,748	3,069	3,130
OTHER FUNDS.....	14,557	16,488	18,097
TOTAL ALL FUNDS	\$ 813,898	\$ 865,644	\$ 816,894

^a Includes recommended supplemental appropriation of \$410,000.

^b Includes recommended supplemental appropriation of \$806,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
HEALTH SUPPORT SERVICES							
GENERAL FUND.....	\$ 45,270	\$ 48,219	\$ 46,263	\$ 46,263	\$ 46,263	\$ 46,263	\$ 46,263
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	136,520	152,263	156,446	156,446	156,446	156,446	156,446
OTHER FUNDS.....	646	988	1,049	1,049	1,049	1,049	1,049
SUBCATEGORY TOTAL.....	\$ 182,436	\$ 201,470	\$ 203,758	\$ 203,758	\$ 203,758	\$ 203,758	\$ 203,758
HEALTH RESEARCH							
GENERAL FUND.....	\$ 21,865	\$ 33,056	\$ 9,602	\$ 9,602	\$ 9,602	\$ 9,602	\$ 9,602
SPECIAL FUNDS.....	82,013	72,963	51,911	39,516	35,668	36,512	34,877
FEDERAL FUNDS.....	2,122	2,494	2,309	2,309	2,309	2,309	2,309
OTHER FUNDS.....	386	386	386	386	386	386	386
SUBCATEGORY TOTAL.....	\$ 106,386	\$ 108,899	\$ 64,208	\$ 51,813	\$ 47,965	\$ 48,809	\$ 47,174
PREVENTIVE HEALTH							
GENERAL FUND.....	\$ 120,953	\$ 127,682	\$ 120,476	\$ 120,476	\$ 120,476	\$ 120,476	\$ 120,476
SPECIAL FUNDS.....	50,297	46,082	39,931	35,565	19,815	20,285	20,515
FEDERAL FUNDS.....	210,708	217,524	224,672	224,672	224,672	224,672	224,672
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 381,958	\$ 391,288	\$ 385,079	\$ 380,713	\$ 364,963	\$ 365,433	\$ 365,663
HEALTH TREATMENT SERVICES							
GENERAL FUND.....	\$ 19,962	\$ 19,848	\$ 17,566	\$ 17,566	\$ 17,566	\$ 17,566	\$ 17,566
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	530	0	0	0	0	0
OTHER FUNDS.....	14,557	16,488	18,097	18,097	18,097	18,097	18,097
SUBCATEGORY TOTAL.....	\$ 34,519	\$ 36,866	\$ 35,663	\$ 35,663	\$ 35,663	\$ 35,663	\$ 35,663
DRUG AND ALCOHOL ABUSE PREVENTION AND TREATMENT							
GENERAL FUND.....	\$ 40,498	\$ 41,547	\$ 38,646	\$ 38,646	\$ 38,646	\$ 38,646	\$ 38,646
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	66,385	83,879	87,845	84,845	84,845	84,845	84,845
OTHER FUNDS.....	1,716	1,695	1,695	1,695	1,695	1,695	1,695
SUBCATEGORY TOTAL.....	\$ 108,599	\$ 127,121	\$ 128,186	\$ 125,186	\$ 125,186	\$ 125,186	\$ 125,186
ALL PROGRAMS:							
GENERAL FUND.....	\$ 248,548	\$ 270,352	\$ 232,553	\$ 232,553	\$ 232,553	\$ 232,553	\$ 232,553
SPECIAL FUNDS.....	132,310	119,045	91,842	75,081	55,483	56,797	55,392
FEDERAL FUNDS.....	415,735	456,690	471,272	468,272	468,272	468,272	468,272
OTHER FUNDS.....	17,305	19,557	21,227	21,227	21,227	21,227	21,227
DEPARTMENT TOTAL.....	\$ 813,898	\$ 865,644	\$ 816,894	\$ 797,133	\$ 777,535	\$ 778,849	\$ 777,444

PROGRAM OBJECTIVE: To provide effective administration and support systems through which the substantive programs of the health delivery system and the department can be achieved.

Program: Health Support Services

Health Support Services provides administrative and technical systems which support disease prevention and treatment. Also included in this program are quality assurance activities and State Laboratory facilities.

The Bureau of Health Statistics and Research is the focal point in Pennsylvania for coordinating the collection, analysis and dissemination of health statistics and information. The bureau collects statistical information on the health status of the population including leading causes of death, life expectancy and infant mortality. The bureau responds to about 3,500 requests for services each year and conducts an annual survey of all hospitals, nursing homes and ambulatory surgery centers in Pennsylvania to obtain information on health resources and health services availability, utilization, staffing and patient characteristics. The Bureau operates several Statewide data collection systems/registries, such as the Behavioral Risk Factor Surveillance System, the Statewide Immunization Registry, and the Pennsylvania Cancer Registry. Many of the bureau's publications and statistics are available through the department's website.

The Bureau of Epidemiology administers studies related to the etiology, distribution and trends of major diseases. The department provides epidemiologic assessment of health problems that include environmental occupational hazards, health risk behaviors and life styles of the general public or selected populations. The department also provides professional consultation and technical support for other agencies, county health departments and local municipalities.

The Quality Assurance program conducts surveys and inspections of health care facilities, drug and alcohol programs, and intermediate care facilities to determine compliance with State and Federal standards and regulations and as a condition of receiving Federal Medicare and Medicaid financial support. The surveys determine compliance with various standards including sanitation, fire safety, health and level of care. If deficiencies are noted, a plan for correction is required and may be submitted via a web-based system. Facilities unable or unwilling to correct deficiencies according to a plan agreeable to the department are subject to various penalties. The public web component displays completed surveys for public access.

The frequency of inspections varies by type of facility as required by either State or Federal law or regulations. Initial inspections are conducted prior to issuances of licenses. Acute care hospitals are surveyed and licensed on a two-year cycle. Nursing homes are subject to annual

inspections. Home health agencies are inspected on a flexible 12 to 36 month schedule; the frequency of inspections is based on the facility's history of compliance. Hospice agencies are inspected on-site every other year. Currently, ten percent of other outpatient facilities providing physical therapy, occupational therapy and speech therapy and rural health clinic services are inspected annually. Birth centers and pediatric extended care centers are also inspected annually. More frequent inspections are made in response to complaints or life-threatening situations.

The Bureau of Managed Care is responsible for oversight and regulation of managed care plans including health maintenance organizations (HMOs), gatekeeper preferred provider organizations (PPOs) and point of service (POS) products. It licenses new plans, ensures availability and accessibility of health services in plan "service areas" and monitors quality of care through periodic inspections and external quality reviews. It reviews and approves provider contracts and reimbursement methods. It licenses and oversees capitated dental plans (dental HMOs), traditional PPOs, nonprofit medical-surgical, vision, and dental plans (including Pennsylvania Blue Shield). Under Act 68 of 1998, the bureau certifies managed care utilization review organizations and monitors compliance with utilization review standards. The bureau also reviews complaints under Act 68 and coordinates third level grievance reviews conducted by certified external review entities.

The department operates the State Laboratory, which maintains a state of readiness to support the investigation of disease outbreaks or threats to the public health. The laboratory performs approximately 180,000 tests each year for diseases including HIV, rabies, hypothyroidism, blood lead, phenylketonuria, tuberculosis and maple syrup urine disease. The laboratory supports disease prevention through the provision of investigatory, diagnostic and confirmatory testing for both infectious and non-infectious diseases including the isolation of West Nile Virus (WNV) from mosquitoes and birds, and the provision for diagnosis of arbovirus infection (including WNV) in humans. The State Laboratory is designated by the Federal Bureau of Investigation as the primary laboratory for the detection and identification of bioterrorism agents. It establishes and monitors the performance standards for 8,000 clinical and physician office laboratories in the Commonwealth and recommends certification of clinical laboratories under the requirements of the Federal Clinical Laboratory Improvement Amendments.

Program: Health Support Services (continued)

The Federal Centers for Disease Control and Prevention (CDC) and the Health Resources and Services Administration (HRSA) have made funding available to the Department of Health to strengthen the public health infrastructure and enhance the ability to respond to terroristic biological/chemical attacks. The department created the Office of Public Health Preparedness and has developed a statewide plan for preparedness and response for terroristic events, infectious disease outbreaks, or other public health emergencies. Public health preparedness activities across the Commonwealth include upgrading infectious disease

surveillance/investigation, expanding public health laboratory capacity, enhancing communications systems, and facilitating state and regional hospital preparedness planning and response efforts. The Office of Public Health Preparedness also acts as liaison for the Pennsylvania Emergency Management Agency (PEMA), the state Office of Homeland Security, and field public health and emergency preparedness specialists. The Public Health Preparedness Office works to strengthen public health emergency preparedness and response capabilities, professional training and public education.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Health care facilities in Pennsylvania with required surveys completed:							
Hospitals (biennially)	115	115	115	115	115	115	115
Skilled and intermediate care nursing homes	735	735	735	735	735	735	735
Intermediate care facilities/MR	186	186	186	186	186	186	186
Home health agencies	364	364	364	364	364	364	364

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

General Government Operations		Quality Assurance
\$ -1,373 —reduced administrative costs.		\$ -533 —reduced administrative costs.
-53 —Initiative—Operational Efficiency. Savings from decreasing reliance on contracted staff.		
<hr/>		State Laboratory
-1,426 <i>Appropriation Decrease</i>		\$ 3 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
GENERAL FUND:							
General Government Operations	25,771	27,560	26,134	26,134	26,134	26,134	26,134
Quality Assurance	15,367	16,590	16,057	16,057	16,057	16,057	16,057
State Laboratory	4,132	4,069	4,072	4,072	4,072	4,072	4,072
TOTAL GENERAL FUND	\$ 45,270	\$ 48,219	$ 46,263	$ 46,263	$ 46,263	$ 46,263	\$ 46,263

PROGRAM OBJECTIVE: To develop better basic scientific knowledge of the nature of disease, illness and the environment which will improve the use of existing and new health resources.

Program: Health Research

The Division of Vital Records in the Bureau of Health Statistics and Research is the central repository for over 32 million records of births, deaths, and fetal deaths, which occur in the Commonwealth. Through automation of this operation, all Pennsylvania birth records from 1923 to the present are available through the department's computer system at all branch offices. The system processes more than 650,000 requests annually for certified copies of birth and death records for proof of age, citizenship, litigation and genealogy. This system assists in the detection of fraudulent record usage, child support and the report of missing children. Birth and death records are also available on microfilm for preservation and retrieval if required.

The bureau also operates the Commonwealth Universal Research Enhancement (CURE) program which was established under the Tobacco Settlement Act, Act 77 of 2001. The program provides funds to various research

institutions across the State to support basic biomedical, clinical, health service, and other health research services to improve the health of all Pennsylvania citizens. Act 77 provided that funds will be used to focus on the health research priorities established by the department in conjunction with the Health Research Advisory Committee. The Health Research Program provides health research grants to Pennsylvania-based researchers, universities, medical schools, and other institutions. Performance reviews are conducted to evaluate the effectiveness of each research project funded by a grant. During 2003-04, the Department completed interim performance reviews on the four non-formula grants initiated in June 2002 and final performance reviews for 15 grants (22 research projects) that had been completed during the prior state fiscal year. Of the four competitive grants, two received "outstanding" ratings and two received "favorable" ratings.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Vital events (births, deaths, fetal deaths) .							
Registered and processed	274,664	273,750	273,300	272,800	272,800	271,800	271,300
Percent registered and processed							
within 30 days	90%	92%	92%	94%	95%	95%	95%
Applications for certified copies of birth ...							
and death records filled	643,000	650,000	653,000	656,000	660,000	660,000	665,000
Percent of applications for certified copies							
of birth and death records filled within							
five days*	99%	99%	99%	99%	99%	99%	99%
Tobacco-funded research:							
New formula and non-formula grants							
awarded	44	44	43	21	20	19	19

* New program measure

New formula and non-formula grants formerly appeared as research insitutions receiving formula grants and competi-
tive grants awarded.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND:</p> <p>Vital Statistics \$ 78 —to continue current program.</p> <p>Regional Cancer Institutes \$ -400 —nonrecurring project.</p> <p>Bio-Technology Research \$ -4,200 —nonrecurring project.</p> <p>Emergency Care Research \$ -1,750 —nonrecurring project.</p> <p>Health Research and Services \$ -16,469 —nonrecurring project.</p>	<p>Fox Chase Institute for Cancer Research \$ -388 —funding reduction.</p> <p>The Wistar Institute - Research: Operation and Maintenance \$ -214 —funding reduction.</p> <p>The Wistar Institute - Research: AIDS Research \$ -46 —funding reduction.</p> <p>Central Penn Oncology Group \$ -65 —funding reduction.</p>
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The Diabetes Program appropriation is recommended at the current year funding level.

Program: Health Research (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

	TOBACCO SETTLEMENT FUND:		Health Research
	Health Research - Health Priorities	\$ 51,911	—funding proposed for re-distribution as outlined in the Tobacco Settlement Fund presentation in Section C.
\$ -69,123	—funding proposed for re-distribution as outlined in the Tobacco Settlement Fund presentation in Section C.		
	Health Research - National Cancer Institute		
\$ -3,840	—funding proposed for re-distribution as outlined in the Tobacco Settlement Fund presentation in Section C.		

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Diabetes Programs	\$ 426	\$ 426	\$ 426	\$ 426	\$ 426	\$ 426	\$ 426
Vital Statistics	6,377	6,599	6,677	6,677	6,677	6,677	6,677
Regional Cancer Institutes	2,000	2,400	2,000	2,000	2,000	2,000	2,000
Bio-Technology Research	3,000	4,200	0	0	0	0	0
Emergency Care Research	1,500	1,750	0	0	0	0	0
Health Research and Services	7,350	16,469	0	0	0	0	0
Fox Chase Institute for Cancer Research	776	776	388	388	388	388	388
The Wistar Institute - Research: Operation and Maintenance	214	214	0	0	0	0	0
The Wistar Institute - Research: AIDS Research	92	92	46	46	46	46	46
Central Penn Oncology Group	130	130	65	65	65	65	65
TOTAL GENERAL FUND	\$ 21,865	\$ 33,056	\$ 9,602	\$ 9,602	\$ 9,602	\$ 9,602	\$ 9,602
TOBACCO SETTLEMENT FUND:							
Health Research - Health Priorities (EA) ...	\$ 77,697	\$ 69,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Research - National Cancer Institute (EA)	4,316	3,840	0	0	0	0	0
Health Research (EA)	0	0	51,912	39,515	35,668	36,512	34,877
TOTAL TOBACCO SETTLEMENT FUND	\$ 82,013	\$ 72,963	\$ 51,911	\$ 39,516	\$ 35,668	\$ 36,512	\$ 34,877

PROGRAM OBJECTIVE: To reduce morbidity and mortality through the early detection of disease and health defects and the promotion of sound health practices and remedial care.

Program: Preventive Health

A key to the promotion of sound health practices is insuring that all Pennsylvanians are able to access a range of preventive health and early disease detection services. Outreach and education services facilitated by the Department of Health make people aware of the importance of sound health practices and the availability of services to meet their needs.

The department, through its network of six district offices, 57 State health centers, other public health clinical providers and 10 county and municipal health departments, provides a limited range of public health services. These programs include communicable disease tracking, investigation, intervention and control services, family health and chronic disease prevention, assessment and intervention services, and special environmental health services. The six county and four city health departments also provide a range of individual and environmental public health services within their jurisdictions and are funded through grants and contracts awarded by the department.

To improve the availability of health care in underserved rural and urban areas, the department has established grant programs which enhance the recruitment and retention of primary health care physicians, dentists, and other health professionals. Programs include grant awards to establish medical and dental clinics (which require matching funds), awards to increase the supply of dentists' student intern programs to provide clinic services, educational loan repayment and visa waivers for healthcare professionals practicing in designated shortage areas, and support for the stabilization of small rural hospitals.

In addition to these general activities to promote sound health practices, the department provides a variety of programs targeted to specific populations and diseases that represent significant health risks.

Program Element: Woman and Infant Programs

The department, through a maternal and child health outreach program called "Love 'em with a Checkup", addresses the problems of infant mortality and low birth weight. This outreach campaign alerts women to the importance of early prenatal care and primary care for children. It also provides information on access and appropriate use of health services including the Children's Health Insurance Program (CHIP) and Adult Basic Health Insurance.

The Genetics Program ensures access to genetic screening, education and counseling services for families. It encourages the assessment of patient genetic risks through primary health care providers and pays directly for

testing and counseling services for eligible low-income patients. The program targets education and services to underserved populations and areas of the State. The Program, in conjunction with the Women, Infants and Children (WIC) Program, supports outreach activities to promote the intake of folic acid by women of child bearing years.

The Women, Infants, and Children (WIC) Program is a Federally-funded program administered by the department. It serves pregnant, breast-feeding, and postpartum women, infants, and children up to five years of age who are at risk due to medical conditions and/or inadequate diet and low income. The program supplies supplemental foods that are rich in nutrients frequently lacking in the diets of the target population. The program ensures that WIC participants receive routine health care, and that nutrition education and counseling are made available on a regular basis. Participants are also referred to other appropriate local medical, health and social services. Program benefits promote optimal pregnancy outcome, improve participant use of pediatric and obstetrical services and enhance early interventions into potential health problems.

In order to minimize severe health risks to infants, the department conducts a Newborn Screening Program that includes testing for Phenylketonuria (PKU), Hypothyroidism, Sickle Cell Disease, Maple Syrup Urine Disease (MSUD), Congenital Adrenal Hyperplasia (CAH), and Galactosemia. The department assures appropriate follow-up services for all newborns with abnormal or inconclusive test results. In addition, these newborns and their families are linked with treatment specialists who conduct diagnostic testing and coordinate the required care. The department also distributes specialized metabolic products Statewide for children and pregnant women with PKU or MSUD to lessen the adverse effects of those conditions.

The Newborn Hearing Screening and Intervention Program seeks to ensure that all newborns are screened for hearing loss within the first 30 days, diagnosed within three months, and receive prescribed treatment or intervention services within six months of birth. The department performs follow-up and tracking of infants not passing their follow-up re-screening to assure that appropriate assessment and evaluation are completed. The Sudden Infant Death Syndrome (SIDS) Program provides supportive services to families following a sudden infant death. Education regarding SIDS is provided to health professionals and others who normally interact with families following such a death.

Program: Preventive Health: (continued)

The department facilitates a number of programs designed to help improve the health status of women. These programs include a Statewide breast and cervical cancer early detection program, an HIV and pregnancy initiative, and a sexually transmitted disease program targeted to chlamydia and gonorrhea.

The department supports a special smoking cessation program for pregnant women. This includes a promotional campaign advising health care and child care providers of the availability of self-help materials and training opportunities to help women quit smoking.

Program Element: Children's Programs

The department's Immunization Program provides immunizations to infants, children and adolescents to reduce the incidence of vaccine preventable diseases in the Commonwealth. While vaccinations are encouraged for all ages, special emphasis is placed on reaching children less than two years old. The program also coordinates the surveillance of vaccine preventable diseases, provides consultation during disease outbreaks, assesses immunization levels, conducts professional and public education programs, and initiates, processes, and evaluates the child care and school immunization reporting system. In addition, the program provides vaccine and guidance to school districts for the provision of hepatitis B, measles/mumps/rubella and varicella immunizations for school students. The department also promotes appropriate adult immunization services. These services range from assuring that older citizens and others with chronic illnesses are given priority in accessing annual influenza and pneumococcal immunizations to providing information to fire companies, school districts, ambulance corps, correction officials, State Police and other public organizations with regard to the purchase of hepatitis B vaccine at reduced rates.

The health hazards of environmental lead are addressed through the department's Childhood Lead Poisoning Prevention Program. The program identifies children with, or at risk for, lead poisoning. It assures timely medical follow-up, environmental investigation and reduction of lead hazards in order to prevent adverse effects on intellectual functioning, behavior and overall health status attributable to lead exposure. Appropriate educational, medical and environmental follow-up is provided for the family of each child with a positive screening test result.

The School Health Program supports health services for all children who are attending elementary or secondary school, either public or private. The program reimburses 501 school districts and ten vocational technical schools for a portion of the costs associated with providing school nursing and dental services.

Program Element: Other Health Promotion and Disease and Injury Prevention Programs

The department ensures that all residents of the

Commonwealth are served through an infectious disease epidemiological surveillance, investigation and control system. Reported cases of infectious diseases are investigated by the department to determine the infection source, transmission mode and control measures to prevent additional cases. The agency also provides a secure, confidential Statewide disease surveillance system. This computerized system compares incidence and prevalence rates and identifies risk factors. Disease trends are determined and corrective action recommended to abate or ameliorate public health risks. Diseases investigated range from giardiasis, hepatitis, salmonellosis, shigellosis, rabies and Lyme disease, to tuberculosis, AIDS, and the other prevalent sexually transmitted diseases.

Chronic disease control and injury prevention programs are increasing in light of the fact that chronic diseases and injuries and their associated risk factors are the leading causes of preventable morbidity and premature mortality within the Commonwealth.

The Cardiovascular Health Program promotes healthy active lifestyles through systems, policies and environmental changes. These changes support the development of positive individual behaviors to reduce and control diabetes, hypertension and prevent heart disease and stroke. The Cancer Prevention and Control Program focuses on encouraging lifestyle changes to prevent the development of cancer and to support research, routine testing, screening, and early interventions to improve the chance of survival for those who have cancer.

The Injury Prevention Program is designed to reduce the incidence of unintentional injuries, violence, and injury-related fatalities through the development of surveillance systems, education programs for at-risk populations and training of health professionals. The department provides funding to ten county and municipal health departments and other providers to raise public awareness of childhood injuries, educate parents and caregivers about safer environments for children, and provide prevention programs on fire safety, poisoning, bicycle safety, falls, firearms storage, drowning, and violence prevention.

The Asthma Program provides education and information to persons with asthma, caregivers and health professionals that support the identification of triggers and self-management of asthma.

The department's Acquired Immune Deficiency Syndrome (AIDS) programs are a coordinated strategy to prevent and change high-risk behaviors and provide resources and direction for sustaining preventive behavior and avoiding infection with the Human Immunodeficiency Virus (HIV). Emphasis is placed on enhancing local decision-making processes and targeting activities to local needs through seven regional planning coalitions, county/municipal health departments, and other providers. The program includes on-site training, both print and electronic

Program: Preventive Health: (continued)

public information services, community intervention projects for at-risk populations, and the provision of care, case management and supportive services for persons infected and affected by HIV/AIDS. Confidential and anonymous HIV testing and partner notification services are also provided at over 500 sites Statewide.

The goal of the Sexually Transmitted Disease (STD) Program is to reduce the incidence of syphilis, gonorrhea, chlamydia and other STDs. The STD Program supports a Statewide network of clinical service sites that offer testing, treatment and risk-reduction information, and conduct contact elicitation interviews and related investigative services. Special attention and follow-up is accorded to those age 15 and under who have an STD or who are sexual partners of persons who have an STD, and, in order to prevent medical complications among newborns, to pregnant women who have an STD or who are a sexual partner of persons who have an STD.

The Tuberculosis Control Program provides outpatient examination, diagnosis and appropriate treatment for persons with tuberculosis disease and infection. Key to preventing the spread of the disease is contact examination and treatment of latent tuberculosis infection in close contacts of infectious cases or other high-risk people.

The Oral Health Program assesses the status of the oral health of Pennsylvanians, and plans and implements strategies and programs to improve oral health. The program provides oral and dental health educational material primarily in schools and county health offices that are designed to encourage the prevention of tooth decay, periodontal (gum) disease and other oral diseases. The program also promotes the beneficial health effects of fluoridation of public water systems.

The department maintains a Statewide cancer registry to provide important information to better understand and address the cancer burden within the Commonwealth. Data describing the occurrence of cancer, types of cancer, extent

of disease at the time of diagnosis, treatment and demographics are included in the registry database. Information derived through the cancer registry is used for planning and evaluating cancer control programs including cancer prevention and early detection, cancer research, surveillance, and special studies.

The department seeks to control the epidemic of disease, disability, and death related to the use of tobacco products by Pennsylvania residents. The goals of the agency are to change community norms through State-advised, community-driven systems that create environments where it is uncommon to see, use, and be negatively impacted by tobacco products and tobacco smoke pollution; and to reduce the consumption of tobacco to less than 12% by the year 2010.

Act 77 of 2001 established the Tobacco Settlement Fund and programs to improve the health of Pennsylvanians through research, and tobacco prevention and cessation programs. Grants are used to establish a Statewide comprehensive tobacco use prevention and cessation program consistent with best practices as defined by the Federal Centers for Disease Control and Prevention's Best Practices for Comprehensive Tobacco Control Programs. These include community programs to reduce tobacco use, chronic disease programs to reduce the burden of tobacco related diseases, school programs, enforcement, Statewide programs, counter marketing, cessation programs, surveillance and evaluation, and administration and management. Those contractors also survey establishments to determine compliance with the Clean Indoor Air Law and encourage them to become smoke free. Seventy percent of the funds go to "primary contractors" (lead agencies) at the local level to develop, implement and monitor programs in all 67 counties. Thirty percent of the funds go towards programs administered at the State level.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Women and children's programs:							
Percent of babies born with low birth weight	8.0%	8.0%	8.0%	8.0%	8.1%	8.1%	8.1%
Percent of women receiving prenatal care within the first trimester*	84.6%	85.0%	86.0%	87.0%	88.0%	89.0%	90.0%
Percent of WIC infants who are breastfed*	40.0%	42.0%	44.0%	48.0%	50.0%	50.0%	50.0%
Average number of persons participating in women, infants and children (WIC) programs each month	245,000	245,000	245,000	245,000	245,000	245,000	245,000

* New program measure

Program: Preventive Health: (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Other communicable disease programs and incidences reported:							
HIV tests at publicly-funded sites	50,079	53,000	53,250	53,500	53,750	54,000	54,250
Percent of clients testing positive for HIV at department-supported HIV counseling & testing sites and testing sites returning for results*	93.0%	93.0%	94.0%	95.0%	95.0%	95.0%	95.0%
Percentage of persons screened found with gonorrhea	1.6%	1.4%	1.4%	1.4%	1.4%	1.2%	1.1%
Gonorrhea	6,431	6,421	6,415	6,331	6,280	6,100	6,000
Infectious Syphilis	57	60	63	66	70	74	78
Tuberculosis (per 100,000 in population) ..	2.7	2.5	2.3	2.0	1.8	1.6	1.4
Primary care physicians receiving loan repayment forgiveness	100	100	100	100	100	100	100
Percent of primary care practitioners receiving loan repayment forgiveness remaining in practice in Pennsylvania*	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Percent of cancer abstracts processed within 24 months of diagnosis*	97.0%	98.0%	98.0%	98.0%	99.0%	99.0%	99.0%
Tobacco Prevention and Cessation							
Calls to PA Free Quitline	12,218	15,000	17,000	19,000	21,000	22,000	22,000
Percentage of adults who smoke	26.0%	25.0%	24.0%	23.0%	21.8%	20.5%	20.5%
Percentage of high school students who smoke	23.1%	22.0%	21.0%	20.0%	19.0%	18.0%	18.0%

Incidences of gonorrhea and syphilis decrease and the percentage of persons screened found with gonorrhea increase from the projections shown in last year's budget based on updated data and as a result of figures being exclusive of Philadelphia which is a separately, Federally funded project area and not yet a participant in the PA-NEDSS data collection system.

Cancer abstracts received has been replaced with percent of cancer abstracts processed within 24 months of diagnosis.

* New program measure

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND:</p> <p>State Health Care Centers \$ 403 —to continue current program.</p> <p>Newborn Screening \$ -806 —nonrecurring program cost.</p> <p>AIDS Programs \$ -1,000 —nonrecurring project.</p> <p>Rural Cancer Outreach \$ -200 —nonrecurring project.</p> <p>School District Health Services \$ -690 —based on normal fluctuations in attendance and audit payments.</p> <p>Local Health Departments \$ -2,488 —decreased costs based on current population and local budget projections.</p>	<p>Local Health - Environmental \$ -504 —decreased costs based on current population and local budget projections.</p> <p>Maternal and Child Health \$ -900 —nonrecurring program cost.</p> <p>Arthritis Outreach and Education \$ -87 —nonrecurring project.</p> <p>Hepatitis Screening and Prevention \$ -300 —nonrecurring program cost.</p> <p>Rural Trauma Preparedness and Outreach \$ -200 —nonrecurring project.</p> <p>Epilepsy Support Services \$ -100 —nonrecurring project.</p>
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Program: Preventive Health: (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

\$	-70	Keystone State Games —program reduction.			
\$	-235	Newborn Hearing Screening —nonrecurring program cost.		\$ -6,151	TOBACCO SETTLEMENT FUND: Tobacco Use Prevention and Cessation —funding proposed for re-distribution as outlined in the Tobacco Settlement Fund presentation in Section C.
\$	-5	Osteoporosis Prevention and Education —nonrecurring project.			
\$	-24	Tay Sachs Disease - Jefferson Medical College —program reduction.			

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
State Health Care Centers	\$ 21,290	\$ 21,980	\$ 22,383	\$ 22,383	\$ 22,383	\$ 22,383	\$ 22,383
Sexually Transmitted Disease Screening and Treatment	2,195	2,195	2,195	2,195	2,195	2,195	2,195
Newborn Screening	4,000	4,806	4,000	4,000	4,000	4,000	4,000
Primary Health Care Practitioner	4,630	4,630	4,630	4,630	4,630	4,630	4,630
Cancer Programs	2,085	2,085	2,085	2,085	2,085	2,085	2,085
AIDS Programs	6,801	7,801	6,801	6,801	6,801	6,801	6,801
Rural Cancer Outreach	0	200	0	0	0	0	0
School District Health Services	38,700	39,532	38,842	38,842	38,842	38,842	38,842
Local Health Departments	28,502	30,095	27,607	27,607	27,607	27,607	27,607
Local Health - Environmental	7,568	7,978	7,474	7,474	7,474	7,474	7,474
Maternal and Child Health	2,401	2,990	2,090	2,090	2,090	2,090	2,090
Tuberculosis Screening and Treatment ...	959	1,009	1,009	1,009	1,009	1,009	1,009
Arthritis Outreach and Education	238	412	325	325	325	325	325
Hepatitis Screening and Prevention	285	300	0	0	0	0	0
Rural Trauma Preparedness and Outreach	0	200	0	0	0	0	0
Epilepsy Support Services	500	600	500	500	500	500	500
Keystone State Games	220	220	150	150	150	150	150
Newborn Hearing Screening	435	500	265	265	265	265	265
Osteoporosis Prevention and Education ..	95	100	95	95	95	95	95
Tay Sachs Disease - Jefferson Medical College	49	49	25	25	25	25	25
TOTAL GENERAL FUND	\$ 120,953	\$ 127,682	\$ 120,476	\$ 120,476	\$ 120,476	\$ 120,476	\$ 120,476
 TOBACCO SETTLEMENT FUND:							
Tobacco Use Prevention and Cessation (EA)	\$ 50,297	\$ 46,082	\$ 39,931	\$ 35,565	\$ 19,815	\$ 20,285	\$ 20,515

PROGRAM OBJECTIVE: To maximize the individual's capacity for independent living through the provision of an array of service and support programs.

Program: Health Treatment Services

The department has the responsibility of coordinating a variety of specialized medical services for Commonwealth patients. The department also pays for these services in cases where all other available resources, including Medical Assistance and the Children's Health Insurance Program (CHIP), have been utilized.

Program Element: Inpatient Services

One of the principal concerns of patient management is to provide treatment services at the least expensive level of care while remaining consistent with standards of good medical practice. Inpatient hospital and nursing care is provided for only the most acute medical conditions that require the facilities and services available in an inpatient setting. Because inpatient care is very expensive, programs providing this type of care have imposed strict controls on admissions and, where possible, are using outpatient services in lieu of hospital admissions. Inpatient care is provided for the treatment of tuberculosis, cleft palate, cystic fibrosis, spina bifida, children's cardiac conditions, speech and hearing problems, and orthopedic conditions.

Program Element: Outpatient Services

Outpatient treatment services are more economical and cost-effective than inpatient care and are utilized whenever possible to provide needed treatment services for chronic diseases (including respiratory), physical rehabilitation and reconstruction, catastrophic blood disorders and acute conditions.

Clinical services are offered in a variety of settings, including State and community health centers, family planning clinics and practicing physicians' offices. Minors may seek and receive care under the treatment of minors provisions of the Disease Prevention and Control Law.

The Bureau of Family Health facilitates connections to service for children with special needs through its Special Kids Network (SKN). SKN provides families and health care providers with information and referral to services, community systems development activities, as well as an on-line searchable database of resources. SKN is one of the information and referral helplines which constitute the department's new Health and Human Services Call Center. The information and referral specialists who respond to calls to the SKN helpline are able to provide callers with access to more than 10,000 local, regional, and Statewide resources that serve children with special healthcare needs. Community systems development services provide community/population based and family focused services for individuals with special needs and their families by

participating in and facilitating activities such as community development, coalition building, and project development and evaluation. The community systems development activities remain within local communities and are coordinated by six regional office grantees. A family consultant is located in each of Pennsylvania's four tertiary children's hospitals to assist and advocate for families as they access services. This consultant links families to the SKN for information and referral to local services.

The Comprehensive Specialty Care programs provide children and adults with a variety of services including diagnosis, direct medical care, case management, comprehensive evaluations, rehabilitative services including, pharmaceuticals, and blood products for certain health conditions. In a joint effort to improve utilization of State funds, individuals who appear to be eligible for Medical Assistance and CHIP are referred to the appropriate program.

Medical payment services are available for the following conditions: cardiac, child rehabilitation, cleft palate, hearing and speech impairment, orthopedic, ventilator dependency, cystic fibrosis, spina bifida and hemophilia.

The home ventilator program provides Statewide case management and support services to children with chronic respiratory failure who are ventilator dependent, allowing them to receive life-support equipment and nursing care in their homes.

The Hemophilia Program utilizes nine specialized centers to provide comprehensive evaluation, rehabilitation services and blood products for outpatient or home use. Patients must be registered with a center to receive these benefits and must ensure that third party resources are used before State program funds are expended.

Sickle Cell Disease (SCD) is a genetically determined red blood cell disorder which occurs most frequently in the African-American population. Comprehensive medical and psychosocial services are available to patients at different service sites.

The Adult Cystic Fibrosis Program provides comprehensive treatment and care coordination to an increasing number of adults who survive this chronic childhood condition.

The Chronic Renal Disease Program provides dialysis, kidney transplant, drugs, certain physician fees, medical supplies and transportation services to persons with chronic renal failure. The department's Health Promotion Program conducts a public information and education program to encourage organ and tissue donation as one means of managing this disease and increasing the quality of life.

Program: Health Treatment Services (continued)

The department is the lead agency for the Commonwealth emergency medical services system as defined in Act 45 of 1985 known as the Emergency Medical Services Act. This includes planning, developing, implementing and evaluating the system (including emergency preparedness and response) through sixteen regional councils and a Statewide advisory council. This program is responsible for licensure of ambulances, medical command facility accreditation, medical command physician recognition, training institute accreditation, certification of prehospital practitioners and distribution of funding. With the passage of prehospital "Do Not Resuscitate" (DNR) legislation, regulations and implementation of the DNR program are managed through the program as well.

The Head Injury Program provides case management services and post-acute head injury rehabilitation services to individuals with traumatic head injury. Services are provided through contractual agreements with regional case managers and head injury rehabilitation providers in the Commonwealth. Funding is made available through the Emergency Medical Services Operating Fund included in the Special Fund Appendix.

The department has the responsibility of coordinating a variety of specialized medical services for Commonwealth patients. The department also pays for these services in cases where all other available resources, including Medical Assistance and the Children's Health Insurance Program (CHIP), have been utilized.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Minimum number of children and adults receiving outpatient treatment through department supported programs:							
Hemophilia	1,223	1,223	1,223	1,223	1,223	1,223	1,223
Phenylketonuria, Maple Syrup Urine Disease, Galactosemia	1,166	1,206	1,251	1,296	1,336	1,381	1,381
Renal disease	7,575	7,651	7,727	7,804	7,883	7,961	7,961
Cooley's Anemia	42	42	42	42	42	42	42
Sickle Cell Disease	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Spina Bifida	1,324	1,324	1,324	1,324	1,324	1,324	1,324
Home Ventilators	225	225	225	225	225	225	225
Children's rehabilitative services	2,225	2,225	2,225	2,225	2,225	2,225	2,225

Phenylketonuria, Maple Syrup Urine Disease, and Galactosemia estimates increase from last year's budget amounts to reflect all clients receiving services rather than simply new patients and to include Galactosemia.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND:</p> <p>Adult Cystic Fibrosis —nonrecurring project.</p> <p>\$ -36</p> <p>Cooley's Anemia —reduced program need.</p> <p>\$ -33</p> <p>Hemophilia —nonrecurring project.</p> <p>\$ -76</p> <p>Lupus —nonrecurring project.</p> <p>\$ -37</p> <p>Sickle Cell —nonrecurring project.</p> <p>\$ -95</p> <p>Regional Poison Control Centers —to maximize Federal sources.</p> <p>\$ -184</p>	<p>Trauma Programs Coordination —nonrecurring project.</p> <p>\$ -32</p> <p>Trauma Center Certification —nonrecurring project.</p> <p>\$ -100</p> <p>Tourette Syndrome —nonrecurring project.</p> <p>\$ -42</p> <p>Lancaster - Cleft Palate Clinic —program reduction.</p> <p>\$ -24</p> <p>Pittsburgh - Cleft Palate Clinic —nonrecurring project.</p> <p>\$ -49</p> <p>Burn Foundation —program reduction.</p> <p>\$ -209</p>
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Program: Health Treatment Services (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

	The Children's Institute, Pittsburgh		Phila. Health & Educ Corp-Pediatric Outpatient & Inpatient
\$	-189 —nonrecurring project.		\$ -464 —program reduction.
	-390 —program reduction.		
\$	-579 <i>Appropriation Decrease</i>		
	Children's Hospital of Philadelphia		Phila. Health & Educ Corp -Med- Handicapped Children's Clinic
\$	-225 —program reduction.	\$	-97 —program reduction.

All appropriations are recommended at the current year funding levels.

Appropriations within this Program: (continued)

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Organ Donation	\$ 109	\$ 109	\$ 109	\$ 109	\$ 109	\$ 109	\$ 109
Renal Dialysis	9,722	8,895	8,895	8,895	8,895	8,895	8,895
Services for Children with Special Needs	1,645	1,645	1,645	1,645	1,645	1,645	1,645
Adult Cystic Fibrosis	685	721	685	685	685	685	685
Cooley's Anemia	188	198	165	165	165	165	165
Hemophilia	1,428	1,504	1,428	1,428	1,428	1,428	1,428
Lupus	200	275	238	238	238	238	238
Sickle Cell	1,808	1,903	1,808	1,808	1,808	1,808	1,808
Regional Poison Control Centers	1,225	1,250	1,066	1,066	1,066	1,066	1,066
Trauma Programs Coordination	285	350	318	318	318	318	318
Trauma Center Certification	0	100	0	0	0	0	0
Tourette Syndrome	58	100	58	58	58	58	58
Lancaster - Cleft Palate Clinic	49	49	25	25	25	25	25
Pittsburgh - Cleft Palate Clinic	49	49	0	0	0	0	0
Burn Foundation	418	418	209	209	209	209	209
The Children's Institute, Pittsburgh	781	970	391	391	391	391	391
Children's Hospital of Philadelphia	451	451	226	226	226	226	226
Phila. Health & Educ Corp-Pediatric Outpatient & Inpatient	712	712	248	248	248	248	248
Phila. Health & Educ Corp -Med- Handicapped Children's Clinic	149	149	52	52	52	52	52
TOTAL GENERAL FUND	\$ 19,962	\$ 19,848	\$ 17,566	\$ 17,566	\$ 17,566	\$ 17,566	\$ 17,566

PROGRAM OBJECTIVE: To provide education, intervention and treatment programs to reduce drug and alcohol abuse and dependency.

Program: Drug and Alcohol Abuse Prevention and Treatment

This program provides counties with funding to provide drug and alcohol services for Pennsylvanians who do not have insurance or resources to pay for treatment. Single County Authorities (SCA) prepare prevention, intervention and treatment plans tailored to the needs of their respective geographic areas. The department approves these plans and formulates a Statewide plan based on those findings.

Statewide prevention programs provide current information on the effects of drugs and alcohol and assists individuals in developing or improving skills that will enable them to choose a lifestyle free of substance abuse. This is done through educational sessions, workshops, media presentations and an information clearinghouse operated by the department. Primary emphasis has been given to youth, and a special curriculum is now used in all school districts to address drug and alcohol problems.

Intervention services provide support to those individuals affected by drug or alcohol problems. Services include information hotlines, drop-in centers, alcohol safety programs and employee assistance programs. The Student Assistance Program (SAP), which encompasses all 501 Commonwealth school districts, provides school personnel with the knowledge and skills needed to identify students using

alcohol or drugs. Students are referred to professional evaluators and, if needed, receive treatment services. Special services are designed to divert certain criminal offenders into rehabilitation programs.

Treatment services are funded in hospitals, prisons, shelters, residential units and outpatient programs. Treatment often consists of short-term detoxification followed by a longer term rehabilitation. Most inpatient services are rendered in a nonhospital setting. Outpatient services may follow discharge from a residential program; however, many persons receive their initial treatment in an outpatient setting. Typically, admissions to treatment are approximately 59 percent drug related and 41 percent alcohol related. Males represent 68 percent of all treatment admissions. After alcohol, the second most predominant drug abuse problem is heroin use. Multiple drug use is also a significant problem.

Drug and alcohol education and training programs are provided for substance abuse and human services professionals. Issues such as prevention, intervention and treatment are addressed through a variety of educational initiatives. This program is accompanied by Federal Drug and Alcohol programs totaling over \$88 million.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Prevention Services:							
School personnel trained by Student Assistance Program	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Students referred for assistance by Student Assistance Program	14,562	14,708	14,855	15,003	15,153	15,305	15,458
Treatment Services:							
Residential programs licensed/approved ..	278	281	284	287	290	293	293
Outpatient programs licensed/approved ...	507	512	517	522	527	532	532
Patients enrolled in treatment:							
Male	57,795	57,986	58,566	59,151	59,743	60,340	60,944
Female	26,634	27,287	27,560	27,836	28,114	28,395	28,679
Admissions with primary diagnosis:							
Drug abuse	52,159	50,311	50,814	51,322	51,836	52,354	52,878
Alcohol abuse	32,270	34,962	35,312	35,665	36,021	36,381	36,745
Percent of admissions completing treatment	40%	41%	42%	43%	44%	45%	46%

Patients enrolled in treatment and admissions increase from last year's budget due to improved screening and referral procedures.

Program: Drug and Alcohol Abuse Prevention and Treatment (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Assistance to Drug and Alcohol Programs	
\$	-3,000
	—to maximize available Federal funding sources.
	99 —to match Federal funds for Re-entry of Women Offenders with Dependent Children grant.
\$	-2,901
	<i>Appropriation Decrease</i>

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Assistance to Drug and Alcohol Programs	\$ 40,498	\$ 41,547	\$ 38,646	\$ 38,646	\$ 38,646	\$ 38,646	\$ 38,646
	<u>40,498</u>	<u>41,547</u>	<u>38,646</u>	<u>38,646</u>	<u>38,646</u>	<u>38,646</u>	<u>38,646</u>



HIGHER EDUCATION ASSISTANCE AGENCY

The mission of the Higher Education Assistance Agency is to provide financial aid to higher education students in the form of grants, loans and employment opportunities through the coordination of State and Federal aid programs. In addition, the agency provides Institutional Assistance Grants to private institutions enrolling students who participate in the State Grant Program.

Higher Education Assistance Agency

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>Grants and Subsidies:</i>			
Grants to Students-transfer to Higher Ed. Assist. Fund.....	\$ 347,911	\$ 359,218	\$ 368,198
(F)Byrd Scholarships (EA).....	1,664	1,656	1,697
(F)TANFBG - Education Opportunities.....	1,500	1,500	0
Matching Payments-transfer to Higher Ed. Assist. Fund.....	14,472	14,122	14,122
Institutional Assistance-transfer to Higher Ed. Assist. Fund.....	38,437	39,398	40,186
Bond-Hill Scholarship-transfer to Higher Ed. Assist. Fund.....	750	750	750
Agricultural Loan Forgiveness-transfer to Higher Ed. Fund.....	210	85	85
SciTech Scholarships-transfer to Higher Ed. Assist. Fund.....	3,100	3,100	3,100
SciTech-Administration transfer to Higher Ed. Assist. Fund.....	661	0	0
Cheyney Keystone Academy-transfer to Higher Ed. Assist. Fund.....	2,100	2,000	2,000
Pennsylvania Internship Program Grants-transfer to PHEAA.....	200	300	0
New Technology-transfer to Higher Ed. Assist. Fund.....	0	500	0
Subtotal - State Funds.....	\$ 407,841	\$ 419,473	\$ 428,441
Subtotal - Federal Funds.....	3,164	3,156	1,697
Total - Grants and Subsidies.....	\$ 411,005	\$ 422,629	\$ 430,138
STATE FUNDS.....	\$ 407,841	\$ 419,473	\$ 428,441
FEDERAL FUNDS.....	3,164	3,156	1,697
GENERAL FUND TOTAL.....	\$ 411,005	\$ 422,629	\$ 430,138
OTHER FUNDS:			
HIGHER EDUCATION ASSISTANCE FUND:			
Educational Training Vouchers Program.....	\$ 0	\$ 1,583	\$ 1,743
Robert Byrd Scholarships.....	1,646	1,656	1,610
Leveraging Educational Assistance Partnership.....	4,878	3,599	2,900
Transfers Augmenting Appropriations.....	6,823	2,300	2,358
Primary Health Care.....	1,120	1,201	1,322
Tobacco Settlement Funds.....	498	177	181
Temporary Aid to Needy Families (TANF).....	1,805	1,500	0
Gear Up.....	1,329	1,320	1,370
HIGHER EDUCATION ASSISTANCE FUND TOTAL.....	\$ 18,099	\$ 13,336	\$ 11,484
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 407,841	\$ 419,473	\$ 428,441
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	3,164	3,156	1,697
OTHER FUNDS.....	18,099	13,336	11,484
TOTAL ALL FUNDS.....	\$ 429,104	\$ 435,965	\$ 441,622

Higher Education Assistance Agency

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
FINANCIAL ASSISTANCE TO STUDENTS							
GENERAL FUND.....	\$ 369,404	\$ 380,075	\$ 388,255	\$ 388,255	\$ 388,255	\$ 388,255	\$ 388,255
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	3,164	3,156	1,697	1,697	1,697	1,697	1,697
OTHER FUNDS.....	18,099	13,336	11,484	11,484	11,484	11,484	11,484
SUBCATEGORY TOTAL.....	\$ 390,667	\$ 396,567	\$ 401,436	\$ 401,436	\$ 401,436	\$ 401,436	\$ 401,436
FINANCIAL AID TO INSTITUTIONS							
GENERAL FUND.....	\$ 38,437	\$ 39,398	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 38,437	\$ 39,398	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186
ALL PROGRAMS:							
GENERAL FUND.....	\$ 407,841	\$ 419,473	\$ 428,441	\$ 428,441	\$ 428,441	\$ 428,441	\$ 428,441
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	3,164	3,156	1,697	1,697	1,697	1,697	1,697
OTHER FUNDS.....	18,099	13,336	11,484	11,484	11,484	11,484	11,484
DEPARTMENT TOTAL.....	\$ 429,104	\$ 435,965	\$ 441,622	\$ 441,622	\$ 441,622	\$ 441,622	\$ 441,622

Higher Education Assistance Agency

PROGRAM OBJECTIVE: To provide financial assistance to Commonwealth residents in order to promote access to institutions of higher education.

Program: Financial Assistance to Students

The Pennsylvania Higher Education Assistance Agency (PHEAA) offers financial assistance programs to students in the form of grants and work-study awards. Disbursements for the various financial assistance programs are made by PHEAA from its Higher Education Assistance Fund. All General Fund appropriations are transferred to PHEAA's Higher Education Assistance Fund prior to distribution to students and institutions. The Higher Education Assistance Fund is shown in the Special Funds Appendix.

Direct grants to students are funded by an annual appropriation from the General Fund, interest earnings from the deposit of that appropriation in the Higher Education Assistance Fund and Federal Leveraging Educational Assistance Partnership (LEAP) Grant funds. The PHEAA Board annually determines by regulation the distribution of funds to applicants on criteria including family income, family size and the cost of the institution the student will be attending.

The objective of the program is to reduce financial barriers and thereby provide access to higher education for all Commonwealth residents and, within the limits of the resources available, help to provide freedom of choice between public colleges and universities and private universities, colleges and postsecondary schools.

The Matching Funds Program provides funds to match Federal and other funds for Perkins Loans, Match Grants and Work-Study awards which students earn through several on-campus and off-campus job opportunities and for activities

related to the professional development of financial aid personnel. The On-Campus Jobs Program generally provides employment in campus services; off-campus jobs place students in career and course of study related work in local communities.

The Horace Mann Bond-Leslie Pinckney Hill Scholarship Program (formerly the Equal Opportunity Professional Education Program) provides grants to graduates of Lincoln University and Cheyney University of Pennsylvania who enter the professional programs of law, medicine, or dentistry at Temple University, the Pennsylvania State University or the University of Pittsburgh.

The Agricultural Education Loan Forgiveness Program provides loan forgiveness for graduates with agriculture degrees who work on family-owned farms and for veterinarians whose practices include the treatment of farm animals.

The SciTech and Technology Scholarships Program, also known as the New Economy Technology Scholarship program, provides grants to eligible Pennsylvania students who are enrolled in an approved postsecondary science or technology curriculum. Students participating in this program must maintain the grade point average required and must also meet the post-graduation work requirement.

The Cheyney University Keystone Academy has as its purpose the recruitment of gifted students for enrollment at Cheyney University.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Grants to Students:							
Applications for grants	468,795	482,830	501,270	520,420	540,300	560,940	582,370
Applications complete and needs tested for eligibility	273,886	271,600	281,980	292,750	303,930	315,540	327,590
Eligible applicants—meeting qualifications ..	178,031	171,510	180,340	187,360	194,520	201,950	209,660
Eligible applicants not enrolled at a college/university	18,404	17,400	18,300	19,130	19,860	20,620	21,400
Eligible applicants enrolled and accepting grants	159,627	154,110	162,040	168,230	174,660	181,330	188,260
Grant amount as percent of applicants total educational cost	12.7%	12.8%	12.7%	12.5%	12.5%	12.4%	12.3%
Students Receiving SciTech Scholarships	4,111	4,000	4,000	2,000	2,000	2,000	2,000
Work Study:							
Students assisted by Federal, State and private funds	61,443	59,883	60,481	61,086	61,697	62,314	62,937
Student work study earnings (in millions) ..	\$76.7	\$78.7	\$79.5	\$80.3	\$81.1	\$81.9	\$82.7

Student work study earnings increased from the projections shown in last year's budget because more students worked than projected.

Higher Education Assistance Agency

Program: Financial Assistance to Students (continued)

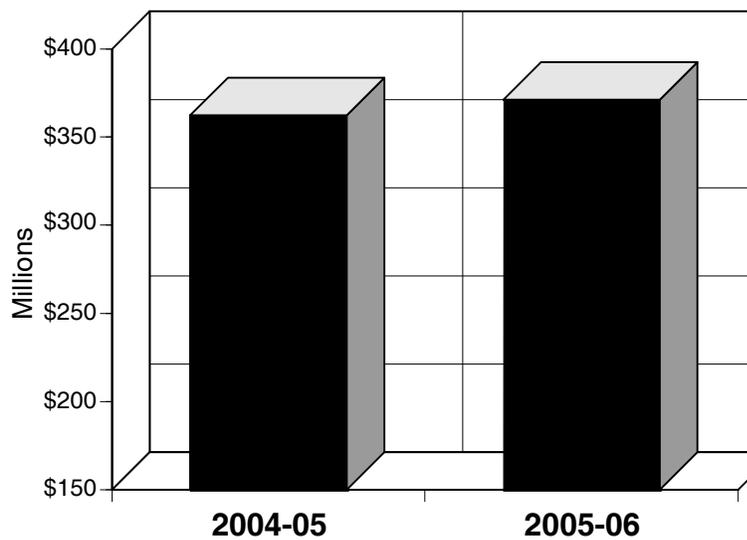
Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	Grants to Students			New Technology
\$ 8,980	—to continue current program.		\$ -500	—nonrecurring program.
	Pennsylvania Internship Program Grants			
\$ -300	—nonrecurring program.			

All other appropriations are recommended at the current year funding levels.

Grants to Students



This budget recommends increasing funding for grants to students by nearly \$9.0 million, or 2.5%, to \$368.2 million.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Grants to Students-transfer to Higher Ed. Assist. Fund	\$ 347,911	\$ 359,218	\$ 368,198	\$ 368,198	\$ 368,198	\$ 368,198	\$ 368,198
Matching Payments-transfer to Higher Ed. Assist. Fund	14,472	14,122	14,122	14,122	14,122	14,122	14,122
Bond-Hill Scholarship-transfer to Higher Ed. Assist. Fund	750	750	750	750	750	750	750
Agricultural Loan Forgiveness-transfer to Higher Ed. Fund	210	85	85	85	85	85	85
SciTech Scholarships-transfer to Higher Ed. Assist. Fund	3,100	3,100	3,100	3,100	3,100	3,100	3,100
SciTech-Administration transfer to Higher Ed. Assist. Fund	661	0	0	0	0	0	0
Cheyney Keystone Academy-transfer to Higher Ed. Assist. Fund	2,100	2,000	2,000	2,000	2,000	2,000	2,000
Pennsylvania Internship Program Grants —transfer to PHEAA	200	300	0	0	0	0	0
New Technology-transfer to Higher Ed. Assist. Fund	0	500	0	0	0	0	0
TOTAL GENERAL FUND	\$ 369,404	\$ 380,075	\$ 388,255	\$ 388,255	\$ 388,255	\$ 388,255	\$ 388,255

Higher Education Assistance Agency

PROGRAM OBJECTIVE: To assist independent post-secondary institutions to maintain enrollments and stabilize their educational costs thereby promoting access to institutions in all sectors for Pennsylvania students.

Program: Financial Aid to Institutions

The Institutional Assistance Grants Program, which began in 1974, provides grants to assist independent post-secondary institutions that are nonprofit, nondenominational and non-recipients of direct State appropriations.

The appropriated funds provide equal per capita grants to the schools based on the number of student grant recipients enrolled during the academic year. Eighty-four institutions are expected to participate in the 2005-06 program.

The program helps to preserve and develop the diverse system of higher education in Pennsylvania by allowing private colleges and universities to stabilize their educational costs and maintain enrollments. It recognizes the desirability of helping independent institutions remain fiscally sound and serves to promote full student access to institutions in all sectors by assisting student attendance at Pennsylvania's independent colleges and universities.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Eligible grant recipients enrolled at eligible independent institutions	40,540	39,516	40,535	40,535	40,535	40,535	40,535
Per capita grant	\$962	\$1,000	\$994	\$994	\$994	\$994	\$994

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Institutional Assistance Grants
 \$ 788 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Institutional Assistance-transfer to Higher Education Assistance Fund	\$ 38,437	\$ 39,398	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186	\$ 40,186



HISTORICAL AND MUSEUM COMMISSION

The mission of the Historical and Museum Commission is to preserve the Commonwealth's past through leadership, stewardship and service. The commission believes that future generations will be strengthened and inspired by the ideals and traditions of Pennsylvania's heritage.

Historical and Museum Commission

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 23,331	\$ 23,719	\$ 21,948
(F)General Fund Share - PEBTF Contribution (EA).....	254	0	0
(F)Historic Preservation.....	1,260	1,000	1,000
(F)Delaware & Lehigh Canal Partnership Program.....	350	309 ^a	0
(F)Save Our Treasures (EA).....	165	61	0
(F)Save Our Treasures - Archives (EA).....	53	0	0
(F)Surface Mining Review.....	125	125	200
(F)Environmental Review.....	150	150	150
(F)National Historic Publications and Records (EA).....	24	0	0
(F)National Historic Publications and Records.....	0	100	0
(F)July 2003 Storm Disaster - Drake Well (EA).....	16	0	0
(F)Railroad Museum Improvement (EA).....	524	1,224	0
(F)Pennsylvania Archaeology (EA).....	0	170	0
(A)Historic Preservation Fund.....	215	240	250
(A)PA Turnpike Commission.....	10	10	10
(A)Architectural Services.....	3	5	5
(A)Keystone Recreation, Park & Conservation Fund.....	200	450	450
Subtotal.....	\$ 26,680	\$ 27,563	\$ 24,013
Maintenance Program.....	1,000	1,000	1,000
Subtotal - State Funds.....	\$ 24,331	\$ 24,719	\$ 22,948
Subtotal - Federal Funds.....	2,921	3,139	1,350
Subtotal - Augmentations.....	428	705	715
Total - General Government.....	\$ 27,680	\$ 28,563	\$ 25,013
<i>Grants and Subsidies:</i>			
Museum Assistance Grants.....	\$ 6,000	\$ 6,000	\$ 4,135
University of Pennsylvania Museum.....	225	231	208
Carnegie Museum of Natural History.....	225	231	208
Carnegie Science Center.....	225	231	208
Franklin Institute Science Museum.....	680	699	450
Academy of Natural Sciences.....	416	428	385
African American Museum in Philadelphia.....	317	326	293
Everhart Museum.....	42	42	38
Mercer Museum.....	172	178	160
Whitaker Center for Science and the Arts.....	124	128	115
Historical Education & Museum Assistance.....	0	3,748	0
Regional History Centers.....	0	550	0
Preservation of PA Historic Past.....	0	250	0
Total - Grants and Subsidies.....	\$ 8,426	\$ 13,042	\$ 6,200
STATE FUNDS.....	\$ 32,757	\$ 37,761	\$ 29,148
FEDERAL FUNDS.....	2,921	3,139	1,350
AUGMENTATIONS.....	428	705	715
GENERAL FUND TOTAL.....	\$ 36,106	\$ 41,605	\$ 31,213
KEYSTONE RECREATION, PARK AND CONSERVATION FUND:			
<i>Grants and Subsidies:</i>			
Historic Site Development - Realty Transfer Tax (EA).....	\$ 7,320	\$ 14,278	\$ 10,568
OTHER FUNDS:			
GENERAL FUND:			
Historical Preservation Act of 1966 (F).....	\$ 107	\$ 80	\$ 80

Historical and Museum Commission

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
HISTORICAL PRESERVATION FUND:			
Historical Preservation Fund.....	\$ 3,145 ^b	\$ 4,055 ^b	\$ 4,045 ^b
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 32,757	\$ 37,761	\$ 29,148
SPECIAL FUNDS.....	7,320	14,278	10,568
FEDERAL FUNDS.....	2,921	3,139	1,350
AUGMENTATIONS.....	428	705	715
OTHER FUNDS.....	3,252	4,135	4,125
TOTAL ALL FUNDS.....	\$ 46,678	\$ 60,018	\$ 45,906

^a Includes recommended supplemental appropriation of \$169,000.

^b Not added to the total to avoid double counting: 2003-04 Actual is \$215,000, 2004-05 Available is \$240,000, and 2005-06 Budget is \$250,000.

Historical and Museum Commission

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
STATE HISTORIC PRESERVATION							
GENERAL FUND.....	\$ 24,331	\$ 24,719	\$ 22,948	\$ 22,948	\$ 22,948	\$ 22,948	\$ 22,948
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	2,921	3,139	1,350	1,350	1,350	1,350	1,350
OTHER FUNDS.....	3,680	4,840	4,840	4,840	4,840	4,840	4,840
SUBCATEGORY TOTAL.....	\$ 30,932	\$ 32,698	\$ 29,138	\$ 29,138	\$ 29,138	\$ 29,138	\$ 29,138
MUSEUM ASSISTANCE							
GENERAL FUND.....	\$ 8,426	\$ 13,042	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200
SPECIAL FUNDS.....	7,320	14,278	10,568	10,009	10,347	11,361	12,193
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 15,746	\$ 27,320	\$ 16,768	\$ 16,209	\$ 16,547	\$ 17,561	\$ 18,393
ALL PROGRAMS:							
GENERAL FUND.....	\$ 32,757	\$ 37,761	\$ 29,148	\$ 29,148	\$ 29,148	\$ 29,148	\$ 29,148
SPECIAL FUNDS.....	7,320	14,278	10,568	10,009	10,347	11,361	12,193
FEDERAL FUNDS.....	2,921	3,139	1,350	1,350	1,350	1,350	1,350
OTHER FUNDS.....	3,680	4,840	4,840	4,840	4,840	4,840	4,840
DEPARTMENT TOTAL.....	\$ 46,678	\$ 60,018	\$ 45,906	\$ 45,347	\$ 45,685	\$ 46,699	\$ 47,531

Historical and Museum Commission

PROGRAM OBJECTIVE: To manage and safeguard Pennsylvania's historic resources through a comprehensive history and museum program to educate, interpret, research and preserve all areas of Pennsylvania history.

Program: State Historic Preservation

The State Historic Preservation Program administered by the Historical and Museum Commission is comprised of four major elements. These elements include Executive Direction and Administration, Pennsylvania State and Local Records, Historic Site and Museum Operations and Historic Preservation.

Program Element: Executive Direction and Administration

This element provides general policy and direction for administering the commission's operations. It includes legislative, marketing and press relations, human resources management, procurement, information technology and management of the Commission's website, financial grant administration, fiscal and revenue management, and other support services.

Program Element: State and Local Records

This element supports the operation of the State Archives, the State Records Center and the Document Image Services Center. The State Archives is responsible for identifying, acquiring, preserving and providing continuing public access to the permanently valuable and historical records created by government. This mandate extends to electronic records and to the use of electronic and web technology to facilitate public access. The Archives maintains and preserves program files, maps, correspondence, reports, photographs, minutes, case files and various records that document the significant activities of Pennsylvania's proprietary, revolutionary and State governments including the records of the land office and hundreds of existing and defunct governmental agencies. The Document Image Service Center provides reformatting services on electronic media and microfiche to governmental agencies. The Center's activities are funded through revenues received for provision of these services. The State Records Center is the official repository for inactive records that must be maintained by State agencies for administrative, fiscal or legal purposes. There are several electronic document records retention and management systems currently under development.

This element also administers State executive branch and local government records management programs and provides other services to State and local government offices. These services include preparation of records retention

schedules; processing of records disposal requests; promulgation of standards for retention of records in different storage media; and training and technical assistance to records custodians.

Program Element: Historic Site and Museum Operations

This element supports the operation of 26 historic sites and museums throughout the Commonwealth which are open to the public on a regular schedule, including the State Museum of Pennsylvania. This program provides educational collections and exhibition programs; provides living history and other types of tours to interpret Pennsylvania history; and utilizes cooperative initiatives with associate organizations to further provide for educational and public programs. This program element includes facility development and architectural and design activities as part of a preservation maintenance program funded through the Keystone Recreation, Park and Conservation Fund Grant Program; collections management; and conservation of historical artifacts, papers, and paintings.

In addition, this element supports a Property Management and Lease Program through cooperative agreements with management groups, for profit and nonprofit organizations to operate, maintain and utilize historic sites, buildings and agricultural lands under the custody of the commission.

Program Element: Historic Preservation

This element is responsible for the identification, protection and enhancement of buildings, structures and districts of historic and architectural significance within the Commonwealth. It provides for the infusion of Federal funds from the Department of the Interior to enhance the economic base of many communities in Pennsylvania; provides a survey and National Register nomination program; maintains an information network providing direction and assistance to local preservation organizations; administers an archaeological program to protect resources and improve policies and procedures and provide direction to the professional and advocational community; and preserves and protects endangered historic public and private buildings, structures and landmarks through a nonprofit Statewide revolving fund.

Historical and Museum Commission

Program: State Historic Preservation (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State and Local Records							
Pages of archives and historical manuscripts (in thousands)	203,500	205,123	206,746	208,048	209,242	210,211	211,811
Records maintained by the State Records Center	709,821	720,000	730,000	740,000	750,000	760,000	770,000
Savings realized by storing records at the State Records Center*	\$3,776	\$3,830	\$3,884	\$3,937	\$3,990	\$4,043	\$4,096
Expired/inactive records destroyed by the State Records Center*	118,902	115,000	115,000	115,000	115,000	115,000	115,000
Savings realized through proper disposal of expired records*	\$6,512	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300
Historic Site and Museum Operations							
Annual visits to commission historical sites and museums (in thousands)	1,528	1,532	1,548	1,563	1,565	1,570	1,575
Visitors per salaried staff member (in thousands)	12.6	12.6	12.7	12.8	12.8	12.9	13.0
Historic markers	2,163	2,223	2,283	2,343	2,403	2,463	2,523
Historic Preservation							
Buildings maintained and conserved	522	522	522	522	522	522	522
Evaluations for the National Register of Historic Properties	1,273	1,300	1,300	1,300	1,300	1,300	1,300
Professional History and Museum Support Services							
Historic artifacts maintained and conserved (in thousands)	3,497	3,697	3,897	4,097	4,297	4,497	4,697

Evaluations for the National Register of Historic Properties previously included evaluations for all qualifying properties, plus evaluations for all properties within a qualifying district, which resulted in duplication.

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND
General Government Operations
 \$ -1,771 —funding reduction.

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 23,331	\$ 23,719	\$ 21,948	\$ 21,948	\$ 21,948	\$ 21,948	\$ 21,948
Maintenance Program	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL GENERAL FUND	\$ 24,331	\$ 24,719	\$ 22,948	\$ 22,948	\$ 22,948	\$ 22,948	\$ 22,948

Historical and Museum Commission

PROGRAM OBJECTIVE: To assure provision of representative artifacts, specimens of history, art and science for all citizens through the support of museums within the Commonwealth.

Program: Museum Assistance

This program is comprised of three major components: the Museum Assistance and Local History Grant Program, Museum Assistance General Operating Support Program and the Keystone Recreation, Park and Conservation Fund Grant Program. The three programs provide financial assistance designed to enhance the quality of history and museum activities in Pennsylvania.

The Museum Assistance and Local History Grant Program, established in 1985, is a competitive financial assistance process available to all qualified history related institutions within Pennsylvania. Organizations may apply to the Historical and Museum Commission for projects in various grant categories ranging from the research of an historic event to a comprehensive exhibit plan and program having significant Statewide impact. Special Project Support Grants and Local History General Operating Grants, the largest of the financial award categories, require the successful grantee to provide dollar-for-dollar matching funds.

All other categories are non-matching, but grantees are encouraged to provide in-kind support where possible.

The Museum Assistance General Operating Support Program provides support to qualified history and cultural related institutions in the Commonwealth. Financial assistance to these institutions supports a portion of their general operating budgets.

The Keystone Recreation, Park and Conservation Fund Grant Program is a competitive grants process created by Act 50 of 1993. Funding is available to Pennsylvania non-profit organizations and public agencies that operate a publicly accessible historic property listed in, or eligible for, the National Register of Historic Places, or that operate a contributing historic property in a National Register Historic District. Grants are awarded on a 50-50 matching basis and support projects in the areas of redevelopment, preservation, rehabilitation, restoration and other related projects.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Museum Assistance and Keystone project grants awarded	158	213	205	205	205	205	205
Museum assistance general operating support grants	127	130	110	110	110	110	110
Non-State dollars generated through matching grants (in thousands)	\$8,444	\$8,450	\$8,450	\$8,450	\$8,450	\$8,450	\$8,450

Museum Assistance and Keystone project grants awarded and Museum assistance general operating support grants can vary from year to year based on the average award amount.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND Museum Assistance Grants \$ -1,865 —nonrecurring projects.</p> <p>State-Aided Museums \$ -429 —nonrecurring projects.</p> <p>Historical Education and Museum Assistance \$ -3,748 —nonrecurring project.</p> <p>Regional History Centers \$ -550 —nonrecurring project.</p>	<p>Preservation of PA Historic Past \$ -250 —nonrecurring project.</p> <p>KEYSTONE RECREATION, PARK AND CONSERVATION FUND Historic Site Development - Realty Transfer Tax (EA) \$ -3,710 —nonrecurring projects.</p>
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Historical and Museum Commission

Program: Museum Assistance (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Museum Assistance Grants	\$ 6,000	\$ 6,000	\$ 4,135	\$ 4,135	\$ 4,135	\$ 4,135	\$ 4,135
University of Pennsylvania Museum	225	231	208	208	208	208	208
Carnegie Museum of Natural History	225	231	208	208	208	208	208
Carnegie Science Center	225	231	208	208	208	208	208
Franklin Institute Science Museum	680	699	450	450	450	450	450
Academy of Natural Sciences	416	428	385	385	385	385	385
African American Museum in Philadelphia	317	326	293	293	293	293	293
Everhart Museum	42	42	38	38	38	38	38
Mercer Museum	172	178	160	160	160	160	160
Whitaker Center for Science and the Arts	124	128	115	115	115	115	115
Historical Education & Museum							
Assistance	0	3,748	0	0	0	0	0
Regional History Centers	0	550	0	0	0	0	0
Preservation of PA Historic Past	0	250	0	0	0	0	0
TOTAL GENERAL FUND	<u>\$ 8,426</u>	<u>\$ 13,042</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>
KEYSTONE RECREATION, PARK AND CONSERVATION FUND:							
Historic Site Development —							
Realty Transfer Tax (EA)	<u>\$ 7,320</u>	<u>\$ 14,278</u>	<u>\$ 10,568</u>	<u>\$ 10,009</u>	<u>\$ 10,347</u>	<u>\$ 11,361</u>	<u>\$ 12,193</u>



INFRASTRUCTURE INVESTMENT AUTHORITY

The mission of the Infrastructure Investment Authority (PENNVEST) is to improve Pennsylvania's water and foster job creation opportunities through the provision of low interest loans and limited grants to municipalities, municipal authorities and private entities for the construction of drinking water, wastewater, and stormwater projects.

The Pennsylvania Infrastructure Investment Authority administers the PENNVEST program authorized in Act 16 of 1988.

Infrastructure Investment Authority

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>Grants and Subsidies:</i>			
(F)Sewage Projects Revolving Loan Fund.....	\$ 90,410	\$ 90,250	\$ 102,069
(F)Drinking Water Projects Revolving Loan Fund.....	46,552	40,490	40,976
Subtotal - Federal Funds.....	136,962	130,740	143,045
Total - Grants and Subsidies.....	<u>\$ 136,962</u>	<u>\$ 130,740</u>	<u>\$ 143,045</u>
GENERAL FUND TOTAL.....	<u>\$ 136,962</u>	<u>\$ 130,740</u>	<u>\$ 143,045</u>
ENVIRONMENTAL STEWARDSHIP FUND:			
<i>Grants and Subsidies:</i>			
Storm Water, Water and Sewer Grants (EA).....	<u>\$ 25,383</u>	<u>\$ 22,152</u>	<u>\$ 26,927</u>
OTHER FUNDS:			
PENNVEST FUND:			
PENNVEST Operations (EA).....	\$ 3,086	\$ 2,932	\$ 3,141
Grants - Other Revenue Sources (EA).....	8,000	8,000	5,000
Revenue Bond Loan Pool (EA).....	0	10	10
Public Revolving Loans and Administration.....	58,025	55,000	55,000
Private Revolving Loans.....	3,522	4,000	4,500
Growing Greener Grants.....	31,026	30,000	30,000
PENNVEST FUND TOTAL.....	<u>\$ 103,659</u>	<u>\$ 99,942</u>	<u>\$ 97,651</u>
PENNVEST WATER POLLUTION CONTROL REVOLVING FUND:			
PENNVEST Water Pollution Control Revolving Fund.....	\$ 12,687	\$ 18,500	\$ 20,482
Additional Sewage Projects Revolving Loans (EA).....	46,000	80,000	65,000
Transfer to Drinking Water Revolving Fund (EA).....	8,600	8,600	16,287
Sewage Projects Revolving Loan Fund (EA).....	0 ^a	0 ^a	0 ^a
On-lot Sewage Disposal Systems (EA).....	0 ^b	0 ^b	0 ^b
PENNVEST WATER POLLUTION CONTROL REVOLVING FUND TOTAL.....	<u>\$ 67,287</u>	<u>\$ 107,100</u>	<u>\$ 101,769</u>
PENNVEST DRINKING WATER REVOLVING FUND:			
PENNVEST Drinking Water Project Revolving Fund.....	\$ 7,228	\$ 14,811	\$ 8,000
Additional Drinking Water Projects Revolving Loans (EA).....	30,000	30,000	30,000
Drinking Water Projects Revolving Loan Fund (EA).....	0 ^c	0 ^c	0 ^c
Loan Program Administration (EA).....	0 ^d	0 ^d	0 ^d
Technical Assistance to Small Systems (EA).....	143	1,000	1,000
Assistance to State Programs (EA).....	772	3,000	1,000
Local Assistance and Source Water Pollution (EA).....	3,700	5,000	2,000
PENNVEST DRINKING WATER REVOLVING FUND TOTAL.....	<u>\$ 41,843</u>	<u>\$ 53,811</u>	<u>\$ 42,000</u>
PENNVEST REVOLVING FUND:			
PENNVEST Revolving Fund.....	<u>\$ 3,175</u>	<u>\$ 250</u>	<u>\$ 41,000</u>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	25,383	22,152	26,927
FEDERAL FUNDS.....	136,962	130,740	143,045
OTHER FUNDS.....	215,964	261,103	282,420
TOTAL ALL FUNDS.....	<u>\$ 378,309</u>	<u>\$ 413,995</u>	<u>\$ 452,392</u>

Footnotes to Summary by Fund and Appropriation

-
- ^a Not added to the total to avoid double counting Federal funds: 2003-04 Actual is \$90,000,000, 2004-05 Available is \$90,200,000 and 2005-06 Budget is \$102,019,000.
- ^b Not added to the total to avoid double counting Federal funds: 2003-04 Actual is \$10, 2004-05 Available is \$50,000 and 2005-06 Budget is \$50,000.
- ^c Not added to the total to avoid double counting Federal funds: 2003-04 Actual is \$28,0390,000, 2004-05 Available is \$30,000,000 and 2005-06 Budget is \$30,000,000.
- ^d Not added to the total to avoid double counting Federal funds: 2003-04 Actual is \$1,144,000, 2004-05 Available is \$1,489,000 and 2005-06 Budget is \$1,476,000.

Infrastructure Investment Authority

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PENNVEST							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	25,383	22,152	26,927	26,663	26,663	26,663	26,663
FEDERAL FUNDS.....	136,962	130,740	143,045	143,045	143,045	143,045	143,045
OTHER FUNDS.....	215,964	261,103	282,420	282,420	282,420	282,420	282,420
SUBCATEGORY TOTAL.....	\$ 378,309	\$ 413,995	\$ 452,392	\$ 452,128	\$ 452,128	\$ 452,128	\$ 452,128
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	25,383	22,152	26,927	26,663	26,663	26,663	26,663
FEDERAL FUNDS.....	136,962	130,740	143,045	143,045	143,045	143,045	143,045
OTHER FUNDS.....	215,964	261,103	282,420	282,420	282,420	282,420	282,420
DEPARTMENT TOTAL.....	\$ 378,309	\$ 413,995	\$ 452,392	\$ 452,128	\$ 452,128	\$ 452,128	\$ 452,128

Infrastructure Investment Authority

PROGRAM OBJECTIVE: To promote public health and a clean environment and to further economic development in the Commonwealth by providing a financing program, technical assistance and administrative support for community drinking water systems, municipal sewage treatment facilities and stormwater control projects.

Program: PENNVEST

The PENNVEST Program authorized by Act 16 of 1988 provides an investment pool of capital to rebuild and expand community drinking water systems and municipal sewage treatment facilities in the Commonwealth. These systems and facilities are essential for the protection of public health and the promotion of economic development. Many systems and facilities need to be repaired, upgraded or expanded to meet environmental standards and economic development goals. Act 5 of 1992 established a program to fund stormwater control projects. Funding these needed improvements has often proved difficult, especially for small communities.

Initial funding for the PENNVEST Fund came from several sources: the \$300 million bond issue approved by voter referendum, the balance of approved Water Facilities Loan Fund bonds, Federal seed money for a sewage treatment facilities revolving loan fund and a drinking water project revolving loan fund, and some available Capital Facilities bonds. Act 5 of 1992 authorized a \$350 million bond issue, which was approved by referendum, to provide additional funding for the program. In 1990-91, the PENNVEST Revenue Bond Pool Program began providing funding. Act 68 of 1999 also provides additional grant funds for stormwater, water and sewer projects as part of the Growing Greener initiatives. Added to this are interest earnings on the fund's cash flow, and interest and principal payments made on loans.

PENNVEST funds are used for loans and grants to municipalities, municipal authorities and private firms to improve water, sewage and stormwater systems they own. Loans are available to individual homeowners to upgrade their on-lot septic systems. The Pennsylvania Infrastructure Investment Authority, supported by the Department of Environmental Protection, helps system owners apply for funding, provides technical assistance in planning and designing projects, and, if necessary, reviews the applicant operations to improve efficiency.

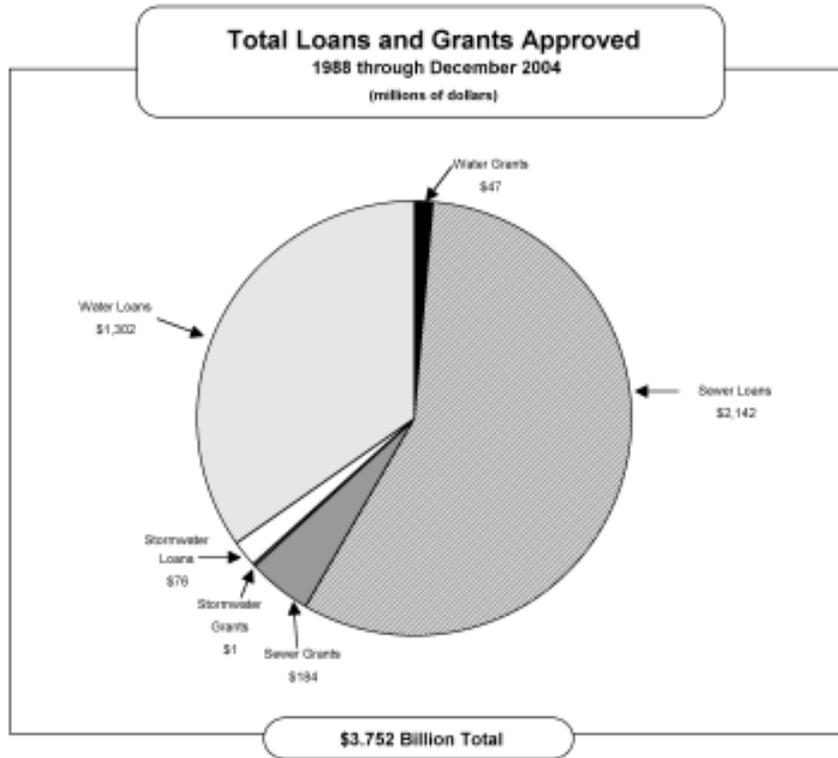
To facilitate fund management and accounting, several separate funds have been established. The PENNVEST Fund serves as the repository of interest and investment income, and loan repayments. Loans and grants and administrative costs are paid from this fund. The PENNVEST Water Pollution Control Revolving Fund combines the Federal seed money and the Commonwealth's required matching funds to create a revolving loan fund for sewage treatment facilities construction. The PENNVEST Drinking Water Revolving Fund combines Federal seed money and the Commonwealth's required matching funds to create a revolving loan fund for drinking water projects and technical assistance. The PENNVEST Revolving Fund receives the proceeds from the sale of bonds mentioned above. The PENNVEST Revenue Bond Pool is supported by loan interest and principal repayments from loans and disburses the proceeds from the sale of PENNVEST Revenue Bonds.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
PENNVEST projects implemented	122	120	120	120	120	120	120
PENNVEST awards (in millions):							
Loans	\$224	\$280	\$280	\$280	\$280	\$280	\$280
Grants*	35	39	27	27	27	27	27
Grants	35	39	22	25	25	22	22
Total	\$259	\$319	\$302	\$305	\$305	\$302	\$302
Percent of applications approved	N/A	100.0%	96.8%	96.8%	96.8%	96.8%	96.8%
Average time from application submittal to approval (days)	N/A	65	110	110	110	110	110

* Measures show performance that would be achieved if the Administration's Growing Greener II proposal is enacted by the General Assembly.

Infrastructure Investment Authority

Program: PENNVEST (continued)



Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

ENVIRONMENTAL STEWARDSHIP FUND PENNVEST

\$ 4,775 —Initiative - To provide additional grants for stormwater, water and sewer projects as part of the Growing Greener II Program.

Grant disbursements totalling \$5.0 million and administrative costs are to be funded from existing non-General Fund sources.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
ENVIRONMENTAL STEWARDSHIP FUND:							
Storm Water, Water and Sewer							
Grants (EA)	\$ 25,383	\$ 22,152	\$ 26,927	\$ 26,663	\$ 26,663	\$ 26,663	\$ 26,663



INSURANCE DEPARTMENT

The mission of the Insurance Department is to serve Pennsylvania's insurance consumers through fair and efficient regulation of the insurance industry.

The Insurance Department executes the insurance laws of the Commonwealth, monitors the financial solvency of insurance companies conducting business in Pennsylvania, regulates insurance rates and policy forms, licenses insurance companies and producers to conduct business in the state, and liquidates insolvent insurance companies. The department answers consumer inquiries, responds to consumer complaints, and produces and distributes educational information on insurance.

The Insurance Department manages the Children's Health Insurance Program (CHIP), Adult Basic (adultBasic) Insurance program, the Medical Care Availability and Reduction of Error (Mcare) program, the Underground Storage Tank Indemnification Fund, the Catastrophic Loss Benefits Continuation Fund, and the Workers' Compensation Security Fund.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 20,042	\$ 23,042	\$ 23,042
(F)General Fund Share - PEBTF Contribution.....	281	0	0
(A)Companies in Liquidation.....	1,334	1,221	1,114
(A)Duplicating and Mailing Services.....	37	30	20
(A)Workers' Compensation Security Services.....	198	1	0
(A)Reimbursements - Examination Travel.....	676	700	775
(A)Reimbursements - Market Conduct Travel.....	397	330	375
(A)Underground Storage Tank Indemnification Fund Expense.....	17	8	0
(A)Reimbursement - Catastrophic Loss Benefits Continuation Fund.....	10	2	0
Children's Health Insurance Administration.....	1,566	1,758	1,944
(F)Children's Health Insurance Administration.....	3,787	4,287	4,816
Adult Health Insurance Administration.....	2,543	2,681	2,677
Subtotal - State Funds.....	\$ 24,151	\$ 27,481	\$ 27,663
Subtotal - Federal Funds.....	4,068	4,287	4,816
Subtotal - Augmentations.....	2,669	2,292	2,284
Total - General Government.....	\$ 30,888	\$ 34,060	\$ 34,763
<i>Grants and Subsidies:</i>			
Children's Health Insurance.....	\$ 34,296	\$ 45,423	\$ 45,423
(F)Children's Health Insurance Program.....	137,627	157,752	153,171
(A)CHIP Administration.....	0	25	0
USTIF Loan Repayment.....	0	10,000	5,000
Subtotal - State Funds.....	\$ 34,296	\$ 55,423	\$ 50,423
Subtotal - Federal Funds.....	137,627	157,752	153,171
Subtotal - Augmentations.....	0	25	0
Total - Grants and Subsidies.....	\$ 171,923	\$ 213,200	\$ 203,594
STATE FUNDS.....	\$ 58,447	\$ 82,904	\$ 78,086
FEDERAL FUNDS.....	141,695	162,039	157,987
AUGMENTATIONS.....	2,669	2,317	2,284
GENERAL FUND TOTAL.....	\$ 202,811	\$ 247,260	\$ 238,357
TOBACCO SETTLEMENT FUND:			
<i>General Government:</i>			
Adult Health Insurance Program(EA).....	\$ 112,139	\$ 103,080	\$ 127,783
OTHER FUNDS:			
GENERAL FUND:			
Children's Health Insurance Program.....	\$ 32,364	\$ 30,700	\$ 32,149
CATASTROPHIC LOSS BENEFITS CONTINUATION FUND:			
Administration (EA).....	\$ 1,921	\$ 2,309	\$ 2,300
Claims (EA).....	16,000	13,000	9,250
CATASTROPHIC LOSS BENEFITS CONTINUATION FUND TOTAL.....	\$ 17,921	\$ 15,309	\$ 11,550
MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND:			
General Operations.....	\$ 22,998	\$ 23,537	\$ 23,623
Payment of Claims.....	379,000	390,000	320,000
Loan Repayment (EA).....	0	225,500	215,280
MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND TOTAL.....	\$ 401,998	\$ 639,037	\$ 558,903

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND:			
Administration (EA).....	\$ 6,801	\$ 8,398	\$ 7,500
Claims (EA).....	75,000	80,000	65,000
UNDERGROUND STORAGE TANK INDEMNIFICATION FUND TOTAL.....	\$ 81,801	\$ 88,398	\$ 72,500
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 58,447	\$ 82,904	\$ 78,086
SPECIAL FUNDS.....	112,139	103,080	127,783
FEDERAL FUNDS.....	141,695	162,039	157,987
AUGMENTATIONS.....	2,669	2,317	2,284
OTHER FUNDS.....	534,084	773,444	675,102
TOTAL ALL FUNDS.....	\$ 849,034	\$ 1,123,784	\$ 1,041,242

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
INSURANCE INDUSTRY REGULATION							
GENERAL FUND.....	\$ 58,447	\$ 82,904	\$ 78,086	\$ 87,262	\$ 97,535	\$ 108,683	\$ 120,799
SPECIAL FUNDS.....	112,139	103,080	127,783	138,304	150,597	164,306	178,487
FEDERAL FUNDS.....	141,695	162,039	157,987	174,807	194,923	216,750	240,475
OTHER FUNDS.....	536,753	775,761	677,386	677,386	677,386	677,386	677,386
SUBCATEGORY TOTAL.....	\$ 849,034	\$ 1,123,784	\$ 1,041,242	\$ 1,077,759	\$ 1,120,441	\$ 1,167,125	\$ 1,217,147
ALL PROGRAMS:							
GENERAL FUND.....	\$ 58,447	\$ 82,904	\$ 78,086	\$ 87,262	\$ 97,535	\$ 108,683	\$ 120,799
SPECIAL FUNDS.....	112,139	103,080	127,783	138,304	150,597	164,306	178,487
FEDERAL FUNDS.....	141,695	162,039	157,987	174,807	194,923	216,750	240,475
OTHER FUNDS.....	536,753	775,761	677,386	677,386	677,386	677,386	677,386
DEPARTMENT TOTAL.....	\$ 849,034	\$ 1,123,784	\$ 1,041,242	\$ 1,077,759	\$ 1,120,441	\$ 1,167,125	\$ 1,217,147

PROGRAM OBJECTIVE: To serve Pennsylvania's insurance consumers through fair and efficient regulation of the insurance industry.

Program: Insurance Industry Regulation

The Insurance Department's responsibilities are to protect insurance consumers by providing adequate safeguards, to ensure that products are available, and to provide a fair regulatory climate that will encourage insurance companies to conduct business in the Commonwealth.

The Insurance Department regulates all aspects of the insurance industry in Pennsylvania. It supervises the operation of 1,712 insurance companies; authorizes the admission of new insurers to the State; tests and licenses insurance agents, brokers and bondsmen; and reviews and approves about 17,000 rate and policy form filings each year. It analyzes annual and quarterly financial statements and other corporate transactions filed by insurance companies and other regulated entities; conducts an average of 90 on-site financial examinations of domestic insurance companies each year; conducts adjudicatory hearings; and handles nearly 800,000 consumer and producer interventions and inquiries annually.

The financial condition of insurers licensed to transact business in Pennsylvania is monitored and regulated through the department's examination and financial analysis functions. Because of the concern regarding the number of financially troubled insurers and national attention focused on the quality of state regulation and insurer solvency, the department continues to commit its resources to solvency regulation. The department has implemented risk-based capital requirements for all types of insurers and increased its use of targeted or limited scope financial examinations in response to market conditions or deteriorating insurer financial results. Resources continue to be focused on improving the effectiveness of regulatory actions taken to correct problems before they lead to insolvency.

The Federal Gramm-Leach-Bliley Financial Services Modernization Act of 1999 enables insurance companies, banks and securities firms to merge and sell one another's products. Pennsylvania is acting in concert with other states to develop a blueprint for state insurance regulation. The Insurance Department is working toward educating consumers with respect to the vast array of products available and providing a regulatory climate that will enable insurance companies to remain competitive in an increasingly global marketplace. Additional coordination with other states aims for more uniform and streamlined producer licensing.

The Consumer Liaison office established in 2004 will enhance the department's role as an active advocate for insurance consumers. The Insurance Department's three regional offices provide the public with insurance information, education and complaint resolution services. The department

conducts field investigations of insurance law violations and undertakes on-site market conduct examinations of insurance company records, files and operations.

The Insurance Commissioner by law serves as statutory liquidator/receiver for Pennsylvania domestic insurers found to be insolvent by the Commonwealth Court and for unlicensed insurance entities.

The department administers the Children's Health Insurance Program (CHIP), which was established by Act 113 of 1992 and significantly expanded with the passage of Act 68 of 1998. CHIP makes comprehensive free or low-cost health insurance available to the children of low-income working parents. CHIP offers a comprehensive package of benefits, including well child visits, immunizations, prescription coverage, emergency care, inpatient services, mental health services and hearing, vision and dental services. When initially implemented in 1993, CHIP provided the free portion of the program to those under 185 percent of the Federal poverty guidelines and the subsidized program to children from families earning between 185 percent and 235 percent of poverty. With the passage of Act 68 of 1998, the free program was expanded to children of families under 200 percent of poverty and the age limit was increased from sixteen to eighteen. The subsidized program, which provides half the cost of the insurance premium, was adjusted to between 200 and 235 percent of poverty and the age limit was increased from age 5 to age 18. The coverage is funded from a portion of cigarette tax receipts, a State appropriation, the Federal State Children's Health Insurance Program under Title XXI of the Social Security Act, and payments by participating working families in accordance with a sliding fee scale. As of December 31, 2004, enrollment was about 134,160 children.

Act 77 of 2001 established the Tobacco Settlement Fund and provided funding for programs that improve the health status of Pennsylvania citizens. A portion of fund revenues is provided for the Adult Health Insurance program which began coverage on July 1, 2002. The program provides health care insurance for adults between 19 and 65 years of age whose household income is less than 200 percent of poverty and who are ineligible for other insurance. The department's responsibility includes contracting with insurers for a benefit package and providing for outreach activities. Enrolled adults contribute monthly to the cost of the coverage.

The Catastrophic Loss Benefits Continuation Fund, funded through certain motor vehicle violation surcharge fees, provides benefits to Pennsylvanians who were catastrophically injured in motor vehicle accidents prior to January 1, 1990, and incurred medical expenses in excess

Program: Insurance Industry Regulation (continued)

of \$100,000. Effective January 1, 2004, the surcharge fees are deposited to the Medical Care Availability and Reduction of Error (Mcare) Fund for a ten-year period and then revert to the General Fund. Revenue from investment income will continue to accrue to this fund.

The Underground Storage Tank Indemnification Fund, established pursuant to Act 32 of 1989, the Storage Tank and Spill Prevention Act, provides claims payments to owners and operators of underground storage tanks. The program is funded through a fee schedule based on the type of product stored in the underground storage tank. In addition to making claim payments to eligible tank owners or operators for damages caused by releases from their tanks, programs include the Tank Installation Indemnification Program in the Insurance Department, the Upgrade Loan Program in the Department of Community and Economic Development, and the Pollution Prevention and Environmental Clean-Up Program through the Department of Environmental Protection.

Act 13 of 2002 established the Medical Care Availability

and Reduction of Error (Mcare) Fund; the act established requirements for basic insurance coverage for health care providers and for their purchase of excess insurance through this program. The program is responsible for payment of claims against participating health care providers for losses or damages awarded in medical professional liability actions against them in excess of basic insurance coverage. Revenue is derived by levying an annual surcharge on health care providers and from motor vehicle violation surcharges. Act 44 of 2003 provides for the Health Care Provider Retention Account, which will receive 18.52% of the cigarette tax for a program to subsidize Mcare premiums. This program has provided surcharge abatements to health care providers for calendar years 2003 and 2004. Act 154 of 2005 extended the abatement for one more year. Abatements are 100% of the Mcare billing for providers in high rate classes and 50% abatement for others.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Companies in liquidation	18	15	9	9	3	3	1
Administrative hearings held	191	170	175	175	175	175	175
Rate filings reviewed	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Form filings reviewed	10,300	10,300	10,300	10,300	10,300	10,300	10,300
Enforcement investigations completed	431	328	328	328	328	328	328
Insurer Market Conduct Examinations completed	31	32	35	35	35	35	35
Company financial and corporate filings reviewed	2,824	2,900	2,900	2,900	2,900	2,900	2,900
Cost per company licensing and financial analysis*	\$ 424	\$ 444	\$ 463	\$ 482	\$ 502	\$ 522	\$ 522
Children's Health Insurance Program enrollment	134,426	136,015	146,021	156,864	166,522	176,793	187,697
Percentage of CHIP applications filed electronically*	NA	8.8%	8.8%	9.0%	9.2%	9.4%	9.6%
Adult Health Insurance Coverage enrollment	42,982	36,117	41,544	41,611	42,095	42,669	43,064

Insurance companies in liquidation increases from the projections shown in last year's budget due to additional companies entering liquidation and fewer companies being discharged than originally forecast. Future liquidations may decrease but are not readily predictable.

Administrative hearings held increased from the projection shown in last year's budget due to the new types of hearings being held which are more complex and require more hearings.

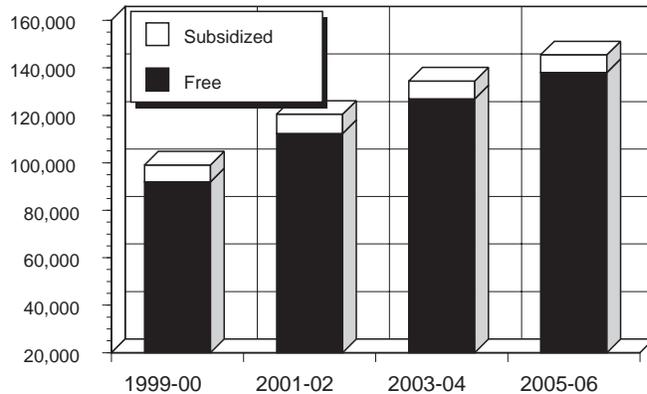
Rating filings reviewed decreased from last year's budget due to over estimating the impact of emergencies.

Name change from last year's budget from Policy/Form filings reviewed to Form filings reviewed resulting in a decrease.

* New program measure.

Program: Insurance Industry Regulation (continued)

Children's Health Insurance Program
Children Served



Pennsylvania's Children 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 145,000 children will be served in 2005-06.

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Children's Health Insurance Administration
\$ 186 —to continue current program.

Adult Health Insurance Administration
\$ -4 —to continue current program.

USTIF Loan Repayment
\$ -5,000 —for repayment of a transfer from the Underground Storage Indemnification Fund.

**TOBACCO SETTLEMENT FUND:
Adult Health Insurance**

\$ 24,703 —for a subsidized health insurance program for adults with a household income less than 200% of Federal poverty guidelines.

General Government Operations and Children's Health Insurance are funded at the current year appropriation level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 20,042	\$ 23,042	\$ 23,042	\$ 23,042	\$ 23,042	\$ 23,042	\$ 23,042
Children's Health Insurance							
Administration	1,566	1,758	1,944	1,944	1,944	1,944	1,944
Adult Health Insurance Administration	2,543	2,681	2,677	2,677	2,677	2,677	2,677
Children's Health Insurance	34,296	45,423	45,423	54,599	64,872	76,020	88,136
USTIF Loan Repayment	0	10,000	5,000	5,000	5,000	5,000	5,000
TOTAL GENERAL FUND	\$ 58,447	\$ 82,904	\$ 78,086	\$ 87,262	\$ 97,535	\$ 108,683	\$ 120,799
TOBACCO SETTLEMENT FUND:							
Adult Health Insurance Program	\$ 112,139	\$ 103,080	\$ 127,783	\$ 138,304	\$ 150,597	\$ 164,306	\$ 178,487



DEPARTMENT OF LABOR AND INDUSTRY

The mission of the Department of Labor and Industry is to foster and maintain economic growth and economic development in Pennsylvania.

The mission is accomplished through programs which protect the health, welfare and safety of workers, provide meaningful job training and placement services, stabilize the incomes of injured, disabled or unemployed workers, and facilitate labor-management cooperation.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
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GENERAL FUND:

General Government:

General Government Operations.....	\$ 16,773	\$ 17,309	\$ 14,612
(F)Workforce Investment Act - Administration.....	8,499	8,500	8,500
(F)Career Resources Network.....	190	104	150
(F)Community Service and Corps.....	9,781	10,009	10,067
(F)Disability Determination.....	83,620	87,734	91,881
(F)New Hires.....	1,739	1,739	1,738
(A)Federal Indirect Cost Reimbursements.....	1,000	1,000	3,500
(A)National Governors' Association.....	0	50	50
(F)General Fund Share - PEBTF Contribution.....	370	0	0
(A)High Growth Initiative Grant.....	0	0	200
Subtotal.....	\$ 121,972	\$ 126,445	\$ 130,698
Occupational and Industrial Safety.....	11,375	11,626	11,626
(F)Building Code.....	200	200	0
(A)Federal Indirect Cost Reimbursements.....	1,093	1,107	1,000
PENNSAFE.....	1,270	1,280	1,258
(F)Underground Utility Line Protection.....	450	500	500
(F)Environmental Information Exchange (EA).....	50	100	0
(R)Asbestos and Lead Certification (EA).....	1,664	1,723	1,788
Pennsylvania Conservation Corps.....	5,250	5,665	5,472
Subtotal - State Funds.....	\$ 34,668	\$ 35,880	\$ 32,968
Subtotal - Federal Funds.....	104,899	108,886	112,836
Subtotal - Augmentations.....	2,093	2,157	4,750
Subtotal - Restricted Revenues.....	1,664	1,723	1,788
Total - General Government.....	\$ 143,324	\$ 148,646	\$ 152,342

Grants and Subsidies:

Occupational Disease Payments.....	\$ 2,041	\$ 1,813	\$ 1,529
Vocational Rehabilitation Services.....	4,000	4,000	3,600
Entrepreneurial Assistance.....	1,061	1,061	955
Transfer to Vocational Rehabilitation Fund.....	38,083	38,083	37,083
Supported Employment.....	1,155	1,155	1,039
Centers for Independent Living.....	1,600	2,250	1,600
Workers' Compensation Payments.....	198	176	155
Training Activities.....	2,250	2,250	17,025
Industry Partnerships.....	0	0	5,000
Assistive Technology.....	890	890	801
Self Employment Assistance.....	2,500	2,500	0
Employment Services.....	8,200	8,190	0
(F)Joint Jobs Initiative (EA).....	124,958	130,625	130,626
(F)Reed Act - Unemployment Insurance.....	2,000	12,000	12,000
(F)Reed Act - Employment Services.....	15,000	312,000	315,935
(F)WIA - Adult Employment and Training.....	60,000	60,000	60,000
(F)WIA - Youth Employment and Training.....	52,000	52,000	52,000
(F)WIA - Statewide Activities.....	23,000	23,000	23,000
(F)WIA - Dislocated Workers.....	109,000	109,000	109,000
(F)WIA - Veterans Employment and Training.....	618	618	900
(F)TANFBG - Youth Employment and Training.....	15,000	15,000	15,000
(F)PA Child Support Assistance (PACSES).....	0	0	401
(F)New Directions.....	0	1,000	1,000
(A)Joint Jobs Initiative.....	35,756	43,000	34,803
Beacon Lodge Camp.....	117	117	105
Subtotal.....	\$ 445,649	\$ 766,550	\$ 754,770

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal - State Funds.....	\$ 62,095	\$ 62,485	\$ 68,892
Subtotal - Federal Funds.....	401,576	715,243	719,862
Subtotal - Augmentations.....	35,756	43,000	34,803
Total - Grants and Subsidies.....	<u>\$ 499,427</u>	<u>\$ 820,728</u>	<u>\$ 823,557</u>
STATE FUNDS.....	\$ 96,763	\$ 98,365	\$ 101,860
FEDERAL FUNDS.....	506,475	824,129	832,698
AUGMENTATIONS.....	37,849	45,157	39,553
RESTRICTED REVENUES.....	1,664	1,723	1,788
GENERAL FUND TOTAL.....	<u>\$ 642,751</u>	<u>\$ 969,374</u>	<u>\$ 975,899</u>
 OTHER FUNDS:			
GENERAL FUND:			
Vending Machine Proceeds - Surface Transportation.....	\$ 1,154	\$ 1,000	\$ 827
ADMINISTRATION FUND:			
Administration of Unemployment.....	\$ 199,968	\$ 210,200	\$ 207,500
EMPLOYMENT FUND FOR THE BLIND:			
General Operations.....	\$ 715	\$ 725	\$ 735
HAZARDOUS MATERIAL RESPONSE FUND:			
Hazardous Material Response Administration.....	\$ 170	\$ 170	\$ 170
REHABILITATION CENTER FUND:			
Operation of Rehabilitation Center.....	\$ 17,443	\$ 21,035	\$ 21,455
VOCATIONAL REHABILITATION FUND:			
General Operations (EA).....	\$ 800 ^a	\$ 800 ^a	\$ 1,615 ^a
Vocational Rehabilitation Services (F).....	139,407 ^b	138,765	142,741
VOCATIONAL REHABILITATION FUND TOTAL.....	<u>\$ 140,207</u>	<u>\$ 139,565</u>	<u>\$ 144,356</u>
WORKMEN'S COMPENSATION ADMINISTRATION FUND:			
Administration of Workers' Compensation.....	\$ 54,376	\$ 55,000	\$ 57,525
 DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 96,763	\$ 98,365	\$ 101,860
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	506,475	824,129	832,698
AUGMENTATIONS.....	37,849	45,157	39,553
RESTRICTED.....	1,664	1,723	1,788
OTHER FUNDS.....	414,033	427,695	432,568
TOTAL ALL FUNDS.....	<u>\$ 1,056,784</u>	<u>\$ 1,397,069</u>	<u>\$ 1,408,467</u>

^a Transfer to Vocational Rehabilitation Fund and Supported Employment not added to the total to avoid double counting: 2003-04 Actual is \$38,083,000, 2004-05 Available is \$38,083,000, and 2005-06 Budget is \$37,083,000.

^b 2003-04 actually authorized as part of the \$179,445,000 General Operations (EA).

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
COMMUNITY AND OCCUPATIONAL SAFETY AND STABILITY							
GENERAL FUND.....	\$ 29,418	\$ 30,215	\$ 27,496	\$ 27,421	\$ 27,421	\$ 27,421	\$ 27,421
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,210	804	650	650	650	650	650
OTHER FUNDS.....	3,927	4,050	6,708	6,708	6,708	6,708	6,708
SUBCATEGORY TOTAL.....	\$ 34,555	\$ 35,069	\$ 34,854	\$ 34,779	\$ 34,779	\$ 34,779	\$ 34,779
WORKERS COMPENSATION AND ASSISTANCE							
GENERAL FUND.....	\$ 2,239	\$ 1,989	\$ 1,684	\$ 1,684	\$ 1,684	\$ 1,684	\$ 1,684
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	85,359	89,473	93,619	93,611	93,611	93,611	93,611
OTHER FUNDS.....	254,344	265,200	265,025	263,577	263,577	263,577	263,577
SUBCATEGORY TOTAL.....	\$ 341,942	\$ 356,662	\$ 360,328	\$ 358,872	\$ 358,872	\$ 358,872	\$ 358,872
WORKFORCE INVESTMENT							
GENERAL FUND.....	\$ 18,200	\$ 18,605	\$ 27,497	\$ 27,494	\$ 27,494	\$ 27,494	\$ 27,494
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	419,906	733,852	738,429	738,398	738,398	738,398	738,398
OTHER FUNDS.....	35,756	43,000	34,803	34,803	34,803	34,803	34,803
SUBCATEGORY TOTAL.....	\$ 473,862	\$ 795,457	\$ 800,729	\$ 800,695	\$ 800,695	\$ 800,695	\$ 800,695
VOCATIONAL REHABILITATION							
GENERAL FUND.....	\$ 46,906	\$ 47,556	\$ 45,183	\$ 45,183	\$ 45,183	\$ 45,183	\$ 45,183
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	159,519	162,325	167,373	164,288	164,288	164,288	164,288
SUBCATEGORY TOTAL.....	\$ 206,425	\$ 209,881	\$ 212,556	\$ 209,471	\$ 209,471	\$ 209,471	\$ 209,471
ALL PROGRAMS:							
GENERAL FUND.....	\$ 96,763	\$ 98,365	\$ 101,860	\$ 101,782	\$ 101,782	\$ 101,782	\$ 101,782
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	506,475	824,129	832,698	832,659	832,659	832,659	832,659
OTHER FUNDS.....	453,546	474,575	473,909	469,376	469,376	469,376	469,376
DEPARTMENT TOTAL.....	\$ 1,056,784	\$ 1,397,069	\$ 1,408,467	\$ 1,403,817	\$ 1,403,817	\$ 1,403,817	\$ 1,403,817

PROGRAM OBJECTIVE: To further economic development in the Commonwealth by promoting the health, welfare and safety of employes, and acting to maintain continuous production and employment through mediation.

Program: Community and Occupational Safety and Stability

The department is responsible for administering a wide range of laws designed to enhance income security, safeguard the health of workers and the general public, protect the rights of Pennsylvania workers, and promote labor relations stability and labor-management cooperation.

Program Element: Income Security and Workers' Rights

The department monitors and enforces the Minimum Wage, Wage Payment and Collection, and Prevailing Wage laws to protect the income of employees. The department also protects workers' rights by ensuring compliance with the Child Labor, Seasonal Farm Labor, Industrial Homework, Equal Pay and Medical Pay laws. The department informs employees and employers about the laws, conducts investigations and resolves disputes.

Program Element: Labor Relations

Labor relations stability is promoted through the provision of mediation services to the public and private sectors. Under the Public Employee Relations Act, parties to a contract in the public sector must notify the department if no agreement has been reached after contract negotiations have commenced. In the private sector, dispute notices must be filed with the department based on the National Labor Relations Act. Mediation services are mandatory in the public sector and voluntary in the private sector. Each year over 1,000 cases are mediated by the department.

The Pennsylvania Labor Relations Board enforces and implements the provisions of the Commonwealth's laws relating to private and public sector collective bargaining, including the Pennsylvania Labor Relations Act, the Public Employee Relations Act and acts relating to police and fire employees. The board determines collective bargaining representatives, prevents and discourages unfair practices in the public sector, contributes to the resolution of bargaining disputes by the issuance of arbitration panels and the appointment of fact finders.

The Office of Labor-Management Cooperation promotes labor-management cooperation through the support of and coordination with the area labor-management committees throughout Pennsylvania. The Pennsylvania Bureau of Mediation provides technical assistance as facilitator for cooperative programs. In addition to promoting labor-management cooperation, the office also recognizes and awards existing successful labor-management cooperation efforts in the Commonwealth. It provides support and technical assistance to the Governor's Committee on Economic Development through Labor-Management Partnerships.

Program Element: Public Health and Safety

The Uniform Construction Code, Bedding and Upholstery, Stuffed Toy, Employment Agency, LP Gas, Boiler, Lead Certification, and Asbestos Occupations Accreditation and Certification Acts are all administered by the Bureau of Occupational and Industrial Safety (BOIS). The bureau enforces the acts through promulgation of regulations, conducting field inspections, licensing and certification, and investigating complaints. The department is also responsible for insuring that buildings are accessible and usable by persons with disabilities under the State's Universal Accessibility Act.

Act 45 of 1999, the Uniform Construction Code (UCC) Act, required the department to adopt a nationally recognized construction code for communities within the Commonwealth in place of disparate community-based codes previously in existence. As authorized by the act, the department has established a program of training, including continuing education, testing and certification for code administrators, municipal code officials, construction code officials or persons designated by the department. Buildings must comply in seven distinct areas with the approved code for occupancy approval. These areas are: (1) building, (2) electrical, (3) mechanical, (4) plumbing, (5) energy, (6) accessibility and (7) fire protection. Department certified inspectors will ensure compliance with approved plans prior to issuance of an occupancy permit. Of the 2,565 municipalities in the Commonwealth, 2,282 have opted for local UCC enforcement except where certified local code officials are not available to approve plans and inspect commercial construction for compliance with UCC accessibility requirements. The Department of Labor and Industry will enforce the code in the 284 municipalities that have not chosen to provide their own enforcement. The department has sole jurisdiction for all State-owned buildings in the Commonwealth.

The Worker and Community Right-to-Know Act requires all employers doing business in Pennsylvania to provide certain information about hazardous chemicals found in their workplace and to make sure that information is available to emergency response organizations and the public. The department enforces worker right-to-know provisions for public employees and those in the mining industry and provides over 100 education/outreach programs annually. Training and technical assistance are provided to employers to assist them in establishing department-certified workplace safety committees. The department also provides training and outreach programs related to underground utility line damage prevention.

Program: Community and Occupational Safety and Stability (continued)

The Office for the Deaf and Hard of Hearing responds to requests for information and referral, promotes access for

people who are deaf, and provides public education about hearing loss and deafness.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Minimum wage violations cited	287	300	300	300	300	300	300
Child labor law violations	301	300	300	300	300	300	300
Nonpayment of wage violations	5,501	5,600	5,600	5,600	5,600	5,600	5,600
Mediated cases involving work stoppages:							
Public bargaining units	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Private bargaining units	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Unfair labor practice cases opened *	510	510	510	510	510	510	510
Unfair labor practice cases concluded	468	550	550	550	550	550	550
Union representation cases opened *	171	171	171	171	171	171	171
Union representation cases concluded	200	200	200	200	200	200	200
Building inspections performed*	61,741	58,000	58,000	58,000	58,000	58,000	58,000
Elevator inspections performed*	19,954	15,000	15,000	15,000	15,000	15,000	15,000
Boiler inspections performed*	35,159	36,000	36,000	36,000	36,000	36,000	36,000
Other inspections performed*	5,730	6,000	6,000	6,000	6,000	6,000	6,000
Total inspections performed	122,584	115,000	115,000	115,000	115,000	115,000	115,000
Prevailing Wage Law violations	604	610	610	610	610	610	610
Prevailing Wage Law violations cases closed*	511	511	511	511	511	511	511
Prevailing Wage Law violations cases closed — Average number of days*	78	78	78	78	78	78	78
Building approvals issued	13,023	8,500	3,000	3,000	3,000	3,000	3,000
New buildings certified	7,427	4,420	4,420	4,420	4,420	4,420	4,420
Renovations of existing buildings certified	5,628	4,080	4,080	4,080	4,080	4,080	4,080
Municipalities choosing to provide their own enforcement under the Uniform Construction Code Act *	2,282	2,282	2,282	2,282	2,282	2,282	2,282
Call Incident Reports *	344	350	350	350	350	350	350

* New program measure

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND		Occupational and Industrial Safety	
General Government Operations		—to reduce administrative costs.	
\$ -2,500	—to maximize current Federal resources.	\$ -32	—Initiative — Fire Suppression System. To
-294	—to reduce administrative costs.	11	provide a fire suppression system to
13	—Initiative — Fire Suppression System. To	21	protect information technology
	provide a fire suppression system to		resources.
	protect information technology		—Initiative — Backup Generator. To
	resources.		provide a backup generator to protect
24	—Initiative — Backup Generator. To		information technology resources to
	provide a backup generator to protect		reduce administrative costs.
	information technology resources		
60	—Initiative — Job Ready Pennsylvania. To	\$ 0	<i>Appropriation Unchanged</i>
	develop a system for credentialing adult		
	workers for knowledge gained outside		
	the classroom.		
\$ -2,697 <i>Appropriation Decrease</i>			

Program: Community and Occupational Safety and Stability (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

		PENNSAFE
\$	-28	—to reduce administrative costs.
	4	—Initiative — Backup Generator. To provide a backup generator to protect information technology resources to reduce administrative costs.
	2	—Initiative — Fire Suppression System. To provide a fire suppression system to protect information technology resources.
<hr/>	<hr/>	
\$	-22	<i>Appropriation Decrease</i>

In addition, \$25,000 in Federal funds is recommended to provide a backup generator to protect information technology resources.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 16,773	\$ 17,309	\$ 14,612	\$ 14,575	\$ 14,575	\$ 14,575	\$ 14,575
Occupational and Industrial Safety	11,375	11,626	11,626	11,594	11,594	11,594	11,594
PENNSAFE	1,270	1,280	1,258	1,252	1,252	1,252	1,252
TOTAL GENERAL FUND	\$ 29,418	\$ 30,215	\$ 27,496	\$ 27,421	\$ 27,421	\$ 27,421	\$ 27,421

PROGRAM OBJECTIVE: To further economic development in the Commonwealth by stabilizing the incomes of employes who become unemployed.

Program: Workers' Compensation and Assistance

This program provides income and medical services security to qualifying individuals. This program includes workers' compensation, unemployment compensation, occupational disease payments and Social Security disability payments.

Workers' Compensation is a system of payments made through private insurance companies, the State Workers' Insurance Fund and self-insured employers to employees who sustain injuries or diseases during their course of employment. The Commonwealth's administrative expenses are funded from assessments on the insurance industry.

Act 57 of 1996 substantially amended the Workers' Compensation Act. The amendments addressed the high cost of workers' compensation in the Commonwealth with respect to premiums, wage benefits, medical treatment and review and litigation. The amendments were intended to provide expedited settlement of issues, reduce fraud, counteract disincentives to return to work, and encourage workplace safety. Their impact is a reduction of burdensomely high costs for businesses and the resultant improvement of the business climate in the Commonwealth.

Act 41 of 2001 amended the Workers' Compensation Act to transfer up to \$3.8 million from the Workmen's Compensation Administration Fund to the Self-Insurance Guaranty Fund's Prefund Account to pay workers'

compensation benefits to eligible claimants injured prior to Act 44 of 1993. Act 44 of 1993 provided for payments to eligible claimants from the Self-Insurance Guaranty Fund. Eligible claimants are those affected by defaulting self-insured employers or defaulting members of self-insurance pooling arrangements.

The department processes applications for Federal disability benefits, gathers medical evidence for each claim and makes recommendations to the Social Security Administration under the Social Security Administration's Disability Determination Program guidelines.

Occupational Disease Payments are made primarily to victims of silicosis, and related diseases, commonly referred to as "black lung." Victims of these diseases are covered based on their date of last exposure and disability.

Unemployment compensation payments are made to individuals and their dependents during periods of involuntary unemployment. The payments are funded from taxes on employers and employees paid into the Unemployment Compensation Trust Fund. The tax rates vary according to the financial condition of the fund. The maximum weekly benefit rate is calculated as 66 2/3% of the average weekly wage for the preceding year. The maximum weekly payment during calendar year 2004 was \$461.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Claimants qualifying for occupational disease payments from Commonwealth funds	1,005	903	810	741	718	695	644
Reportable injuries arising in the course of employment under the Workers' Compensation Act	98,041	98,041	98,041	98,041	98,041	98,041	98,041
Total petitions assigned resulting from reportable injuries under the Workers' Compensation Act	51,430	52,940	52,940	52,940	52,940	52,940	52,940
Final decisions in litigated Workers' Compensation claims	52,637	54,000	54,000	54,000	54,000	54,000	54,000
Average time in days—Cases filed/concluded (Workers' Compensation and Occupational Disease in which PA contests the liability for benefits)	269	263	260	257	254	251	248
New claims for unemployment compensation	679,536	623,000	620,000	620,000	620,000	620,000	620,000

Program: Workers' Compensation and Assistance (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$	-284	Occupational Disease Payments —nonrecurring payments.
\$	-21	Workers Compensation Payments —nonrecurring payments. These payments are made for a special class of recipients who became eligible before March 1968, and not for new claimants shown in the program measure above whose payments are made from the State Workmens' Insurance Fund and by private insurance companies.

In addition, this budget recommends the following change to the Workers' Compensation Program through the Workmen's Compensation Administration Fund.

		Administration of Workers' Compensation
\$	76	—Initiative — Fire Suppression System. To provide a fire suppression system to protect information technology resources.
	137	—Initiative — Backup Generator Acquisition. To provide a backup generator to protect information technology resources.
	2,312	—to continue current program.
\$	2,525	<i>Appropriation Increase</i>

In addition, \$1,015,000 in Other funds is recommended for the acquisition of a backup generator to protect information technology, and \$565,000 in Other funds is recommended to provide a fire suppression system to protect information technology resources.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Occupational Disease Payments	\$ 2,041	\$ 1,813	\$ 1,529	\$ 1,529	\$ 1,529	\$ 1,529	\$ 1,529
Workers' Compensation Payments	198	176	155	155	155	155	155
TOTAL GENERAL FUND	\$ 2,239	\$ 1,989	\$ 1,684	\$ 1,684	\$ 1,684	\$ 1,684	\$ 1,684

PROGRAM OBJECTIVE: To provide meaningful job training and placement services in a coordinated role with other Commonwealth agencies, the private sector and the Federal Government in order to secure unsubsidized employment for unemployed Pennsylvanians.

Program: Workforce Investment

The Workforce Investment program provides a range of employment and training services administered by the bureaus of Workforce Development Partnerships, Unemployment Compensation, the Pennsylvania Conservation Corps and the Center for Workforce Information and Analysis. The Department of Labor and Industry is the lead agency in administering interagency employment and training programs for Pennsylvania's adult labor force and youth. Programs assist people who are looking for work, including Temporary Assistance to Needy Families (TANF) clients and unemployed individuals, in skill development and in finding suitable employment, as well as assisting working Pennsylvanians with career advancements into family sustaining jobs. In addition, youth programs provide at risk youth with skill development, career education, and job placement.

In 2004-05, the Department of Labor and Industry, working with the Departments of Community and Economic Development and Education, published "Pennsylvania's Targeted Industry Clusters" in order to ensure that training and education programs are driven by employer demand. Through additional occupational analysis and the creation of Industry Partnerships (a consortium of similar businesses) existing training in all programs is being better aligned to meet the demands of employers – providing a skilled workforce for the Commonwealth's most competitive business sectors and opportunities for Pennsylvania citizens.

Program Element – Workforce Investment Act

Local Workforce Investment Boards plan and oversee the local delivery of services with approval by the Governor. The boards, in partnership with local elected officials, identify providers of training services, monitor system performance and help develop the regional labor market information system. The Federal Workforce Investment Act (WIA) of 1998, which repealed the Job Training Partnership Act and the Economic Dislocation and Worker Adjustment Assistance Act, was enacted to improve the delivery of job training services. The WIA provided for an orderly transition from the Job Training Partnership Act programs to an improved workforce preparation and employment system.

Funding for numerous programs has been consolidated under the WIA into three basic grants under Title I-B:

- adult employment and training,
- dislocated worker employment and training, and
- youth employment and training.

In addition, the law gives states and local areas more

authority and responsibility for job training needs and decisions, and individuals more customer choice.

Program Element – CareerLink

The former Job Centers have evolved into Pennsylvania CareerLinks, a one-stop services system. The transition has improved service for employers, job seekers and other customers by integrating systems and coordinating services. Services available at the centers include: job search and placement assistance (including career counseling), labor market information (which identifies job vacancies, skills needed for in-demand jobs and local, regional and national trends), initial assessment of skills and needs, information about available services and follow-up services to help customers keep their jobs after placement.

Pennsylvania CareerLinks is a cooperative effort involving the Departments of Aging, Community and Economic Development, Education, Labor and Industry, and Public Welfare in partnership with private sector employers, trade associations, local elected officials, job seekers and community leaders to provide a one-stop delivery of career services.

Program Element: Dislocated Workers

The department provides funds to assist dislocated workers through training programs, rapid response efforts, support services, and needs-based payments.

The department's Rapid Response Program is operated by the Rapid Response Coordination Services Unit in conjunction with the Department of Community and Economic Development. When a business relocates to another state or employees are laid off, the Department of Labor and Industry's Rapid Response Team is available to bring a wide variety of State and local resources to the job site to assist laid-off individuals in finding reemployment. The department also promotes labor-management cooperation by encouraging the formation of labor-management committees at the job site to coordinate the mix of available services.

Twenty percent of Federal funds appropriated for dislocated workers are retained at the Federal level to provide national emergency grants, dislocated worker demonstration projects and technical assistance. Of the remaining eighty percent allocated to states, sixty percent is allocated to local areas with forty percent retained at the state level (fifteen percent for statewide activities and twenty-five percent for rapid response efforts).

Program: Workforce Investment (continued)

Eighty-five percent of the Federal funds appropriated for adult and youth services are allocated to the local areas; the remainder is reserved for Statewide activities.

Program Element: Pennsylvania Conservation Corps

The Pennsylvania Conservation Corps (PCC or Corps) incorporates a twofold mission: raising the skill level, self-confidence and employability of unemployed young adults, along with improving the Commonwealth's natural, historical and recreational resources. Corpsmembers are enrolled for a one-year term of service and may be extended for up to two additional six-month terms. In the course of their PCC service, members receive on-the-job training in a variety of

trade skills, and are offered a range of academic, technical and life-skills training geared toward their individual needs and goals. Corpsmembers who do not have a high school diploma are required to enroll in GED-preparation classes. Those who graduate from high school or earn a GED are offered other training opportunities. A member whose assessment scores in any area are not at or above the eighth-grade level (regardless of whether or not the individual has a diploma or GED) must take adult basic education classes until his or her scores improve, at which point he or she becomes eligible for other training opportunities.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Percent employed after program exit*	83%	83%	83%	83%	83%	83%	83%
Entered employment by targeted industry cluster*	57%	65%	65%	65%	65%	65%	65%
Employed for three quarters after program exit*	88%	86%	86%	86%	86%	86%	86%
Achievement of credential *	71%	71%	71%	71%	71%	71%	71%
Training cost per participant*	\$2,412	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
Average cost per participant placed in industry*	\$3,021	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Placement in continued education*	82%	82%	82%	82%	82%	82%	82%
Percent of participants who increase educational functional levels*	76%	73%	73%	73%	73%	73%	73%
CareerLink participation levels*	9%	15%	15%	15%	15%	15%	15%
CareerLink participation outcomes*	82%	75%	75%	75%	75%	75%	75%
Job orders filled by CareerLinks*	60%	70%	70%	70%	70%	70%	70%
Job openings unfilled after six months*	31%	25%	25%	25%	25%	25%	25%

*New program measures.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>\$ -196</p> <p>1</p> <p>2</p> <hr/> <p>\$ -193</p>	<p>Pennsylvania Conservation Corps</p> <p>–program reduction.</p> <p>–Initiative – Fire Suppression System. To provide a fire suppression system to protect information technology resources.</p> <p>–Initiative – Backup Generator. To provide a backup generator to protect information technology resources.</p> <p><i>Appropriation Decrease</i></p>	<p>\$ 5,000</p> <p>\$ -2,500</p> <p>\$ -8,190</p>	<p>Industry Partnerships</p> <p>–Initiative – Job Ready Pennsylvania. To provide grants for technical assistance and other support to seed-fund additional industry partnerships.</p> <p>Self Employment Assistance</p> <p>–nonrecurring projects.</p> <p>Employment Services</p> <p>—nonrecurring projects.</p>
<p>\$ -225</p> <p>15,000</p> <hr/> <p>\$ 14,775</p>	<p>Training Activities</p> <p>–program reduction.</p> <p>–Initiative – Job Ready Pennsylvania. To provide employer-driven training developed through industry partnerships to over 6,300 workers.</p> <p><i>Appropriation Increase</i></p>		

In addition, \$3,935,000 in Federal funds is budgeted for the development of a comprehensive workforce system.

Labor and Industry

Program: Workforce Investment (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Pennsylvania Conservation Corps	\$ 5,250	\$ 5,665	\$ 5,472	\$ 5,469	\$ 5,469	\$ 5,469	\$ 5,469
Training Activities	2,250	2,250	17,025	17,025	17,025	17,025	17,025
Industry Partnerships	0	0	5,000	5,000	5,000	5,000	5,000
Self Employment Assistance	2,500	2,500	0	0	0	0	0
Employment Services	8,200	8,190	0	0	0	0	0
TOTAL GENERAL FUND	\$ 18,200	\$ 18,605	\$ 27,497	\$ 27,494	\$ 27,494	\$ 27,494	\$ 27,494

PROGRAM OBJECTIVE: To enable eligible persons with disabilities to obtain competitive employment.

Program: Vocational Rehabilitation

This program, conducted in conjunction with the Federal Government, targets the estimated 540,000 citizens of the Commonwealth who have physical or mental impairments that present a substantial impediment to employment. During 2003, approximately 83,273 customers with disabilities were referred to and/or served by the Office of Vocational Rehabilitation.

The Federal Rehabilitation Act of 1973, as amended through 1992, established eligibility criteria for vocational rehabilitation services. Services are provided to individuals who can benefit from and who need services to prepare for, enter or retain employment. Primary emphasis is placed on serving individuals with the most severe disabilities. These individuals generally require extensive and varied services over an extended period of time. State and Federal funds are expended through the Vocational Rehabilitation Fund.

Act 15 of 1999 transferred the administration of services provided to persons who are blind or visually impaired from the Department of Public Welfare to the Department of Labor and Industry. This realignment provides more efficient and higher quality services while maintaining a distinct and specialized service model.

Training and employment services are provided to those most likely to be employed in the short term through the

fully State-funded Vocational Rehabilitation Services Program.

To address the needs of individuals who do not meet Federal eligibility criteria, State funds are provided for the Centers for Independent Living (CILs). CILs are non-residential centers that provide information and referral services, peer counseling, independent living skills training and other services to Pennsylvanians with disabilities.

The Supported Employment Program improves employment opportunities for those previously considered to have disabilities so severe that they could not benefit from the traditional vocational rehabilitation program. Supported employment combines job placement in the community with job training at the job site. Full-time training and support services are provided.

Grants are provided through the Independence Capital Access Network (ICAN) to businesses for the purchase of specialized or adaptive equipment to employ Pennsylvanians with disabilities.

This program also includes the Hiram G. Andrews Center in Johnstown. The center is funded from fees for services rendered. The center provides a wide array of vocational rehabilitation and job training services.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Caseload:							
Carry-over	51,993	54,341	54,677	55,063	55,145	55,176	55,176
New referrals	<u>30,269</u>	<u>28,623</u>	<u>28,433</u>	<u>28,104</u>	<u>28,033</u>	<u>27,955</u>	<u>27,862</u>
Total caseload	82,262	82,964	83,110	83,167	83,178	83,131	83,038
Cases closed:							
Ineligible or plan not initiated	9,643	10,025	9,851	9,819	9,778	9,765	9,735
Placed in competitive employment	10,980	11,002	11,024	11,068	11,090	11,112	11,135
Non-rehabilitated	<u>7,298</u>	<u>7,260</u>	<u>7,172</u>	<u>7,135</u>	<u>7,134</u>	<u>7,078</u>	<u>6,992</u>
Total cases closed	27,921	28,287	28,047	28,022	28,002	27,955	27,862
Cases carried over	54,341	54,677	55,063	55,145	55,176	55,176	55,176
Most severely disabled rehabilitated	11,383	11,406	11,429	11,474	11,497	11,520	11,543
Services for the visually impaired:							
Persons who are blind or visually impaired	60,888	60,949	61,010	61,132	61,193	61,254	61,315
Persons who are blind or visually impaired placed in employment	452	453	453	455	455	456	457

Labor and Industry

Program: Vocational Rehabilitation (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Economic/client earnings information:							
Average weekly earnings for clients closed as competitively employed	\$340	\$343	\$347	\$354	\$357	\$361	\$365
Total weekly earnings for clients closed as competitively employed (in thousands)	\$3,511	\$3,546	\$3,582	\$3,635	\$3,654	\$3,672	\$3,690
Average taxes paid by competitively employed clients	\$4,596	\$4,642	\$4,688	\$4,783	\$4,830	\$4,879	\$4,928
Total taxes paid by competitively employed clients (in thousands)	\$50,464	\$50,969	\$51,478	\$52,513	\$53,038	\$53,569	\$54,104

Services for the visually impaired: persons who are blind or visually impaired increased from last year's budget due to increased resource availability.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ -400	Vocational Rehabilitation Services —program reduction.	\$ -650	Centers for Independent Living —nonrecurring project.
\$ -106	Entrepreneurial Assistance —program reduction.	\$ -89	Assistive Technology —program reduction.
\$ -1,000	Transfer to the Vocational Rehabilitation Fund. —nonrecurring project.	\$ -12	Beacon Lodge Camp —program reduction.
\$ -116	Supported Employment —program reduction.		

In addition, \$25,000 in Federal funds is recommended to provide a backup generator to protect information technology; \$2,755,000 in Federal and \$745,000 in other funds are budgeted for the development of a comprehensive workforce system; and \$14,000 in Federal funds is recommended to provide a fire suppression system to protect information technology resources.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Vocational Rehabilitation Services	\$ 4,000	\$ 4,000	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
Entrepreneurial Assistance	1,061	1,061	955	955	955	955	955
Transfer to Vocational Rehabilitation Fund	38,083	38,083	37,083	37,083	37,083	37,083	37,083
Supported Employment	1,155	1,155	1,039	1,039	1,039	1,039	1,039
Centers for Independent Living	1,600	2,250	1,600	1,600	1,600	1,600	1,600
Assistive Technology	890	890	801	801	801	801	801
Beacon Lodge Camp	117	117	105	105	105	105	105
TOTAL GENERAL FUND	\$ 46,906	\$ 47,556	\$ 45,183	\$ 45,183	\$ 45,183	\$ 45,183	\$ 45,183



LIQUOR CONTROL BOARD

The mission of the Liquor Control Board is to regulate the alcohol beverage industry in a fair and consistent manner; provide the best service to its customers through modern, convenient outlets, superior product selection and competitive prices in a controlled environment; and to provide factual information on alcohol and its effects through a comprehensive alcohol education program.

The Liquor Control Board controls the manufacture, possession, sale, consumption, importation, use, storage, transportation and delivery of liquor, alcohol and malt or brewed beverages in the Commonwealth.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
(F)Combat Underage Drinking College/Community Grants (EA).....	\$ 0	\$ 30	\$ 0
(F)Pennsylvanians Against Underage Drinking Grant (EA).....	0	25	0
(F)Enforcing Underage Drinking Laws (EA).....	0	358	0
(F)Malt or Brewed Beverage Sales Data (EA).....	0	23	0
Subtotal - Federal Funds.....	0	436	0
Total - General Government.....	<u>\$ 0</u>	<u>\$ 436</u>	<u>\$ 0</u>
GENERAL FUND TOTAL.....	<u>\$ 0</u>	<u>\$ 436</u>	<u>\$ 0</u>
OTHER FUNDS:			
STATE STORES FUND:			
General Operations (EA).....	\$ 285,788	\$ 290,245	\$ 318,297
Comptroller Operations (EA).....	7,764	7,531	8,070
Transfer of Profits to General Fund (EA).....	50,000	55,000	80,000
STATE STORES FUND TOTAL.....	<u>\$ 343,552</u>	<u>\$ 352,776</u>	<u>\$ 406,367</u>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	0	436	0
OTHER FUNDS.....	343,552	352,776	406,367
TOTAL ALL FUNDS.....	<u>\$ 343,552</u>	<u>\$ 353,212</u>	<u>\$ 406,367</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
LIQUOR CONTROL							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	436	0	0	0	0	0
OTHER FUNDS.....	343,552	352,776	406,367	391,367	396,367	401,367	406,367
SUBCATEGORY TOTAL.....	\$ 343,552	\$ 353,212	\$ 406,367	\$ 391,367	\$ 396,367	\$ 401,367	\$ 406,367
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	436	0	0	0	0	0
OTHER FUNDS.....	343,552	352,776	406,367	391,367	396,367	401,367	406,367
DEPARTMENT TOTAL.....	\$ 343,552	\$ 353,212	\$ 406,367	\$ 391,367	\$ 396,367	\$ 401,367	\$ 406,367

PROGRAM OBJECTIVE: To control the manufacture, distribution and sale of alcoholic beverages in Pennsylvania.

Program: Liquor Control

All bottle sales of wines and spirits in Pennsylvania, with the exception of sales by licensed limited wineries, are made through approximately 637 State Liquor Stores operated by the Liquor Control Board. This includes both retail sales to individual consumers and wholesale sales to those private establishments that make retail sales of alcoholic beverages by the drink.

Revenues from the sale of wines and spirits cover the cost of merchandise sold in the stores, all costs of operating the Liquor Control Board and the cost of operating the Office of the Comptroller for the Board. Additionally, these revenues fund the costs of the Pennsylvania State Police Bureau of Liquor Control Enforcement and provide funding to the Pennsylvania Department of Health to support drug and alcohol programs.

The Liquor Control Board's marketing strategy is geared to offering increased service to customers of legal age while maintaining the necessary controls at the point of purchase of alcoholic beverages. Recent agency initiatives to increase service include an expanded premium product selection, the opening of Premium Collection stores, an E-Commerce site for purchase of products and the opening of Liquor Control Board operated stores within existing grocery store outlets. Expanded customer service has also resulted from passage of Act 212 of 2002, which amended the Liquor Code to allow for in-store sampling of products and a two-year pilot on Sunday sales in 10% of State stores. Act 212 of 2002, along with Act 1 of 2003, allow for the sale of wine accessories and trade publications, while Act 15 of 2003 provided for the sale of liquor accessories.

The Board licenses private establishments that make retail sales of alcoholic beverages by the drink and regulates the sale of malt and brewed beverages by licensing the distributors, restaurants, hotels and clubs that sell these items. In 2001, Act 141 revised the existing license quota system from municipal-based to county-based to allow for

flexibility of licenses in developing areas most needed within the counties.

The Liquor Control Board has established an important Nuisance Bar Program to ensure the safety and security of our citizens. This program supports a task force that utilizes the expertise of representatives of community affairs offices, district attorney offices, local and state police, drug task forces, local communities and the General Assembly. If it is determined that a licensed business has abused its license privilege and, through its conduct or record of violations, demonstrates a pattern of activities that threatens the health and safety of the local community, the Liquor Control Board will refuse to renew its license. Through December of 2003, the Board has objected to the renewal of over 785 licenses.

In 1994, the Liquor Control Board formalized its commitment to providing information about alcohol consumption by establishing the Bureau of Alcohol Education. The bureau's annual budget supports its three-fold mission of delivering a no-alcohol use or "zero tolerance" message to all citizens under the age of 21, encouraging responsibility and moderation for any adult age 21 and over who chooses to drink alcoholic beverages and promoting responsible alcohol beverage service and practices among licensees and persons that serve beverage alcohol in Pennsylvania. The Bureau of Alcohol Education is currently developing and piloting a highly visible enforcement-driven "under 21" alcohol intervention project.

Act 141 of 2001 expanded the role of the Liquor Control Board through establishing a comprehensive Responsible Alcohol Management Program (RAMP) that offers responsible service training to licensees in Pennsylvania. The Bureau of Alcohol Education is responsible for overseeing this program, including offering owner/manager training to licensees and certifying, monitoring and tracking all server/seller training in Pennsylvania.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Pennsylvania State Liquor Stores	636	637	642	644	646	648	648
Gross Sales (includes taxes) (in thousands)	\$1,388,117	\$1,455,767	\$1,545,006	\$1,622,874	\$1,704,667	\$1,790,582	\$1,880,827
Net sales per dollar spent-all stores	\$6.10	\$6.10	\$5.90	\$5.80	\$5.80	\$5.70	\$5.70
Net sales per dollar spent-premium collection stores	\$6.90	\$6.90	\$6.80	\$6.60	\$6.60	\$6.50	\$6.50
Alcohol education materials distributed	2,873,365	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Licensees Receiving RAMP (Responsible Alcohol Management Program) Training ..	8,343	8,400	8,400	8,400	8,400	8,400	8,400

Program: Liquor Control (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

STATE STORES FUND
General Operations
\$ 28,052 —to continue current program.

Comptroller Operations
\$ 539 —to continue current program.

Transfer of Profits to General Fund
\$ 25,000 —increase in the amount available for transfer to General Fund.



DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

The Department of Military and Veterans Affairs has two roles in State government. One role of the department is to provide world-class service to Pennsylvania veterans, their spouses, and their dependents by operating a network of veterans' assistance programs, a school for veterans' children, and six veterans homes.

The other role of the department is to provide combat-ready units of the Pennsylvania Army and Air National Guard to protect the lives and property of the people of the Commonwealth and preserve peace, order and public safety. The Pennsylvania National Guard has dual missions. Their Federal mission is to be trained and equipped to join the active military forces in time of war or national emergency; and their State mission is to respond to the orders of the Governor in the event of natural and man-made disasters.

The Department of Military and Veterans Affairs consists of the Adjutant General, the State Armory Board, the State Veterans' Commission, the Soldiers and Sailors Home in Erie, the Veterans Home in Hollidaysburg, the Southeastern Veterans Home in Spring City, the Gino J. Merli Veterans Home in Scranton, the Southwestern Veterans Home in Pittsburgh, the Delaware Valley Veterans Home in Philadelphia and the Scotland School for Veterans Children near Chambersburg.

Military and Veterans Affairs

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 16,950	\$ 17,978	\$ 18,333
(F)Facilities Maintenance.....	34,185	36,486	38,037
(F)Federal Construction Grants.....	25,700	27,000	50,000
(F)General Fund Share - PEBTF Contribution (EA).....	1,204	0	0
(F)DCSI - Drug Enforcement Training (EA).....	618	630	418
(F)Domestic Preparedness (EA).....	400	0	0
(F)Emergency Relief (EA).....	2	0	0
(A)Rental of Armories and Other Facilities.....	122	122	122
(A)Lt. Governor's Residence.....	1	0	0
(A)Housing Fees.....	101	70	90
(A)Utility Reimbursements.....	182	225	185
(A)Recreational Reimbursements.....	62	44	0
(A)Publication Reimbursements.....	0	0	1
(A)Purchasing Card Rebates.....	25	10	25
(A)Miscellaneous Reimbursements.....	1	13	11
Burial Detail Honor Guard.....	36	36	36
American Battle Monuments.....	7	7	10
Armory Maintenance and Repair.....	1,339	1,379	1,379
Drug Interdiction.....	1	18	0
Special State Duty.....	16	66	36
Subtotal.....	\$ 80,952	\$ 84,084	\$ 108,683
Subtotal - State Funds.....	\$ 18,349	\$ 19,484	\$ 19,794
Subtotal - Federal Funds.....	62,109	64,116	88,455
Subtotal - Augmentations.....	494	484	434
Total - General Government.....	\$ 80,952	\$ 84,084	\$ 108,683
<i>Institutional:</i>			
Veterans Homes.....	\$ 69,433 a	\$ 75,153 b	\$ 79,584
(F)Operations and Maintenance.....	22,898	25,204	25,810
(F)Medical Reimbursements.....	567	741	636
(A)Aid and Attendance Payments.....	6,359	7,470	8,137
(A)Residential Fees.....	16,312	14,175	14,557
(A)Purchasing Card Rebates.....	24	26	25
(A)Miscellaneous Reimbursements.....	4	12	12
Subtotal.....	\$ 115,597	\$ 122,781	\$ 128,761
Scotland School for Veterans' Children.....	8,000	8,593 c	9,223
(F)ESEA Education Program.....	210	210	210
(F)School Milk Program.....	270	275	280
(F)Drug Free Schools.....	1	1	1
(F)Education Enhancement.....	25	20	20
(A)Institutional Reimbursements.....	115	110	122
(A)Tuition Recovery.....	2,138	2,000	2,000
(A)Link to Learn.....	0	8	0
(A)Purchasing Card Rebates.....	4	0	0
Subtotal.....	\$ 10,763	\$ 11,217	\$ 11,856
Subtotal - State Funds.....	\$ 77,433	\$ 83,746	\$ 88,807
Subtotal - Federal Funds.....	23,971	26,451	26,957
Subtotal - Augmentations.....	24,956	23,801	24,853
Total - Institutional.....	\$ 126,360	\$ 133,998	\$ 140,617
<i>Grants and Subsidies:</i>			
Education of Veterans Children.....	\$ 190	\$ 190	\$ 190
Education - National Guard (06/06).....	8,948	11,086	0
Transfer to Educational Assistance Program Fund.....	0	0	10,000
Veterans Assistance.....	1,230	1,230	1,230
Blind Veterans Pension.....	235	235	306

Military and Veterans Affairs

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Paralyzed Veterans Pension	460	460	527
National Guard Pension	1	5	5
Civil Air Patrol	300	450	0
Disabled American Veterans Transportation	250	250	0
Subtotal.....	\$ 11,614	\$ 13,906	\$ 12,258
Total - Grants and Subsidies.....	\$ 11,614	\$ 13,906	\$ 12,258
STATE FUNDS.....	\$ 107,396	\$ 117,136	\$ 120,859
FEDERAL FUNDS.....	86,080	90,567	115,412
AUGMENTATIONS.....	25,450	24,285	25,287
GENERAL FUND TOTAL	\$ 218,926	\$ 231,988	\$ 261,558
 OTHER FUNDS:			
PENNSYLVANIA VETERANS MEMORIAL TRUST FUND:			
Veterans Memorial(EA).....	\$ 95	\$ 190	\$ 90
 STATE TREASURY ARMORY FUND:			
Armory Improvements.....	\$ 0	\$ 600	\$ 475
 DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 107,396	\$ 117,136	\$ 120,859
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	86,080	90,567	115,412
AUGMENTATIONS.....	25,450	24,285	25,287
OTHER FUNDS.....	95	790	565
TOTAL ALL FUNDS	\$ 219,021	\$ 232,778	\$ 262,123

^a Originally appropriated as \$6,545,000 for Erie Soldiers and Sailors Home, \$22,558,000 for Hollidaysburg Veterans Home, \$13,980,000 for Southeastern Veterans Center, \$8,769,000 for Gino J. Merli Veterans Center, \$8,462,000 for Southwestern Veterans Center, and \$9,119,000 for Delaware Valley Veterans Home.

^b Originally appropriated as \$6,938,000 for Erie Soldiers and Sailors Home, \$23,583,000 for Hollidaysburg Veterans Home, \$13,497,000 for Southeastern Veterans Center, \$9,245,000 for Gino J. Merli Veterans Center, \$9,628,000 for Southwestern Veterans Center, and \$12,262,000 for Delaware Valley Veterans Home.

^c Includes recommended supplemental of \$400,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
STATE MILITARY READINESS							
GENERAL FUND.....	\$ 18,349	\$ 19,484	\$ 19,794	\$ 19,794	\$ 19,794	\$ 19,794	\$ 19,794
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	62,109	64,116	88,455	88,455	88,455	88,455	88,455
OTHER FUNDS.....	589	1,274	999	999	999	999	999
SUBCATEGORY TOTAL.....	\$ 81,047	\$ 84,874	\$ 109,248	\$ 109,248	\$ 109,248	\$ 109,248	\$ 109,248
VETERANS HOMES AND SCHOOL							
GENERAL FUND.....	\$ 77,433	\$ 83,746	\$ 88,807	\$ 88,807	\$ 88,807	\$ 88,807	\$ 88,807
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	23,971	26,451	26,957	26,957	26,957	26,957	26,957
OTHER FUNDS.....	24,956	23,801	24,853	24,853	24,853	24,853	24,853
SUBCATEGORY TOTAL.....	\$ 126,360	\$ 133,998	\$ 140,617	\$ 140,617	\$ 140,617	\$ 140,617	\$ 140,617
COMPENSATION AND ASSISTANCE							
GENERAL FUND.....	\$ 11,614	\$ 13,906	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 11,614	\$ 13,906	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258
ALL PROGRAMS:							
GENERAL FUND.....	\$ 107,396	\$ 117,136	\$ 120,859	\$ 120,859	\$ 120,859	\$ 120,859	\$ 120,859
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	86,080	90,567	115,412	115,412	115,412	115,412	115,412
OTHER FUNDS.....	25,545	25,075	25,852	25,852	25,852	25,852	25,852
DEPARTMENT TOTAL.....	\$ 219,021	\$ 232,778	\$ 262,123	\$ 262,123	\$ 262,123	\$ 262,123	\$ 262,123

Military and Veterans Affairs

PROGRAM OBJECTIVE: To achieve and maintain a readiness capability in units of the Pennsylvania National Guard for quick and effective response to State or Federal mobilization.

Program: State Military Readiness

This program provides the administrative, logistical and training support necessary for the Pennsylvania National Guard to maintain requisite readiness capability to serve during emergencies. Such emergencies may result in full or partial mobilization of the Pennsylvania National Guard for State service in the Commonwealth or Federal service anywhere in the world. Costs for military equipment, supplies and training, such as monthly training assemblies and 15 days annual training, are funded 100 percent by the Federal Government.

The readiness capability of Pennsylvania National Guard units is evaluated according to established Federal inspection and training standards. Primary efforts are directed toward having the Pennsylvania National Guard in top readiness condition in order to perform its State and Federal missions. The training of personnel is directly dependent upon the

adequacy of the operation, maintenance and repair of numerous National Guard armories, support facilities, Air National Guard bases and installations. A Statewide communications network, including the Statewide Public Safety Radio System, is in operation providing a quicker and more effective response to State or Federal mobilization.

Included within this program are those activities essential to operate a network of 117 community armories and field maintenance shops, and 6 air bases that serve as training locations for National Guard units. The Commonwealth is responsible for providing for the operation, maintenance and repair of the armories. These armories may also be utilized as mass care centers for disaster victims and to provide meeting and recreational facilities for local civic and youth organizations.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Pennsylvania National Guard personnel	19,612	19,612	20,650	20,650	20,650	20,650	20,650
Percentage of authorized strength level ...	91%	91%	95%	95%	95%	95%	95%
Armories and field sites under repair*	117	117	117	120	123	110	106
Maintenance requests from armories or field sites*	720	551	539	527	515	503	491
Department of Defense personnel receiving training at Fort Indiantown Gap*	145,658	114,487	140,000	140,000	140,000	140,000	140,000
Non-Department of Defense personnel (local law enforcement, State Police) receiving training at Fort Indiantown Gap*	22,164	18,435	20,000	20,000	20,000	20,000	20,000

* New program measures.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$	131	General Government Operations —Initiative – Stryker Brigade Combat Team. To provide for the lease costs of the land for the Stryker Brigade Combat Team in southeastern Pennsylvania.	\$	-18	Drug Interdiction —program reduction.
	224	—to continue current program.	\$	-30	Special State Duty —funding reduction.
\$	355	<i>Appropriation Increase</i>			
\$	3	American Battle Monuments —to continue current program.			

All other appropriations are recommended at the current year funding levels.

Military and Veterans Affairs

Program: State Military Readiness (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 16,950	\$ 17,978	\$ 18,333	\$ 18,333	\$ 18,333	\$ 18,333	\$ 18,333
Burial Detail Honor Guard	36	36	36	36	36	36	36
American Battle Monuments	7	7	10	10	10	10	10
Armory Maintenance and Repair	1,339	1,379	1,379	1,379	1,379	1,379	1,379
Drug Interdiction	1	18	0	0	0	0	0
Special State Duty	16	66	36	36	36	36	36
TOTAL GENERAL FUND	\$ 18,349	\$ 19,484	\$ 19,794	\$ 19,794	\$ 19,794	\$ 19,794	\$ 19,794

Military and Veterans Affairs

PROGRAM OBJECTIVE: To provide nursing and domiciliary care for veterans and a school to educate veterans' children.

Program: Veterans Homes and School

The Department of Military and Veterans Affairs provides skilled nursing and domiciliary care for veterans who are disabled, indigent or in need of care. There are six veterans homes currently providing such care: the Soldiers and Sailors Home in Erie, the Veterans Home at Hollidaysburg, the Southeastern Pennsylvania Veterans Center in Spring City, the Gino J. Merli (Northeastern) Veterans Center in Scranton, the Southwestern Veterans Center in Pittsburgh and the Delaware Valley Veterans Home in Philadelphia.

The program receives assistance from the Federal Department of Veterans Affairs at levels of \$27.19 per patient

day for domiciliary care and \$57.78 per patient day for nursing home care.

Residents of State veterans homes receive a daily allowance from the Federal Department of Veterans Affairs. Residents use these funds plus their own funds to help offset the cost of their care.

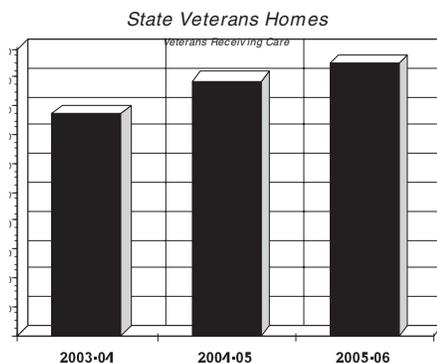
The Scotland School for Veterans Children, located near Chambersburg, provides a student-centered elementary and secondary curriculum for individual needs including college preparatory classes and vocational offerings.

Program Measures:

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Veterans Homes:							
Capacity (December)							
Erie	175	175	175	175	175	175	175
Hollidaysburg	514	514	514	514	514	514	514
Southeastern	304	304	304	304	304	304	304
Gino J Merli	200	200	200	200	200	200	200
Southwestern	236	236	236	236	236	236	236
Delaware Valley	171	171	171	171	171	171	171
Population (December):							
Erie	164	150	155	170	170	170	170
Hollidaysburg	484	471	496	503	503	503	503
Southeastern	279	275	297	297	297	297	297
Gino J. Merli	193	194	197	197	197	197	197
Southwestern	223	232	234	234	234	234	234
Delaware Valley	27	131	164	167	167	167	167
Percent of population who are of veterans*	94.5%	93.6%	92.8%	92.8%	92.8%	92.8%	92.8%
Percent of population who are spouses*..	5.5%	6.4%	7.2%	7.2%	7.2%	7.2%	7.2%
Scotland School:							
Capacity	360	360	360	360	360	360	360
Population	336	322	350	350	350	350	350
Percent that attend college*	90%	90%	90%	90%	90%	90%	90%
Percent that enroll in the military*	10%	10%	10%	10%	10%	10%	10%

The Gino J. Merli Veterans Center was formerly known as the Northeastern Veterans Center.

*new measures



Veterans receiving care at State Veterans Homes is projected to increase to 1,893 in 2005-06

Veterans receiving care at State Veterans Homes is projected to increase to 1,534 in 2004-05.

Military and Veterans Affairs

Program: Veterans Homes and School (continued)

Expenditures by Institution: (Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget		2003-04 Actual	2004-05 Available	2005-06 Budget
Erie Soldiers and Sailors Home				Gino J. Merli Veterans Center			
State Funds.....	\$ 6,545	\$ 6,938	\$ 7,618	State Funds.....	\$ 8,769	\$ 9,245	\$10,267
Federal Funds.....	2,412	2,575	2,520	Federal Funds.....	3,447	3,958	3,982
Augmentations.....	2,405	2,411	2,511	Augmentations.....	4,188	3,494	3,743
TOTAL.....	<u>\$11,362</u>	<u>\$11,924</u>	<u>\$12,649</u>	TOTAL.....	<u>\$16,404</u>	<u>\$16,697</u>	<u>\$17,992</u>
Hollidaysburg Veterans Home				Southwestern Veterans Home			
State Funds.....	\$22,558	\$23,583	\$25,806	State Funds.....	\$ 8,462	\$ 9,628	\$10,664
Federal Funds.....	7,869	8,400	7,911	Federal Funds.....	4,404	4,548	4,435
Augmentations.....	7,497	7,724	7,847	Augmentations.....	4,298	3,983	4,139
TOTAL.....	<u>\$37,924</u>	<u>\$39,707</u>	<u>\$41,564</u>	TOTAL.....	<u>\$17,164</u>	<u>\$18,159</u>	<u>\$19,238</u>
Southeastern Veterans Home				Delaware Valley Veterans Home			
State Funds.....	\$13,980	\$13,497	\$14,206	State Funds.....	\$ 9,119	\$12,262	\$11,023
Federal Funds.....	4,613	4,842	4,910	Federal Funds.....	720	1,622	2,688
Augmentations.....	3,558	2,938	3,043	Augmentations.....	749	733	1,448
TOTAL.....	<u>\$22,151</u>	<u>\$21,277</u>	<u>\$22,159</u>	TOTAL.....	<u>\$10,588</u>	<u>\$14,617</u>	<u>\$15,159</u>
Scotland School for Veterans Children							
State Funds.....	\$ 8,000	\$ 8,193	\$ 9,223				
Federal Funds.....	506	506	511				
Augmentations.....	2,257	2,118	2,122				
TOTAL.....	<u>\$10,763</u>	<u>\$10,817</u>	<u>\$11,856</u>				

Population and Capacity				
Institution	Population Dec 2004	Projected Population Dec 2005	Projected Capacity Dec 2005	Projected Percent of Capacity
Erie Soldiers and Sailors Home.....	150	155	175	89%
Hollidaysburg Veterans Home.....	471	496	514	96%
Southeastern Veterans Home.....	275	297	304	98%
Gino J. Merli Veterans Center.....	194	197	200	99%
Southwestern Veterans Home.....	232	234	236	99%
Delaware Valley Veterans Home.....	131	164	171	96%
Scotland School for Veterans Children.....	322	350	360	97%
Total.....	<u>1,775</u>	<u>1,893</u>	<u>1,960</u>	<u>97%</u>

Program: Veterans Homes and School (continued)

Veterans Homes and School



Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Veterans Homes*
\$ 4,431 —to continue current program.

Scotland School for Veterans' Children
\$ 630 —to continue current program.

*This budget recommends that the appropriations for the Erie Soldiers and Sailors Home, Hollidaysburg Veterans Home, Southeastern Veterans Home, Gino J. Merli Veterans Center, Southwestern Veterans Home, and Delaware Valley Veterans Home be consolidated into a new Veterans Homes appropriation to improve program management and enhance operational efficiencies.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Veterans Homes	69,433	75,153	79,584	79,584	79,584	79,584	79,584
Scotland School for Veterans' Children	8,000	8,593	9,223	9,223	9,223	9,223	9,223
TOTAL GENERAL FUND	\$ 77,433	\$ 83,746	\$ 88,807	\$ 88,807	\$ 88,807	\$ 88,807	\$ 88,807

Military and Veterans Affairs

PROGRAM OBJECTIVE: To provide advisory and financial assistance to eligible Pennsylvania veterans, National Guardsmen and their dependents.

Program: Compensation and Assistance

The Department of Military and Veterans Affairs administers several activities within this program.

Program Element: Veterans Assistance

Temporary financial assistance is provided for eligible veterans, their spouses and dependent children who are in need of financial assistance. Financial assistance is authorized for food, fuel, shelter and clothing and is limited to a period not exceeding three months. Basic program requirements include: honorable discharge; service during an established war or conflict period; Pennsylvania residency; not on Public Assistance; and an unexpected loss of income.

Program Element: Blind Veterans Pension

Pensions of \$150 per month are provided for those Pennsylvania veterans who incurred functional blindness while performing active military service.

Program Element: National Guard Pensions

Payment of a pension is provided to guardsmen, and widowed and dependent family members. A National Guardsman who is injured, otherwise disabled or dies as a result of injuries or other disability received or contracted while performing duty in active service of the Commonwealth, or in the performance of other State military duty, is eligible. Current law provides for a monthly pension for dependents up to a maximum of \$300 per month for a period of ten years. In the case of children of a deceased member, the pension is paid until the child reaches 18 years of age.

Program Element: Education of Children of Deceased and Disabled Veterans

Educational grants are provided for children of honorably discharged veterans who have been certified as having

wartime service-connected disabilities rated as total and permanent or children of veterans who have died of wartime service-connected disabilities. Children must be between the ages of 16 and 23 years of age and living within Pennsylvania 5 years prior to application and must attend a school within Pennsylvania. Grants are provided up to a maximum of \$500 per semester.

Program Element: Education — National Guard

Tuition grants are provided for certain members of the Pennsylvania National Guard who enroll in a Pennsylvania institution of higher learning with degree-granting status, as approved by the Department of Education. Act 11 of 2000 enhanced this educational assistance program. Act 212 of 2004 created the Education Assistance Program Fund to dispense the grants. Grants are available for full-time students for up to 100 percent of the tuition charged (up to \$4,598 annually) to a Pennsylvania resident at a member institution of the State System of Higher Education. These public service educational grants not only serve as an incentive to the Pennsylvania National Guard's recruiting and retention efforts but also reward those Pennsylvanians who volunteer to serve their nation and the Commonwealth.

Program Element: Paralyzed Veterans Pension

Pensions of \$150 per month are provided to those Pennsylvania veterans who have lost the use of two or more extremities while serving on active duty in the armed forces of the United States. Act 109 of 2001 expanded this program by eliminating the residency and wartime service requirement. Thus, former residents of Pennsylvania and those who served in the military during peacetime are now eligible for the pension if all other requirements are met.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Veterans in Pennsylvania	1,180,000	1,150,000	1,120,000	1,089,000	1,059,000	1,028,000	1,028,000
Recipients of veterans emergency assistance	1,569	1,640	1,804	1,984	2,182	2,400	2,640
Recipients of blind veterans pensions	119	155	170	187	206	226	226
Education of children of deceased and disabled veterans	113	140	154	169	186	205	205
National Guard personnel receiving educational financial aid	3,009	3,309	3,640	4,004	4,004	4,004	4,004
Participants in paralyzed veterans programs	220	255	293	322	354	389	389

Recipients of veterans emergency assistance has been revised to reflect increases in its use by WWI, WW2 and Korean War veterans.

Recipients of blind veterans pensions has been revised to reflect casualty rates in Iraq and Afghanistan.

Education of children of deceased and disabled veterans has been revised due to increases in applications.

Participants in the paralyzed veterans programs has been revised to reflect casualty rates in Iraq and Afghanistan.

Military and Veterans Affairs

Program: Compensation and Assistance (continued)



Educational financial aid for National Guard personnel has increased from \$3.1 million in 1998-99 to nearly \$11.1 million in 2004-05 - an increase of nearly \$8.0 million.

Educational Financial Aid for National Guard personnel has increased by \$5.3 million since 1999-2000.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>Education - National Guard \$ -11,086 —funding for this program is now appropriated as “Transfer to Educational Assistance Program Fund”.</p> <p>Transfer to Educational Assistance Program Fund \$ 10,000 —for transfer to the Educational Assistance Program Fund for reimbursement costs of National Guard personnel education; the Fund will allow for interest and unused funds to be retained.</p>	<p>Blind Veterans Pension \$ 71 —to continue current program.</p> <p>Paralyzed Veterans Pension \$ 67 —to continue current program.</p> <p>Civil Air Patrol \$ -450 —nonrecurring grant</p> <p>Disabled American Veterans Transportation \$ -250 —nonrecurring grant.</p>
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The budget recommends continuation of Education of Veterans Children and Veterans Assistance at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Education of Veterans Children	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190
Education - National Guard (06/06)	8,948	11,086	0	0	0	0	0
Transfer to Educational Assistance Program Fund	0	0	10,000	10,000	10,000	10,000	10,000
Veterans Assistance	1,230	1,230	1,230	1,230	1,230	1,230	1,230
Blind Veterans Pension	235	235	306	306	306	306	306
Paralyzed Veterans Pension	460	460	527	527	527	527	527
National Guard Pension	1	5	5	5	5	5	5
Civil Air Patrol	300	450	0	0	0	0	0
Disabled American Veterans Transportation	250	250	0	0	0	0	0
TOTAL GENERAL FUND	\$ 11,614	\$ 13,906	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258



MILK MARKETING BOARD

The mission of the Milk Marketing Board is to ensure that Pennsylvania's dairy industry remains vital by providing a regulatory environment that facilitates a safe, adequate supply of wholesome milk while providing security for its dairy farmers and milk dealers, and protection for the public health and welfare of consumers.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
2003-04 2004-05 2005-06
ACTUAL AVAILABLE BUDGET

MILK MARKETING FUND:

General Government:

General Operations.....	\$	2,567	\$	2,794	\$	2,737
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Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
MILK INDUSTRY REGULATION							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	2,567	2,794	2,737	2,737	2,737	2,737	2,737
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 2,567	\$ 2,794	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	2,567	2,794	2,737	2,737	2,737	2,737	2,737
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 2,567	\$ 2,794	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737

PROGRAM OBJECTIVE: To maintain an adequate supply of wholesome fluid milk.

Program: Milk Industry Regulation

The Milk Marketing Board is a special fund agency financed from milk industry license fees, permit fees and fines. The board supervises, inspects and regulates the milk industry of the Commonwealth and establishes reasonable trade control and marketing practices. It formulates policy, holds public hearings and subsequently issues and enforces General Marketing Orders, rules and regulations. The board also handles prosecution and levying of penalties against violators of the Milk Marketing Law, the Milk Producer's Security Act and board regulations.

The board's major function continues to be ensuring an adequate milk supply by setting minimum prices paid to farmers, minimum prices dealers can charge wholesale and retail customers, and minimum prices stores can charge consumers. The regulation process is complicated by the existence of Federal Marketing Orders, which are prices established by the Federal Government that must be paid to producers.

The board has implemented an automated Milk Accounting and Regulatory System (MARS). The system values milk based on component pricing, allowing adaptation to changes in the state and federal regulatory environment. Pricing information collected through the system and from public hearings is used by the board to establish minimum milk prices.

The board had previously considered the ratio of the supply of milk fluid to demand in the regulation process, but other indicators are more relevant to the process and that ratio is no longer calculated. Factors such as the price of milk in neighboring states and the ratio of the cost of production to current or expected prices are more important to price establishment and are widely discussed at the public meetings.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Licenses and permits issued	2,412	2,400	2,400	2,400	2,400	2,400	2,400
Audits of milk dealers for compliance with milk sales' rules and regulations		750	876		750	750	750

Staff audits of milk dealers for compliance with milk sales' rules and regulations increase in 2003-04 from the projections shown in last year's budget based on actual activity.

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

MILK MARKETING FUND
General Operations
 \$ -57 —nonrecurring program costs.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
MILK MARKETING FUND:							
General Operations	\$ 2,567	\$ 2,794	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737	\$ 2,737



BOARD OF PROBATION AND PAROLE

The mission of the Board of Probation and Parole is to protect the safety of the public, address the needs of crime victims, improve county adult probation and parole services, and assist in the fair administration of justice by ensuring the custody, control and treatment of offenders under the jurisdiction of the board.

The Board of Probation and Parole rehabilitates and supervises persons on probation or parole, helping them to reintegrate within society. The board provides for the reintegration of persons who have served their minimum sentence in a correctional institution as well as identifies those who cannot adjust to the community. State probation services and investigations are also provided upon request from the courts. The board provides support services to the Office of the Victim Advocate, which has jurisdiction over victim services operations within the board and the Department of Corrections. The board provides staff support to the Sexual Offenders Assessment Board, which was established by Megan's Law to provide assessment and review of registration of sexual offenders. The board also provides support services to the Firearms Education and Training Commission.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 75,029	\$ 72,956	\$ 77,251
(F)Residential Substance Abuse Treatment.....	502	445	0
(F)DCSI - Case Management (EA).....	139	0	0
(F)DCSI - Sexual Offenders Treatment (EA).....	300	500	131
(F)DCSI - Re-Entry Court Planning (EA).....	15	12	0
(F)General Fund Share - PEBTF Contribution (EA).....	925	0	0
(A)Purchasing Card Rebate.....	8	0	0
(A)State Parole Supervision Fees.....	0	3,799	1,275
Subtotal.....	\$ 76,918	\$ 77,712	\$ 78,657
Sexual Offenders Assessment Board.....	2,789	3,202	3,202
(F)Sex Offender Management.....	0	251 ^a	0
Subtotal.....	\$ 2,789	\$ 3,453	\$ 3,202
Drug Offenders Work Program.....	240	242	222
Subtotal - State Funds.....	\$ 78,058	\$ 76,400	\$ 80,675
Subtotal - Federal Funds.....	1,881	1,208	131
Subtotal - Augmentations.....	8	3,799	1,275
Total - General Government.....	\$ 79,947	\$ 81,407	\$ 82,081
<i>Grants and Subsidies:</i>			
Improvement of Adult Probation Services.....	\$ 20,805	\$ 21,244	\$ 19,279
(A)County Parole Supervision Fees.....	11,348	11,805	11,867
Subtotal.....	\$ 32,153	\$ 33,049	\$ 31,146
Subtotal - State Funds.....	\$ 20,805	\$ 21,244	\$ 19,279
Subtotal - Augmentations.....	11,348	11,805	11,867
Total - Grants and Subsidies.....	\$ 32,153	\$ 33,049	\$ 31,146
STATE FUNDS.....	98,863	97,644	99,954
FEDERAL FUNDS.....	1,881	1,208	131
AUGMENTATIONS.....	11,356	15,604	13,142
GENERAL FUND TOTAL.....	\$ 112,100	\$ 114,456	\$ 113,227
OTHER FUNDS:			
GENERAL FUND:			
Firearms Education and Training Commission.....	228	620	500
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	98,863	97,644	99,954
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	1,881	1,208	131
AUGMENTATIONS.....	11,356	15,604	13,142
OTHER FUNDS.....	228	620	500
TOTAL ALL FUNDS.....	\$ 112,328	\$ 115,076	\$ 113,727

^a Includes recommended supplemental appropriation of \$251,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
REINTEGRATION OF THE ADULT OFFENDER							
GENERAL FUND.....	\$ 98,863	\$ 97,644	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,881	1,208	131	131	131	131	131
OTHER FUNDS.....	11,584	16,224	13,642	13,642	13,642	13,642	13,642
SUBCATEGORY TOTAL.....	\$ 112,328	\$ 115,076	\$ 113,727	\$ 113,727	\$ 113,727	\$ 113,727	\$ 113,727
ALL PROGRAMS:							
GENERAL FUND.....	\$ 98,863	\$ 97,644	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,881	1,208	131	131	131	131	131
OTHER FUNDS.....	11,584	16,224	13,642	13,642	13,642	13,642	13,642
DEPARTMENT TOTAL.....	\$ 112,328	\$ 115,076	\$ 113,727	\$ 113,727	\$ 113,727	\$ 113,727	\$ 113,727

PROGRAM OBJECTIVE: To decrease the recurrence of crime by replacing criminal behavior with socially acceptable behavior.

Program: Reintegration of the Adult Offender

The Pennsylvania Board of Probation and Parole operates in a complex and interdependent criminal justice system in the Commonwealth.

The board's primary goal is to protect the community from crime through a process of supervising offenders who are serving sentences in the community. The primary functions of the board are to make parole decisions and supervise adult parolees with a maximum sentence of two years or more, revoke the parole of technical parole violators and criminal violators convicted of new crimes, and discharge from parole offenders under supervision who have fulfilled their sentences in compliance with the conditions governing parole. Offenders with maximum sentences under two years are supervised at the county level unless the county court certifies the case to the State for special probation supervision. The State parole population is projected to be 29,258 by June 2006, up from 26,836 in 2003-04. The population includes offenders paroled from state prisons, offenders sentenced to special probation from counties under the board's jurisdiction, and offenders transferred pursuant to the Interstate Compact from other states into Pennsylvania. In order to effectuate parole decisions, the board has quasi-judicial decision-making powers. Explicit parole guidelines and supervision procedures are used to maintain consistency throughout the system and ensure that justice is administered fairly.

The board has developed and initiated actions to aid in reducing offender recidivism. Institutional parole staff disseminate parole information materials and work with individual inmates while they are incarcerated. During incarceration, offenders are introduced to the Commonwealth's CareerLink services and given assistance with the basics of job search preparation. Once paroled, an offender's individual needs are reassessed every six months, or more frequently if deemed appropriate. Drug and alcohol programming is made available, and parolees access these services via referrals to individual county programs or while under supervision at State Department of Corrections (DOC) community corrections centers or other facilities. The board plays a role in the Community Orientation and Reintegration (COR) program, which involves preparing the offender for reentry into the community by providing help with vocational education, employment preparation, family and other life skill areas. Other programs and facilities used in parole supervision are administered with and funded by the DOC. Day Reporting Centers began operation in 2004 as an alternative to re-incarceration and provide assistance to parolees in various areas, including assistance in securing

employment, treatment referrals, life skills, self-help and family support. The five centers currently in operation aid parolees with technical parole violations with assistance in community reintegration. The PennCAP (Pennsylvania Community Alternative to Prison) program is also used as an alternative to re-incarceration for technical parole violators, particularly those with drug and alcohol violations in need of treatment. Services are administered in secure portions of existing DOC contract facilities throughout the state.

In addition to operating the State parole program, the board has the responsibility of administering a grant-in-aid program to support county adult probation personnel and services. The grant-in-aid program provides funds to any county which adds probation staff for presentence investigations and for improved probation supervision and programs. Act 134 of 1986, which amended the Probation and Parole Act, provides that counties shall be reimbursed for up to eighty percent of the personnel costs incurred to administer these additional services and programs, provided that sufficient funds are appropriated.

Act 35 of 1991 mandates that a monthly supervision fee be paid by all offenders under State supervision unless a waiver is granted. In addition, Act 35 requires that the sentencing judge of the Court of Common Pleas impose upon county offenders as a condition of supervision, a monthly supervision fee of at least twenty-five dollars unless reduced, waived or deferred.

Act 8 of Special Session One of 1995 created the Office of Victim Advocate within the board to represent the interests of crime victims before the board or the Department of Corrections.

Act 24 of 1995, or Megan's Law as it is commonly known, established the Sexual Offenders Assessment Board. Act 18 of 2000 substantially amended Act 24. The board is responsible for conducting assessments of convicted sexual offenders. The assessments are provided to district attorneys to assist in the determination, prior to sentencing, of those offenders who may be found by the court to be sexually violent predators. Prior to parole considerations, the Board of Probation and Parole may request assessments of sexually violent predators and sexual offenders. In addition, Act 18 requires the registration of all sexual offenders and sexually violent predators. Under Act 21 of 2003, certain sexually violent adolescent sex offenders will be subject to an assessment by the board upon reaching age 20. The assessment will be used by the courts to determine the need for involuntary commitment and treatment of these offenders.

Program: Reintegration of the Adult Offender (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Parolees and probationers in caseload:							
State	26,836	28,368	29,258	29,811	30,161	30,390	30,570
County	193,374	195,888	198,434	201,014	203,627	206,274	208,924
Supervised offenders							
employed (June 30)*	10,331	12,468	13,166	13,415	13,572	13,676	13,757
Average monthly number of offenders scheduled for parole interviews*	2,089	2,131	2,195	2,261	2,351	2,445	2,567
Average monthly percentage of scheduled interviews not held*	23%	23%	22%	21%	20%	20%	20%
Average monthly number of offenders granted parole or reparole*	1,022	1,034	1,078	1,125	1,173	1,209	1,245
Average monthly number of offenders pending release after being granted parole during fiscal year*	1,540	1,455	1,382	1,310	1,164	1,091	1,019
Average monthly number of offenders released to parole from a state correctional institution*	673	682	712	743	775	798	822
Average monthly number of offenders returned to prison for technical parole violations*	273	284	293	298	302	304	306
Average monthly number of offenders returned to prison for new criminal convictions*	100	106	110	112	113	114	115
Recidivism after one year of supervision ..	2,353	2,487	2,565	2,613	2,644	2,664	2,680
Recidivism after three years of supervision	4,808	5,082	5,242	5,341	5,403	5,444	5,477
Gross state supervision fee dollars owed during the fiscal year (in thousands)*	\$7,651	\$8,088	\$8,342	\$8,499	\$8,599	\$8,665	\$8,716
State supervision fee amounts deemed collectible during the fiscal year (in thousands)*	\$1,546	\$1,821	\$2,071	\$2,110	\$2,135	\$2,151	\$2,164
Total state supervision dollars collected annually (in thousands)	\$1,269	\$1,516	\$1,730	\$1,763	\$1,783	\$1,797	\$1,807
State supervision fee collectible amounts unpaid during fiscal year*	\$277	\$305	\$341	\$347	\$352	\$354	\$357
State supervision fee payments as a percentage of collectible amounts owed during fiscal year*	82%	83%	84%	84%	84%	84%	84%
Amounts waived for supervised cases (in thousands)*	\$3,533	\$3,548	\$3,467	\$3,532	\$3,574	\$3,601	\$3,622
Notifications to registered crime victims	18,348	17,468	19,744	20,731	21,768	23,856	23,999
Aggregate number of sex offender assessments completed*	1,301	1,560	2,004	2,055	2,091	2,128	2,168
Court-ordered sex offender assessments completed*	757	996	1,284	1,311	1,337	1,364	1,390
Sexually violent predator determinations*	234	299	385	393	401	409	417

The projection of total state supervision dollars collected annually for 2005-06 and 2006-07 increased over the projections in last year's budget based on updated estimates of current year collections.

Recidivism is a measurement of the percentage of offenders released in a year that are returned to prison in succeeding years. The measurement of future recidivism is dependent upon the growth of the supervised population over time and the number of new cases released from prison that are causing population growth. As the number of new cases grow, the estimated number of cases being returned to prison also will grow based upon the constant recidivism rate.

*New program measure.

Probation and Parole

Program: Reintegration of the Adult Offender (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>\$ 4,295</p> <p>\$ -20</p>	<p>General Government Operations —to continue current program.</p> <p>Drug Offenders Work Program —to continue current program.</p>	<p>\$ -1,909</p> <p style="text-align: right;">-56</p> <p>\$ -1,965</p>	<p>Improvement of Adult Probation Services —for grants to counties for professional county personnel salary costs. A charge of \$25 per month offsets the costs of administering this program for employed offenders on State county parole supervision. Estimated fee collections for 2005-06 are \$11,867,000. This amount will augment State funds of \$19,074,000 and provide \$30,941,000 reimbursement to the counties.</p> <p>—training costs.</p> <p><i>Appropriation Decrease</i></p>
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The Sexual Offenders Assessment Board appropriation is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 75,029	\$ 72,956	\$ 77,251	\$ 77,251	\$ 77,251	\$ 77,251	\$ 77,251
Sexual Offenders Assessment Board	2,789	3,202	3,202	3,202	3,202	3,202	3,202
Drug Offenders Work Program	240	242	222	222	222	222	222
Improvement of Adult Probation Services ..	20,805	21,244	19,279	19,279	19,279	19,279	19,279
TOTAL GENERAL FUND	\$ 98,863	\$ 97,644	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954	\$ 99,954



PUBLIC TELEVISION NETWORK

The mission of the Public Television Network Commission is to be a leader in using various technologies to educate, enlighten and connect citizens of all ages—contributing to the lives of families, the success of schools and colleges, the productivity of businesses and the quality of communities.

The Public Television Network Commission promotes and encourages public television in Pennsylvania. The network facilities provide services to the eight public television stations and one affiliated station including the recording, storage and delivery of programs and the interconnection of the stations for Statewide program production and exchange. The network also administers a grant program to support station operations, instructional television services, program production and program acquisition.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

2003-04	2004-05	2005-06
ACTUAL	AVAILABLE	BUDGET

GENERAL FUND:

General Government:

General Government Operations.....	\$	3,419	\$	3,646	\$	3,429
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Grants and Subsidies:

Public Television Station Grants.....	\$	8,521	\$	8,721	\$	6,994
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GENERAL FUND TOTAL.....	\$	<u>11,940</u>	\$	<u>12,367</u>	\$	<u>10,423</u>
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Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PUBLIC TELEVISION SERVICES							
GENERAL FUND.....	\$ 11,940	\$ 12,367	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 11,940	\$ 12,367	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423
ALL PROGRAMS:							
GENERAL FUND.....	\$ 11,940	\$ 12,367	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 11,940	\$ 12,367	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423	\$ 10,423

PROGRAM OBJECTIVE: To provide for the development and support of Pennsylvania's network of noncommercial public television stations.

Program: Public Television Services

The Pennsylvania Public Television Network Commission, established by Act 329 of 1968, links eight independent noncommercial television stations in Pennsylvania to create a system in which stations provide programming to the people of Pennsylvania through independent and group efforts. The stations are located in Bethlehem, Erie, Harrisburg, Pittsburgh, Pittston, University Park and two in Philadelphia.

Funding for the operations of the noncommercial television stations in Pennsylvania comes from several sources. Private donations from business, industry and foundations; grants from the Commonwealth and Federal Government; and contributions from individuals including memberships provide over 60 percent of the revenue needed for operation.

Operation of the Statewide network located in Hershey is directed by a 24-member commission that includes representatives from the education community, the General Assembly, the Council on the Arts, the Office of Information Technology and the public. The commission provides governance of the network and Statewide coordinating functions through a state-of-the-art digital network operation center linked to the eight stations by a fiber optic network. In 2003 all Pennsylvania public television stations began

broadcasting a digital service well ahead of the deadline established by the Federal Communications Commission. Digital service offers high definition television, data casting and the simultaneous broadcast of multiple television channels.

Through the network each station has access to programs produced by other Pennsylvania stations and programs acquired from outside sources. The stations also receive production, engineering, education and outreach services through the commission.

Education content is an integral part of the services offered by public television, and the commission works closely with the Department of Education, intermediate units, local public television stations and school districts to deliver services.

It is estimated more than 3,232,500 households are served by Pennsylvania public television, including more than 54,800 children prepared for school with Ready to Learn activities. A number of stations broadcast 24 hours a day with telecourses, General Education Degree courses, and a variety of other education and general audience programming. Last year Pennsylvania public television stations produced more than 1,530 hours of local television programming.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Households watching public television at least once a week	2,144,888	2,150,000	2,150,000	2,150,000	2,175,000	2,175,000	2,175,000
Contributing memberships	221,508	225,000	225,000	225,000	227,000	227,000	230,000
Students served by instructional programs*	213,601	215,000	215,000	215,000	215,000	215,000	215,000
Teachers served by instructional programs*	21,757	22,000	22,000	22,000	22,000	22,000	22,000

*New Program Measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>General Government Operations</p> <p>\$ -217 —reduction in administrative costs.</p>	<p>Public Television Station Grants</p> <p>\$ -950 —nonrecurring project.</p> <p>-777 —program reduction.</p> <hr/> <p>\$ -1,727 <i>Appropriation Decrease</i></p>
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Public Television Network

Program: Public Television Services (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 3,419	\$ 3,646	\$ 3,429	\$ 3,429	\$ 3,429	\$ 3,429	\$ 3,429
Public Television Station Grants	8,521	8,721	6,994	6,994	6,994	6,994	6,994
TOTAL GENERAL FUND	<u>\$ 11,940</u>	<u>\$ 12,367</u>	<u>\$ 10,423</u>	<u>\$ 10,423</u>	<u>\$ 10,423</u>	<u>\$ 10,423</u>	<u>\$ 10,423</u>



PUBLIC UTILITY COMMISSION

The mission of the Public Utility Commission is to provide for regulation of public utilities and includes establishing reasonable rates; providing for safe service; conducting audits; and ensuring compliance with public utility regulations.

The commission is comprised of five members appointed by the Governor with Senate confirmation.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
(R)General Government Operations.....	\$ 44,256	\$ 44,916	\$ 50,369
(F)Natural Gas Pipeline Safety.....	375	425	375
(F)Motor Carrier Safety.....	1,125	1,575	1,350
(R)First Class City Taxicab Regulation (EA).....	1,807	1,807	0
	1,500	2,000	1,725
Subtotal - Federal Funds.....	46,063	46,723	50,369
Subtotal - Restricted Revenues.....	\$ 47,563	\$ 48,723	\$ 52,094
Total - General Government.....			
FEDERAL FUNDS.....	1,500	2,000	1,725
RESTRICTED REVENUES.....	46,063	46,723	50,369
GENERAL FUND TOTAL.....	\$ 47,563	\$ 48,723	\$ 52,094

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
REGULATION OF PUBLIC UTILITIES							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,500	2,000	1,725	1,725	1,725	1,725	1,725
OTHER FUNDS.....	46,063	46,723	50,369	49,269	46,584	46,584	46,584
SUBCATEGORY TOTAL.....	\$ 47,563	\$ 48,723	\$ 52,094	\$ 50,994	\$ 48,309	\$ 48,309	\$ 48,309
ALL PROGRAMS:							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,500	2,000	1,725	1,725	1,725	1,725	1,725
OTHER FUNDS.....	46,063	46,723	50,369	49,269	46,584	46,584	46,584
DEPARTMENT TOTAL.....	\$ 47,563	\$ 48,723	\$ 52,094	\$ 50,994	\$ 48,309	\$ 48,309	\$ 48,309

PROGRAM OBJECTIVE: To ensure that safe and adequate public utility services are available to the public at fair and reasonable rates.

Program: Regulation of Public Utilities

The Public Utility Code requires the Public Utility Commission (PUC), an arm of the General Assembly, to ensure that safe and adequate utility service is available to the public at fair and reasonable rates.

The commission regulates about 8,057 utilities which include electric, gas, steam heat, water, telephone, telegraph, and sewage collection and disposal services; transportation of passengers and property by railroad, aircraft, boat, ferry and motor carrier; and transportation of certain products by pipeline.

The commission is funded by assessment of public utilities. Subject to budgetary approval, the commission may assess up to three-tenths of one percent of gross interstate revenues to cover the cost of regulation. Public utility assessments and fees are deposited into a restricted account within the General Fund.

In 2003-04, the Public Utility Commission completed 20 fixed utility rate cases. Rate increases of nearly \$41.1 million were allowed. Rate increases of \$1.5 million requested by transportation utilities were also allowed.

Pennsylvania has taken a leadership role in the deregulation of the electric industry. Act 138 of 1996 has become model legislation for other states desiring to deregulate the electric industry with the intended effect of lowering electric utility rates through increased competition. Electric customers are able to choose the company that supplies their electricity.

Federal Law (P.L. 103-305) effective January 1, 1995, pre-empts State regulation of trucking rates and routes. The PUC's jurisdiction on motor carrier regulation has now been essentially limited to safety authority, insurance coverage, and transportation of household goods and passengers.

Act 21 of 1999 deregulated the natural gas industry. It allows for retail gas consumers to have the opportunity to choose their natural gas suppliers. The PUC provides educational information to the consumers to help them benefit

from the legislative and regulatory changes.

Act 230 of 2002 transferred regulatory authority for the limousine and taxicab services in Philadelphia to the Philadelphia Parking Authority. Regulatory powers and duties including the First Class Taxicab Regulatory Fund were also transferred from the PUC to the Authority.

In addition to its primary duty of ensuring that adequate service at reasonable rates is available to the public, the commission is required or empowered to:

- prescribe rates for certain types of common carrier by motor vehicle type and to establish accounting and service requirements for them;
- regulate the formation, merger and consolidation of public utilities;
- determine whether a public utility should be permitted to discontinue service to the public other than for non-payment for service rendered;
- regulate the crossing of public highways by the facilities of public utilities;
- inspect the properties, test the equipment and examine the books and other records of utilities;
- prescribe systems of accounting for public utilities;
- determine whether the issuance of utility stocks and long-term debt by public utilities is necessary or proper for the present and probable future capital needs of the utilities;
- inquire into the reasonableness, from the point of view of the public interest, of contracts between public utilities and municipalities, and of contracts for services between public utilities and their affiliates;
- assess all its expenses on utilities in accordance with Act 33 of 1972; and conduct management efficiency investigations and construction cost audits.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Utilities regulated:							
Fixed utilities:							
Electric distribution	16	16	16	16	16	16	16
Electric Generation	43	43	43	43	43	43	43
Other	1,376	1,197	1,177	1,209	1,197	1,249	1,237
Transportation	6,826	6,875	6,225	6,275	6,325	6,375	6,425
Rate requests received:							
Fixed utilities	22	26	31	30	27	22	24
Transportation	25	100	100	100	100	100	100

Public Utility Commission

Program: Regulation of Public Utilities (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Rate cases completed:							
Fixed utilities	22	26	31	30	27	22	24
Transportation	25	100	100	100	100	100	100
Audits conducted:							
Fixed utilities:							
Financial	22	24	24	24	24	24	24
Energy / fuel	54	50	50	50	50	50	50
Management	13	9	9	7	7	8	7
Enforcement/investigations:							
Fixed utilities	686	930	930	930	930	930	930
Transportation:							
Rail safety	5,225	5,125	5,125	5,125	5,125	5,125	5,125
Motor safety	18,422	20,000	19,500	19,500	19,500	19,500	19,500
Consumer services:							
Fixed utilities:							
Complaints received, investigated and resolved	120,500	123,000	123,000	123,000	123,000	123,000	123,000
Electric Deregulation:							
Homes eligible to participate (thousands)	4,828	4,840	4,855	4,870	4,885	4,895	4,905
Businesses eligible to participate (thousands)	640	650	670	685	695	705	715
Estimated Savings:							
Homes (millions)	\$ 453	\$ 406	\$ 308	\$ 257	\$ 206	\$ 155	\$ 104
Businesses (millions)	\$ 876	\$ 786	\$ 596	\$ 497	\$ 398	\$ 300	\$ 200

Audits conducted: Fixed utilities: financial, energy/fuel and management decreased from the 2003-04 data shown in last year's budget due to staff resources devoted to larger unanticipated special projects.

Estimated Savings: Home and Businesses are lower than the projections shown in last year's budget due to the conclusion of rate caps.

Program Recommendations:

This budget recommends the following from restricted accounts:
(Dollar Amounts in Thousands)

<p>\$ 1,603</p> <p>\$ 3,850</p> <hr/> <p>\$ 5,453</p>	<p>General Government Operations</p> <p>—to continue current program</p> <p>—Initiative—Integrated Case and Document Management Portal. To improve document management and electronic business through the development of an information technology system.</p> <p><i>Appropriation Increase</i></p>	<p>\$ -1,807</p>	<p>First Class Taxicab Regulation (EA)</p> <p>—nonrecurring program. Act 230 of 2002 transferred the program to the Philadelphia Parking Authority.</p>
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DEPARTMENT OF PUBLIC WELFARE

The mission of the Department of Public Welfare is to promote, improve and sustain the quality of family life, break the cycle of dependency, and protect and serve Pennsylvania's most vulnerable citizens.

This mission is accomplished by promoting the financial independence of clients through a range of services including employment and training, work support, child care, medical assistance and transportation. The mission is also accomplished by providing community living arrangements for those in need of assistance with activities of daily living and, when necessary, through institutional care and treatment in settings that are responsive to human needs.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 59,499	\$ 58,813	\$ 58,629
(F)Child Welfare Services - Administration.....	2,054	2,054	2,054
(F)Child Welfare - Title IV-E - Administration.....	3,961	3,576	3,553
(F)CCDFBG - Administration.....	12,479	13,127	13,480
(F)Medical Assistance - Administration.....	25,659	29,805	23,657
(F)TANFBG - Administration.....	5,446	5,016	5,172
(F)Food Stamps - Administration.....	4,687	5,283	4,545
(F)Developmental Disabilities - Basic Support.....	4,079	4,090	4,090
(F)Refugees and Persons Seeking Asylum - Administration.....	1,490	1,568	1,588
(F)Disabled Education - Administration.....	1,393	1,462	1,522
(F)MHSBG - Administration.....	158	160	169
(F)SSBG - Administration.....	3,691	3,691	3,691
(F)Training - Lead-Based Paint Abatement.....	137	137	137
(F)Community Based Family Resource and Support - Administration.....	689	689	689
(F)Real Choice Systems Change.....	462	462	1,000
(F)Medical Assistance Infrastructure.....	825	825 ^a	825
(F)Quality Assurance and Improvement.....	499	1,000	0
(F)Money Follows Person.....	698	1,500	0
(F)Locally Organized Systems of Child Care.....	100	500 ^b	500
(F)February 2003 Snow Storm Disaster.....	69	0	0
(A)Institutional Collections and Reimbursements.....	104	0	0
(A)Training Reimbursement.....	443	447	456
(A)Child Abuse Reviews.....	3,962	3,714	3,825
(A)Miscellaneous Reimbursements.....	30	50	50
Subtotal.....	<u>\$ 132,614</u>	<u>\$ 137,969</u>	<u>\$ 129,632</u>
Information Systems.....	54,904	53,614	49,895
(F)Medical Assistance - Information Systems.....	72,108	54,388 ^c	34,154
(F)Child Welfare - Title IV-E - Information Systems.....	757	782	878
(F)TANFBG - Information Systems.....	9,808	11,907	9,556
(F)Food Stamps - Information Systems.....	9,795	10,943 ^d	10,283
(F)Child Support Enforcement - Information Systems.....	6,672	7,591 ^e	7,740
(A)Intergovernmental Transfer - Technology.....	3,556	2,136	1,057
(A)Medical Data Exchange.....	39	0	0
Subtotal.....	<u>\$ 157,639</u>	<u>\$ 141,361</u>	<u>\$ 113,563</u>
County Administration - Statewide.....	41,030	34,257	41,588
(F)TANFBG - Statewide.....	3,886	3,564	3,403
(F)Medical Assistance - Statewide.....	40,602	44,054	44,188
(F)Food Stamps - Statewide.....	20,202	23,512 ^f	23,868
(F)Ryan White - Statewide.....	122	136	141
(F)July 2003 Storm Disaster - Administration.....	29	0	0
(F)September 2003 Storm Disaster - Administration.....	23	0	0
(F)Storm Disasters 2004 - Administration.....	0	1,258	0
(A)Fee for Material from Outside Vendors.....	19	31	31
(A)Food Stamps - Retained Collections.....	3,337	3,300	3,300
(A)Intergovernmental Transfer.....	607	1,508	1,465
(A)Electronic Benefit Transfer Rebate.....	0	7,075	0
Subtotal.....	<u>\$ 109,857</u>	<u>\$ 118,695</u>	<u>\$ 117,984</u>
County Assistance Offices.....	252,318	249,868	254,304
(F)TANFBG - County Assistance.....	38,183	45,404	44,190
(F)Medical Assistance - County Assistance.....	78,542	79,751	81,232
(F)Food Stamps - County Assistance.....	75,676	82,096	78,685
(F)SSBG - County Assistance.....	6,262	6,262	6,262
(F)LIHEABG - Administration.....	12,330	12,164	12,164
Subtotal.....	<u>\$ 463,311</u>	<u>\$ 475,545</u>	<u>\$ 476,837</u>
Child Support Enforcement.....	11,762	10,441	9,594
(F)TANFBG - Child Support Enforcement.....	1,850	1,850	0
(F)Child Support Enforcement - Title IV - D.....	130,236	129,319	127,386

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
(A)Title IV - D Incentive Collections.....	5,984	15,827	15,606
(A)State Retained Support Collections.....	2,341	0	0
(A)SCDU Rebate.....	2,500	0	0
Subtotal.....	\$ 154,673	\$ 157,437	\$ 152,586
New Directions.....	64,096	64,190	60,943
(F)TANFBG - New Directions.....	163,601	156,494	163,409
(F)Medical Assistance - New Directions.....	4,338	4,537	4,325
(F)Food Stamps - New Directions.....	9,687	11,461	9,508
(F)Welfare to Work.....	12,227	12,227	0
Subtotal.....	\$ 253,949	\$ 248,909	\$ 238,185
Subtotal - State Funds.....	\$ 483,609	\$ 471,183	\$ 474,953
Subtotal - Federal Funds.....	765,512	774,645	728,044
Subtotal - Augmentations.....	22,922	34,088	25,790
Total - General Government.....	\$ 1,272,043	\$ 1,279,916	\$ 1,228,787
Institutional:			
Youth Development Institutions and Forestry Camps.....	\$ 67,609	\$ 68,955	\$ 73,746
(F)SSBG - Basic Institutional Program.....	1,056	1,056	1,050
(F)Food Nutrition Services.....	804	1,015	1,015
(F)TANFBG - Youth Development Centers.....	4,918	5,500	0
(F)DFSC - Special Program - Juvenile Aftercare.....	1,225	1,225	1,225
(A)Cafeteria Reimbursements.....	2	5	5
(A)Institutional Reimbursements.....	8	5	5
Subtotal.....	\$ 75,622	\$ 77,761	\$ 77,046
Mental Health Services.....	655,016	665,810	677,781
(F)Medical Assistance - Mental Health.....	211,121	202,258	223,482
(F)Medicare Services - State Mental Hospitals.....	10,178	8,000	8,000
(F)Homeless Mentally Ill.....	1,561	1,848	1,848
(F)MHSSBG - Community Mental Health Services.....	18,519	17,939	15,590
(F)SSBG - Community Mental Health Services.....	14,808	14,808	14,808
(F)Mental Health Data Infrastructure.....	124	35	0
(F)Emergency Response Capacity.....	100	159	66
(F)Co-occurring Behavioral Disorder Treatment.....	1,100	1,100	1,100
(F)RTF Restraint Elimination.....	0	237	237
(F)Mental Health Systems Transformation.....	0	100	100
(F)September 2003 Storm Disaster - Crisis Counseling.....	36	0	0
(F)September 2004 Storm Disaster Ivan - Crisis Counseling.....	0	267	0
(F)Mental Health Housing Support.....	0	334	334
(F)Bioterrorism Hospital Preparedness.....	0	501	501
(A)Institutional Collections.....	10,521	9,951	9,481
(A)Miscellaneous Institutional Reimbursements.....	670	1,843	1,699
(A)Intergovernmental Transfer.....	17,749	19,077	7,734
Subtotal.....	\$ 941,503	\$ 944,267	\$ 962,761
State Centers for the Mentally Retarded.....	103,756	104,311	104,407
(F)Medical Assistance - State Centers.....	142,585	152,399	150,925
(F)Medicare Services - State Centers.....	560	596	639
(A)Institutional Collections - State Centers.....	10,168	10,197	10,068
(A)Institutional Reimbursements.....	8	0	0
(A)Embreeville Rents.....	2,220	2,000	2,000
(A)MR Assessment - State Centers.....	0	16,093	16,038
Subtotal.....	\$ 259,297	\$ 285,596	\$ 284,077
Subtotal - State Funds.....	\$ 826,381	\$ 839,076	\$ 855,934
Subtotal - Federal Funds.....	408,695	409,377	420,920
Subtotal - Augmentations.....	41,346	59,171	47,030
Total - Institutional.....	\$ 1,276,422	\$ 1,307,624	\$ 1,323,884

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Grants and Subsidies:			
Cash Grants	\$ 330,772	\$ 381,656^g	\$ 377,331
(F)TANFBG - Cash Grants.....	242,020	254,773 ^h	253,110
(F)CCDFBG - Cash Grants.....	133,539	145,008	146,303
(F)Other Federal Support - Cash Grants.....	23,153	25,506 ⁱ	28,614
(F)LIHEABG - Low-Income Families and Individuals.....	107,977	152,684	152,684
(F)July 2003 Storm Disaster - Individual and Family Assistance.....	562	0	0
(F)September 2003 Storm Disaster-Individual & Family Assistance.....	450	0	0
(F)August 2004 Storm Disaster - Individual and Family Assist.....	0	2,046	0
(F)September 2004 Storm Disaster (Frances) - Ind and Fam Asst.....	0	2,100	0
(F)September 2004 Storm Disaster (Ivan) - Ind and Fam Asst.....	0	21,000	0
(A)Incentive Collections - Cash Grants.....	0	500	500
Subtotal.....	\$ 838,473	\$ 985,273	\$ 958,542
Supplemental Grants - Aged, Blind and Disabled	152,336	140,194^j	127,602
(A)Intergovernmental Transfer.....	26,439	26,985	26,985
Subtotal.....	\$ 178,775	\$ 167,179	\$ 154,587
Medical Assistance - Outpatient	677,979	818,991^k	784,331
(F)Medical Assistance - Outpatient.....	1,045,137	1,136,014	1,097,894
(A)Intergovernmental Transfer.....	52,294	2,580	52,580
(A)HealthStart Grow Smart.....	40	696	141
Subtotal.....	\$ 1,775,450	\$ 1,958,281	\$ 1,934,946
(R)Health Care Provider Retention.....	0	215,100	209,467
(R)Medical Assistance - Provider Retention (F).....	0	250,900	256,533
(R)Transfer to MCAre Availability and Error Reduction Fund (EA).....	0	100,000	180,000
Subtotal.....	\$ 0	\$ 566,000	\$ 646,000
Medical Assistance - Inpatient	411,042	478,183^l	376,226
(F)Medical Assistance - Inpatient.....	591,691	571,555	509,629
(A)Intergovernmental Transfer.....	0	0	70,403
Subtotal.....	\$ 1,002,733	\$ 1,049,738	\$ 956,258
Medical Assistance - Capitation	2,222,278	2,351,263^m	2,566,074
(F)Medical Assistance - Capitation.....	2,779,469	3,212,003	3,392,735
(A)Intergovernmental Transfer.....	75,824	24,176	100,000
(A)Managed Care Assessment.....	0	354,417	417,112
Subtotal.....	\$ 5,077,571	\$ 5,941,859	\$ 6,475,921
Long-Term Care	588,528	470,496ⁿ	681,192
(F)Medical Assistance - Long-Term Care.....	2,359,727	2,242,584 ^o	2,112,265
(A)Intergovernmental Transfer.....	1,244,405	930,321	795,900
(R)Nursing Home Assessment.....	0	523,956	277,755
Subtotal.....	\$ 4,192,660	\$ 4,167,357	\$ 3,867,112
Trauma Centers	12,500	12,500	12,500
(F)Medical Assistance - Trauma Centers.....	15,130	14,715	15,309
Subtotal.....	\$ 27,630	\$ 27,215	\$ 27,809
Medical Assistance - Transportation	37,755	44,675^p	50,904
(F)Medical Assistance - Transportation.....	33,050	38,153 ^q	43,362
Subtotal.....	\$ 70,805	\$ 82,828	\$ 94,266
Expanded Medical Services for Women	8,686	8,860	8,860
(F)TANFBG - Alternatives to Abortion.....	1,000	1,000	1,000
Subtotal.....	\$ 9,686	\$ 9,860	\$ 9,860
AIDS Special Pharmaceutical Services	10,354	11,585	13,448
(F)AIDS - Ryan White.....	20,245	23,176 ^r	26,654
Subtotal.....	\$ 30,599	\$ 34,761	\$ 40,102
Special Pharmaceutical Services	5,372	5,482	5,886

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Behavioral Health Services.....	43,119	43,981	43,981
(A)Intergovernmental Transfer.....	21,897	21,897	12,107
Subtotal.....	\$ 65,016	\$ 65,878	\$ 56,088
Psychiatric Services in Eastern PA.....	3,500	3,500	3,500
Intermediate Care Facilities - Mentally Retarded.....	101,589	116,202	123,058
(F)Medical Assistance - ICF/MR.....	142,068	162,958	167,078
(A)MR Assessment - ICF/MR.....	0	11,056	15,548
Subtotal.....	\$ 243,657	\$ 290,216	\$ 305,684
Community Mental Retardation Services.....	635,958	706,593	729,633
(F)Medical Assistance - Community MR Services.....	643,181	630,920	684,416
(F)SSBG - Community MR Services.....	13,984	13,984	13,984
(A)Intergovernmental Transfer.....	3,149	0	0
Subtotal.....	\$ 1,296,272	\$ 1,351,497	\$ 1,428,033
Early Intervention.....	73,342	80,689	89,535
(F)SSBG - Early Intervention.....	2,195	2,195	2,195
(F)Medical Assistance - Early Intervention.....	17,984	17,362	18,838
(F)Education for Children with Disabilities.....	12,532	12,871	12,988
Subtotal.....	\$ 106,053	\$ 113,117	\$ 123,556
Pennhurst Dispersal.....	2,890	3,009	3,058
MR Residential Services - Lansdowne.....	382	1,065	398
County Child Welfare.....	610,213	632,547	838,526
(F)Child Welfare Services.....	18,270	20,370	21,957
(F)Child Welfare - Title IV-E.....	433,235	614,502	462,419
(F)Medical Assistance - Child Welfare.....	4,808	9,983	4,912
(F)TANFBG - Child Welfare.....	295,940	294,940	67,884
(F)SSBG - Child Welfare.....	12,021	12,021	12,021
(F)Child Welfare Training and Certification.....	19,845	19,845	14,598
(F)Community Based Family Resource and Support.....	131	134	134
Subtotal.....	\$ 1,394,463	\$ 1,604,342	\$ 1,422,451
Child Welfare - TANF Transition.....	0	0	45,000
Community Based Family Centers.....	3,086	3,148	3,148
(F)Family Preservation - Family Centers.....	6,463	6,463	6,463
(F)Family Resource & Support - Family Centers.....	480	480	480
(F)CCDFBG - Family Centers.....	4,000	3,066	3,066
Subtotal.....	\$ 14,029	\$ 13,157	\$ 13,157
Child Care Services.....	59,683	60,877	80,209
(F)CCDFBG - Child Care.....	174,723	189,114	189,114
(F)CCDFBG - School Age.....	1,260	1,260	1,260
(F)SSBG - Child Care.....	30,977	30,977	30,977
(F)Head Start Collaboration Project.....	300	450	450
(F)TANFBG - Child Care Services.....	2,000	2,000	2,000
(F)TANFBG - Nurse Family Partnership.....	0	0	1,222
(F)Title IV-B - Nurse Family Partnership.....	0	0	1,737
Subtotal.....	\$ 268,943	\$ 284,678	\$ 306,969
Domestic Violence.....	11,316	11,542	11,542
(F)Family Violence Prevention Services.....	3,400	3,000	3,000
(F)SSBG - Domestic Violence.....	1,205	5,705	5,705
(F)PHHSBG - Domestic Violence.....	150	150	150
(F)TANFBG - Domestic Violence.....	4,500	0	0
(F)DFSC - Domestic Violence.....	425	425	425
(A)Marriage Law Fees.....	733	733	733
Subtotal.....	\$ 21,729	\$ 21,555	\$ 21,555
Rape Crisis.....	5,764	5,879	5,879
(F)PHHSBG - Rape Crisis.....	301	301	301
(F)SSBG - Rape Crisis.....	634	2,721	2,721

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
(F)TANFBG - Rape Crisis.....	2,087	0	0
(F)Rape Prevention and Education.....	1,784	1,784	1,784
(F)DFSC - Special Programs for Rape Crisis.....	142	142	142
Subtotal.....	\$ 10,712	\$ 10,827	\$ 10,827
Breast Cancer Screening.....	1,496	1,526	1,526
(F)SSBG - Family Planning.....	3,845	3,845	3,845
Subtotal.....	\$ 5,341	\$ 5,371	\$ 5,371
Human Services Development Fund.....	33,123	33,785	33,785
(F)Refugees and Persons Seeking Asylum - Social Services.....	6,785	6,785	6,785
(A)Intergovernmental Transfer.....	7,442	7,501	0
Subtotal.....	\$ 47,350	\$ 48,071	\$ 40,570
Legal Services.....	2,470	2,519	2,519
(F)SSBG - Legal Services.....	5,049	5,049	5,049
(F)SSBG - Legal Services Systems Improvements.....	1,000	0	0
Subtotal.....	\$ 8,519	\$ 7,568	\$ 7,568
Homeless Assistance.....	24,001	24,461	24,461
(F)SSBG - Homeless Services.....	2,183	4,183	4,183
(F)Homeless Services - SABG.....	1,983	1,983	1,983
(F)TANFBG - Homeless Assistance.....	2,000	0	0
Subtotal.....	\$ 30,167	\$ 30,627	\$ 30,627
Services to Persons with Disabilities.....	16,103	36,223	45,874
(F)SSBG - Services to Persons with Disabilities.....	120	120	120
(F)Medical Assistance - Services to Persons with Disabilities.....	33,323	49,566	60,207
(A)Intergovernmental Transfer.....	9,256	9,256	9,256
Subtotal.....	\$ 58,802	\$ 95,165	\$ 115,457
Attendant Care.....	35,580	47,031	51,801
(F)SSBG - Attendant Care.....	6,971	6,971	10,816
(F)Medical Assistance - Attendant Care.....	32,282	38,433	45,978
(A)Attendant Care Parking Fines.....	103	103	103
(A)Intergovernmental Transfer.....	15,282	15,282	15,282
Subtotal.....	\$ 90,218	\$ 107,820	\$ 123,980
Acute Care Hospitals.....	8,300	12,200	0
Arsenal Family and Children's Center.....	143	0	0
Subtotal - State Funds.....	\$ 6,129,660	\$ 6,550,662	\$ 7,141,787
Subtotal - Federal Funds.....	9,299,716	10,019,375	9,652,946
Subtotal - Augmentations.....	1,456,864	1,405,503	1,516,650
Subtotal - Restricted Revenues.....	0	1,089,956	923,755
Total - Grants and Subsidies.....	\$ 16,886,240	\$ 19,065,496	\$ 19,235,138
STATE FUNDS.....	\$ 7,439,650	\$ 7,860,921	\$ 8,472,674
FEDERAL FUNDS.....	10,473,923	11,203,397	10,801,910
AUGMENTATIONS.....	1,521,132	1,498,762	1,589,470
RESTRICTED REVENUES.....	0	1,089,956	923,755
GENERAL FUND TOTAL.....	\$ 19,434,705	\$ 21,653,036	\$ 21,787,809
TOBACCO SETTLEMENT FUND:			
<i>Grants and Subsidies:</i>			
Medical Care for Workers with Disabilities (EA).....	\$ 17,354	\$ 12,124	\$ 19,966
(F)Medical Assistance - Workers with Disabilities (EA).....	9,250	14,257	24,452
Subtotal.....	\$ 26,604	\$ 26,381	\$ 44,418
Uncompensated Care (EA).....	43,165	38,401	39,932
(F)Medical Assistance - Uncompensated Care (EA).....	51,824	49,749	48,806

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Subtotal.....	\$ 94,989	\$ 88,150	\$ 88,738
Home and Community-Based Services (EA).....	37,915	26,072	35,370
(F)Medical Assistance - Community Services (EA).....	45,661	30,692	43,230
Subtotal.....	\$ 83,576	\$ 56,764	\$ 78,600
Subtotal - State Funds.....	\$ 98,434	\$ 76,597	\$ 95,268
Subtotal - Federal Funds.....	106,735	94,698	116,488
Total - Grants and Subsidies.....	\$ 205,169	\$ 171,295	\$ 211,756
STATE FUNDS.....	\$ 98,434	\$ 76,597	\$ 95,268
FEDERAL FUNDS.....	106,735	94,698	116,488
TOBACCO SETTLEMENT FUND TOTAL.....	\$ 205,169	\$ 171,295	\$ 211,756
OTHER FUNDS:			
CHILDREN'S TRUST FUND:			
Children's Trust Fund (EA).....	\$ 1,850	\$ 1,850	\$ 1,850
ENERGY CONSERVATION AND ASSISTANCE FUND:			
Low Income Energy Assistance.....	\$ 113	\$ 0	\$ 0
EMERGENCY MEDICAL SERVICES OPERATING FUND:			
Head Injury Support.....	\$ 478	\$ 277	\$ 0
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 7,439,650	\$ 7,860,921	\$ 8,472,674
SPECIAL FUNDS.....	98,434	76,597	95,268
FEDERAL FUNDS.....	10,580,658	11,298,095	10,918,398
AUGMENTATIONS.....	1,521,132	1,498,762	1,589,470
RESTRICTED.....	0	1,089,956	923,755
OTHER FUNDS.....	2,441	2,127	1,850
TOTAL ALL FUNDS.....	\$ 19,642,315	\$ 21,826,458	\$ 22,001,415

^a Includes recommended supplemental appropriation of \$325,000.

^b Includes recommended supplemental appropriation of \$400,000.

^c Includes recommended supplemental appropriation of \$3,422,000.

^d Includes recommended supplemental appropriation of \$288,000.

^e Includes recommended supplemental appropriation of \$78,000.

^f Includes recommended supplemental appropriation of \$1,886,000.

^g Includes recommended supplemental appropriation of \$19,790,000.

^h Includes recommended supplemental appropriation of \$20,603,000.

ⁱ Includes recommended supplemental appropriation of \$2,495,000.

^j Reflects recommended appropriation reduction of \$1,580,000.

^k Includes recommended supplemental appropriation of \$41,860,000.

^l Includes recommended supplemental appropriation of \$1,650,000.

^m Includes recommended supplemental appropriation of \$61,560,000.

Footnotes to Summary by Fund and Appropriation

-
- ⁿ Includes recommended supplemental appropriation of \$9,380,000.
 - ^o Includes recommended supplemental appropriation of \$49,383,000.
 - ^p Includes recommended supplemental appropriation of \$3,100,000.
 - ^q Includes recommended supplemental appropriation of \$1,531,000.
 - ^r Includes recommended supplemental appropriation of \$152,000.
 - ^s Includes recommended supplemental appropriation of \$1,770,000.
 - ^t Includes recommended supplemental appropriation of \$7,500,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
HUMAN SERVICES SUPPORT							
GENERAL FUND.....	\$ 114,403	\$ 112,427	\$ 108,524	\$ 108,524	\$ 108,524	\$ 108,524	\$ 108,524
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	167,716	160,556	129,283	129,283	129,283	129,283	129,283
OTHER FUNDS.....	8,134	6,347	5,388	5,388	5,388	5,388	5,388
SUBCATEGORY TOTAL.....	\$ 290,253	\$ 279,330	\$ 243,195	$ 243,195	$ 243,195	$ 243,195	$ 243,195
MEDICAL ASSISTANCE							
GENERAL FUND.....	\$ 3,982,794	\$ 4,214,235	\$ 4,499,421	\$ 4,766,576	\$ 5,199,743	\$ 5,727,507	\$ 6,331,288
SPECIAL FUNDS.....	98,434	76,597	95,268	97,379	103,395	110,429	116,326
FEDERAL FUNDS.....	6,952,184	7,333,898	7,315,336	7,691,159	8,225,760	8,775,277	9,463,100
OTHER FUNDS.....	1,372,563	2,402,146	2,359,891	1,841,492	1,285,392	1,081,725	1,043,677
SUBCATEGORY TOTAL.....	\$ 12,405,975	\$ 14,026,876	\$ 14,269,916	\$ 14,396,606	\$ 14,814,290	\$ 15,694,938	\$ 16,954,391
INCOME MAINTENANCE							
GENERAL FUND.....	\$ 911,997	\$ 941,483	\$ 951,571	\$ 961,563	\$ 966,697	\$ 969,299	\$ 972,092
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,314,757	1,441,007	1,406,232	1,406,232	1,406,232	1,406,232	1,406,232
OTHER FUNDS.....	41,818	55,503	47,887	47,887	47,887	47,887	47,887
SUBCATEGORY TOTAL.....	\$ 2,268,572	\$ 2,437,993	\$ 2,405,690	\$ 2,415,682	\$ 2,420,816	\$ 2,423,418	\$ 2,426,211
MENTAL HEALTH							
GENERAL FUND.....	\$ 701,635	\$ 713,291	\$ 725,262	\$ 725,262	\$ 725,262	\$ 725,262	\$ 725,262
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	257,547	247,586	266,066	266,066	266,066	266,066	266,066
OTHER FUNDS.....	50,837	52,768	31,021	31,021	31,021	31,021	31,021
SUBCATEGORY TOTAL.....	\$ 1,010,019	\$ 1,013,645	\$ 1,022,349	$ 1,022,349	$ 1,022,349	$ 1,022,349	$ 1,022,349
MENTAL RETARDATION							
GENERAL FUND.....	\$ 917,917	\$ 1,011,869	\$ 1,050,089	\$ 1,065,291	\$ 1,063,426	\$ 1,063,426	\$ 1,063,426
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	975,089	993,285	1,051,063	1,051,063	1,051,063	1,051,063	1,051,063
OTHER FUNDS.....	15,545	39,346	43,654	43,654	43,654	43,654	43,654
SUBCATEGORY TOTAL.....	\$ 1,908,551	\$ 2,044,500	\$ 2,144,806	\$ 2,160,008	\$ 2,158,143	\$ 2,158,143	\$ 2,158,143
HUMAN SERVICES							
GENERAL FUND.....	\$ 810,904	\$ 867,616	\$ 1,137,807	\$ 1,214,001	\$ 1,263,162	\$ 1,316,815	\$ 1,390,273
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	913,365	1,121,763	750,418	762,874	762,874	762,874	762,874
OTHER FUNDS.....	34,676	34,735	27,234	27,234	27,234	27,234	27,234
SUBCATEGORY TOTAL.....	\$ 1,758,945	\$ 2,024,114	\$ 1,915,459	\$ 2,004,109	\$ 2,053,270	\$ 2,106,923	\$ 2,180,381

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
ALL PROGRAMS:							
GENERAL FUND.....	\$ 7,439,650	\$ 7,860,921	\$ 8,472,674	\$ 8,841,217	\$ 9,326,814	\$ 9,910,833	\$ 10,590,865
SPECIAL FUNDS.....	98,434	76,597	95,268	97,379	103,395	110,429	116,326
FEDERAL FUNDS.....	10,580,658	11,298,095	10,918,398	11,306,677	11,841,278	12,390,795	13,078,618
OTHER FUNDS.....	1,523,573	2,590,845	2,515,075	1,996,676	1,440,576	1,236,909	1,198,861
DEPARTMENT TOTAL.....	\$ 19,642,315	\$ 21,826,458	\$ 22,001,415	\$ 22,241,949	\$ 22,712,063	\$ 23,648,966	\$ 24,984,670

PROGRAM OBJECTIVE: To provide effective administrative and support systems through which the substantive programs of the department can be operated.

Program: Human Services Support

The Human Services Support program provides the policy direction, management and administrative systems required to implement, maintain and monitor the substantive programs of the department.

A key function is the development and operation of information technology systems that assure accurate and timely payments to clients and service providers and provide data for management analysis and program control. Web-based technology under development will allow on-line application for services and will maintain common client

and provider databases and case management systems for use across program lines.

Additionally, this program ensures the quality of services for Pennsylvania residents by licensing and regulating child care and selected medical facilities, and provides direction for health programs for Pennsylvania residents who are unable to purchase adequate health care services.

A primary concern is to minimize administrative costs in relation to service costs.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Third-party liability cases referred for recovery	12,007	12,350	12,350	12,500	12,500	12,500	12,500
Total dollars recovered (in thousands)	\$87,597	\$75,500	\$98,500	\$99,500	\$99,500	\$99,500	\$99,500
Recipient appeals cases receiving final disposition	33,525	34,017	34,839	36,930	36,930	36,930	36,930
Provider appeals cases receiving final disposition	1,235	1,452	1,539	1,630	1,630	1,630	1,630
On-line applications submitted thru COMPASS*	41,626	57,192	80,069	112,096	156,935	219,709	219,709

*New program measure.

Program Recommendations:	This budget recommends the following changes: (Dollar Amounts in Thousands)	
General Government Operations		Information Systems
\$ 6,678 —replacement of nonrecurring prior year Federal funds.		\$ 6,544 —replacement of nonrecurring prior year Federal funds.
-6,862 —reduction in administrative expenses.		2,419 —to continue current program.
		-4,011 —reduction in administrative expenses.
<u>\$ -184</u> <i>Appropriation Decrease</i>		-8,671 —nonrecurring development costs for information technology systems.
		<u>\$ -3,719</u> <i>Appropriation Decrease</i>

Appropriations within this Program:	(Dollar Amounts in Thousands)						
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
GENERAL FUND:							
General Government Operations	\$ 59,499	\$ 58,813	\$ 58,629	\$ 58,629	\$ 58,629	\$ 58,629	\$ 58,629
Information Systems	54,904	53,614	49,895	49,895	49,895	49,895	49,895
TOTAL GENERAL FUND	<u>\$ 114,403</u>	<u>\$ 112,427</u>	$ 108,524	$ 108,524	$ 108,524	$ 108,524	<u>\$ 108,524</u>

PROGRAM OBJECTIVE: To support a health care delivery system that provides comprehensive health care services in appropriate settings for the eligible populations.

Program: Medical Assistance

The Medical Assistance Program insures access to comprehensive health care services for low-income individuals and families or those with medical expenses exceeding available income. Qualified individuals may receive a complete package of benefits, including cash assistance, under the Temporary Assistance for Needy Families (TANF) Block Grant, Supplemental Security Income or General Assistance programs. Medically needy persons are individuals who do not receive cash assistance grants but spend a significant portion of their income for medical expenses. General Assistance-Medically Needy Only benefits restrict participation to families with children who do not otherwise qualify for cash benefits, individuals over the age of 59 and individuals that work at least 100 hours per month. A verifiable medical condition, which precludes work, will also allow participation. Eligibility has been expanded to include women diagnosed with breast or cervical cancer who qualify for treatment within enhanced Federal guidelines.

Disabled workers are able to participate in the Medical Assistance program through a purchase program authorized by Act 77 of 2001, the Tobacco Settlement Act. Workers with incomes under 250 percent of the Federal poverty guidelines pay a premium equal to five percent of their monthly income to participate in the complete package of benefits.

Program Element: Outpatient Services

Outpatient services include the majority of preventive services available to a person who does not need extended acute care in a health care facility. Outpatient services include medical or dental care in a clinic or office setting, outpatient surgery, rehabilitation, drug and alcohol treatment, pharmaceutical products, ambulance transportation, home health care, medical supplies and equipment and prosthetic devices.

Persons qualifying for comprehensive benefits are eligible for the complete array of services provided under the Outpatient Program, while medically needy persons are eligible for all services except pharmaceutical products, dental care, medical supplies and equipment and prosthetic devices. Additional service restrictions, comparable to private insurance, apply to adult general assistance recipients. An exception process is available for unusual circumstances.

In the outpatient component of the Medical Assistance Program, providers of service are primarily reimbursed on a fee-for-service basis according to the Medical Assistance Fee Schedule.

The ACCESS Plus Program is a new program which will enable enrollees to choose their own primary care providers and as a result, benefit from active care coordination, case management and, if eligible, disease management services.

Program Element: Inpatient Services

Inpatient hospital services include care for Medical Assistance patients in acute care, rehabilitation and private psychiatric hospitals.

The Inpatient Medical Assistance Program provides eligible recipients coverage on a 24-hour basis for room, board and professional services. A recipient is only eligible for admission under Medical Assistance upon the recommendation of a physician, dentist or podiatrist. Medical Assistance does not cover hospital care solely for cosmetic procedures, as well as diagnostic or therapeutic procedures solely for experimental, research or educational purposes. Individuals eligible for Medically Needy Only benefits pay an annual deductible of \$150.

The department uses a Prospective Payment System (PPS) to reimburse general hospitals. Acute care general hospitals are paid a predetermined amount per discharge based on the patient's diagnosis, the procedures performed and the patient's age, sex and discharge status. The Diagnosis Related Groups (DRG) system is used to classify the various diagnoses based on the amount of resources hospitals customarily use for treatment. The department's payment for compensable inpatient hospital services under the DRG payment system is the product of the hospital specific average cost per case multiplied by the relative value of the DRG assigned to the admission. The DRG system pays for cost outliers for specific DRGs wherein the cost of treating the case exceeds a certain threshold. These "outlier" costs are reimbursed on an exceptional cost basis in the prospective payment to the hospital. When professional care is provided to a Medical Assistance recipient, the department separately reimburses the physician, dentist, podiatrist or midwife who provided direct care services to the recipient and is under salary or contract with the hospital. These services are reimbursed in accordance with the fees established under the Medical Assistance Fee Schedule through the Medical Assistance Outpatient appropriation.

Freestanding psychiatric and rehabilitation hospitals and distinct part psychiatric and rehabilitation units of acute care hospitals are reimbursed on a prospective basis through

Program: Medical Assistance (continued)

per diem payments.

Act 77 of 2001, the Tobacco Settlement Act, authorized an additional payment to hospitals to partially offset the cost of uncompensated care or extraordinary medical services provided by hospitals to individuals with no, or inadequate, health care insurance.

Program Element: Capitation

Alternative health care delivery systems for Medical Assistance recipients are available through Managed Care Organizations (MCOs). Generally referred to as Health Maintenance Organizations (HMOs), these mechanisms provide services utilizing a fixed rate per recipient enrolled. MCOs emphasize outpatient preventive health services as a means of controlling costs. The coordinated approach allows enhanced continuity of care, improves recipients' access to primary physician care and specialized behavioral health programs, provides strengthened oversight of operational standards and facilitates an efficient utilization of limited health care resources.

Mandatory managed care is provided to most eligible clients in five counties in Southeastern Pennsylvania, ten counties in Southwestern Pennsylvania and ten counties in the Lehigh/Capital region of Pennsylvania. Physical health care is provided through contracts with six HMOs while behavioral health is provided through contracts with the participating counties who utilize an independent MCO. Certain Healthy Horizons participants remain in the fee-for-service program. Participation in managed care will remain voluntary for clients in the remainder of the State. The department currently contracts with five HMOs to provide services to recipients in the voluntary program.

HMOs have an incentive to effectively manage the primary care provided to enrolled recipients. If the recipient utilizes more health care than anticipated in the predetermined rate, expenditures increase and the HMO loses money. If service costs are controlled, the provider can make a profit.

Program Element: Long-Term Care

Long-term care is a continuum of services ranging from independent living at home with the support of community services to institutional care. The Department of Aging's Pre-Admission Assessment Program acts as a "gatekeeper" to manage access to this continuum.

Institutional services are provided to eligible persons by nursing facilities certified, in accordance with established standards, to participate in the Medical Assistance Program. Nursing facility care involves daily medical treatment and rehabilitation services prescribed by a licensed physician. The services are provided by or under the supervision of licensed professional, nursing personnel or other professional health personnel.

Nursing facilities are paid for services through a case mix prospective payment system that recognizes net

operating and capital costs and is based on the resources required to meet individual care requirements. Residents at each facility are classified based on Resource Utilization Groups, Version III (RUG-III), which reflect both clinical variables and rehabilitation needs. The classifications are then ranked according to the resources utilized to provide care and a case mix factor is developed for each facility that reflects average resource requirements. Nursing facilities are placed into peer groups reflecting facility bed size and Metropolitan Statistical Areas. In each peer group, a median price is developed for the individual cost components. The net operating portion of the per diem rates is broken into resident care, other resident services and administrative cost components. The resident care cost component is adjusted to reflect the individual facility's case mix. Capital costs not related to resident care are added to the net operating rate. Facility capital costs reflect the fair market rental rate based on appraisals of each facility.

Older Pennsylvanians who are in need of nursing home care can receive services in the community through the Federal Medicaid Home and Community-Based Waiver Program. The program provides assistance with activities of daily living as well as nursing services while incorporating the informal supports available through family and friends.

This budget proposes to increase the availability of home and community-based care as an alternative to nursing facility care. Home and community-based services promote independence and self-reliance, and maximize opportunities for family and community involvement.

Program Element: Medical Assistance Transportation Program

The Medical Assistance Transportation Program provides funding to county governments for Medical Assistance recipients who need assistance traveling to and from a health care service provider or a health care facility. Services include urgent care/same day coverage, parent/escort payments, select return trip reimbursement and door-to-door assistance under certain circumstances.

County governments can provide this service directly, contract with an independent transportation agency or pay agencies that provide transportation as part of a whole human services system.

Sixty-six counties have elected to provide transportation directly. The department selected a provider from a competitive bidding process for the remaining county.

Program Element: Special Pharmaceutical Benefits Program

The Special Pharmaceutical Benefits programs (SPBP) pays for a limited number of drugs for low and moderate-income persons with HIV/AIDS disease and for limited mental health drug therapy for persons residing in the

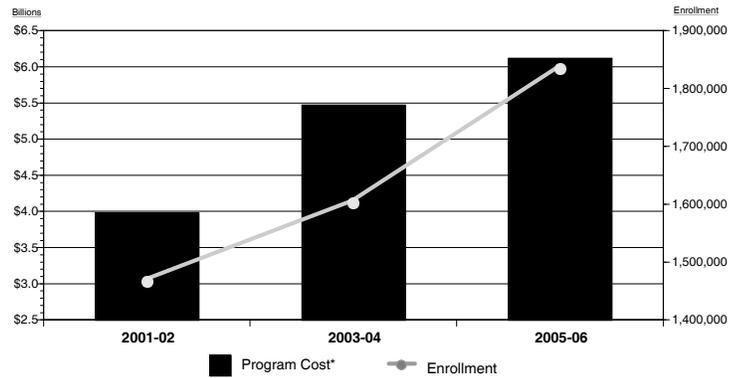
Program: Medical Assistance (continued)

community who suffer from schizophrenia. People with a gross annual income of less than \$30,000 for an individual or \$30,000 plus \$2,480 for each additional family member benefit from this program.

Program Element: Expanded Medical Services for Women

The Expanded Medical Services for Women Program provides a range of medical and counseling services to women. Services include counseling, pregnancy tests, pap smears, contraceptives, family planning, prenatal care referrals, adoption referrals, sexually-transmitted disease tests, laboratory analysis, and services providing alternatives to abortion. Follow-up of positive test results is done to insure that women are notified of needed medical treatment. Services are usually provided in conjunction with breast cancer screening.

Medical Assistance Program



*Outpatient, Inpatient, Capitation and Long-Term Care

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons participating in Medical Assistance (monthly average)	1,621,901	1,752,990	1,850,005	1,928,000	1,928,000	1,928,000	1,928,000
Medical Assistance recipients served:							
(monthly average)							
Fee-for-service delivery	531,743	591,032	621,310	621,700	621,700	621,700	621,700
Capitation programs	1,090,158	1,161,958	1,228,695	1,306,300	1,306,300	1,306,300	1,306,300
Outpatient							
Outpatient services/visits:							
Physicians	3,101,525	3,352,749	3,470,100	3,591,500	3,591,500	3,591,500	3,591,500
Dentists	676,805	731,626	757,230	783,700	783,700	783,700	783,700
Total clinic	2,566,122	2,773,977	2,871,070	2,971,600	2,971,600	2,971,600	2,971,600
Home health	29,278	31,649	32,760	33,900	33,900	33,900	33,900
Prescriptions filled	13,209,300	14,279,253	14,779,000	15,296,300	15,296,300	15,296,300	15,296,300
AccessPlus Program*	-	162,015	221,450	260,900	260,900	260,900	260,900
Inpatient							
Recipients served:							
General hospitals	91,441	98,848	102,310	105,900	105,900	105,900	105,900
Rehabilitation hospitals	3,786	4,093	4,240	4,380	4,380	4,380	4,380
Private psychiatric hospitals	18,783	20,304	21,010	21,700	21,700	21,700	21,700
Capitation							
Average voluntary enrollment	90,678	100,089	109,957	120,600	120,600	120,600	120,600
Average HealthChoices enrollment	999,480	1,061,869	1,118,738	1,185,700	1,185,700	1,185,700	1,185,700
Percent of total eligibles enrolled	67.2%	66.3%	66.4%	67.8%	67.8%	67.8%	67.8%
Percent of children from birth to 15 months visiting a physician 3 or more times in the past year	91.7%	93.2%	93.6%	94.0%	94.4%	94.8%	95.2%
Percent of children age 12 to 24 months visiting a doctor or nurse in the past year	95.5%	95.6%	95.9%	96.2%	96.5%	96.8%	97.1%
Percent of children 25 months to 6 years visiting a doctor or nurse in the past year	82.8%	82.8%	83.3%	83.8%	84.3%	84.8%	85.3%
Percent of pregnant women who received over 60% of the recommended prenatal visits	77.6%	76.9%	77.4%	77.9%	78.4%	78.9%	79.4%
Transportation Program							
One-way trips (in thousands)	6,223	6,717	7,210	7,750	7,750	7,750	7,750
Cost per trip	\$11.47	\$12.33	\$13.32	\$14.19	\$15.10	\$16.08	\$17.12

Program: Medical Assistance (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Long-Term Care							
Recipients under age 60 receiving institutional care (monthly average)	6,394	6,498	6,580	6,650	6,650	6,650	6,650
Recipients over age 60 receiving institutional care (monthly average)	73,423	74,727	75,640	76,440	76,440	76,440	76,440
Percent of long-term care recipients receiving institutional care	80.3%	78.0%	76.0%	74.0%	72.0%	70.0%	68.0%
Average annual cost of nursing home care	\$32,063	\$33,859	\$35,755	\$38,079	\$40,554	\$43,190	\$45,997
Recipients over age 60 receiving home and community-based waiver services ...	15,098	17,732	22,680	23,300	23,580	23,860	24,140
Percent of long-term care recipients receiving services in the community	19.7%	22.0%	24.0%	26.0%	26.0%	26.0%	26.0%
Recipients receiving services through the Long-Term Care Capitated Assistance Program	885	925	1,230	1,550	1,830	2,020	2,170
Medical Care for Workers with Disabilities							
Recipients enrolled in program	3,317	4,844	6,390	7,940	9,490	11,040	12,590

Transportation program one-way trips changed from last year's projection because of increased Medical Assistance eligibility.

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND		Medical Assistance—Inpatient	
Medical Assistance—Outpatient			
\$ 17,258	—change in caseload and utilization.	\$ 23,536	—change in caseload and utilization.
58,914	—to provide for increased utilization of drugs.	11,499	—impact of hospital rate increases.
47,611	—to provide for increased price of drugs.	11,075	—to provide for administrative and other cash flow changes.
33,678	—replacement of one-time prior year funding.	2,443	—increase in costs and clients eligible for Medicare Part A premiums.
19,751	—increase in cost and clients eligible for Medicare Part B premiums.	-8,126	—revision of Federal financial participation from 53.84% to 55.05%.
7,446	—to provide for administrative and other cash flow changes.	-50,000	—utilization of Intergovernmental Transfer funds.
-14,426	—revision of Federal financial participation from 53.84% to 55.05%.	-174	—Initiative—Diversion Services. Savings from the implementation of a diversion program designed to address the immediate needs of families in crisis and prevent the need for ongoing medical assistance.
-50,000	—utilization of Intergovernmental Transfer funds.	-92,210	—PRR – Redesigning the Medical Assistance Program. This Program Revision revises the physical and behavioral benefits packages for adults, restructures the cost sharing responsibilities for recipients, updates the pharmaceutical benefits program management practices and reimbursement formulas, and implements several initiatives to utilize State funds more efficiently and maximize Federal reimbursement. See the Program Revision following this program for additional information.
-428	—Initiative—Diversion Services. Savings from the implementation of a diversion program designed to address the immediate needs of families in crisis and prevent the need for ongoing medical assistance.		
-154,464	—PRR – Redesigning the Medical Assistance Program. This Program Revision revises the physical and behavioral benefits packages for adults, restructures the cost sharing responsibilities for recipients, updates the pharmaceutical benefits program management practices and reimbursement formulas, and implements several initiatives to utilize State funds more efficiently and maximize Federal reimbursement. See the Program Revision following this program for additional information.	\$ -101,957	<i>Appropriation Decrease</i>
\$ -34,660	<i>Appropriation Decrease</i>		

Program: Medical Assistance (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Medical Assistance - Outpatient	\$ 677,979	\$ 818,991	\$ 784,331	\$ 809,626	\$ 886,704	\$ 980,615	\$ 1,088,052
Medical Assistance - Inpatient	411,042	478,183	376,226	388,360	425,332	470,379	521,914
Medical Assistance - Capitation	2,222,278	2,351,263	2,566,074	2,648,831	2,901,006	3,208,250	3,559,750
Long-Term Care	588,528	470,496	681,192	828,161	895,103	976,665	1,069,974
Trauma Centers	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Medical Assistance - Transportation	37,755	44,675	50,904	50,904	50,904	50,904	50,904
Expanded Medical Services for Women ...	8,686	8,860	8,860	8,860	8,860	8,860	8,860
AIDS Special Pharmaceutical Services	10,354	11,585	13,448	13,448	13,448	13,448	13,448
Special Pharmaceutical Services	5,372	5,482	5,886	5,886	5,886	5,886	5,886
Acute Care Hospitals	8,300	12,200	0	0	0	0	0
TOTAL GENERAL FUND	\$ 3,982,794	\$ 4,214,235	\$ 4,499,421	\$ 4,766,576	\$ 5,199,743	\$ 5,727,507	\$ 6,331,288
TOBACCO SETTLEMENT FUND:							
Medical Care for Workers with Disabilities (EA)	\$ 17,354	\$ 12,124	\$ 19,966	\$ 21,733	\$ 23,779	\$ 26,370	\$ 28,722
Uncompensated Care (EA)	43,165	38,401	39,932	39,515	39,631	40,569	41,031
Home and Community-Based Services (EA)	37,915	26,072	35,370	36,131	39,985	43,490	46,573
TOTAL TOBACCO SETTLEMENT FUND	\$ 98,434	\$ 76,597	\$ 95,268	\$ 97,379	\$ 103,395	\$ 110,429	\$ 116,326

Program Revision: Redesigning the Medical Assistance Program

The Medical Assistance Program currently provides a comprehensive array of health care services for Pennsylvania's most vulnerable citizens – children, persons with disabilities and older citizens. Over the last few years, expenditures in the program have increased by 43.7 percent, or nearly \$1.4 billion. During the same time period, the number of persons enrolled in Medical Assistance has also increased by 20.6 percent, or 313,000 individuals. While Pennsylvania remains committed to providing Medical Assistance services to those with the greatest needs, this Program Revision proposes to redesign the program to make it more consistent with private health care coverage provided by employers to Pennsylvania's working families and Medicaid-funded health care services provided in other states.

The changes proposed in this Program Revision will save approximately \$383.8 million in 2005-06. However, this budget provides a net State fund increase of \$612 million for the Department of Public Welfare in 2005-06, an increase of 7.8 percent over 2004-05. This increase includes sufficient funding to provide Medical Assistance coverage for 1.8 million individuals, an increase of 103,000 individuals, or 5.9 percent, over 2004-05 projected levels.

To be able to provide coverage for the current and anticipated increase in Medical Assistance recipients, this Program Revision proposes to revise the physical health care benefit packages for adult Medicaid recipients and General Assistance recipients. Both packages will preserve the comprehensive array of medical benefits currently available to recipients, including hospital admissions, physician visits, pharmaceutical benefits and emergency services. The structure of the benefit packages, however, will better reflect coverage provided to working Pennsylvanians through employer-sponsored health care benefits, including maximum utilization provisions and rebalanced cost sharing responsibilities. In 2005-06, these restructured benefits packages will be provided to 353,000 adult Medicaid recipients and 114,000 General Assistance recipients. Combined, these initiatives will save approximately \$147.1 million in 2005-06.

This Program Revision also proposes to implement maximum utilization provisions for behavioral health care services for Medical Assistance recipients while preserving the current continuum of care. In addition, enhanced care management practices will be implemented to ensure that individuals receive the behavioral health care services most appropriate to their needs. Combined, these initiatives will save approximately \$15 million in 2005-06. At the same time, however, approximately 300,000 Medical Assistance recipients will continue to receive behavioral health services in 2005-06.

While restructuring the benefit packages for low-income adults, this budget proposes to continue Pennsylvania's long tradition of providing comprehensive medical services for low-income children. In fact, this budget includes funding to provide an array of physical and behavioral health care services to approximately 913,000 children in 2005-06. However, some children currently eligible for the Medical Assistance Program live in families with incomes significantly higher than most other families receiving Medical Assistance benefits. Currently, Pennsylvania only considers a child's income when determining eligibility for Medical Assistance. The entire amount of parental income is disregarded. This Program Revision proposes to require parental income to be considered available and counted when determining Medical Assistance income eligibility for children with disabilities in certain eligibility categories. Families with higher incomes will be required to share in the cost of their child's care through the payment of a monthly premium. These monthly premiums will increase as household income increases. This change is projected to affect 25,300 children and save \$20.9 million.

This budget proposes to implement cost sharing for services provided through managed care organizations participating in the Medical Assistance Program. This initiative will allow managed care organizations to charge up to the maximum copays allowed by the Federal Government. This would make the Medical Assistance managed care programs more consistent with private health care insurance which currently include copays. This initiative will save \$4.8 million and impact approximately 642,000 individual. Copay responsibilities will also be implemented for selected services in the Medical Assistance Transportation Program (MATP). The MATP Program provides non-emergency transportation to medical services for approximately 95,000 Medical Assistance recipients. This initiative will require a copay of \$1.00 on select trips and save \$1 million in 2005-06.

Currently, Medical Assistance eligibility guidelines allow both paid and unpaid medical expenses incurred by individuals prior to applying for Medical Assistance to count as deductions to reduce income to within eligibility levels. Deductions for paid medical expenses are limited to those incurred within the three month period prior to application for Medical Assistance. For unpaid medical expenses, however, there is no retroactive time limit. This initiative proposes consistency between the treatment of paid and unpaid medical expenses, counting only those unpaid medical expenses incurred within the three month period prior to application for Medical Assistance. This initiative will save \$16.4 million and affect 8,000 individuals.

In addition to the restructured benefit packages and the revised cost sharing responsibilities, this budget also

Program Revision: Redesigning the Medical Assistance Program (continued)

proposes to update pharmaceutical drug coverage and payment provisions, making the Medical Assistance Program more consistent with programs offered by other health care insurers. This proposal would establish a preferred drug list (PDL) for the Medical Assistance Program. The PDL would cover all therapeutic classes of drugs. In addition, brands within a class that are not on the list will only be available with prior authorization. This initiative will save \$50.6 million in 2005-06.

With regard to the rates paid by the Medical Assistance Program to pharmacies, this proposal would make two revisions. First, the reimbursement rate for brand name drugs will be changed from the average wholesale price minus ten percent plus a \$4.00 dispensing fee to the wholesale acquisition cost plus six percent plus a \$4.00 dispensing fee. Second, this initiative proposes to revise the methodology for establishing the State maximum allowable cost reimbursement for generic drugs to account for each drug's availability when setting price levels. Combined, these initiatives will save \$35.5 million in 2005-06.

Currently, the Medical Assistance Program provides prescription drug benefits to low-income older Pennsylvanians and persons with disabilities who are also eligible for the Medicare Program. These individuals are known as dual eligibles. Medicare currently covers most inpatient and outpatient costs for the dual eligibles, while the Medical Assistance Program pays their Medicare premiums, coinsurance and deductibles. Beginning in January 2006, however, the Medicare Program will pay the pharmaceutical costs of dual eligibles, thereby assuming the primary responsibility for managing their health care services. As a result, this initiative proposes to move all dual eligibles currently enrolled in the Medical Assistance managed care program into the fee-for-service program. This initiative will save \$10 million and affect approximately 125,000 individuals.

Given the finite amount of resources available to serve those with the greatest needs, this budget proposes several initiatives that will use State funds more efficiently, effectively and appropriately. Currently, certain hospitals are eligible to receive supplemental State payments. This budget proposes to revise the distribution methodology for these funds to target those hospitals that meet the existing criteria and are also in financial distress. This initiative will save approximately \$53.3 million in 2005-06. In addition, increased efforts will be undertaken to move individuals currently receiving Medical Assistance benefits paid for exclusively with State funds into programs supported with Federal funds. This initiative will affect approximately 6,600 individuals and save \$8.7 million.

This budget also proposes several initiatives to increase third party liability recoveries and to prevent the Commonwealth from making payments that are ultimately the responsibility of another insurer. These initiatives include improved data exchanges with private insurance carriers and pharmacy benefit managers; enhanced recovery of cash assistance collections; increased opportunities to purchase less costly employment-related health insurance; and enhanced auditing capabilities. In addition, this budget proposes to strengthen fraud and abuse prevention efforts, including the use of specialized software to flag suspicious claims that warrant a review of medical records and additional audits of selected service providers. Finally, this budget includes funding to enhance the integrity of the Medical Assistance claims payment process to reduce error rates and improper payments. Combined, these initiatives will save \$20.5 million in 2005-06.

Through the various initiatives outlined in this Program Revision, the Commonwealth will be able to continue providing a comprehensive array of health care services to an increasing number of Pennsylvania's most vulnerable citizens.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons participating in Medical Assistance (monthly average)							
Program Revision	1,621,901	1,752,990	1,850,005	1,928,000	1,928,000	1,928,000	1,928,000
Persons currently receiving benefits who will no longer be eligible as a result of redesigning the Medical Assistance Program							
Program Revision	0	0	0	0	0	0	0

Program Revision: Redesigning the Medical Assistance Program (continued)

Program Revision Recommendations: This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND			
	Medical Assistance - Outpatient		
\$ -154,464	— savings generated through the following initiatives: revising the health care benefits for adult Medical Assistance recipients (\$12.532 million); revising the health care benefits for General Assistance recipients (\$1.216 million); revising the behavioral health care benefits for adult recipients (\$1.863 million); improving the management of behavioral health services (\$5 million); implementing cost sharing for disabled children from higher income families (\$21.27 million); revising the unpaid medical expenses deduction for eligibility determination (\$1.78 million); implementing a preferred drug list (\$50.6 million); revising the reimbursement formula for brand name drugs (\$19.7 million); updating the reimbursement formula for generic drugs (\$15.8 million); revising hospital supplemental pass through payments (\$11.919 million); moving State-only recipients to federally subsidized programs (\$2.293 million); and increasing third party liability collections and decreasing fraud and abuse (\$10.491 million).	\$ -135,946	Medical Assistance – Capitation — savings generated through the following initiatives: revising the health care benefits for adult Medical Assistance recipients (\$57.728 million); revising the health care benefits for General Assistance recipients (\$55.952 million); implementing copays for services provided through managed care organizations (\$4.8 million); moving dual eligibles from managed care to fee-for-service (\$10 million); moving State-only recipients to federally subsidized programs (\$5.444 million); and increasing third party liability collections and decreasing fraud and abuse (\$2.022 million).
		\$ 620	County Administration - Statewide — to provide administrative resources to implement cost sharing for higher income parents of children with disabilities (\$367,000); and to reduce Medical Assistance error rates and improper payments (\$253,000).
		\$ -1,000	Medical Assistance – Transportation — savings from implementing a copay for select trips for non-emergency medical services.
\$ -92,210	Medical Assistance – Inpatient — savings generated through the following initiatives: revising the health care benefits for adult Medical Assistance recipients (\$9.897 million); revising the health care benefits for General Assistance recipients (\$9.728 million); revising the behavioral health benefits for adult recipients (\$8.137 million); revising the unpaid medical expenses deduction for eligibility determination (\$14.587 million); revising hospital supplemental pass through payments (\$41.391 million); moving State-only recipients to federally subsidized programs (\$931,000); and increasing third party liability collections and decreasing fraud and abuse (\$7.539 million).	\$ -750	Long-Term Care — savings from increasing third party liability collections and decreasing fraud and abuse.
		\$ -383,750	<i>Program Revision Total</i>

Recommended Program Revision Costs by Appropriation:

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
GENERAL FUND:							
County Administration - Statewide	\$ 0	\$ 0	\$ 620	\$ 674	\$ 689	\$ 698	\$ 706
Medical Assistance - Outpatient	0	0	-154,464	-178,563	-178,891	-178,891	-178,891
Medical Assistance - Inpatient	0	0	-92,210	-113,541	-114,558	-115,507	-116,490
Medical Assistance - Capitation	0	0	-135,946	-135,952	-135,957	-135,957	-135,957
Long-Term Care	0	0	-750	-752	-755	-755	-755
Medical Assistance - Transportation	0	0	-1,000	-1,000	-1,000	-1,000	-1,000
GENERAL FUND TOTAL	\$ 0	\$ 0	\$ -383,750	\$ -429,134	\$ -430,472	\$ -431,412	\$ -432,387

Program Objective: To promote personal and parental responsibility and encourage economic independence and self-sufficiency through temporary cash assistance, job training and child care for families or individuals.

Program: Income Maintenance

The broad purpose of public assistance is to provide temporary support to families in transition from dependency to economic self-sufficiency. Support may include limited education, job training and placement assistance, child care, transportation and other support services and cash.

Program Element: Income Assistance

Cash assistance is provided for a limited time to people who meet income and resource guidelines and who comply with work activity requirements.

The cornerstone of the program is an Agreement of Mutual Responsibility (AMR) established between the client and the Commonwealth. Caseworkers in the County Assistance Offices (CAO) meet with applicants for cash assistance, medical assistance and food stamps to review financial and nonfinancial criteria to determine eligibility for benefits. As a condition of eligibility for cash assistance, recipients are required to sign and comply with the obligations in the AMR. The AMR outlines the personal and parental obligations that the individual must fulfill to maintain eligibility for benefits. Most adult welfare recipients are required to immediately look for work upon applying for welfare benefits and, within two years, work or participate in a work-related activity for at least twenty hours per week.

Upon application or redetermination for cash, data is entered into the department's client information system and is available for Medical Assistance program determinations as well as cash assistance and food

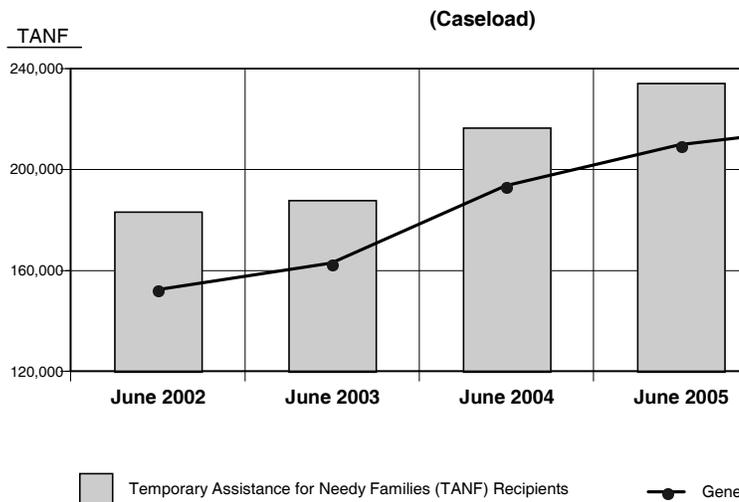
stamps. All final Medical Assistance claims payments and most Cash Grants payments are generated through the central office using automated systems.

Cash assistance is provided to persons determined by the staff in CAOs to be eligible for the Temporary Assistance for Needy Families (TANF), the State General Assistance (GA) and the State Blind Pension (SBP) programs. The TANF block grant provides Federal funds for temporary cash support for families in transition to self-sufficiency. TANF payments are funded by Federal and State dollars. GA and SBP, on the other hand, are entirely State-funded programs. Most GA recipients are individuals or married couples with no dependent children but with disabilities that prevent employment. State Blind Pension recipients are persons who meet age, vision and personal resource requirements specified in the Public Welfare Code.

Federal regulations that place a five-year lifetime limit on cash assistance benefits for most adult recipients allow a hardship exemption for up to twenty percent of the caseload. The five-year limit was reached in March, 2002. The department has implemented regulations that define the hardship exemption and make provisions for extending eligibility.

The Low Income Home Energy Assistance Program (LIHEAP) assists eligible households by offsetting the burden of high energy costs and intervening in energy crisis situations. The eligibility standard, which is subject to annual revision based on the availability of funding, includes

Cash Grants



Program: Income Maintenance (continued)

every household member's income. Cash payments are made to energy suppliers for persons responsible for paying heating costs or directly to those households where home heating is included in the rent. Crisis payments may cover heating costs as well as emergency repairs to heating systems.

The Supplemental Security Income (SSI) Program provides aged, blind and disabled persons with a monthly payment based on nationally uniform eligibility standards. Presently, the basic monthly rate for individuals is \$579.00 and \$869.00 for couples. Pennsylvania will contribute a supplemental grant of \$27.40 for an individual and \$43.70 for couples to SSI recipients. The department has assumed responsibility for directly issuing the state supplemental grants to most SSI recipients. A special monthly State supplement is paid to SSI eligible persons in domiciliary care facilities and personal care homes. For SSI residents in personal care homes, the minimum personal care allowance is \$60.00 a month. The department administers a Disability Advocacy Program (DAP) to assist mentally and physically disabled individuals in establishing their eligibility for Federal SSI benefits.

Program Element: Employment, Training and Work Supports

The employment and training program known as the Road to Economic Self-Sufficiency through Employment and Training (RESET) assists welfare recipients to enter the workforce and achieve economic independence. Pennsylvania's employment and training for welfare clients emphasizes work first. Training and education programs are designed to prepare individuals unable to secure employment to get and keep available jobs. Job retention, advancement, rapid reemployment and case management services are also offered to help individuals retain employment. In order to meet the employment needs of Pennsylvania's diverse welfare population, various strategies such as rapid attachment, grant diversion and education activities are being implemented. The department will continue the Single Point of Contact Program (SPOC), subsidized employment and other education and training programs in conjunction with the Departments of Community and Economic Development and Labor and Industry that respond to the needs of the local business community. In addition to training for welfare clients, programs to assist noncustodial parents to enter and advance in the workplace are provided to improve family economic viability.

Program Element: Child Care and Supportive Services

Child care and supportive services are provided to facilitate a welfare client's transition to independence. In addition to

the cash grant paid to welfare clients, child care is provided to those participating in training or a work activity or who have obtained employment. Child care can continue after the employed client no longer requires TANF assistance as long as the family needs child care and remains income eligible. In addition to child care, the grant can provide other supportive services, such as transportation.

Subsidized child care is also provided for low-income families needing child care to maintain employment. The subsidy utilizes both State and Federal funds to supplement parental copayments and encourages families to be self-supporting and self-sufficient.

A local Child Care Information Service (CCIS) Agency offers parents a choice of child care services and provides information on how to select good child care. Parents can select subsidized child care from various facilities including licensed centers, group child care homes, registered family child care homes and relatives or neighbors. Relative/neighbor providers are required to undergo the child abuse and criminal history background check mandated for other types of providers. An exemption from the check is available for all providers affirmed by the parent as being the child's grandparent, aunt or uncle by blood or marriage.

All child care facilities must meet health and safety standards developed by the department. Nonlicensed care providers must register with the local Child Care Information Service Agency to participate in the program. The department also manages a program to improve the quality of care provided in regulated child care facilities.

Local program administration is designed to allow more licensed/registered providers to participate in the State subsidized system and allow the Commonwealth to purchase services at rates that assure adequate access to care.

Child Care Funding (\$ in Thousands)	
<u>2005-06</u>	
Low-Income Working Families	
State Funds*	\$ 80,209
Federal Funds	223,801
Total	<u>\$ 304,010</u>
TANF Recipients / Former TANF Recipients	
State Funds**	\$ 77,186
Federal Funds	183,779
Total	<u>\$ 260,965</u>
Grand Total	<u><u>\$ 564,975</u></u>
* Child Care Services appropriation.	
** Cash Grants appropriation.	

Program: Income Maintenance (continued)

Program Element: Child Support Enforcement

Child Support Enforcement Program services are provided at the local level through Cooperative Agreements between the Department of Public Welfare and the Domestic Relations Section of the County Courts of Common Pleas. The services include the establishment of paternity for children born outside of marriage, the determination, establishment and enforcement of a financial child support obligation paid by a noncustodial parent to meet the ongoing daily needs of the children, the procurement of medical support including health insurance and/or the reimbursement of uninsured medical expenses for the children, and child care support designed to help offset the cost of child care if the custodial parent works or

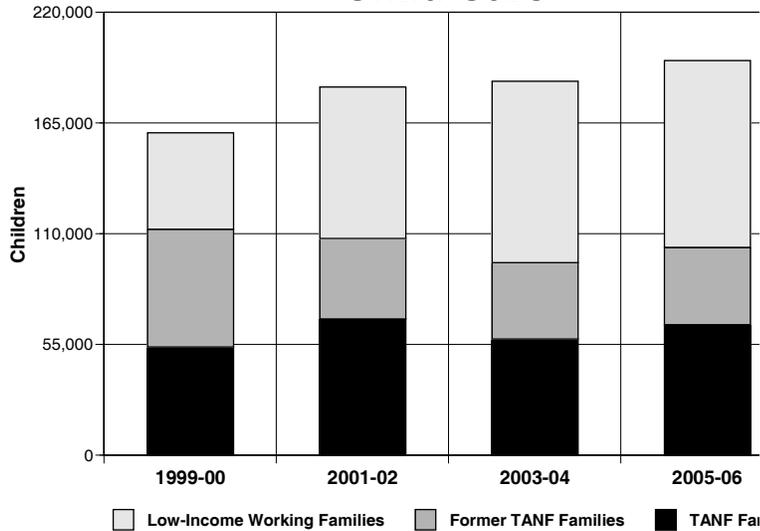
is enrolled in an education/training program to secure employment.

Child support enforcement services are available to children from birth to the age of 18 or until the child graduates from high school or is emancipated. The courts may require child support to be paid for an individual over the age of 18 if extraordinary needs — excluding college tuition — exist. A designated portion of child support paid on behalf of children receiving TANF benefits is passed through to the custodial parent and any residual amount is assigned to the Department of Public Welfare to reimburse cash assistance benefits issued to the child's family.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons receiving cash assistance (monthly average).....	250,581	280,800	293,100	297,800	297,800	297,800	298,700
Children receiving child care (unduplicated).....	185,971	194,675	196,215	196,215	196,215	196,215	196,215
Children receiving child care, monthly average:							
Welfare recipients.....	31,638	36,705	36,705	36,705	36,705	36,705	36,705
Former welfare recipients.....	20,772	21,630	21,630	21,630	21,630	21,630	21,630
Low-income working families.....	49,221	51,410	52,410	52,410	52,410	52,410	52,410
Persons receiving State Supplemental Grants (monthly average) ...	318,100	326,700	335,200	343,800	351,100	357,100	363,100
Households receiving energy cash payments.....	327,279	327,280	327,280	327,280	327,280	327,280	327,280
TANF recipients enrolled in an employment and training activity	43,192	44,920	46,715	46,715	46,715	46,715	46,715
TANF recipients obtaining employment	18,700	19,448	20,225	20,225	20,225	20,225	20,225
Child support orders established	476,882	482,281	487,955	493,600	496,500	499,300	499,300
Child support collected (in millions)	\$1,109	\$1,066	\$1,072	\$1,093	\$1,115	\$1,137	\$1,160

Program: Income Maintenance (continued)

Child Care



In 2005-06, the child care system will serve an estimated 44,859 more children of low-income working families than in 1999-00, an increase of 93%.

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	County Administration-Statewide
\$ 1,467	—to continue current program.
5,825	—to replace one time savings realized in the Electronic Benefits Transfer contract.
-685	—nonrecurring projects.
104	—to reflect change in Federal earnings.
620	—PRR - Redesigning the Medical Assistance Program. This Program Revision provides administrative resources to implement cost sharing for higher income parents of children with disabilities and to reduce Medical Assistance error rates and improper payments. See the Program Revision following the Medical Assistance program for additional information.
<u>\$ 7,331</u>	<i>Appropriation Increase</i>

	County Assistance Offices
\$ 9,433	—to continue current program.
-4,997	—nonrecurring projects.
<u>\$ 4,436</u>	<i>Appropriation Increase</i>

	Child Support Enforcement
\$ 96	—to continue current program.
-943	—reduction in PA Child Support Enforcement System (PACSES) operating expenses.
<u>\$ -847</u>	<i>Appropriation Decrease</i>

	New Directions
\$ -1,473	—reduction in administrative expenses.
-1,284	—nonrecurring projects.
-490	—change in job retention and enhancement activities.
<u>\$ -3,247</u>	<i>Appropriation Decrease</i>

	Cash Grants
\$ 7,297	—impact of caseload increases.
1,102	—decrease in child support collections revenues.
-7,700	—nonrecurring match for Federal disaster assistance funding.
-3,482	—reduction in unreimbursed assistance payments.
622	—to continue current program.
2,732	—Initiative - Early Education and Care. To improve payment levels for services to infants, toddlers and preschoolers.
-4,896	—Initiative - Diversion Services. Savings from the implementation of a diversion program designed to address the immediate needs of families in crisis and prevent the need for ongoing cash assistance.
<u>\$ -4,325</u>	<i>Appropriation Decrease</i>

Public Welfare

Program: Income Maintenance (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

Supplemental Grants - Aged, Blind and Disabled			Child Care Services	
\$ 4,215	—for increased caseload and average benefits.	\$ 8,174	—to provide for an increase in service costs.	
-16,807	—to reflect savings from directly issuing State Supplemental Security Income supplement checks as an alternative to paying the Federal government to issue the checks.	1,390	—to continue current program.	
		9,768	—Initiative - Early Education and Care. To provide subsidized child care services to 1,540 additional low-income children and to improve payment levels for services to infants, toddlers and preschoolers.	
<u>\$ -12,592</u>	<i>Appropriation Decrease</i>	<u>\$ 19,332</u>	<i>Appropriation Increase</i>	

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
County Administration - Statewide	\$ 41,030	\$ 34,257	\$ 41,588	\$ 41,588	\$ 41,588	\$ 41,588	\$ 41,588
County Assistance Offices	252,318	249,868	254,304	254,304	254,304	254,304	254,304
Child Support Enforcement	11,762	10,441	9,594	9,594	9,594	9,594	9,594
New Directions	64,096	64,190	60,943	60,943	60,943	60,943	60,943
Cash Grants	330,772	381,656	377,331	382,043	383,767	383,522	383,498
Supplemental Grants - Aged, Blind and Disabled	152,336	140,194	127,602	131,717	135,127	137,974	140,791
Child Care Services	59,683	60,877	80,209	81,374	81,374	81,374	81,374
TOTAL GENERAL FUND	<u>\$ 911,997</u>	<u>\$ 941,483</u>	<u>\$ 951,571</u>	<u>\$ 961,563</u>	<u>\$ 966,697</u>	<u>\$ 969,299</u>	<u>\$ 972,092</u>

PROGRAM OBJECTIVE: To maximize the individual's capacity for independent living through the provision of an array of service and support programs.

Program: Mental Health

This program provides for an integrated mental health system consisting of comprehensive community mental health services and State operated hospitals. Community mental health services are administered under the Pennsylvania Mental Health and Mental Retardation (MH/MR) Act of 1966 and the Mental Health Procedures Act (MHPA) of 1976. There are nine mental hospitals and one restoration (long-term care) center in the State mental hospital system.

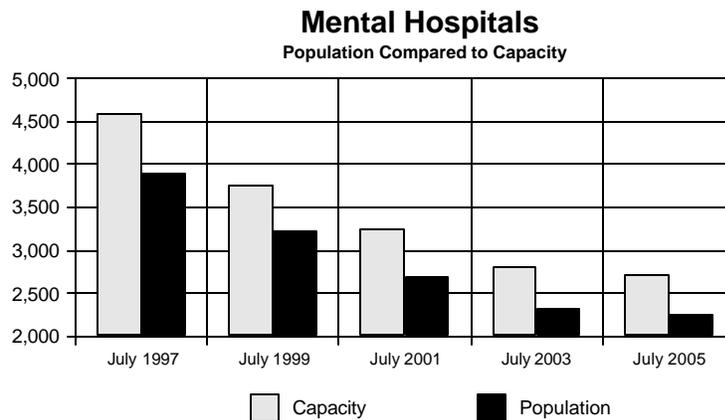
Program Element: Community Mental Health Services

The MH/MR Act of 1966 requires county governments to provide an array of community-based mental health services, including unified intake, community consultation and education, support for families caring for members with mental disorders and community residential programs. Community services are targeted to adults with serious mental illness and children/adolescents with or at risk of serious emotional disturbance. A key for all community care is case management designed to assist both families and residents of care facilities to access and manage needed services. Non-residential services include family-based support, outpatient care, partial hospitalization, emergency

and crisis intervention and after care. Community residential services consist of housing support, residential treatment, inpatient care, crisis services and community residential rehabilitation (CRR) care. Services are administered by single counties, county jointers or through contracts with private, nonprofit organizations or agencies. Services, with some exceptions, are funded with State funds and county matching funds.

Program Element: State Mental Hospitals

State mental hospitals provide long-term inpatient care for individuals who require intensive inpatient treatment or individuals who have no available alternatives. Additionally, they provide specialized inpatient care for adolescents, criminal offenders and elderly (long-term) populations. A new unit for the treatment of violent sexual predators whose commitment in the Youth Development Center system terminates at age 21 has been established as mandated in Act 21 of 2003. Efforts continue to transfer patients to community mental health programs, providing a less restrictive level of care through the Community/Hospital Integration Projects Program (CHIPPs).



As more people receive mental health services in the community, the population at State mental hospitals has declined by 1,628, or 42%, since July of 1997.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons provided mental health services (unduplicated):							
Adults.....	151,782	153,300	154,833	156,381	157,945	159,524	161,120
Children.....	56,563	57,129	57,700	58,277	58,860	59,448	60,043
Reduction of State Mental Hospital capacity and redirected to Community Hospital Projects Program.....	2,236	2,269	2,454	2,454	2,454	2,454	2,454
Admissions to State Mental Hospitals.....	1,635	1,619	1,570	1,554	1,540	1,524	1,509

Program: Mental Health (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Percentage of adults readmitted to State Mental Hospitals within one year of last discharge.....							
	13%	12%	11%	10%	9%	8%	7%
Average length of stay for civil discharges*..	706	699	692	685	678	671	665
State Mental Hospital population*.....	2,279	2,256	2,049	2,026	2,004	1,982	1,960
Persons in State Mental Hospitals with stay longer than two years:*							
Persons*.....	1,051	1,035	970	954	939	925	910
Percentage*.....	46.12%	45.88%	45.66%	45.41%	45.18%	44.99%	44.76%
Persons served in community residential mental health facilities.....							
	8,320	8,404	8,588	8,672	8,758	8,845	8,932
Persons receiving intensive case management.....							
	12,332	12,455	12,680	12,806	12,933	13,061	13,191
Persons receiving family based mental health services.....							
	1,978	1,997	2,017	2,038	2,058	2,078	2,099
Persons receiving BHSI drug and alcohol services*.....							
	41,661	41,244	40,832	40,424	40,019	39,619	39,223
Average cost per client receiving:							
Community services.....	\$2,446	\$2,471	\$2,495	\$2,520	\$2,546	\$2,571	\$2,597
BHSI drug and alcohol services*.....	\$938	\$947	\$957	\$966	\$976	\$986	\$996

Persons provided mental health services was revised to show adults and children separately in FY 2004-05 budget. The adults served increased and the children served decreased from the projections in last year's budget because of a change in data collection methodology.

Percentage of adults readmitted to State Mental Hospitals within one year of last discharge increased from the projections shown in last year's budget because as the patient census declines in the state hospitals the remaining population tends to be more seriously mentally ill. These individuals are more likely to require periodic re-hospitalization.

Persons receiving family based mental health services decreased because of a change in data collection methodology.

*New program measure.

Hospital and Restoration Center Populations for the Prior, Current and Upcoming Year:

State Mental Hospitals	Population July 2003	Population July 2004	Projected Population July 2005	Projected Bed Capacity July 2005	Projected Percent of Capacity July 2005
Allentown.....	172	172	168	210	80.0%
Clarks Summit.....	220	220	221	265	83.4%
Danville.....	142	135	140	170	82.4%
Harrisburg.....	270	251	243	300	81.0%
Mayview.....	336	361	326	398	81.9%
Norristown.....	405	398	414	454	91.2%
South Mountain.....	145	137	133	159	83.6%
Torrance.....	224	210	226	270	83.7%
Warren.....	215	217	203	250	81.2%
Wernersville.....	180	178	182	240	75.8%
TOTAL.....	2,309	2,279	2,256	2,716	83.1%

Program: Mental Health (continued)

Total Proposed Expenditures by Hospital, Restoration Center and Community Programs:

	2003-04 Actual	2004-05 Available	2005-06 Budget		2003-04 Actual	2004-05 Available	2005-06 Budget
Allentown				South Mountain State Restoration Center			
State Funds.....	\$ 26,885	\$ 26,817	\$ 27,297	State Funds.....	\$ 10,718	\$ 10,691	\$ 10,882
Federal Funds.....	2,829	2,044	2,444	Federal Funds.....	10,806	7,806	9,336
Augmentations.....	1,851	1,978	1,890	Augmentations.....	1,719	1,837	1,755
TOTAL.....	<u>\$ 31,565</u>	<u>\$ 30,839</u>	<u>\$ 31,631</u>	TOTAL.....	<u>\$ 23,243</u>	<u>\$ 20,334</u>	<u>\$ 21,973</u>
Clarks Summit				Torrance			
State Funds.....	\$ 30,739	\$ 30,661	\$ 31,210	State Funds.....	\$ 35,360	\$ 35,271	\$ 35,902
Federal Funds.....	3,997	2,887	3,453	Federal Funds.....	4,057	2,931	3,505
Augmentations.....	1,848	1,975	1,887	Augmentations.....	1,830	1,956	1,869
TOTAL.....	<u>\$ 36,584</u>	<u>\$ 35,523</u>	<u>\$ 36,550</u>	TOTAL.....	<u>\$ 41,247</u>	<u>\$ 40,158</u>	<u>\$ 41,276</u>
Danville				Warren			
State Funds.....	\$ 23,027	\$ 22,969	\$ 32,834	State Funds.....	\$ 32,000	\$ 31,919	\$ 32,490
Federal Funds.....	2,854	2,062	3,188	Federal Funds.....	3,252	2,349	2,810
Augmentations.....	1,397	1,493	1,976	Augmentations.....	1,925	2,057	1,966
TOTAL.....	<u>\$ 27,278</u>	<u>\$ 26,524</u>	<u>\$ 37,998</u>	TOTAL.....	<u>\$ 37,177</u>	<u>\$ 36,325</u>	<u>\$ 37,266</u>
Harrisburg				Wernersville			
State Funds.....	\$ 37,246	\$ 37,152	\$ 18,908	State Funds.....	\$ 27,296	\$ 27,227	\$ 37,168
Federal Funds.....	3,342	2,414	1,444	Federal Funds.....	3,898	2,816	4,090
Augmentations.....	2,155	2,303	1,100	Augmentations.....	1,768	1,889	2,356
TOTAL.....	<u>\$ 42,743</u>	<u>\$ 41,869</u>	<u>\$ 21,452</u>	TOTAL.....	<u>\$ 32,962</u>	<u>\$ 31,932</u>	<u>\$ 43,614</u>
Mayview				Administrative Cost			
State Funds.....	\$ 53,835	\$ 53,699	\$ 54,660	State Funds.....	\$ 3,252	\$ 3,545	\$ 3,367
Federal Funds.....	4,880	3,525	4,216	Federal Funds.....	0	0	0
Augmentations.....	2,107	2,252	2,151	Augmentations.....	0	0	0
TOTAL.....	<u>\$ 60,822</u>	<u>\$ 59,476</u>	<u>\$ 61,027</u>	TOTAL.....	<u>\$ 3,252</u>	<u>\$ 3,545</u>	<u>\$ 3,367</u>
Norristown				Community Programs			
State Funds.....	\$ 69,471	\$ 69,295	\$ 70,535	State Funds.....	\$ 304,859	\$ 305,299	\$ 320,689
Federal Funds.....	5,107	3,689	4,412	Federal Funds.....	212,525	214,495	227,168
Augmentations.....	1,923	2,055	1,964	Augmentations.....	10,417	11,077	0
TOTAL.....	<u>\$ 76,501</u>	<u>\$ 75,039</u>	<u>\$ 76,911</u>	TOTAL.....	<u>\$ 527,801</u>	<u>\$ 530,871</u>	<u>\$ 547,857</u>
Budgetary Reserve				Maintenance and security costs for closed facilities			
State Funds.....	\$ 0	\$ 9,210	\$ 0	State Funds.....	\$ 328	\$ 2,055	\$ 1,840
Federal Funds.....	\$ 0	\$ 568	\$ 0				

Program: Mental Health (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Mental Health Services

\$	1,320	—to annualize prior year community placements and diversion costs.	5,464	—Initiative — Expanded Community Mental Health Services. To provide home and community-based services for 185 persons currently residing in State Mental Hospitals, including 135 residents of Harrisburg State Hospital. This initiative is consistent with prior year efforts to increase the use of home and community-based care and decrease the use of institutionalization.
	5,819	—to provide a two percent cost-of-living adjustment for direct care workers.		
	68	—to continue current program for State mental hospitals.		
	-700	—revision of Federal financial participation from 53.84% to 55.05%.		
			\$ 11,971	<i>Appropriation Increase</i>

This budget also recommends utilizing \$10.5 million in prior year Federal funds to provide home and community-based services for 185 persons currently residing in State Mental Hospitals, including 135 residents of Harrisburg State Mental Hospital.

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Mental Health Services	\$ 655,016	\$ 665,810	\$ 677,781	\$ 677,781	\$ 677,781	\$ 677,781	\$ 677,781
Behavioral Health Services	43,119	43,981	43,981	43,981	43,981	43,981	43,981
Psychiatric Services in Eastern PA	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TOTAL GENERAL FUND	\$ 701,635	\$ 713,291	\$ 725,262	\$ 725,262	\$ 725,262	\$ 725,262	\$ 725,262

PROGRAM OBJECTIVE: To maximize each individual's capacity for more independent living and participation in community life by providing needed training and support services.

Program: Mental Retardation

The Department of Public Welfare supports a comprehensive array of services for people with mental retardation including community residential and non-residential programs, which are either administered or operated by the counties, and institutional programs operated by the State and private providers. In addition to State and Federal funding, local funding is provided for community programs as required by the Mental Health and Mental Retardation Act of 1966.

The mental retardation program is evolving from a predominately facility-based system, comprised of large congregate residential facilities, to a flexible and dynamic system of community supports and services tailored to the needs of persons living in the community. The trend is toward using formalized services to enhance the natural supports that exist in the family and the community.

Program Element: Institutional Services

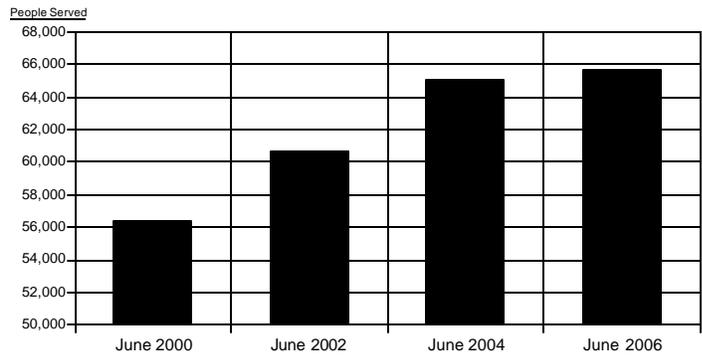
The Department of Public Welfare operates or provides funding for privately operated institutional care for people with mental retardation. The Commonwealth provides services through six State centers. The primary goal is to develop each resident's ability to function more independently thus preparing them to live in less restrictive environments. All facilities are currently certified for Medical Assistance under standards established by the Federal Center for Medicare and Medicaid Services. Private ICF/MR facilities also provide intensive habilitative services to persons with mental retardation. Large facilities are single or multiple buildings on campus-like sites accommodating more than eight persons while small facilities may be located in the community and serve eight persons or less.

Program Element: Community Mental Retardation Services

The Mental Health and Mental Retardation Act of 1966 provides the statutory basis for the development of community-based services for people with mental retardation. Community residential facilities include group

homes, single apartments with a roommate, or a family living setting with family or friends. Day services such as supported employment, training and recreation are provided to residential and non-residential clients living in the community. A wide array of services is also available to support families caring for a child or sibling with mental retardation. Services include case management, mobility training, employment training and opportunities and adult day care. Some services are eligible for Federal funds under the Medicaid Home and Community-Based Waiver Program.

Community Mental Retardation Services



Expansion of the community care program has reduced the waiting list and increased the number of people served by 9,221 since 2000. Over the same period, the State Centers population will have decreased by 20%.

The people served appears to have decreased as the Office of Mental Retardation is transitioning to a new data system.

Program Element: Early Intervention

The Department of Public Welfare administers the Early Intervention Program for children from birth through age two. Services include health care, skill development and social services. These services are intended to minimize developmental delay and the need for special education, to enhance potential for independent living, and to assist families in meeting their children's special needs.

Program: Mental Retardation (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Persons receiving MR services during fiscal year:	89,985	92,288	94,760	94,760	94,760	94,760	94,760
Persons receiving community non-residential services:							
Early Intervention	23,449	25,221	27,355	27,355	27,355	27,355	27,355
Adult day services	25,233	25,233	25,635	25,635	25,635	25,635	25,635
Family support services	18,074	18,074	18,210	18,210	18,210	18,210	18,210
Persons receiving residential services (at end of year):							
Community residential facilities (CRF)	18,009	18,334	18,905	18,950	18,950	18,950	18,950
Private ICF/MRs	2,574	2,633	2,633	2,633	2,633	2,633	2,633
State Centers	1,502	1,473	1,405	1,360	1,340	1,322	1,304
Average cost of individuals served in the community:							
Residential services	\$62,739	\$63,642	\$64,710	\$64,710	\$64,710	\$64,710	\$64,710
Day programs or other supports	\$11,759	\$12,640	\$12,825	\$12,825	\$12,825	\$12,825	\$12,825
Early Intervention, including children served in the Infants, Toddlers and Families Waiver	\$4,141	\$4,106	\$4,190	\$4,190	\$4,190	\$4,190	\$4,190

Persons receiving adult day services and family support services decreased from the projections shown in last year's budget because of a continued change from one data system to another improved data system.

State Centers Population for the Prior, Current and Upcoming Year:

	Population July 2003	Population July 2004	Projected Population July 2005	Projected Bed Capacity July 2005	Projected Percent Capacity July 2005
State Centers					
Altoona.....	92	92	90	120	75.0%
Ebensburg.....	291	284	278	390	71.3%
Hamburg.....	161	154	151	225	67.1%
Polk.....	393	384	378	550	68.7%
Selinsgrove.....	395	383	375	580	64.7%
White Haven.....	213	205	201	270	74.4%
TOTAL STATE CENTERS.....	<u>1,545</u>	<u>1,502</u>	<u>1,473</u>	<u>2,135</u>	<u>69.0%</u>

Program: Mental Retardation (continued)

Proposed Expenditures by Center:

		2003-04 Actual	2004-05 Available	2005-06 Budget			2003-04 Actual	2004-05 Available	2005-06 Budget
Altoona					Polk				
State funds.....	\$	4,530	\$ 4,472	\$ 2,308	State funds.....	\$	25,680	\$ 25,353	\$ 26,154
Federal funds.....		6,440	6,298	3,342	Federal funds.....		37,306	36,484	38,725
Augmentations.....		560	1,447	724	Augmentations.....		2,510	6,485	6,486
TOTAL.....	\$	11,530	\$ 12,217	\$ 6,374	TOTAL.....	\$	65,496	\$ 68,322	\$ 71,365
Ebensburg					Selinsgrove				
State funds.....	\$	19,426	\$ 19,179	\$ 20,980	State funds.....	\$	26,334	\$ 25,999	\$ 26,820
Federal funds.....		26,600	26,013	28,928	Federal funds.....		37,069	36,251	38,480
Augmentations.....		1,949	5,035	5,571	Augmentations.....		2,685	6,937	6,938
TOTAL.....	\$	47,975	\$ 50,227	\$ 55,479	TOTAL.....	\$	66,088	\$ 69,187	\$ 72,238
Hamburg					White Haven				
State funds.....	\$	11,373	\$ 11,228	\$ 11,583	State funds.....	\$	13,974	\$ 13,796	\$ 14,232
Federal funds.....		16,246	15,887	16,864	Federal funds.....		19,484	19,054	20,225
Augmentations.....		1,065	2,751	2,752	Augmentations.....		1,407	3,635	3,636
TOTAL.....	\$	28,684	\$ 29,866	\$ 31,199	TOTAL.....	\$	34,865	\$ 36,485	\$ 38,093
Maintenance and security costs for closed facilities					Budgetary Reserve				
State funds.....	\$	2,439	\$ 2,197	\$ 2,330	State funds.....	\$	0	\$ 2,086	\$ 0
Augmentations.....		2,220	2,000	2,000	Federal funds.....		0	13,009	5,000
TOTAL.....	\$	4,659	\$ 4,197	\$ 4,330	TOTAL.....	\$	0	\$ 15,095	\$ 5,000

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

	State Centers for the Mentally Retarded		Community Mental Retardation Services
\$ 2,011	—to continue current program.		—to provide a two percent cost-of-living adjustment for direct care workers.
-1,915	—revision of Federal financial participation from 53.84% to 55.05%.	\$ 13,750	—to annualize previous program revisions providing enhanced community services.
<u>96</u>	<i>Appropriation Increase</i>	8,870	—to reflect individuals transferring to the ICF/MR program.
	Intermediate Care Facilities—Mentally Retarded	-1,018	—revision of Federal financial participation from 53.84% to 55.05%.
\$ 2,412	—to provide a two percent per diem increase as mandated by Federal regulations.	-7,744	—restructure of room and board and other services to be eligible for Federal financial participation.
3,042	—to continue current program.	-10,000	—Initiative— Expanded Community Mental Retardation Services. To provide home and community-based services for 955 additional persons with mental retardation, including 855 from the waiting list, 55 children aging out of the Early and Periodic Screening, Diagnostic and Treatment Program, and 45 individuals currently living in Altoona State Mental Retardation Center. This initiative is consistent with prior year efforts to increase the use of home and community-based care and decrease the use of institutionalization.
1,018	—to reflect transfer of individuals from the community program.	19,182	
2,564	—transfer of medically fragile people to more secure residential facilities.		
-2,180	—revision of Federal financial participation from 53.84% to 55.05%.		
<u>6,856</u>	<i>Appropriation Increase</i>	<u>23,040</u>	<i>Appropriation Increase</i>

Program: Mental Retardation (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>Early Intervention</p> <p>\$ 3,313 —to annualize children added in 2004-05. 1,679 —to provide a two percent cost-of-living adjustment for direct care workers. 97 —to continue current program. -208 —revision of Federal financial participation from 53.84% to 55.05%. 3,965 —Initiative— Early Education and Care. To expand early intervention services to 1,217 additional children from birth through age two.</p> <hr style="width: 100px; margin-left: 0;"/> <p>\$ 8,846 <i>Appropriation Increase</i></p>	<p>Pennhurst Dispersal</p> <p>\$ 60 —to provide a two percent cost-of-living adjustment for direct care workers. -11 —revision of Federal financial participation from 53.84% to 55.05%.</p> <hr style="width: 100px; margin-left: 0;"/> <p>\$ 49 <i>Appropriation Increase</i></p> <p>MR Residential Services - Lansdowne</p> <p>8 —to provide a two percent cost-of-living adjustment for direct care workers. -675 —non-recurring projects.</p> <hr style="width: 100px; margin-left: 0;"/> <p>\$ -667 <i>Appropriation Decrease</i></p>
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Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
GENERAL FUND:							
State Centers for the Mentally Retarded ..	\$ 103,756	\$ 104,311	\$ 104,407	\$ 102,796	\$ 99,948	\$ 99,948	\$ 99,948
Intermediate Care Facilities - Mentally Retarded	101,589	116,202	123,058	123,058	123,058	123,058	123,058
Community Mental Retardation Services ..	635,958	706,593	729,633	742,481	743,464	743,464	743,464
Early Intervention	73,342	80,689	89,535	93,500	93,500	93,500	93,500
Pennhurst Dispersal	2,890	3,009	3,058	3,058	3,058	3,058	3,058
MR Residential Services - Lansdowne	382	1,065	398	398	398	398	398
TOTAL GENERAL FUND.....	\$ 917,917	\$ 1,011,869	\$ 1,050,089	\$ 1,065,291	\$ 1,063,426	\$ 1,063,426	\$ 1,063,426

PROGRAM OBJECTIVE: To enhance the social and economic well being of families and individuals through the provision of an array of services and support programs.

Program: Human Services

The department operates a variety of programs designed to provide supportive services to people while they overcome an adverse behavior or circumstance that has affected their lives.

Program Element: Family Support Service

Providing services to children who are in need of care and protection is the joint responsibility of the Department of Public Welfare and county government. Each county is responsible for developing and administering a program of services designed to treat and prevent child abuse, neglect and exploitation and to provide services that reduce dependency and delinquency. The County Children and Youth Program includes services to parents and children to enable children to remain in their own homes and communities. However, the safety of children is a paramount concern of this program. Policies and procedures have been instituted to protect children from harm and to minimize time in foster homes and institutions. Court oversight for children who have been abused and neglected has been increased and new emphasis has been placed on parental responsibility for children.

Counties provide services including temporary placement for children who cannot live with their own family, assistance to provide a permanent legal family for any child who cannot be returned to his own family, adoption assistance, day treatment services, child protective services, emergency shelter, counseling and juvenile detention.

Special programs have been developed to support the delivery of services by county child welfare agencies. One program provides equalized access to adoption services for all eligible children through a Statewide adoption network. Facilitated by the Adoptions and Safe Families Act, this includes services to children who are in foster placement and cannot be returned to their natural parents. Community Based Family Centers also provide coordinated services to children and their families in a neighborhood setting.

The courts may order any service or care for children who have been adjudicated dependent or delinquent. This may include youth adjudicated delinquent but remanded to private residential treatment programs. Treatment is reviewed on a periodic basis.

Program Element: Youth Development Service

Pennsylvania's juvenile justice system is designed to minimize institutionalization while recognizing that confinement in a treatment environment is necessary for certain juveniles who pose a threat to themselves or others. The court may sentence youth to either the Youth Development Center and Youth Forestry Camp (YDC/YFC)

System or a private facility. Both systems can provide residential programs for the treatment of Pennsylvania's serious juvenile offenders and those with special problems in a secure setting. The purpose of the system is to bring about positive changes in the juveniles by developing skills

Administrative Complex	July 2003 Population	July 2004 Population	Projected July 2005 Population	Projected July 2005 Capacity	Projected July 2005 % of Capacity
YFC – Hickory Run	37	43	49	49	100.0%
YFC – Trough Creek	54	39	49	50	98.0%
New Castle	229	270	264	302	87.4%
Loysville	<u>349</u>	<u>325</u>	<u>353</u>	<u>364</u>	<u>96.9%</u>
Total Current Programs	669	677	715	765	93.5%

and attitudes that will enable them to become responsible, productive members of society.

The YDCs/YFCs have a total capacity of 781 youth. Included in the system are specialized treatment services for sex offenders, arsonists, drug and alcohol abusers, and emotionally disturbed and mentally retarded youth.

The Master Case Planning System guides treatment of youth within the YDCs/YFCs. This system requires comprehensive diagnosis and assessment of each youth in care, development of an individualized treatment plan, implementation strategies, periodic reviews and revisions of each plan, and identification of aftercare needs. Individual and group counseling forms the core of the treatment process.

The YDCs/YFCs emphasize programs and activities designed to promote youth competency, victim awareness, social and financial restitution and public safety and protection. Each program provides training and education in daily living skills. Many YDCs/YFCs also provide actual job training and work experience opportunities where youth may be paid. Youth are required to use a portion of their earnings for restitution.

Education is a major component of the YDC/YFC system. Each program includes both academic and vocational curricula. Educational diagnostic testing precedes all academic placements and is utilized in the development of Individual Education Plans (IEPs) for each youth.

Program Element: Family Planning and Breast Cancer Screening

Family planning clinics provide educational, medical and social services to persons over age 16 to address contraceptive or infertility issues. Grants are provided to 200 clinics in the State.

Program: Human Services (continued)

Breast cancer screening for low-income women is directed toward those at high risk of developing breast cancer. The target group is all new family planning clients, all women 35 years of age and older and women with a family history of breast cancer.

Program Element: Services to the Disabled

A variety of services are provided which enable people with severe physical or cognitive impairments to attain their highest functioning level and live in the community. People served through these programs do not qualify for services from other programs provided by the department.

The attendant care program serves adults ages 18-59 through a variety of program models. Personal assistance services such as dressing and grooming are provided enabling recipients to remain in or return to their own homes and maintain an independent lifestyle. Persons age 60 and over receive attendant care through funding provided by the Department of Aging.

People with physical disabilities such as cerebral palsy and other impairments (not including mental illness) are served both in nursing homes and community residential settings. Persons who are developmentally disabled have limitations in the areas of self-care, understanding and/or use of language, learning, mobility, self-direction and capacity for independent living. The services assist consumers to function as independently as possible. Many of the people served had been in nursing homes but are able to live in the community with support. Others are able to avoid institutionalization through supports offered by the program.

Similar services are provided to individuals with cognitive disabilities such as, but not limited to traumatic brain injury or autism, who do not have other related disabilities. These services are provided to enable the consumers to function in the community as independently as possible after they have progressed beyond initial acute rehabilitation. This population requires a special mix of services to address short-term memory issues through functional rather than medical supports.

This budget proposes to increase the availability of home and community based care as an alternative to nursing facility care. Home and community-based services promote independence and self-reliance, and maximize opportunities for family and community involvement.

Program Element: Legal Services

The department contracts with the Pennsylvania Legal Services Center, a private, nonprofit corporation, to provide

civil legal assistance for low-income persons with family, consumer, employment and other problems. The emphasis of the service delivery is to provide emergency legal services in situations that threaten the basic needs of individuals. These services do not include political activities, services to organizations, or services in criminal matters.

Program Element: Domestic Violence and Rape Crisis

Domestic violence services are provided through a contract with a Statewide coalition which, in turn, subcontracts for services at the local level. The services to victims of domestic violence include: crisis intervention, counseling, victim advocacy, information and referral and temporary shelter for victims and their dependent children. Prevention and education programs are provided by local groups to lessen the risk of domestic violence in the community at large.

Rape crisis services are provided through a contract with a Statewide coalition which, in turn, subcontracts for services at the local level. Rape crisis programs provide crisis intervention services, counseling, victim advocacy, information and referral and accompaniment through police, medical and judicial systems. Prevention and educational programs are also provided to lessen the risk of sexual assault for adults and children in the community at large.

Program Element: Homeless Assistance

The Homeless Assistance Program operates through counties to provide temporary shelter to homeless individuals and rental assistance to those in immediate danger of becoming homeless. Shelter may be provided in large mass shelters or in hotels and motels through a voucher system.

Housing assistance can include a cash payment to an individual or family to prevent or end homelessness or intervention to prevent homelessness where an eviction is imminent. In addition to preventing homelessness, housing assistance is available to move people out of temporary shelters into permanent housing.

Case management services are utilized to assure ongoing coordination with the client and to assist the client with activities needed for self-sufficient living.

Specialized residences for the mentally ill homeless are being provided in a small number of counties with concentrations of these individuals. The program provides housing for an indefinite period of time, coupled with supportive services that will enable the client to move to a long-term semi-independent or independent living situation.

Program: Human Services (continued)

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Youth Development Centers							
YDC — youth served	1,809	1,880	1,880	1,880	1,880	1,880	1,880
YDC — occupancy rates	87%	90%	95%	95%	95%	95%	95%
YDC — youth in work experience	734	750	750	750	750	750	750
Family Support Services							
Children receiving child welfare services at home	238,589	241,907	245,220	248,500	251,900	255,200	258,500
Out of home placement in:							
Community residential programs	33,918	32,511	32,150	31,800	31,400	31,000	30,700
Institutional care programs	3,455	3,483	3,510	3,540	3,570	3,590	3,620
Percent of children reunited with the family within twelve months of placement	50.3%	50.4%	50.6%	50.7%	50.8%	50.9%	51.0%
Finalized adoptions	1,950	2,091	2,200	2,420	2,530	2,640	2,740
Percent of child abuse reports substantiated	19.2%	18.4%	17.6%	16.7%	15.8%	14.9%	14.1%
Homeless Assistance							
Total persons receiving homeless services	95,000	95,000	95,000	95,000	95,000	95,000	95,000
Other Human Services							
Domestic violence victims served	48,381	49,363	49,000	49,000	49,000	49,000	49,000
Rape crisis/sexual assault persons served	20,343	17,800	17,800	17,800	17,800	17,800	17,800
Breast cancer screening clients	110,090	112,656	112,626	112,700	112,700	112,700	112,700
Legal service clients	27,109	20,300	20,300	20,300	20,300	20,300	20,300
Attendant care persons served	4,365	6,362	7,140	7,140	7,140	7,140	7,140
Persons with developmental disabilities served in nursing facilities	603	603	603	600	600	600	600
Persons with developmental disabilities served in the community	1,518	2,088	2,840	2,840	2,840	2,840	2,840

The children receiving child welfare services at home and out of home placements in community residential programs have been revised from last year's budget to show the actual unduplicated number of children served at the end of the Federal fiscal year.

Out of Home Placement in institutional care programs increased from the projections shown in last year's budget because of changes in data collection methodology.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>Youth Development Institutions and Forestry Camps</p> <p>\$ 5,500 —to reflect redirection of Federal TANF funds.</p> <p> -709 —program reduction.</p> <hr/> <p>\$ 4,791 <i>Appropriation Increase</i></p>	<p>County Child Welfare</p> <p>\$ 142,850 —for county needs-based budgets as mandated by Act 30 of 1991.</p> <p> 54,586 —to replace Federal funds.</p> <p> 4,969 —to provide two percent cost of living increase on purchased services.</p> <p> 3,574 —to continue current program.</p> <hr/> <p>\$ 205,979 <i>Appropriation Increase</i></p>	<p>Services to Persons with Disabilities</p> <p>\$ 7,999 —to provide service to an additional 724 persons with disabilities.</p> <p> 818 —to provide a two percent cost of living adjustment to direct care workers.</p> <p> 1,519 —to continue current program.</p> <p> -685 —revision of Federal financial participation from 53.84% to 55.05%.</p> <hr/> <p>\$ 9,651 <i>Appropriation Increase</i></p>	<p>Attendant Care</p> <p>\$ 540 —to continue current program.</p> <p> 3,716 —to provide service to 778 additional persons with disabilities.</p> <p> 1,016 —to provide a two percent cost of living adjustment to direct care workers.</p> <p> -502 —revision of Federal financial participation from 53.84% to 55.05%.</p> <hr/> <p>\$ 4,770 <i>Appropriation Increase</i></p>
<p>Child Welfare - TANF Transition</p> <p>\$ 45,000 —to replace Federal funds.</p>			

All other appropriations are recommended at the current year funding levels.

Program: Human Services (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Youth Development Institutions and Forestry Camps	\$ 67,609	\$ 68,955	\$ 73,746	\$ 73,746	\$ 73,746	\$ 73,746	\$ 73,746
County Child Welfare	610,213	632,547	838,526	916,590	980,751	1,049,404	1,122,862
Child Welfare - TANF Transition	0	0	45,000	30,000	15,000	0	0
Community Based Family Centers	3,086	3,148	3,148	3,148	3,148	3,148	3,148
Domestic Violence	11,316	11,542	11,542	11,542	11,542	11,542	11,542
Rape Crisis	5,764	5,879	5,879	5,879	5,879	5,879	5,879
Breast Cancer Screening	1,496	1,526	1,526	1,526	1,526	1,526	1,526
Human Services Development Fund	33,123	33,785	33,785	33,785	33,785	33,785	33,785
Legal Services	2,470	2,519	2,519	2,519	2,519	2,519	2,519
Homeless Assistance	24,001	24,461	24,461	24,461	24,461	24,461	24,461
Services to Persons with Disabilities	16,103	36,223	45,874	49,259	49,259	49,259	49,259
Attendant Care	35,580	47,031	51,801	61,546	61,546	61,546	61,546
Arsenal Family and Children's Center	143	0	0	0	0	0	0
TOTAL GENERAL FUND	\$ 810,904	\$ 867,616	\$ 1,137,807	\$ 1,214,001	\$ 1,263,162	\$ 1,316,815	\$ 1,390,273



DEPARTMENT OF REVENUE

The mission of the Department of Revenue is to administer the tax laws of the Commonwealth in a fair and equitable manner. The Department of Revenue also administers the State lottery which generates funds for programs that benefit older Pennsylvanians.

The Department of Revenue collects all tax levies as well as various fees, fines and other monies due the Commonwealth. The department also supervises the administration and collection of monies for the first and second class county sales tax and various special funds.

The department prepares the official estimates of the tax yield due the Commonwealth and analyzes the effect on revenues of proposed changes in either the laws or the tax structure of the Commonwealth.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 133,296^a	\$ 138,436^b	\$ 136,424
(F)General Fund Share - PEBTF Contribution (EA).....	1,797	0	0
(A)Cigarette Fines and Penalties.....	10	15	15
(A)Cigarette Tax Enforcement.....	815	540	792
(A)Services to Special Funds.....	8,752	8,752	8,595
(A)EDP and Staff Support.....	6,451	6,266	5,856
(A)Tax Information.....	157	90	160
(A)Private Letter Valuation Charges.....	4	1	3
(A)Local Sales Tax.....	1,282	3,825	4,098
(A)Small Games of Chance.....	227	235	230
(A)Reimbursed Costs from Other Agencies.....	0	0	1,087
(A)BTFT - Fines and Penalties.....	0	0	500
General Operations - Lottery Administration.....	27,951	28,149	0
Commissions - Inheritance & Realty Transfer Taxes (EA).....	6,664	6,572	6,642
Gaming Administration (06/06).....	0	21,100	0
Subtotal - State Funds.....	\$ 167,911	\$ 194,257	\$ 143,066
Subtotal - Federal Funds.....	1,797	0	0
Subtotal - Augmentations.....	17,698	19,724	21,336
Total - General Government.....	\$ 187,406	\$ 213,981	\$ 164,402
<i>Grants and Subsidies:</i>			
Distribution of Public Utility Realty Tax.....	\$ 28,404	\$ 27,920	\$ 33,316
STATE FUNDS.....	\$ 196,315	\$ 222,177	\$ 176,382
FEDERAL FUNDS.....	1,797	0	0
AUGMENTATIONS.....	17,698	19,724	21,336
GENERAL FUND TOTAL.....	\$ 215,810	\$ 241,901	\$ 197,718
MOTOR LICENSE FUND:			
<i>General Government:</i>			
Collections - Liquid Fuels Tax.....	\$ 11,977	\$ 13,215	\$ 13,408
(A)International Fuel Tax Agreement.....	0	11	0
Subtotal - State Funds.....	\$ 11,977	\$ 13,215	\$ 13,408
Subtotal - Augmentations.....	0	11	0
Total - General Government.....	\$ 11,977	\$ 13,226	\$ 13,408
<i>Refunds:</i>			
Refunding Liquid Fuels Tax (EA).....	\$ 7,900	\$ 9,000	\$ 9,000
STATE FUNDS.....	\$ 19,877	\$ 22,215	\$ 22,408
AUGMENTATIONS.....	0	11	0
MOTOR LICENSE FUND TOTAL.....	\$ 19,877	\$ 22,226	\$ 22,408
LOTTERY FUND:			
<i>General Government:</i>			
General Operations (EA).....	\$ 0	\$ 0	\$ 27,211
Lottery Advertising (EA).....	30,000	30,000	30,000
Player Activated Terminal Costs (EA).....	207	3,000	3,000
Expanded Sales (EA).....	8,020	14,600	14,800
(A)License Fees.....	126	75	125
(A)Sale of Automobiles.....	6	0	0
(A)Annuity Assignment Fees.....	10	25	25
On-Line Vendor Commissions (EA).....	46,970	50,911	53,658
Instant Vendor Commissions (EA).....	20,856	21,301	24,388

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
Auditor General's Audit Costs (EA).....	120	86	86
Payment of Prize Money (EA).....	217,765	252,834	247,114
Subtotal - State Funds.....	\$ 323,938	\$ 372,732	\$ 400,257
Subtotal - Augmentations.....	142	100	150
Total - General Government.....	<u>\$ 324,080</u>	<u>\$ 372,832</u>	<u>\$ 400,407</u>
Grants and Subsidies:			
Property Tax & Rent Assistance for Older Pennsylvanians (EA).....	\$ 123,175	\$ 126,900	\$ 131,200
STATE FUNDS.....	\$ 447,113	\$ 499,632	\$ 531,457
AUGMENTATIONS.....	142	100	150
LOTTERY FUND TOTAL.....	<u>\$ 447,255</u>	<u>\$ 499,732</u>	<u>\$ 531,607</u>
<u>RACING FUND:</u>			
General Government:			
Collections - State Racing (EA).....	\$ 165	\$ 235	\$ 235
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 196,315	\$ 222,177	\$ 176,382
SPECIAL FUNDS.....	467,155	522,082	554,100
FEDERAL FUNDS.....	1,797	0	0
AUGMENTATIONS.....	17,840	19,835	21,486
TOTAL ALL FUNDS.....	<u><u>\$ 683,107</u></u>	<u><u>\$ 764,094</u></u>	<u><u>\$ 751,968</u></u>

^a Actually appropriated as \$131,773,000 for General Government Operations and \$1,523,000 for Revenue Enforcement.

^b Actually appropriated as \$136,436,000 for General Government Operations and \$2,000,000 for Revenue Enforcement.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
REVENUE COLLECTION AND ADMINISTRATION							
GENERAL FUND.....	\$ 167,911	\$ 194,257	\$ 143,066	\$ 143,066	\$ 143,066	\$ 143,066	\$ 143,066
SPECIAL FUNDS.....	343,980	395,182	422,900	429,577	434,761	440,304	430,844
FEDERAL FUNDS.....	1,797	0	0	0	0	0	0
OTHER FUNDS.....	17,840	19,835	21,486	21,486	21,486	21,486	21,486
SUBCATEGORY TOTAL.....	\$ 531,528	\$ 609,274	\$ 587,452	\$ 594,129	\$ 599,313	\$ 604,856	\$ 595,396
COMMUNITY DEVELOPMENT AND PRESERVATION							
GENERAL FUND.....	\$ 28,404	\$ 27,920	\$ 33,316	\$ 33,717	\$ 34,123	\$ 34,534	\$ 34,950
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 28,404	\$ 27,920	\$ 33,316	\$ 33,717	\$ 34,123	\$ 34,534	\$ 34,950
HOMEOWNERS AND RENTERS ASSISTANCE							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	123,175	126,900	131,200	132,500	133,700	135,000	136,300
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 123,175	\$ 126,900	\$ 131,200	\$ 132,500	\$ 133,700	\$ 135,000	\$ 136,300
ALL PROGRAMS:							
GENERAL FUND.....	\$ 196,315	\$ 222,177	\$ 176,382	\$ 176,783	\$ 177,189	\$ 177,600	\$ 178,016
SPECIAL FUNDS.....	467,155	522,082	554,100	562,077	568,461	575,304	567,144
FEDERAL FUNDS.....	1,797	0	0	0	0	0	0
OTHER FUNDS.....	17,840	19,835	21,486	21,486	21,486	21,486	21,486
DEPARTMENT TOTAL.....	\$ 683,107	\$ 764,094	\$ 751,968	\$ 760,346	\$ 767,136	\$ 774,390	\$ 766,646

PROGRAM OBJECTIVE: To assure the availability of resources for the Commonwealth's programs through the equitable and efficient administration of Pennsylvania's revenue system.

Program: Revenue Collection and Administration

This program administers the Commonwealth's revenue statutes by assessing and collecting various taxes. Major revenue sources for the General Fund include corporation, personal income, inheritance, sales and use, cigarette, beverage and realty transfer taxes. Tax revenue is also collected for the first and second class county sales taxes and for the Motor License and Racing Funds.

The department continues to expand the use of automated procedures thereby permitting quick deposit of funds and review of a tax return's accuracy. It has added automated processes that assist taxpayers in filing accurately and more efficiently. These include the Electronic Tax and Data Exchange System (E-TIDES), an Internet system for filing business taxes such as sales tax, employer withholding tax, liquid fuels tax, fuel tax, corporation tax extensions and estimates. There are also three electronic systems for filing and payment of personal income tax: by Internet (PA Direct File); by Federal / State e-file which allows for the simultaneous filing of Federal and State returns; and by telephone (Telefile). Revenue collection efforts are being enhanced to improve violation enforcement and improve

business practices. This has permitted the department to keep the cost of collection at approximately \$1.00 for every \$312.00 in current taxes collected and \$1.00 for every \$11.20 of delinquent taxes collected.

To ensure fairness in tax administration, the department audits and verifies tax returns to detect fraud and non-filers. In addition, there is extensive delinquent tax collection effort that involves automation as well as traditional tax collection methods.

This program is responsible for the administration of the State Lottery. Through a network of private retailers, the Commonwealth sells lottery tickets, the proceeds of which support programs for older Pennsylvanians. Recent expansions include participation in the multi-state Powerball Game, midday drawings, and Player Activated Terminal installations.

The Governor's 2005-06 Executive Budget, including the presentation for the Department of Revenue, does not include any assumptions regarding the Gaming Fund. Revisions to those assumptions will be updated as each facility opens.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Active accounts by tax type:							
Corporation *	267,513	270,000	275,000	280,000	285,000	290,000	295,000
Sales and Use*	341,139	347,000	354,000	361,000	368,000	376,000	384,000
Employer*	327,061	328,000	335,000	342,000	348,000	355,000	362,000
Personal Income Tax*	5,932,236	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000
Liquid Fuels*	799	850	865	885	900	920	940
Motor Carrier - IFTA*	14,273	14,500	14,800	15,100	15,400	15,700	16,000
Motor Carrier - Pennsylvania only*	12,677	13,000	13,100	13,400	13,600	13,900	14,200
Personal Income Tax:							
Returns Processed	5,767,166	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000
Refunds - electronic*	943,703	1,011,000	1,032,000	1,074,000	1,116,000	1,160,000	1,220,000
Balance due - electronic remittance*	577,636	621,000	634,000	660,000	686,000	710,000	750,000
Equal balances - electronic*	751,522	768,000	784,000	816,000	848,000	880,000	930,000
Total - electronic*	2,272,861	2,400,000	2,450,000	2,550,000	2,650,000	2,750,000	2,900,000
Refunds - paper*	1,153,459	1,062,000	1,047,000	1,016,000	985,000	955,000	910,000
Balance due - paper*	1,175,285	1,392,000	1,372,000	1,332,000	1,292,000	1,252,000	1,190,000
Equal balances - paper*	1,165,561	1,046,000	1,031,000	1,002,000	973,000	943,000	900,000
Total - paper*	3,494,305	3,500,000	3,450,000	3,350,000	3,250,000	3,150,000	3,000,000
Corporation Taxes Settlement Time:							
Tax Liabilities Less Than \$50,000							
Settled in 9 months or less	85,534	90,000	100,000	167,500	172,500	177,500	182,500
Settled in 10 months or longer	179,249	165,700	163,100	150,500	150,400	150,300	150,200
Tax Liabilities Greater than \$50,000							
Settled in 9 months or less	183	200	200	200	200	200	200
Settled in 10 to 13 months	3,695	5,100	5,200	5,300	5,400	5,500	5,600
Total Settled Accounts	276,059	267,500	275,000	330,000	335,000	340,000	345,000
Returns requiring manual processing	7,568	6,500	6,500	6,500	6,500	6,500	6,500
Amounts due as a result of audit assessments (in millions)							
	\$373	\$180	\$184	\$187	\$191	\$195	\$200

Program: Revenue Collection and Administration (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Percent of sales tax audits sustained through the Board of Finance and Revenue*	79.74%	83.00%	84.00%	85.00%	86.00%	87.00%	88.00%
Pass Through Business (PTB) assessments							
Assessments as a result of PTB action (in millions)*	22	12	20	20	20	20	20
Assessment collections (in millions)*	4	9	15	15	15	15	15
Processing savings in personal income tax due to electronically filing:*							
Percentage of paper returns requiring examination*	18%	18%	18%	18%	18%	18%	18%
Percentage of electronic returns requiring examination*	6%	5%	5%	5%	5%	5%	5%
Electronic business tax registrations as a percentage of the total*	60%	63%	64%	65%	65%	65%	65%
Collections from delinquent accounts (in millions)	\$542	\$585	\$575	\$593	\$611	\$631	\$651
Collections from delinquent accounts by tax type:*							
Corporation *	\$199	\$188	\$184	\$189	\$195	\$201	\$207
Sales and Use*	\$182	\$237	\$235	\$247	\$259	\$272	\$286
Employer*	\$26	\$27	\$26	\$25	\$24	\$23	\$22
Personal Income Tax*	\$58	\$63	\$65	\$67	\$70	\$72	\$74
Motor Fuels*	\$7	\$5	\$5	\$5	\$5	\$5	\$5
Miscellaneous*	\$72	\$64	\$60	\$60	\$59	\$58	\$58
Delinquent taxes collected per dollar spent	\$10.60	\$11.40	\$11.20	\$11.60	\$11.90	\$12.30	\$12.70
Number of appeals by tax type:*							
Corporation *	4,272	7,250	7,800	8,450	9,110	9,850	10,730
Sales and Use*	12,667	12,000	11,400	10,850	10,300	9,800	9,300
Personal Income Tax*	4,016	4,050	4,080	4,120	4,160	4,200	4,250
Liquid Fuels*	126	135	130	125	120	115	111
Motor Carrier*	311	275	275	275	275	275	275
Other*	2,200	3,475	3,530	3,580	3,640	3,700	3,750
Total number of appeals*	23,592	27,185	27,215	27,400	27,605	27,940	28,416
Lottery operating costs as a percent of ticket sales	5.34%	4.84%	5.23%	5.23%	5.22%	5.22%	4.70%

The various Corporation Taxes Settlement time measures have been updated from last year's budget based on actual data and the latest evaluation of future year estimates.

Lottery Operating Costs as a Percent of Ticket Sales increase from last year's budget with the implementation of Sales Expansion activities.

*New program measure.

Program Recommendation:

<p>GENERAL FUND: General Government Operations \$ -2,000 —nonrecurring enforcement projects. -12 —to continue program.</p> <hr/> <p>\$ -2,012 <i>Appropriation Decrease</i></p>	<p>Commissions - Inheritance & Realty Transfer Taxes (EA) \$ 70 —based on current revenue estimates.</p> <p>Gaming Administration \$ -21,100 —nonrecurring General Fund loan to procure a centralized computer sytem for gaming operations.</p>
<p>General Operations - Lottery Administration \$ -28,149 —transfer of administrative costs from the General Fund to the Lottery Fund.</p>	

Program: Revenue Collection and Administration (continued)

Program Recommendations: (continued) This budget recommends the following changes: (Dollar Amounts in Thousands)

	MOTOR LICENSE FUND:			On-Line Vendor Commissions (EA)
	Collections - Liquid Fuels Tax	\$	2,747	—based on the latest projection of program requirements.
\$ 193	—to continue current program.			
	LOTTERY FUND:			Instant Vendor Commissions (EA)
	General Operations (EA)	\$	3,087	—based on the latest projection of program requirements.
\$ 27,211	—transfer of administrative costs from the General Fund to the Lottery Fund.			
	Expanded Sales (EA)			Payment of Prize Money (EA)
\$ 200	—to increase player participation through expanded markets.	\$	-5,720	—based on the latest projection of program requirements.

All other appropriations are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 133,296	\$ 138,436	\$ 136,424	\$ 136,424	\$ 136,424	\$ 136,424	\$ 136,424
General Operations - Lottery							
Administration	27,951	28,149	0	0	0	0	0
Commissions - Inheritance & Realty							
Transfer Taxes (EA)	6,664	6,572	6,642	6,642	6,642	6,642	6,642
Gaming Administration (06/06)	0	21,100	0	0	0	0	0
TOTAL GENERAL FUND	\$ 167,911	\$ 194,257	\$ 143,066	\$ 143,066	\$ 143,066	\$ 143,066	\$ 143,066
MOTOR LICENSE FUND:							
Collections - Liquid Fuels Tax	\$ 11,977	\$ 13,215	\$ 13,408	\$ 13,408	\$ 13,408	\$ 13,408	\$ 13,408
Refunding Liquid Fuels Tax (EA)	7,900	9,000	9,000	9,000	9,000	9,000	9,000
TOTAL MOTOR LICENSE FUND	\$ 19,877	\$ 22,215	\$ 22,408	\$ 22,408	\$ 22,408	\$ 22,408	\$ 22,408
LOTTERY FUND:							
General Operations (EA)	\$ 0	\$ 0	\$ 27,211	\$ 28,139	\$ 28,786	\$ 29,448	\$ 30,125
Lottery Advertising (EA)	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Player Activated Terminal Costs (EA)	207	3,000	3,000	3,000	3,000	3,000	0
Expanded Sales (EA)	8,020	14,600	14,800	15,010	15,230	15,462	3,594
On-Line Vendor Commissions (EA)	46,970	50,911	53,658	54,914	55,758	56,431	57,112
Instant Vendor Commissions (EA)	20,856	21,301	24,388	25,533	25,949	26,552	27,171
Auditor General's Audit Costs (EA)	120	86	86	86	86	86	86
Payment of Prize Money (EA)	217,765	252,834	247,114	250,252	253,309	256,682	260,113
TOTAL LOTTERY FUND	\$ 323,938	\$ 372,732	\$ 400,257	\$ 406,934	\$ 412,118	\$ 417,661	\$ 408,201
RACING FUND:							
Collections - State Racing (EA)	\$ 165	\$ 235	\$ 235	\$ 235	\$ 235	\$ 235	\$ 235

PROGRAM OBJECTIVE: To equitably distribute the Public Utility Realty Tax to all reporting local taxing authorities.

Program: Community Development and Preservation

A 1968 amendment to the State Constitution exempted public utilities from locally administered property taxes and authorized the collection of a similar Statewide tax known as the Public Utility Realty Tax. The proceeds of the tax are distributed to each local taxing authority thereby providing local revenue while insuring fair treatment for utilities. Act 4 of 1999 revised the definition of public utility property and specifically removed, after December 31, 1999, electricity generation facilities from the definition. This was done in

conjunction with electric de-regulation which opened market competition and moved away from previous public utility definitions for power generation.

The distribution is based on the ratio between the total tax receipts of a local taxing authority and the total tax receipts of all reporting tax authorities. This ratio is then applied to the total amount of taxes that reporting authorities could have collected had they been able to directly tax public utility realty.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Taxing authorities receiving funds	3,013	3,016	3,017	3,017	3,017	3,017	3,017

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Distribution of Public Utility Realty Tax
 \$ 5,396 —reflects normal fluctuations in tax assessments.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Distribution of Public Utility Realty Tax	\$ 28,404	\$ 27,920	\$ 33,316	\$ 33,717	\$ 34,123	\$ 34,534	\$ 34,950

PROGRAM OBJECTIVE: To increase economic stability by assisting eligible Pennsylvania citizens to maintain their homes.

Program: Homeowners and Renters Assistance

This program allows older Pennsylvanians, surviving spouses over 50 and permanently disabled citizens to lead fuller lives by restoring a portion of their income through property tax and rent rebate assistance.

Act 53 of 1985 set the income ceiling for program eligibility at \$15,000 per household. The assistance declines from a

maximum benefit of 100 percent of the tax or \$500 whichever is less. Act 30 of 1999 excludes 50 percent of Social Security Income and Railroad Retirement Benefits from the income eligibility calculation. In 2003-04, the average tax assistance payment was \$367.69 and the average rent rebate was \$391.40.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Households provided property tax or rent assistance	320,534	338,600	337,500	336,500	335,500	334,500	333,500
Households applying by June 30*	301,135	246,500	245,761	245,023	244,288	243,555	242,825
Rebates mailed by July 31*	255,508	222,500	221,883	221,167	220,504	219,842	219,182

*New program measure.

Program Recommendation:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Property Tax & Rent Assistance for Older Pennsylvanians (EA)
 \$ 4,300 —increased program participation.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
LOTTERY FUND:							
Property Tax & Rent Assistance for Older Pennsylvanians (EA)	\$ 123,175	\$ 126,900	\$ 131,200	\$ 132,500	\$ 133,700	\$ 135,000	\$ 136,300



SECURITIES COMMISSION

The mission of the Securities Commission is to protect Pennsylvania investors from fraudulent and abusive practices in the offer and sale of securities in the Commonwealth, and to foster legitimate capital formation activities to grow Pennsylvania businesses.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 2,110	\$ 2,395	\$ 2,300
(F)General Fund Share - PEBTF Contribution (EA).....	26	0	0
(A)Consumer Protection.....	5,095	5,500	5,829
Subtotal - State Funds.....	\$ 2,110	\$ 2,395	\$ 2,300
Subtotal - Federal Funds.....	26	0	0
Subtotal - Augmentations.....	5,095	5,500	5,829
Total - General Government.....	<u>\$ 7,231</u>	<u>\$ 7,895</u>	<u>\$ 8,129</u>
STATE FUNDS.....	\$ 2,110	\$ 2,395	\$ 2,300
FEDERAL FUNDS.....	26	0	0
AUGMENTATIONS.....	5,095	5,500	5,829
GENERAL FUND TOTAL.....	<u>\$ 7,231</u>	<u>\$ 7,895</u>	<u>\$ 8,129</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
SECURITIES INDUSTRY REGULATION							
GENERAL FUND.....	\$ 2,110	\$ 2,395	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	26	0	0	0	0	0	0
OTHER FUNDS.....	5,095	5,500	5,829	5,829	5,829	5,829	5,829
SUBCATEGORY TOTAL.....	\$ 7,231	\$ 7,895	\$ 8,129	\$ 8,129	\$ 8,129	\$ 8,129	\$ 8,129
ALL PROGRAMS:							
GENERAL FUND.....	\$ 2,110	\$ 2,395	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	26	0	0	0	0	0	0
OTHER FUNDS.....	5,095	5,500	5,829	5,829	5,829	5,829	5,829
DEPARTMENT TOTAL.....	\$ 7,231	\$ 7,895	\$ 8,129	\$ 8,129	\$ 8,129	\$ 8,129	\$ 8,129

PROGRAM OBJECTIVE: To reduce fraud and to protect public investors involved in securities transactions as well as to facilitate legitimate capital formation in the State.

Program: Securities Industry Regulation

The primary function of the Pennsylvania Securities Commission is to encourage the financing of legitimate business and industry in the Commonwealth while protecting the investing public from fraudulent and unfair practices in the securities industry.

The commission protects the investing public through the registration and regulation of salespersons and companies dealing in securities. It also issues cease and desist orders to persons and corporations attempting to sell securities without approval, as well as pursuing prosecution of violators of the Pennsylvania Securities Act.

The commission works with other State, Federal and independent regulatory agencies and the various stock exchanges to develop uniform filing requirements to eliminate

duplicative State and Federal examination and registration requirements. The commission is increasing the use of information technology to monitor the offering and sale of securities via electronic means. Fees collected from the securities industry support compliance and enforcement activities, as well as a portion of ongoing operations of the commission.

Acts 125 through 132 (inclusive) of 2004 make changes to the Securities Code to clarify, expand and update language to be consistent with current Federal statutes and the practices of the U.S. Securities and Exchange Commission. The acts will also allow the Pennsylvania Securities Commission to enhance consumer protection operations and securities regulation.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Securities filings received	5,434	5,500	5,500	5,500	5,500	5,500	5,500
Securities filings cleared	5,303	5,400	5,400	5,400	5,400	5,400	5,400
Dollar amounts of securities cleared for sale (millions):	\$233,799	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Broker-dealers registered	2,549	2,600	2,730	2,867	3,010	3,160	3,320
Agents registered	143,098	147,411	151,816	156,370	161,063	165,894	170,870
Investment advisers registered	1,731	1,860	2,010	2,170	2,340	2,525	2,700
Investment adviser representatives registered	5,858	6,444	7,088	7,797	8,577	9,435	10,378
Formal investigations conducted	242	300	325	350	375	400	400
Compliance examinations conducted	86	100	105	110	115	120	120
Enforcement/compliance actions	197	205	210	215	220	225	230

Investment adviser representatives registered is increasing due to market trends.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

General Government Operations
 \$ -95 —reduction in State funds due to increase in augmenting revenue.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 2,110	\$ 2,395	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300



DEPARTMENT OF STATE

The mission of the Department of State is to monitor and enforce the standards of ethics and competence in a variety of areas, including professional licensure, corporate law, charitable solicitation, the electoral process and professional boxing and wrestling.

The Department of State is administered by the Secretary of the Commonwealth and includes the Bureau of Charitable Organizations, the Bureau of Commissions, Elections and Legislation, the Corporation Bureau, the State Athletic Commission, the Bureau of Enforcement and Investigation, and the Bureau of Professional and Occupational Affairs, which provides support to 27 professional and occupational licensing boards.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
General Government:			
General Government Operations.....	\$ 3,990	\$ 3,973	\$ 4,451
(F)Federal Election Reform.....	90,000	146,625	150,306
(F)General Fund Share - PEBTF Contribution.....	68	0	0
(A)Departmental Services.....	0 ^a	0 ^a	0 ^a
(R)Professional and Occupational Affairs.....	21,183 ^b	22,902 ^b	24,648 ^b
(R)State Board of Medicine.....	8,210 ^b	8,778 ^b	8,794 ^b
(R)State Board of Osteopathic Medicine.....	1,391 ^b	1,496 ^b	1,520 ^b
(R)State Board of Podiatry.....	269 ^b	317 ^b	333 ^b
(R)State Athletic Commission.....	381 ^b	393 ^b	416 ^b
(R)Corporation Bureau (EA).....	3,923 ^c	5,607 ^c	4,153 ^c
Subtotal.....	\$ 129,415	\$ 190,091	\$ 194,621
Voter Registration.....	1,128	572	543
(F)Elections Assistance - Grants to Counties.....	522	886	886
Subtotal.....	\$ 522	\$ 886	\$ 886
Publishing Constitutional Amendments (EA).....	1,252	525	0
Electoral College.....	0	10	0
Subtotal - State Funds.....	\$ 6,370	\$ 5,080	\$ 4,994
Subtotal - Federal Funds.....	90,590	147,511	151,192
Subtotal - Restricted Revenues.....	35,357	39,493	39,864
Total - General Government.....	\$ 132,317	\$ 192,084	\$ 196,050
Grants and Subsidies:			
Voting of Citizens in Military Service.....	\$ 8	\$ 20	\$ 40
County Election Expenses (EA).....	205	400	400
Total - Grants and Subsidies.....	\$ 213	\$ 420	\$ 440
STATE FUNDS.....	\$ 6,583	\$ 5,500	\$ 5,434
FEDERAL FUNDS.....	90,590	147,511	151,192
RESTRICTED REVENUES.....	35,357	39,493	39,864
GENERAL FUND TOTAL.....	\$ 132,530	\$ 192,504	\$ 196,490
OTHER FUNDS:			
PATIENT SAFETY TRUST FUND:			
General Operations (EA).....	\$ 5,000	\$ 5,000	\$ 5,000
REAL ESTATE RECOVERY FUND:			
Real Estate Recovery Payments (EA).....	\$ 100	\$ 175	\$ 100
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 6,583	\$ 5,500	\$ 5,434
SPECIAL FUNDS.....	0	0	0
FEDERAL FUNDS.....	90,590	147,511	151,192
RESTRICTED.....	35,357	39,493	39,864
OTHER FUNDS.....	5,100	5,175	5,100
TOTAL ALL FUNDS.....	\$ 137,630	\$ 197,679	\$ 201,590

^a Not added to the total to avoid double counting: 2003-04 Actual is \$3,527,000, and 2004-05 Available is \$3,629,000
2005-06 Budget is \$3,900,000.

^b Appropriated from a restricted revenue account.

^c Executive Authorization from a restricted revenue account.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
CONSUMER PROTECTION							
GENERAL FUND.....	\$ 6,583	\$ 5,500	\$ 5,434	\$ 5,634	\$ 5,634	\$ 5,634	\$ 5,634
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	90,590	147,511	151,192	150,841	150,938	150,938	150,938
OTHER FUNDS.....	40,457	44,668	44,964	44,964	44,964	44,964	44,964
SUBCATEGORY TOTAL.....	\$ 137,630	\$ 197,679	\$ 201,590	\$ 201,439	\$ 201,536	\$ 201,536	\$ 201,536
ALL PROGRAMS:							
GENERAL FUND.....	\$ 6,583	\$ 5,500	\$ 5,434	\$ 5,634	\$ 5,634	\$ 5,634	\$ 5,634
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	90,590	147,511	151,192	150,841	150,938	150,938	150,938
OTHER FUNDS.....	40,457	44,668	44,964	44,964	44,964	44,964	44,964
DEPARTMENT TOTAL.....	\$ 137,630	\$ 197,679	\$ 201,590	\$ 201,439	\$ 201,536	\$ 201,536	\$ 201,536

PROGRAM OBJECTIVE: To protect the consumer from fraudulent solicitation and unqualified professional and occupational practitioners and establishments.

Program: Consumer Protection

The Department of State administers several program elements within the Consumer Protection Program.

Program Element: Protection of the Electoral Process

This program element is directed towards insuring efficiency, honesty and uniformity in the administration of the Election Code. Act 25 of 1995, the Pennsylvania Voter Registration Act, integrated voter registration into driver's license applications and made other voter registration changes to comply with the National Voter Registration Act. Nomination petitions for Statewide and legislative offices are reviewed for compliance with statutory standards and are processed for inclusion on the ballot. Campaign expense reports are filed and reviewed as required by the Election Code. The public is provided the opportunity to review the reports. The department tabulates, publishes and disseminates statistics for both voter registration and all elections; it also serves as the repository of the maps and descriptions of the Commonwealth's 9,424 election precincts.

Act 61 of 2001 amended the Pennsylvania Voter Registration Act and requires the department to develop a Statewide Uniform Registry of Electors (SURE) – an integrated voter registration database containing all electors in the Commonwealth. The act also created an advisory board to establish the requirements of a SURE system.

Other functions in this program include commissioning gubernatorial appointees to boards and commissions and preparing commissions for judges, justices of the peace and notaries public as well as enforcement of the Notary Public Law. In addition, a record of all legislation passed by the General Assembly is maintained by docketing the bills and assigning act numbers.

Program Element: Protection of Professional Licensing

The focus of this program element is on assuring acceptable professional and technical services to the Commonwealth's residents. To accomplish this, twenty-seven boards of the Bureau of Professional and Occupational Affairs (BPOA) utilize licensing, enforcement and administrative authority to regulate and service the various professions.

The department investigates complaints against licensees for legal or ethical violations that may result in disciplinary action by the boards.

Mechanisms utilized in controlling the quality of practitioners include regulating education; experience and degree of technical expertise demonstrated through applications and subsequent written examination and/or demonstrated practical ability. Requirements for continuing education also serve as a means of meeting the constantly

changing developments in the various professions and occupations.

Act 124 of 1978 created a restricted Professional Licensure Augmentation Account (PLAA) enabling this program to be funded from fees and fines collected by the Bureau of Professional and Occupational Affairs. Thus, the bureau operates entirely out of restricted funds, considered for budgetary purposes as Other Funds, rather than from a General Fund appropriation.

Act 13 of 2002, the Medical Care Availability and Reduction of Error (Mcare) Act further provides for medical malpractice liability insurance, tort reform, mandatory reporting by and to State licensing boards and continuing medical education. The Act established the Patient Safety Authority to review and recommend improvements in patient safety.

Fees are revised according to the specific enabling legislation for each board.

Program Element: Regulation of Consumer Products and Promotion of Fair Business Practices

This program element encompasses the activities of the Corporation Bureau, the Bureau on Charitable Organizations and the State Athletic Commission.

The Corporation Bureau is responsible for both profit and nonprofit business incorporation filings and submission of Uniform Commercial Code (UCC) filings. There are approximately 2 million corporate entities in the database and the bureau processes approximately 36,000 new corporations annually. It also registers approximately 25,000 trademarks and fictitious names as well as 122,000 UCC filings annually. The primary goals of the Corporation Bureau are to make the registration process as efficient as possible and to enhance public access in order to promote a more favorable business climate within the Commonwealth.

Act 198 of 1990 established a restricted account with funding levels to be executively authorized by the Governor to fund the Corporation Bureau.

The Bureau on Charitable Organizations is responsible for the registration of charitable organizations, professional fundraisers and solicitors, as well as regulation of the actual solicitation and distribution of collected funds. The major objective of the bureau is to increase the awareness and understanding of the Charitable Solicitations Act among Pennsylvania consumers and charitable organizations.

Act 55 of 1997 increased the number of charities required to register with the Department of State and established a system of mandatory arbitration to resolve complaints of unfair competition filed by small businesses against charities.

Program: Consumer Protection (continued)

The State Athletic Commission monitors and regulates all professional and amateur boxing and kickboxing, amateur wrestling contests, and the licensing of all persons who participate in these events. There are eleven categories of licenses issued by the Athletic Commission. These

categories include announcer, boxer, judge, manager, matchmaker, physician, promoter (including those promoting professional wrestling), referee, timekeeper and trainer.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Voter registration transactions	900,000	1,200,000	900,000	900,000	900,000	120,000	900,000
Campaign finance reports filed via the internet	1,348	1,500	1,600	1,700	1,800	1,900	2,000
Professional licenses and renewals issued	393,942	418,000	395,000	418,000	395,000	418,000	395,000
Disciplinary actions by boards	2,977	2,475	2,575	2,600	2,650	2,700	2,750
Case files opened (BPOA)	14,026	17,000	18,000	19,000	20,000	21,000	22,000
Case files closed (BPOA)	11,990	13,000	14,000	15,000	16,000	17,000	18,000
Medical facilities filing patient safety data	NA	400	400	400	400	400	400
Uniform Commercial Code financing statement filings and information requests fulfilled	157,162	158,000	159,000	160,000	161,000	162,000	163,000
Charity registrations	7,500	8,500	8,500	8,500	8,500	8,500	8,500
Open charities investigations	330	350	350	350	350	350	350
Closed charities investigations	330	350	350	350	350	350	350
Reviews of fictitious names, business corporations, corporations and trademark applications	106,289	108,000	108,000	110,000	112,000	114,000	116,000
Corporation information requests processed	172,126	173,000	174,000	175,000	176,000	177,000	178,000

Voter registrations increased from last year's budget due to the enactment of the Help America Voter Act (HAVA), which resulted in an extensive voter education and outreach program. Also, 2004 was a Presidential election year.

Campaign finance internet filings have been less than projected in last year's budget; efforts to improve the website and the online filing templates are ongoing.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>General Government Operations \$ 478 —to continue current program.</p> <p>Voter Registration \$ -29 —nonrecurring costs.</p> <p>Publishing Constitutional Amendments (EA) \$ -525 —reduced due to no foreseen amendments.</p> <p>Electoral College \$ -10 —program only for Presidential election years.</p> <p>Voting of Citizens in Military Service \$ 20 —to continue current program.</p>	<p>Professional and Occupational Affairs \$ 1,746 —to continue current program.</p> <p>State Board of Medicine \$ 16 —to continue current program.</p> <p>State Board of Osteopathic Medicine \$ 24 —to continue current program.</p> <p>State Board of Podiatry \$ 16 —to continue current program.</p> <p>State Athletic Commission \$ 23 —to continue current program.</p> <p>Corporation Bureau (EA) \$ -1,454 —nonrecurring project.</p>
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This budget recommends \$759,000 in Federal funds to enhance the Statewide Uniform Registry of Electors Project, including improved quality assurance testing and training.

Recommendations assume that fees for all boards will be sufficient to fund the recommended expenditure level.

This budget also recommends the following changes in appropriations and an executive authorization from restricted accounts:

Program: Consumer Protection (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 3,990	\$ 3,973	\$ 4,451	\$ 4,451	\$ 4,451	\$ 4,451	\$ 4,451
Voter Registration	1,128	572	543	543	543	543	543
Publishing Constitutional Amendments (EA)	1,252	525	0	200	200	200	200
Electoral College	0	10	0	0	0	0	0
Voting of Citizens in Military Service	8	20	40	40	40	40	40
County Election Expenses (EA)	205	400	400	400	400	400	400
TOTAL GENERAL FUND	<u>\$ 6,583</u>	<u>\$ 5,500</u>	<u>\$ 5,434</u>	<u>\$ 5,634</u>	<u>\$ 5,634</u>	<u>\$ 5,634</u>	<u>\$ 5,634</u>



STATE EMPLOYEES' RETIREMENT SYSTEM

The mission of the State Employees' Retirement System is to administer the retirement benefits plan for State employees and elected officials in accordance with Pennsylvania statutes; provide effective services to all active and retired members; to accumulate, manage and disburse the retirement fund assets in accordance with fiduciary standards and at a reasonable cost to Commonwealth taxpayers; and to maximize investment return while exercising a "prudent person" investment policy.

The State Employees' Retirement System is responsible for administering the State Employees' Retirement Fund and the supplemental retirement allowances and cost-of-living increases for annuitants. The system also administers the Commonwealth Deferred Compensation Program.

State Employees' Retirement System

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
<u>GENERAL FUND:</u>			
<i>Grants and Subsidies:</i>			
National Guard - Employer Contribution.....	\$ 2	\$ 4	\$ 4
	<hr/>	<hr/>	<hr/>
<u>OTHER FUNDS:</u>			
STATE EMPLOYEES' RETIREMENT FUND:			
State Employees' Retirement Administration.....	\$ 22,162	\$ 23,490	\$ 24,187
Directed Commissions.....	1,000	1,000	1,000
	<hr/>	<hr/>	<hr/>
STATE EMPLOYEES' RETIREMENT FUND TOTAL.....	\$ 23,162	\$ 24,490	\$ 25,187
	<hr/>	<hr/>	<hr/>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 2	\$ 4	\$ 4
SPECIAL FUNDS.....	0	0	0
OTHER FUNDS.....	23,162	24,490	25,187
	<hr/>	<hr/>	<hr/>
TOTAL ALL FUNDS.....	\$ 23,164	\$ 24,494	\$ 25,191
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

State Employees' Retirement System

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
STATE EMPLOYEES' RETIREMENT							
GENERAL FUND.....	\$ 2	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	23,162	24,490	25,187	25,187	25,187	25,187	25,187
SUBCATEGORY TOTAL.....	\$ 23,164	\$ 24,494	\$ 25,191	\$ 25,191	\$ 25,191	\$ 25,191	\$ 25,191
ALL PROGRAMS:							
GENERAL FUND.....	\$ 2	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	0	0	0	0	0
OTHER FUNDS.....	23,162	24,490	25,187	25,187	25,187	25,187	25,187
DEPARTMENT TOTAL.....	\$ 23,164	\$ 24,494	\$ 25,191	\$ 25,191	\$ 25,191	\$ 25,191	\$ 25,191

State Employees' Retirement System

PROGRAM OBJECTIVE: To provide an effective administrative system for the operation of the retirement system for State employees.

Program: State Employees' Retirement

The State Employees' Retirement System was established to administer the pension system created in 1924. Contributions by the employees and the employing agencies are made to the State Employees' Retirement Fund that uses those moneys and interest earnings for payment of annuities and disability benefits and for administration of the system. The State Employees' Retirement Fund is shown in the Special Funds Appendix.

The net assets available for benefits are in excess of \$24 billion dollars. The system is funded in accordance with generally accepted actuarial standards; the funding is reviewed annually by a contracted actuarial firm and an experience review is completed every five years.

The three major sources of current income to the system are earnings from investments, and employer and member contributions. The employer contribution rate is established annually by the board upon the recommendation of the actuary. Employer contribution rates differ in accordance with the class of employees for which they are contributing. There is additional cost for employees in safety positions, the Legislature and the Judiciary. As a result of Act 9 of

2001, effective January 2002, most system members contribute six and one-quarter percent of pay to the system, depending upon individual employee election of membership. Normal retirement from the system is at age 60, age 50 for safety employees and members of the Legislature, or at any age with 35 years of service. Retirement before those times is possible after five years of service but is actuarially reduced to the equivalent of the annuity which would have been payable at superannuation retirement. Act 40 of 2003 changed the funding period for most of system's actuarial liabilities from ten years to thirty years, effectively spreading out the payment of its costs and liabilities. Act 40 is expected to reduce employer contributions over a ten-year period by approximately \$5 billion.

The State Employees' Retirement Board is responsible for the administration of the Commonwealth Deferred Compensation Program that allows Commonwealth employees to defer a portion of their salaries to a retirement savings account. The Deferred Compensation Fund is shown in the Special Funds Appendix.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Retirement counseling sessions*	37,610	46,520	38,592	39,920	40,904	41,927	42,975
Total number of retired employees*	95,368	98,074	100,089	102,742	104,185	106,238	108,363

*New program measures.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

STATE EMPLOYEES' RETIREMENT FUND
State Employees' Retirement
Administration

\$ 697 —to continue current program.

The National Guard-Employer Contribution appropriation is recommended at the current year funding level.

In addition to this appropriation, \$1,000,000 in Directed Commission expenditures are anticipated for the budget year.

State Employees' Retirement System

Program: State Employees' Retirement (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
National Guard - Employer Contribution	\$ 2	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
STATE EMPLOYEES' RETIREMENT FUND:							
State Employees' Retirement							
Administration	\$ 22,162	\$ 23,490	\$ 24,187	\$ 24,187	\$ 24,187	\$ 24,187	\$ 24,187
Directed Commissions	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<u>23,162</u>	<u>24,490</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>
TOTAL STATE EMPLOYEES' RETIREMENT FUND	\$ 23,162	\$ 24,490	\$ 25,187	\$ 25,187	\$ 25,187	\$ 25,187	\$ 25,187
	<u>23,162</u>	<u>24,490</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>	<u>25,187</u>



STATE POLICE

The mission of the State Police is to promote traffic safety, effectively investigate crime and reduce criminal activity and to provide investigative assistance and support services to all law enforcement agencies within the Commonwealth. In addition, the State Police maintains and provides to criminal justice agencies, up-to-date law enforcement information, continually evaluates the competence level of law enforcement within the Commonwealth and provides prompt, competent service in emergency situations. The State Police ensures personal protection and security for the Governor and other persons designated by proper authority and enforces all other State statutes as directed by proper authority.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GENERAL FUND:

General Government:

	\$	147,208	\$	155,694	\$	137,293
General Government Operations.....						
(F)General Fund Share - PEBTF Contribution (EA).....		395		0		0
(F)Drug Enforcement.....		400		400		400
(F)Bulletproof Vests.....		1,473		1,473		1,473
(F)Marijuana Eradication.....		100		100		100
(F)DCSI - MARIS System(EA).....		226		226		0
(F)DCSI - Minority Recruitment(EA).....		30		0		0
(F)Program Management(EA).....		20		0		0
(F)Motor Carrier Safety(EA).....		3,306		2,575		0
(F)Motor Carrier Safety.....		0		0		5,702
(F)DUI Enforcement(EA).....		600		600		500
(F)Safety Education(EA).....		50		50		50
(F)Interstate Highway Enforcement(EA).....		375		375		525
(F)Sobriety Test Training(EA).....		24		20		20
(F)Construction Zone Patrolling(EA).....		7,500		10,000		10,000
(F)Corridor Safety(EA).....		75		75		75
(F)Occupant Protection(EA).....		870		450		500
(F)In-Car Video Cameras.....		500		300		0
(F)Improvements for Lab Systems.....		250		250		0
(F)Computer Crime Prevention.....		400		750		500
(F)Uniform Crime Report Redesign.....		200		0		0
(F)Combat Underage Drinking.....		360		450		0
(F)Staff and Command Training.....		173		0		0
(F)Crash Reduction(EA).....		150		150		150
(F)President's Day Snowstorm (EA).....		31		0		0
(F)Speed Timing Equipment.....		0		0		250
(F)Intelligent Transportation System.....		0		0		250
(F)Drug Recognition Expert Program.....		0		0		10
(F)Domestic Terrorism Training.....		0		0		380
(F)2005 Homeland Security Grant.....		0		0		1,000
(F)Terrorism Prevention Program.....		0		0		500
(F)Project Safe Neighborhoods.....		0		0		30
(F)Cold Case DNA.....		0		0		733
(F)DNA Personnel.....		0		0		70
(F)Fugitive Apprehension.....		80		0		0
(F)Operation Triggerlock.....		72		0		0
(F)Area Computer Crime.....		957		0		0
(F)Bar Coding System.....		90		0		0
(F)DCSI-Triggerlock (EA).....		180		260		200
(F)Radiation Emergency Response Fund.....		10		10		10
(F)Domestic Terrorism Equipment.....		300		300		0
(F)DCSI-PA Criminal Intelligence Center(EA).....		454		605		144
(F)Forensic Lab Improvement.....		139		139		0
(F)COPS Homeland Security OT Program(EA).....		3,000		0		0
(F)Megan's Law Improvements.....		105		105		40
(F)DNA Backlog Reduction.....		171		268		224
(F)Innovative Occupant Protection.....		0		300		300
(F)Racial Profiling Analysis.....		0		166		0
(F)Child Passenger Fitting Station.....		0		570		570
(F)Homeland Security (EA).....		977		0		0
(F)COPS Homeland Security OT Program (EA).....		0		3,000		0
(F)DNA Capacity Enhancement.....		0		758		600
(A)Turnpike Commission.....		25,168		25,800		27,500
(A)Sale of Automobiles.....		81		100		100
(A)Criminal History Record Checks.....		9,380		8,700		9,000
(A)Training Fees.....		115		55		65
(A)Reimbursement for Services.....		1,946		1,716		2,351
(A)Criminal History Fees - DPW.....		0		150		20
(A)Bank Alarm Fees.....		0		20		20
(A)Fingerprint Record Checks.....		156		470		170
(A)Registry of Protection.....		136		140		140
(A)Purchasing Card Rebates.....		63		50		60

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
(A)State Match - Outside Sources.....	0	214	0
(A)Transfer from Motor License Fund.....	0 ^a	0 ^a	0 ^a
Subtotal.....	<u>\$ 208,296</u>	<u>\$ 217,834</u>	<u>\$ 202,025</u>
Law Enforcement Information Technology.....	15,000	14,400	11,885
(A)Transfer from Motor License Fund.....	0 ^a	0 ^a	0 ^a
Municipal Police Training.....	4,243	3,509	3,846
(A)Transfer from Motor License Fund.....	0 ^a	0 ^a	0 ^a
Patrol Vehicles.....	2,768	2,542	0
(A)Automobile Sales.....	952	1,675	1,675
(A)Transfer from Motor License Fund.....	0 ^a	0 ^a	0 ^a
Subtotal.....	<u>\$ 3,720</u>	<u>\$ 4,217</u>	<u>\$ 1,675</u>
Automated Fingerprint Identification System.....	2,247	975	1,226
(F)Latent Print Transmission.....	500	0	0
(F)Fingerprint Card Archiving.....	397	0	0
(F)Fingerprint Card Scanner.....	160	0	0
(F)Palm Readers.....	0	0	500
Subtotal.....	<u>\$ 3,304</u>	<u>\$ 975</u>	<u>\$ 1,726</u>
Gun Checks.....	2,156	2,221	0
(R)Firearm Records Check.....	1,013	2,682	5,807
(F)Equipment Upgrades.....	22	0	0
Gaming Administration (06/06).....	0	7,500	0
Subtotal.....	<u>\$ 3,191</u>	<u>\$ 12,403</u>	<u>\$ 5,807</u>
Subtotal - State Funds.....	\$ 173,622	\$ 186,841	\$ 154,250
Subtotal - Federal Funds.....	25,122	24,725	25,806
Subtotal - Augmentations.....	37,997	39,090	41,101
Subtotal - Restricted Revenues.....	1,013	2,682	5,807
Total - General Government.....	<u>\$ 237,754</u>	<u>\$ 253,338</u>	<u>\$ 226,964</u>
STATE FUNDS.....	\$ 173,622	\$ 186,841	\$ 154,250
FEDERAL FUNDS.....	25,122	24,725	25,806
AUGMENTATIONS.....	37,997	39,090	41,101
RESTRICTED REVENUES.....	1,013	2,682	5,807
GENERAL FUND TOTAL.....	<u>\$ 237,754</u>	<u>\$ 253,338</u>	<u>\$ 226,964</u>
<u>MOTOR LICENSE FUND:</u>			
<i>General Government:</i>			
General Government Operations.....	\$ 311,975	\$ 331,337	\$ 372,085
Law Enforcement Information Technology.....	30,000	30,600	32,135
Municipal Police Training.....	4,243	3,509	3,846
Patrol Vehicles.....	5,882	5,401	7,000
Automated Fingerprint Identification System.....	0	1,846	121
Commercial Vehicles Inspection.....	0	0	3,773
Subtotal.....	<u>\$ 352,100</u>	<u>\$ 372,693</u>	<u>\$ 418,960</u>
Total - General Government.....	<u>\$ 352,100</u>	<u>\$ 372,693</u>	<u>\$ 418,960</u>
MOTOR LICENSE FUND TOTAL.....	<u>\$ 352,100</u>	<u>\$ 372,693</u>	<u>\$ 418,960</u>
<u>OTHER FUNDS:</u>			
<i>GENERAL FUND:</i>			
Seized/Forfeited Property - Federal.....	\$ 300	\$ 300	\$ 300
State Drug Act Forfeiture Funds.....	260	400	400
State Criminal Enforcement Forfeiture Funds.....	10	50	50

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Crime Lab User Fees.....	200	300	300
Auto Theft and Arson Fund.....	1,483	1,500	1,500
Insurance Fraud Prevention.....	250	250	250
GENERAL FUND TOTAL.....	\$ 2,503	\$ 2,800	\$ 2,800
DNA DETECTION FUND:			
DNA Detection of Offenders(EA).....	\$ 226	\$ 218	\$ 363
STATE STORES FUND:			
Liquor Control Enforcement.....	\$ 19,113	\$ 19,884	\$ 20,958
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 173,622	\$ 186,841	\$ 154,250
SPECIAL FUNDS.....	352,100	372,693	418,960
FEDERAL FUNDS.....	25,122	24,725	25,806
AUGMENTATIONS.....	37,997	39,090	41,101
RESTRICTED.....	1,013	2,682	5,807
OTHER FUNDS.....	21,842	22,902	24,121
TOTAL ALL FUNDS.....	\$ 611,696	\$ 648,933	\$ 670,045

^a Not added to total to avoid double counting. See Motor License Fund section of this summary for dollar amounts.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
PUBLIC PROTECTION AND LAW ENFORCEMENT							
GENERAL FUND.....	\$ 173,622	\$ 186,841	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250
SPECIAL FUNDS.....	352,100	372,693	418,960	418,960	418,960	418,960	418,960
FEDERAL FUNDS.....	25,122	24,725	25,806	25,806	25,806	25,806	25,806
OTHER FUNDS.....	60,852	64,674	71,029	71,029	71,029	71,029	71,029
SUBCATEGORY TOTAL.....	\$ 611,696	\$ 648,933	\$ 670,045	\$ 670,045	\$ 670,045	\$ 670,045	\$ 670,045
ALL PROGRAMS:							
GENERAL FUND.....	\$ 173,622	\$ 186,841	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250
SPECIAL FUNDS.....	352,100	372,693	418,960	418,960	418,960	418,960	418,960
FEDERAL FUNDS.....	25,122	24,725	25,806	25,806	25,806	25,806	25,806
OTHER FUNDS.....	60,852	64,674	71,029	71,029	71,029	71,029	71,029
DEPARTMENT TOTAL.....	\$ 611,696	\$ 648,933	\$ 670,045	\$ 670,045	\$ 670,045	\$ 670,045	\$ 670,045

PROGRAM OBJECTIVE: The State Police enforce the law and preserve the peace through detection of crime and apprehension of criminals, patrol of highways, and enforcement of the vehicle and liquor codes.

Program: Public Protection and Law Enforcement

Program Element: Management

This program element provides direction and coordination for all line and staff activities of the State Police, including administrative and overhead systems for the operation of various law enforcement programs. Protection for the Governor and visiting dignitaries, security of the executive residence and background investigations on State job applicants are components of this program.

State-of-the-art technology is automating a full range of State Police functions. The Incident Information Management System (IIMS) is currently being implemented. Data terminals have been installed in patrol vehicles, and bar-coding capabilities are being developed to process evidence. Dispatching services will be improved through the use of global positioning systems and mapping programs to identify and assign the nearest available patrol unit to any incident, significantly reducing response times. When fully implemented, the IIMS will enhance the effectiveness and efficiency of troopers patrolling the highways by supplying critical crime and traffic information directly to their vehicles thus reducing the time they spend on paperwork.

In 2003, the Pennsylvania Criminal Intelligence Center (PaCIC) was implemented. The PaCIC provides analytical assistance to Pennsylvania law enforcement agencies. Trained, professional Intelligence Analysts supply law enforcement agencies with various intelligence/information products needed for tactical and strategic planning. Intelligence Analysts also offer access to archived public information, investigative information and intelligence information from a multitude of Statewide and national databases.

The State Police operational resources are coordinated through the Problem Specific Policing (PSP) initiative. The PSP is an incident analysis and police management tool that utilizes case data mapping with the goal of reducing traffic crashes and criminal activity. Its aim is to improve the quality of life of citizens. The PSP is built on the principles of accurate and timely statistical data, effective tactics, rapid deployments of existing resources and follow-up assessments.

Program Element: Vehicle Standards Control

The vehicle inspection program within the Commonwealth is conducted jointly by the Department of Transportation and the State Police. This program was established to provide vehicle safety through periodic inspection of motor vehicles and removal of unsafe vehicles from the Commonwealth's highways. The administrative supervision of motor vehicle safety inspection stations, emissions inspection stations and motor vehicle dealers was transferred to the Department

of Transportation on January 1, 1998. State Police continue to administer the school bus and mass transit vehicle inspection function; investigate complaints of improper practices by official inspection stations and motor vehicle dealers.

Program Element: Traffic Supervision

Enforcing the Commonwealth's traffic laws is a major responsibility of the State Police. The department emphasizes reducing traffic crashes and bringing the motoring public into voluntary compliance with all traffic laws through patrol and enforcement activities. Traffic patrol and enforcement is provided by the State Police in those municipalities where there are no full-time police departments and on all interstate highways. Traffic assistance is also provided, upon request, to municipalities with full-time police departments.

The State Police utilize various patrol and enforcement techniques; however, the very presence of visible police patrols continues to have the greatest impact on reducing traffic crashes. In this regard, the State Police attempt to allocate patrol activities to those areas and locations with high traffic and crash volume. Supplemental patrolling is provided in construction zones for the safety of motorists and construction workers. Aircraft piloted by State Police troopers routinely monitor the speeds of vehicles on interstate and secondary highways. This method of speed enforcement is especially effective against commercial vehicles and other vehicles equipped with citizen band radios and radar detecting devices. Enforcement efforts continue to be concentrated in areas identified by the PSP initiative.

The department continues the use of DUI Sobriety Checkpoints to combat drunk driving. Operation Nighthawk was initiated as a Statewide training and enforcement program providing legal updates, development strategies and operational tactics combined with saturation DUI enforcement teams.

The Commonwealth Commercial Vehicle Enforcement Program is a combined effort of the Pennsylvania State Police and the Pennsylvania Department of Transportation. One permanent facility along Interstate 80 and 26 mobile weight teams throughout the State enforce the Commonwealth's vehicle weight and size limitations. The State Police also conducts the Federal Motor Carrier Safety Assistance Program (MCSAP). MCSAP consists of troopers and civilian enforcement officers throughout the State enforcing Federal Motor Carrier Safety Regulations. These regulations pertain to drivers, equipment, documents, loads and hazardous materials transportation. Federal regulations are applicable to both interstate and intrastate motor carrier

Program: Public Protection and Law Enforcement (continued)

vehicles. Beginning in 2004, the State Police became the primary MSCAP agency, with the transfer of program personnel and resources from the Department of Transportation. In addition, the State Police aggressively conduct a program to reduce the number of truck crashes occurring in Pennsylvania through the Troop Truck Crash Prevention Initiative (TTCPI). TTCPI concentrates on the detection and enforcement of moving traffic violations committed by commercial motor vehicle drivers. The operations are directed toward reducing crashes on specific highways and areas that have been identified as having a high number of commercial vehicle crashes.

In a program sponsored by the National Highway Traffic Safety Administration, 232 Pennsylvania State Troopers are currently certified as child passenger safety technicians. The State Police maintain permanent child safety fitting stations. Each station conducts inspections on a designated date at posted times at least once a month.

Program Element: Crime Prevention

Combating crime is not the responsibility of police alone. It requires the active, organized involvement of the public if any significant results are to be realized. The State Police crime prevention mission is to reduce the incidence of crime through citizen involvement and educational crime prevention techniques. This includes programs such as neighborhood crime watch groups, block parents, and crime stoppers.

The State Police provides assistance to municipalities in suppression of violent crime through the Operation Triggerlock Program. Under this program, the State Police works hand-in-hand with Federal and local law enforcement officials to purge violent crime from urban neighborhoods. Community involvement, intelligence gathering, and saturation patrols are essential components of this operation.

The Citizens' Police Academy Program offers a 10-12 week seminar providing members of the public with an opportunity to learn about various law enforcement issues and resources. Speakers from the Pennsylvania State Police, Federal and local agencies discuss a wide range of law enforcement topics.

Program Element: Criminal Law Enforcement

The majority of State Police efforts in criminal law enforcement are performed at the station level and consist of investigations of violence and property crimes. At the Statewide level, there are special investigations involving drugs and narcotics, organized crime, terrorism, white-collar crime, public corruption, arson, computer crime, and criminal personality profiling.

State Police troopers, along with local, state and federal agencies, target major drug trafficking organizations utilizing a comprehensive strategy that involves intelligence gathering, financial background information, criminal investigation and asset forfeiture proceedings.

On February 20, 2002, the Pennsylvania State Police instituted a non-family child abduction alert notification system called the Pennsylvania Amber Alert Plan. This utilizes the Emergency Alert System to inform the public of an abduction of a child under the age of 16 or under the age of 18 with a proven mental or physical disability; and in certain instances, which the police believe the child is in danger of serious bodily harm or death.

A Computer Crime Unit provides investigative assistance to all local, State, and Federal law enforcement agencies in cases where a computer has been utilized for a criminal purpose. The unit is equipped with the newest technology and is comprised of several full-time and part-time computer crime investigators assigned at strategic locations throughout the state. The Computer Crime Unit also provides educational information for local law enforcement agencies and prosecutors.

Program Element: Emergency Assistance

The State Police are normally called upon whenever any emergency situation occurs within the Commonwealth. The department has primary police jurisdiction in 85% of the Commonwealth's land area, comprising 29% of its population, and also provides assistance to a variety of local and state agencies, particularly law enforcement agencies. The Department classifies emergency assistance into two separate categories: civil disorder and emergency management.

Civil disorders are incidents that may become criminal in nature in such categories as prison disturbances, labor disorders, strikes, campus-school disorders, youth group disorders, terrorism and hostage situations. Emergency management deals with prevention, mitigation and response to natural and/or man-made hazards to prevent loss of life or property, economic loss and disruption of normal living conditions.

The Office of Domestic Security (ODS) was formed in October, 2002 to administer and coordinate numerous homeland and domestic security responsibilities. ODS has four primary missions: emergency planning and preparedness, liaison to the Governor's Office of Homeland Security, facility security for department installations, and risk and vulnerability assessments for facilities and critical infrastructures.

The Special Emergency Response Team (SERT) is comprised of carefully selected, uniquely trained, and specially equipped troopers responsible for an incident-specific approach to high-risk and special emergency situations. Specially trained K-9 Dog Teams provide drug, arson, and explosive detection during emergency incidents. The department's fleet of eight helicopters and seven airplanes are frequently called upon to provide assistance during emergencies. The State Police has also established a Hazardous Device and Explosive Section as a response to bomb threats and similar security issues.

Program: Public Protection and Law Enforcement (continued)

Program Element: Liquor Control and Gaming Enforcement

The Bureau of Liquor Control Enforcement directs and controls a coordinated enforcement effort toward violations of the Pennsylvania Liquor Code and related sections of the Crimes Code. Operations include covert and overt investigations, assisting municipal police agencies, conducting routine license investigations and performing establishment audits and border patrols. The State Police have implemented a high school and middle school education program to deter minors from using alcoholic beverages. The State Police also conduct the Enforcing the Underage Drinking Laws Program to effect a change in the culture of

college students to reduce binge drinking and deglamorize underage drinking. The project consists of establishing partnerships with college administrators, college students, the alcohol industry and community members to determine and implement effective measures to reduce the harmful consequences caused by underage and binge drinking. Act 71 of 2004, the Pennsylvania Race Horse Development and Gaming Act, established the Gaming Control Board to regulate and oversee the implementation and operation of limited gaming activities within the Commonwealth. The Pennsylvania State Police will have responsibilities under the act that will be determined by the board.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Operations							
Sworn Complement*	4,275	4,325	4,338	4,338	4,338	4,338	4,338
Civilian Complement*	1,626	1,635	1,706	1,702	1,702	1,702	1,702
Vehicle Standards Control							
School bus and mass transit vehicle inspections	27,479	27,260	27,504	27,748	27,992	28,216	28,460
Traffic Supervision Vehicle							
Vehicle accident fatalities*	795	726	657	588	514	450	381
Traffic citations issued	438,328	465,087	462,552	460,017	457,482	454,947	452,411
DUI arrests - individuals arrested*	11,969	11,888	11,941	11,995	12,048	12,102	12,155
Criminal Law Enforcement and Crime Prevention							
Crimes per 100,000 population in State Police jurisdiction areas							
against persons	135	134	135	136	137	138	139
Criminal arrests	2,641	2,670	2,740	2,810	2,880	2,950	3,020
% of cleared offenses in which person was identified	60.30%	61.35%	60.36%	59.37%	58.38%	57.39%	56.40%
% of those arrested who are convicted	59.10%	64.00%	66.00%	68.00%	70.00%	72.00%	74.00%
Crimes per 100,000 population in State Police jurisdiction areas							
against property	1,162	1,180	1,173	1,166	1,159	1,152	1,145
Persons arrested	9,389	9,277	9,289	9,301	9,313	9,325	9,337
% of cleared offenses in which person was identified	26.10%	26.10%	26.60%	27.10%	27.60%	29.10%	28.60%
% of those arrested who are convicted	71.80%	75.00%	74.00%	73.00%	72.00%	71.00%	70.00%
Methamphetamine labs closed*	35	116	232	464	928	1,856	3,712
Megan's Law: number of registered sex offenders*	6,787	7,886	8,966	10,046	11,126	12,206	13,296
Crime Lab							
Specimens submitted for DNA analysis* ...	906	691	841	991	1,142	1,593	1,743
No-suspect DNA positive identifications ...	65	227	193	231	267	303	339
Fingerprint cards submitted*	256,571	269,752	282,933	296,114	309,295	322,476	335,657
Cases solved through identification of latent prints*	796	840	884	928	976	1,016	1,060
Firearms Checks: checks conducted for the purchase of a firearm*	542,441	504,072	540,894	543,298	545,703	548,107	550,511
Background Checks							
Firearm purchase denials from criminal history check*	10,406	9,392	8,368	8,435	8,502	8,568	8,636
Criminal history checks for employment purposes*	964,507	1,010,833	1,089,527	1,168,222	1,246,916	1,325,610	1,404,305

Program: Public Protection and Law Enforcement (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Crime Tip Line							
Terrorism Hotline calls with possible intelligence*	874	1,031	1,188	1,345	1,502	1,659	1,816
Terrorism tips received*	790	990	1,190	1,390	1,590	1,790	1,990
Drug tips received*	224	224	234	244	254	264	274
Liquor Control Enforcement							
Enforcement investigations	31,396	36,000	36,000	36,000	36,000	36,000	36,000
Inspections of open liquor establishments*	2,918	3,467	4,067	4,666	5,266	5,865	6,465
Warning notices issued due to Liquor Code violations*	286,014	299,445	292,976	286,507	280,039	273,570	267,102

*New program measure.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

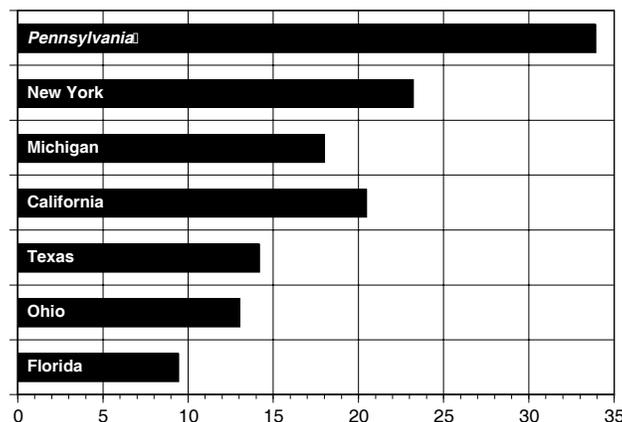
<p>GENERAL FUND AND MOTOR LICENSE FUND COMBINED:</p> <p>General Government Operations —to continue current program.</p> <p>\$ 22,347</p> <p>Law Enforcement Information Technology —reductions to administrative costs.</p> <p>\$ -980</p> <p>Municipal Police Training —to continue current program.</p> <p>\$ 674</p> <p>Patrol Vehicles —to continue current program.</p> <p>\$ -943</p> <p>Automated Fingerprint Identification System —reductions to administrative costs.</p> <p>\$ -1,474</p>	<p>Gun Checks —Initiative – Program Savings. Savings from increased fees for Firearm Records checks</p> <p>\$ -2,221</p> <p>Gaming Administration (06/06) —nonrecurring General Fund loan to support start-up costs of gaming enforcement.</p> <p>\$ -7,500</p> <p>Commercial Vehicle Inspections —Initiative – Transfer of Motor Carrier Safety Assistance Program. To transfer and consolidate the Department of Transportation’s Motor Carrier Safety Assistance Program within the Pennsylvania State Police.</p> <p>\$ 3,773</p> <p>STATE STORES FUND: Liquor Control Enforcement —to continue current program.</p> <p>\$ 1,074</p>
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In addition, this budget updates funding allocation percentages to reflect highway patrol and criminal investigative activities of the Pennsylvania State Police.

In addition, a total of \$5,702,000 in Federal Funds is recommended for the Motor Carrier Safety Assistance Program.

State Police Per 100,000 Population

Full-time Law Enforcement Officers
as of October 2003



Program: Public Protection and Law Enforcement (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 147,208	\$ 155,694	\$ 137,293	\$ 137,293	\$ 137,293	\$ 137,293	\$ 137,293
Law Enforcement Information Technology	15,000	14,400	11,885	11,885	11,885	11,885	11,885
Municipal Police Training	4,243	3,509	3,846	3,846	3,846	3,846	3,846
Patrol Vehicles	2,768	2,542	0	0	0	0	0
Automated Fingerprint Identification System	2,247	975	1,226	1,226	1,226	1,226	1,226
Gun Checks	2,156	2,221	0	0	0	0	0
Gaming Administration (06/06)	0	7,500	0	0	0	0	0
TOTAL GENERAL FUND	\$ 173,622	\$ 186,841	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250	\$ 154,250
MOTOR LICENSE FUND:							
General Government Operations	\$ 311,975	\$ 331,337	\$ 372,085	\$ 372,085	\$ 372,085	\$ 372,085	\$ 372,085
Law Enforcement Information Technology	30,000	30,600	32,135	32,135	32,135	32,135	32,135
Municipal Police Training	4,243	3,509	3,846	3,846	3,846	3,846	3,846
Patrol Vehicles	5,882	5,401	7,000	7,000	7,000	7,000	7,000
Automated Fingerprint Identification System	0	1,846	121	121	121	121	121
Commercial Vehicles Inspection	0	0	3,773	3,773	3,773	3,773	3,773
TOTAL MOTOR LICENSE FUND	\$ 352,100	\$ 372,693	\$ 418,960	\$ 418,960	\$ 418,960	\$ 418,960	\$ 418,960
STATE STORES FUND:							
Liquor Control Enforcement	\$ 19,113	\$ 19,884	\$ 20,958	\$ 20,958	\$ 20,958	\$ 20,958	\$ 20,958



TAX EQUALIZATION BOARD

The mission of the State Tax Equalization Board is to provide an effective administrative system to assess taxable real property value which is the basis for an equitable distribution of tax funds to support education services.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GENERAL FUND:

General Government:

General Government Operations	\$	1,295	\$	1,330	\$	1,330
(F)General Fund Share - PEBTF Contribution (EA).....		19		0		0
		1,295		1,330		1,330
Subtotal - State Funds.....	\$	1,295	\$	1,330	\$	1,330
Subtotal - Federal Funds.....		19		0		0
		1,314		1,330		1,330
Total - General Government.....	\$	1,314	\$	1,330	\$	1,330
STATE FUNDS.....	\$	1,295	\$	1,330	\$	1,330
FEDERAL FUNDS.....		19		0		0
GENERAL FUND TOTAL	\$	1,314	\$	1,330	\$	1,330

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
EDUCATION SUPPORT SERVICES							
GENERAL FUND.....	\$ 1,295	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	19	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 1,314	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330
ALL PROGRAMS:							
GENERAL FUND.....	\$ 1,295	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	19	0	0	0	0	0	0
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 1,314	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330

PROGRAM OBJECTIVE: To provide an effective administrative system to assess taxable real property value which is the basis for an equitable distribution of tax funds to support education services.

Program: Education Support Services

The Tax Equalization Board is an independent administrative board created to ensure equitable distribution of tax funds among the State's school districts. The board, in accordance with Act 147 of 1947, determines annually the aggregate market value of taxable real property in each of the more than 2,500 municipalities and 501 school districts in the Commonwealth and certifies the market value to the Secretary of Education. The results are used in determining distribution of State subsidies to school districts

and local libraries, limitations on real estate taxes in school districts lying in more than one county, tax limitations in financing community colleges, and overall tax limitations for political subdivisions and school districts. The program includes holding hearings and analyzing real estate values and transactions. Act 267 of 1982 requires the board to establish annually a common level ratio of assessed value to market value in each county for the prior calendar year.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

The General Government Operations appropriation is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Government Operations	\$ 1,295	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330	\$ 1,330



DEPARTMENT OF TRANSPORTATION

The mission of the Department of Transportation is to provide, through the active involvement of customers, employes and partners, an intermodal transportation system and services that exceed the expectation of those who use them.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
GENERAL FUND:			
<i>General Government:</i>			
General Operations.....	\$ 1,814	\$ 1,830	\$ 1,752
(F)FTA - Technical Studies Grants.....	3,129	3,231	3,915
(F)Capital Assistance.....	155	143	153
(F)Surface Transportation Assistance.....	940	920	920
(F)FTA - Capital Improvement Grants.....	4,300	4,300	4,300
(F)Title IV Rail Assistance.....	36	36	36
(F)Maglev.....	5,000	5,000	5,000
(F)General Fund Share - PEBTF Contributions (EA).....	56	0	0
(R)Project Management Oversight - PTAF (EA).....	408	1,000	1,000
(A)PTAF - Oversight.....	0 ^a	0 ^a	0 ^a
Rail Safety Inspection.....	434	434	434
Vehicle Sales Tax Collections.....	1,829	1,829	1,498
Welcome Centers.....	2,253	0	0
Voter Registration.....	931	901	410
Organ Donor Operations.....	99	99	0
Subtotal - State Funds.....	\$ 7,360	\$ 5,093	\$ 4,094
Subtotal - Federal Funds.....	13,616	13,630	14,324
Subtotal - Restricted Revenues.....	408	1,000	1,000
Total - General Government.....	\$ 21,384	\$ 19,723	\$ 19,418
<i>Grants and Subsidies:</i>			
Mass Transportation Assistance.....	\$ 270,014	\$ 287,815	\$ 293,571
Rural Transportation Assistance.....	999	1,000	1,000
(F)TANFBG - Access to Jobs.....	10,000	10,000	0
(F)TEA 21 - Access to Jobs.....	2,000	2,000	0
Fixed Route Transit.....	22,126	25,000	27,254
Intercity Transportation.....	7,013	7,413	7,413
(F)Surface Transportation - Operating.....	12,000	13,000	14,100
(F)Surface Transportation Assistance Capital.....	4,000	4,000	4,000
(F)FTA - Capital Improvements.....	25,000	25,000	25,000
(F)FTA - Intelligent Vehicles - Public Transit.....	3,890	4,500	4,635
(F)FTA - Intelligent Transit System Deployment.....	20,000	13,800	14,214
(R)Technical Assistance - PTAF (EA).....	3,570	1,495	1,448
(R)Community Transportation Equipment Grants - PTAF (EA).....	3,189	2,300	2,300
(R)Mass Transit Grants (EA).....	69,666	69,666	69,666
(R)Rural Transit Grants (EA).....	4,134	4,134	4,134
(R)Community Transportation (EA).....	1,850	1,200	1,200
Rail Freight Assistance.....	4,250	8,500	8,500
Subtotal - State Funds.....	\$ 304,402	\$ 329,728	\$ 337,738
Subtotal - Federal Funds.....	76,890	72,300	61,949
Subtotal - Restricted Revenues.....	82,409	78,795	78,748
Total - Grants and Subsidies.....	\$ 463,701	\$ 480,823	\$ 478,435
STATE FUNDS.....	\$ 311,762	\$ 334,821	\$ 341,832
FEDERAL FUNDS.....	90,506	85,930	76,273
RESTRICTED REVENUES.....	82,817	79,795	79,748
GENERAL FUND TOTAL.....	\$ 485,085	\$ 500,546	\$ 497,853
MOTOR LICENSE FUND:			
<i>General Government:</i>			
General Government Operations.....	\$ 48,047	\$ 47,022	\$ 47,022
Welcome Centers.....	0	2,616	2,616
Highway Systems Technology.....	15,237	17,100	22,100
Refunding Collected Monies (EA).....	3,918	4,750	4,750
(F)Federal Aid - Intelligent Transportation System.....	12	525	500

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
(A)Reimbursement - Other Agencies.....	359	80	80
(A)Mass Transportation.....	111	135	135
(A)Duplicating Services.....	66	114	114
(A)Aviation Restricted Revenue.....	107	161	161
(A)Administrative Hearings.....	30	40	40
(A)Litter Fine Receipts.....	9	9	9
(A)Reimb Drug & Alcohol Testing.....	48	30	30
Subtotal.....	\$ 67,944	\$ 72,582	\$ 77,557
Highway and Safety Improvements.....	150,000	150,000	150,000
Security Wall Pilot Program.....	10,000	5,000	5,000
Highway Capital Projects (EA).....	222,050	220,218	221,577
(F)Highway Research, Planning and Construction.....	830,576	1,000,100	940,000
(F)Highway Safety - Construction (EA).....	11	100	100
(A)Transfer from Highway Capital Projects (EA).....	0 ^b	0 ^b	0 ^b
(A)Transfer from Highway Capital Projects - Excise Tax (EA).....	0 ^c	0 ^c	0 ^c
(A)Transfer from Security Walls Pilot Project Appropriation.....	0 ^d	0 ^d	0 ^d
(A)Highway Construction Contributions.....	16,095	8,000	10,000
(A)Joint Use Leases.....	361	0	0
(A)Intern Program - PHEAA Reimbursement.....	140	0	0
(A)Reimbursement - Other Agencies.....	104	0	0
(A)Proceeds from sale of R/W.....	556	0	0
(A)Licensing Fees- Engineering software.....	41	0	0
(A)Reimb-Accident Damage Claims.....	2	0	0
(R)Highway Capital Projects - Excise Tax (EA).....	50,000	62,914	75,439
(R)Highway Bridge Projects (EA).....	46,421	95,000	90,000
(R)Bridges - Excise Tax (EA).....	50,222	48,110	52,201
(F)Federal Aid - Highway Bridge Projects.....	188,804	230,000	210,000
(F)Federal Disaster Reimbursement - FHWA.....	2,780	0	0
(A)Bridge Construction Contributions.....	4,390	3,800	2,800
(A)Bridge Reimbursement from Local Governments.....	621	200	200
Subtotal.....	\$ 1,573,174	\$ 1,823,442	\$ 1,757,317
Highway Maintenance.....	651,000	694,000	694,000
Secondary Road - Maintenance and Resurfacing (EA).....	65,230	65,230	65,230
Highway Maintenance Safety Projects.....	0	0	10,000
Smoother Roads.....	50,000	50,000	50,000
Disaster Recovery.....	0	0	50,000
Bridge Preservation.....	0	0	28,000
Emergency Highway and Bridge Repair.....	0	0	5,000
Reinvestment - Facilities.....	9,540	9,540	16,540
(F)Highway Research, Planning and Construction.....	173,057	264,000	260,000
(F)State and Community Highway Safety.....	2,988	0	0
(F)Highway Safety - Maintenance (EA).....	0	4,000	4,000
(R)Highway Maintenance - Excise Tax (EA).....	141,256	155,434	168,651
(R)Highway Maintenance Enhancement (EA).....	207,148	227,992	247,366
(A)Highway Maintenance Contributions.....	9,670	11,000	10,940
(F)Disaster Recovery - FEMA.....	4,787	0	0
(A)Sale of Automobiles.....	2	400	400
(A)Sale of Gas, Oil and Antifreeze.....	11	90	50
(A)Sale of Right-of-Way - Hwy Maint.....	1	10	10
(A)Sale of Equipment.....	3,531	5,000	5,000
(A)Heavy Hauling - Bonded Roads.....	297	500	300
(A)Sale of Signs.....	87	300	100
(A)Accident Damage Claims.....	4,530	5,000	5,000
(A)Recovered Permit Compliance Cost.....	0	10	0
(A)Intern Program - PHEAA Reimbursement.....	193	300	200
Subtotal.....	\$ 1,323,328	\$ 1,492,806	\$ 1,620,787
Safety Administration and Licensing.....	118,558	126,787	127,708
(F)State and Community Highway Safety.....	532	600	600
(F)Highway Safety - Safety Administration (EA).....	0	300	300
(F)Reimbursement - Drivers License Suspension/Denial.....	0	200	100
(F)Reimbursement - Advertising Emmission Inspection.....	0	550	100
(F)Reimbursement - Child Support Enforcement Costs.....	49	300	0

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
(F)Congestion Mitigation Air Quality.....	0	800	100
(A)Administrative Support.....	2,172	300	450
(A)Computer Support.....	12	300	100
(A)Photo ID Program.....	15,009	14,300	15,400
(A)Vehicle Sales Tax Collections.....	0 ^e	0 ^e	0 ^e
(A)Emission Mechanic Training Courses.....	28	200	89
(A)Reimbursement - Special Plates Administrative Costs.....	0	175	50
(A)Reimbursement - Data Line Charges.....	155	400	200
(A)Reimbursement - Organ Donor Program.....	0 ^f	0 ^f	0 ^f
(A)Reimbursement - Flight Services.....	0 ^g	0 ^g	0 ^g
Subtotal.....	\$ 136,515	\$ 145,212	\$ 145,197
(R)Aviation Operations.....	3,655	4,966	4,966
(F)Aviation Planning.....	196	0	0
(F)Aviation Planning (EA).....	0	13	13
(F)Reimbursement - Statewide Program.....	0	485	485
(F)Airport Inspections.....	22	0	0
(F)Airport Inspections (EA).....	0	12	12
(A)Reimbursement - Flight Operations.....	633	840	840
(A)Airport Inspections and Licensing.....	5	7	7
(A)Reimbursement - Statewide Program.....	21	60	60
(A)Reimbursement - General Fund Flight Services.....	22	0	0
(A)Reimbursement - Other State Airports.....	0	0	1
Subtotal.....	\$ 4,554	\$ 6,383	\$ 6,384
Subtotal - State Funds.....	\$ 1,343,580	\$ 1,392,263	\$ 1,499,543
Subtotal - Federal Funds.....	1,203,814	1,501,985	1,416,310
Subtotal - Augmentations.....	59,419	51,761	52,766
Subtotal - Restricted Revenues.....	498,702	594,416	638,623
Total - General Government.....	\$ 3,105,515	\$ 3,540,425	\$ 3,607,242
 Grants and Subsidies:			
Local Road Maintenance and Construction Payments.....	\$ 189,239	\$ 189,764	\$ 190,639
Supplemental Local Road Maintenance and Construction Payment.....	5,000	5,000	5,000
Payment to Turnpike Commission (EA).....	28,000	28,000	28,000
(R)Local Road Payments - Excise Tax (EA).....	40,357	44,455	48,185
(R)Payments to Municipalities (EA).....	28,248	31,120	33,733
(R)Local Grants for Bridge Projects (EA).....	11,774	25,000	25,000
(R)County Bridges - Excise Tax (EA).....	1,630	8,488	10,922
(F)Federal Aid - Local Grants for Bridge Projects.....	997	1,200	1,000
(F)Federal Aid - County Bridges.....	132	200	200
(A)Local Governments.....	28	0	200
(R)Toll Roads - Excise Tax (EA).....	47,062	51,551	55,749
(R)Annual Maintenance Payments - Highway Transfer (EA).....	11,343	12,230	11,401
(R)Restoration Projects - Highway Transfer (EA).....	1,410	14,394	4,900
(R)Airport Development.....	16,987	8,000	7,000
(F)Federal Reimbursement - Airport Development.....	13,879	0	0
(F)Airport Development (EA).....	0	18,000	18,000
(R)Real Estate Tax Rebate.....	250	250	250
Subtotal.....	\$ 396,336	\$ 437,652	\$ 440,179
Subtotal - State Funds.....	\$ 222,239	\$ 222,764	\$ 223,639
Subtotal - Federal Funds.....	15,008	19,400	19,200
Subtotal - Augmentations.....	28	0	200
Subtotal - Restricted Revenues.....	159,061	195,488	197,140
Total - Grants and Subsidies.....	\$ 396,336	\$ 437,652	\$ 440,179

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
STATE FUNDS.....	\$ 1,565,819	\$ 1,615,027	\$ 1,723,182
FEDERAL FUNDS.....	1,218,822	1,521,385	1,435,510
AUGMENTATIONS.....	59,447	51,761	52,966
RESTRICTED REVENUES.....	657,763	789,904	835,763
MOTOR LICENSE FUND TOTAL.....	\$ 3,501,851	\$ 3,978,077	\$ 4,047,421
 LOTTERY FUND:			
<i>Grants and Subsidies:</i>			
Older Pennsylvanians Shared Rides (EA).....	\$ 65,099	\$ 73,153	\$ 73,356
Older Pennsylvanians Free Transit (EA).....	49,983	63,000	63,579
Total - Grants and Subsidies.....	\$ 115,082	\$ 136,153	\$ 136,935
LOTTERY FUND TOTAL.....	\$ 115,082	\$ 136,153	\$ 136,935
 OTHER FUNDS:			
GENERAL FUND:			
Federal Grants - Railroad Freight Rehabilitation.....	\$ 0	\$ 1,000	\$ 1,000
Child Passenger Restraint Fund.....	89	50	100
GENERAL FUND TOTAL.....	\$ 89	\$ 1,050	\$ 1,100
 MOTOR LICENSE FUND:			
Federal Reimbursements - Highway Safety Program.....	\$ 7,288	\$ 6,600	\$ 6,700
Reimbursements to Municipalities - Vehicle Code Fines.....	12,483	16,000	17,000
Federal Reimbursements - Flood Related Costs.....	0	2,000	2,000
Reimbursements to Other States-Apportioned Registration Plan.....	32,807	35,000	37,000
Federal Reimbursements - Bridge Projects.....	35,599	40,000	40,000
Motorcycle Safety Education.....	4,025	3,000	3,000
Equipment Rental Security Deposits.....	0	1,000	1,000
Payments to Blind/Visually Handicapped.....	95	1,600	1,600
Federal Reimbursements - Political Subdivisions.....	90,941	60,000	60,000
License and Registration Pickups.....	0	15	15
Engineering Software Maintenance.....	0	200	200
MOTOR LICENSE FUND TOTAL.....	\$ 183,238	\$ 165,415	\$ 168,515
 HIGHWAY BEAUTIFICATION FUND:			
Control of Junkyards (EA).....	\$ 1	\$ 15	\$ 15
Control of Outdoor Advertising (EA).....	394	700	700
HIGHWAY BEAUTIFICATION FUND TOTAL.....	\$ 395	\$ 715	\$ 715
 INFRASTRUCTURE BANK FUND:			
Infrastructure Bank Loans (EA).....	\$ 9,015	\$ 10,118	\$ 10,118
 LIQUID FUELS TAX FUND:			
Payments to Counties.....	\$ 32,003	\$ 31,000	\$ 31,000
Auditor General's Audit Costs (EA).....	182	500	500
LIQUID FUELS TAX FUND TOTAL.....	\$ 32,185	\$ 31,500	\$ 31,500
 MOTOR VEHICLE TRANSACTION RECOVERY FUND:			
Reimbursement to Transportation.....	\$ 167	\$ 150	\$ 150
 PUBLIC TRANSPORTATION ASSISTANCE FUND:			
Transfer to General Fund (EA).....	\$ 0 ^h	\$ 0 ^h	\$ 0 ^h
Mass Transit Grants (EA).....	170,690	188,480	170,351
Rural Transit Grants (EA).....	4,023	4,525	4,001

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
PUBLIC TRANSPORTATION ASSISTANCE FUND TOTAL.....	<u>\$ 174,713</u>	<u>\$ 193,005</u>	<u>\$ 174,352</u>
DEPARTMENT TOTAL - ALL FUNDS			
GENERAL FUND.....	\$ 311,762	\$ 334,821	\$ 341,832
SPECIAL FUNDS.....	1,680,901	1,751,180	1,860,117
FEDERAL FUNDS.....	1,309,328	1,607,315	1,511,783
AUGMENTATIONS.....	59,447	51,761	52,966
RESTRICTED.....	740,580	869,699	915,511
OTHER FUNDS.....	399,802	401,953	386,450
TOTAL ALL FUNDS.....	<u>\$ 4,501,820</u>	<u>\$ 5,016,729</u>	<u>\$ 5,068,659</u>

^a Not added to the total to avoid double counting: 2003-04 Actual is \$0, 2004-05 Available is \$10,000, and 2005-06 Budget is \$10,000.

^b Not added to the total to avoid double counting: 2003-04 Actual is \$222,050,000, 2004-05 Available is \$0, and 2005-06 Budget is \$0.

^c Not added to the total to avoid double counting: 2003-04 Actual is \$50,000,000, 2004-05 Available is \$0, and 2005-06 Budget is \$0.

^d Not added to the total to avoid double counting: 2003-04 Actual is \$10,000,000, 2004-05 Available is \$0, and 2005-06 Budget is \$0.

^e Not added to the total to avoid double counting: 2003-04 Actual is \$0, 2004-05 Available is \$1,829,000, and 2005-06 Budget is \$1,498,000.

^f Not added to the total to avoid double counting: 2003-04 Actual is \$99,000, 2004-05 Available is \$99,000, and 2005-06 Budget is \$0.

^h Not added to the total to avoid double counting: 2003-04 Actual is \$4,749,000, 2004-05 Available is \$4,795,000, and 2005-06 Budget is \$4,748,000.

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
TRANSPORTATION SUPPORT SERVICES							
GENERAL FUND.....	\$ 1,814	\$ 1,830	\$ 1,752	\$ 1,752	\$ 1,752	\$ 1,752	\$ 1,752
SPECIAL FUNDS.....	67,202	68,872	73,872	73,872	73,872	73,872	73,872
FEDERAL FUNDS.....	8,628	9,155	9,824	9,824	9,824	9,824	9,824
OTHER FUNDS.....	1,227	1,619	1,669	1,669	1,669	1,669	1,669
SUBCATEGORY TOTAL.....	\$ 78,871	\$ 81,476	\$ 87,117	\$ 87,117	\$ 87,117	\$ 87,117	\$ 87,117
STATE HIGHWAY AND BRIDGE CONSTRUCTION/RECONSTRUCTION							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	410,050	403,218	404,577	404,577	404,577	404,577	404,577
FEDERAL FUNDS.....	1,022,171	1,230,200	1,150,100	1,150,100	1,150,100	1,150,100	1,150,100
OTHER FUNDS.....	182,491	239,098	251,921	251,921	251,921	251,921	251,921
SUBCATEGORY TOTAL.....	\$ 1,614,712	\$ 1,872,516	\$ 1,806,598	\$ 1,806,598	\$ 1,806,598	\$ 1,806,598	\$ 1,806,598
STATE HIGHWAY AND BRIDGE MAINTENANCE							
GENERAL FUND.....	\$ 2,253	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	775,770	821,386	921,386	871,386	870,283	870,612	870,612
FEDERAL FUNDS.....	180,832	268,000	264,000	264,000	264,000	264,000	264,000
OTHER FUNDS.....	417,043	458,746	494,818	494,818	494,818	494,818	494,818
SUBCATEGORY TOTAL.....	\$ 1,375,898	\$ 1,548,132	\$ 1,680,204	\$ 1,630,204	\$ 1,629,101	\$ 1,629,430	\$ 1,629,430
LOCAL HIGHWAY AND BRIDGE ASSISTANCE							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	194,239	194,764	195,639	195,639	195,639	195,639	195,639
FEDERAL FUNDS.....	1,129	1,400	1,200	1,200	1,200	1,200	1,200
OTHER FUNDS.....	265,998	283,187	282,841	269,068	269,750	270,439	271,140
SUBCATEGORY TOTAL.....	\$ 461,366	\$ 479,351	\$ 479,680	\$ 465,907	\$ 466,589	\$ 467,278	\$ 467,979
MASS TRANSPORTATION							
GENERAL FUND.....	\$ 271,447	\$ 289,249	\$ 295,005	\$ 295,005	\$ 295,005	\$ 295,005	\$ 295,005
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	12,000	12,000	0	0	0	0	0
OTHER FUNDS.....	244,379	262,671	244,018	244,018	244,018	244,018	244,018
SUBCATEGORY TOTAL.....	\$ 527,826	\$ 563,920	\$ 539,023	\$ 539,023	\$ 539,023	\$ 539,023	\$ 539,023
INTERCITY TRANSPORTATION							
GENERAL FUND.....	\$ 11,263	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	64,890	60,300	61,949	61,949	61,949	61,949	61,949
OTHER FUNDS.....	7,704	6,629	6,582	6,582	6,582	6,582	6,582
SUBCATEGORY TOTAL.....	\$ 83,857	\$ 82,842	\$ 84,444	\$ 84,444	\$ 84,444	\$ 84,444	\$ 84,444

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
AIR TRANSPORTATION							
GENERAL FUND.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	14,097	18,510	18,510	18,510	18,510	18,510	18,510
OTHER FUNDS.....	21,573	14,123	13,124	13,124	13,124	13,124	13,124
SUBCATEGORY TOTAL.....	\$ 35,670	\$ 32,633	\$ 31,634	\$ 31,634	\$ 31,634	\$ 31,634	\$ 31,634
SAFETY ADMINISTRATION AND LICENSING							
GENERAL FUND.....	\$ 2,859	\$ 2,829	\$ 1,908	\$ 1,908	\$ 1,908	\$ 1,908	\$ 1,908
SPECIAL FUNDS.....	118,558	126,787	127,708	127,708	127,708	127,708	127,708
FEDERAL FUNDS.....	581	2,750	1,200	1,200	1,200	1,200	1,200
OTHER FUNDS.....	54,375	53,840	56,454	56,454	56,454	56,454	56,454
SUBCATEGORY TOTAL.....	\$ 176,373	\$ 186,206	\$ 187,270	\$ 187,270	\$ 187,270	\$ 187,270	\$ 187,270
OLDER PENNSYLVANIANS TRANSIT							
GENERAL FUND.....	\$ 22,126	\$ 25,000	\$ 27,254	\$ 27,254	\$ 27,254	\$ 27,254	\$ 27,254
SPECIAL FUNDS.....	115,082	136,153	136,935	136,935	136,935	136,935	136,935
FEDERAL FUNDS.....	5,000	5,000	5,000	5,000	5,000	5,000	5,000
OTHER FUNDS.....	5,039	3,500	3,500	3,500	3,500	3,500	3,500
SUBCATEGORY TOTAL.....	\$ 147,247	\$ 169,653	\$ 172,689	\$ 172,689	\$ 172,689	\$ 172,689	\$ 172,689
ALL PROGRAMS:							
GENERAL FUND.....	\$ 311,762	\$ 334,821	\$ 341,832	\$ 341,832	\$ 341,832	\$ 341,832	\$ 341,832
SPECIAL FUNDS.....	1,680,901	1,751,180	1,860,117	1,810,117	1,809,014	1,809,343	1,809,343
FEDERAL FUNDS.....	1,309,328	1,607,315	1,511,783	1,511,783	1,511,783	1,511,783	1,511,783
OTHER FUNDS.....	1,199,829	1,323,413	1,354,927	1,341,154	1,341,836	1,342,525	1,343,226
DEPARTMENT TOTAL.....	\$ 4,501,820	\$ 5,016,729	\$ 5,068,659	\$ 5,004,886	\$ 5,004,465	\$ 5,005,483	\$ 5,006,184

PROGRAM OBJECTIVE: To provide an effective administrative system supporting both non-highway and highway transportation programs.

Program: Transportation Support Services

This program provides for administrative and overhead services that support the operation of programs necessary for the achievement of Commonwealth and department objectives.

The non-highway related activities include providing administrative coordination, planning and support for all urban, rural and intercity mass transit and rail freight transportation. Another part of the non-highway related activity is the oversight of the Public Transportation Assistance Fund created by Act 26 of 1991 and additional funds provided by Act 3 of 1997. To promote efficient and effective urban mass transit, the program conducts analysis of local transit operations and procedures, coordination and funding of urban planning and study projects, and review of local operating subsidy and capital grant projects. Activities that continue and improve rail and bus service between Pennsylvania's urbanized areas and bus service in rural areas include preparing and coordinating needs studies, analyzing existing and proposed service levels, and evaluating the overall effectiveness of the program.

The highway related activities develop basic guidelines for the highway program. This part of the program directs and coordinates specific construction, maintenance, safety and licensing activities and highway technology projects. Support is also provided in legal, budgetary, accounting, policy, personnel, procurement, information systems and public relations matters including tourist promotional television spots and films. The department supports its portion of the work of the Inspector General's Office along with the activities of the State Transportation Commission and the Transportation Advisory Committee through this program.

Funded within this program are various initiatives to pilot and test new technologies, material, and equipment to achieve a broad range of goals including improved traffic congestion and safety, longer life cycles for pavements and road markings, and improved efficiency in winter maintenance operations.

Also included is the Agility Program, which forges new innovative ways for the department to interact with municipal governments in order to accomplish road improvements.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Overhead costs as a percentage of department budget	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%

Program Recommendations:

 This budget recommends the following changes: (Dollar Amounts in Thousands)

	GENERAL FUND		MOTOR LICENSE FUND
	General Operations		Highway Systems Technology
\$ -78	-reductions in administrative costs.	\$ 5,000	-additional projects.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
General Operations	\$ 1,814	\$ 1,830	\$ 1,752	\$ 1,752	\$ 1,752	\$ 1,752	\$ 1,752
MOTOR LICENSE FUND:							
General Government Operations	\$ 48,047	\$ 47,022	\$ 47,022	\$ 47,022	\$ 47,022	\$ 47,022	\$ 47,022
Highway Systems Technology	15,237	17,100	22,100	22,100	22,100	22,100	22,100
Refunding Collected Monies (EA)	3,918	4,750	4,750	4,750	4,750	4,750	4,750
TOTAL MOTOR LICENSE FUND	\$ 67,202	\$ 68,872	\$ 73,872	\$ 73,872	\$ 73,872	\$ 73,872	\$ 73,872

PROGRAM OBJECTIVE: To provide a highway and bridge system capable of meeting the economic and recreational needs of the Commonwealth.

Program: State Highway and Bridge Construction/Reconstruction

This program involves major construction or reconstruction work on the Commonwealth's Interstate Highway System, on other priority State highways and on State bridges that contribute to the economic growth of the Commonwealth and the mobility of the State's citizens.

This program includes Interstate and major primary roads, as well as those State roads that are not part of the Federal aid system. Within the funding available from Federal aid, local construction contributions and current State revenues, the Department of Transportation has the responsibility of developing and executing a program that will correct the most critical deficiencies on the State-administered highway system including projects to enhance safety and mobility.

Included in this program are improvements to State-owned bridges listed in Act 235 of 1982, the Highway, Railroad and Highway Bridge Capital Act and later amendments. Funding

for these bridge improvements comes from annual registration fees for Commonwealth-registered vehicles having a gross weight in excess of 26,000 pounds and a 55 mill Oil Company Franchise Tax based on the average wholesale price of motor fuel used by motor carriers in the operation of their commercial vehicles on highways within the Commonwealth.

Act 26 of 1991 provides additional State highway and bridge construction/reconstruction funds through a 55 mill Oil Company Franchise Tax of which 17 percent is specifically dedicated to highway capital projects and 13 percent to bridges.

Act 3 of 1997 provides additional State highway construction/reconstruction funds through vehicle registration fees, with \$28 million earmarked for the Turnpike Commission.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Miles of new highway construction	43	40	40	40	40	40	40
Miles of Interstate reconstruction	82	87	75	75	75	75	75
Miles of non-Interstate reconstruction	49	48	50	50	50	50	50
Interstate highway system in poor condition	7%	7%	7%	7%	7%	6%	6%
Intersections improved to increase safety and capacity	180	180	185	185	185	185	185
Bridges maintained (larger than 8 feet)	26,225	26,228	26,231	26,234	26,237	26,240	26,240
Bridges replaced/repaired	243	255	255	254	254	254	254
Variance of final cost of construction versus original contract amount	N/A	4%	4%	3%	3%	3%	3%

Miles of new highway construction decreased and miles of Interstate reconstruction increased from the projection shown in last year's budget reflecting a redirection of resources.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

Highway and Safety Improvement

This funding is in combination with Act 26 of 1991 revenues for 2005-06 of \$75.439 million (17 percent of 55 mills) and Highway Capital Projects authorized in Act 3 of 1997. New highway construction and reconstruction focuses on projects that will spur economic development. Key projects expected to be under construction in 2005-06 include restoration of PA 309 in Montgomery County; widening and reconstruction of US 22 in Westmoreland County; construction of new roadway (US 15) in Tioga County; widening of US 22 from the US 119 / US 22 interchange to Cemetery Road in Indiana County; new alignment of PA 830 from I-80 to the DuBois-Jefferson County Airport in Jefferson County; rehabilitation of US 219 from PA 281 to the end of the expressway in Somerset Township, Somerset County; widening of US 30 in Franklin County;

widening PA 8 from Kittanning Street to Saxonburg Blvd. in Allegheny County; widening and reconstruction of US 22/322 between Mifflintown and Lewistown in Mifflin and Juniata Counties; relocation of US 222 around the Village of Trexlertown in Lehigh County.

Another priority is the preservation of the Interstate Highway System. During 2005-06 key projects in this area will include the restoration of 13 miles of I-79 in Allegheny County; restoration of 10 miles of I-78 in Berks County; reconstruction of 17 miles of I-80 in Centre County; restoration of 2 miles of I-95 in Philadelphia County; and resurfacing of 19 miles of I-81 in Franklin County.

New construction will continue on approximately 27 miles of I-99 in Centre County.

Program: State Highway and Bridge Construction/Reconstruction (continued)

Program Recommendation: (continued)

\$ 1,359 **Highway Capital Projects (EA)**
—to continue current program.

Payment to the Turnpike Commission and Security Wall Pilot Program are recommended at the current year funding level.

Bridge Restricted Revenue
— Major bridge projects to be started or continued during 2005-06 include the Market Street Bridge in Lycoming County; Main Street Viaduct in Butler County; I-80 East and West Bridges in Clearfield County; Shohola Joint Bridge in Wyoming County; Yough Dam Bridge in Fayette County; New Alexandria Bridge in Westmoreland County; I-95 bridges in Philadelphia County; East Brady Bridge in Clarion County and Old Betzwood Bridge in Montgomery County.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
MOTOR LICENSE FUND:							
Highway and Safety Improvements	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Security Wall Pilot Program	10,000	5,000	5,000	5,000	5,000	5,000	5,000
Highway Capital Projects (EA)	222,050	220,218	221,577	221,577	221,577	221,577	221,577
Payment to Turnpike Commission (EA)	28,000	28,000	28,000	28,000	28,000	28,000	28,000
TOTAL MOTOR LICENSE FUND	\$ 410,050	\$ 403,218	\$ 404,577	\$ 404,577	\$ 404,577	\$ 404,577	\$ 404,577

PROGRAM OBJECTIVE: To provide general routine maintenance, betterments and resurfacing necessary to preserve the quality of existing State-administered roads and bridges and to provide prompt winter services to enable safe passage of vehicles.

Program: State Highway and Bridge Maintenance

Pennsylvania, with the fourth largest state maintained highway system in the nation and subject to severe winter weather, is faced with significant highway and bridge maintenance challenges.

Work carried out by the department or by contract includes patching, surface treatment, resurfacing, stabilization and minor betterment projects, and repair of bridges, tunnels and minor storm damage. The department places a heavy emphasis on durable resurfacing of high-volume primary highways, the majority of which serve interstate and regional commerce, intermodal transportation facilities and major population centers. Snow and ice control services are performed on all State-administered highways. Other routine maintenance and betterment work includes safety improvements such as skid resistant pavement applications, left turn lanes, intersection sight improvements, shoulder improvements, guiderail updates and curve banking adjustments. This program also has the responsibility of completing maintenance activities that are not directly involved with the roadway surface itself such as pipe replacement, ditch cleaning and various safety measures such as repairing traffic signals and guiderails.

The department issues special permits to truck operators for the use of certain highways and bridges with weight or

special operating restrictions. By issuing these permits, the department is able to facilitate the movement of goods over Pennsylvania's roadways without adversely affecting the structural integrity of the highways and bridges or the safe and convenient passage of traffic.

The accident analysis program uses computer programs to identify those highway locations that have experienced statistically more accidents than similar roads with similar traffic volumes. Another program identifies locations that have had an inordinate number of accidents in which vehicles ran off the road or hit fixed objects. These programs allow for the ranking of high-accident locations and provide a systematic means of selecting the highest priority sites for maintenance and reconstruction.

Act 26 of 1991 provides additional State highway and bridge maintenance funds through a 55 mill Oil Company Franchise Tax of which 42 percent is specifically dedicated for highway maintenance.

Act 3 of 1997 dedicated 88 percent of a 38.5 mill Oil Franchise Tax to highway maintenance, restoration and improvements.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Miles of State maintained highways	39,893	39,909	39,879	39,849	39,819	39,789	39,759
Miles of State maintained highways improved:							
Structural restoration	278	290	300	295	260	260	260
Maintenance resurfacing	2,435	2,181	2,090	2,040	2,010	2,010	2,010
Surface repairs	3,670	3,660	3,605	3,760	3,615	3,615	3,615
Total	6,383	6,131	5,995	6,095	5,885	5,885	5,885
Truck weight and safety enforcement:							
Trucks weighed	194,337	250,000	250,000	250,000	250,000	250,000	250,000
Weight violations	4,001	4,000	3,800	3,800	3,800	3,800	3,800
Trucks inspected	27,386	27,000	27,000	27,000	27,000	27,000	27,000
Safety violations	74,216	74,000	74,000	74,000	74,000	74,000	74,000

Program: State Highway and Bridge Maintenance (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

MOTOR LICENSE FUND					
	Highway Maintenance				Bridge Preservation
\$ 3,773	—to continue current program.			\$ 28,000	—Initiative – Bridge Preservation. To provide preventative maintenance and repair on State-owned bridges to improve their condition and prolong their useful life.
-3,773	—Initiative – Transfer of the Motor Carrier Safety Assistance Program. To transfer and consolidate the Department of Transportation's Motor Carrier Safety Assistance Program within the Pennsylvania State Police.				
	<i>Appropriation Unchanged</i>			\$ 5,000	Emergency Highway and Bridge Repair
					—Initiative – Emergency Highway and Bridge Repair. To conduct emergency repairs to state highways and bridges.
	Highway Maintenance Safety Projects				Reinvestment - Facilities
\$ 10,000	—Initiative – Highway Maintenance Safety Projects. To provide a Statewide program for low cost safety improvement projects along Commonwealth highways.			\$ 7,000	—for additional projects.
	Disaster Recovery				
\$ 50,000	—Initiative – Disaster Recovery. To repair damage to highways and bridges across the Commonwealth that resulted from the September 2004 natural disasters.				Welcome Centers, Smoother Roads and Secondary Roads - Maintenance and Resurfacing are recommended at the current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Welcome Centers	\$ 2,253	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
MOTOR LICENSE FUND:							
Welcome Centers	\$ 0	\$ 2,616	\$ 2,616	\$ 2,616	\$ 2,616	\$ 2,616	\$ 2,616
Highway Maintenance	651,000	694,000	694,000	694,000	694,000	694,000	694,000
Secondary Road - Maintenance and Resurfacing (EA)	65,230	65,230	65,230	65,230	65,230	65,230	65,230
Highway Maintenance Safety Projects	0	0	10,000	10,000	0	0	0
Smoother Roads	50,000	50,000	50,000	50,000	0	0	0
Disaster Recovery	0	0	50,000	0	0	0	0
Bridge Preservation	0	0	28,000	28,000	28,000	28,000	28,000
Emergency Highway and Bridge Repair ...	0	0	5,000	5,000	5,000	5,000	5,000
Reinvestment - Facilities	9,540	9,540	16,540	16,540	16,540	16,540	16,540
TOTAL MOTOR LICENSE FUND	\$ 775,770	\$ 821,386	\$ 921,386	\$ 871,386	\$ 811,386	\$ 811,386	\$ 811,386

PROGRAM OBJECTIVE: To assist local governments in the maintenance and construction of their portion of the total highway and bridge system.

Program: Local Highway and Bridge Assistance

The Commonwealth provides a number of programs to assist municipalities in the maintenance and construction of their highway and bridge systems.

Legislatively mandated programs earmark a portion of Pennsylvania's liquid fuels tax and oil franchise tax for local governments to use on their roads. These include:

Liquid Fuels Tax

- The first one-half cent of the twelve-cent per gallon liquid fuels tax is deposited directly into the Liquid Fuels Tax Fund and apportioned to the 67 counties.
- Of the remaining eleven and one-half cents fuels tax, 20 percent is distributed from the Motor License Fund to 2,566 municipalities.

Oil Franchise Tax

- In addition to the distribution of 20 percent of the remaining eleven and one-half cent liquid fuels tax, the 2,566 municipalities also receive:
 - 20 percent of the first 35 mills of the 60 mill oil franchise tax.
 - 12 percent of an additional 55 mill portion of the oil franchise tax as provided for in Act 26 of 1991.
 - Another 12 percent of an additional 38.5 mill oil franchise tax created by Act 3 of 1997.

Motor License Fund

- In 1980, the General Assembly established an annual appropriation of \$5 million to be returned to local governments for further highway improvements.

Act 32 of 1983 established a local highway turnback program by authorizing the establishment of a separate restricted revenue account within the Motor License Fund.

Funding for this program currently consists of three mills of the oil franchise tax. Funds deposited into this account are used for restoration work to upgrade State designated roads that function as local roads to acceptable standards and to provide annual maintenance payments in the amount of \$2,500 per mile. Since inception of the program in 1983, more than 4,560 miles of these roads have been returned to the Commonwealth's municipalities.

The General Assembly authorized improvements to local bridges through the Highway Bridge Capital Act of 1982 and subsequent amendments. Currently, there are over 6,300 local bridges larger than 20 feet maintained in the Commonwealth. As with the State bridges contained in these capital budget acts, the improvements are funded through annual registration fees for Commonwealth-registered vehicles having a gross weight in excess of 26,000 pounds and a 55 mill oil company franchise tax. Act 26 of 1991 also provides additional local bridge assistance funds through one percent of the 55 mill oil company franchise tax.

A local bridge inspection program, funded from the Highway Maintenance appropriation included in the State Highway and Bridge Maintenance Subcategory, is being administered by the department to assist local governments in meeting the requirements of National Bridge Inspection Standards as mandated by Federal law. This action prevents the potential loss of Federal aid for noncompliance of standards as well as minimizing future tort liability in this area. Because of the benefits of this program to local governments, the General Assembly has authorized that the cost of the inspections be deducted from the municipalities' liquid fuels tax allocation.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Miles of highway locally administered:							
Total	75,509	75,757	76,070	76,388	76,711	77,039	77,372
Percent of all highways in the Commonwealth	65.4%	65.5%	65.6%	65.7%	65.8%	65.9%	66.1%
Miles of local highways improved	1,687	1,725	1,725	1,725	1,725	1,725	1,725
Local bridges:							
Total (greater than 20 feet)	6,338	6,341	6,344	6,347	6,350	6,353	6,353
Brought up to standard through State Bridge Program	50	56	55	55	55	45	45

Program: Local Highway and Bridge Assistance (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

**Local Road Maintenance and
Construction Payments**

\$ 875 —to continue program based on current year
estimated revenue collections.

Supplemental Local Road Maintenance and Construction Payment is recommended at the current year funding level.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
MOTOR LICENSE FUND:							
Local Road Maintenance and Construction Payments	\$ 189,239	\$ 189,764	\$ 190,639	\$ 190,639	\$ 190,639	\$ 190,639	\$ 190,639
Supplemental Local Road Maintenance and Construction Payment	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL MOTOR LICENSE FUND	\$ 194,239	\$ 194,764	\$ 195,639	\$ 195,639	\$ 195,639	\$ 195,639	\$ 195,639

PROGRAM OBJECTIVE: To provide frequent, fast, inexpensive transit services between residential neighborhoods and employment centers at a level sufficient to alleviate prevailing pressures on urban road systems caused by congestion and lack of parking facilities and to provide transit service that will increase the mobility of rural Pennsylvanians.

Program: Mass Transportation

Act 26 of 1991 made numerous revisions to the Pennsylvania Mass Transportation Law including the establishment of the Public Transportation Assistance Fund (PTAF). This fund provides a dedicated source of revenue to the Commonwealth's transit providers that can be used for capital replacement and asset maintenance. This source of transit revenue is in addition to the mass transit assistance program funded by the General Fund. The General Fund program is based on fixed percentages of the total amount appropriated annually by the General Assembly. These percentages take into consideration historical funding, fare box revenues and vehicle miles. Under this formula three classes of urban transit entities have been established based on the number of vehicles operated during peak hours. A local or private funding commitment is required in an amount not less than one-third of the total State grant. Each system, on an annual basis, is required to adopt a specific series of service standards and performance evaluation measures. The Commonwealth, along with Federal and local governments, annually provide grants to the State's twenty-

one urban transit systems. Many transit agencies in the Commonwealth, including the State's two largest agencies –SEPTA and PAT – face deficits because revenues are insufficient to meet expenditures. Proposals to develop a stable and reliable funding source for mass transportation have been proposed and will be considered through the legislative process.

Act 26 of 1991 provides for a fourth class of transit entity to include rural and small urban transit entities once mass transportation assistance has reached a "trigger" amount. Since 1995-96, rural and small urban entities are funded from the Mass Transportation Assistance appropriation since the trigger amount has been exceeded.

Act 3 of 1997 provides additional State funding for urban, rural and community transportation systems by dedicating 1.22 percent of sales and use tax collections up to a maximum of \$75 million per year. Most of these funds can be used for operating assistance as well as for capital replacement.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Passengers carried by State-assisted operators (millions annually)	303.5	311.8	311.7	312.8	313.6	314.6	315.9
Passengers per vehicle hour	26.4	26.7	27.2	27.3	27.2	27.1	27.0
Percentage share of average income of mass transit trips:							
From passenger	45.4	44.2	43.5	42.9	42.5	42.0	41.5
From Commonwealth	44.6	46.0	46.8	47.3	47.6	48.0	48.5
From Federal Government	1.2	1.2	1.2	1.2	1.2	1.3	1.2
From local government	8.8	8.6	8.5	8.6	8.7	8.7	8.8

Program Recommendations:	This budget recommends the following changes: (Dollar Amounts in Thousands)
<p>Mass Transportation Assistance</p> <p>\$ 5,756 – To provide additional funding for mass transportation services.</p>	<p>The Rural Transportation Assistance and the Rail Safety Inspection appropriations are recommended at the current year funding level.</p>

Appropriations within this Program:	(Dollar Amounts in Thousands)						
	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Rail Safety Inspection	\$ 434	\$ 434	\$ 434	\$ 434	\$ 434	\$ 434	\$ 434
Mass Transportation Assistance	270,014	287,815	293,571	293,571	293,571	293,571	293,571
Rural Transportation Assistance	999	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL GENERAL FUND	\$ 271,447	\$ 289,249	\$ 295,005	\$ 295,005	\$ 295,005	\$ 295,005	\$ 295,005

PROGRAM OBJECTIVE: To facilitate the development of improved rail, cargo service and intercity bus service between major urban areas of the Commonwealth, thereby providing relief for over utilized intercity highway and air systems.

Program: Intercity Transportation

Commonwealth activities involve four separate intercity transportation programs: intercity bus service such as that operated by Greyhound and Trailways, Commonwealth flight services, intercity rail passenger service operated by Amtrak, and rail freight service of importance to local shippers on the State's Rail Branchline System.

The Commonwealth's intercity bus program supports systems where, without operating assistance, essential service would be terminated. It is estimated that about 411,000 passengers will utilize Commonwealth subsidized intercity bus services in 2004-05. As private operators propose termination of such services, the Department of Transportation will continue to evaluate the economic and social impacts of service termination and the merits of public subsidy. Federal funds are also used to support intercity bus operations and supplement the existing State-sponsored program.

Intercity rail passenger service in Pennsylvania, as distinguished from local or regional commuter service, is presently provided by the National Railroad Passenger Corporation (Amtrak). The majority of the service is operated as part of Amtrak's national system without financial assistance from the Commonwealth. The department has contracted with Amtrak to provide additional service to supplement Amtrak's national system schedule. This subsidized service, the Keystone Rail Service, is provided on the Philadelphia/Harrisburg corridor and consists of 44 one-way trains per week.

The Commonwealth's rail freight network provides a competitive cost advantage for business and industry that depend upon cost effective transportation of bulk commodities.

The Commonwealth's rail freight program provides assistance for accelerated maintenance and capital projects on non-State-owned lines. The Accelerated Maintenance Program was established in 1982 in response to a substantial, expedited abandonment program undertaken by Conrail in accordance with provisions of the Northeast Rail Service Act (NERSA) of 1981. NERSA allowed Conrail to rid itself of unprofitable lines in a procedure not subject to appeal, as one of a number of ways for the Conrail system to achieve profitability. Under this Commonwealth program, funding is provided for basic track rehabilitation and other infrastructure improvements.

The State share for the larger capital projects comes from bond funds and generally represents 50 percent of the total project cost for construction projects and 75 percent of the total project cost for maintenance projects. Smaller maintenance and construction projects are funded from current revenues through the Rail Freight Assistance appropriation. The Department of Transportation generally provides 75 percent of the funding for accelerated maintenance projects not to exceed \$250,000 and 50 percent of the funding for construction projects not to exceed \$100,000.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Intercity Bus:							
Passengers handled	372,000	411,000	411,000	411,000	411,000	411,000	411,000
Subsidy per bus mile	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
Rail Freight:							
Miles of rail lines:							
State assisted*	593	663	663	663	663	663	663
Jobs created by State-supported rail freight improvements	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Additional trucks that would be needed without rail freight bulk cargo service*..	583,081	500,000	500,000	500,000	500,000	500,000	500,000
Intercity Rail:							
Passengers handled	235,925	236,000	237,000	238,000	238,000	240,000	240,000
Subsidy per passenger mile	\$0.38	\$0.38	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39

Miles of rail lines and Jobs created by State-supported rail freight improvements increase from the presentation in last year's budget reflecting increased Commonwealth resources to this program.

* New Program Measure.

Program: Intercity Transportation (continued)

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

The Budget recommends current year funding levels.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Intercity Transportation	\$ 7,013	\$ 7,413	\$ 7,413	\$ 7,413	\$ 7,413	\$ 7,413	\$ 7,413
Rail Freight Assistance	4,250	8,500	8,500	8,500	8,500	8,500	8,500
TOTAL GENERAL FUND	\$ 11,263	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913	\$ 15,913

PROGRAM OBJECTIVE: To promote the development of a system of airport facilities adequate to meet the passenger and cargo needs of the Commonwealth's citizens.

Program: Air Transportation

Aviation plays a major role in the movement of passengers and cargo throughout the Commonwealth. With nearly 800 landing areas, Pennsylvania is fifth nationally in both the number of airports and in landing facilities per square mile. In addition to facilitating the movement of people and goods, air transportation facilities bring substantial economic benefits to the State directly through air transportation or related jobs and indirectly through additional incentives to industry to locate and conduct business in Pennsylvania. The department provides programs to improve the safety and effectiveness of the Commonwealth's aviation network, including an airport inspection and licensing program. The department also administers grant programs that are funded from the Aviation Restricted Revenue Account. These programs include:

- An airport development grant program for public use airports based on the site and economic viability of the

project. Grants provide a maximum of five percent of the total project cost for Federally funded projects and a maximum of seventy-five percent of the total project costs for nonfederal projects.

- A real estate tax rebate program for public airports that is funded exclusively from the Statewide aviation fuel tax.

In addition, the Commonwealth is one of only nine states chosen as a Federal block grant state. The Commonwealth, through the Department of Transportation, is receiving approximately \$17 million each year from the Federal Aviation Administration (FAA) to be distributed to qualifying airports throughout the Commonwealth. To qualify, an airport must be a public use airport as identified in the National Plan of Integrated Airport Systems. The funds may be used for runways, taxiways, terminals and other related projects.

Program Measures:	2003-04)	2004-05)	2005-06)	2006-07)	2007-08)	2008-09)	2009-10)
Airports receiving State grants:							
Airport development grants	59	62	62	65	65	65	65
Percentage of public use airports with runways in need of improvement	18%	17%	15%	13%	11%	9%	9%

Program Recommendations:

The budget recommends the Airport Development Grants Program at the \$7 million level. It is funded from the Aviation Restricted Revenue Account.

PROGRAM OBJECTIVE: To minimize traffic accidents attributable to driver error and mechanically defective vehicles and to promote highway safety programs.

Program: Safety Administration and Licensing

The Safety Administration and Licensing Program is responsible for a number of front-line customer services that affect most of Pennsylvania's adult population such as the issuance of vehicle registrations and driver's licenses. The department is responsible for processing applications and collecting fees for all vehicle registrations, titles and operator licenses. Last year, over 10.7 million vehicles were registered under Pennsylvania's annual renewal cycle. This total included over 188,000 heavy trucks greater than 17,000 pounds and more than 134,000 trailers greater than 10,000 pounds. The number of licensed drivers has remained consistent over the past few years at 8.4 million, including 390,000 commercial drivers. The four-year driver's license expiration cycle is staggered so that about two million renewals are processed each year.

The testing, inspection and revocation aspects of operator and vehicular licensing activities fall within the Safety Administration and Licensing Program. The driver's testing program is designed to screen out applicants with insufficient driving knowledge or skills as well as identify applicants with mental or physical disabilities. The department also operates the Driver's License Examination Program. More than 860,000 driving knowledge and skills tests were conducted in fiscal year 2003-04 so those applicants can be certified to operate passenger and commercial vehicles and motorcycles. A Statewide network of facilities is utilized to conduct written, oral and skills tests. In compliance with the Federal Commercial Motor Vehicle Safety Act of 1986, commercial and bus operators receive a specialized written and driving test.

The safety inspection program for the Commonwealth's more than 10 million motor vehicles is intended to minimize traffic accidents due to mechanical failure. The Commonwealth's current emission inspection program inspects 3.6 million vehicles annually with the intended purpose of improving air quality. Beginning in December 2003, an Onboard Diagnostic (OBD) program for 1996 and newer vehicles was implemented in the counties of: Berks, Cumberland, Dauphin, Lancaster, Lebanon, Lehigh, Northampton and York, adding them to the existing program areas. Beginning in January 2004, a visual anti-tampering check and a gas-cap test was implemented in the eight northern counties of Blair, Cambria, Centre, Erie, Lackawanna, Luzerne, Lycoming and Mercer for most 1975 and newer model-year vehicles. For the remaining 42 counties that do not participate in the emissions inspection program, an enhanced safety inspection program began in December 2003, incorporating a visual anti-tampering check

for the presence of emission control components that were installed on the vehicle by the manufacturer. The department licenses inspection stations, trains vehicle inspectors and monitors the work of mechanics to assure compliance with approved safety standards.

Pennsylvania enforcement officials are responsible for the issuance of citations for vehicle code violations. Over one-half of the 1.5 million citations issued annually result in the department having to take some action against a driver or vehicle record. In addition to assigning points for driver infractions, the department suspends or revokes licenses for an accumulation of points. Commercial drivers may be sanctioned by having their commercial driving privilege revoked for certain offenses if committed in a commercial motor vehicle. The department, however, is authorized to issue an Occupational Limited License (OLL) to certain suspended drivers if mandated criteria for eligibility is met. The license is limited to specific hours and destinations as described by the applicant and approved by the department. Act 143 of 1994 redefines the criteria used to classify habitual offenders — people whose driving privileges have been revoked for five years or longer due to an accumulation of three or more convictions for certain serious offenses. This legislation also established a "Probationary License," which is not restricted to work-related use. Successful applicants must meet strict criteria.

The Safety Administration and Licensing Program also administers provisions of the National Voter Registration Act of 1993, better known as "Motor Voter," and the Commonwealth's Organ Donor Program.

The department also processes cancellation notices received from insurance companies. Notification of cancellation prompts the department to have registrants revalidate proper insurance coverage for the vehicle. This program combined with the authority granted enforcement officials to cite motorists detected as not having insurance can result in a revocation or suspension of vehicle registration.

The Department of Transportation currently has 100 offices Statewide that offer driver examination and/or photo licensing services and is working with private business to further decentralize its driver and vehicle services to improve access. The computerized on-line messenger program, which connects the private business with the Department of Transportation, has been the cornerstone in this effort. Currently there are 108 messenger sites, processing 3.4 million customer inquiries in 2003-04. Other efforts to improve service include more efficient linkage between the department and automobile dealers, leasing and rental

Program: Safety Administration and Licensing (continued)

agencies and fleet owners for the immediate processing of registration and titling transactions. On May 16, 2001, PENNDOT successfully implemented its Internet renewal system for use by the general public. This program gives customers the ability to renew their non-commercial driver's license, photo identification card or vehicle registration via the Internet. As of July 2004, over 3.1 million customers (driver license and vehicle registration) have used the Internet renewal services. Over 14.4% of those eligible for on-line driver license and vehicle registration renewals chose the Internet in July 2004. Driver history requests for individuals and businesses were implemented in May 2002. As of August 2004, over 30,000 individual driver histories have been provided on-line and 830 business accounts have been issued. Over 30,000 business requests for driver histories

have been conducted on-line. An Internet change of address service was implemented in August 2002. To date, 179,000 vehicle registration and driver license address changes have been completed through the on-line services. Exam scheduling was implemented in November 2002. Over 260,000 driver license skill tests have been scheduled by customers via the Internet. An on-line survey is used to measure our customer's satisfaction with these Internet services. Over 510,000 surveys have been completed, and 99.63% of the respondents indicate that they would use these services again in the future. The survey provides customers the opportunity to rate Internet services; the site is being rated at over 4.7 (on a scale of 1 to 5) for both ease-of-use and overall performance. Survey results are used to determine improvements to the Internet service.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Vehicles inspected:							
Safety inspections	10,400,000	10,688,000	10,902,000	11,120,000	11,343,000	11,570,000	11,800,000
Emission inspections	4,600,000	6,100,000	6,222,000	6,346,480	6,473,369	6,602,836	6,735,000
Registrations:							
New	1,566,000	1,582,000	1,598,000	1,614,000	1,630,000	1,646,000	1,662,000
Renewed	8,412,000	8,496,000	8,581,000	8,667,000	8,754,000	8,842,000	8,930,000
Licensed drivers:							
New	275,753	270,000	270,000	270,000	270,000	270,000	270,000
Renewed	2,200,460	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
New commercial drivers licensed	12,905	14,000	14,000	14,000	14,000	14,000	14,000
Photo identification cards issued (non-driver photo)	305,356	300,000	300,000	300,000	300,000	300,000	300,000
Service Center customers served within 30 minutes	87%	99%	99%	99%	99%	99%	99%
Access rate of driver and vehicle services call center	88%	94%	94%	94%	94%	94%	94%

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

<p>GENERAL FUND Vehicle Sales Tax Collections \$ -331 —nonrecurring costs.</p> <p>Voter Registration \$ -491 —nonrecurring costs.</p> <p>Organ Donor Operations \$ -99 —nonrecurring costs</p>	<p>MOTOR LICENSE FUND Safety Administration and Licensing \$ 921 —to continue current programs.</p>
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Program: Safety Administration and Licensing (continued)

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Vehicle Sales Tax Collections	\$ 1,829	\$ 1,829	\$ 1,498	\$ 1,498	\$ 1,498	\$ 1,498	\$ 1,498
Voter Registration	931	901	410	410	410	410	410
Organ Donor Operations	99	99	0	0	0	0	0
TOTAL GENERAL FUND	\$ 2,859	\$ 2,829	\$ 1,908	\$ 1,908	\$ 1,908	\$ 1,908	\$ 1,908
MOTOR LICENSE FUND:							
Safety Administration and Licensing	\$ 118,558	\$ 126,787	\$ 127,708	\$ 127,708	\$ 127,708	\$ 127,708	\$ 127,708

PROGRAM OBJECTIVE: To provide transportation services to older Pennsylvanians thereby increasing their ability to more fully participate in community life.

Program: Older Pennsylvanians Transit

The Commonwealth's older citizens have benefited from greater mobility since the implementation of the Free Transit Program in 1973. The program is funded by State Lottery proceeds and the Fixed Route Transit appropriation in the General Fund. Under this program, Pennsylvanians 65 years of age or older are eligible for free rides on participating local fixed route operations during off-peak hours on weekdays and all day on weekends and holidays. In July 1980, the free service was extended to commuter rail lines.

The Shared Ride Program for older Pennsylvanians, authorized by Act 101 of 1980 and amended by Act 36 of 1991, permits citizens 65 years of age or older to ride on shared-ride, demand responsive transportation services operating on a non-fixed route basis, and pay 15 percent of the fare. The State Lottery Fund reimburses shared-ride

transit operators the remaining 85 percent of the shared-ride fare.

The Free Transit and Shared Ride Programs recognize the limited availability of private transportation for older Pennsylvanians and their reliance upon public transportation facilities. They further recognize that many retired persons must live within a fixed and limited income and cannot afford to use public transit as often as needed. In 24 counties, persons with disabilities who are not eligible for other public funded transportation are receiving discounted fares on shared ride transportation services, making that service affordable. In 2003-04, persons with disabilities made over 76,000 shared ride trips at discounted fares. In 2004-05 and 2005-06, trips at discounted fares should exceed 100,000.

Program Measures:	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Free transit trips	39,441,400	40,609,818	40,609,818	41,422,014	42,250,454	43,095,463	43,957,372
Trips on State-assisted shared ride vehicles	5,574,439	5,665,481	5,762,764	5,849,000	5,937,000	6,026,000	6,116,000
Cost to the Commonwealth per trip:							
Free Transit	\$1.72	\$2.00	\$2.19	\$2.19	\$2.19	\$2.19	\$2.19
State-assisted shared ride vehicles	\$11.43	\$11.94	\$12.73	\$13.37	\$14.04	\$14.74	\$15.48

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

GENERAL FUND	LOTTERY FUND
Fixed Route Transit	Older Pennsylvanians Shared Rides
\$ 2,254 —to increase program for people with disabilities.	\$ 203 —to continue current program.
	Older Pennsylvanians Free Transit
	\$ 579 —to continue current program.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Fixed Route Transit	\$ 22,126	\$ 25,000	\$ 27,254	\$ 27,254	\$ 27,254	\$ 27,254	\$ 27,254
LOTTERY FUND:							
Older Pennsylvanians Shared Rides (EA) \$	65,099	\$ 73,153	\$ 73,356	\$ 73,356	\$ 73,356	\$ 73,356	\$ 73,356
Older Pennsylvanians Free Transit (EA) ..	49,983	63,000	63,579	63,579	63,579	63,579	63,579
TOTAL LOTTERY FUND	\$ 115,082	\$ 136,153	\$ 136,935	\$ 136,935	\$ 136,935	\$ 136,935	\$ 136,935



LEGISLATURE

The General Assembly of Pennsylvania formulates and enacts the public policy of the Commonwealth. Through legislation and resolution, it defines the functions of the State Government, provides for revenue for the Commonwealth and appropriates money for the operation of State agencies and other purposes.

The General Assembly is composed of two bodies—the Senate and the House of Representatives. Its sessions begin on the first Tuesday of each year unless otherwise convened by proclamation of the Governor.

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)
 2003-04 2004-05 2005-06
 ACTUAL AVAILABLE BUDGET

GENERAL FUND:

General Government:

Senate:

Fifty Senators.....	\$ 4,560	\$ 4,960	\$ 4,960
Senate President - Personnel Expenses.....	290	300	300
Employes of Chief Clerk.....	5,800	5,945	5,945
Salaried Officers and Employes.....	8,236	8,648	8,648
Incidental Expenses.....	2,700	3,226	3,226
Postage - Chief Clerk and Legislative Journal.....	1,400	1,461	1,461
President.....	5	0	0
President Pro Tempore.....	20	0	0
President and President Pro Tempore.....	0	25	25
Floor Leader (R).....	7	0	0
Floor Leader (D).....	7	0	0
Whip (R).....	6	0	0
Whip (D).....	6	0	0
Chairman of the Caucus (R).....	3	0	0
Chairman of the Caucus (D).....	3	0	0
Secretary of the Caucus (R).....	3	0	0
Secretary of the Caucus (D).....	3	0	0
Chairman of the Appropriations Committee (R).....	6	0	0
Chairman of the Appropriations Committee (D).....	6	0	0
Chairman of the Policy Committee (R).....	2	0	0
Chairman of the Policy Committee (D).....	2	0	0
Caucus Administrator (R).....	2	0	0
Caucus Administrator (D).....	2	0	0
Expenses - Senators.....	1,149	1,329	1,329
Legislative Printing and Expenses.....	17,077	13,077	13,077
Computer Services (R).....	4,532	0	0
Computer Services (D).....	4,532	0	0
Computer Services (R) and (D).....	0	10,290	10,290
Committee on Appropriations (R).....	3,900	0	0
Committee on Appropriations (D).....	3,900	0	0
Committee on Appropriations (R) and (D).....	0	8,996	8,996
Special Leadership Account (R).....	9,920	0	0
Special Leadership Account (D).....	8,920	0	0
Legislative Management Committee (R).....	6,428	0	0
Legislative Management Committee (D).....	6,428	0	0
Caucus Operations (R) and (D).....	0	36,600	36,600
Committee and Contingent Expenses (R) and (D).....	0	458	458
Senate Flag Purchase.....	24	24	24
Subtotal.....	\$ 89,879	\$ 95,339	\$ 95,339

House of Representatives:

Members' Salaries, Speaker's Extra Compensation.....	\$ 19,222	\$ 19,222	\$ 19,222
House Employes (R).....	16,425	16,425	16,425
House Employes (D).....	16,425	16,425	16,425
Speaker's Office.....	897	897	897
Bi-Partisan Committee, Chief Clerk, Comptroller.....	11,159	12,159	12,159
Mileage - Representatives, Officers and Employes.....	200	300	300
Chief Clerk and Legislative Journal.....	1,500	2,000	2,000
Speaker.....	20	20	20
Chief Clerk.....	643	643	643
Floor Leader (R).....	7	7	7
Floor Leader (D).....	7	7	7
Whip (R).....	6	6	6
Whip (D).....	6	6	6
Chairman - Caucus (R).....	3	3	3
Chairman - Caucus (D).....	3	3	3
Secretary - Caucus (R).....	3	3	3
Secretary - Caucus (D).....	3	3	3

Summary by Fund and Appropriation

(Dollar Amounts in Thousands)

	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
Chairman - Appropriations Committee (R).....	6	6	6
Chairman - Appropriations Committee (D).....	6	6	6
Chairman - Policy Committee (R).....	2	2	2
Chairman - Policy Committee (D).....	2	2	2
Caucus Administrator (R).....	2	2	2
Caucus Administrator (D).....	2	2	2
Administrator for Staff (R).....	20	20	20
Administrator for Staff (D).....	20	20	20
Legislative Office for Research Liaison.....	622	677	677
Incidental Expenses.....	6,845	7,845	7,845
Expenses - Representatives.....	5,133	5,133	5,133
Legislative Printing and Expenses.....	14,000	16,000	16,000
National Legislative Conference - Expenses.....	194	294	294
Committee on Appropriations (R).....	4,200	4,200	4,200
Committee on Appropriations (D).....	4,200	4,200	4,200
Special Leadership Account (R).....	13,329	13,329	13,329
Special Leadership Account (D).....	13,329	13,329	13,329
Legislative Management Committee (R).....	17,857	17,857	17,857
Legislative Management Committee (D).....	17,857	17,857	17,857
Commonwealth Emergency Medical System.....	35	50	50
House Flag Purchase.....	24	24	24
Information Technology.....	16,000	16,000	16,000
School for New Members.....	15	15	15
Subtotal.....	\$ 180,229	\$ 184,999	\$ 184,999
Legislative Reference Bureau:			
Legislative Reference Bureau - Salaries & Expenses.....	\$ 6,783	\$ 7,598	\$ 7,598
Contingent Expenses.....	20	20	20
Printing of PA Bulletin and PA Code.....	595	795	795
Subtotal.....	\$ 7,398	\$ 8,413	\$ 8,413
Legislative Budget and Finance Committee.....			
Commonwealth Mail Processing Center.....	\$ 2,250	\$ 2,250	\$ 2,250
	900	925	925
Legislative Miscellaneous and Commissions:			
Legislative Data Processing Center.....	\$ 3,751	\$ 3,751	\$ 3,751
Joint State Government Commission.....	1,764	1,795	1,795
Local Government Commission.....	979	1,159	1,159
Local Government Codes.....	28	28	28
Joint Legislative Air and Water Pollution Control Committee.....	483	498	498
Legislative Audit Advisory Commission.....	168	168	168
Independent Regulatory Review Commission.....	1,850	1,850	1,850
Capitol Preservation Committee.....	730	967	967
Capitol Restoration.....	4,150	4,150	4,150
Flag Conservation.....	60	60	60
Colonial History.....	197	197	197
Capitol Centennial.....	100	250	250
Rare Books Conservation.....	400	400	400
North Office Building Restoration.....	0	1,067	0
Commission on Sentencing.....	1,235	992	992
(F)NCHIP - Criminal Identification Technology (EA).....	315	305	400
(F)DCSI - Web Expansion and JNET Interface (EA).....	87	5	0
(F)DCSI - Policy Research (EA).....	128	0	0
(F)DCSI - JNET Information Technology (EA).....	251	132	250
(F)DCSI - Community Corrections (EA).....	177	0	0
(F)DCSI - Restitution Collections (EA).....	100	0	0
(F)DCSI - RIP Evaluation (EA).....	138	0	0
(F)DCSI - Financial Resource Analyst (EA).....	79	0	0
(F)DCSI - Research and Data Management (EA).....	0	1,039	900
Center For Rural Pennsylvania.....	1,050	1,050	1,050
Health Care Cost Containment Council.....	3,755	4,019	4,019
(F)General Fund Share - PEBTF Contribution (EA).....	36	0	0

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
State Ethics Commission	1,761	1,805	1,805
(F)General Fund Share - PEBTF Contribution (EA).....	20	0	0
Subtotal.....	<u>\$ 23,792</u>	<u>\$ 25,687</u>	<u>\$ 24,689</u>
Subtotal - State Funds.....	\$ 303,117	\$ 316,132	\$ 315,065
Subtotal - Federal Funds.....	1,331	1,481	1,550
Total - General Government.....	<u>\$ 304,448</u>	<u>\$ 317,613</u>	<u>\$ 316,615</u>
STATE FUNDS.....	\$ 303,117	\$ 316,132	\$ 315,065
FEDERAL FUNDS.....	1,331	1,481	1,550
GENERAL FUND TOTAL	<u>\$ 304,448</u>	<u>\$ 317,613</u>	<u>\$ 316,615</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
LEGISLATURE							
GENERAL FUND.....	\$ 303,117	\$ 316,132	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,331	1,481	1,550	1,550	1,550	1,550	1,550
OTHER FUNDS.....	0	0	0	0	0	0	0
SUBCATEGORY TOTAL.....	\$ 304,448	\$ 317,613	\$ 316,615	\$ 316,615	\$ 316,615	\$ 316,615	\$ 316,615
ALL PROGRAMS:							
GENERAL FUND.....	\$ 303,117	\$ 316,132	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	1,331	1,481	1,550	1,550	1,550	1,550	1,550
OTHER FUNDS.....	0	0	0	0	0	0	0
DEPARTMENT TOTAL.....	\$ 304,448	\$ 317,613	\$ 316,615	\$ 316,615	\$ 316,615	\$ 316,615	\$ 316,615

PROGRAM OBJECTIVE: To formulate and enact the public policy of the Commonwealth, to define the functions of State Government, to provide revenue for the Commonwealth and to appropriate money for the operation of State agencies and for other purposes.

Program: Legislature

This program provides for the operation of the General Assembly, which consists of a 50 member Senate and a 203 member House of Representatives, funded by numerous

General Fund appropriations. These appropriations are detailed in the Summary by Fund and Appropriation portion of this presentation.

Program Recommendations:

This budget recommends the following changes: (Dollar Amounts in Thousands)

\$ -1,067 **Legislature**
 —nonrecurring project

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
TOTAL GENERAL FUND	\$ 303,117	\$ 316,132	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065	\$ 315,065



JUDICIARY

The objective of the judicial system of the Commonwealth is to provide citizens with prompt and equitable justice under the law.

The court system includes the Supreme Court, Superior Court, Commonwealth Court, Courts of Common Pleas and Community Courts including Magisterial Judges, Philadelphia Municipal Court, Philadelphia Traffic Court and the Pittsburgh Magistrate Court.

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04 ACTUAL	2004-05 AVAILABLE	2005-06 BUDGET
GENERAL FUND:			
<i>General Government:</i>			
Supreme Court:			
Supreme Court.....	\$ 12,696	\$ 13,151	\$ 13,151
(A) Filing Fees.....	375	346	346
Justices Expenses.....	180	180	180
Judicial Council.....	183	340	340
District Court Administrators.....	14,487	16,000	16,000
Court Management Education.....	157	157	157
(A) Court Management Program.....	5	9	5
Civil Procedural Rules Committee.....	423	423	423
Appellate/Orphans Rules Committee.....	180	180	180
Rules of Evidence Committee.....	169	169	169
Minor Court Rules Committee.....	178	178	178
Criminal Procedural Rules Committee.....	418	430	430
Domestic Relations Committee.....	196	203	203
Juvenile Court Rules Committee.....	198	198	198
Court Administrator.....	7,960	8,945	8,945
(F) Court Improvement Project.....	0	0	430
(A) Miscellaneous.....	6	5	6
Integrated Criminal Justice System.....	1,999	2,095	2,095
(R) Judicial Computer System.....	44,989	42,065	41,727
Unified Judicial System Security.....	0	5,156	808
Subtotal.....	\$ 84,799	\$ 90,230	\$ 85,971
Superior Court:			
Superior Court.....	\$ 25,733	\$ 26,679	\$ 26,679
(A) Filing Fees.....	229	265	265
Judges Expenses.....	237	237	237
Subtotal.....	\$ 26,199	\$ 27,181	\$ 27,181
Commonwealth Court:			
Commonwealth Court.....	\$ 16,019	\$ 16,060	\$ 16,060
(A) Filing Fees.....	204	200	200
Judges Expenses.....	143	143	143
Subtotal.....	\$ 16,366	\$ 16,403	\$ 16,403
Courts of Common Pleas:			
Courts of Common Pleas.....	\$ 63,655	\$ 68,436	\$ 68,436
(A) Filing Fees.....	5	0	0
Senior Judges.....	3,879	3,996	3,996
Judicial Education.....	727	953	953
Ethics Committee.....	40	40	40
Subtotal.....	\$ 68,306	\$ 73,425	\$ 73,425
District Justices:			
Magisterial District Judges.....	\$ 52,364	\$ 55,282	\$ 55,282
Magisterial District Judge Education.....	605	605	605
(A) Registration Fees.....	31	32	31
Subtotal.....	\$ 53,000	\$ 55,919	\$ 55,918
Philadelphia Courts:			
Traffic Court.....	\$ 747	\$ 840	\$ 840
Municipal Court.....	4,855	5,061	5,061
Law Clerks.....	39	39	39
Domestic Violence Services.....	204	204	204
Subtotal.....	\$ 5,845	\$ 6,144	\$ 6,144

Summary by Fund and Appropriation

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	ACTUAL	AVAILABLE	BUDGET
Judicial Conduct Board.....	\$ 1,094	\$ 1,202	\$ 1,202
Court of Judicial Discipline.....	433	451	451
Subtotal - State Funds.....	\$ 210,198	\$ 228,033	\$ 223,685
Subtotal - Federal Funds.....	0	0	430
Subtotal - Augmentations.....	855	857	853
Subtotal - Restricted Revenues.....	44,989	42,065	41,727
Total - General Government.....	<u>\$ 256,042</u>	<u>\$ 270,955</u>	<u>\$ 266,695</u>
 Grants and Subsidies:			
Reimbursement of County Costs:			
Jurors.....	\$ 1,369	\$ 1,369	\$ 1,369
County Courts.....	32,196	32,126	32,126
Senior Judge Reimbursement.....	2,500	2,000	2,000
Gun Court Reimbursements (06/06).....	0	525	0
Subtotal.....	<u>\$ 36,065</u>	<u>\$ 36,020</u>	<u>\$ 35,495</u>
Total - Grants and Subsidies.....	<u>\$ 36,065</u>	<u>\$ 36,020</u>	<u>\$ 35,495</u>
STATE FUNDS.....	\$ 246,263	\$ 264,053	\$ 259,180
FEDERAL FUNDS.....	0	0	430
AUGMENTATIONS.....	855	857	853
RESTRICTED REVENUES.....	44,989	42,065	41,727
GENERAL FUND TOTAL.....	<u>\$ 292,107</u>	<u>\$ 306,975</u>	<u>\$ 302,190</u>

Program Funding Summary

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
STATE JUDICIAL SYSTEM							
GENERAL FUND.....	\$ 246,263	\$ 264,053	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	430	430	430	430	430
OTHER FUNDS.....	45,844	42,922	42,580	42,580	42,580	42,580	42,580
SUBCATEGORY TOTAL.....	\$ 292,107	\$ 306,975	\$ 302,190	\$ 302,190	\$ 302,190	\$ 302,190	\$ 302,190
ALL PROGRAMS:							
GENERAL FUND.....	\$ 246,263	\$ 264,053	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180
SPECIAL FUNDS.....	0	0	0	0	0	0	0
FEDERAL FUNDS.....	0	0	430	430	430	430	430
OTHER FUNDS.....	45,844	42,922	42,580	42,580	42,580	42,580	42,580
DEPARTMENT TOTAL.....	\$ 292,107	\$ 306,975	\$ 302,190	\$ 302,190	\$ 302,190	\$ 302,190	\$ 302,190

PROGRAM OBJECTIVE: To provide the citizens of the Commonwealth with prompt and equitable justice.

Program: State Judicial System

The judicial power of the Commonwealth is vested in a court system consisting of the Supreme Court, Superior Court, Commonwealth Court, Courts of Common Pleas, Philadelphia Municipal Court, Pittsburgh Magistrates Court, Traffic Court of Philadelphia and Magisterial Judges (formerly termed "District Justices").

At the first level in the court system are the special courts. In counties other than Philadelphia, these courts are presided over by Magisterial Judges who have jurisdiction over summary criminal cases, landlord-tenant matters and other civil actions where the amount claimed does not exceed \$8,000. They also have jurisdiction to issue warrants, hold arraignments and preliminary hearings in all criminal cases, and to accept guilty pleas under certain circumstances.

Although Magisterial District Judges need not be lawyers, they must complete an educational course and pass a qualifying examination administered by the Minor Judiciary Education Board in order to be certified. They must also participate in one week of continuing education each year.

In Philadelphia, the special courts are the Municipal Court and the Traffic Court. Municipal Court is a court of record whose 25 judges must be lawyers. Its limited jurisdiction is analogous to that of the Magisterial Judges. The Philadelphia Traffic Court, composed of seven judges, has jurisdiction over all summary offenses under the Motor Vehicle Code and related city ordinances.

The Supreme Court of Pennsylvania recently established by Order an administrative judicial unit within the Fifth Judicial District (Allegheny County) known as "Pittsburgh Municipal Court". Most matters that were previously assigned to Pittsburgh Magistrates Court have been assigned to this court, with the exception of Housing Court matters. Housing Court matters will be transferred to Pittsburgh Municipal Court shortly. The Pittsburgh Municipal Court will be staffed by Magisterial District judges from districts within the City of Pittsburgh and throughout Allegheny County who will be assigned to sit on the court by the president judge of the Fifth Judicial District.

The Courts of Common Pleas are the courts of general trial jurisdiction. They have original jurisdiction over all cases that are not exclusively assigned to another court. Appellate jurisdiction extends to appeals from final orders of the lower courts and appeals from certain State and most local government agencies.

There are two levels of appellate courts in Pennsylvania. The lower level consists of the Superior Court with fifteen judges and the Commonwealth Court with nine judges. At the higher level, Pennsylvania's court of last resort is the Supreme Court with seven justices.

In general, appeals from the Courts of Common Pleas are taken to one of the two intermediate appellate courts. Commonwealth Court basically has jurisdiction over appeals involving government agencies and officials, as well as many matters involving not-for-profit corporations. It also has original jurisdiction over Election Code matters and cases involving State officials. Superior Court has jurisdiction over all direct appeals that are not within the specific statutory jurisdiction of another appellate court.

In accordance with the State Constitution and statute, there is a two-tiered judicial disciplinary system. The role of the first tier, the Judicial Conduct Board, is to investigate complaints regarding judicial conduct. Hearings are conducted by the second tier, the Court of Judicial Discipline, to determine whether a sanction should be imposed upon a member of the Judiciary.

As defined by the State Constitution, statute and court rule, the Administrative Office of Pennsylvania Courts (AOPC) is the administrative arm of the Supreme Court, assisting that Court in its oversight responsibility of the Commonwealth's Unified Judicial System. The AOPC provides services for approximately 2,100 members of the Judiciary and staff, including budgeting, accounting, benefits and retirement counseling, legal representation, policy guidance, technical advice, education, research, legislative affairs, communications, administration and development of the judicial computer project and data processing.

The Judicial Computer System has the ultimate goal of computerization of the entire judiciary. Automated systems presently in place are the District Justice System (DJS) which serves the 555 Magisterial District Judge offices; the Pennsylvania Appellate Courts Case Management System (PACMS), which is the integrated, automated case management system that serves the three appellate courts; and the Administrative Services Application Program (ASAP) which serves the court's administrative needs, including accounting, budgeting, payroll and human resources functions. The system presently being implemented is the Common Pleas Criminal Case Management System (CPCMS) which will automate the trial courts throughout Pennsylvania. As of December 31, 2004, the CPCMS has been implemented in 22 counties; the remaining 45 counties will be moved on to CPCMS during calendar years 2005 and 2006. Later phases will extend automation to the civil courts. The Judiciary has been an active participant in the Commonwealth's multi-agency Integrated Criminal Justice Network (commonly known as JNET) from its inception, and provides it with important data from its automated systems.

Program: State Judicial System (continued)

Program Recommendations: (continued)

This budget recommends the following changes: (Dollar Amounts in Thousands)

	Unified Judicial System Security		Gun Court Reimbursements
\$ -4,400	—decreased grants for one-time costs.	\$ -525	—nonrecurring two-year continuing appropriation.
52	—to continue current program.		
<u>\$ -4,348</u>	<i>Appropriation Decrease</i>		

This budget recommends all other appropriations either at levels based on estimated revenues or at levels to carry current programs forward. Recommendations include funding for salary increases for all judicial positions as specified in Act 51 of 1995.

Appropriations within this Program:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL FUND:							
Supreme Court	\$ 12,696	\$ 13,151	\$ 13,151	\$ 13,151	\$ 13,151	\$ 13,151	\$ 13,151
Justices Expenses	180	180	180	180	180	180	180
Judicial Council	183	340	340	340	340	340	340
District Court Administrators	14,487	16,000	16,000	16,000	16,000	16,000	16,000
Court Management Education	157	157	157	157	157	157	157
Civil Procedural Rules Committee	423	423	423	423	423	423	423
Appellate/Orphans Rules Committee	180	180	180	180	180	180	180
Rules of Evidence Committee	169	169	169	169	169	169	169
Minor Court Rules Committee	178	178	178	178	178	178	178
Criminal Procedural Rules Committee	418	430	430	430	430	430	430
Domestic Relations Committee	196	203	203	203	203	203	203
Juvenile Court Rules Committee	198	198	198	198	198	198	198
Court Administrator	7,960	8,945	8,945	8,945	8,945	8,945	8,945
Integrated Criminal Justice System	1,999	2,095	2,095	2,095	2,095	2,095	2,095
Unified Judicial System Security	0	5,156	808	808	808	808	808
Superior Court	25,733	26,679	26,679	26,679	26,679	26,679	26,679
Judges Expenses	237	237	237	237	237	237	237
Commonwealth Court	16,019	16,060	16,060	16,060	16,060	16,060	16,060
Judges Expenses	143	143	143	143	143	143	143
Courts of Common Pleas	63,655	68,436	68,436	68,436	68,436	68,436	68,436
Senior Judges	3,879	3,996	3,996	3,996	3,996	3,996	3,996
Judicial Education	727	953	953	953	953	953	953
Ethics Committee	40	40	40	40	40	40	40
Magisterial District Judges	52,364	55,282	55,282	55,282	55,282	55,282	55,282
Magisterial District Judge Education	605	605	605	605	605	605	605
Traffic Court	747	840	840	840	840	840	840
Municipal Court	4,855	5,061	5,061	5,061	5,061	5,061	5,061
Law Clerks	39	39	39	39	39	39	39
Domestic Violence Services	204	204	204	204	204	204	204
Judicial Conduct Board	1,094	1,202	1,202	1,202	1,202	1,202	1,202
Court of Judicial Discipline	433	451	451	451	451	451	451
Jurors	1,369	1,369	1,369	1,369	1,369	1,369	1,369
County Courts	32,196	32,126	32,126	32,126	32,126	32,126	32,126
Senior Judge Reimbursement	2,500	2,000	2,000	2,000	2,000	2,000	2,000
Gun Court Reimbursements (06/06)	0	525	0	0	0	0	0
TOTAL GENERAL FUND	\$ 246,263	\$ 264,053	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180	\$ 259,180

CAPITAL BUDGET Program Summary

This section contains the 2005-06 Capital Budget and Five Year Capital Program. The proposed funding sources and amounts needed to support capital programs are projected for five fiscal years.

All projects are grouped by categories regardless of the source of funding. The categories, as explained below, are consistently used for projects which are to be funded by Commonwealth debt obligations, current revenues and funds received from other jurisdictions. Funding source distinctions are clearly noted throughout the section which itemizes the recommended capital program.

Public Improvement Projects — This category includes various types of new buildings and renovation projects. Also included are nonstructural improvements and the acquisition of land. The design and construction for the majority of these projects is administered by the Department of General Services. However, Keystone Recreation, Park and Conservation and the Environmental Stewardship Projects are administered by the Department of Conservation and Natural Resources.

Public Improvement—Original Furniture and Equipment Projects — This category provides for the equipping of newly completed public improvement projects by purchasing original movable furniture and equipment through the Department of General Services. Replacement furniture and equipment to be used in existing buildings are purchased as fixed assets through agency operating budgets.

Transportation Assistance Projects — These projects include: (a) the purchase of rolling stock and construction or improvement of facilities operated by mass transportation agencies throughout the Commonwealth; (b) the acquisition, construction and equipping of rural and intercity common carrier surface transportation systems or any components thereof; and (c) air transportation systems. These projects are administered by the Department of Transportation.

Redevelopment Assistance Projects — This category provides grants for the acquisition of land and the construction of buildings and other property appurtenances for municipal agencies and authorities for economic development and the prevention and elimination of blight.

Flood Control Projects — This category provides the State's share of Federal flood control works and improvements to prevent floods and to preserve, control and regulate the flow of rivers and streams in the Commonwealth. These projects are administered by the Department of Environmental Protection.

Highway Projects — This category includes the design, purchase of rights-of-way, construction, reconstruction and other improvements to highways and bridges on the State highway system. These projects are designed and constructed by the Department of Transportation.

Capital Budget Financing — As is indicated wherever necessary, many capital projects are financed by current revenues either from dedicated sources or appropriations through operating budgets. However, most of the authorizations recommended in the capital budget are debt financed for varying terms by General Obligation Bonds. See the Public Debt Section (Section G) for further discussion of Debt Policy.

The Capital Budget section consists of the following subsections.

2005-06 New Project Authorizations — This section itemizes and describes the new capital projects recommended for authorization in 2005-06 and their proposed source of funding. The projects are listed by department and capital project category.

Impact on Operating Costs — The description of each capital project recommended for authorization contains a statement concerning the impact on program operating costs expected from the implementation of the capital project. With certain exceptions, the statement indicates little or no effect on operating costs. This is due to the fact that most capital projects involve the renovation or replacement of existing facilities. Consequently, any operating cost impact is derived from such items as efficiencies in energy consumption and avoided maintenance. These items, when viewed in terms of the total agency or program budget, generally tend to be negligible. An exception is when a very large scale project is implemented which will dramatically change these and other elements of an operating budget. In these cases, the expected change in operating expenses is quantified. An additional case in which the net change in operating cost will be quantified is where new construction will result in a significant increase in the capital asset base. In this case, the

estimated effect on operating costs will be shown with the capital project when recommended for authorization. A more precise figure will be recommended in the agency's operating budget when the project has been completed which is usually several years after a capital project is authorized.

There are several categories of capital authorizations for which no estimate of operating cost impact is provided. Among these are the categories of Redevelopment Assistance, Flood Control, Transportation Assistance and flood protection projects undertaken as part of the Public Improvement category. These projects constitute improvements to the property of other entities, primarily local jurisdictions such as cities, boroughs townships, etc. Any change in operating costs will, therefore, be borne by an entity other than the Commonwealth. One other category of capital authorizations which will not provide a statement of operating cost impact is Highway and Bridge projects. This is because the bulk of capital spending in this category is for the rehabilitation of the existing highway network rather than the addition of new mileage. As rehabilitation takes place,

previously high maintenance costs are avoided. These avoided maintenance costs are then shifted to other segments of roadway where repair needs are relatively great. As a result, the total highway operating budget experiences very little net change.

Forecast of Future Projects — This section contains a dollar forecast of new capital projects to be requested during each of the fiscal years 2005-06 through 2008-09. The projections are grouped by department and capital project category.

Estimate of Capital Expenditures — This section provides an estimate of expenditures for capital projects during each of the next five fiscal years. Since design, acquisition and construction of a project are not generally completed during the fiscal year in which the project is initiated, actual expenditures usually occur over several fiscal years. The estimated expenditures determine the amount of bonds which must be issued or the current revenue appropriations required in each fiscal year. The projections are listed by capital project category and agency, and are further subdivided by currently authorized projects, new projects proposed for 2005-06 and projects which will be authorized in the future (2006-10).

ESTIMATED CAPITAL EXPENDITURES State Funds

This table presents summary data on the source of funding and use for currently authorized and proposed capital projects. Detailed information on debt issued for capital projects is contained in the Public Debt Section of this budget document.

(Dollar Amounts in Thousands)

	2005-06 Estimated	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
GENERAL OBLIGATION BOND FUNDING					
Revenues					
Capital Facilities Bonds					
Public Improvement Projects - Buildings and Structures.....	\$ 355,000	\$ 365,000	\$ 285,000	\$ 285,000	\$ 335,000
Public Improvement Projects - Furniture and Equipment.....	0	15,000	12,000	3,000	3,000
Redevelopment Assistance Projects.....	165,000	250,000	305,000	265,000	130,000
Flood Control Projects.....	11,000	7,000	10,000	8,000	5,000
Transportation Assistance Projects.....	150,000	150,000	150,000	150,000	150,000
Less: Costs of Issue.....	-10,215	-11,805	-11,430	-10,665	-6,230
Miscellaneous Revenue.....	21,926	8,284	8,716	8,697	8,994
Change in Available Cash.....	-12,944	-4,513	5,909	386	-6,214
Total.....	<u>\$ 679,767</u>	<u>\$ 778,966</u>	<u>\$ 765,195</u>	<u>\$ 709,418</u>	<u>\$ 619,550</u>
Expenditures					
Capital Facilities Fund					
Public Improvement Projects - Buildings and Structures.....	\$ 346,881	\$ 344,404	\$ 287,648	\$ 281,347	\$ 328,852
Public Improvement Projects - Furniture and Equipment.....	12,813	30,312	12,718	3,301	3,158
Redevelopment Assistance Projects.....	163,054	247,363	305,209	266,357	132,688
Flood Control Projects.....	7,019	6,887	9,620	8,413	4,852
Transportation Assistance Projects.....	150,000	150,000	150,000	150,000	150,000
Total - General Obligation Bonds.....	<u>\$ 679,767</u>	<u>\$ 778,966</u>	<u>\$ 765,195</u>	<u>\$ 709,418</u>	<u>\$ 619,550</u>
FROM CURRENT REVENUES					
Public Improvement Projects - Fish and Boat Fund.....	\$ 4,309	\$ 11,426	\$ 750	\$ 750	\$ 750
Public Improvement Projects - Game Fund.....	0	0	0	0	0
Acquisition, Improvement and Restoration Projects					
Keystone Recreation, Park and Conservation Fund.....	18,517	19,170	21,148	22,755	24,133
Acquisition, Rehabilitation and Development Project					
Environmental Stewardship Fund.....	11,412	11,412	11,811	12,224	12,652
Public Improvement Projects - State Stores Fund.....	0	0	0	0	0
Highway Projects - Motor License Fund.....	402,014	381,349	366,732	368,399	366,385
Total Current Revenues.....	<u>\$ 436,251</u>	<u>\$ 423,356</u>	<u>\$ 400,441</u>	<u>\$ 404,129</u>	<u>\$ 403,920</u>
TOTAL - ALL FUNDS	<u><u>\$ 1,116,018</u></u>	<u><u>\$ 1,202,322</u></u>	<u><u>\$ 1,165,636</u></u>	<u><u>\$ 1,113,547</u></u>	<u><u>\$ 1,023,470</u></u>

Totals may not add due to rounding.

FORECAST OF NEW PROJECT AUTHORIZATIONS State Funds

This table provides a summary of the budget recommendations and potential future authorizations by department.

(Dollar Amounts in Thousands)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
Agriculture.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Conservation and Natural Resources.....	40,581	85,750	88,000	91,000	98,500	403,831
Corrections.....	26,600	30,000	30,000	30,000	30,000	146,600
Education.....	48,068	89,635	83,065	49,700	68,000	338,468
Emergency Management Agency.....	2,000	0	0	0	0	2,000
Environmental Protection.....	14,774	15,120	8,880	4,320	9,672	52,766
Executive Offices.....	0	0	0	0	0	0
Fish and Boat Commission.....	0	2,000	1,500	1,000	1,000	5,500
Game Commission.....	0	2,000	1,000	1,000	1,000	5,000
General Services.....	0	0	0	0	0	0
Historical and Museum Commission.....	2,550	8,055	12,420	12,120	3,900	39,045
Liquor Control Board.....	0	0	0	0	0	0
Military and Veterans Affairs.....	0	0	0	0	0	0
Public Welfare.....	24,345	25,480	25,062	0	0	74,887
State Police.....	0	0	0	0	0	0
Transportation.....	245,902	350,000	350,000	350,000	350,000	1,645,902
TOTAL.....	\$ 404,820	\$ 608,040	\$ 599,927	\$ 539,140	\$ 562,072	\$ 2,713,999

RECOMMENDED 2005-06 NEW PROJECT AUTHORIZATIONS STATE FUNDS

This table provides a summary of new project authorizations by department and capital program category within bond and current revenue sources.

(Dollar Amounts in Thousands)

	Capital Facilities Bond Funds			
	Public Improvement Projects	Original Furniture & Equipment	Transportation Assistance Projects	Flood Control Projects
Agriculture.....	\$ 0	\$ 0	\$ 0	\$ 0
Conservation and Natural Resources.....	19,000	1,281	0	0
Corrections.....	26,600	0	0	0
Education.....	46,678	1,090	0	0
Emergency Management.....	0	0	0	0
Environmental Protection.....	10,400	0	0	4,374
Executive Offices.....	0	0	0	0
Fish and Boat Commission.....	0	0	0	0
Game Commission.....	0	0	0	0
General Services.....	0	0	0	0
Historical and Museum Commission.....	1,200	1,350	0	0
Liquor Control Board.....	0	0	0	0
Military and Veterans Affairs.....	0	0	0	0
Public Welfare.....	24,345	0	0	0
State Police.....	0	0	0	0
Transportation.....	49,500	0	139,612	0
TOTAL.....	\$ 177,723	\$ 3,721	\$ 139,612	\$ 4,374

	Current Revenues		All Funds
	Highway Projects	Public Improvement Projects	
Agriculture.....	\$ 0	\$ 0	\$ 0
Conservation and Natural Resources.....	0	20,300	40,581
Corrections.....	0	0	26,600
Education.....	0	2,500	50,268
Emergency Management.....	0	2,000	2,000
Environmental Protection.....	0	0	14,774
Executive Offices.....	0	0	0
Fish and Boat Commission.....	0	0	0
Game Commission.....	0	0	0
General Services.....	0	0	0
Historical and Museum Commission.....	0	0	2,550
Liquor Control Board.....	0	0	0
Military and Veterans Affairs.....	0	0	0
Public Welfare.....	0	0	24,345
State Police.....	0	0	0
Transportation.....	56,790	0	245,902
TOTAL.....	\$ 56,790	\$ 24,800	\$ 407,020

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
Parks and Forest Management.....	\$ 30,763	\$ 7,000	\$ 2,818	\$ 40,581
TOTAL PROJECTS.....	<u>\$ 30,763</u>	<u>\$ 7,000</u>	<u>\$ 2,818</u>	<u>\$ 40,581</u>
 SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 16,182	\$ 0	\$ 2,818	\$ 19,000
Capital Facilities Fund - Furniture and Equipment.....	1,281	0	0	1,281
Subtotal General Obligation Bond Issues.....	<u>\$ 17,463</u>	<u>\$ 0</u>	<u>\$ 2,818</u>	<u>\$ 20,281</u>
Current Revenues				
Keystone Recreation, Park and Conservation Fund - Improvements and Rehabilitation.....	\$ 5,900	\$ 3,500	\$ 0	\$ 9,400
Environmental Stewardship Fund - Acquisition, Improvements and Rehabilitation.....	5,000	3,500	0	8,500
State Forestry Bridge - Parks and Forest Management.....	2,400	0	0	2,400
Subtotal Current Revenues.....	<u>\$ 13,300</u>	<u>\$ 7,000</u>	<u>\$ 0</u>	<u>\$ 20,300</u>
TOTAL.....	<u>\$ 30,763</u>	<u>\$ 7,000</u>	<u>\$ 2,818</u>	<u>\$ 40,581</u>

Department of Conservation and Natural Resources 2005-06 Projects

<i>This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.</i>	(Dollar Amounts in Thousands)			Total Project Cost
	Base Project Cost	Land Cost	Design & Contingencies	
FROM CAPITAL FACILITIES BOND FUNDS				
PUBLIC IMPROVEMENT PROJECTS				
Program: Parks and Forest Management				
S. B. Elliott State Park, Clearfield County	\$ 6,666	\$ 0	\$ 1,334	\$ 8,000
VISITORS' CENTER: This will provide for the completion of a visitors' center and overnight lodge facility including infrastructure to the buildings. When completed, this project is expected to increase operating costs by \$70,000 annually.				
Gouldsboro State Park, Monroe County	1,667	0	333	2,000
REHABILITATION OF DAM: This project will provide for the rehabilitation of the dam to mandatory safe operating condition. When completed, this project is not expected to change operating costs.				
Forest District #12, Lycoming County	850	0	150	1,000
RELOCATE ROAD: This project will provide for the relocation of approximately one mile of roadway to provide better access to state forest land. When completed, this project is not expected to change operating costs.				
Shikellamy State Park, Northumberland County	2,083	0	417	2,500
REPLACEMENT OF MARINA: This project will replace the existing marina with a modern facility including infrastructure and expand current visitors' center. When completed, this project is expected to increase operating costs by \$40,000 annually.				
Bald Eagle State Park, Centre County	2,000	0	0	2,000
CONSTRUCT FAMILY CAMPGROUND PHASE II: This project will develop and provide a family cabin colony for day and overnight usage within the grounds. When completed, this project is expected to increase operating costs by \$215,000 annually.				
Laurel Ridge State Park, Somerset County	2,916	0	584	3,500
REPLACE BRIDGE CROSSING: This project will replace a pedestrian bridge over the PA Turnpike in the park including necessary abutment repairs. When completed, this project is not expected to change operating costs.				
Cook Forest State Park, Forest County	114	0	0	114
ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. Furniture and equipment expenditures will not impact operating costs.				

Capital Budget

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

PUBLIC IMPROVEMENT PROJECTS (continued)

Program: Parks and Forest Management

<p>Pine Grove Furnace State Park, Cumberland County ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. When completed, this project is not expected to change operating costs.</p>	\$ 200	\$ 0	\$ 0	\$ 200
<p>Benjamin Rush State Park, Philadelphia County ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. Furniture and equipment expenditures will not impact operating costs.</p>	217	0	0	217
<p>Presque Isle State Park, Erie County ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. Furniture and equipment expenditures will not impact operating costs.</p>	400	0	0	400
<p>Delaware Canal State Park, Bucks County ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. Furniture and equipment expenditures will not impact operating costs.</p>	200	0	0	200
<p>Nescopeck State Park, Luzerne County ORIGINAL FURNITURE AND EQUIPMENT: This project will provide furniture and equipment for current capital projects at this location. Furniture and equipment expenditures will not impact operating costs.</p>	150	0	0	150
<p>PROGRAM TOTAL.....</p>	<hr style="width: 100%;"/> <u>\$ 17,463</u>	<hr style="width: 100%;"/> <u>\$ 0</u>	<hr style="width: 100%;"/> <u>\$ 2,818</u>	<hr style="width: 100%;"/> <u>\$ 20,281</u>

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM KEYSTONE RECREATION, PARK AND CONSERVATION CURRENT REVENUES				
<i>PUBLIC IMPROVEMENT PROJECTS</i>				
Program: Parks and Forest Management				
Bald Eagle State Park, Centre County REHABILITATE GRIT CHAMBER: This project will rehabilitate grit chamber including sand blasting and painting tanks. When completed, this project is not expected to change operating costs.	\$ 300	\$ 0	\$ 0	\$ 300
Bald Eagle State Park, Centre County REPLACE COURTESY DESK: This project will provide a replacement courtesy desk at eight public boat landings. When completed, this project is not expected to change operating costs.	300	0	0	300
Delaware Canal State Park, Bucks County REHABILITATE LUMBERVILLE WALL: This project will rehabilitate Lumberville wall to improve structural integrity. When completed, this project is not expected to change operating costs.	1,000	0	0	1,000
Delaware Canal State Park, Bucks County REFURBISH BRIDGE: This project will provide for the refurbishing of Rt. 13 bridge. When completed, this project is not expected to change operating costs.	1,000	0	0	1,000
Kettle Creek State Park, Clinton County INFRASTRUCTURE IMPROVEMENTS: This project will modernize lower campground sewage system within the park. When completed, this project is not expected to change operating costs.	600	0	0	600
Parker Dam State Park, Clearfield County INFRASTRUCTURE IMPROVEMENTS: This project will modernize campground restrooms within the park. When completed, this project is not expected to change operating costs.	300	0	0	300
Parker Dam State Park, Clearfield County REHABILITATE SPILLWAY: This project will repair and rehabilitate dam spillway. When completed, this project is not expected to change operating costs.	300	0	0	300
Patterson State Park, Potter County REPLACE RESTROOM: This project provides for the replacement of a unisex restroom with modern facilities. When completed, this project is not expected to change operating costs.	300	0	0	300

Capital Budget

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM KEYSTONE RECREATION, PARK AND CONSERVATION CURRENT REVENUES				
<i>PUBLIC IMPROVEMENT PROJECTS (continued)</i>				
Program: Parks and Forest Management				
R. B. Winter State Park, Union County	\$ 300	\$ 0	\$ 0	\$ 300
RENOVATE BRIDGE: This project will renovate current bridge within the confines of the park. When completed, this project is not expected to change operating costs.				
Reeds Gap State Park, Mifflin County	300	0	0	300
REPLACE DUMP STATION: This project will upgrade and replace the dump station for the park. When completed, this project is not expected to change operating costs.				
Sinnemahoning State Park, Cameron/Potter County	300	0	0	300
REHABILITATE BRIDGES: This project will upgrade and rehabilitate three bridges with box culverts within the confines of the park. When completed, this project is not expected to change operating costs.				
Sizerville State Park, Cameron/Potter County	900	0	0	900
REPLACE RESTROOM: This project provides for the replacement of pit latrines with modern facilities and remove office within the park. When completed, this project is not expected to change operating costs.				
Various Parks, Statewide	0	3,500	0	3,500
LAND ACQUISITION: This project will acquire land to be incorporated within the park system according to the Commonwealth's master plan. When completed, this project is not expected to change operating costs.				
PROGRAM TOTAL.....	<u>\$ 5,900</u>	<u>\$ 3,500</u>	<u>\$ 0</u>	<u>\$ 9,400</u>

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM ENVIRONMENTAL STEWARDSHIP FUND				
CURRENT REVENUES				
PUBLIC IMPROVEMENT PROJECTS				
Program: Parks and Forest Management				
Beltzville State Park, Carbon County	\$ 250	\$ 0	\$ 0	\$ 250
REHABILITATE SEWAGE TREATMENT PLANT: This project will rehabilitate the sewage treatment plant and correct infiltration within the confines of the park. When completed, this project is not expected to change operating costs.				
Black Moshannon State Park, Centre County	300	0	0	300
REHABILITATE SPILLWAY: This project will repair and rehabilitate dam spillway. When completed, this project is not expected to change operating costs.				
Delaware Canal State Park, Bucks County	1,500	0	0	1,500
REFURBISH BRIDGE: This project will provide for the refurbishing of Rt. 13 bridge. When completed, this project is not expected to change operating costs.				
Evansburg State Park, Montgomery County	250	0	0	250
REPLACE RESTROOMS: This project provides for the replacement of temporary restrooms with permanent modern facilities. When completed, this project is not expected to change operating costs.				
Forest District #18, Dauphin County	500	0	0	500
REHABILITATE CREEKBED: This project will rehabilitate Roaring Creek along Rt. 42. When completed, this project is not expected to change operating costs.				
Forest District #18, Dauphin County	500	0	0	500
REHABILITATE CREEKBED: This project will rehabilitate Roaring Creek along Rt. 54. When completed, this project is not expected to change operating costs.				
Leonard Harrison State Park, Tioga County	300	0	0	300
CONSTRUCT ADDITION: This project will construct an addition to the visitors' center with restrooms and classroom facility and office. When completed, this project is not expected to change operating costs.				
Reeds Gap State Park, Mifflin County	500	0	0	500
REHABILITATE SHOWER HOUSE: This project will rehabilitate shower house for camping area. When completed, this project is not expected to change operating costs.				

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM ENVIRONMENTAL STEWARDSHIP FUND				
CURRENT REVENUES				
 <i>PUBLIC IMPROVEMENT PROJECTS (continued)</i>				
Program: Parks and Forest Management				
Ridley Creek, Delaware County	\$ 300	\$ 0	\$ 0	\$ 300
REFURBISH MAINTENANCE BUILDING: This project will reroof the maintenance building. When completed, this project is not expected to change operating costs.				
Shikellamy State Park, Northumberland County	600	0	0	600
REHABILITATE MARINA BUILDINGS: This project will provide for the rehabilitation of marina buildings within the confines of the park. When completed, this project is not expected to change operating costs.				
Various Parks, Statewide	0	3,500	0	3,500
LAND ACQUISITION: This project will acquire land to be incorporated within the park system according to the Commonwealth's master plan. When completed, this project is not expected to change operating costs.				
 PROGRAM TOTAL.....	\$ 5,000	\$ 3,500	\$ 0	\$ 8,500

Capital Budget

Department of Conservation and Natural Resources 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM STATE FORESTRY BRIDGE				
CURRENT REVENUES				
 PUBLIC IMPROVEMENT PROJECTS				
Program: Parks and Forest Management				
Forest District #9, Centre County	\$ 300	\$ 0	\$ 0	\$ 300
REPLACE BRIDGE: This project will replace existing bridge with an improved version at North Run Rd. over Smays Run. When completed, this project is not expected to change operating costs.				
Forest District #9, Clearfield County	300	0	0	300
REPLACE BRIDGE: This project will replace existing bridge at Gordon Rd. over Anderson Creek with an improved version. When completed, this project is not expected to change operating costs.				
Forest District #9, Clearfield County	300	0	0	300
REPLACE BRIDGE: This project will replace existing bridge at Reservoir Rd. over Upper Three Run with an improved version. When completed, this project is not expected to change operating costs.				
Forest District #9, Clearfield County	900	0	0	900
REPLACE BRIDGES: This project will replace existing bridges No. 9-0013 9-9914, and 9-0016 with an improved version. When completed, this project is not expected to change operating costs.				
Forest District #9, Elk County	300	0	0	300
REPLACE BRIDGE: This project will replace existing bridge No. 9-0012 with an improved version. When completed, this project is not expected to change operating costs.				
Forest District #13, Elk County	300	0	0	300
REPLACE BRIDGE: This project will replace existing bridge (Ford Crossing) at N. Fork of Straight Creek with an improved version. When completed, this project is not expected to change operating costs.				
 PROGRAM TOTAL.....	 <u>\$ 2,400</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 2,400</u>

DEPARTMENT OF CORRECTIONS

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
Institutionalization of Offenders.....	\$ 21,280	\$ 0	\$ 5,320	\$ 26,600
TOTAL PROJECTS.....	<u>\$ 21,280</u>	<u>\$ 0</u>	<u>\$ 5,320</u>	<u>\$ 26,600</u>
SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 21,280	\$ 0	\$ 5,320	\$ 26,600
Capital Facilities Fund - Furniture and Equipment.....	0	0	0	0
Subtotal General Obligation Bond Issues.....	21,280	0	5,320	26,600
Federal Funds	0	0	0	0
TOTAL.....	<u>\$ 21,280</u>	<u>\$ 0</u>	<u>\$ 5,320</u>	<u>\$ 26,600</u>

Capital Budget

Department of Corrections 2005-06 Projects

(Dollar Amounts in Thousands)

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

PUBLIC IMPROVEMENT PROJECTS

Program: Institutionalization of Offenders

	State	Fed.	Land Cost	Design & Contingencies	Total Project Cost
State Correctional Institution at Graterford	\$ 7,200	\$ 0	\$ 0	\$ 1,800	\$ 9,000
INFRASTRUCTURE UPGRADE CONTINUATION: This project will continue upgrading the plumbing fixtures at various cell blocks and replace existing radiators. When completed, this project is not expected to increase operating costs.	0	0	0	0	0
State Correctional Institution at Graterford	4,800	0	0	1,200	6,000
SECURITY UPGRADES: This project will continue with upgrades with new cell doors and locks, HVAC to control rooms, and new fan coils. When completed, this project is not expected to increase operating costs.	0	0	0	0	0
State Correctional Institution at Waymart	3,440	0	0	860	4,300
INFRASTRUCTURE UPGRADE CONTINUATION: This project will continue to replace the existing electric service with new generators, new cables, switch gear and transformers. When completed, this project is not expected to increase operating costs.	0	0	0	0	0
State Correctional Institution at Dallas	2,880	0	0	720	3,600
INFRASTRUCTURE UPGRADE: This project will remove sanitary and storm drains cross connections, upgrade plant infrastructure and processing equipment. When completed, this project is not expected to change operating costs.	0	0	0	0	0
State Correctional Institution at Rockview	800	0	0	200	1,000
CONSTRUCT BACKUP WATER FILTER PLANT: This project will modify the Benner Spring Pump Station to include a packaged water filtration system. When completed, this project is not expected to increase operating costs.	0	0	0	0	0
State Correctional Institution at Houtzdale	720	0	0	180	900
RENOVATE FIRE ALARM SYSTEM: This project will replace and modernize heat sensors, smoke detectors, pull stations and computer programming to current codes and technology. When completed, this project is not expected to increase operating costs.	0	0	0	0	0
State Correctional Institution at Somerset	720	0	0	180	900
RENOVATE FIRE ALARM SYSTEM: This project will replace and modernize heat sensors, smoke detectors, pull stations and computer programming to current codes and technology. When completed, this project is not expected to increase operating costs.	0	0	0	0	0

Capital Budget

Department of Corrections 2005-06 Projects

(Dollar Amounts in Thousands)

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

PUBLIC IMPROVEMENT PROJECTS (continued)

Program: Institutionalization of Offenders

State Correctional Institution at Greene

RENOVATE FIRE ALARM SYSTEM: This project will replace and modernize heat sensors, smoke detectors, pull stations and computer programming to current codes and technology. When completed, this project is not expected to increase operating costs.

State	\$ 720	\$ 0	\$ 180	\$ 900
Fed.	0	0	0	0

Total State.....	\$ 21,280	\$ 0	\$ 5,320	\$ 26,600
Total Federal.....	0	0	0	0
 PROGRAM TOTAL.....	<u>\$ 21,280</u>	<u>\$ 0</u>	<u>\$ 5,320</u>	<u>\$ 26,600</u>

DEPARTMENT OF EDUCATION

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
State Owned Schools.....	\$ 6,850	\$ 0	\$ 1,028	\$ 7,878
Higher Education - State-Related Universities.....	31,420	4,500	6,770	42,690
TOTAL PROJECTS.....	<u>\$ 38,270</u>	<u>\$ 4,500</u>	<u>\$ 7,798</u>	<u>\$ 50,568</u>
SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 34,980	\$ 4,500	\$ 7,198	\$ 46,678
Capital Facilities Fund - Furniture and Equipment.....	1,090	0	0	1,090
Subtotal General Obligation Bond Issues.....	<u>\$ 36,070</u>	<u>\$ 4,500</u>	<u>\$ 7,198</u>	<u>\$ 47,768</u>
Current Revenues				
Higher Education - State-Related Universities.....	\$ 2,200	\$ 0	\$ 300	\$ 2,500
TOTAL.....	<u>\$ 38,270</u>	<u>\$ 4,500</u>	<u>\$ 7,498</u>	<u>\$ 50,268</u>

Department of Education 2005-06 Projects

This section provides a brief description of each recommended project, its location and cost components. Operating cost impacts are not provided for these projects since these costs are borne by the operating budget of each university.

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
PUBLIC IMPROVEMENT PROJECTS				
Program: State Owned Schools				
Scranton School for the Deaf	\$ 6,850	\$ 0	\$ 1,028	\$ 7,878
LIFE SAFETY, HEALTH & SECURITY UPGRADES: This project will update and improve life safety issues campus-wide and fully integrated. When completed, this project is not expected to change operating costs.				
PROGRAM TOTAL.....	<u>\$ 6,850</u>	<u>\$ 0</u>	<u>\$ 1,028</u>	<u>\$ 7,878</u>

Program: Higher Education - State-Related Universities

Lincoln University	\$ 10,400	\$ 0	\$ 2,600	\$ 13,000
CAMPUS AND GROUNDS RENOVATION: This project will construct, repave, resurface walkways around campus, improve entranceways, landscape maintenance and development around the campus and provide additional parking. Since the University will be responsible for maintenance, there will be no change in State operating cost.				
University of Pittsburgh	11,250	4,500	2,250	18,000
CONSTRUCT RECREATION & ATHLETIC COMPLEX: This project will construct a multi-purpose athletic and recreation complex that includes outdoor and indoor facilities and a mini security facility. Since the University will be responsible for maintenance, there will be no change in State operating cost.				
Pennsylvania State University - Berks	5,360	0	1,340	6,700
NEW CLASSROOM BUILDING - ADDITIONAL FUNDING: This project requests additional funding to reflect rising construction costs including additional square footage from original scope. Since the University will be responsible for maintenance, there will be no change in State operating cost.				
Pennsylvania State University - Delaware	1,120	0	280	1,400
NEW ADMINISTRATION BUILDING - ADDITIONAL FUNDING: This project requests additional funding to reflect rising construction costs including additional square footage from original scope. Since the University will be responsible for maintenance, there will be no change in State operating cost.				

Department of Education 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
<i>PUBLIC IMPROVEMENT PROJECTS (continued)</i>				
Program: Higher Education - State-Related Universities (continued)				
Pennsylvania State University - Berks	1,090	0	0	1,090
ORIGINAL FURNITURE AND EQUIPMENT, CONSTRUCTION OF NEW CLASSROOM BUILDING, BERKS CAMPUS: This project will provide for the purchase of moveable furniture and equipment to allow construction project to become operational. Since the University will be responsible for maintenance, there will be no change in State operating cost.				
PROGRAM TOTAL.....	<u>\$ 29,220</u>	<u>\$ 4,500</u>	<u>\$ 6,470</u>	<u>\$ 40,190</u>

Department of Education 2005-06 Projects

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CURRENT REVENUES

PUBLIC IMPROVEMENT PROJECTS

Program: Higher Education - State-Related Universities

Thaddeus Stevens College of Technology

CONSTRUCT VOCATIONAL EDUCATION BUILDING: This project will construct a new building to house three existing programs with similar space requirements and create a safer working environment. This project will be funded from the College's Operating Budget over the next two fiscal years. Since the College will be responsible for maintenance, there will be no change in State operating cost.

\$ 2,200	\$ 0	\$ 300	\$ 2,500
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PROGRAM TOTAL.....

<u>\$ 2,200</u>	<u>\$ 0</u>	<u>\$ 300</u>	<u>\$ 2,500</u>
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EMERGENCY MANAGEMENT AGENCY

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
Emergency Management.....	\$ 1,600	\$ 0	\$ 400	\$ 2,000
TOTAL PROJECTS.....	<u>\$ 1,600</u>	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 2,000</u>
 SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 0	\$ 0	\$ 0	\$ 0
Capital Facilities Fund - Furniture and Equipment.....	0	0	0	0
Subtotal General Obligation Bond Issues.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Current Revenues				
Emergency Management.....	\$ 1,600	\$ 0	\$ 400	\$ 2,000
Subtotal Current Revenues.....	<u>\$ 1,600</u>	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 2,000</u>
TOTAL.....	<u>\$ 1,600</u>	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 2,000</u>

Emergency Management Agency 2005-06 Projects

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CURRENT REVENUES

PUBLIC IMPROVEMENT PROJECTS

Program: Emergency Management

Emergency Operations Center

REHABILITATE EMERGENCY OPERATIONS CENTER: This project will provide for the renovation of the current operations center to comply with NRP, DHS and NIMS guidance. When completed, this project is not expected to increase operating costs.

	\$ 1,600	\$ 0	\$ 400	\$ 2,000
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PROGRAM TOTAL.....

	\$ 1,600	\$ 0	\$ 400	\$ 2,000
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DEPARTMENT OF ENVIRONMENTAL PROTECTION

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
Environmental Protection and Management.....	\$ 9,500	\$ 0	\$ 900	\$ 10,400
FLOOD CONTROL PROJECTS				
Environmental Protection and Management.....	4,030	0	344	4,374
TOTAL PROJECTS.....	<u>\$ 13,530</u>	<u>\$ 0</u>	<u>\$ 1,244</u>	<u>\$ 14,774</u>
SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 9,500	\$ 0	\$ 900	\$ 10,400
Capital Facilities Fund - Flood Control.....	4,030	0	344	4,374
TOTAL.....	<u>\$ 13,530</u>	<u>\$ 0</u>	<u>\$ 1,244</u>	<u>\$ 14,774</u>

Department of Environmental Protection 2005-06 Projects

(Dollar Amounts in Thousands)

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

Base Project Cost	Land Cost	Design & Contingencies	Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

PUBLIC IMPROVEMENT PROJECTS

Program: Environmental Protection and Management

Borough of Pitcairn, Allegheny County

	\$ 2,000	\$ 0	\$ 400	\$ 2,400
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ADDITIONAL FUNDS: This project would add additional funds to project 184-33 - a concrete channel system along Dirty Camp Run from Sugar Run Camp to a point downstream of Broadway Street. Since the locality will be responsible for maintenance, there will be no change in State operating costs.

City of Titusville, Crawford County

	500	0	100	600
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ADDITIONAL FUNDS: This project would add additional funds to project 183-16 - a compacted concrete detention dam on Church Run upstream of Titusville. This dam will reduce downstream flows significantly resulting in a large reduction in flood damages within the community. Since the locality will be responsible for maintenance, there will be no change in State operating costs.

Borough of Danville, Montour County

	2,000	0	400	2,400
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ADDITIONAL FUNDS: This project would add additional funds to project 181-05 - channel improvements including replacing the Route 11 bridge and railroad bridge with a box culvert to eliminate the need for closure structures this location. Since the locality will be responsible for maintenance, there will be no change in State operating costs.

Rachel Carson State Office Building, Dauphin County

	5,000	0	0	5,000
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RENOVATIONS AND RE-CABLING: This project will provide for the renovation of technology infrastructure within the Rachel Carson State Office Building for all occupied floors including both the Departments of Environmental Protection and Conservation and Natural Resources. When completed, this project is not expected to increase operating costs.

PROGRAM TOTAL.....	\$ 9,500	\$ 0	\$ 900	\$ 10,400
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Capital Budget

Department of Environmental Protection 2005-06 Projects

(Dollar Amounts in Thousands)

	Project Cost	Land Cost	Design & Contingencies	Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
FLOOD CONTROL PROJECTS				
Program: Environmental Protection and Management				
FELIX DAM REMOVAL: This project will demolish and remove dam structure on the Schuylkill River; the dam is a rock-filled timber crib structure, approximately 541 feet long and 18 feet high and partially breached. There will be no change in State operating costs.	\$ 500	\$ 0	\$ 100	\$ 600
BLAKELY FLOOD PROTECTION: This project will rehabilitate the project on Tinklepaugh Creek, a tributary to the Wildcat Creek including repairing joints in the concrete channel invert and repairing cracks and spalls on the concrete channel sidewalls. There will be no change in State operating costs.	500	0	100	600
ETNA FLOOD PROTECTION: This project will stabilize the waste pile for approximately 1500 feet with rock riprap protection. There will be no change in State operating costs.	720	0	144	864
DUBOIS FEDERAL FLOOD CONTROL PROJECT: This project to be constructed by the U.S. Army Corps of Engineers, Pittsburgh District will consist of flood protection along Pentz Run. There will be no change in State operating costs.	1,290	0	0	1,290
NEW BETHLEHEM FEDERAL FLOOD CONTROL PROJECT: This project to be constructed by the U.S. Army Corps of Engineers, Pittsburgh District will consist of flood protection along Redbank Creek. There will be no change in State operating costs.	570	0	0	570
CONNELLSVILLE FLOOD CONTROL PROJECT: This project to be constructed by the U.S. Army Corps of Engineers, Pittsburgh District will consist of flood protection along the Youghiogheny River and Mounts Creek. There will be no change in State operating costs.	450	0	0	450
PROGRAM TOTAL.....	<u>\$ 4,030</u>	<u>\$ 0</u>	<u>\$ 344</u>	<u>\$ 4,374</u>

HISTORICAL AND MUSEUM COMMISSION

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
State Historic Preservation.....	\$ 2,305	\$ 0	\$ 245	\$ 2,550
 TOTAL PROJECTS.....	<u>\$ 2,305</u>	<u>\$ 0</u>	<u>\$ 245</u>	<u>\$ 2,550</u>
 SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 1,000	\$ 0	\$ 200	\$ 1,200
Capital Facilities Fund - Furniture and Equipment.....	1,305	0	45	1,350
 TOTAL.....	<u>\$ 2,305</u>	<u>\$ 0</u>	<u>\$ 245</u>	<u>\$ 2,550</u>

Historical and Museum Commission 2005-06 Projects

<i>This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.</i>	(Dollar Amounts in Thousands)			
	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
PUBLIC IMPROVEMENT PROJECTS				
Program: State Historic Preservation				
Brandywine Battlefield, Delaware County	\$ 1,000	\$ 0	\$ 200	\$ 1,200
PERMANENT EXHIBITS FOR THE VISITORS CENTER: This project will provide for an expanded exhibit within the visitors' center including a combined ticketing and sales facility. Exhibit expenditure will not impact operating costs.				
Pennsylvania Military Museum, Centre County	225	0	45	270
ORIGINAL FURNITURE AND EQUIPMENT FOR RENOVATION OF MUSEUM: This project will provide for the original movable furniture and equipment so that construction project can become operational. Furniture and equipment expenditures will not impact operating costs.				
Brandywine Battlefield, Delaware County	420	0	0	420
ORIGINAL FURNITURE AND EQUIPMENT FOR EXPANSION OF VISITORS CENTER: This project will provide for the original movable furniture and equipment so that construction project can become operational. Furniture and equipment expenditures will not impact operating costs.				
Railroad Museum of Pennsylvania, Lancaster County	660	0	0	660
ORIGINAL FURNITURE AND EQUIPMENT FOR RENOVATION AND EXPANSION OF MUSEUM: This project will provide for the original movable furniture and equipment so that construction project can become operational. Furniture and equipment expenditures will not impact operating costs.				
 PROGRAM TOTAL.....	<u>\$ 2,305</u>	<u>\$ 0</u>	<u>\$ 245</u>	<u>\$ 2,550</u>

DEPARTMENT OF PUBLIC WELFARE

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
Human Services.....	\$ 20,288	\$ 0	\$ 4,057	\$ 24,345
TOTAL PROJECTS.....	<u>\$ 20,288</u>	<u>\$ 0</u>	<u>\$ 4,057</u>	<u>\$ 24,345</u>
SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Buildings and Structures.....	\$ 20,288	\$ 0	\$ 4,057	\$ 24,345
Capital Facilities Fund - Furniture and Equipment.....	0	0	0	0
TOTAL.....	<u>\$ 20,288</u>	<u>\$ 0</u>	<u>\$ 4,057</u>	<u>\$ 24,345</u>

Department of Public Welfare 2005-06 Projects

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
PUBLIC IMPROVEMENT PROJECTS				
Program: Human Services				
YDC/YFC System, Statewide	\$ 513	\$ 0	\$ 102	\$ 615
INSTALL SHATTERGUARD PROTECTIVE COATING: This project will install Shatterguard, a protective coating, on the windows throughout the YDC/YFC system. When completed, this project is not expected to change operating costs.				
Norristown State Hospital, Montgomery County	1,500	0	300	1,800
BOILER PLANT RENOVATIONS: This project will continue the boiler plant renovations by installing four water tube boilers with necessary connections, controls, fuel storage, and supply systems. When completed this project will reduce operating costs by \$300,000 annually.				
Polk Center, Venango County	1,000	0	200	1,200
RENOVATE STORM DRAINS: This project will replace 9,100 feet of 6" pipe and 1,800 feet of 24" main lines from downspouts. When completed this project will not change operating costs.				
Torrance State Hospital, Westmoreland County	2,200	0	440	2,640
INSTALL GAS BOILER: This project will establish new gas wells to fire new gas boiler after replacing coal fired system. Gas will come from mineral rights of property. When completed this project will reduce operating costs by \$1,000,000 annually.				
Allentown State Hospital, Lehigh County	500	0	100	600
BOILER PLANT RENOVATIONS: This project will install new boiler controls for four boilers and all associated auxiliary equipment. When completed this project will not change operating costs.				
Hamburg Center, Berks County	1,000	0	200	1,200
REPLACE WATER DISTRIBUTION CENTER: This project will replace 8" and 6" primary loops and feeders, building service laterals, mains and branch lines and all related components. When completed this project will not change operating costs.				
Mayview State Hospital, Allegheny County	2,000	0	400	2,400
RENOVATE WATER DISTRIBUTION: This project will replace existing cast iron water lines to all buildings on hospital grounds. When completed this project will not change operating costs.				
Wernersville State Hospital, Berks County	1,000	0	200	1,200
REPAIR SEWER DISTRIBUTION: This project will repair and replace the main distribution sanitary piping from facility to municipal authority connection. When completed this project will not change operating costs.				
White Haven Center, Luzerne County	900	0	180	1,080
INSTALL EMERGENCY GENERATORS: This project will install new emergency generators at various buildings and the dietary building. When completed this project will not change operating costs.				

Capital Budget

Department of Public Welfare 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
FROM CAPITAL FACILITIES BOND FUNDS				
<i>PUBLIC IMPROVEMENT PROJECTS (continued)</i>				
Program: Human Services				
Ebensburg Center, Cambria County	\$ 1,450	\$ 0	\$ 290	\$ 1,740
UPGRADE INFRASTRUCTURE: This project will provide for the upgrade of electrical systems, install air conditioning, replace windows and miscellaneous required upgrades for JFK Learning Center and Memorial Hall. When completed this project will not change operating costs as estimated savings from more efficient systems and overall increased costs from expansion of air conditioning are expected to offset.				
Torrance State Hospital, Westmoreland County	1,800	0	360	2,160
RENOVATE HVAC SYSTEM: This project will provide for the renovation of the HVAC system to the remainder of the Wiseman Building along with upgrading the fire alarm system to meet compliance. When completed this project will not change operating costs as estimated savings from more efficient systems and overall increased costs from expansion of air conditioning are expected to offset.				
South Mountain Restoration Center, Franklin County	3,100	0	620	3,720
RENOVATE HVAC SYSTEM: This project will provide for the installation of air conditioning, upgrade the electric supply, and related code upgrades in building 7. When completed this project will not change operating costs as estimated savings from more efficient systems and overall increased costs from expansion of air conditioning are expected to offset.				
Warren State Hospital, Warren County	800	0	160	960
UPGRADE ELECTRICAL SYSTEM: This project will provide for the installation, renovation, and upgrade of the electrical service to supply additional service to rooms. When completed, this project will not change operating costs.				
Danville State Hospital, Montour County	825	0	165	990
REPLACE ELECTRICAL SWITCH GEAR: This project will provide for the replacement of existing high voltage switch gear in each building. When completed, this is not expected to change operating costs.				
White Haven Center, Luzerne County	1,000	0	200	1,200
INSTALL NEW ROOFS: This project will install new roofs on the Hickory, Penn, Pine, Laurel, Parc, and Haven buildings. When completed this project will not increase operation costs.				
Polk Center, Venango County	700	0	140	840
DREDGE LAKE: This project will provide for the removal of excess silt to restore the lake to original holding capacity. When completed, this project is not expected to change operating costs.				
PROGRAM TOTAL.....	\$ 20,288	\$ 0	\$ 4,057	\$ 24,345

DEPARTMENT OF TRANSPORTATION

Summary of Recommended Authorization Amounts by Program and Source of Funds

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
2005-06 PUBLIC IMPROVEMENT PROJECTS				
State Highway and Bridge Maintenance.....	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Highway Safety.....	19,500	0	0	19,500
Subtotal.....	\$ 49,500	\$ 0	\$ 0	\$ 49,500
TRANSPORTATION ASSISTANCE PROJECTS				
Air Transportation.....	\$ 4,026	\$ 3,000	\$ 1,008	\$ 8,034
Urban Mass Transportation.....	370,385	0	13,060	383,445
Rural and Intercity Rail.....	7,143	0	29	7,172
Subtotal.....	\$ 381,554	\$ 3,000	\$ 14,097	\$ 398,651
HIGHWAY PROJECTS				
State Highway and Bridge Construction/Reconstruction.....	\$ 80,400	\$ 1,350	\$ 1,800	\$ 83,550
TOTAL PROJECTS.....	<u>\$ 511,454</u>	<u>\$ 4,350</u>	<u>\$ 15,897</u>	<u>\$ 531,701</u>
SOURCE OF FUNDS				
General Obligation Bond Issues				
Capital Facilities Fund - Transportation Assistance.....	\$ 124,528	\$ 1,500	\$ 13,584	\$ 139,612
Capital Facilities Fund - Public Improvement Projects.....	49,500	0	0	49,500
Current Revenues				
Motor License Fund.....	\$ 54,800	\$ 430	\$ 1,560	\$ 56,790
Federal Funds.....	268,356	920	240	269,516
Local Funds.....	14,270	1,500	513	16,283
TOTAL.....	<u>\$ 511,454</u>	<u>\$ 4,350</u>	<u>\$ 15,897</u>	<u>\$ 531,701</u>

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

This section provides a brief description of each recommended project, its location, cost components and expected impact on operating expenses.

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

PUBLIC IMPROVEMENT PROJECTS

Program: State Highway and Bridge Maintenance

Riverfront Office Center Purchase

\$ 30,000	\$ 0	\$ 0	\$ 30,000
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PURCHASE OFFICE BUILDING: This project will provide for the purchase of the Riverfront Office Complex to be used as the Safety Administration Central Office Location. When completed, this project will increase operating costs by \$1,873,000 annually. However, the increased operating costs will be offset by the combination of eliminating lease payments and increased debt service to acquire the facility.

PROGRAM TOTAL.....

<u>\$ 30,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,000</u>
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Program: Highway Safety

Clearfield County Welcome Center

\$ 6,500	\$ 0	\$ 0	\$ 6,500
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NEW CONSTRUCTION: This project will provide for the construction of the New Wilds Gateway Welcome Center in Clearfield County to provide travel and tourism throughout the Commonwealth. When completed, this project is expected to increase operating costs by \$250,000 annually.

Safety Rest Area

6,500	0	0	6,500
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CONSTRUCT: This project will provide for the construction of a Safety Rest Area in Warren, McKean, Potter, or Tioga County to include ramp and parking area. When completed, this project is expected to increase operating costs by \$250,000 annually.

Safety Rest Area

6,500	0	0	6,500
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CONSTRUCT: This project will provide for the construction of a Safety Rest Area in Clinton County to include ramp and parking area. When completed, this project is expected to increase operating costs by \$250,000 annually.

PROGRAM TOTAL.....

<u>\$ 19,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,500</u>
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Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

TRANSPORTATION ASSISTANCE PROJECTS

Program: Air Transportation

Cambria County Airport	State	\$ 320	\$ 0	\$ 80	\$ 400
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	320	0	80	400
Carbon County Airport	State	240	0	60	300
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	240	0	60	300
Butler County Airport	State	400	0	100	500
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	400	0	100	500
Chester County Airport	State	410	0	103	513
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	410	0	103	513
Northumberland County Airport	State	83	0	21	104
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	83	0	21	104
Lehigh Valley International Airport	State	0	1,500	0	1,500
LAND ACQUISITION: This project will provide for the purchase of land for a future parallel runway and growth of the airport.	Fed.	0	0	0	0
	Local	0	1,500	0	1,500
Wilkes-Barre/Wyoming Valley Airport	State	360	0	90	450
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	360	0	90	450
Reading Regional Airport	State	200	0	50	250
CONSTRUCT HANGARS: This project will provide for the construction of storage buildings for aircraft currently on a waiting list at the airport.	Fed.	0	0	0	0
	Local	200	0	50	250
TOTAL STATE FUNDS.....		\$ 2,013	\$ 1,500	\$ 504	\$ 4,017
TOTAL FEDERAL FUNDS.....		0	0	0	0
TOTAL LOCAL FUNDS.....		2,013	1,500	504	4,017
PROGRAM TOTAL.....		\$ 4,026	\$ 3,000	\$ 1,008	\$ 8,034

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

TRANSPORTATION ASSISTANCE PROJECTS (continued)

Program: Urban Mass Transportation

All of the following projects are grants to local transportation authorities. Consequently, no staffing or operating cost impacts are provided since these will be borne by local budgets.

Berks and Reading Transit Authority	State	\$ 90	\$ 0	\$ 10	\$ 100
REPLACE BUSES: This project will provide for the replacement of two (2) fixed route buses, which have met their useful life.	Fed.	480	0	0	480
	Local	20	0	0	20
Berks and Reading Transit Authority	State	132	0	15	147
REPLACE 8 PARATRANSIT BUSES: This project will replace 8 paratransit buses and related equipment, which have met their useful life.	Fed.	704	0	0	704
	Local	29	0	0	29
Berks and Reading Transit Authority	State	150	0	17	167
PURCHASE AUTO VEHICLE LOCATOR SYSTEM: This project will provide for the purchase of an auto vehicle locator for both the fixed route and paratransit systems.	Fed.	800	0	0	800
	Local	33	0	0	33
Butler Township	State	1,080	0	120	1,200
PULLMAN TRANSFER CENTER: This project will provide for Butler Township's Pullman Center Multi-modal Transfer Center.	Fed.	5,760	0	0	5,760
	Local	240	0	0	240
Centre Area Transit Authority	State	150	0	17	167
REPLACE FUELING STATION: This project will provide for the replacement of three (3) CNG compressors, which are the main components to the current fueling station.	Fed.	800	0	0	800
	Local	33	0	0	33
City of Philadelphia	State	750	0	83	833
STREETSCAPE IMPROVEMENTS: This project will provide for streetscape upgrades along the portion of Market Street where SEPTA is reconstructing the elevated line.	Fed.	4,000	0	0	4,000
	Local	167	0	0	167
City of Philadelphia	State	375	0	42	417
STREETSCAPE IMPROVEMENTS: This project will provide for streetscape, greening, street lighting, and intersection improvements adjacent to the intersection of 52nd Street and Lancaster Avenue.	Fed.	2,000	0	0	2,000
	Local	83	0	0	83
City of Philadelphia	State	186	0	21	207
STREETSCAPE IMPROVEMENTS: This project will provide for streetscape, intersection, transit stop/terminal, and pedestrian improvements along Oxford Avenue and Huntingdon Pike in Fox Chase and Rockledge Borough in Montgomery County.	Fed.	995	0	0	995
	Local	41	0	0	41

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost	
FROM CAPITAL FACILITIES BOND FUNDS					
TRANSPORTATION ASSISTANCE PROJECTS (continued)					
Program: Urban Mass Transportation (continued)					
Delaware River Port Authority	State	\$ 100	\$ 0	\$ 11	\$ 111
ADDITIONAL SMOKE AND FIRE SYSTEM: This project will provide for the DRPA's Philadelphia Locust Street Subway smoke and fire system project. A fire stand pipe system will be installed at the Locust St. Station of PATCO's subway system.	Fed.	533	0	0	533
	Local	22	0	0	22
Erie Municipal Transportation Authority	State	2,250	0	250	2,500
CONSTRUCTION OF NEW TRANSPORTATION CENTER: This project will provide for the construction of a new transit center located within Glenwood Park in the City of Erie.	Fed.	12,000	0	0	12,000
	Local	500	0	0	500
Erie Municipal Transportation Authority	State	52	0	6	58
INSTALL PASSENGER SHELTERS: This project will provide for the purchase and construction/installation of one (1) completely enclosed shelter and ten (10) shelters with benches.	Fed.	278	0	0	278
	Local	12	0	0	12
Fayette County	State	201	0	22	223
INTERMODAL TRANSIT CENTER AND ADMINISTRATIVE MAINTENANCE BUILDING: This project will provide for Fayette County's Intermodal Transit Center and Administrative Maintenance Building.	Fed.	1,073	0	0	1,073
	Local	45	0	0	45
Lehigh and Northampton Transportation Authority	State	518	0	58	576
PURCHASE BUSES: This project will provide for the purchase of twelve (12) heavy duty buses to replace buses, which have met their useful life.	Fed.	2,764	0	0	2,764
	Local	115	0	0	115
Lehigh and Northampton Transportation Authority	State	150	0	17	167
EASTON GARAGE EXPANSION: This project will provide for the expansion of LANTA's Easton garage to increase capacity of facility.	Fed.	800	0	0	800
	Local	33	0	0	33
Lehigh and Northampton Transportation Authority	State	324	0	36	360
PURCHASE MINI BUSES: This project will provide for the purchase of twenty (20) mini buses to replace fifteen (15) of LANTA's mini buses which have met their useful life and provide for the expansion of five (5) mini buses.	Fed.	1,728	0	0	1,728
	Local	72	0	0	72
Mid County Transit Authority	State	76	0	9	85
REPLACE VEHICLE STORAGE FACILITY: This project will provide for replacement of the vehicle storage facility and upgrade radio equipment including an automatic vehicle locator (AVL) system.	Fed.	408	0	0	408
	Local	17	0	0	17
Mid Mon Valley Transit Authority	State	60	0	7	67
CONSTRUCT PARK AND RIDE LOT: This project provides for the design and construction of a park and ride lot in Union Township, Washington County along State Route 88.	Fed.	322	0	0	322
	Local	13	0	0	13

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost	
FROM CAPITAL FACILITIES BOND FUNDS					
TRANSPORTATION ASSISTANCE PROJECTS (continued)					
Program: Urban Mass Transportation (continued)					
Schuylkill Transit System	State	\$ 210	\$ 0	\$ 23	\$ 233
PURCHASE BUSES: This project will	Fed.	1,120	0	0	1,120
provide for the purchase of four (4) heavy duty buses to replace	Local	47	0	0	47
four (4), which have met their useful life.					
Schuylkill Transit System	State	375	0	42	417
CONSTRUCTION OF UNION STATION TRANSIT CENTER:	Fed.	2,000	0	0	2,000
This project will provide for site construction of th	Local	83	0	0	83
Union Station Transit Center. This project is part of th					
redevelopment of Pottsville along State Route 6					
Schuylkill Transit System	State	197	0	22	219
PURCHASE SMALL BUSES: This project will	Fed.	1,051	0	0	1,051
provide for the purchase of seven (7) replacement small transit	Local	44	0	0	44
buses and one (1) trolley bus, and maintenance facility					
repairs and renovations.					
Southeastern Pennsylvania Transportation Authority	State	3,203	0	356	3,559
F.F.Y. 2006 TRACKLESS TROLLEY PURCHASE PROGRAM:	Fed.	17,083	0	0	17,083
This project will provide for F.F.Y. 2006 Trackless Trolley	Local	712	0	0	712
purchase program for design and acquisition of new trackless					
trolleys.					
Southeastern Pennsylvania Transportation Authority	State	3,203	0	356	3,559
F.F.Y. 2005 BUS PURCHASE PROGRAM: This project will	Fed.	17,083	0	0	17,083
provide for the F.F.Y. 2005 final phase of a three year project to	Local	712	0	0	712
acquire 318 accessible forty foot low-floor buses with an option					
for 20 additional buses.					
Southeastern Pennsylvania Transportation Authority	State	42,300	0	4,700	47,000
F.Y. 2005-2006 VEHICLE OVERHAUL PROGRAM:	Fed.	0	0	0	0
This project will provide for F.Y. 2005-2006 Vehicle Overhaul	Local	0	0	0	0
Program which provides for the major overhaul of SEPTA's					
rolling stock.					
Southeastern Pennsylvania Transportation Authority	State	29,700	0	3,300	33,000
F.Y. 2005-2006 INFRASTRUCTURE SAFETY RENEWAL	Fed.	0	0	0	0
PROGRAM: This project provides for the F.Y. 2005-2006	Local	0	0	0	0
Infrastructure Safety Renewal Program which includes					
improvements to stations, signals, track, power, and buildings.					

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

FROM CAPITAL FACILITIES BOND FUNDS

TRANSPORTATION ASSISTANCE PROJECTS (continued)

Program: Urban Mass Transportation (continued)

	Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost	
Southeastern Pennsylvania Transportation Authority	State	\$ 408	\$ 0	\$ 45	\$ 453
F.F.Y. 2001 ADDITIONAL FUNDING:	Fed.	2,174	0	0	2,174
This project will provide for additional funding for SEPTA's F.F.Y. 2001 Section 5307 Program, which includes refurbishing the Walnut-Locust subway station, Wayne Junction and 30th Street to Suburban Catenary Improvements.	Local	91	0	0	91
Southeastern Pennsylvania Transportation Authority	State	751	0	83	834
F.F.Y. 2006 FEDERAL HIGHWAY FLEX PROJECTS:	Fed.	4,003	0	0	4,003
This project project will provide for F.F.Y. 2006 Federal Highway Flex Projects, which includes Congestion Management Systems, Railroad/Highway grade crossings, purchase of hybrid buses and emission control devices.	Local	167	0	0	167
Southeastern Pennsylvania Transportation Authority	State	751	0	83	834
F.F.Y. 2005 FEDERAL HIGHWAY FLEX PROJECTS:	Fed.	4,003	0	0	4,003
This project project will provide for F.F.Y. 2005 Federal Highway Flex Projects, which includes Congestion Management Systems, Railroad/Highway grade crossings, purchase of hybrid buses and emission control devices.	Local	167	0	0	167
Southeastern Pennsylvania Transportation Authority	State	4,288	0	477	4,765
F.F.Y. 2001 FIXED GUIDEWAY PROGRAM:	Fed.	22,872	0	0	22,872
This project will provide for additional funding for SEPTA's FFY 2001 Section 5307 Fixed Guideway Program, which includes trackless trolley purchase and the Callowhill garage replacement.	Local	953	0	0	953
Southeastern Pennsylvania Transportation Authority	State	25,350	0	2,817	28,167
F.F.Y. 2006 FEDERAL PROGRAM:	Fed.	135,202	0	0	135,202
This project project will provide for F.F.Y. 2006 Federal Program, which includes Trackless Trolley purchase, Transit enhancements, Utility Fleet Renewal Station Rehabilitation rail service, Fare collection upgrade, Regional rail car acquisition, Elevated System reconstruction, Station accessibility, repairs, and other programs.	Local	5,633	0	0	5,633

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

TRANSPORTATION ASSISTANCE PROJECTS (continued)

Program: Urban Mass Transportation (continued)

Williamsport Bureau of Transit

TRANSPORTATION HUB: This project will provide for the improvements for a rail hub at the Lycoming Mall for WBT's fixed route transit service and the retrofit of the entire bus fleet with state-of-the-art equipment to provide for Automatic Vehicle Location (AVL) system.

State	\$	135	\$	0	\$	15	\$	150
Fed.		720		0		0		720
Local		30		0		0		30

TOTAL STATE FUNDS.....	\$	117,515	\$	0	\$	13,060	\$	130,575
TOTAL FEDERAL FUNDS.....		242,756		0		0		242,756
TOTAL LOCAL FUNDS.....		10,114		0		0		10,114
 PROGRAM TOTAL.....	 \$	 370,385	 \$	 0	 \$	 13,060	 \$	 383,445

Capital Budget

Department of Transportation 2005-06 Projects

(Dollar Amounts in Thousands)

Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
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FROM CAPITAL FACILITIES BOND FUNDS

TRANSPORTATION ASSISTANCE PROJECTS (continued)

Program: Rural and Intercity Rail

Union Railroad Company

USS MON VALLEY RAIL REHABILITATION: This project will provide for the rehabilitation including upgrades, rail installation, switches, road crossings at USS facility, track ties and switches on the Union Railroad mainline in Penn Hills, Turtle Creek, E. Pittsburgh, N. Versailles, West Mifflin, and Clairton.

State	\$	5,000	\$	0	\$	20	\$	5,020
Fed.		0		0		0		0
Local		2,143		0		9		2,152

TOTAL STATE FUNDS.....	\$	5,000	\$	0	\$	20	\$	5,020
TOTAL FEDERAL FUNDS.....		0		0		0		0
TOTAL LOCAL FUNDS.....		2,143		0		9		2,152
 PROGRAM TOTAL.....	 \$	 7,143	 \$	 0	 \$	 29	 \$	 7,172

Capital Budget

Department of Transportation 2005-06 Projects

FROM CURRENT REVENUES

(Dollar Amounts in Thousands)

HIGHWAY PROJECTS

Program: State Highway and Bridge Construction

		Base Project Cost	Land Cost	Design & Contingencies	Total Project Cost
Carbon County SR 209	State	\$ 400	\$ 200	\$ 600	\$ 1,200
Jim Thorpe intersection improvements	Fed	0	0	0	0
Borough of Jim Thorpe	Other	0	0	0	0
Update existing signal and flatten NE radius	Total	400	200	600	1,200
Jefferson County SR 830	State	4,400	230	960	5,590
I-80 TO DUBOIS - JEFFERSON COUNTY AIRPORT	Fed	17,600	920	240	18,760
Washington Township	Other	0	0	0	0
Construct new access road	Total	22,000	1,150	1,200	24,350
Statewide	State	50,000	0	0	50,000
Pa Infrastructure Bank	Fed	8,000	0	0	8,000
Capitalization of the Bank	Other	0	0	0	0
	Total	58,000	0	0	58,000
Total State.....		\$ 54,800	\$ 430	\$ 1,560	\$ 56,790
Total Federal.....		\$ 25,600	\$ 920	\$ 240	\$ 26,760
Total Other.....		\$ 0	\$ 0	\$ 0	\$ 0
PROGRAM TOTAL.....		\$ 80,400	\$ 1,350	\$ 1,800	\$ 83,550

FORECAST OF FUTURE NEW PROJECT AUTHORIZATIONS State Funds

This table provides a summary of the estimated level of future authorizations by department from bond funds and current revenue sources.

(Dollar Amounts in Thousands)

	2006-07	2007-08	2008-09	2009-10
Agriculture.....	\$ 0	\$ 0	\$ 0	\$ 0
Conservation and Natural Resources.....	85,750	88,000	91,000	98,500
Corrections.....	30,000	30,000	30,000	30,000
Education.....	89,635	83,065	49,700	68,000
Emergency Management Agency.....	0	0	0	0
Environmental Protection.....	15,120	8,880	4,320	9,672
Fish and Boat Commission.....	2,000	1,500	1,000	1,000
Game Commission.....	2,000	1,000	1,000	1,000
General Services.....	0	0	0	0
Historical and Museum Commission.....	8,055	12,420	12,120	3,900
Military and Veterans Affairs.....	0	0	0	0
Public Welfare.....	25,480	25,062	0	0
State Police.....	0	0	0	0
Transportation.....	350,000	350,000	350,000	350,000
TOTAL.....	\$ 608,040	\$ 599,927	\$ 539,140	\$ 562,072

Capital Budget

Forecast of Future Projects

This section contains estimated authorizations (State funds only) for future Capital Budgets from 2006-07 through 2009-10. Amounts in this section are grouped by department, along with the general types of projects involved, and are identified by capital project category.

(Dollar Amounts in Thousands)

	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
FROM CAPITAL FACILITIES BOND FUNDS				
Agriculture				
PUBLIC IMPROVEMENT PROJECTS: Provides for improvements a the Farm Show Complex and the laborator	\$ 0	\$ 0	\$ 0	\$ 0
Conservation and Natural Resources				
PUBLIC IMPROVEMENT PROJECTS: Provides for construction anc renovation of support, day use, camping facilities and utili systems at the State parks; construction of district offices, centr garages, radio communications systems and rehabilitation of fore roads in forest districts. Also may include original furniture an equipment authorizations	55,750	57,000	59,000	65,500
Corrections				
PUBLIC IMPROVEMENT PROJECTS: Provides for construction anc renovation of administrative, industrial, educational and housir facilities, and utilities at the State-owned correctional institution Also may include furniture and equipment authorization	30,000	30,000	30,000	30,000
Education				
PUBLIC IMPROVEMENT PROJECTS: Provides for construction, expansion, renovation and conversion of classroom and auxili buildings, utilities and recreational facilities for the State System Higher Education, State-Owned Schools and for the State-Relate Universities. Also may include furniture and equipment authorization	89,635	83,065	49,700	68,000
Emergency Management Agency				
PUBLIC IMPROVEMENT PROJECTS: Provides for construction and renovations at the State Fire Academy, Emergency Operations Center around the State and other emergency facilitie:	0	0	0	0
Environmental Protection				
PUBLIC IMPROVEMENT PROJECTS: Provides for construction anc improvement projects to protect the environment and the health a safety of citizens using State lands and waterways. These projec include flood protection construction. Also may include furniture an equipment authorizations	4,200	0	0	0
Environmental Protection				
FLOOD CONTROL PROJECTS: Provides for the State share o Federal flood control projects including the construction an improvement of levees, dikes, walls, revetments, dams, lake reservoirs and other works deemed necessary to control floods. Als will control, preserve, and regulate the flow of rivers and stream	10,920	8,880	4,320	9,672
General Services				
PUBLIC IMPROVEMENT PROJECTS: Provides for the construction, renovation and improvements to State office buildings and facilitie	0	0	0	0

Capital Budget

Forecast of Future Projects

(Dollar Amounts in Thousands)

FROM CAPITAL FACILITIES BOND FUNDS (continued)	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Historical and Museum Commission	\$ 8,055	\$ 12,420	\$ 12,120	\$ 3,900
PUBLIC IMPROVEMENT PROJECTS: 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. Also may include furniture and equipment authorization				
Military and Veterans Affairs	0	0	0	0
PUBLIC IMPROVEMENT PROJECTS: Provides for land acquisition renovations, additions and replacement at the State armories and veterans' homes. Also may include furniture and equipment authorizations				
Public Welfare	25,480	25,062	0	0
PUBLIC IMPROVEMENT PROJECTS: 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. Also may include furniture and equipment authorizations				
State Police	0	0	0	0
PUBLIC IMPROVEMENT PROJECTS: Provides for renovation expansion and construction of troop headquarters/station facilities and driver examination facilities. Also may include furniture and equipment authorizations				
Transportation	0	0	0	0
PUBLIC IMPROVEMENT PROJECTS: Provides for construction of and additions to highway maintenance and district office building driver examination facilities, welcome centers and State-owned airport facilities. Also may include furniture and equipment authorizations				
Transportation	150,000	150,000	150,000	150,000
TRANSPORTATION ASSISTANCE PROJECTS: Provides for the purchase/rehabilitation of rolling stock and equipment and for construction/renovation of facilities operated by local mass transportation agencies. Also includes the purchase and improvement of rail lines				
CAPITAL FACILITIES BOND FUNDS				
Total — Public Improvement Program.....	\$ 213,120	\$ 207,547	\$ 150,820	\$ 167,400
Total — Flood Control Program.....	10,920	8,880	4,320	9,672
Total — Transportation Assistance Program.....	150,000	150,000	150,000	150,000
SUBTOTAL— CAPITAL FACILITIES BOND FUNDS.....	\$ 374,040	\$ 366,427	\$ 305,140	\$ 327,072

Capital Budget

Forecast of Future Projects

(Dollar Amounts in Thousands)

	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
FROM CURRENT REVENUES				
Conservation and Natural Resources	\$ 15,000	\$ 16,000	\$ 17,000	\$ 18,000
PUBLIC IMPROVEMENT PROJECTS — KEYSTONE RECREATION, PARK AND CONSERVATION FUND: Provides for the rehabilitation repair and development of State park and forest facilities which are critical for visitor safety and environmental protection or essential for facility operation.				
Conservation and Natural Resources	15,000	15,000	15,000	15,000
PUBLIC IMPROVEMENT PROJECTS — ENVIRONMENTAL STEWARDSHIP FUND: Provides for the acquisition, rehabilitation and development of open space, forests, parks and scenic environment				
Fish and Boat Commission	2,000	1,500	1,000	1,000
PUBLIC IMPROVEMENT PROJECTS — FISH AND BOAT FUND: Provides for acquisition of property, construction of new capital asset and renovation of existing facilities for the development of fisheries and recreational boating facilities				
Game Commission	2,000	1,000	1,000	1,000
PUBLIC IMPROVEMENT PROJECTS — GAME FUND: Provides for acquisition of additional State game land				
Transportation	200,000	200,000	200,000	200,000
HIGHWAY PROJECTS — MOTOR LICENSE FUND: Provides for the purchase of right-of-way, construction, and reconstruction of highways and bridges on the Commonwealth road system and major Federally designated safety projects				
CURRENT REVENUES				
Total – Public Improvement Program.....	\$ 34,000	\$ 33,500	\$ 34,000	\$ 35,000
Total – Highway Program.....	200,000	200,000	200,000	200,000
SUBTOTAL – CURRENT REVENUES.....	\$ 234,000	\$ 233,500	\$ 234,000	\$ 235,000
TOTAL – ALL PROGRAMS.....	\$ 608,040	\$ 599,927	\$ 539,140	\$ 562,072

ESTIMATED CAPITAL PROJECT EXPENDITURES BY DEPARTMENT

This table provides a summary of total estimated capital expenditures for State funds by department.

(Dollar Amounts in Thousands)

Department	2005-06 Estimated	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Executive Offices.....	\$ 8,620	\$ 8,619	\$ 5,487	\$ 2,002	\$ 2,002
Agriculture.....	3,375	3,044	3,412	3,412	3,412
Conservation and Natural Resources.....	55,124	49,688	52,313	62,220	78,395
Community and Economic Development.....	164,610	248,727	306,700	267,848	134,179
Corrections.....	45,605	46,709	55,229	58,438	65,938
Education.....	135,755	131,954	73,222	62,035	80,639
Emergency Management Agency.....	1,663	1,662	2,019	2,019	2,019
Environmental Protection.....	23,246	22,800	29,160	28,205	25,064
Fish and Boat Commission.....	4,309	11,426	750	750	750
Game Commission.....	0	0	0	0	0
General Services.....	39,479	34,339	37,444	37,427	37,427
Historical and Museum Commission.....	17,890	17,711	21,057	22,230	24,647
Liquor Control Board.....	0	0	0	0	0
Military and Veterans Affairs.....	10,358	7,001	8,261	8,178	8,178
Public Welfare.....	17,217	14,012	15,561	19,095	23,146
State Police.....	14,297	11,289	11,944	11,944	11,944
Transportation.....	574,470	593,341	543,077	527,744	525,730
TOTAL - ALL STATE FUNDS.....	\$ 1,116,018	\$ 1,202,322	\$ 1,165,636	\$ 1,113,547	\$ 1,023,470

Totals may not add due to rounding.

Capital Budget

Estimate of Capital Expenditures

This table provides estimated capital expenditures by department for currently authorized capital projects, projects recommended in this budget and potential future authorizations.

(Dollar Amounts in Thousands)

	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>	<u>2007-08</u> <u>Estimated</u>	<u>2008-09</u> <u>Estimated</u>	<u>2009-10</u> <u>Estimated</u>
CAPITAL FACILITIES BOND FUNDS					
Executive Offices					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 1,649	\$ 1,648	\$ 2,002	\$ 2,002	\$ 2,002
Furniture and Equipment.....	6,971	6,971	3,485	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - EXECUTIVE OFFICES.....	<u>\$ 8,620</u>	<u>\$ 8,619</u>	<u>\$ 5,487</u>	<u>\$ 2,002</u>	<u>\$ 2,002</u>
Agriculture					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 3,375	\$ 3,044	\$ 3,412	\$ 3,412	\$ 3,412
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - AGRICULTURE.....	<u>\$ 3,375</u>	<u>\$ 3,044</u>	<u>\$ 3,412</u>	<u>\$ 3,412</u>	<u>\$ 3,412</u>
Conservation and Natural Resources					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 24,230	\$ 13,137	\$ 10,079	\$ 10,079	\$ 10,079
Furniture and Equipment.....	456	2,741	837	228	228
Projects in 2005-06 Budget					
Buildings and Structures.....	190	1,710	2,850	2,850	2,850
Furniture and Equipment.....	320	961	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	558	5,588	14,083	28,453
Furniture and Equipment.....	0	0	0	0	0
TOTAL - CONSERVATION AND NATURAL RESOURCES.....	<u>\$ 25,196</u>	<u>\$ 19,107</u>	<u>\$ 19,354</u>	<u>\$ 27,240</u>	<u>\$ 41,610</u>
Community and Economic Development					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 1,556	\$ 1,364	\$ 1,491	\$ 1,491	\$ 1,491
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Subtotal.....	<u>\$ 1,556</u>	<u>\$ 1,364</u>	<u>\$ 1,491</u>	<u>\$ 1,491</u>	<u>\$ 1,491</u>
Redevelopment Assistance Projects					
Projects Currently Authorized					
Acquisition and Construction.....	\$ 163,054	\$ 247,363	\$ 305,209	\$ 266,357	\$ 132,688
TOTAL - COMMUNITY AND ECONOMIC DEVELOPMENT.....	<u>\$ 164,610</u>	<u>\$ 248,727</u>	<u>\$ 306,700</u>	<u>\$ 267,848</u>	<u>\$ 134,179</u>

Capital Budget

Estimate of Capital Expenditures

(Dollar Amounts in Thousands)

	<u>2005-06</u> Estimated	<u>2006-07</u> Estimated	<u>2007-08</u> Estimated	<u>2008-09</u> Estimated	<u>2009-10</u> Estimated
Corrections					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 45,199	\$ 39,720	\$ 46,948	\$ 46,948	\$ 46,948
Furniture and Equipment.....	140	4,295	1,291	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	266	2,394	3,990	3,990	3,990
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	300	3,000	7,500	15,000
Furniture and Equipment.....	0	0	0	0	0
TOTAL - CORRECTIONS.....	<u>\$ 45,605</u>	<u>\$ 46,709</u>	<u>\$ 55,229</u>	<u>\$ 58,438</u>	<u>\$ 65,938</u>
Education					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 130,742	\$ 113,381	\$ 51,678	\$ 31,478	\$ 31,478
Furniture and Equipment.....	4,274	12,658	5,644	2,137	2,137
Projects in 2005-06 Budget					
Buildings and Structures.....	467	4,201	7,002	7,002	7,002
Furniture and Equipment.....	272	818	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	896	8,898	21,418	40,022
Furniture and Equipment.....	0	0	0	0	0
TOTAL - EDUCATION.....	<u>\$ 135,755</u>	<u>\$ 131,954</u>	<u>\$ 73,222</u>	<u>\$ 62,035</u>	<u>\$ 80,639</u>
Emergency Management Agency					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 1,663	\$ 1,662	\$ 2,019	\$ 2,019	\$ 2,019
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - EMERGENCY MANAGEMENT.....	<u>\$ 1,663</u>	<u>\$ 1,662</u>	<u>\$ 2,019</u>	<u>\$ 2,019</u>	<u>\$ 2,019</u>
Environmental Protection					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 16,123	\$ 14,935	\$ 17,602	\$ 17,602	\$ 17,602
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	104	936	1,560	1,560	1,560
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	42	378	630	1,050
Furniture and Equipment.....	0	0	0	0	0
Subtotal	<u>\$ 16,227</u>	<u>\$ 15,913</u>	<u>\$ 19,540</u>	<u>\$ 19,792</u>	<u>\$ 20,212</u>
Flood Control Projects					
Projects Currently Authorized					
Structures and Improvements.....	\$ 6,319	\$ 2,253	\$ 292	\$ 114	\$ 0
Projects in 2005-06 Budget					
Structures and Improvements.....	700	2,887	700	0	0
Future Projects (2006-10)					
Structures and Improvements.....	0	1,747	8,628	8,299	4,852
Subtotal	<u>\$ 7,019</u>	<u>\$ 6,887</u>	<u>\$ 9,620</u>	<u>\$ 8,413</u>	<u>\$ 4,852</u>
TOTAL - ENVIRONMENTAL PROTECTION.....	<u>\$ 23,246</u>	<u>\$ 22,800</u>	<u>\$ 29,160</u>	<u>\$ 28,205</u>	<u>\$ 25,064</u>

Capital Budget

Estimate of Capital Expenditures

(Dollar Amounts in Thousands)

	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>	<u>2007-08</u> <u>Estimated</u>	<u>2008-09</u> <u>Estimated</u>	<u>2009-10</u> <u>Estimated</u>
General Services					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 39,455	\$ 34,244	\$ 37,415	\$ 37,415	\$ 37,415
Furniture and Equipment.....	24	95	29	12	12
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - GENERAL SERVICES.....	<u>\$ 39,479</u>	<u>\$ 34,339</u>	<u>\$ 37,444</u>	<u>\$ 37,427</u>	<u>\$ 37,427</u>
Historical and Museum Commission					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 17,534	\$ 16,022	\$ 18,685	\$ 18,685	\$ 18,685
Furniture and Equipment.....	20	110	34	10	10
Projects in 2005-06 Budget					
Buildings and Structures.....	12	108	180	180	180
Furniture and Equipment.....	324	1,026	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	81	849	2,447	5,007
Furniture and Equipment.....	0	364	1,309	908	765
TOTAL - HISTORICAL AND MUSEUM	<u>\$ 17,890</u>	<u>\$ 17,711</u>	<u>\$ 21,057</u>	<u>\$ 22,230</u>	<u>\$ 24,647</u>
Military and Veterans Affairs					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 10,346	\$ 6,728	\$ 8,172	\$ 8,172	\$ 8,172
Furniture and Equipment.....	12	273	89	6	6
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - MILITARY AFFAIRS.....	<u>\$ 10,358</u>	<u>\$ 7,001</u>	<u>\$ 8,261</u>	<u>\$ 8,178</u>	<u>\$ 8,178</u>
Public Welfare					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 16,974	\$ 11,566	\$ 9,365	\$ 9,365	\$ 9,365
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	243	2,191	3,652	3,652	3,652
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	255	2,544	6,078	10,129
Furniture and Equipment.....	0	0	0	0	0
TOTAL - PUBLIC WELFARE.....	<u>\$ 17,217</u>	<u>\$ 14,012</u>	<u>\$ 15,561</u>	<u>\$ 19,095</u>	<u>\$ 23,146</u>

Capital Budget

Estimate of Capital Expenditures

(Dollar Amounts in Thousands)

	2005-06 Estimated	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
State Police					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 14,297	\$ 11,289	\$ 11,944	\$ 11,944	\$ 11,944
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
TOTAL - STATE POLICE	<u>\$ 14,297</u>	<u>\$ 11,289</u>	<u>\$ 11,944</u>	<u>\$ 11,944</u>	<u>\$ 11,944</u>
Transportation					
Public Improvement Projects					
Projects Currently Authorized					
Buildings and Structures.....	\$ 21,961	\$ 57,537	\$ 18,920	\$ 1,920	\$ 1,920
Furniture and Equipment.....	0	0	0	0	0
Projects in 2005-06 Budget					
Buildings and Structures.....	495	4,455	7,425	7,425	7,425
Furniture and Equipment.....	0	0	0	0	0
Future Projects (2006-10)					
Buildings and Structures.....	0	0	0	0	0
Furniture and Equipment.....	0	0	0	0	0
Subtotal.....	<u>\$ 22,456</u>	<u>\$ 61,992</u>	<u>\$ 26,345</u>	<u>\$ 9,345</u>	<u>\$ 9,345</u>
Transportation Assistance Projects					
Projects Currently Authorized					
Mass Transit, Rail and Air.....	\$ 150,000	\$ 136,000	\$ 124,000	\$ 103,000	\$ 107,000
Projects in 2005-06 Budget					
Mass Transit, Rail and Air.....	0	14,000	21,000	28,000	14,000
Future Projects (2006-10)					
Mass Transit, Rail and Air.....	0	0	5,000	19,000	29,000
Subtotal.....	<u>\$ 150,000</u>	$ 150,000	$ 150,000	$ 150,000	$ 150,000
TOTAL - TRANSPORTATION.....	<u>\$ 172,456</u>	<u>\$ 211,992</u>	<u>\$ 176,345</u>	<u>\$ 159,345</u>	<u>\$ 159,345</u>
TOTAL - CAPITAL FACILITIES BOND FUNDS					
Public Improvement Projects					
Buildings and Structures.....	\$ 346,881	\$ 344,404	\$ 287,648	\$ 281,347	\$ 328,852
Furniture and Equipment.....	12,813	30,312	12,718	3,301	3,158
Redevelopment Assistance Projects					
Acquisition and Construction.....	163,054	247,363	305,209	266,357	132,688
Flood Control Projects					
Structures and Improvements.....	7,019	6,887	9,620	8,413	4,852
Transportation Assistance Projects					
Mass Transit, Rail and Air.....	150,000	150,000	150,000	150,000	150,000
TOTAL.....	<u>\$ 679,767</u>	<u>\$ 778,966</u>	<u>\$ 765,195</u>	<u>\$ 709,418</u>	<u>\$ 619,550</u>

Capital Budget

Estimate of Capital Expenditures

(Dollar Amounts in Thousands)

	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>	<u>2007-08</u> <u>Estimated</u>	<u>2008-09</u> <u>Estimated</u>	<u>2009-10</u> <u>Estimated</u>
CURRENT REVENUES					
FISH AND BOAT FUND					
Fish and Boat Commission					
Public Improvement Projects					
Projects Currently Authorized.....	\$ 4,309	\$ 11,426	\$ 750	\$ 750	\$ 750
Projects in 2005-06 Budget	0	0	0	0	0
Future Projects (2006-10).....	0	0	0	0	0
TOTAL - FISH AND BOAT COMMISSION.....	<u>\$ 4,309</u>	<u>\$ 11,426</u>	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 750</u>
GAME FUND					
Game Commission					
Public Improvement Projects					
Projects Currently Authorized.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Projects in 2005-06 Budget	0	0	0	0	0
Future Projects (2006-10).....	0	0	0	0	0
TOTAL - GAME COMMISSION.....	<u>\$ 0</u>	$ 0	$ 0	$ 0	$ 0
KEYSTONE RECREATION, PARK AND CONSERVATION FUND					
Conservation and Natural Resources					
Keystone Recreation, Park and Conservation Projects - Acquisition, Improvements and Restoration					
Projects Currently Authorized.....	\$ 17,576	\$ 17,760	\$ 19,269	\$ 20,639	\$ 22,723
Projects in 2005-06 Budget	940	1,410	1,880	2,115	1,410
Future Projects (2006-10).....	0	0	0	0	0
Subtotal.....	<u>\$ 18,517</u>	<u>\$ 19,170</u>	<u>\$ 21,148</u>	<u>\$ 22,755</u>	<u>\$ 24,133</u>
ENVIRONMENTAL STEWARDSHIP FUND					
Conservation and Natural Resources					
Environmental Stewardship Projects - Acquisition, Rehabilitation and Development					
Projects Currently Authorized.....	\$ 10,562	\$ 10,137	\$ 10,536	\$ 10,949	\$ 11,377
Projects in 2005-06 Budget	850	1,275	1,275	1,275	1,275
Future Projects (2006-10).....	0	0	0	0	0
Subtotal.....	<u>\$ 11,412</u>	<u>\$ 11,412</u>	<u>\$ 11,811</u>	<u>\$ 12,224</u>	<u>\$ 12,652</u>
TOTAL - CONSERVATION AND NATURAL RESOURCES.....	<u>\$ 29,928</u>	<u>\$ 30,581</u>	<u>\$ 32,959</u>	<u>\$ 34,980</u>	<u>\$ 36,785</u>
STATE STORES FUND					
Liquor Control Board					
Public Improvement Projects					
Projects Currently Authorized.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Projects in 2005-06 Budget	0	0	0	0	0
Future Projects (2006-10).....	0	0	0	0	0
TOTAL - LIQUOR CONTROL BOARD.....	$ 0	$ 0	$ 0	$ 0	<u>\$ 0</u>

Capital Budget

Estimate of Capital Expenditures

(Dollar Amounts in Thousands)

	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>	<u>2007-08</u> <u>Estimated</u>	<u>2008-09</u> <u>Estimated</u>	<u>2009-10</u> <u>Estimated</u>
MOTOR LICENSE FUND					
Transportation					
Highway and Bridge Projects					
Projects Currently Authorized.....	\$ 402,014	\$ 362,282	\$ 341,060	\$ 331,559	\$ 311,427
Projects in 2005-06 Budget	0	11,440	18,337	18,420	25,647
Future Projects (2006-10).....	0	7,627	7,335	18,420	29,311
TOTAL - TRANSPORTATION.....	\$ 402,014	\$ 381,349	\$ 366,732	\$ 368,399	\$ 366,385
TOTAL - CURRENT REVENUES					
Public Improvement Projects					
Fish and Boat Fund.....	\$ 4,309	\$ 11,426	\$ 750	\$ 750	\$ 750
Public Improvement Projects					
Game Fund.....	0	0	0	0	0
Acquisition, Improvement and					
Restoration Projects					
Keystone Recreation, Park and					
Conservation Fund.....	18,517	19,170	21,148	22,755	24,133
Acquisition, Rehabilitation and Development					
Projects					
Environmental Stewardship Fund.....	11,412	11,412	11,811	12,224	12,652
Public Improvement Projects					
State Stores Fund.....	0	0	0	0	0
Highway and Bridge Projects					
Motor License Fund	402,014	381,349	366,732	368,399	366,385
TOTAL - CURRENT REVENUES.....	\$ 436,251	\$ 423,356	\$ 400,441	\$ 404,129	\$ 403,920
TOTAL - ALL STATE FUNDS.....	\$ 1,116,018	\$ 1,202,322	\$ 1,165,636	\$ 1,113,547	\$ 1,023,470

Totals may not add due to rounding.



PUBLIC DEBT

This section presents data on the debt obligations of the Commonwealth. Debt financing is used by the Commonwealth to finance its capital programs, finance voter-approved bond referendums, and fund certain disaster relief programs. Most long-term financing by the Commonwealth is provided by the issuance of general obligation debt. Appropriation-backed debt has been used in limited instances for capital purposes. Data on such debt is included in this presentation only in the calculation of the debt ratios shown.

The Commonwealth Constitution permits debt to be issued for (i) capital projects in approved capital budgets; (ii) purposes approved by voter referendum; and (iii) response to disasters. The following items are guidelines the Commonwealth follows in executing its capital and other debt financing activities:

- Referendums to authorize additional debt should be submitted to the voters only for critical needs when sufficient other resources are not available.
- The general obligation pledge of the Commonwealth is the preferred source of security for Commonwealth debt.
- A moral obligation pledge of the Commonwealth should not be given beyond those already given.
- Revenue pledges are to be used only by independent agencies and authorities that cannot pledge the Commonwealth's general obligation.
- Lease revenue debt should be used only when budgetary restraints prohibit current revenue funding for assets that are infrequently obtained and do not meet capital project definitions.
- Debt should be structured to mature within the useful life of the projects being financed.
- All long-term financing should be sold by competitive bid.
- Short-term borrowing should not comprise a majority of outstanding debt.
- Capital projects addressing health, safety and public protection receive top priority for activation. New construction projects have the lowest priority.
- Highway capital projects should be funded from current revenues of the Motor License Fund.

DEBT AUTHORIZED, ISSUED AND OUTSTANDING

The following statement reflects the debt of the Commonwealth as of December 31, 2004. Issues for which all authorized debt has been previously issued and for which said debt has been completely redeemed are not included. The Constitution permits capital budget debt to be issued without voter approval but subject to a debt limit. Except for debt issued for disaster recovery purposes, all other debt requires voter approval.

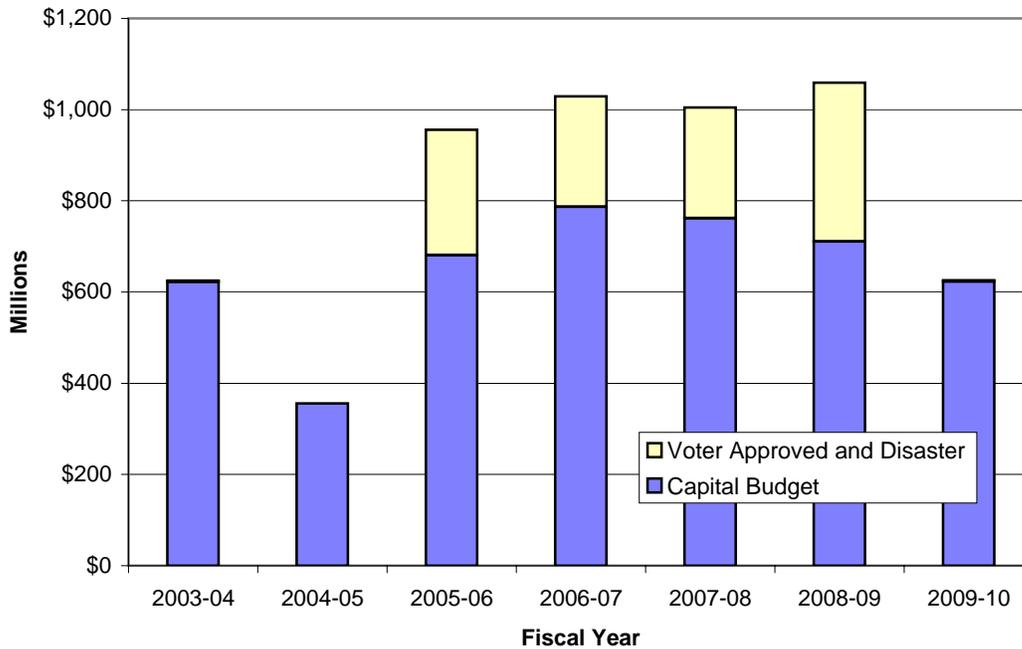
	(Dollar Amounts in Thousands)		
Debt Subject to Constitutional Limit	Total Debt Authorized	Total Original Debt Issued	Debt Outstanding*
Capital Budget.....	\$ 60,024,613	\$ 14,042,130	\$ 3,909,047
Capital Budget Refunding Bonds Outstanding.....	.....	.....	2,847,613
Less: Capital Debt Fund Balance.....	.....	.....	-1
Subtotal.....	\$ 60,024,613	\$ 14,042,130	\$ 6,756,659
Debt Not Subject to Constitutional Limit - Voter Approved and Disaster			
Disaster Relief.....	\$ 192,708	\$ 170,800	\$ 0
Disaster Relief 1996.....	110,000	26,000	11,090
Economic Revitalization.....	190,000	176,000	3,305
Land and Water Development.....	500,000	499,700	1,600
Vietnam Veterans' Compensation.....	65,000	62,000	0
Volunteer Companies Loan.....	100,000	50,000	2,265
Water Facilities - 1981 Referendum.....	300,000	288,500	13,690
PENNVEST- 1988 & 1992 Referenda.....	650,000	383,000	25,280
Agricultural Conservation Easement.....	100,000	100,000	11,515
Local Criminal Justice.....	200,000	194,500	7,145
Nursing Home Loans.....	100,000	69,000	0
Keystone Recreation, Park and Conservation.....	50,000	50,000	5,095
Water Supply and Wastewater Infrastructure.....	250,000	0	0
Refunding Bonds Outstanding.....	.....	.....	510,141
Less: Non-capital Sinking Fund Balances.....	.....	.....	0
Subtotal.....	\$ 2,807,708	\$ 2,069,500	\$ 591,126
TOTAL.....	<u>\$ 62,832,321</u>	<u>\$ 16,111,630</u>	<u>\$ 7,347,785</u>

* Total of debt issued plus accreted interest on capital appreciation bonds less debt redeemed or refunded.

GENERAL OBLIGATION BOND ISSUES 2003-04 Through 2009-10

This table shows the projected amount of general obligation bonds of the Commonwealth to be issued during the prior and current fiscal year and the subsequent five fiscal years based on current projects. Refunding bonds are not included in the data.

New General Obligation Bond Issues



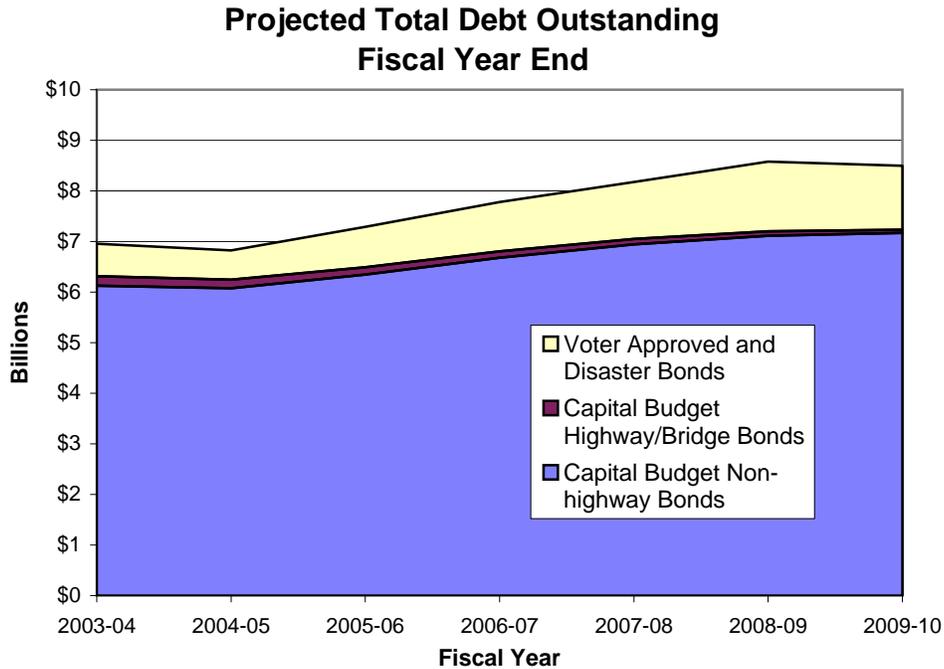
(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
General Obligation Bond Issues							
Capital Budget							
Buildings and Structures.....	\$ 367,500	\$ 75,000	\$ 355,000	\$ 365,000	\$ 285,000	\$ 285,000	\$ 335,000
Flood Control.....	0	1,000	11,000	7,000	10,000	8,000	5,000
Furnishings and Equipment.....	0	0	0	15,000	12,000	3,000	3,000
Redevelopment Assistance.....	120,000	155,000	165,000	250,000	305,000	265,000	130,000
Transportation Assistance.....	135,000	125,000	150,000	150,000	150,000	150,000	150,000
Subtotal.....	\$ 622,500	\$ 356,000	\$ 681,000	\$ 787,000	\$ 762,000	\$ 711,000	\$ 623,000
Voter Approved and Disaster							
Disaster Relief.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Local Criminal Justice.....	2,500	0	0	0	0	0	0
PENNVEST -- 1988 & 1992 Referenda.....	0	0	50,000	1,000	2,000	2,000	2,000
Water and Wastewater Referendum.....	0	0	25,000	40,000	40,000	145,000	0
Growing Greener II Referendum*.....	0	0	200,000	200,000	200,000	200,000	0
Water Facilities Loan -- 1981 Referendum..	0	0	0	1,000	1,000	1,000	1,000
Subtotal.....	\$ 2,500	\$ 0	\$ 275,000	\$ 242,000	\$ 243,000	\$ 348,000	\$ 3,000
TOTAL.....	\$ 625,000	\$ 356,000	\$ 956,000	\$ 1,029,000	\$ 1,005,000	\$ 1,059,000	\$ 626,000

* As proposed in the FY 2005-06 Governor's Executive Budget

GENERAL OBLIGATION DEBT OUTSTANDING 2003-04 Through 2009-10

Outstanding debt of the Commonwealth is projected using the proposed bond issuance contained in this budget and encompasses all general obligation debt. Sinking fund balances are excluded. Only capital budget debt is subject to the constitutional debt limit [Article VIII, Section 7(a)(4)].



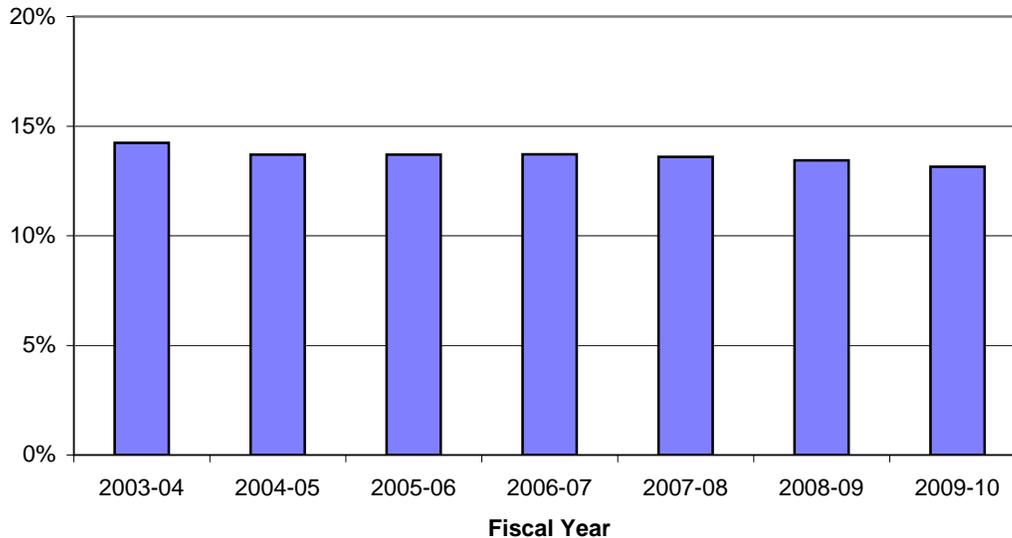
(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Estimated	2005-06 Budget	2006-07 Estimated	2007-08 Estimated	2008-09 Estimated	2009-10 Estimated
Fiscal Year End Debt Outstanding							
Capital Budget Non-highway Bonds.....	\$ 6,127,863	\$ 6,078,114	\$ 6,349,051	\$ 6,679,797	\$ 6,944,158	\$ 7,115,465	\$ 7,167,842
Capital Budget Highway/Bridge Bonds..	187,967	164,854	144,293	126,431	104,262	83,340	65,382
Voter Approved and Disaster Bonds.....	637,614	579,561	798,349	971,847	1,129,069	1,377,858	1,262,777
TOTAL.....	\$ 6,953,444	\$ 6,822,529	\$ 7,291,693	\$ 7,778,075	\$ 8,177,489	\$ 8,576,663	\$ 8,496,001

CONSTITUTIONAL DEBT LIMIT 2003-04 Through 2009-10

The Commonwealth Constitution limits outstanding capital budget debt to 1.75 times the average tax revenues during the previous five (5) fiscal years. Voter approved and disaster relief debt are not subject to the constitutional debt limit. The table and chart below present actual data for one fiscal year and current projections for six fiscal years.

Capital Budget Debt as a Percent of the Debt Limit



(Dollar Amounts in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Estimated	Budget	Estimated	Estimated	Estimated	Estimated

Debt Limit Projection

Capital Budget Debt Subject to Constitutional Debt Limit:

Outstanding Debt

Beginning of Fiscal Year.....	\$ 6,074,164	\$ 6,254,978	\$ 6,242,968	\$ 6,493,344	\$ 6,806,228	\$ 7,048,420	\$ 7,198,805
Debt to be Issued.....	622,500	356,000	681,000	787,000	762,000	711,000	623,000
Debt to be Retired*.....	-441,686	-368,010	-430,624	-474,116	-519,808	-560,615	-588,581

Outstanding Debt

End of Fiscal Year**.....	<u>\$ 6,254,978</u>	<u>\$ 6,242,968</u>	<u>\$ 6,493,344</u>	<u>\$ 6,806,228</u>	<u>\$ 7,048,420</u>	<u>\$ 7,198,805</u>	<u>\$ 7,233,224</u>
---------------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------

Debt Limit (from below).....	43,909,275	45,565,187	47,404,267	49,649,235	51,834,862	53,591,807	55,000,742
Capital Budget Debt as a percent of Debt Limit.....	14.2%	13.7%	13.7%	13.7%	13.6%	13.4%	13.2%

Calculation of Debt Limit:

Average Tax Revenues

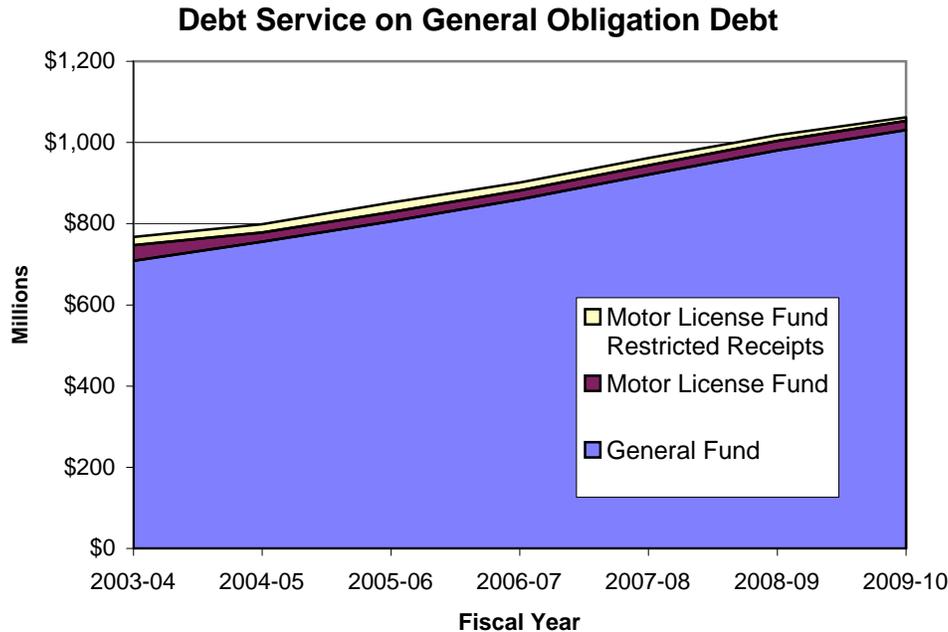
Previous Five Years.....	\$ 25,091,014	\$ 26,037,250	\$ 27,088,153	\$ 28,370,992	\$ 29,619,921	\$ 30,623,890	\$ 31,428,995
Debt Limit (1.75 times revenues).....	<u>43,909,275</u>	<u>45,565,187</u>	<u>47,404,267</u>	<u>49,649,235</u>	<u>51,834,862</u>	<u>53,591,807</u>	<u>55,000,742</u>

* Net of interest accreting on capital appreciation bonds during fiscal year.

** 2003-04 amount is net of sinking fund balances.

DEBT SERVICE ON GENERAL OBLIGATION DEBT 2003-04 Through 2009-10

This table shows the estimated debt service payable by the Commonwealth on currently outstanding general obligation bonds and on projected general obligation bond issues.

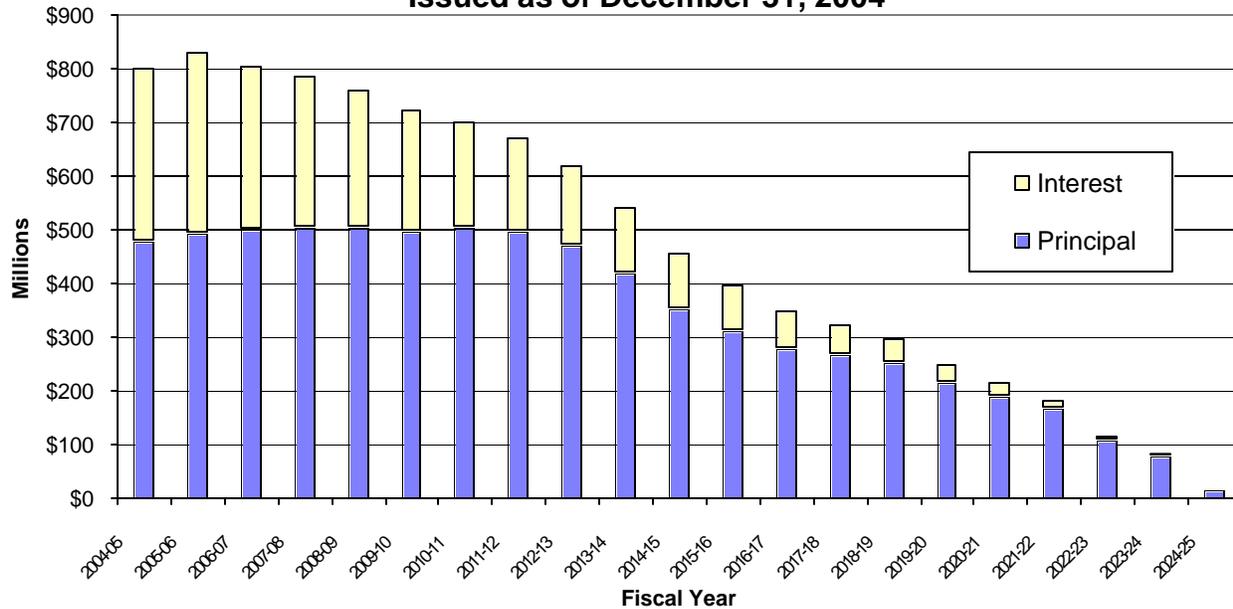


	(Dollar Amounts in Thousands)						
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Estimated	Budget	Estimated	Estimated	Estimated	Estimated
General Fund							
Capital Budget Non-Highway.....	\$ 617,199	\$ 667,004	\$ 717,572	\$ 755,538	\$ 795,104	\$ 836,023	\$ 863,963
Voter Approved and Disaster.....	91,384	88,774	88,070	104,426	125,689	144,873	166,932
Subtotal.....	<u>\$ 708,583</u>	<u>\$ 755,778</u>	<u>\$ 805,642</u>	<u>\$ 859,964</u>	<u>\$ 920,793</u>	<u>\$ 980,896</u>	<u>\$ 1,030,895</u>
Motor License Fund							
Capital Budget -- Highways.....	\$ 29,627	\$ 11,571	\$ 12,097	\$ 11,461	\$ 12,564	\$ 12,318	\$ 11,962
Capital Budget.....	8,964	10,656	10,625	10,575	10,575	10,492	10,492
Subtotal.....	<u>\$ 38,591</u>	<u>\$ 22,227</u>	<u>\$ 22,722</u>	<u>\$ 22,036</u>	<u>\$ 23,139</u>	<u>\$ 22,810</u>	<u>\$ 22,454</u>
Motor License Fund Restricted Receipts							
Aviation -- Capital Budget.....	\$ 0	\$ 27	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Highway Bridge Improvement -- Capital Budget.....	20,401	20,977	23,816	19,151	18,005	14,257	9,023
Subtotal.....	<u>\$ 20,401</u>	<u>\$ 21,004</u>	<u>\$ 23,816</u>	<u>\$ 19,151</u>	<u>\$ 18,005</u>	<u>\$ 14,257</u>	<u>\$ 9,023</u>
TOTAL.....	<u>\$ 767,575</u>	<u>\$ 799,009</u>	<u>\$ 852,180</u>	<u>\$ 901,151</u>	<u>\$ 961,937</u>	<u>\$1,017,963</u>	<u>\$ 1,062,372</u>

ANNUAL DEBT SERVICE ON OUTSTANDING GENERAL OBLIGATION BONDS Bonds Issued as of December 31, 2004

Fiscal year principal and interest payments on general obligation bonds issued as of the end of calendar year 2004 are shown in the table below. Debt service on projected bond issues is excluded from this data.

Principal and Interest on Outstanding Bonds Issued as of December 31, 2004



General Obligation Bond Annual Debt Service

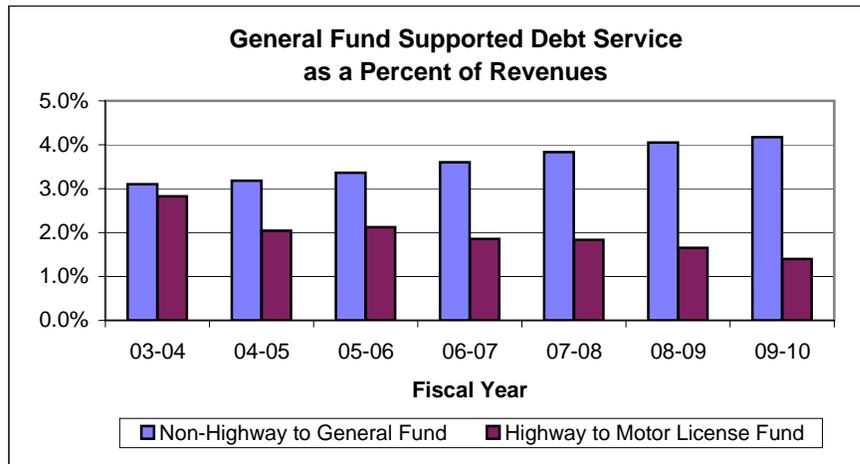
(Dollar Amounts in Thousands)

Fiscal Year	Capital Budget (Non-highway)			Capital Budget (Highway)			Voter Approved and Disaster			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2004-05	\$ 438,243	\$ 304,098	\$ 742,341	\$ 21,548	\$ 10,999	\$ 32,547	\$ 18,320	\$ 5,791	\$ 24,111	\$ 798,999
2005-06	452,510	323,003	775,513	24,795	11,118	35,913	15,050	3,879	18,929	830,355
2006-07	466,620	294,958	761,578	22,559	8,052	30,611	9,560	3,139	12,699	804,888
2007-08	470,968	271,171	742,139	23,693	6,875	30,568	9,410	2,613	12,023	784,730
2008-09	473,938	247,171	721,109	20,922	5,651	26,573	8,645	2,092	10,737	758,419
2009-10	471,387	220,635	692,022	17,958	3,027	20,985	7,895	1,630	9,525	722,532
2010-11	476,791	195,762	672,553	17,959	2,069	20,028	7,250	1,193	8,443	701,024
2011-12	474,909	171,204	646,113	15,951	1,203	17,154	6,085	756	6,841	670,108
2012-13	455,094	146,928	602,022	8,945	565	9,510	6,300	387	6,687	618,219
2013-14	411,835	123,820	535,655	4,175	145	4,320	1,180	171	1,351	541,326
2014-15	351,855	103,053	454,908	775	20	795	730	113	843	456,546
2015-16	311,335	86,379	397,714	0	0	0	135	93	228	397,942
2016-17	277,720	71,869	349,589	0	0	0	190	86	276	349,865
2017-18	265,395	58,202	323,597	0	0	0	150	79	229	323,826
2018-19	250,185	44,544	294,729	0	0	0	205	72	277	295,006
2019-20	213,840	32,977	246,817	0	0	0	210	63	273	247,090
2020-21	189,665	24,712	214,377	0	0	0	570	54	624	215,001
2021-22	166,605	15,690	182,295	0	0	0	225	26	251	182,546
2022-23	107,815	8,627	116,442	0	0	0	185	16	201	116,643
2023-24	76,140	3,584	79,724	0	0	0	195	9	204	79,928
2024-25	15,825	356	16,181	0	0	0	0	0	0	16,181

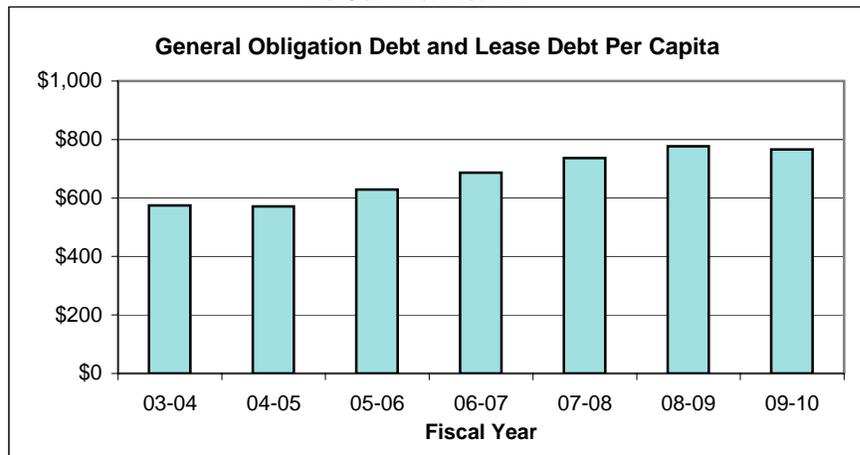
TRENDS IN DEBT SERVICE AND DEBT RATIOS 2003-04 Through 2009-10

The charts portray projections for indicators of the cost of projected annual debt service and the burden of projected debt outstanding. Debt service and outstanding debt includes general obligation debt and debt secured by lease rental payments or operating subsidies from various Commonwealth departments.

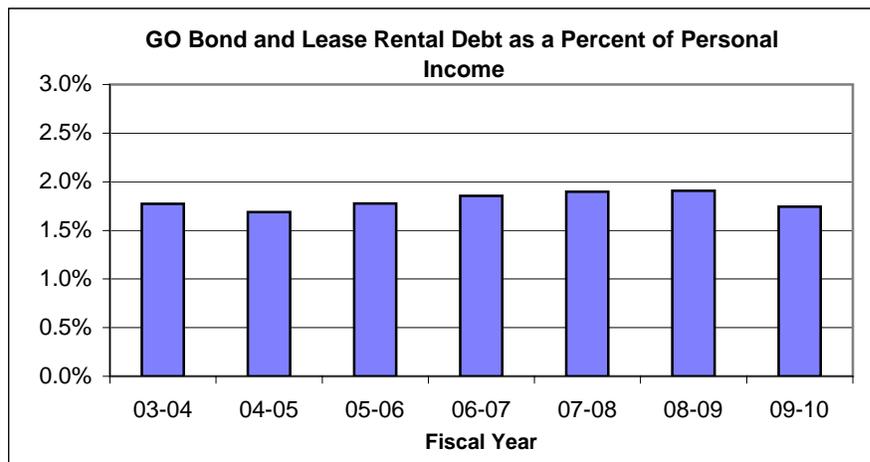
General Fund debt service as a percent of revenues remains below Standard & Poors criteria of 5% for issuers considered to have a "low debt burden."



Per capita debt levels remain relatively low, despite affects from the lack of population growth in the Commonwealth.



Growing personal income keeps the planned bond issuance affordable.



OUTSTANDING INDEBTEDNESS OF PENNSYLVANIA AGENCIES AND AUTHORITIES

The indebtedness of the following agencies and authorities is not an obligation of the Commonwealth of Pennsylvania but represents the debt of those agencies and authorities created by the Commonwealth for a public purpose. These obligations are not considered as debt under Article VIII of the State Constitution.

**Bonds and
Notes as of
06/30/04
(in millions)**

Delaware River Joint Toll Bridge Commission Created by Pennsylvania and New Jersey to construct, operate and maintain bridges crossing the upper Delaware River. Debt service on the bonds is paid from tolls and other revenues of the commission.	\$ 155.5
Delaware River Port Authority Created by Pennsylvania and New Jersey to control and operate bridges crossing the Delaware River, it may construct or acquire other bridges, tunnels and other projects for port improvement and development. The authority operates a rapid transit system, which it constructed. Debt service on the bonds is paid from tolls, fares, rents and other revenue of the authority.	1,273.2
Pennsylvania Economic Development Financing Authority Created to offer pooled bond issues of both taxable and tax-exempt bonds on behalf of local industrial and commercial development authorities for economic development projects. Debt service on the bonds is paid by loan interest and repayments and other authority revenues.	2,808.8
Pennsylvania Energy Development Authority Makes or guarantees loans for energy projects including the conversion and technological improvement of energy systems utilizing Pennsylvania coal or renewable energy resources. Debt service on the bonds is paid from the revenues of the authority.	59.5
Pennsylvania Higher Education Assistance Agency Makes or guarantees student loans for graduate and undergraduate programs to students or parents, lending institutions or postsecondary institutions. Debt service on the bonds is paid by loan interest and repayments and by other agency revenues.	4,253.9
Pennsylvania Higher Educational Facilities Authority Acquires, constructs, improves and leases (as lessor) college facilities and makes loans to colleges and universities within the Commonwealth. Debt service on the bonds is paid from rentals and from loan repayments collected for the use of the facilities.	4,537.2
Pennsylvania Housing Finance Agency Makes construction and permanent mortgage loans to qualified borrowers for the purchase and construction of multi and single family housing for low and moderate income persons or families. Debt service on the bonds is paid from mortgage loan interest and repayments and further secured by a "moral obligation" of the Commonwealth.	2,971.0
Pennsylvania Industrial Development Authority Makes mortgage loans to local nonprofit industrial development agencies for the financing of industrial development projects. Debt service on the bonds is paid from loan interest and repayments and other authority revenues.	499.9
Pennsylvania Infrastructure Investment Authority Provides low interest rate loans and grants for constructing new and for improving existing water supply and sewage disposal systems. Loans and grants are available to local governments and, in certain circumstances, to private companies. The bonds are secured by principal repayments and interest payments on loans.	112.4
Pennsylvania Turnpike Commission Constructs, maintains and operates the Pennsylvania Turnpike. Debt service on the bonds is paid from tolls and other revenue sources of the commission.	2,483.0
Philadelphia Regional Port Authority Operates port facilities in Bucks and Delaware counties, and the City of Philadelphia. Debt service on the bonds is paid by a pledge of the authority's revenues, rentals and receipts.	50.7
State Public School Building Authority Constructs, improves, equips and makes loans to local school districts for school facilities. Debt service on the bonds is paid from rentals collected for the use of the facilities and from loan repayments.	1,359.3
TOTAL	<u>\$ 20,564.4</u>



OTHER SPECIAL FUNDS

APPENDIX

This section provides brief descriptive and financial data for Commonwealth funds not given an expanded treatment in other sections of the Governor's Budget. This information is presented to demonstrate the magnitude and complexity of the Commonwealth's financial structure as well as give some details of the various funds.

OTHER SPECIAL FUNDS

This appendix contains a brief presentation of all active Commonwealth funds not given an expanded treatment in the other sections of the budget.

In a limited number of cases certain expenditures from funds presented in this section are included in other presentations.

Generally, the Commonwealth uses a modified cash basis of accounting for financial reporting where certain revenues are reported when collected and, for certain taxes, when accrued and expenditures are reported when disbursed or committed. Unless otherwise noted in the fund description, all financial data shown herein is on a cash basis, which means that the beginning and ending balances include cash plus investments. Receipts include only those items actually received and credited to the funds by the Department of Revenue. Disbursements represent checks issued or transfers made by the Treasury Department and do not include commitments, encumbrances or vouchers payable.

Several funds carrying long-term investments show an adjustment to reflect the current market value of those investments as of June 30, 2004.

This format for displaying financial data was chosen for its simplicity and easy adaptability to all funds. As such, the data may not present the best statement of the funds' condition nor accurately describe the operating characteristics of the funds.

The vast majority of Commonwealth day-to-day activities are financed from the General Fund; however, over time a large number of other funds have been created to more closely relate specific

revenue sources to specific programs or to identify particular government programs or activities. These special funds are categorized into six groups to aid in identifying their purpose. These groups are defined below.

Special Revenue Funds — These funds are used to account for revenues from specific taxes or other earmarked revenue sources, which by law are designated to finance particular functions or activities.

Internal Service Funds — These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Capital Project Fund — Bond Funds are used to account for the receipt and disbursement of bond sale proceeds that normally finance the construction or acquisition of designated fixed assets.

Debt Service Funds — These funds account for the accumulation of resources, principally from transfers from other funds, for the payment of general long-term debt principal and interest.

Fiduciary Funds — These funds are used to account for assets held by the Commonwealth as trustee or agent for individuals, private organizations and other government units.

Enterprise Funds — These funds accommodate the operation of public service programs financed wholly or mostly by user charges, or where the periodic determination of net income is deemed appropriate.

Acid Mine Drainage Abatement and Treatment Fund

This fund was created in 1992 to receive money authorized by Title IV of the Federal Surface Mining Control and Reclamation Act. This fund receives up to ten percent of the Commonwealth's Federal Title IV grant for abandoned mine reclamation. Funds are used for acid mine drainage abatement and treatment.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 20,462	\$ 20,742	\$ 17,688
Receipts:			
Federal Funds.....	\$ 2,399	\$ 2,500	\$ 2,500
Interest.....	910	625	650
Total Receipts	3,309	3,125	3,150
Total Funds Available	\$ 23,771	\$ 23,867	\$ 20,838
Disbursements:			
Environmental Protection.....	\$ 3,029	\$ 6,179	\$ 6,218
Total Disbursements	-3,029	-6,179	-6,218
Cash Balance, Ending	\$ 20,742	\$ 17,688	\$ 14,620

Administration Fund

This fund was created for the administrative costs associated with the Unemployment Compensation Law and the State system of public employment offices (Office of Employment Security). While the fund can receive funds from any source, the majority of revenue results from moneys requisitioned from the Commonwealth's account in the Federal Unemployment Trust Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Budget
Cash Balance, Beginning	\$ 1,786	\$ 1,690	\$ 1,520
Receipts:			
Federal Unemployment Trust Fund.....	\$ 189,505	\$ 200,500	\$ 198,500
Federal — Other Funds.....	9,686	9,400	9,200
Other.....	681	130	130
Total Receipts	199,872	210,030	207,830
Total Funds Available	\$ 201,658	\$ 211,720	\$ 209,350
Disbursements:			
Labor and Industry.....	\$ 199,968	\$ 210,200	\$ 207,500
Total Disbursements	-199,968	-210,200	-207,500
Cash Balance, Ending	\$ 1,690	\$ 1,520	\$ 1,850

Agricultural College Land Scrip Fund

This fund was established in 1862 with \$500,000 received from the sale of lands and scrip which was donated to the Commonwealth by an Act of Congress to establish a college for the benefit of Agriculture and the Mechanical Arts (The Pennsylvania State University). The income derived from the investment of the monies in the fund plus appropriations which may be made from time to time by the General Assembly serve as revenue to the fund. Monies in this fund can be disbursed only for use by the officially designated land grant college (The Pennsylvania State University) for the benefit of Agriculture and Mechanical Arts.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 624	\$ 631	\$ 640
Receipts:			
Interest on Securities.....	\$ 27	\$ 28	\$ 29
Total Receipts.....	<u>27</u>	<u>28</u>	<u>29</u>
Total Funds Available	\$ 651	\$ 659	\$ 669
Disbursements:			
Treasury.....	\$ 20	\$ 19	\$ 19
Total Disbursements.....	<u>-20</u>	<u>-19</u>	<u>-19</u>
Cash Balance, Ending	\$ <u>631</u>	\$ <u>640</u>	\$ <u>650</u>

Agricultural Conservation Easement Purchase Fund

This fund was created by Act 64 of 1988 to implement the referendum approved by the electorate November 8, 1988. That referendum authorized the Commonwealth to incur indebtedness of \$100 million to be used for farmland preservation through the purchase of agricultural conservation easements. Act 23 of 1992 increased the annual ceiling on easement purchases from bond sales from \$20 to \$25 million. All bonds authorized have been issued.

Act 89 of 2002 changed the annual transfer of cigarette tax revenues from the first two thirty-firsts of the cigarette tax to \$20,485,000 to be made in two equal payments by July 15th and January 15th. Act 15 of 1999 created a supplemental program for farmland preservation, and Act 1-A of 1999 appropriated \$43 million from the General Fund for that supplemental program. Act 68 of 1999, the Environmental Stewardship and Watershed Protection Act, provided for an additional General Fund transfer in 1999-00 for the basic program and provided for transfers from the Environmental Stewardship Fund beginning on July 1, 2000, through June 30, 2004, to fund the purchase of easements. Act 232 of 2002 provided a one-time deposit of \$16,500,000 from municipal waste landfill disposal fees collected under 27 Pa. C.S. 6301. Beginning in 2005-06, Growing Greener II will provide a set percentage (14.8%) of the Environmental Stewardship Fund, for the continued purchase of agricultural easements.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 16,362	\$ 29,224	\$ 17,890
Receipts:			
Interest on Securities.....	\$ 1,198	\$ 1,198	\$ 1,198
Transfer of Cigarette Tax.....	20,485	20,485	20,485
Transfer from the Environmental Stewardship Fund	29,185	0	16,815
Municipal Waste Landfill Disposal Fees.....	0	16,500	0
Other.....	483	483	483
Total Receipts.....	<u>51,351</u>	<u>38,666</u>	<u>38,981</u>
Total Funds Available	\$ 67,713	\$ 67,890	\$ 56,871
Disbursements:			
Agriculture.....	\$ 38,489	\$ 50,000	\$ 51,815
Total Disbursements.....	<u>-38,489</u>	<u>-50,000</u>	<u>-51,815</u>
Cash Balance, Ending	\$ 29,224	\$ 17,890	\$ 5,056

Agricultural Conservation Easement Purchase Sinking Fund

Payment of interest and principal due on outstanding agricultural conservation easement purchase bonds is made from this fund. Revenues of this fund come from the annual appropriation from the General Fund for general obligation debt service.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 4,446	\$ 2,521	\$ 1,943
Accrued Interest on Bonds Sold.....	0	0	0
Total Receipts	<u>4,446</u>	<u>2,521</u>	<u>1,943</u>
Total Funds Available	\$ 4,446	\$ 2,521	\$ 1,943
Disbursements:			
Treasury.....	\$ 4,446	\$ 2,521	\$ 1,943
Total Disbursements	<u>-4,446</u>	<u>-2,521</u>	<u>-1,943</u>
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

Anthracite Emergency Bond Fund

This fund was created by Act 171 of 1986 to provide loans for anthracite underground mine operators who cannot obtain necessary bonding or whose bonding has been cancelled due to insolvency or bankruptcy of the original bonding company. Revenues are provided by appropriation from the General Fund, a fee for each ton of coal estimated by certain mine operations and payments made by operators in lieu of a bond. Act 173 of 1992 extended the program to anthracite surface mine operators.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 382	\$ 398	\$ 263
Receipts:			
Operator Payments.....	\$ 6	\$ 0	\$ 0
Interest	16	15	20
Total Receipts	<u>22</u>	<u>15</u>	<u>20</u>
Total Funds Available	\$ 404	\$ 413	\$ 283
Disbursements:			
Environmental Protection	\$ 6	\$ 150	\$ 250
Total Disbursements	<u>-6</u>	<u>-150</u>	<u>-250</u>
Cash Balance, Ending	\$ 398	\$ 263	\$ 33

Automobile Theft Prevention Trust Fund

The Automobile Theft Prevention Trust Fund was created by Act 171 of 1994. The purpose of the fund is to finance programs in the Commonwealth to prevent, combat and reduce automobile theft and to improve and support automobile theft prosecutions. Revenue to the fund consists of assessments on the insurance companies that conduct business in the Commonwealth, interest earnings, and fines and penalties.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,713	\$ 3,037	\$ 2,496
Receipts:			
Assessments.....	\$ 5,789	\$ 5,851	\$ 6,010
Returned prior year grants.....	0	500	500
Interest on Securities.....	289	250	250
Total Receipts	<u>6,078</u>	<u>6,601</u>	<u>6,760</u>
Total Funds Available	\$ 8,791	\$ 9,638	\$ 9,256
Disbursements:			
Automobile Theft Prevention Authority.....	\$ 5,754	\$ 7,142	\$ 7,365
Total Disbursements	<u>-5,754</u>	<u>-7,142</u>	<u>-7,365</u>
Cash Balance, Ending	\$ 3,037	\$ 2,496	\$ 1,891

Ben Franklin Technology Development Authority Fund

Act 38 of 2001 created the Ben Franklin Technology Development Authority Fund. This fund merges the activities of the Ben Franklin Partnership and the Pennsylvania Technology Development Authority (PTIA) under one authority. The Ben Franklin component assists small and medium sized technology, research and start-up companies to do applied research and development projects and to develop and introduce new products and processes. PTIA provides high-tech financing to small and medium-sized businesses; stimulates the adoption and expansion of electronic commerce; and coordinates and expands university-based research and development in high-tech fields. Revenue to the fund includes transfers of the June 30, 2001 balance and refunded expenditures in 2002-03 from the Ben Franklin/IRC Fund, annual transfers from the General Fund, loan repayments and interest earnings.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 19,419	\$ 24,432	\$ 13,514
Receipts:			
Transfer from General Fund.....	\$ 54,408	\$ 53,000	\$ 53,000
Federal Revenue.....	0	1,000	2,000
Transfer from Industrial Authority Loan Fund.....	173	224	260
Loan Repayments.....	6	1,000	1,000
Interest on Securities.....	1,447	1,058	758
Other.....	3	0	0
Total Receipts	56,037	56,282	57,018
Total Funds Available	\$ 75,456	\$ 80,714	\$ 70,532
Disbursements:			
Community and Economic Development			
Administration.....	\$ 584	\$ 650	\$ 675
Loans.....	5,833	12,550	10,000
Grants.....	44,607	54,000	54,000
Total Disbursements	-51,024	-67,200	-64,675
Cash Balance, Ending	\$ 24,432	\$ 13,514	\$ 5,857

Benefit Completion Fund

This fund was created in 2003 to accumulate reserves for the payment of pensions to eligible former State employees' with a statutory benefit entitlement under the State Employees' Retirement Code that exceeds the limits of Section 415(b) of the Internal Revenue Code (IRC). Reserves in this fund will be disbursed to members of the retirement system in accordance with the provision of IRC Section 415(m).

The fund receives revenue from employer contributions and interest income. Employer contributions are an actuarially determined percentage of payroll sufficient to fund the benefit payments of the forthcoming calendar year and the on-going expenses to administer the plan. Management of the fund and payment of benefits is overseen by the State Employees' Retirement Board.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance Beginning	\$ 0	\$ 1,655	\$ 2,398
Receipts:			
Employer Contributions	\$ 1,651	\$ 1,490	\$ 1,500
Interest Income.....	4	28	32
Total Receipts	<u>1,655</u>	<u>1,518</u>	<u>1,500</u>
Total Funds Available	\$ 1,655	\$ 3,173	\$ 3,898
Disbursements:			
State Employees' Retirement System.....	0	775	588
Total Disbursements.....	<u>0</u>	<u>775</u>	<u>588</u>
Cash Balance Ending	\$ 1,655	\$ 2,398	\$ 3,310

Broadband Outreach and Aggregation Fund

Act 183 of 2004 established the Broadband Outreach and Aggregation Fund to fund grants and outreach programs with the ultimate purpose of increasing broadband access in unserved or underserved areas. Deposits to the fund include assessments levied and collected by the Public Utility Commission on certain local exchange telecommunications companies. Up to three percent of annual proceeds can be used by the agency for administrative costs. The total amount of the fund shall not exceed \$5 million annually.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Assessments.....	\$ 0	\$ 0	\$ 5,000
Income on Investments.....	0	0	0
Other.....	0	0	0
Total Receipts	<u>0</u>	<u>0</u>	<u>5,000</u>
Total Funds Available	\$ 0	\$ 0	\$ 5,000
Disbursements:			
Treasury.....	\$ 0	\$ 0	\$ 0
Community and Economic Development.....	0	0	4,950
Total Disbursements	<u>0</u>	<u>0</u>	<u>-4,950</u>
Cash Balance, Ending	\$ 0	\$ 0	\$ 50

Budget Stabilization Reserve Fund

This fund was created on July 15, 2002 by Act 91 of 2002 to replace the Tax Stabilization Reserve Fund. This fund provides financial assistance to minimize future revenue shortfalls and deficits, and promote greater continuity and predictability in the funding of vital government services. It also minimizes the need to increase taxes to balance the budget of the Commonwealth during periods of economic distress. Act 91 provides revenue through an annual transfer of twenty-five percent of the General Fund's fiscal year ending surplus beginning in 2002-03. If the fund's ending balance equals or exceeds six percent of actual General Fund revenues for the fiscal year in which the surplus occurs, the General Fund transfer is reduced to ten percent. Appropriations out of the fund require approval by two-thirds of the members of the General Assembly. Act 7A of 2004 provided for a total transfer of \$190 million from the General Fund including the 25% required to be transferred by under Act 91. This budget projects a transfer to the fund of \$67,131 million at the end of fiscal year 2004-05.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 246	\$ 70,235	\$ 261,807
Receipts:			
Transfer from General Fund.....	\$ 69,775	\$ 190,000	\$ 67,131
Interest	214	1,572	4,766
Total Receipts	<u>69,989</u>	<u>191,572</u>	<u>71,897</u>
Total Funds Available	<u>\$ 70,235</u>	<u>\$ 261,807</u>	<u>\$ 333,704</u>
Disbursements:			
Transfer to General Fund	\$ 0	\$ 0	\$ 0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, Ending	<u>\$ 70,235</u>	<u>\$ 261,807</u>	<u>\$ 333,704</u>

Capital Debt Fund

Principal and interest payments on bonds issued for purposes of capital budget projects are paid from this fund. Annual appropriations from various funds for payment of interest and principal due on general obligation bonds is the primary source of revenue. Funds in the excess of interest and principal falling due in any one particular fiscal year may be used by the Board of Finance and Revenue to retire any other general obligation bonds issued to provide revenue to the Capital Facilities Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 30,328	\$ 60,832	\$ 83,363
Receipts:			
Transfer from Other Funds.....	\$ 688,331	\$ 797,381	\$ 782,275
Rentals - State-Aided and State- Related Institutions.....	183	190	194
Interest Subsidy - Higher Education Construction Projects.....	85	66	0
Sale of Bonds- Bond Anticipation Notes Payment.....	0	0	0
Refunding Bond Maturing Escrow Funds.....	1,714,835	1,649,902	2,131,450
Accrued Interest on Bonds Sold.....	0	0	0
Interest on Securities.....	138	86	100
Total Receipts	<u>2,403,572</u>	<u>2,447,625</u>	<u>2,914,019</u>
Total Funds Available	\$ 2,433,900	\$ 2,508,457	\$ 2,997,382
Disbursements:			
Treasury.....	\$ 2,373,068	\$ 2,425,094	\$ 2,962,075
Total Disbursements	<u>-2,373,068</u>	<u>-2,425,094</u>	<u>-2,962,075</u>
Cash Balance, Ending	\$ 60,832	\$ 83,363	\$ 35,307

Capital Facilities Fund

This fund is used to meet the financial costs of capital projects authorized by capital budget acts. Revenue for this fund comes principally from the sale of general obligation debt and interest earnings. Debt issued for this fund is subject to a debt limit equal to one and three quarter times the average of annual tax revenues in the preceding five fiscal years. This fund has at least one account for each category of capital projects. Interest earned on investment or deposit of monies in the fund is credited to the account in the fund to which such invested or deposited money was originally credited.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 304,133	\$ 394,011	\$ 175,100
Receipts:			
Sale of Bonds.....	\$ 657,936	\$ 352,440	\$ 674,190
Intra Account Transfer.....	180,000	0	0
Interest on Securities.....	2,057	4,000	7,095
Other	53,150	9,677	15,000
Total Receipts	<u>893,143</u>	<u>366,117</u>	<u>696,285</u>
Total Funds Available	\$ 1,197,276	\$ 760,128	\$ 871,385
Disbursements:			
Community and Economic Development.....	\$ 202,483	\$ 115,495	\$ 163,879
Environmental Protection.....	3,129	5,685	7,074
General Services.....	277,702	306,308	361,687
Transportation.....	137,718	157,486	150,750
Other.....	182,233	54	0
Total Disbursements	<u>-803,265</u>	<u>-585,028</u>	<u>-683,390</u>
Cash Balance, Ending	\$ 394,011	\$ 175,100	\$ 187,995

Capitol Restoration Trust Fund

This fund was created by Act 327 of 1982 to finance the maintenance, restoration, preservation and rehabilitation of artifacts, documents and other historical objects or resources located within and around or associated with the State Capitol Building, and the acquisition of artifacts, documents and other historical objects or resources which contribute to the historical significance of the State Capitol Building. This fund is administered by the Capitol Preservation Committee. Revenue is derived from gifts, donations and legacies of money from individuals, organizations, public or private corporations, and from the sale of commemorative medals and other items of a similar nature which promote the historic preservation and restoration of the State Capitol Building.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 237	\$ 196	\$ 205
Receipts:			
Contributions and Sales.....	\$ 10	\$ 15	\$ 2
Other.....	12	4	10
Total Receipts	<u>22</u>	<u>19</u>	<u>12</u>
Total Funds Available	\$ 259	\$ 215	\$ 217
Disbursements:			
Capitol Preservation Committee.....	\$ 63	\$ 10	\$ 5
Total Disbursements	<u>-63</u>	<u>-10</u>	<u>-5</u>
Cash Balance, Ending	\$ 196	\$ 205	\$ 212

Catastrophic Loss Benefits Continuation Fund

This fund was established by Act 24 of 1989 to replace the Catastrophic Loss Trust Fund. The purpose of the Continuation Fund (CATfund) is to pay all medical claims owed by the Catastrophic Loss Trust Fund. Monies in the former Catastrophic Loss Trust Fund were transferred to this fund effective July 1, 1989. Revenue is obtained from a surcharge on certain motor vehicle moving violations.

Act 13 of 2002 established the Medical Care Availability and Reduction of Error (Mcare) Fund. The act mandates that all surcharges levied and collected under the CAT fund will be remitted to the Medical Care Availability and Reduction of Error Fund (Mcare) beginning in January 2004.

This fund will continue to pay claimants from the balance and interest earnings of the fund until no further obligations exist. The most recent actuarial report estimates final expenditure in 2083.

No obligation or expense of, or claim against, the fund constitutes a debt of the Commonwealth or a charge against the General Fund or the Motor License Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 101,621	\$ 120,711	\$ 6,304
Receipts:			
Moving Violation Surcharge.....	\$ 25,142	\$ -3,313 (a)	\$ 0
Repayment of Loan.....	0	0	100,880
Interest	5,000	1,200	1,200
Miscellaneous.....	58	15	15
Total Receipts	<u>30,200</u>	<u>-2,098</u>	<u>102,095</u>
Total Funds Available	\$ 131,821	\$ 118,613	\$ 108,399
Disbursements:			
Insurance.....	\$ 11,110	\$ 15,309	\$ 11,550
Loan to Medical Care Availability and Reduction of Error Fund.....	<u>0</u>	<u>97,000</u>	<u>0</u>
Total Disbursements	<u>-11,110</u>	<u>-112,309</u>	<u>-11,550</u>
Cash Balance, Ending	\$ 120,711	\$ 6,304	\$ 96,849

^(a) reflects adjustment of 2003-04 moving violation surcharge for portion of surcharge credited to Mcare Fund.

Children's Trust Fund

Act 151 of 1988 created the Children's Trust Fund. Revenue is generated by a \$10 surcharge on marriage licenses and divorce applications. Expenditures are for community-based children's programs and services to prevent child abuse and neglect.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,423	\$ 2,271	\$ 1,849
Receipts:			
Marriage/Divorce Surcharge.....	\$ 1,295	\$ 1,295	\$ 1,295
Miscellaneous Revenue.....	133	133	133
Total Receipts	<u>1,428</u>	<u>1,428</u>	<u>1,428</u>
Total Funds Available	\$ 3,851	\$ 3,699	\$ 3,277
Disbursements:			
Public Welfare.....	\$ 1,580	\$ 1,850	\$ 1,850
Total Disbursements	<u>-1,580</u>	<u>-1,850</u>	<u>-1,850</u>
Cash Balance, Ending	\$ 2,271	\$ 1,849	\$ 1,427

Clean Air Fund

This fund was created to meet the provisions of Act 787 of 1959, as amended by Act 95 of 1992, to finance the attainment of air quality standards, the administration of the rules and regulations promulgated under these acts, the reduction of interstate air pollution transport and a program to assist businesses in meeting emission standards. Fines, civil penalties and fees from air pollution emitters, as well as appropriations from the General Assembly, Federal or local governments and interest earnings are deposited in this fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 42,504	\$ 41,723	\$ 31,398
Receipts:			
Fines and Penalties.....	\$ 3,878	\$ 1,950	\$ 1,950
Fees.....	18,717	18,700	18,700
Interest.....	2,507	1,300	1,300
Other.....	192	125	125
Total Receipts	<u>25,294</u>	<u>22,075</u>	<u>22,075</u>
Total Funds Available	\$ 67,798	\$ 63,798	\$ 53,473
Disbursements:			
Environmental Protection	\$ 26,075	\$ 32,400	\$ 33,271
Total Disbursements	<u>-26,075</u>	<u>-32,400</u>	<u>-33,271</u>
Cash Balance, Ending	\$ 41,723	\$ 31,398	\$ 20,202

Coal and Clay Mine Subsidence Insurance Fund

This fund was created by Act 484 of 1961 to provide insurance to home owners in mining areas against damages resulting from subsidence. Revenue is derived from premiums paid by policyholders for subsidence insurance. Act 155 of 2002 updated this insurance program by further defining and establishing coverage by insurance providers, and requiring the Department of Environmental Protection to prepare an annual report on the program and insurance sales. Disbursements are used to cover the payment of insurance claims and commissions to insurance agents who forward insurance applications as outlined in Act 155.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 39,946	\$ 43,128	\$ 44,157
Receipts:			
Premiums Collected.....	\$ 5,052	\$ 5,000	\$ 5,000
Interest.....	1,816	1,000	1,000
Other.....	0	30	30
Total Receipts	<u>6,868</u>	<u>6,030</u>	<u>6,030</u>
Total Funds Available	\$ 46,814	\$ 49,158	\$ 50,187
Disbursements:			
Environmental Protection	\$ 3,686	\$ 5,001	\$ 5,231
Total Disbursements	<u>-3,686</u>	<u>-5,001</u>	<u>-5,231</u>
Cash Balance, Ending	\$ 43,128	\$ 44,157	\$ 44,956

Coal Lands Improvement Fund

This fund was created in 1965 to finance the restoration of land acquired by the Commonwealth through eminent domain or amicable methods which has been defaced by open pit or strip mining and has been declared a health hazard. Initially the fund was provided a \$1 million appropriation, but subsequent revenue is derived from the sale of restored land and interest on investments.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,175	\$ 2,266	\$ 2,341
Receipts:			
Sale of Land.....	\$ 0	\$ 0	\$ 0
Interest	91	75	75
Total Receipts	<u>91</u>	<u>75</u>	<u>75</u>
Total Funds Available	\$ 2,266	\$ 2,341	\$ 2,416
Disbursements:			
Environmental Protection	\$ 0	\$ 0	\$ 0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, Ending	\$ 2,266	\$ 2,341	\$ 2,416

Conrad Weiser Memorial Park Trust Fund

This fund was created to provide for control, management, supervision, restoration and improvement of the Conrad Weiser Memorial Park, Berks County. Source of revenue for the fund is interest from the \$20,000 perpetual endowment created by the estate of Colonel Conrad Weiser.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 68	\$ 71	\$ 74
Receipts:			
Interest on Securities	\$ 3	\$ 3	\$ 3
Total Receipts	<u>3</u>	<u>3</u>	<u>3</u>
Total Funds Available	<u>\$ 71</u>	<u>\$ 74</u>	<u>\$ 77</u>
Disbursements:			
Historical and Museum Commission	\$ 0	\$ 0	\$ 0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, Ending	<u>\$ 71</u>	<u>\$ 74</u>	<u>\$ 77</u>

Deferred Compensation Fund

Act 81 of 1987 established the Commonwealth Deferred Compensation Program. The program enables Commonwealth employees to defer a portion of their salaries into a retirement savings plan. The State Employees' Retirement System is responsible for administration of the act.

Contributions to the fund began in 1988. The disbursements shown under the Executive Offices are employee contribution funds transferred to one of the investment plan options. Those funds, together with the interest they earn, are available to employees upon retirement.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 8,707	\$ 21,312	\$ 13,759
Receipts:			
Employee Contributions	\$ 123,376	\$ 128,002	\$ 131,842
Premium on Sale of Securities.....	-216 ^a	320	206
Interest	20,720 ^b	21,136 ^b	21,559 ^b
Total Receipts	<u>143,880</u>	<u>149,458</u>	<u>153,607</u>
Total Funds Available	<u>\$ 152,587</u>	<u>\$ 170,770</u>	<u>\$ 167,366</u>
Disbursements:			
Executive Offices.....	\$ 104,446	\$ 129,645	\$ 124,860
State Employees' Retirement System	26,829	27,366	27,844
Total Disbursements	<u>-131,275</u>	<u>-157,011</u>	<u>-152,704</u>
Cash Balance, Ending	<u>\$ 21,312</u>	<u>\$ 13,759</u>	<u>\$ 14,662</u>

^a Securites sold at a discount.

^b Includes interest earned on funds controlled by SERS and the Treasury Department.

Deferred Compensation Fund — Short-Term Portfolio

Act 81 of 1987 established the Commonwealth Deferred Compensation Program. The program enables Commonwealth employees to defer a portion of their salaries into a retirement savings plan. Available for the employees' investment selection is the Treasury Short-Term Money Market Account. In order to maintain the identity of the investments and deferred compensation contributions, the Deferred Compensation Fund - Short-Term Portfolio was established.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 32,184	\$ 29,922	\$ 30,520
Receipts:			
Transfers from Deferred Compensation Fund.....	\$ 1,359	\$ 1,386	\$ 1,415
Interest	390	398	406
Total Receipts	1,749	1,784	1,821
Total Funds Available	\$ 33,933	\$ 31,706	\$ 32,341
Disbursements:			
State Employees' Retirement System	\$ 4,011	\$ 1,186	\$ 1,211
Total Disbursements	-4,011	-1,186	-1,211
Cash Balance, Ending	\$ 29,922	\$ 30,520	\$ 31,130

Disaster Relief Fund

Act 4 of Special Session Two of 1996 authorized a \$110 million bond issue for rehabilitation of areas affected by the blizzard of January 1996 and the resulting flood emergency.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 544	\$ 365	\$ 385
Receipts:			
Sale of Bonds.....	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue.....	2	20	0
Total Receipts	2	20	0
Total Funds Available	\$ 546	\$ 385	\$ 385
Disbursements:			
Emergency Management Agency.....	\$ 181	\$ 0	\$ 0
Total Disbursements	-181	0	0
Cash Balance, Ending	\$ 365	\$ 385	\$ 385

Disaster Relief Redemption Fund

Payment of interest and principal due on bonds issued for the Disaster Relief Fund are made from this fund. An annual appropriation from the General Fund for payment of interest and principal due on general obligation bonds is the primary source of revenue. Funds in excess of the interest and principal due in any one fiscal period may be used for retirement of all or any part of such bonds issued which are still outstanding.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Sale of Bonds.....	\$ 0	\$ 0	\$ 0
Transfer from General Fund.....	2,735	2,147	2,044
Accrued Interest on Bonds Sold.....	0	0	0
Miscellaneous Revenue.....	0	0	0
Total Receipts	2,735	2,147	2,044
Total Funds Available	\$ 2,735	\$ 2,147	\$ 2,044
Disbursements:			
Treasury.....	\$ 2,735	\$ 2,147	\$ 2,044
Total Disbursements	-2,735	-2,147	-2,044
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

DNA Detection Fund

This fund was created by Act 14 of Special Session One of 1995 to account for the collection and processing of Deoxyribonucleic Acid (DNA) samples by State Police from individuals convicted, adjudicated delinquent, or granted accelerated rehabilitation disposition for a felony sex offense or other specified offense. Revenues are derived from mandatory fees which are assessed on sexual offenders. Expenditures are made to establish and maintain a DNA database and DNA bank. Act 57 of 2002 reestablished this fund as well as the State DNA Data Base and State DNA Data Bank. Additional requirements provide for testing and the imposition of related costs on certain offenders, while further defining the apportionment of liability and damages against defendants.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 173	\$ 244	\$ 201
Receipts:			
Assessments.....	\$ 163	\$ 164	\$ 170
Interest.....	9	11	12
Total Receipts	172	175	182
Total Funds Available	\$ 345	\$ 419	\$ 383
Disbursements:			
State Police.....	\$ 101	\$ 218	\$ 363
Total Disbursements	-101	-218	-363
Cash Balance, Ending	\$ 244	\$ 201	\$ 20

Education Technology Fund

Act 183 of 2004 established the Education Technology Fund to increase broadband access for school entities. Up to three percent of annual proceeds can be used by the agency for administrative costs with the remaining balance to be used to provide grants to school entities. Revenues for this fund are generated from an assessment on nonrural telecommunications carriers. Additional revenues may include appropriated funds, contributions by other state agencies, federal funds, or any public or private source. The Education Technology Fund shall terminate on June 30, 2011, and any remaining funds shall be returned to the local exchange telecommunications companies that contributed to the fund on a pro rata basis.

Statement of Cash Receipts and Disbursements:

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Assessments.....	\$ 0	\$ 0	\$ 7,000
Other.....	0	0	3,000
Total Receipts	0	0	10,000
Total Funds Available	\$ 0	\$ 0	\$ 10,000
Disbursements:			
Education.....	\$ 0	\$ 0	\$ 10,000
Total Disbursements	0	0	-10,000
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

Educational Assistance Program Fund

The Educational Assistance Program Fund was established in Act 212 of 2004 to deposit moneys and related investment income to fund the Educational Assistance Program for members of the National Guard which is administered by the Department of Military and Veterans Affairs.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 3,991
Receipts:			
Transfer from General Fund.....	\$ 0	\$ 4,502	\$ 10,000
Interest.....	0	60	150
Total Receipts	0	4,562	10,150
Total Funds Available	\$ 0	\$ 4,562	\$ 14,141
Disbursements:			
Military and Veterans Affairs.....	\$ 0	\$ 571	\$ 14,000
Total Disbursements	0	-571	-14,000
Cash Balance, Ending	\$ 0	\$ 3,991	\$ 141

Emergency Medical Services Operating Fund

The purpose of this fund is to assist in activities relating to the prevention and reduction of premature death and disability in the Commonwealth; to provide assistance, coordination and support of the development and maintenance of the comprehensive emergency medical services system; to determine qualifications, eligibility and certification of emergency medical services personnel; and to fund ambulance services. The fund was created by The Emergency Medical Services Act, Act 45 of 1985. Revenue is derived from a \$10 fine levied on all moving traffic violations and a \$25 fee imposed on persons admitted to programs for Accelerated Rehabilitation Disposition (ARD) related to driving under the influence of drugs and/or alcohol.

These fines are in addition to other fines imposed at the discretion of the court. This statement includes both the Emergency Medical and Catastrophic Medical and Rehabilitation components of the act.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 23,761	\$ 25,913	\$ 18,876
Receipts:			
Fines	\$ 13,004	\$ 13,004	\$ 13,004
Interest	<u>1,232</u>	<u>1,232</u>	<u>1,232</u>
Total Receipts	<u>14,236</u>	<u>14,236</u>	<u>14,236</u>
Total Funds Available	<u>\$ 37,997</u>	<u>\$ 40,149</u>	<u>\$ 33,112</u>
Disbursements:			
Health	\$ 11,677	\$ 20,783	\$ 16,033
Public Welfare	<u>407</u>	<u>490</u>	<u>0</u>
Total Disbursements	<u>-12,084</u>	<u>-21,273</u>	<u>-16,033</u>
Cash Balance, Ending	<u>\$ 25,913</u>	<u>\$ 18,876</u>	<u>\$ 17,079</u>

Employment Fund for the Blind

This fund was created in 1967 to make loans to persons who are blind to purchase equipment, stock, merchandise and accessories necessary to put into operation vending or refreshment stands or other suitable business enterprises in suitable locations to be leased or arranged for by State agencies. Act 15 of 1999 transferred the authority to administer the fund from the Department of Public Welfare to the Department of Labor and Industry.

Monies credited to this fund include: (1) repayment of money advanced to persons who are blind for the purchase of merchandise, equipment, stock and accessories; (2) rental fees paid by persons who are blind for leasing equipment and accessories purchased, owned, installed and maintained by the Department of Labor and Industry; (3) a percentage of the profits from vending machines in State buildings where a restaurant or cafeteria is operated by the Department of General Services; and (4) any grants or contributions from the Federal Government.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04	2004-05	2005-06
	<u>Actual</u>	<u>Available</u>	<u>Estimated</u>
Cash Balance, Beginning	\$ 4,182	\$ 4,525	\$ 4,915
Receipts:			
Vending Stand Equipment Rentals	\$ 227	\$ 235	\$ 240
Vending Machine Receipts	429	450	460
Interest	198	205	215
Other	204	230	240
Total Receipts	<u>1,058</u>	<u>1,120</u>	<u>1,155</u>
Total Funds Available	\$ 5,240	\$ 5,645	\$ 6,070
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Labor and Industry.....	715	725	735
Total Disbursements	<u>-715</u>	<u>-730</u>	<u>-740</u>
	<u>\$ 4,525</u>	<u>\$ 4,915</u>	<u>\$ 5,330</u>

Energy Conservation and Assistance Fund

This fund was created by Act 122 of 1986 to receive all oil overcharge settlements including the uncommitted balance of settlements received prior to the act. Appropriations are made from the fund for supplemental low-income weatherization and home energy assistance programs, and energy conservation activities.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,556	\$ 2,682	\$ 2,136
Receipts:			
Interest.....	\$ 132	\$ 130	\$ 120
Other.....	145	0	0
Total Receipts	<u>\$ 277</u>	<u>\$ 130</u>	<u>\$ 120</u>
Total Funds Available	<u>\$ 2,833</u>	<u>\$ 2,812</u>	<u>\$ 2,256</u>
Disbursements:			
Environmental Protection.....	\$ 151	\$ 676	\$ 500
Public Welfare.....	0	0	1,600
Total Disbursements	<u>-151</u>	<u>-676</u>	<u>-2,100</u>
Cash Balance, Ending	<u><u>\$ 2,682</u></u>	<u><u>\$ 2,136</u></u>	<u><u>\$ 156</u></u>

Energy Development Fund

The Energy Development Fund was created by Act 280 of 1982. The fund provides the vehicle to accomplish the purposes of the Pennsylvania Energy Development Authority including the sale of bonds. Activities of the fund included preparation of the energy development plan, payment of administrative costs, the making of grants and loans for limited research intended to make the greatest possible contributions to energy conservation and development, and the establishment of reserves in respect to loans guaranteed or bonds issued by the authority. The fund is supported by interest earnings. Executive Order 2004-5 transferred the responsibility for managing this fund and providing services to the Pennsylvania Energy Development Authority from the Department of Community & Economic Development (DCED) to the Department of Environmental Protection (DEP). A 2004-05 transfer of \$10 million from the Alternative Fuels Incentive Grants Account will fund a grant program under development in a cooperative effort between DCED and DEP.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 279	\$ 282	\$ 10,286
Receipts:			
Transfer from the Alternative Fuels Incentive Grants Account.....	\$ 0	\$ 10,000	\$ 0
Interest	12	411	411
Total Receipts	<u>12</u>	<u>10,411</u>	<u>10,697</u>
Total Funds Available	<u>\$ 291</u>	<u>\$ 10,411</u>	<u>\$ 10,697</u>
Disbursements:			
Environmental Protection			
Administration.....	\$ 9	\$ 75	\$ 75
Loans.....	0	25	25
Grants.....	0	25	25
Total Disbursements	<u>9</u>	<u>-125</u>	<u>-125</u>
Cash Balance, Ending	<u><u>\$ 282</u></u>	<u><u>\$ 10,286</u></u>	<u><u>\$ 10,572</u></u>

Environmental Education Fund

This fund was authorized by Act 24 of 1993 to provide environmental education programs and to provide grants to schools and other organizations. Funding is from the transfer of 5 percent of fines and penalties deposited in the special funds and restricted revenue accounts which are administered by the Department of Environmental Protection. Act 18 of 1995 requires that not less than 25 percent of the annual receipts of this fund shall be provided to the Department of Conservation and Natural Resources.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,016	\$ 992	\$ 722
Receipts:			
Transfers from Other Funds.....	\$ 420	\$ 475	\$ 475
Interest.....	60	6	6
Total Receipts	480	481	481
Total Funds Available	\$ 1,496	\$ 1,473	\$ 1,203
Disbursements:			
Conservation and Natural Resources.....	\$ 146	\$ 150	\$ 150
Environmental Protection	358	601	607
Total Disbursements	-504	-751	-757
Cash Balance, Ending	\$ 992	\$ 722	\$ 446

Fire Insurance Tax Fund

The revenue for the Fire Insurance Tax Fund results from the two percent tax paid upon premiums received from foreign (out-of-state) fire insurance companies on business done within the Commonwealth. The funds are distributed based on the population and market value of real estate of each municipality. In addition, the distribution formula provides for differential payment for paid and volunteer firefighters. The amount to be distributed based on paid firefighters is transferred to the Municipal Pension Aid Fund for payment. This money must be paid by the local governmental organization into the relief, pension or retirement fund of the recognized fire fighting organization serving the city, town,

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 72,104	\$ 75,088	\$ 75,083
Receipts:			
Tax Payable to Municipalities.....	\$ 74,474	\$ 74,474	\$ 85,000
Total Receipts	74,474	74,474	85,000
Total Funds Available	\$ 146,578	\$ 149,562	\$ 160,083
Disbursements:			
Auditor General.....	\$ 71,490	\$ 74,474	\$ 85,000
Treasury.....	0	5	5
Total Disbursements	-71,490	-74,479	-85,005
Cash Balance, Ending	\$ 75,088	\$ 75,083	\$ 75,078

Governor Robert P. Casey Memorial Organ and Tissue Donation Awareness Trust Fund

This fund was established by Act 102 of 1994 and derives revenue from private contributions, voluntary deductions from State Individual Income Tax returns, and a voluntary \$1 add-on to the fee for an original or renewal driver's license, State identification card or vehicle registration.

After the payment of initial departmental operating costs associated with the fund and in support of the Organ Donation Advisory Committee, any remaining funds are spent as prescribed by the act: 10 percent for hospital and medical expenses, funeral expenses and incidental expenses incurred by the donor or the donor's family in conjunction with making a vital organ donation; 50 percent for grants to certified organ procurement organizations for the development and implementation of organ donation awareness programs; 15 percent in cooperation with certified organ procurement organizations for the "project-make-a-choice program;" and 25 percent for the implementation of organ donation awareness programs in secondary schools.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,629	\$ 2,085	\$ 1,781
Receipts:			
Driver's License Applicants.....	\$ 245	\$ 245	\$ 245
State Income Tax Contribution.....	42	0	0
Vehicle Registration.....	388	388	388
Interest on Securities.....	82	82	82
Total Receipts	<u>757</u>	<u>715</u>	<u>715</u>
Total Funds Available	\$ 2,386	\$ 2,800	\$ 2,496
Disbursements:			
Education.....	\$ 90	\$ 229	\$ 150
Health.....	211	790	564
Total Disbursements	<u>-301</u>	<u>-1,019</u>	<u>-714</u>
Cash Balance, Ending	\$ 2,085	\$ 1,781	\$ 1,782

Hazardous Material Response Fund

This fund was created by Act 165 of 1990 and amended by Act 121 of 2000 to carry out Pennsylvania's responsibilities under Title III of the Federal Superfund Amendments and Reauthorization Act (SARA Title III). Revenue is generated from toxic chemical registration fees and toxic chemical release form fees. Expenditures are for training programs for hazardous material response teams, public education programs, grants to counties for SARA Title III activities, cost recovery grants, facility and vehicle inspections and testing and administration of the program including data collection and management.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 3,331	\$ 4,115	\$ 4,195
Receipts:			
Toxic Chemical Release Form Fee	\$ 1,231	\$ 1,270	\$ 1,270
Chemical Inventory Fee	268	300	300
Interest on Securities	182	75	75
Other.....	137	80	80
Total Receipts	<u>1,818</u>	<u>1,725</u>	<u>1,725</u>
Total Funds Available	\$ 5,149	\$ 5,840	\$ 5,920
Disbursements:			
Emergency Management Agency	\$ 944	\$ 1,475	\$ 1,475
Labor and Industry	90	170	170
Total Disbursements	<u>-1,034</u>	<u>-1,645</u>	<u>-1,645</u>
Cash Balance, Ending	\$ <u>4,115</u>	\$ <u>4,195</u>	\$ <u>4,275</u>

Hazardous Sites Cleanup Fund

This fund was created by Act 58 of 1987 to finance the cleanup and restoration of abandoned hazardous waste sites in the Commonwealth. Expenditures from this fund are for cleaning up abandoned hazardous waste sites throughout the Commonwealth and restoring the land to productive use. Revenue is generated from a Hazardous Waste Fee as well as money received from parties determined responsible for site contamination. Prior to fiscal year 2002-03, the fund received one-quarter mill of the Capital Stock and Franchise Tax. Act 89 of 2002 eliminated the dedicated portion of the Capital Stock and Franchise Tax to this fund and provided for a General Fund transfer if and when the projected ending balance for the current year is projected below \$5 million in the Governor's Executive Budget. The Growing Greener II proposal would repeal the \$5 million trigger language in Act 89 and the Hazardous Sites Cleanup Fund would provide funding through a new toxics release fee and a supplemental transfer from the Environmental Revitalization Account. The second statement below shows the status of the fund without the Growing Greener II proposal.

Statement of Cash Receipts and Disbursements: Including Growing Greener II

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 81,829	\$ 72,071	\$ 23,865
Receipts:			
Toxics Release Fee	\$ 0	\$ 0	\$ 20,400
Transfer from Environmental Revitalization Account.....	0	0	19,275
Hazardous Waste Fee.....	2,067	2,000	2,000
Cost Recovery.....	3,464	2,500	2,500
Interest.....	4,169	2,000	2,000
Bear Creek Area Settlement.....	22,676	0	0
Total Receipts	<u>32,376</u>	<u>6,500</u>	<u>46,175</u>
Total Funds Available	<u>\$ 114,205</u>	<u>\$ 78,571</u>	<u>\$ 70,040</u>
Disbursements:			
Environmental Protection.....	\$ 42,134	\$ 54,706	\$ 38,357
Total Disbursements	<u>-42,134</u>	<u>-54,706</u>	<u>-38,357</u>
Cash Balance, Ending	<u>\$ 72,071</u>	<u>\$ 23,865</u>	<u>\$ 31,683</u>

Current Revenues Only:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 81,829	\$ 72,071	\$ 23,865
Receipts:			
Hazardous Waste Fee.....	2,067	2,000	2,000
Cost Recovery.....	3,464	2,500	2,500
Interest.....	4,169	2,000	2,000
Bear Creek Area Settlement.....	22,676	0	0
Total Receipts	<u>32,376</u>	<u>6,500</u>	<u>6,500</u>
Total Funds Available	<u>\$ 114,205</u>	<u>\$ 78,571</u>	<u>\$ 30,365</u>
Disbursements:			
Environmental Protection.....	\$ 42,134	\$ 54,706	\$ 38,357
Total Disbursements	<u>-42,134</u>	<u>-54,706</u>	<u>-38,357</u>
Cash Balance, Ending	<u>\$ 72,071</u>	<u>\$ 23,865</u>	<u>\$ -7,992</u>

Higher Education Assistance Fund

This fund statement presents financial activity within the Higher Education Assistance Fund that is related only to programs funded by State and federal appropriations. PHEAA administers other programs through the Higher Education Assistance Fund which are not included in this presentation. Moneys in this fund are currently used primarily for the following purposes: (1) provision of grants to students; (2) provision of grants to nonsectarian private postsecondary educational institutions; (3) provision of grants to institutions of higher learning for the purpose of helping the institution secure Federal funds to provide direct financial aid to students; (4) provision of funds to institutions for College Work Study Programs; (5) provision for grants to minority students entering graduate professional schools under the Bond-Hill Program; (6) provision for loan forgiveness for graduates with agricultural degrees; (7) provision of funds to recruit gifted students to Cheyney University; (8) provision of scholarships to encourage Pennsylvania students to pursue education in science and technology fields; and (9) provision for matching funds to support student interns with emerging technology companies within Pennsylvania. Revenues to this fund are derived from General Fund appropriations by the General Assembly, Federal funds, and interest earnings. In response to a Federal statute change effective in 2000-01, PHEAA no longer includes Federal funds held for the Federal Government on this financial statement.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 55,377	\$ 59,196	\$ 59,156
Receipts:			
Transfer from General Fund	\$ 407,841	\$ 419,473	\$ 428,441
Investment Earnings	7,444	2,564	3,081
Federal Revenue.....	9,985	10,035	7,994
Other.....	714	2,561	810
Total Receipts	<u>425,984</u>	<u>434,633</u>	<u>440,326</u>
Total Funds Available	\$ 481,361	\$ 493,829	\$ 499,482
Disbursements:			
Treasury	\$ 0	\$ 40	\$ 40
Higher Education Assistance Agency.....	422,165	434,633	440,327
Total Disbursements	<u>-422,165</u>	<u>-434,673</u>	<u>-440,367</u>
Cash Balance, Ending	\$ 59,196	\$ 59,156	\$ 59,115

Highway Beautification Fund

The Highway Beautification Fund was created by Act 5 of Special Session Three of 1966. Activities include control of outdoor advertising and junkyards. Although General Fund monies were initially appropriated to establish the fund, highway beautification activities are now supported by licenses, fees, fines, penalties and interest.

Each year the Governor issues executive authorizations which establish the amount to be spent by the Department of Transportation in each of the highway beautification activities.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,134	\$ 1,141	\$ 775
Receipts:			
Licenses and Fees.....	\$ 327	\$ 325	\$ 325
Other.....	55	30	54
Total Receipts	<u>382</u>	<u>355</u>	<u>379</u>
Total Funds Available	\$ 1,516	\$ 1,496	\$ 1,154
Disbursements:			
Treasury.....	\$ 0	\$ 6	\$ 6
Transportation.....	375	715	715
Total Disbursements	<u>-375</u>	<u>-721</u>	<u>-721</u>
Cash Balance, Ending	\$ 1,141	\$ 775	\$ 433

Historical Preservation Fund

This fund was created for expenditure by the Historical and Museum Commission for the preservation, care and maintenance of State historical properties, museums and records and for the financing of historical research and publication programs. Money in the fund can also be used to purchase publications and souvenirs of a historical nature for sale at commission administered properties. This fund is made up of moneys from the sale of publications by the Pennsylvania Historical and Museum Commission and all moneys received from admission fees or other sales by the commission at the State historical properties and/or museums. Act 173 of 2002 enables the commission to sell most Commonwealth publications to the public and provides that net proceeds from the publication sales and from the sale of historical properties administered by the commission shall be deposited into the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 3,345	\$ 4,086	\$ 4,086
Receipts:			
Admission Fees.....	\$ 1,074	\$ 1,100	\$ 1,100
Interest	194	200	200
Other.....	2,833	3,000	3,000
Total Receipts	<u>4,101</u>	<u>4,300</u>	<u>4,300</u>
Total Funds Available	\$ 7,446	\$ 8,386	\$ 8,386
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Historical and Museum Commission.....	3,360	4,295	4,295
Total Disbursements	<u>-3,360</u>	<u>-4,300</u>	<u>-4,300</u>
Cash Balance, Ending	\$ 4,086	\$ 4,086	\$ 4,086

HOME Investment Trust Fund

This fund was established by Act 172 of 1992 in order to administer Pennsylvania's program under the National Affordable Housing Act of 1990. Funding is provided by the Federal Department of Housing and Urban Development on an annual basis. Expenditures are for development and support of affordable rental housing and home ownership through the acquisition, new construction, reconstruction or rehabilitation of housing.

Act 58 of 1996 transferred this program from the Department of Community Affairs to the Department of Community and Economic Development. Beginning in 2000-01 the majority of Federal funds are granted directly through the implementation of the United States Department of Housing and Urban Development Integrated Disbursement and Information System and do not flow through the Department of Community and Economic Development. Administrative funds are appropriated to the department to continue the program.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 312	\$ 69	\$ 69
Receipts:			
Federal Revenue.....	\$ 605	\$ 1,297	\$ 1,150
Miscellaneous.....	1	3	1
Total Receipts	<u>606</u>	<u>1,300</u>	<u>1,151</u>
Total Funds Available	\$ 918	\$ 1,369	\$ 1,220
Disbursements:			
Community and Economic Development Administration	\$ 849	\$ 1,300	\$ 1,200
Total Disbursements	<u>-849</u>	<u>-1,300</u>	<u>-1,200</u>
Cash Balance, Ending	\$ 69	\$ 69	\$ 20

Industrial Development Fund

Periodic General Fund appropriations made by the General Assembly to the Pennsylvania Industrial Development Authority (PIDA) are credited to this fund. From 1992 to 1994, these appropriations were replaced by an annual \$70 million transfer (\$17.5 million per quarter) of Corporate Net Income tax revenues as provided by Act 22 of 1991. This transfer ended at the close of the 1993-94 fiscal year as part of the PIDA recapitalization.

The fund makes loans to local industrial development agencies to stimulate economic activity in areas of high unemployment. Repayments of loans and other revenues, generally not credited to this fund, are used by PIDA to make additional loans.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 8	\$ 7	\$ 3
Receipts:			
Interest on Securities.....	\$ 0	\$ 1	\$ 1
Other.....	0	0	0
Total Receipts	0	1	1
Total Funds Available	\$ 8	\$ 8	\$ 4
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 0
Community and Economic Development.....	1	0	0
Total Disbursements	-1	-5	-
Cash Balance, Ending	\$ 7	\$ 3	\$ 4

Industrial Sites Cleanup Fund

Act 2 of 1995 created the Industrial Sites Cleanup Fund to provide grants and loans to political subdivisions, local economic development agencies, and others who as part of an economic development strategy undertake voluntary cleanup of property contaminated by industrial activity. Act 6 of 2000 allows the Department of Community and Economic Development to provide performance-based loans, which may be forgiven if performance measures are met. Also, Act 6 expanded the program to include remediation of non-hazardous waste or debris. Revenue to the fund consists of transfers from the Hazardous Sites Cleanup Fund, any funds appropriated by the General Assembly, interest earnings, and loan repayments. Grants and loans are prioritized based on the benefit of the project to the public health and safety, the cost effectiveness of the project, the economic distress of the area, and the potential of the project to result in economic development.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 17,889	\$ 12,121	\$ 6,056
Receipts:			
Transfer from Hazardous Sites Cleanup Fund.....	\$ 0	\$ 0	\$ 0
Loan Principal and Interest.....	620	722	750
Interest on Securities.....	864	423	264
Total Receipts	1,484	1,145	1,014
Total Funds Available	\$ 19,373	\$ 13,266	\$ 7,070
Disbursements:			
Community and Economic Development			
Administration.....	\$ 190	\$ 210	\$ 210
Loans.....	3,446	4,000	3,000
Grants.....	3,616	3,000	3,000
Total Disbursements	-7,252	-7,210	-6,210
Cash Balance, Ending	\$ 12,121	\$ 6,056	\$ 860

Insurance Fraud Prevention Trust Fund

The Insurance Fraud Prevention Trust Fund was created by Act 166 of 1994. The purpose of the fund is to finance activities in the Commonwealth to prevent, combat and reduce insurance fraud, and to improve and support insurance fraud law enforcement, prosecutions and prevention. The source of funds is assessments on the insurance companies that conduct business in the Commonwealth of Pennsylvania, fines and penalties, and interest earnings.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-2004 Actual	2004-2005 Available	2005-2006 Estimated
Cash Balance, Beginning	\$ 2,977	\$ 2,464	\$ 1,496
Receipts:			
Assessments.....	\$ 9,629	\$ 9,764	\$ 10,030
Fines and Penalties Income.....	0	200	200
Returned prior year grants.....	0	500	500
Interest on Securities.....	327	306	305
Total Receipts	<u>9,956</u>	<u>10,770</u>	<u>11,035</u>
Total Funds Available	\$ 12,933	\$ 13,234	\$ 12,531
Disbursements:			
Insurance Fraud Prevention Authority.....	\$ 10,469	\$ 11,738	\$ 11,643
Total Disbursements	<u>-10,469</u>	<u>-11,738</u>	<u>-11,643</u>
Cash Balance, Ending	\$ 2,464	\$ 1,496	\$ 888

Insurance Liquidation Fund

The Insurance Department is responsible for administering the liquidation of insolvent domestic insurance carriers pursuant to orders of Commonwealth Court under Article V of the Insurance Department Act. This fund is utilized to permit the Treasury Department to invest the assets of insolvent insurance carriers.

These assets are utilized to pay claims and expenses incurred in the administration of domestic insurance carrier insolvencies.

The net investment adjustment shown below is to reflect the current market value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 158,421	\$ 172,036	\$ 130,176
Receipts:			
Carrier Assets.....	\$ 25,220	\$ 20,000	\$ 23,600
Net Investment Adjustment.....	-1,418	0	0
Interest	4,813	4,340	3,670
Total Receipts	<u>28,615</u>	<u>24,340</u>	<u>27,270</u>
Total Funds Available	\$ 187,036	\$ 196,376	\$ 157,446
Disbursements:			
Insurance.....	\$ 15,000	\$ 66,200	\$ 54,800
Total Disbursements	<u>-15,000</u>	<u>-66,200</u>	<u>-54,800</u>
Cash Balance, Ending	\$ 172,036	\$ 130,176	\$ 102,646

Keystone Recreation, Park and Conservation Sinking Fund

Amounts in this fund are used to redeem or pay interest on bonds issued for the Keystone Recreation, Park and Conservation Fund. The annual appropriation for general obligation debt service from the General Fund provides revenues to the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund	\$ 3,156	\$ 2,759	\$ 1,976
Total Receipts	<u>3,156</u>	<u>2,759</u>	<u>1,976</u>
Total Funds Available	<u>\$ 3,156</u>	<u>\$ 2,759</u>	<u>\$ 1,976</u>
Disbursements:			
Treasury.....	\$ 3,156	\$ 2,759	\$ 1,976
Total Disbursements	<u>-3,156</u>	<u>-2,759</u>	<u>-1,976</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Land and Water Development Fund

This fund was created in 1968 to finance projects to eliminate land and water scars, air pollution and subsidence due to past coal mining operations, to aid political subdivisions in constructing or improving sewage treatment plants, to develop public outdoor recreation lands and to aid local governments in acquiring land for recreation purposes. In addition, administrative expenses incurred in support of any of these activities may be paid with monies in this fund. Initially, revenue to the fund was derived from the sale of Land and Water Development Bonds up to the \$500 million approved by the electorate on May 16, 1967. All appropriated funds from the bonds have been expended.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,628	\$ 1,613	\$ 858
Receipts:			
Sale of Refuse Bank Materials.....	\$ 0	\$ 0	\$ 0
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	<u>\$ 1,628</u>	<u>\$ 1,613</u>	<u>\$ 858</u>
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Environmental Protection	15	750	750
Total Disbursements	<u>-15</u>	<u>-755</u>	<u>-755</u>
Cash Balance, Ending	<u>\$ 1,613</u>	<u>\$ 858</u>	<u>\$ 103</u>

Land and Water Development Sinking Fund

Payment of interest and principal due on outstanding land and water development bonds is made from this fund. The annual appropriation from the General Fund for general obligation debt service and interest on invested balances in this fund and in the Land and Water Development Fund provide the revenues to the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 10	\$ 36	\$ 36
Receipts:			
Transfer from General Fund.....	\$ 400	\$ 258	\$ 253
Interest on Securities.....	129	0	0
Total Receipts	<u>529</u>	<u>258</u>	<u>253</u>
Total Funds Available	\$ 539	\$ 294	\$ 289
Disbursements:			
Treasury.....	\$ 503	\$ 258	\$ 253
Total Disbursements	<u>-503</u>	<u>-258</u>	<u>-253</u>
Cash Balance, Ending	\$ 36	\$ 36	\$ 36

Liquid Fuels Tax Fund

The Liquid Fuels Tax Fund was created in 1931 by an act of the General Assembly to assist in funding the local roads system. One-half cent per gallon of gasoline and diesel fuel taxes is deposited into the fund for semi-annual distribution to county governments and to pay registration fees for vehicles operated by mass transportation systems. After payment of fees, remaining funds are allocated to the counties on a three-year average refund to total refund formula and must be used for highway purposes. Since the majority of counties have direct jurisdiction over a limited number of roads, a large portion of these funds are further allocated by the counties to their political subdivisions. To streamline payments to counties the Department of Revenue delegated the authority for these payments and attendant expenses to the Department of Transportation effective in 1999-00.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 5,159	\$ 5,638	\$ 7,076
Receipts:			
Tax on Gasoline	\$ 26,021	\$ 26,248	\$ 26,164
Tax on Diesel Fuel	6,738	6,890	6,994
Total Receipts	<u>32,759</u>	<u>33,138</u>	<u>33,158</u>
Total Funds Available	\$ 37,918	\$ 38,776	\$ 40,234
Disbursements:			
Treasury.....	\$ 95	\$ 200	\$ 274
Transportation.....	32,185	31,500	31,500
Total Disbursements.....	<u>-32,280</u>	<u>-31,700</u>	<u>-31,774</u>
Cash Balance, Ending	\$ 5,638	\$ 7,076	\$ 8,460

Liquor License Fund

This fund serves as a pass-through account for fees for hotel, restaurant and club liquor and/or beer licenses. These fees are returned semi-annually to the municipalities in which the licenses are located. Interest earned on fund deposits is credited to the General Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,430	\$ 2,406	\$ 2,421
Receipts:			
Liquor License Fees.....	\$ 4,540	\$ 4,600	\$ 4,600
Beer License Fees.....	109	110	110
Other.....	10	10	10
Total Receipts	<u>4,659</u>	<u>4,720</u>	<u>4,720</u>
Total Funds Available	\$ 7,089	\$ 7,126	\$ 7,141
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Liquor Control Board.....	4,683	4,700	4,700
Total Disbursements	<u>-4,683</u>	<u>-4,705</u>	<u>-4,705</u>
Cash Balance, Ending	\$ 2,406	\$ 2,421	\$ 2,436

Local Criminal Justice Fund

This fund was created by Act 71 of 1990 which authorized the issuance of bonds to raise \$200 million for grants to counties for the repair, expansion, construction, rehabilitation and improvement of local correctional facilities or multicounty regional prison facilities or the purchase of electronic monitoring equipment for alternative sentencing programs.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,059	\$ 1,268	\$ 1,381
Receipts:			
Sale of Bonds.....	\$ 2,656	\$ 2,500	\$ 0
Interest.....	13	13	13
Total Receipts	<u>2,669</u>	<u>2,513</u>	<u>13</u>
Total Funds Available	\$ 3,728	\$ 3,781	\$ 1,394
Disbursements:			
Treasury.....	\$ 3	\$ 0	\$ 0
Corrections.....	2,457	2,400	1,300
Total Disbursements	<u>-2,460</u>	<u>-2,400</u>	<u>-1,300</u>
Cash Balance, Ending	\$ 1,268	\$ 1,381	\$ 94

Local Criminal Justice Sinking Fund

Payment of interest and principal due on outstanding local criminal justice bonds is made from this fund. The annual appropriation from the General Fund for general obligation debt service and interest on invested balances in this fund provide the revenues to this fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 7,431	\$ 3,942	\$ 1,203
Accrued Interest on Bonds Sold.....	0	0	0
Total Receipts	<u>7,431</u>	<u>3,942</u>	<u>1,203</u>
Total Funds Available	<u>\$ 7,431</u>	<u>\$ 3,942</u>	<u>\$ 1,203</u>
Disbursements:			
Treasury.....	\$ 7,431	\$ 3,942	\$ 1,203
Total Disbursements	<u>-7,431</u>	<u>-3,942</u>	<u>-1,203</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Local Government Capital Project Loan Fund

This fund was created in 1990 to assist municipal governments in acquiring equipment and facilities by providing low-interest loans to those governments which find conventional loan costs to be prohibitive. Loans are provided at a rate of two percent for periods not to exceed ten years. Revenues received from loan repayment and interest accrual are returned to the fund on a revolving basis. Act 58 of 1996 transferred this program from the Department of Community Affairs to the Department of Community and Economic Development. Act 46 of 1997 extended this fund indefinitely.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,690	\$ 1,925	\$ 1,832
Receipts:			
Loan Repayments.....	\$ 789	\$ 815	\$ 826
Interest	86	92	87
Total Receipts	<u>875</u>	<u>907</u>	<u>913</u>
Total Funds Available	<u>\$ 2,565</u>	<u>\$ 2,832</u>	<u>\$ 2,745</u>
Disbursements:			
Community and Economic Development Loans.....	640	1,000	1,000
Total Disbursements	<u>-640</u>	<u>-1,000</u>	<u>-1,000</u>
Cash Balance, Ending	<u>\$ 1,925</u>	<u>\$ 1,832</u>	<u>\$ 1,745</u>

Low-Level Waste Fund

This fund was created by Act 12 of 1988 to finance the selection, licensing, regulation and long-term care of a low-level radioactive waste disposal facility. Revenue is derived from fees for licenses and permits to generate, store and transport waste, surcharges on the disposal of waste, and fines and penalties for violating the provisions of the Low-Level Radioactive Waste Disposal Act. The siting process was suspended in 1998 because of a dramatic reduction in the volume of low-level radioactive waste being generated in the Appalachian Compact and the availability of out-of-state disposal capacity. Expenditures reflect the continued activity by the department to oversee Pennsylvania's generation of low-level waste and to reduce the waste stream.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,906	\$ 2,898	\$ 2,706
Receipts:			
Fines and Penalties (a).....	\$ 0	\$ 0	\$ 0
Licenses and Fees (a).....	0	0	0
Other	0	0	0
Interest.....	131	55	60
Total Receipts	<u>131</u>	<u>55</u>	<u>60</u>
Total Funds Available	\$ 3,037	\$ 2,953	\$ 2,766
Disbursements:			
Environmental Protection	\$ 139	\$ 247	\$ 272
Total Disbursements	<u>-139</u>	<u>-247</u>	<u>-272</u>
Cash Balance, Ending	\$ 2,898	\$ 2,706	\$ 2,494

^a These revenues will not be received until the Commonwealth's low-level disposal site becomes operational.

Machinery and Equipment Loan Fund

This fund was established by Act 120 of 1988 to provide low-interest machinery and equipment financing for Pennsylvania businesses in order to facilitate their growth, competitiveness and value-added capacity. The fund was initially capitalized by an appropriation from the Pennsylvania Economic Revitalization Fund (PERF). It is now funded from loan repayments, transfers from the General Fund and interest earnings. Act 22 of 2004 required the Commonwealth Financing Authority to transfer \$75 million in bond proceeds to the Department of Community and Economic Development for deposit in the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 30,203	\$ 36,098	\$ 30,470
Receipts:			
Transfer from Commonwealth Finance Authority	\$ 0	\$ 0	\$ 75,000
Loan Repayments.....	12,115	12,550	12,780
Miscellaneous.....	0	200	200
Interest on Securities.....	1,552	1,872	1,642
Total Receipts	<u>13,667</u>	<u>14,622</u>	<u>89,622</u>
Total Funds Available	\$ 43,870	\$ 50,720	\$ 120,092
Disbursements:			
Community and Economic Development			
Administration.....	\$ 204	\$ 250	\$ 450
Loans.....	7,568	20,000	70,000
Total Disbursements	<u>-7,772</u>	<u>-20,250</u>	<u>-70,450</u>
Cash Balance, Ending	\$ 36,098	\$ 30,470	\$ 49,642

Manufacturing Fund

This fund, created in 1915, is a self-sustaining enterprise that provides institutionalized offenders an opportunity for vocational rehabilitation. Receipts are derived from the sale of inmate manufactured goods to government agencies or government-aided organizations. Expenditures are made for the purchase of raw materials, machinery replacement, inmate wages, and other costs related to the sale and manufacture of their products.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 25,901	\$ 31,234	\$ 21,254
Receipts:			
Sale of Products.....	\$ 36,384	\$ 36,000	\$ 37,000
Interest.....	1,437	950	1,000
Other.....	36	75	100
Total Receipts	<u>37,857</u>	<u>37,025</u>	<u>38,100</u>
Total Funds Available	\$ 63,758	\$ 68,259	\$ 59,354
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Corrections.....	32,524	47,000	45,980
Total Disbursements	<u>-32,524</u>	<u>-47,005</u>	<u>-45,985</u>
Cash Balance, Ending	\$ 31,234	\$ 21,254	\$ 13,369

Medical Care Availability and Reduction of Error Fund

Act 13 of 2002, the Medical Care Availability and Reduction of Error (Mcare) Act, established the Medical Care Availability and Reduction of Error Fund and transferred to it the assets, liabilities, rights and responsibilities of the Medical Professional Liability Catastrophe Loss Fund effective October 15, 2002. The Mcare Fund is used to pay claims against participating health care providers for losses or damages awarded in medical professional liability actions against them in excess of the basic insurance coverage required by the act. In addition to the transfer of assets from the Medical Professional Liability Catastrophe Loss Fund, revenue includes an assessment on health care providers. Beginning in 2004, the moving violation surcharge revenue which accrued to the Catastrophic Loss Benefits Continuation Fund accrues to this fund for a period of ten years.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 26,283	\$ 82,214	\$ 57,658
Receipts:			
Assessments.....	\$ 208,852	\$ 259,493	\$ 307,000
Income on Investments.....	5,647	2,116	3,000
Reinsurance Proceeds.....	487	408	400
Moving Violation Surcharge.....	16,273	45,415	44,000
Transfer from Health Care Provider Retention	0	100,000	180,000
Loan Proceeds.....	220,000	207,000	0
Other.....	57	54	0
Total Receipts	451,316	614,486	534,400
Total Funds Available	\$ 477,599	\$ 696,700	\$ 592,058
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Insurance.....	395,385	413,537	343,623
Loan Repayment.....	0	225,500	215,280
Total Disbursements	-395,385	-639,042	-558,908
Cash Balance, Ending	\$ 82,214	\$ 57,658	\$ 33,150

Medical Professional Liability Catastrophe Loss Fund

The Health Care Services Malpractice Act of 1975 created this fund to make available professional liability insurance at a reasonable cost to health care providers and to establish a system through which injured parties can obtain a prompt determination and adjudication of their claims. Revenue is derived by levying an annual surcharge on health care providers. Act 135 of 1996 amended the original act to increase the amount of basic insurance coverage maintained by health care providers annually with the last incremental increase effective January 1, 2001.

Act 13 of 2002 transferred the assets, liabilities, rights and responsibilities of the fund to the Medical Care Availability and Reduction of Error Fund in the Insurance Department effective October 1, 2002.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 637	\$ 663	\$ 0
Receipts:			
Surcharges	\$ 0	\$ 0	\$ 0
Income on Investments.....	26	12	0
Other.....	0	0	0
Total Receipts	<u>26</u>	<u>12</u>	<u>0</u>
Total Funds Available	<u>\$ 663</u>	<u>\$ 675</u>	<u>\$ 0</u>
Disbursements:			
Treasury.....	\$ 0	\$ 0	\$ 0
Executive Offices.....	0	0	0
Transfer to Medical Care Availability and Reduction of Error Fund.....	<u>0</u>	<u>675</u>	<u>0</u>
Total Disbursements	<u>0</u>	<u>-675</u>	<u>0</u>
Cash Balance, Ending	<u>\$ 663</u>	<u>\$ 0</u>	<u>\$ 0</u>

Minority Business Development Fund

This fund was created in 1974 to accommodate the operation of the Pennsylvania Minority Business Development Authority. Revenues to the fund are from loan repayments, transfer of General Fund appropriations and interest. The authority has the power to issue bonds or other obligations which would provide further revenue to the fund.

Expenditures are made for loans to minority business enterprises and for operating expenses of the authority.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 4,216	\$ 5,936	\$ 4,978
Receipts:			
Transfer from General Fund	\$ 200	\$ 0	\$ 0
Interest on Securities.....	206	227	215
Loan Principal and Interest Repayments.....	1,524	1,580	1,600
Other.....	5	10	10
Total Receipts	<u>1,935</u>	<u>1,817</u>	<u>1,825</u>
Total Funds Available	\$ 6,151	\$ 7,753	\$ 6,803
Disbursements:			
Community and Economic Development.....	\$ 215	\$ 2,775	\$ 2,775
Total Disbursements	<u>-215</u>	<u>-2,775</u>	<u>-2,775</u>
Cash Balance, Ending	\$ 5,936	\$ 4,978	\$ 4,028

Motor Vehicle Transaction Recovery Fund

This fund was created by Act 83 of 1990 to provide protection from dealers or other agents who fail to forward fees and taxes pertaining to an application for titling or registration of a vehicle to the Department of Transportation. Revenues to the fund consist of assessments (or reassessments should the balance of the fund fall below \$500,000) on every applicant for motor vehicle dealer registration plates or for the authority to act as agent of the department with respect to vehicle titling and registration.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,209	\$ 1,225	\$ 1,184
Receipts:			
Dealer/Agent Assessment.....	\$ 132	\$ 70	\$ 88
Interest	51	39	42
Total Receipts	<u>183</u>	<u>109</u>	<u>130</u>
Total Funds Available	\$ 1,392	\$ 1,334	\$ 1,314
Disbursements:			
Transportation.....	\$ 167	\$ 150	\$ 150
Total Disbursements	<u>-167</u>	<u>-150</u>	<u>-150</u>
Cash Balance, Ending	\$ 1,225	\$ 1,184	\$ 1,164

Municipal Pension Aid Fund

This fund was created by Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, and is administered by the Auditor General. Beginning in July 1985, this fund receives a portion of the revenues from the Foreign Casualty Insurance Premium Tax and the Foreign Fire Insurance Premium Tax. These revenues and earnings are for distribution to municipalities for various municipal, police and fire pension funds, including post-retirement adjustments mandated by Act 147 of 1988. Beginning in 2005-06, fund disbursements will include additional post-retirement adjustments according to the provisions of Act 64 of 2002.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 158,245	\$ 183,332	\$ 206,169
Receipts:			
Foreign Casualty Insurance Premium Tax.....	\$ 177,604	\$ 174,332	\$ 174,000
Foreign Fire Insurance Premium Tax.....	11,262	14,526	15,000
Interest	3,984	3,984	2,000
Total Receipts	<u>192,850</u>	<u>192,842</u>	<u>191,000</u>
Total Funds Available	\$ 351,095	\$ 376,174	\$ 397,169
Disbursements:			
Auditor General.....	\$ 167,763 ^a	\$ 170,000 ^b	\$ 172,000 ^c
Treasury.....	<u>0</u>	<u>5</u>	<u>5</u>
Total Disbursements	<u>-167,763</u>	<u>-170,005</u>	<u>-172,005</u>
Cash Balance, Ending	\$ 183,332	\$ 206,169	\$ 225,164

^aIncludes post-retirement payment of \$ 3,327,714 as authorized by Act 147 of 1988.

^bIncludes post-retirement payment of \$ 3,416,934 as authorized by Act 147 of 1988.

^cIncludes post-retirement payment of \$ 5,700,000 as authorized by Act 147 of 1988.

Municipalities Financial Recovery Revolving Aid Fund

This fund was created by Act 157 of 1988 to make loans and grants to assist municipalities that are declared financially distressed. Initial funding was provided through the transfer of unused funds remaining from a 1986-87 General Fund appropriation for Distressed Community Emergency Aid. In addition, Act 157 stipulated that all repayments on loans made from the fund should be redeposited into the fund and used to make additional loans and grants to distressed municipalities. Act 58 of 1996 transferred this program from the Department of Community Affairs to the Department of Community and Economic Development.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 7,448	\$ 5,572	\$ 4,377
Receipts:			
Transfer from General Fund.....	\$ 0	\$ 2,000	\$ 2,000
Loan Repayments.....	126	400	450
Interest	326	205	195
Total Receipts	452	2,605	2,645
Total Funds Available	\$ 7,900	\$ 8,177	\$ 7,022
Disbursements:			
Community and Economic Development			
Program Fees.....	\$ 686	\$ 700	\$ 700
Loans.....	1,230	1,000	1,000
Grants.....	412	2,100	3,000
Total Disbursements	-2,328	-3,800	-4,700
Cash Balance, Ending	\$ 5,572	\$ 4,377	\$ 2,322

Non-Coal Surface Mining Conservation and Reclamation Fund

This fund was created by Act 219 of 1984 to finance reclamation projects on land scarred by non-coal surface mining. Projects include recontouring, terracing and planting trees, shrubs and grasses. Revenues are provided by charging non-coal surface mining operators for licenses and permits and by fining them for failing to apply for the licenses and permits as well as by forfeiture of collateral bonds, cash or securities for failure to comply with an

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 9,383	\$ 10,178	\$ 9,985
Receipts:			
Licenses and Fees.....	\$ 218	\$ 247	\$ 247
Penalties.....	56	35	35
Interest.....	415	300	300
Collateral.....	125	0	0
Payment in Lieu of Bonds.....	23	25	25
Forfeiture of Bond.....	0	0	0
Total Receipts	837	607	607
Total Funds Available	\$ 10,220	\$ 10,785	\$ 10,592
Disbursements:			
Environmental Protection	\$ 42	\$ 800	\$ 800
Total Disbursements	-42	-800	-800
Cash Balance, Ending	\$ 10,178	\$ 9,985	\$ 9,792

Nutrient Management Fund

This fund was created under the authority of Act 6 of 1993 to fund loans and grants for the implementation of nutrient management plans by agricultural operations. Revenue comes from Commonwealth and Federal appropriations, interest, loan repayments and gifts. Act 18 of 1995 transferred some responsibilities for the Nutrient Management Program from the Department of Environmental Protection to the Department of Agriculture.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 4,981	\$ 3,639	\$ 1,718
Receipts:			
Transfer from General Fund.....	\$ 3,280	\$ 3,280	\$ 3,280
Interest.....	124	350	350
Fines	8	1	1
Total Receipts	<u>3,412</u>	<u>3,631</u>	<u>3,631</u>
Total Funds Available	<u>\$ 8,393</u>	<u>\$ 7,270</u>	<u>\$ 5,349</u>
Disbursements:			
Agriculture	\$ 3,354	\$ 3,319	\$ 3,072
Environmental Protection	1,400	2,233	2,277
Total Disbursements	<u>-4,754</u>	<u>-5,552</u>	<u>-5,349</u>
Cash Balance, Ending	<u>\$ 3,639</u>	<u>\$ 1,718</u>	<u>\$ 0</u>

Oil and Gas Lease Fund

Created in 1955, this fund is used to finance conservation, recreation, dams or flood control projects or to match any Federal grants made for these purposes. Revenues are derived from rents and royalties from oil and gas leases of Commonwealth owned land with the exception of rents and royalties from land owned by either the Pennsylvania Game or Fish and Boat Commissions. Those revenues are paid into the Game and Fish Funds.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 3,521	\$ 5,127	\$ 1,422
Receipts:			
Rents and Royalties.....	\$ 3,421	\$ 3,500	\$ 4,200
Interest.....	226	200	200
Other.....	25	100	100
Total Receipts	<u>3,672</u>	<u>3,800</u>	<u>4,500</u>
Total Funds Available	<u>\$ 7,193</u>	<u>\$ 8,927</u>	<u>\$ 5,922</u>
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Conservation and Natural Resources.....	2,066	7,500	5,900
Total Disbursements	<u>-2,066</u>	<u>-7,505</u>	<u>-5,905</u>
Cash Balance, Ending	<u>\$ 5,127</u>	<u>\$ 1,422</u>	<u>\$ 17</u>

Patient Safety Trust Fund

Act 13 of 2002, known as the Medical Care Availability and Reduction of Error Act, established the Patient Safety Trust Fund for the purpose of independent review of medical facilities which will result in ensuring patient safety and reducing medical errors. Revenue to the fund includes a surcharge on medical facility licensing fees. These fees are assessed by the Department of Health, deposited in the General Fund, and transferred to the Patient Safety Fund. The Patient Safety Authority established by Act 13 contracts with entities who collect, analyze and evaluate data regarding reports of serious events and incidents at medical facilities and identify patterns in frequency or severity at individual medical facilities or in certain regions of this Commonwealth. The authority and the individual facilities will be advised of changes in health care practices and procedures which are recommended for the purpose of reducing the number and severity of serious events and incidents. The authority may recommend regulatory or statutory changes which may help improve patient safety in the Commonwealth.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 4,669	\$ 5,470	\$ 3,258
Receipts:			
Surcharges.....	\$ 2,546	\$ 2,500	\$ 5,000
Interest	288	288	288
Total Receipts	2,834	2,788	5,288
Total Funds Available	\$ 7,503	\$ 8,258	\$ 8,546
Disbursements:			
State.....	\$ 2,033	\$ 5,000	\$ 5,000
Total Disbursements	-2,033	-5,000	-5,000
Cash Balance, Ending	\$ 5,470	\$ 3,258	\$ 3,546

Pennsylvania Economic Revitalization Fund

The Pennsylvania Economic Revitalization Fund (PERF) was created by Act 104 of 1984 as a three-year \$190 million program financed through a bond issue authorized by the electorate. The fund was formally established in the 1988-89 budget as an economic development fund and authorization for the fund was eliminated in 1995-96. Activity continues because of the long-term nature of existing projects. Upon completion of project activity, the remaining balance in this fund will be transferred to the General Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 236	\$ 168	\$ 0
Receipts:			
Interest on Securities.....	\$ 2	\$ 2	\$ 1
Other.....	-70 ^a	-10 ^a	-1
Total Receipts	-68	-8	0
Total Funds Available	\$ 168	\$ 160	\$ 0
Disbursements:			
Agriculture.....	\$ 0	\$ 98	\$ 0
Conservation and Natural Resources.....	0	62	0
Total Disbursements	0	-160	0
Cash Balance, Ending	\$ 168	\$ 0	\$ 0

^a Net of transfers to the General Fund and the Pennsylvania Economic Revitalization Sinking Fund.

Pennsylvania Economic Revitalization Sinking Fund

Payment of interest and principal due on outstanding economic revitalization bonds is made from this fund. The annual appropriation from the General Fund for general obligation debt service and interest earned in this fund and interest earned in and transferred from the Pennsylvania Economic Revitalization Fund provide revenues to the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 5	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 1,649	\$ 620	\$ 614
Interest on Securities.....	3	0	0
Total Receipts	<u>1,652</u>	<u>620</u>	<u>614</u>
Total Funds Available	<u>\$ 1,657</u>	<u>\$ 620</u>	<u>\$ 614</u>
Disbursements:			
Treasury.....	\$ 1,657	\$ 620	\$ 614
Total Disbursements	<u>-1,657</u>	<u>-620</u>	<u>-614</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Pennsylvania Historical and Museum Commission Trust Fund

This fund, created in 1931, is administered by the Governor, Auditor General, State Treasurer and the Pennsylvania Historical and Museum Commission. The interest received from investment of the \$33,000 perpetual endowment to this fund in bonds of the Commonwealth or any of its political subdivisions is credited to the fund. Interest earned on investments is used for the restoration, maintenance and improvement of the Cornwall Charcoal Furnace, Cornwall Borough, Lebanon County.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 159	\$ 132	\$ 92
Receipts:			
Interest	\$ 7	\$ 6	\$ 6
Total Receipts	<u>7</u>	<u>6</u>	<u>6</u>
Total Funds Available	<u>\$ 166</u>	<u>\$ 138</u>	<u>\$ 98</u>
Disbursements:			
Historical and Museum Commission.....	\$ 34	\$ 46	\$ 0
Total Disbursements	<u>-34</u>	<u>-46</u>	<u>0</u>
Cash Balance, Ending	<u>\$ 132</u>	<u>\$ 92</u>	<u>\$ 98</u>

Pennsylvania Infrastructure Bank

This fund was established by Act 57 of 1997 to make loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Receipts are derived from Federal funds and the transfer of required matching State funds from the Motor License Fund, the Public Transportation Assistance Fund and the General Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 22,015	\$ 19,489	\$ 15,682
Receipts:			
Transfer from Motor License Fund	\$ 500	\$ 0	\$ 0
Transfer from General Fund	0	500	0
Federal Funds.....	67	0	0
Loan Repayments.....	2,080	5,463	4,794
Interest	996	348	327
Total Receipts	<u>3,643</u>	<u>6,311</u>	<u>5,121</u>
Total Funds Available	\$ 25,658	\$ 25,800	\$ 20,803
Disbursements:			
Transportation.....	\$ 6,169	\$ 10,118	\$ 10,118
Total Disbursements	<u>-6,169</u>	<u>-10,118</u>	<u>-10,118</u>
Cash Balance, Ending	\$ 19,489	\$ 15,682	\$ 10,685

Pennsylvania Municipal Retirement Fund

Act 15 of 1974 created the Pennsylvania Municipal Retirement System which replaced the Municipal Employees Retirement Law and the Municipal Police Retirement Law and combined all employees covered under both into a State related municipal system. The fund established under Act 15 provides for payment of retirement allowances to officers, employees, firemen and police of political subdivisions (counties, cities, boroughs and townships of the first and second class). Any municipality may elect by ordinance to join the system. Revenues are generated from the contributions of the members of the system and investment earnings. The board established under Act 15 has control over the system's operation. The net investment adjustment shown below is to reflect carrying value of long-term investments as of June 30. A municipality may, upon meeting the requirements set forth in Act 15, elect to withdraw from participation in this fund. Withdrawals may substantially increase the level of disbursements

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 984,368	\$ 1,144,143	\$ 1,212,800
Receipts:			
Contributions.....	\$ 29,798	\$ 31,300	\$ 32,900
Interest on Securities	62,627	66,000	69,900
Net Investment Adjustment.....	113,292	21,872	25,415
Total Receipts	<u>205,717</u>	<u>119,172</u>	<u>128,215</u>
Total Funds Available	\$ 1,190,085	\$ 1,263,315	\$ 1,341,015
Disbursements:			
Treasury.....	\$ 2	\$ 15	\$ 15
Municipal Retirement Board.....	45,940	50,500	55,500
Total Disbursements	<u>-45,942</u>	<u>-50,515</u>	<u>-55,515</u>
Cash Balance, Ending	\$ 1,144,143	\$ 1,212,800	\$ 1,285,500

Pennsylvania Veterans Memorial Trust Fund

Act 60 of 1988 established this fund to be administered by the Pennsylvania Veterans Memorial Commission. Revenues come from General Fund appropriations and public or private contributions. Funds were expended to erect a monument to Pennsylvania Veterans who served in armed conflicts in which the United States was a participant. Act 63 of 2002 expanded the use of this fund to operation and maintenance of the memorial.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 405	\$ 458	\$ 427
Receipts:			
Public/Private Donations.....	\$ 59	\$ 60	\$ 60
Return of Contingency construction funds.....	0	81	0
Interest	19	18	18
Total Receipts	<u>78</u>	<u>159</u>	<u>78</u>
Total Funds Available	\$ 483	\$ 617	\$ 505
Disbursements:			
Military and Veterans Affairs.....	\$ 25	\$ 190	\$ 90
Total Disbursements	<u>-25</u>	<u>-190</u>	<u>-90</u>
Cash Balance, Ending	\$ 458	\$ 427	\$ 415

PENNVEST Bond Authorization Fund

This fund, created under the authority of Act 16 of 1988, receives the proceeds from the sale of bonds authorized by general referendum, transfers from the Water Facilities Loan Fund or from the Capital Facilities Fund for site development. Expenditures are for transfers of funds to the PENNVEST Fund, the PENNVEST Drinking Water Revolving Fund, the PENNVEST Water Pollution Control Revolving Fund, the PENNVEST Revolving Fund or the PENNVEST Non-Revolving Equity Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 15,452	\$ 8,684	\$ 5,934
Receipts:			
Referendum Bonds.....	\$ 0	\$ 0	\$ 50,000
Interest.....	695	500	50
Total Receipts	<u>695</u>	<u>500</u>	<u>50,050</u>
Total Funds Available	\$ 16,147	\$ 9,184	\$ 55,984
Disbursements:			
Infrastructure Investment Authority:			
PENNVEST Fund	\$ 726	\$ 250	\$ 200
PENNVEST Drinking Water Revolving Fund.....	5,353	0	10,000
PENNVEST Water Pollution Control Revolving Fund.....	-1,681 ^a	0	0
PENNVEST Revolving Fund.....	3,065	3,000	40,000
Total Disbursements	<u>-7,463</u>	<u>-3,250</u>	<u>-50,200</u>
Cash Balance, Ending	\$ 8,684	\$ 5,934	\$ 5,784

^aRepayment of loan to PENNVEST Water Pollution Control Revolving Fund

PENNVEST Drinking Water Revolving Fund

This fund was created under the authority of Act 16 of 1988 to receive funds from the Federal Government to establish a revolving loan program for drinking water projects. Required matching State funds are transferred from the PENNVEST Bond Authorization Fund and the PENNVEST Fund. Because of the lag in receiving Federal funds, cash is borrowed from other PENNVEST funds. Negative receipts reflect the repayment of these loans.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 40,120	\$ 45,895	\$ 6
Receipts:			
Bond Authorization Fund.....	\$ 5,353	\$ 0	\$ 10,000
PENNVEST Fund.....	1,875	1,875	15,250
Water Pollution Control Revolving Fund.....	0	8,577	16,287
Federal Funds.....	18,951	15,478	18,000
Interest and Principal Payments.....	11,158	11,158	12,000
Investment Income.....	2,323	2,323	2,000
Total Receipts	39,660	39,411	73,537
Total Funds Available	\$ 79,780	\$ 85,306	\$ 73,543
Disbursements:			
Infrastructure Investment Authority.....	\$ 33,885	\$ 85,300	\$ 73,476
Total Disbursements	-33,885	-85,300	-73,476
Cash Balance, Ending	\$ 45,895	\$ 6	\$ 67

PENNVEST Fund

This fund was created under the authority of Act 16 of 1988 to receive funds from sources other than the sale of general obligation bonds. These sources include appropriations from the General Fund, payments of revolving loans, interest received from revolving and non-revolving loans, investment income and the sale of assets. In addition to grants and loans for water and sewer projects, these funds can be used for administrative costs and matching funds for Federal grants.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-006 Estimated
Cash Balance, Beginning	\$ 151,585	\$ 148,250	\$ 148,372
Receipts:			
Revolving Loan Payments.....	\$ 66,140	\$ 66,140	\$ 59,000
Bond Authorization Fund.....	726	250	200
Transfer from Environmental Stewardship Fund.....	25,383	25,383	22,152
Interest.....	8,291	8,291	5,500
Total Receipts	100,540	100,064	86,852
Total Funds Available	\$ 252,125	\$ 248,314	\$ 235,224
Disbursements:			
Infrastructure Investment Authority:			
Loans and Grants.....	\$ 6,168	\$ 8,000	\$ 5,000
Administration.....	2,136	2,932	3,141
Growing Greener Grants.....	31,441	30,000	30,000
Loans.....	64,130	59,010	59,510
Total Disbursements	-103,875	-99,942	-97,651
Cash Balance, Ending	\$ 148,250	\$ 148,372	\$ 137,573

PENNVEST Redemption Fund

This fund, created under the authority of Act 16 of 1988, receives repayments of non-revolving loans and investment interest along with the annual appropriation from the General Fund for general obligation debt service. Revenues are used to pay debt service on general obligation bonds issued for PENNVEST.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 3,305	\$ 0	\$ 7
Receipts:			
Transfer from General Fund.....	\$ 12,046	\$ 7,888	\$ 7,742
Interest on Securities.....	7	7	0
Accrued Interest on Bonds Sold	0	0	0
Non-Revolving Loan Repayments.....	0	0	0
Total Receipts	<u>12,053</u>	<u>7,895</u>	<u>7,742</u>
Total Funds Available	<u>\$ 15,358</u>	<u>\$ 7,895</u>	<u>\$ 7,749</u>
Disbursements:			
Treasury.....	\$ 15,358	\$ 7,888	\$ 7,742
Total Disbursements	<u>-15,358</u>	<u>-7,888</u>	<u>-7,742</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 7</u>	<u>\$ 7</u>

PENNVEST Revolving Fund

This fund, created under the authority of Act 16 of 1988, receives moneys transferred from the PENNVEST Bond Authorization Fund. Funds are used for revolving loans which can be made to public or private entities for drinking water supply or sewer projects. Repayments of loans and interest are deposited in the PENNVEST Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 51	\$ 66	\$ 1,092
Receipts:			
Bond Authorization Fund.....	\$ 3,065	\$ 3,000	\$ 40,000
Interest.....	2	1	0
Total Receipts	<u>3,067</u>	<u>3,001</u>	<u>40,000</u>
Total Funds Available	<u>\$ 3,118</u>	<u>\$ 3,067</u>	<u>\$ 41,092</u>
Disbursements:			
Infrastructure Investment Authority:			
Drinking Water Projects.....	\$ 2,477	\$ 1,400	\$ 20,000
Sewer Projects.....	575	525	21,000
Storm Water Projects.....	0	50	0
Total Disbursements	<u>-3,052</u>	<u>-1,975</u>	<u>-41,000</u>
Cash Balance, Ending	<u>\$ 66</u>	<u>\$ 1,092</u>	<u>\$ 92</u>

PENNVEST Water Pollution Control Revolving Fund

This fund was created under the authority of Act 16 of 1988 for funds received from the Federal Government to establish a revolving loan program for sewer projects. Required matching State funds are transferred from the PENNVEST Bond Authorization Fund and the PENNVEST Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 152,554	\$ 174,383	\$ 154,865
Receipts:			
Bond Authorization Fund.....	\$ -1,681 ^a	\$ 0	\$ 0
PENNVEST Fund.....	15,909	15,874	14,500
Federal Funds.....	89,307	89,307	70,000
Interest and Principal Payments.....	64,088	64,088	52,000
Investment Income.....	8,563	8,563	6,000
Total Receipts	<u>176,186</u>	<u>177,832</u>	<u>142,500</u>
Total Funds Available	<u>\$ 328,740</u>	<u>\$ 352,215</u>	<u>\$ 297,365</u>
Disbursements:			
Infrastructure Investment Authority.....	\$ 154,357	\$ 197,350	\$ 203,838
Total Disbursements	<u>-154,357</u>	<u>-197,350</u>	<u>-203,838</u>
Cash Balance, Ending	<u>\$ 174,383</u>	<u>\$ 154,865</u>	<u>\$ 93,527</u>

^a Repayment of loan from PENNVEST Bond Authorization Fund

Pharmaceutical Assistance Fund

The revenue for the Pharmaceutical Assistance Fund is received from the Lottery Fund and the Tobacco Settlement Fund. This fund provides a limited pharmaceutical assistance program for older Pennsylvanians who are 65 years of age or over and whose annual income does not exceed the maximum specified for program eligibility. Pharmaceutical product claims for the Department of Public Welfare's Special Pharmaceutical Benefits Program, disease specific programs in the Department of Health and the State Workers' Insurance Fund are also processed through the PACE Fund. Funds not expended in the fiscal year in which they are appropriated are available for use in the following fiscal year. For additional information on the programs refer to the program descriptions in the Departments of Aging, Health, Public Welfare and Labor and Industry.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 147,495	\$ 123,888	\$ 126,063
Receipts:			
Transfer from Lottery Fund.....	\$ 370,000	\$ 370,000	\$ 400,000
Transfer from Tobacco Settlement Fund.....	34,531	30,721	31,946
Interest on Securities.....	1,379	1,000	1,000
Disease Specific Programs.....	7,063	8,061	8,061
Special Pharmaceutical Services.....	38,900	40,091	45,988
State Workers' Insurance Fund.....	0	733	8,800
Other.....	1,533	0	0
Total Receipts	453,406	450,606	495,795
Total Funds Available	\$ 600,901	\$ 574,494	\$ 621,858
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Aging.....	431,844	399,541 ^a	488,776
Health.....	6,537 ^b	8,061 ^b	8,061 ^b
Public Welfare.....	38,632 ^b	40,091 ^b	45,988 ^b
Labor and Industry.....	0 ^b	733 ^b	8,800 ^b
Total Disbursements	-477,013	-448,431	-551,630
Cash Balance, Ending	\$ 123,888	\$ 126,063	\$ 70,228

^a Actually authorized as \$469,800,000. Amount shown is the best current estimate of amount required for 2004-05. Additional funds may be required, therefore no reduction to the executive authorization is recommended.

^b Expenditures from restricted accounts in the Department of Aging.

Philadelphia Regional Port Authority Fund

This authority was created by Act 50 of 1989 to acquire and operate the port facilities of the former Philadelphia Port Corporation. This fund handles payroll of the authority via transfer of funds by the authority from its private bank accounts. The authority is authorized to issue bonds to finance port improvements and may pledge its revenues to pay off such bonds.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 933	\$ 1,119	\$ 1,160
Receipts:			
Transfer from Philadelphia Regional Port Authority.....	\$ 6,132	\$ 6,325	\$ 6,325
Interest on Securities.....	38	41	41
Total Receipts	<u>6,170</u>	<u>6,366</u>	<u>6,366</u>
Total Funds Available	<u>\$ 7,103</u>	<u>\$ 7,485</u>	<u>\$ 7,526</u>
Disbursements:			
Philadelphia Regional Port Operations.....	\$ 5,984	\$ 6,325	\$ 6,325
Total Disbursements	<u>-5,984</u>	<u>-6,325</u>	<u>-6,325</u>
Cash Balance, Ending	<u>\$ 1,119</u>	<u>\$ 1,160</u>	<u>\$ 1,201</u>

Port of Pittsburgh Commission Fund

The Port of Pittsburgh Commission was created by Act 133 of 1992 to promote and encourage capital investment in port facilities and port-related projects within the port district encompassing Allegheny, Armstrong, Beaver, Butler, Clarion, Fayette, Greene, Lawrence, Washington and Westmoreland counties.

Act 140 of 2000 expanded the authority of the commission to allow for economic development projects, including certain recreation projects that are sponsored by third parties. Act 111 of 2001 added Indiana County to the Port District.

Grants to the commission to support its operations, and previously to Allegheny County for port-related improvements, are deposited into this fund along with interest earnings from deposited funds. The commission also has the authority to issue bonds to finance port improvements and may pledge its revenues to pay off such bonds.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,811	\$ 2,065	\$ 2,207
Receipts:			
Transfer from General Fund.....	\$ 856	\$ 900	\$ 900
Other.....	262	150	150
Interest	80	92	96
Total Receipts	<u>1,198</u>	<u>1,142</u>	<u>1,146</u>
Total Funds Available	<u>\$ 3,009</u>	<u>\$ 3,207</u>	<u>\$ 3,353</u>
Disbursements:			
Port of Pittsburgh Commission.....	\$ 944	\$ 1,000	\$ 1,000
Total Disbursements	<u>-944</u>	<u>-1,000</u>	<u>-1,000</u>
Cash Balance, Ending	<u>\$ 2,065</u>	<u>\$ 2,207</u>	<u>\$ 2,353</u>

Public Transportation Assistance Fund

This fund was established by Act 26 of 1991 to help provide for the capital, asset maintenance and certain other transportation needs of the Commonwealth's transit entities. Revenue is derived from a fee on the sale of new tires, a percent of the total sales and use tax receipts, and a motor vehicle lease tax fee.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 12,139	\$ 5,977	\$ 5,977
Receipts:			
Sales and Use Tax.....	\$ 74,389	\$ 77,200	\$ 79,700
Other Taxes and Fees.....	98,424	100,300	102,100
Interest	486	1,000	500
Total Receipts	173,299	178,500	182,300
Total Funds Available	\$ 185,438	\$ 184,477	\$ 188,277
Disbursements:			
Transportation:			
Administration.....	\$ 4,748	\$ 4,795	\$ 4,001
Grants.....	174,713	173,705	173,551
Total Disbursements	-179,461	-178,500	-177,552
Cash Balance, Ending	\$ 5,977	\$ 5,977	\$ 10,725

Purchasing Fund

Created in 1933, this fund finances the purchase of materials, supplies, services and equipment by the Department of General Services and Executive Offices for use by other departments, boards and commissions. Salaries for the personnel administering the fund are paid by the fund. Revenue sources are periodic appropriations from the General Fund and reimbursements by other departments, boards and commissions for the materials and supplies provided them.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 22,203	\$ 6,507	\$ 23,882
Receipts:			
Reimbursements to General Services.....	\$ 91,340	\$ 262,432	\$ 243,913
Reimbursements to Executive Offices.....	1,860	45,755	65,588
General Fund Loan.....	14,300	14,300	39,300
Other.....	549	578	838
Total Receipts	108,049	323,065	349,639
Total Funds Available	\$ 130,252	\$ 329,572	\$ 373,521
Disbursements:			
Executive Offices.....	\$ 1,924	\$ 46,416	\$ 65,527
Treasury.....	0	0	0
Loan Repayment.....	14,300	14,300	39,300
General Services.....	107,521	244,974	248,724
Total Disbursements	-123,745	-305,690	-353,551
Cash Balance, Ending	\$ 6,507	\$ 23,882	\$ 19,970

Real Estate Recovery Fund

This fund was established in 1980 to reimburse aggrieved persons any amounts unpaid from final judgements against any person licensed by the Real Estate Commission. Revenue is derived from additional fees paid by licensees, with interest on investments being retained by the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 645	\$ 687	\$ 605
Receipts:			
Additional License Fees.....	\$ 63	\$ 63	\$ 63
Interest	30	30	30
Total Receipts	93	93	93
Total Funds Available	\$ 738	\$ 780	\$ 698
Disbursements:			
State.....	\$ 51	\$ 175	\$ 100
Total Disbursements	-51	-175	-100
Cash Balance, Ending	\$ 687	\$ 605	\$ 598

Recycling Fund

This fund was created by Act 101 of 1988 to finance the planning, processing, resource recovery and recycling of solid waste. Revenue is generated by a fee on all waste disposed of in landfills or processed by resource recovery facilities. Expenditures are for recycling and planning grants, market and waste minimization studies, and public information and education activities throughout the Commonwealth. Act 125 of 1998 allows for up to \$1.5 million annually for five years of Recycling Fund money to finance the cleanup of illegally deposited waste on State forest and State park lands. For fiscal year 2005-2006 and thereafter, the Growing Greener II proposal includes a \$25 million annual transfer from the Environmental Revitalization Account to the Recycling Fund for additional recycling activities.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 72,315	\$ 66,193	\$ 40,673
Receipts:			
Recycling Fees.....	\$ 47,146	\$ 45,000	\$ 47,000
Fines and Penalties.....	0	3	3
Transfer from Environmental Revitalization Account.....	0	0	25,000
Transfer from the Solid Waste Resource Recovery Development Fund.....	1,000	1,000	0
Interest	4,100	2,137	1,500
Environmental Technology Loan Repayments and Interest.....	407	375	375
Total Receipts	52,653	48,515	73,878
Total Funds Available	\$ 124,968	\$ 114,708	\$ 114,551
Disbursements:			
Environmental Protection	\$ 58,775	\$ 74,035	\$ 89,035
Total Disbursements	-58,775	-74,035	-89,035
Cash Balance, Ending	\$ 66,193	\$ 40,673	\$ 25,516

Rehabilitation Center Fund

This fund was created May 13, 1959 for the operation of the Hiram G. Andrews Rehabilitation Center and is funded from fees for services rendered by the center. Most of these services are rendered to vocational rehabilitation clients. The Department of Labor and Industry is pursuing diversification and privatization of services offered at the center. These plans include training enhancement for clients of the center and economic development opportunities for the Johnstown region.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 5,405	\$ 5,686	\$ 4,866
Receipts:			
Client Fees	\$ 13,870	\$ 17,900	\$ 18,400
Interest.....	252	245	230
Other.....	3,601	2,070	1,980
Total Receipts	17,723	20,215	20,610
Total Funds Available	\$ 23,128	\$ 25,901	\$ 25,476
Disbursements:			
Labor and Industry.....	17,442	21,035	21,455
Total Disbursements	-17,442	-21,035	-21,455
Cash Balance, Ending	\$ 5,686	\$ 4,866	\$ 4,021

Remining Environmental Enhancement Fund

Act 173 of 1992 authorized this fund to operate an incentive program to encourage remining and reclamation, including the designation of areas suitable for reclamation by remining, and to assist operators applying for a remining permit. The transfer of up to \$1 million is authorized from a combination of the Surface Mining Conservation and Reclamation Fund, the Clean Water Fund, the Coal Refuse Disposal Fund, and the Bituminous Mine Subsidence and Land Conservation Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 78	\$ 25	\$ 30
Receipts:			
Transfers from Other Funds.....	\$ 0	\$ 1,000	\$ 1,000
Interest	2	5	5
Total Receipts	2	1,005	1,005
Total Funds Available	\$ 80	\$ 1,030	\$ 1,035
Disbursements:			
Environmental Protection	\$ 55	\$ 1,000	\$ 1,000
Total Disbursements	-55	-1,000	-1,000
Cash Balance, Ending	\$ 25	\$ 30	\$ 35

Remining Financial Assurance Fund

Act 173 of 1992 authorized this fund to assist mine operators who qualify to purchase reclamation bonds or make payment in lieu of reclamation bonds. Revenues are the transfer of up to \$5 million from the Land and Water Development Fund and from in lieu of bond premium payments. Interest earnings are deposited in the Land and Water Development Sinking Fund. Expenditures from this fund occur only when mine operators default.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,377	\$ 2,491	\$ 2,556
Receipts:			
Transfer from Land and Water			
Development Fund.....	\$ -109 ^a	\$ 0	\$ 0
Interest on Securities.....	106	0	0
Premium Payments.....	117	90	90
Total Receipts	114	90	90
Total Funds Available	\$ 2,491	\$ 2,581	\$ 2,646
Disbursements:			
Environmental Protection	\$ 0	\$ 25	\$ 25
Total Disbursements	0	-25	-25
Cash Balance, Ending	\$ 2,491	\$ 2,556	\$ 2,621

^a Repayment of loan from the Land and Water Development Fund

Rightful Owners' Claims Payment Fund

This fund was created by Act 45 of 2003 to make reimbursements and prompt payment of claims by an owner for a restitution payment previously held as unclaimed by any court, public corporation, public authority or instrumentality of the Commonwealth, or by a public officer or political subdivision. Under the act, five percent of the funds transferred annually to the Treasury will be deposited into the Rightful Owners' Claims Payment Fund to create the capability to make a reimbursement in the event a claim is filed. The remaining ninety-five percent balance of the restitution monies that are annually escheated from the entities identified are to be deposited to the Crime Victims' Compensation Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning.....	\$ 0	\$ 19	\$ 45
Receipts:			
Transfers from Unclaimed Property Accounts....	\$ 19	\$ 45	\$ 45
Total Receipts	19	45	45
Total Funds Available	\$ 19	\$ 64	\$ 90
Disbursements:			
Treasury Payments to Claimants.....	\$ 0	\$ 19	\$ 45
Total Disbursements.....	0	-19	-45
Cash Balance, Ending	\$ 19	\$ 45	\$ 45

School Employees' Retirement Fund

The Public School Employees' Retirement Fund provides for receipt and accounting of member and employer contributions, investment of those funds and payment of benefits to retired school employees.

According to the provisions of Act 29 of 1994, starting with the employer contribution payment for the third quarter of 1995 (school salaries paid from July 1, 1995 to September 30, 1995), employers defined as school entities (school districts, intermediate units, and area vocational technical schools) pay 100 percent of the employer share of contributions to the fund. The Commonwealth pays school entities a portion of these costs from appropriated funds based on a statutory formula. Commonwealth contributions of the employer share for non-school entities are also paid from appropriated funds. These contributions are paid directly to the fund.

Earnings from investments provide additional revenue and pay for the expenses of the Public School Employees' Retirement Board. The board is responsible for management of the fund and payment of benefits. The employer contribution rate is determined by the fund's actuary and adopted by the board.

Act 40 of 2003 changed the retirement system's amortization period from ten years to an actuarially acceptable thirty year basis thus lowering employer contribution costs.

The cash balance shown in the statement includes substantial investment assets. The net investment adjustment item is included to reflect the carrying value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 42,203,382	\$ 48,127,905	\$ 49,816,146
Receipts:			
Transfer from General Fund —			
Employer Contribution (non-school entities).....	\$ 1,619	\$ 1,950	\$ 2,260
Transfers from State Retirement System.....	6,623	5,620	5,810
Contributions of School Employees.....	759,867	787,472	823,758
Contributions of Employers.....	224,051	470,268	544,515
Interest on Securities.....	21,187	1,400,000	1,400,000
Net Investment Adjustment.....	8,231,468	2,721,183	2,864,705
Directed Commissions.....	3,782	4,000	4,000
Other.....	89,685	0	0
Total Receipts	<u>9,338,282</u>	<u>5,390,493</u>	<u>5,645,048</u>
Total Funds Available	\$ 51,541,664	\$ 53,518,398	\$ 55,461,194
Disbursements:			
Treasury	\$ 247	\$ 250	\$ 250
Public School Employees' Retirement Board	<u>3,413,512</u>	<u>3,702,002</u>	<u>4,035,182</u>
Total Disbursements	<u>-3,413,759</u>	<u>-3,702,252</u>	<u>-4,035,432</u>
Cash Balance, Ending	\$ 48,127,905	\$ 49,816,146	\$ 51,425,762

School Retirees' Health Insurance Fund

This fund was created by Act 9 of 2001. The fund is used to establish and maintain a reserve sufficient to pay the expected claims experience of the Health Options Program (HOP). The HOP is a Public School Employees' Retirement System (PSERS) sponsored voluntary health insurance program for the sole benefit of PSERS retirees, their spouses or surviving spouses, and their dependents. The revenue for HOP is exclusively from the premiums paid by its participants for the benefit coverage they elect. The May 2002 initial transfer consisted of funds paid in by those insured and associated investment revenue in the amount of \$27.340 million that had accumulated in the Public School Employees' Retirement Fund prior to the creation of the separate health insurance fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 30,432	\$ 25,222	\$ 34,472
Receipts:			
Excess Contributions from Membership.....	\$ 9,394	\$ 9,500	\$ 0
Investment Income.....	214	1,000	1,050
Total Receipts	<u>9,608</u>	<u>10,500</u>	<u>1,050</u>
Total Funds Available	\$ 40,040	\$ 35,722	\$ 35,522
Disbursements:			
School Employees Retirement System.....	\$ 14,818	\$ 1,250	\$ 0
Total Disbursements	<u>-14,818</u>	<u>-1,250</u>	<u>0</u>
Cash Balance, Ending	\$ 25,222	\$ 34,472	\$ 35,522

Self-Insurance Guaranty Fund

This fund was created by Act 44 of 1993, the Pennsylvania Workers' Compensation Act. The purpose of this fund is to pay claims arising from defaulting self-insurance employers and defaulting members of self-insurance pooling arrangements under the Workers' Compensation Act for injuries occurring on or after 10/30/93. The fund is maintained by assessments on self-insurers. Act 53 of 2000 provides for payments of claims resulting from injuries prior to 10/30/93 through a Prefund Account funded by transfers from the Workers' Compensation Administration Fund. Act 49 of 2001 limited annual transfers to the Prefund Account to \$3.8 million. The Prefund Account and the fund are administered by the Department of Labor and Industry.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 <u>Actual</u>	2004-05 <u>Available</u>	2005-06 <u>Estimated</u>
Cash Balance, Beginning	\$ 15,009	\$ 18,709	\$ 17,920
Receipts:			
Assessments/Self-Insurer's Security.....	\$ 6,883	\$ 3,000	\$ 1,000
Transfer from the Workmen's Compensation Fund.....	2,322	3,800	3,800
Interest.....	192	100	100
Total Receipts	<u>9,397</u>	<u>6,900</u>	<u>4,900</u>
Total Funds Available	\$ 24,406	\$ 25,609	\$ 22,820
Disbursements:			
Labor and Industry.....	\$ 5,697	\$ 7,689	\$ 6,919
Total Disbursements	<u>-5,697</u>	<u>-7,689</u>	<u>-6,919</u>
Cash Balance, Ending	\$ 18,709	\$ 17,920	\$ 15,901

Small Business First Fund

Act 67 of 1996 created the Small Business First Fund. The fund replaced the Air Quality Improvement Fund, Storage Tank Loan Fund and the Pennsylvania Capital Loan Fund. Balances and program commitments in those funds were transferred to the Small Business First Fund. The fund may receive transfers from the Minority Business Development Fund to facilitate its programs for small businesses.

This program provides low-interest loans for small businesses of 100 employees or less. Eligible projects include land and building acquisition and construction; machinery and equipment purchases; working capital; compliance with environmental regulations and municipal or commercial recycling. In addition, companies eligible to participate in this program are those impacted by the reduction in defense-related activities and those involved in exports, advanced technology and the hospitality industry.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 49,797	\$ 49,161	\$ 37,008
Receipts:			
Loan Repayments.....	\$ 23,035	\$ 23,265	\$ 23,305
Interest on Securities.....	2,436	2,572	2,412
Miscellaneous.....	235	10	10
Total Receipts	25,706	25,847	25,727
Total Funds Available	\$ 75,503	\$ 75,008	\$ 62,735
Disbursements:			
Community and Economic Development			
Administratation.....	\$ 1,404	\$ 1,600	\$ 1,600
Loans.....	24,938	36,400	35,100
Total Disbursements	-26,342	-38,000	-36,700
Cash Balance, Ending	\$ 49,161	\$ 37,008	\$ 26,035

Solid Waste-Resource Recovery Development Fund

Created in 1974, this fund provides financial assistance to municipalities in the planning, development, construction and operation of resource recovery and solid waste disposal facilities. Loans for new facilities are restricted to municipalities in seventh and eighth class counties. Revenue is provided through appropriations by the General Assembly and by the repayment of loans made to municipalities.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 791	\$ 825	\$ 760
Receipts:			
Interest.....	\$ 34	\$ 35	\$ 35
Total Receipts	34	35	35
Total Funds Available	\$ 825	\$ 860	\$ 795
Disbursements:			
Environmental Protection	\$ 0	\$ 100	\$ 100
Total Disbursements	0	-100	-100
Cash Balance, Ending	\$ 825	\$ 760	\$ 695

Special Administration Fund

The purpose of this fund, administered by the Department of Labor and Industry, is to cover those administrative expenses of the Unemployment Compensation Law not properly and validly chargeable to the Administration Fund. The receipts of the fund are generated from interest and penalties collected from claimants and employers under provisions of the Unemployment Compensation Law. All moneys in excess of \$200,000 in the fund, less encumbrances for litigation, at the end of the fiscal year are transferred to the Unemployment Compensation Contribution Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 133	\$ 177	\$ 200
Receipts:			
Interest and Penalties.....	\$ 5,640	\$ 6,523	\$ 6,734
Other.....	75	84	86
Total Receipts	5,715	6,607	6,820
Total Funds Available	\$ 5,848	\$ 6,784	\$ 7,020
Disbursements:			
Labor and Industry.....	\$ 5,671	\$ 6,584	\$ 6,820
Total Disbursements	-5,671	-6,584	-6,820
Cash Balance, Ending	\$ 177	\$ 200	\$ 200

State College Experimental Farm Fund

Act 56, approved May 13, 1887, authorized the sale of the eastern and western experimental farms which were purchased with Federal land grant monies in 1862. These farms were sold for \$17,000 in 1888 and the proceeds were placed in this fund to be invested in bonds of the Commonwealth at 6 percent per annum with the interest serving as an ongoing revenue to this fund. Several times a year the interest earned is disbursed to the Pennsylvania State University.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 25	\$ 25	\$ 25
Receipts:			
Miscellaneous.....	\$ 1	\$ 1	\$ 1
Total Receipts	1	1	1
Total Funds Available	\$ 26	\$ 26	\$ 26
Disbursements:			
Treasury.....	\$ 1	\$ 1	\$ 1
Total Disbursements	-1	-1	-1
Cash Balance, Ending	\$ 25	\$ 25	\$ 25

State Employees' Retirement Fund

This fund was created in 1924 to accumulate reserves for the payment of pensions to eligible former State employees. Money in this fund is used to pay retirement, disability and death benefits to members of the State Employees' Retirement System and their beneficiaries. Membership in the system is mandatory for most State employees and available to employees of non-State entities, such as the Pennsylvania State University, the Turnpike Commission, the Delaware River Port Authority and other public and quasi-public institutions authorized by the Retirement Code.

The fund receives revenue from employee contributions, employer contributions and income derived from its investment portfolio. Employer contributions are an actuarially determined percentage of payroll sufficient to fund current and future benefit payments. Investment income is used to credit interest to each member's account; to pay the administrative expenses of the retirement system; and to accumulate monies for the payment of future benefits. Management of the fund and payment of benefits are overseen by the State Employees' Retirement Board.

Act 40 of 2003 changed the retirement system's amortization period from ten years to an actuarially acceptable thirty year basis thus lowering employer contribution costs.

The cash balance shown in the statement includes substantial investment assets. The net investment adjustment item is to reflect the carrying value of long-term investments as of June 30 and is estimated for 2004-05 and 2005-06.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 22,175,128	\$ 24,904,780	\$ 25,694,356
Receipts:			
Contributions of Employees.....	\$ 304,205	\$ 309,500	\$ 309,500
State Share Contribution.....	53,045	72,000	100,000
Transfer to Annuity Reserve Account.....	20,351	0	0
Income from Securities.....	15,430	621,140	640,879
Directed Commissions.....	884	700	800
Net Investment Adjustment.....	4,093,164	1,490,736	1,538,110
Other.....	2,039	0	0
Total Receipts	<u>4,489,118</u>	<u>2,494,076</u>	<u>2,589,289</u>
Total Funds Available	\$ 26,664,246	\$ 27,398,856	\$ 28,283,645
Disbursements:			
Treasury.....	\$ 40	\$ 0	\$ 0
State Employees' Retirement System.....	<u>1,759,426</u>	<u>1,704,500</u>	<u>1,817,500</u>
Total Disbursements	<u>-1,759,466</u>	<u>-1,704,500</u>	<u>-1,817,500</u>
Cash Balance, Ending	\$ 24,904,780	\$ 25,694,356	\$ 26,466,145

State Gaming Fund

Act 71 of 2004, the Pennsylvania Race Horse Development and Gaming Act, established the State Gaming Fund to receive all license fees provided for in the act and 34 percent of the gross terminal revenue (GTR) generated by licensed gaming facilities. The fund will also receive four percent of the GTR to be distributed to counties and municipalities as specified by the act. Proceeds from the State Gaming Fund will be disbursed on an annual basis as follows: \$1,500,000 or .001 percent of the GTR, whichever is greater, to the Compulsive and Problem Gambling Treatment Fund in the Department of Health, \$25,000,000 to the Volunteer Company Loans Program in the Emergency Management Agency, \$5,000,000 to the board for Local Law Enforcement Grants, and \$5,000,000 to the Department of Conservation and Natural Resources for In-Lieu-of Tax payments. The remaining balance in the State Gaming Fund will be used to fund property tax relief as provided in Act 72 of 2004.

This budget assumes seven Category 1 licenses will be issued at \$50 million per license during the 2005-06 fiscal year. Depending on the board's implementation plan, fewer or more licenses could be issued and facilities opened. GTR receipts are not shown in this presentation and will be dependent on the number of licensed facilities which begin operations during the fiscal year.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
License Fees.....	\$ 0	\$ 0	\$ 350,000
Total Receipts	<u>0</u>	<u>0</u>	<u>350,000</u>
Total Funds Available	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 350,000</u>
Disbursements:			
Transfer to Compulsive and Problem Gambling Treatment Fund.....	\$ 0	\$ 0	\$ 1,500
Emergency Management Agency.....	0	0	25,000
Gaming Control Board.....	0	0	5,000
Conservation and Natural Resources.....	0	0	5,000
Transfer to Property Tax Relief Fund.....	0	0	313,500
Total Disbursements	<u>0</u>	<u>0</u>	<u>-350,000</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

State Insurance Fund

Created in 1915, this fund finances expenditures related to the rebuilding, restoring or replacing of buildings, structures, equipment or other property owned by the Commonwealth which have been damaged or destroyed by fire or other casualty. This includes natural or man-made disasters. Revenue is derived from interest earned by the fund, interest received from the Fire Insurance Tax Fund and from reimbursements by insurance companies. If needed, money may also be directly appropriated to this fund. Receipts of the fund include reimbursement from the Commonwealth's excess insurance policy, which is responsible for damages for any occurrence in excess of \$1 million.

Unencumbered amounts in the fund in excess of \$3 million on December 31st of each year are transferred to the General Fund. This fund satisfies the requirements of the Federal Government for the Disaster Insurance Program.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 9,388	\$ 9,937	\$ 9,358
Receipts:			
Recovered Damages.....	\$ 0	\$ 125	\$ 0
Interest	835	620	650
Total Receipts	835	745	650
Total Funds Available	\$ 10,223	\$ 10,682	\$ 10,008
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
General Services.....	286	1,319	1,900
Total Disbursements	-286	-1,324	-1,905
Cash Balance, Ending	\$ 9,937	\$ 9,358	\$ 8,103

State Restaurant Fund

This fund was created in 1943 to finance the purchase and maintenance of equipment for the operation of the restaurant in the State Capitol as well as any other restaurants in other State Office Buildings. At present, the Capitol East Wing Cafeteria and the facility located in the Keystone Building are the only restaurants operated through this fund. Revenue is derived from the profits earned from those operations.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,778	\$ 1,838	\$ 1,770
Receipts:			
Revenue from Operations.....	\$ 101	\$ 35	\$ 75
Other.....	80	80	75
Total Receipts	181	115	150
Total Funds Available	\$ 1,959	\$ 1,953	\$ 1,920
Disbursements:			
General Services.....	\$ 121	\$ 183	\$ 50
Total Disbursements	-121	-183	-50
Cash Balance, Ending	\$ 1,838	\$ 1,770	\$ 1,870

State School Fund

This fund was established in 1911 and is funded primarily by the sale of escheated estates and other nonpublic real estate and interest earnings of the Sinking Fund. Changes in the escheat law and lack of interest earnings from the Sinking Fund or investment of monies in the State School Fund have resulted in a low revenue level. The fund is active in only a limited sense.

The original purpose of the fund was to equalize educational advantages across the Commonwealth; to provide advancements to school districts temporarily in need of aid; and to promote education in the conservation of natural resources, forestry, agriculture and other industrial pursuits. The law was amended in 1960 to change the purpose of the fund to equalization of educational opportunities, and to pay part of the cost of repair or alteration of local public school or State college buildings when required to satisfy requirements of the Department of Labor and Industry or other relevant governmental agencies.

Expenditures from the fund are made at the direction of the State Board of Education.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 555	\$ 543	\$ 526
Receipts:			
Sinking Fund Interest.....	\$ 0	\$ 2	\$ 2
Treasury Interest.....	23	23	24
Other.....	0	0	225
Total Receipts	<u>23</u>	<u>25</u>	<u>251</u>
Total Funds Available	\$ <u>578</u>	\$ <u>568</u>	\$ <u>777</u>
Disbursements:			
Education.....	\$ 35	\$ 42	\$ 225
Total Disbursements	<u>-35</u>	<u>-42</u>	<u>-225</u>
Cash Balance, Ending	\$ <u><u>543</u></u>	\$ <u><u>526</u></u>	\$ <u><u>552</u></u>

State Stores Fund

The State Stores Fund serves as the general operating fund for the Liquor Control Board. The Pennsylvania State Police receive funds for the enforcement of the Liquor Code. The Department of Health receives funds for alcohol abuse programs. This fund receives revenues from the sale of goods in State Liquor Stores, fees not credited to the Liquor License Fund, fines and penalties, losses and damages recovered, and loans from the General Fund to provide working capital. Expenditures cover all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Code. Any surplus is transferred to the General Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 36,721	\$ 56,225	\$ 73,507
Receipts:			
Fees.....	\$ 10,116	\$ 10,015	\$ 10,015
Fines and Penalties.....	1,335	1,336	1,336
Sale of Goods.....	1,105,102	1,455,767	1,545,006
Recovered Losses and Damages.....	1,418	981	981
General Fund Loans.....	85,000	85,000	85,000
Other.....	2,948	3,471	4,971
Total Receipts	<u>1,205,919</u>	<u>1,556,570</u>	<u>1,647,309</u>
Total Funds Available	\$ 1,242,640	\$ 1,612,795	\$ 1,720,816
Disbursements:			
Treasury.....	\$ 1	\$ 15	\$ 15
Health.....	2,658	1,694	2,006
Liquor Control Board	1,166,325	1,517,695	1,586,930
State Police.....	17,431	19,884	20,958
Total Disbursements	<u>-1,186,415</u>	<u>-1,539,288</u>	<u>-1,609,909</u>
Cash Balance, Ending	\$ 56,225	\$ 73,507	\$ 110,907

State Treasury Armory Fund

Created in accordance with Act 92 of 1975, this fund receives monies derived from the sale of any armory building, armory site or other real estate. Funds are expended solely for the purchase of equipment, furniture and fixtures or for the construction of new armories in the Commonwealth.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 914	\$ 510	\$ 455
Receipts:			
Armory Rentals.....	\$ 505	\$ 425	\$ 425
Sale of Armories and Land.....	21	100	100
Interest.....	48	20	20
Total Receipts	<u>574</u>	<u>545</u>	<u>545</u>
Total Funds Available	\$ 1,488	\$ 1,055	\$ 1,000
Disbursements:			
Military and Veterans Affairs.....	\$ 978	\$ 600	\$ 475
Total Disbursements	<u>-978</u>	<u>-600</u>	<u>-475</u>
Cash Balance, Ending	\$ 510	\$ 455	\$ 525

State Worker's Insurance Fund

The State Worker's Insurance Fund (SWIF) was created by Act 338 of 1915, and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those refused policies by private insurance firms. SWIF is subject to underwriting rules, classification and rates promulgated by rating bureaus authorized by the State Insurance Commissioner. Premium rates are established by them based on the history of accidents by industry. Administrative costs are paid from the fund including expenses related to Insurance Department and Auditor General examinations.

Act 68 of 1990 provides for the transfer of money from SWIF. Annual payments are made to the General Fund equal to the amount which would have been paid in taxes had SWIF been subject to taxes. The act also established an Advisory Council to recommend the amount of surplus in SWIF, if any, that could be distributed without jeopardizing its legal obligations to policy holders. If such a surplus exists, the SWIF Board may then recommend distribution of the surplus as refunds to current or former policyholders. The funds recommended by the board to be transferred or refunded to policyholders must be approved and appropriated by the General Assembly.

The net investment adjustment shown below is to reflect the current market value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 1,467,509	\$ 1,522,923	\$ 1,603,148
Receipts:			
Premiums.....	\$ 330,922	\$ 340,000	\$ 330,000
Interest.....	68,565	66,500	67,000
Net Investment Adjustment.....	-56,943	0	0
Other.....	7,644	8,000	8,000
Total Receipts	350,188	414,500	405,000
Total Funds Available	\$ 1,817,697	\$ 1,937,423	\$ 2,008,148
Disbursements:			
Treasury.....	\$ 0	\$ 75	\$ 35
Labor and Industry.....	288,614	327,400	336,400
Premium Tax Payment to the General Fund.....	6,160	6,800	6,600
Total Disbursements	-294,774	-334,275	-343,035
Cash Balance, Ending	\$ 1,522,923	\$ 1,603,148	\$ 1,665,113

Storage Tank Fund

This fund was created by Act 32 of 1989 for the operation of an aboveground and underground storage tank regulation, registration and enforcement program. Revenues to the fund consist of registration and permit fees, fines, judgements, bond forfeitures, interest and recovered costs. Expenditures include the remediation of leaking underground storage tanks.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 11,378	\$ 9,899	\$ 11,351
Receipts:			
Registration Fees.....	\$ 3,812	\$ 3,600	\$ 3,700
Federal Funds - EPA.....	1,558	5,051	2,951
Fines and Penalties.....	988	380	380
Transfer from Storage Tank Loan Fund.....	0	3,500	0
Interest.....	579	280	300
Other.....	186	3	0
Total Receipts	<u>7,123</u>	<u>12,814</u>	<u>7,331</u>
Total Funds Available	\$ 18,501	\$ 22,713	\$ 18,682
Disbursements:			
Environmental Protection.....	\$ 8,602	\$ 11,362	\$ 12,260
Total Disbursements	<u>-8,602</u>	<u>-11,362</u>	<u>-12,260</u>
Cash Balance, Ending	\$ 9,899	\$ 11,351	\$ 6,422

Supplemental State Assistance Fund

This fund was created by Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, and is administered by the Auditor General. Under Act 205, the Auditor General is responsible for the administration of the Supplemental State Assistance Program, including disbursement of funds to distressed municipal pension systems based on certifications provided by the Public Employee Retirement Commission (PERC). Since 1989-90, revenues for the Supplemental State Assistance Fund have been provided entirely by General Fund appropriations. By statute, this program and fund terminated in 2003. The unspent balance within the fund shall be transferred to the General Fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2004-05 Estimated
Cash Balance, Beginning	\$ 55	\$ 58	\$ 0
Receipts:			
General Fund Appropriation.....	\$ 329	\$ 0	\$ 0
Interest	3	0	0
Total Receipts	<u>332</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 387	\$ 58	\$ 0
Disbursements:			
Auditor General.....	\$ 329	\$ 0	\$ 0
Transfer to General Fund.....	0	58	0
Total Disbursements	<u>-329</u>	<u>-58</u>	<u>0</u>
Cash Balance, Ending	\$ 58	\$ 0	\$ 0

Surface Mining Conservation and Reclamation Fund

This fund was created in 1945 to finance reclamation projects on land scarred by surface mining. Projects include recontouring, terracing and planting of trees, shrubs and grasses. Revenues are provided by charging surface mining operators for licenses and permits and by fining them for failure to apply for the licenses and permits as well as by forfeiture of collateral bonds, cash or securities for failure to comply with an approved reclamation plan.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 49,412	\$ 49,577	\$ 49,107
Receipts:			
Licenses and Fees.....	\$ 128	\$ 200	\$ 225
Fines and Penalties.....	150	340	365
Interest.....	2,182	1,700	1,700
Forfeiture of Bonds.....	154	0	0
Trust Account Collateral.....	799	0	0
Miscellaneous.....	172	0	0
Total Receipts	<u>3,585</u>	<u>2,240</u>	<u>2,290</u>
Total Funds Available	\$ 52,997	\$ 51,817	\$ 51,397
Disbursements:			
Treasury.....	\$ 0	\$ 5	\$ 5
Environmental Protection.....	3,420	2,705	2,724
Total Disbursements	<u>-3,420</u>	<u>-2,710</u>	<u>-2,729</u>
Cash Balance, Ending	\$ 49,577	\$ 49,107	\$ 48,668

Tuition Account Guaranteed Savings Program Fund

Act 11 of 1992, amended by Act 58 of 2000, provided for the establishment of two programs for postsecondary educational savings. Both programs are administered by the Tuition Account Programs Bureau within the Treasury Department with oversight by the Tuition Account Programs Advisory Board. This fund offers a guaranteed rate of return tied to tuition inflation. Revenue is derived primarily from application fees, Tuition Account Guaranteed Savings Program contracts and investment income. Fund expenditures consist mainly of payments to educational institutions for tuition and administrative costs.

The cash balance shown in the statement includes substantial investment assets. The net investment adjustment item is included to reflect the carrying value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 604,125	\$ 854,143	\$ 959,548
Receipts:			
Application Fees	\$ 257	\$ 200	\$ 150
Tuition Purchases.....	206,246	150,000	150,000
Investment Earnings.....	17,920	20,000	23,000
Net Investment Adjustment.....	72,407	15,000	15,000
Other.....	3	5	5
Total Receipts	296,833	185,205	188,155
Total Funds Available	\$ 900,958	\$ 1,039,348	\$ 1,147,703
Disbursements:			
Treasury.....	\$ 46,815	\$ 79,800	\$ 95,000
Total Disbursements	-46,815	-79,800	-95,000
Cash Balance, Ending	\$ 854,143 ^a	\$ 959,548	\$ 1,052,703

^a Fund Balance is net of \$1.2 million in securities payable on June 30, 2004.

Tuition Account Investment Program Fund

Act 11 of 1992, amended by Act 58 of 2000, provided for the establishment of two programs for postsecondary educational savings. Both programs are administered by the Tuition Account Programs Bureau within the Treasury Department with oversight by the Tuition Account Programs Advisory Board. The Tuition Account Investment Program, launched in July 2002, provides market based investment returns and offers participants several investment options based on age, investment risk, or socially responsible investments comprising a mix of equity and fixed income portfolios. Fund revenue is derived primarily from Tuition Account Investment Program contracts and investment income. Fund expenditures consist mainly of redemption of program contracts.

The cash balance shown in the statement includes substantial investment assets. The net investment adjustment item is included to reflect the carrying value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 49,562	\$ 138,645	\$ 216,645
Receipts:			
TAP Investment Purchases.....	\$ 79,902	\$ 75,000	\$ 80,000
Investment Earnings.....	2,216	4,000	6,000
Net Investment Adjustment.....	7,062	0	0
Total Receipts	89,180	79,000	86,000
Total Funds Available	\$ 138,742	\$ 217,645	\$ 302,645
Disbursements:			
Treasury.....	\$ 97	\$ 1,000	\$ 5,000
Total Disbursements	-97	-1,000	-5,000
Cash Balance, Ending	\$ 138,645	\$ 216,645	\$ 297,645

Underground Storage Tank Indemnification Fund

The Storage Tank and Spill Prevention Act, Act 32 of 1989, as amended, established the Underground Storage Tank Indemnification Fund to administer a program to provide claim payments to owners and operators of underground storage tanks who incur liability for taking corrective action or for bodily injury or property damage caused by a release from underground storage tanks. Expenses for administration of the fund are also covered. The fund is administered by the Insurance Department in conjunction with a nine member Underground Storage Tank Indemnification Board.

Act 32 authorized the board to establish, by regulation, fees to be paid by underground storage tank owners and operators to fund the program. Effective January 1, 2004, tank owners pay a gallon fee of \$0.011 per gallon. Owners of diesel fuel and heating oil tanks pay a capacity fee of \$.083 in lieu of the gallon fee. These regulatory fee increases are ten percent over the previous fees and are necessary to maintain the actuarial soundness of the fund as prescribed by Act 32.

Act 13 of 1998 established a new loan program to assist owners of regulated underground storage tanks to upgrade their underground storage tank systems to meet Federal Environmental Protection Agency upgrade requirements or to remove them from service. Act 100 of 2000 expanded the upgrade loan program to include the removal of underground storage tanks. The Department of Community and Economic Development administers the loan program as part of its business loans program. The act also established an environmental cleanup program and a pollution prevention program which are administered by the Department of Environmental Protection. The net investment adjustment is included to reflect the current market value of long-term investments as of June 30. A loan of \$100 million was made to the General Fund on October 15, 2002 in accordance with Act 91 of 2002 and is to be repaid over ten years beginning in 2004.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 104,080	\$ 106,074	\$ 76,266
Receipts:			
Gallon Fee	\$ 51,644	\$ 50,000	\$ 50,000
Tank Capacity Fee	6,381	6,000	6,000
Investment Income	4,476	5,000	5,000
Net Investment Adjustment.....	4,709	0	0
Upgrade Loan Repayments.....	1,419	890	886
Loan Repayment From General Fund.....	0	10,000	5,000
Miscellaneous Fees	49	260	260
Total Receipts	68,678	72,150	67,146
Total Funds Available	\$ 172,758	\$ 178,224	\$ 143,412
Disbursements:			
Treasury.....	\$ 10	\$ 15	\$ 15
Community and Economic Development.....	21	1,545	1,545
Environmental Protection.....	3,766	12,000	12,000
Insurance.....	62,887	88,398	72,500
Total Disbursements	-66,684	-101,958	-86,060
Cash Balance, Ending	\$ 106,074	\$ 76,266	\$ 57,352

Unemployment Compensation Benefit Payment Fund

Employers' and employees' contributions under the Unemployment Compensation Law are credited to the Commonwealth's account in the Federal Unemployment Trust Fund. Requisitions of money from the Trust Fund for the payment of unemployment compensation benefits to eligible individuals are the revenue for the Unemployment Compensation Benefit Payment Fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Regular Unemployment Compensation Program.....	\$ 2,371,083	\$ 2,130,165	\$ 2,210,610
Federal Receipts in Transit ^a	9,993	9,100	9,400
Other.....	575,235	87,050	89,090
Total Receipts	<u>2,956,311</u>	<u>2,226,315</u>	<u>2,309,100</u>
Total Funds Available	<u>\$ 2,956,311</u>	<u>\$ 2,226,315</u>	<u>\$ 2,309,100</u>
Disbursements:			
Labor and Industry.....	\$ 2,956,311	\$ 2,226,315	\$ 2,309,100
Total Disbursements	<u>-2,956,311</u>	<u>-2,226,315</u>	<u>-2,309,100</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

^a Represents future receipts of funds from the Federal Government for checks issued to individual recipients.

Unemployment Compensation Contribution Fund

This fund was created to hold moneys collected from employers under the Unemployment Compensation Law and, except for refunds of collections or transfers to the Special Administration Fund, the moneys are transferred to the United States Treasury for credit to the Commonwealth's account in the Federal Unemployment Trust Fund established under Section 904 of the Social Security Act.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 2,181	\$ 12	\$ 0
Receipts:			
Contributions of Employers and Employees.....	\$ 1,973,879	\$ 2,333,600	\$ 2,419,800
Loan from the Motor License Fund.....	300,000	0	0
Other.....	1,163	1,390	1,440
Total Receipts	<u>2,275,042</u>	<u>2,334,990</u>	<u>2,421,240</u>
Total Funds Available	<u>\$ 2,277,223</u>	<u>\$ 2,335,002</u>	<u>\$ 2,421,240</u>
Disbursements:			
Labor and Industry.....	\$ 1,977,211	\$ 2,335,002	\$ 2,421,240
Loan repayment.....	300,000	0	0
Total Disbursements	<u>-2,277,211</u>	<u>-2,335,002</u>	<u>-2,421,240</u>
Cash Balance, Ending	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ 0</u>

Vietnam Conflict Veterans' Compensation Sinking Fund

Monies in this fund are used to redeem or pay interest on bonds issued for the Vietnam Conflict Veterans' Compensation Fund. The annual appropriation from the General Fund for general obligation debt service provides the revenues to this fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 491	\$ 0	\$ 0
Total Receipts	491	0	0
Total Funds Available	\$ 491	\$ 0	\$ 0
Disbursements:			
Treasury.....	\$ 491	\$ 0	\$ 0
Total Disbursements	-491	0	0
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

Vocational Rehabilitation Fund

This fund, administered by the State Board of Vocational Rehabilitation in the Department of Labor and Industry, was created to provide vocational rehabilitation services to any person who has a disability, mental or physical, which constitutes a handicap to employment or to achieve independent living status. Services can be provided directly or through a purchase of service arrangement. Receipts for this fund come from Federal vocational rehabilitation funds, transfer of General Fund appropriations for matching the Federal funds, interest earned and local match.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 5,480	\$ 5,454	\$ 5,454
Receipts:			
Transfer from General Fund.....	\$ 39,238	\$ 39,238	\$ 38,122
Federal Vocational Rehabilitation Funds.....	127,235	138,765	139,726
Other.....	542	800	800
Total Receipts	167,015	178,803	178,648
Total Funds Available	\$ 172,495	\$ 184,257	\$ 184,102
Disbursements:			
Labor and Industry.....	167,041	178,803	178,648
Total Disbursements	-167,041	-178,803	-178,648
Cash Balance, Ending	\$ 5,454	\$ 5,454	\$ 5,454

Volunteer Companies Loan Fund

Bond referendums in 1975, 1981, 1990, and 2002 authorized a total of \$100 million of bonds to be issued for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities. Act 208 of 1976 established a revolving loan fund known as the Volunteer Companies Loan Fund; loans provided for under these bond issues are administered by the Pennsylvania Emergency Management Agency. Revenue to the fund in addition to bond proceeds includes loan repayments and interest earnings. General Fund transfer appropriations have also been provided to fund the program.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 6,033	\$ 7,799	\$ 6,299
Receipts:			
Loan Principal Repayments.....	\$ 13,860	\$ 14,000	\$ 14,250
Loan Interest.....	2,264	2,250	2,250
Interest on Securities.....	372	250	250
Total Receipts	<u>16,496</u>	<u>16,500</u>	<u>16,750</u>
Total Funds Available	\$ 22,529	\$ 24,299	\$ 23,049
Disbursements:			
Emergency Management Agency.....	\$ 14,730	\$ 18,000	\$ 17,500
Total Disbursements	<u>-14,730</u>	<u>-18,000</u>	<u>-17,500</u>
Cash Balance, Ending	\$ 7,799	\$ 6,299	\$ 5,549

Volunteer Companies Loan Sinking Fund

Monies in this fund are used to redeem or pay interest on bonds issued for the Volunteer Companies Loan Fund. The annual appropriation from the the General Fund for general obligation debt service provides revenues to the fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 1,388	\$ 732	\$ 629
Total Receipts	<u>1,388</u>	<u>732</u>	<u>629</u>
Total Funds Available	\$ 1,388	\$ 732	\$ 629
Disbursements:			
Treasury.....	\$ 1,388	\$ 732	\$ 629
Total Disbursements	<u>-1,388</u>	<u>-732</u>	<u>-629</u>
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

Water Facilities Loan Fund

This fund was created by Act 167 of 1982 to implement the water project loan referendum approved by the electorate on November 3, 1981. That referendum authorized the Commonwealth to incur an indebtedness of \$300 million for use as loans to repair, construct, reconstruct, rehabilitate, extend and improve water supply systems or to repair, reconstruct or rehabilitate flood control facilities, dams and port facilities. Act 16 of 1988 transferred the functions of the Water Facilities Loan Board to the Pennsylvania Infrastructure Investment Authority as part of the PENNVEST program. Remaining bond authorization is expected to be used in the future.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Sale of Bonds.....	\$ 0	\$ 0	\$ 0
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Disbursements:			
Infrastructure Investment Authority.....	\$ 0	\$ 0	\$ 0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Water Facilities Loan Redemption Fund

Payment of interest and principal due on outstanding water facilities loan bonds is made from this fund. The annual appropriation from the General Fund for general obligation debt service and interest on monies in the Water Facilities Loan Fund provide revenues to this fund.

Statement of Cash Receipts and Disbursements:

	(Dollar Amounts in Thousands)		
	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 6,287	\$ 3,250	\$ 3,060
Total Receipts	<u>6,287</u>	<u>3,250</u>	<u>3,060</u>
Total Funds Available	<u>\$ 6,287</u>	<u>\$ 3,250</u>	<u>\$ 3,060</u>
Disbursements:			
Treasury.....	\$ 6,287	\$ 3,250	\$ 3,060
Total Disbursements	<u>-6,287</u>	<u>-3,250</u>	<u>-3,060</u>
Cash Balance, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Water Supply and Wastewater Treatment Sinking Fund

Monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Program. The annual appropriation from the the General Fund for general obligation debt service provides revenues to the fund.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 0
Receipts:			
Transfer from General Fund.....	\$ 0	\$ 0	\$ 266
Total Receipts	0	0	266
Total Funds Available	\$ 0	\$ 0	\$ 266
Disbursements:			
Treasury.....	\$ 0	\$ 0	\$ 266
Total Disbursements	0	0	-266
Cash Balance, Ending	\$ 0	\$ 0	\$ 0

Wild Resource Conservation Fund

This fund was created by Act 170 of 1982. Revenue is derived primarily from tax rebate check-offs and voluntary contributions. The fund collects information relating to population, distribution, habitat needs, limiting factors and other biological and ecological data to classify plants and to determine necessary management measures. These management measures include promotion of a Statewide system of private wild plant sanctuaries; permitting of removal, collection or transplanting of endangered or threatened plant species; and regulation of the digging, harvesting, sale and exploitation of designated species.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 189	\$ 256	\$ 251
Receipts:			
Tax Check-Offs.....	\$ 152	\$ 200	\$ 200
Interest on Securities.....	11	10	10
Voluntary Donations.....	14	50	50
License Plate Sales.....	37	65	65
Other.....	113	60	60
Total Receipts	327	385	385
Total Funds Available	\$ 516	\$ 641	\$ 636
Disbursements:			
Conservation and Natural Resources.....	\$ 260	\$ 390	\$ 390
Total Disbursements	-260	-390	-390
Cash Balance, Ending	\$ 256	\$ 251	\$ 246

Wireless E-911 Emergency Services Fund

Act 56 of 2003, the Public Safety Emergency Telephone Act, established the Wireless E-911 Emergency Services Fund to support a Statewide integrated wireless E-911 plan. The fund is used to collect and deposit a surcharge collected by wireless service providers on a monthly basis, the proceeds of which are remitted to the fund quarterly. Up to two percent of annual surcharge proceeds can be used by the agency for administrative costs with the remaining available balance being used for approved county grants.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 0	\$ 0	\$ 29,050
Receipts:			
Transfer from General Fund.....	\$ 0	\$ 0	\$ 0
Surcharges	0	55,000	60,000
Income on Investments.....	0	150	150
Other.....	0	0	0
Total Receipts	0	55,150	60,150
Total Funds Available	\$ 0	\$ 55,150	\$ 89,200
Disbursements:			
Treasury.....	\$ 0	\$ 0	\$ 0
Emergency Management Agency			
Administration.....	0	1,100	1,100
Grants.....	0	25,000	53,900
Total Disbursements	0	-26,100	-55,000
Cash Balance, Ending	\$ 0	\$ 29,050	\$ 34,200

Workers' Compensation Security Fund

The purpose of this fund is payment of valid claims for compensation provided by the Workers' Compensation Act to individuals who are insured by an insolvent stock company. Expenses for administration of the fund are also covered.

Through June 30, 2000, payment equal to one percent of the net written premiums received for workers' compensation insurance policies written in the Commonwealth by stock companies, mutual carriers and reciprocal exchanges during the preceding annual reporting period were credited to the fund. Such payments were required only if the balance less known liabilities of the fund was determined to be less than five percent of the loss reserves of all such companies for payments of benefits under the Workers' Compensation Act.

Act 49 of 2000 removed the statutory annual assessment procedures in conjunction with giving prudent person investment authority to the Insurance Commissioner jointly with the State Treasurer for the investment of moneys in the fund. This change is expected to generate increased earnings to the fund, thereby reducing the frequency of the assessment. The act requires the Insurance Department to manage the fund to maintain its actuarial soundness and a minimum balance of \$500 million as of December 31 of any given year. If the fund balance falls below \$500 million by calendar year end, the department will assess contributions to restore the balance in the fund in a timely manner. An assessment was made in 2003 based upon the 2002 calendar year financial data, but an assessment was not made in 2004 based upon the 2003 calendar year financial data.

The net investment adjustment shown below is to reflect the current market value of long-term investments as of June 30.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 476,568	\$ 500,376	\$ 483,621
Receipts:			
Premium Contributions	\$ 58,126	19,000	\$ 5,000
Interest on Securities	17,219	30,000	25,000
Net Investment Adjustment.....	20,068	0	0
Miscellaneous.....	0	250	250
Total Receipts	<u>95,413</u>	<u>49,250</u>	<u>30,250</u>
Total Funds Available	<u>\$ 571,981</u>	<u>\$ 549,626</u>	<u>\$ 513,871</u>
Disbursements:			
Treasury	\$ 4	\$ 5	\$ 5
Insurance	71,601	66,000	70,750
Total Disbursements	<u>-71,605</u>	<u>-66,005</u>	<u>-70,755</u>
Cash Balance, Ending	<u>\$ 500,376</u>	<u>\$ 483,621</u>	<u>\$ 443,116</u>

Workmen's Compensation Administration Fund

This fund was created by Act 2 of 1976 to finance the expenses of the Department of Labor and Industry in administering the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Act 44 of 1993 and Act 57 of 1996 amended the Workers' Compensation Act, expanding the administrative responsibilities of the department. The fund is supported by annual assessments on insurers and self-insurers under the act. These administrative funds are approved by the Legislature for expenditure through the appropriation process.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2003-04 Available	2004-05 Estimated
Cash Balance, Beginning	\$ 50,536	\$ 56,080	\$ 57,211
Receipts:			
Assessments.....	\$ 54,829	\$ 55,006	\$ 55,006
Other.....	1,377	1,315	1,320
Total Receipts	56,206	56,321	56,326
Total Funds Available	\$ 106,742	\$ 112,401	\$ 113,537
Disbursements:			
Treasury.....	\$ 12	\$ 0	\$ 0
Community and Economic Development.....	155	184	184
Labor and Industry.....	50,495	55,006	54,250
Total Disbursements	-50,662	-55,190	-54,434
Cash Balance, Ending	\$ 56,080	\$ 57,211	\$ 59,103

Workmen's Compensation Supersedeas Fund

The purpose of this fund is to reimburse insurers for payments made by them to claimants under the Workers' Compensation Act who are later determined to be ineligible. The fund is maintained by annual assessments on insurers and self-insurers and is administered by the Department of Labor and Industry.

Statement of Cash Receipts and Disbursements:

(Dollar Amounts in Thousands)

	2003-04 Actual	2004-05 Available	2005-06 Estimated
Cash Balance, Beginning	\$ 112	\$ 1,715	\$ 430
Receipts:			
Assessments.....	\$ 27,388	\$ 18,915	\$ 21,000
Other.....	971	800	900
Total Receipts	28,359	19,715	21,900
Total Funds Available	\$ 28,471	\$ 21,430	\$ 22,330
Disbursements:			
Labor and Industry.....	\$ 26,756	\$ 21,000	\$ 22,000
Total Disbursements	-26,756	-21,000	-22,000
Cash Balance, Ending	\$ 1,715	\$ 430	\$ 330



COMPLEMENT

This section provides a summary by department of authorized salaried complement on a full-time equivalent (FTE) basis for the actual, available and budget years. It also provides a brief description by agency and appropriation of the changes recommended in the budget.

**AUTHORIZED SALARIED COMPLEMENT BY AGENCY
FULL-TIME EQUIVALENT (FTE)**

The following is a summary, by department, of the 2003-04 actual, 2004-05 available and 2005-06 recommended authorized salaried complement levels on a full-time equivalent (FTE) basis. Additional information regarding the Commonwealth's complement is included in Section A - Overview and Summaries of this budget document.

Department	2003-04 Actual	2004-05 Available	2005-06 Budget	Difference Budget vs. Available
Governor's Office	91	91	77	-14
Executive Offices	2,336	2,361	2,227	-134
Lieutenant Governor's Office	14	17	17	
Aging	109	109	109	
Agriculture	628	629	637	8
Banking	123	154	170	16
Civil Service Commission	180	178	178	
Community and Economic Development	356	358	348	-10
Conservation and Natural Resources	1,390	1,395	1,345	-50
Corrections	15,167	15,324	14,952	-372
Education	776	784	751	-33
Emergency Management Agency	162	171	172	1
Environmental Hearing Board	19	18	17	-1
Environmental Protection	3,071	3,094	2,951	-143
Fish & Boat Commission	432	431	431	
Game Commission	732	732	732	
General Services	1,350	1,333	1,416	83
Health	1,535	1,557	1,564	7
Historical and Museum Commission	341	333	318	-15
Infrastructure Investment Authority	27	27	27	
Insurance	388	408	391	-17
Labor and Industry	5,931	5,856	5,840	-16
Liquor Control Board	3,054	3,102	3,102	
Military and Veterans Affairs	2,469	2,469	2,372	-97
Milk Marketing Board	36	36	36	
Municipal Employees' Retirement	30	30	30	
Probation and Parole Board	1,048	1,048	982	-66
Public Television Network	20	20	20	
Public Utility Commission	533	533	523	-10
Public Welfare	20,620	20,536	19,850	-686
Revenue	2,289	2,237	2,202	-35
School Employees' Retirement System	290	290	290	
Securities Commission	90	90	90	
State	504	506	511	5
State Employees' Retirement System	192	195	195	
State Police	5,901	6,025	6,040	15
Tax Equalization Board	22	22	20	-2
Transportation	12,350	12,272	12,266	-6
TOTAL ALL DEPARTMENTS	84,606	84,771	83,199	-1,572

Summary of 2005-06 Complement Changes

The following is a detailed listing, by department, of the recommended authorized salaried complement changes (on a full-time equivalent basis) for 2005-06. It reflects proposed eliminations, new positions and transfers between appropriations and agencies.

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
GOVERNOR'S OFFICE		
General Fund:		
Governor's Office.....	-14	Eliminated positions.
EXECUTIVE OFFICES		
General Fund:		
Office of Inspector General.....	-7	Eliminated positions.
Juvenile Court Judges Commission.....	-3	Eliminated positions.
Commission on Crime and Delinquency.....	-4	Eliminated positions.
Office of General Counsel.....	-6	Eliminated positions.
Inspector General - Welfare Fraud.....	-1	Eliminated position.
Commonwealth Technology Services.....	-24	Eliminated positions.
Victims of Juvenile Crime.....	-2	Eliminated positions.
Integrated Enterprise System.....	-7	Eliminated positions.
Weed and Seed Program.....	-1	Eliminated position.
Office of the Budget.....	-63	Eliminated positions.
Office of Administration.....	-8	TRANSFERRED: To Emergency Management Agency for Continuity of Government (-1). Eliminated positions (-7).
Human Relations Commission.....	-9	Eliminated positions.
Asian American Affairs Commission.....	1	NEW: Program Director.
DEPARTMENT TOTAL	<u>-134</u>	
AGRICULTURE		
General Fund:		
General Government Operations.....	-15	Eliminated positions.
Racing Fund:		
State Racing Commission.....	23	NEW: Staff for two new tracks and expanded security related to gaming.
DEPARTMENT TOTAL	<u>8</u>	
BANKING		
Banking Department Fund:		
General Government Operations.....	16	NEW: Expand regulatory functions.
COMMUNITY AND ECONOMIC DEVELOPMENT		
General Fund:		
Marketing to Attract Business.....		TRANSFERRED: From Business Retention and Expansion (1) and To Marketing to Attract Film Business (-1).
Marketing to Attract Film Business.....	1	TRANSFERRED: From Marketing to Attract Business.
Business Retention and Expansion.....	-1	TRANSFERRED: To Marketing to Attract Business.
General Government Operations.....	-10	Eliminated positions.
DEPARTMENT TOTAL	<u>-10</u>	
CONSERVATION AND NATURAL RESOURCES		
General Fund:		
State Forests Operations.....	-14	Eliminated positions.
State Parks Operations.....	-19	Eliminated positions.
Forest Pest Management.....	-1	Eliminated position.
General Government Operations.....	-16	Eliminated positions.
DEPARTMENT TOTAL	<u>-50</u>	

Summary of 2005-06 Complement Changes

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
CORRECTIONS		
General Fund:		
Medical Care.....	-50	Eliminated positions.
Inmate Education and Training.....	-12	Eliminated positions.
State Correctional Institutions.....	-299	Eliminated positions.
General Government Operations.....	-11	Eliminated positions.
DEPARTMENT TOTAL	<u>-372</u>	
EDUCATION		
General Fund:		
General Government Operations.....	<u>-33</u>	Eliminated positions.
EMERGENCY MANAGEMENT AGENCY		
General Fund:		
General Government Operations.....	<u>1</u>	TRANSFERRED: From Office of Administration for Continuity of Government.
ENVIRONMENTAL HEARING BOARD		
General Fund:		
General Government Operations.....	<u>-1</u>	Eliminated position.
ENVIRONMENTAL PROTECTION		
General Fund:		
Environmental Protection Operations.....	-99	Eliminated positions.
Environmental Program Management.....	-25	Eliminated positions.
Black Fly Control and Research.....	-5	Eliminated positions.
General Government Operations.....	-14	Eliminated positions.
DEPARTMENT TOTAL	<u>-143</u>	
GENERAL SERVICES		
General Fund:		
General Government Operations.....	<u>83</u>	NEW: Centralized procurement activities - transfer of positions from other departments (125). Eliminated positions (-42).
HEALTH		
General Fund:		
General Government Operations.....	<u>2</u>	NEW: Reduced reliance on contracted staff.
Federal Funds:		
Tuberculosis - Administration and Operations (F).....	1	NEW: Program administration.
Disease Control Immunization (F).....	3	NEW: Vaccine and data management.
Preventive Health Special Projects (F).....	1	NEW: Tobacco control activities.
Federal Funds Total	<u>5</u>	
DEPARTMENT TOTAL	<u>7</u>	
HISTORICAL AND MUSEUM COMMISSION		
General Fund:		
General Government Operations.....	<u>-15</u>	Eliminated positions.
INSURANCE		
General Fund:		
Adult Health Insurance Administration.....	-2	Eliminated positions.
General Government Operations.....	-15	Eliminated positions.
DEPARTMENT TOTAL	<u>-17</u>	

Summary of 2005-06 Complement Changes

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
LABOR AND INDUSTRY		
General Fund:		
Occupational and Industrial Safety.....	-16	Eliminated positions.
MILITARY AND VETERANS AFFAIRS		
General Fund:		
Veterans Homes.....	-94	TRANSFERRED: To General Government Operations (-8). Eliminated positions (-86).
Scotland School for Veterans' Children.....	-6	Eliminated positions (-6).
General Government Operations.....	-9	TRANSFERRED: From Veterans Homes (8). Eliminated positions (-17).
General Fund Total	<u>-109</u>	
Federal Funds:		
Facilities Maintenance (F).....	12	NEW: Maintenance positions.
DEPARTMENT TOTAL	<u>-97</u>	
PROBATION AND PAROLE		
General Fund:		
General Government Operations.....	-65	Eliminated positions.
Sexual Offenders Assessment Board.....	-1	Eliminated position.
DEPARTMENT TOTAL	<u>-66</u>	
PUBLIC UTILITY COMMISSION		
General Fund:		
General Government Operations.....	-10	Eliminated positions, (taxicab regulation transferred to the Philadelphia Parking Authority).
PUBLIC WELFARE		
General Fund:		
County Administration - Statewide.....	-76	Eliminated positions.
New Directions.....	-33	Eliminated positions.
Mental Health Services (Hospitals).....	-112	Eliminated positions.
State Centers for Mentally Retarded.....	-141	Eliminated positions.
Information Systems.....	-6	Eliminated positions.
Youth Development Institutions and Forestry Camps.....	-6	Eliminated positions.
General Government Operations.....	-106	Eliminated positions.
County Assistance Offices.....	-206	Eliminated positions.
DEPARTMENT TOTAL	<u>-686</u>	
REVENUE		
General Fund:		
General Operations - Lottery Administration.....	-264	TRANSFERRED: To the Lottery Fund.
General Government Operations.....	-35	Eliminated positions.
General Fund Total	<u>-299</u>	
Lottery Fund:		
General Operations.....	264	TRANSFERRED: From the General Fund.
DEPARTMENT TOTAL	<u>-35</u>	
STATE		
General Fund:		
Professional and Occupational Affairs (R).....	4	NEW: Increased licensing oversight.
Voter Registration.....	-1	Eliminated position.
General Government Operations.....	2	NEW: Voter registration system.
DEPARTMENT TOTAL	<u>5</u>	

Summary of 2005-06 Complement Changes

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
STATE POLICE		
General Fund:		
General Government Operations.....	<u>-55</u>	NEW: Delaware River Joint Toll Bridge Commission (13) and Clandestine Labs (2). TRANSFERRED: To Commercial Vehicle Inspections (-70).
Motor License Fund:		
Commercial Vehicle Inspections.....	<u>70</u>	TRANSFERRED: From General Government Operations.
DEPARTMENT TOTAL	<u>15</u>	
TAX EQUALIZATION BOARD		
General Fund:		
General Government Operations.....	<u>-2</u>	Eliminated positions.
TRANSPORTATION		
General Fund:		
General Operations.....	<u>-6</u>	Eliminated positions.
GRAND TOTAL	<u>-1,572</u>	



STATISTICAL DATA

This section contains historical data for various Pennsylvania economic indicators. Data is obtained from published sources noted on each page. Additional data is available from the Penn State Data Center through the Commonwealth's World Wide Web home page by selecting "About PA" on that page. (www.state.pa.us/PAPower/).

SELECTED DATA ON THE COMMONWEALTH OF PENNSYLVANIA

General

The Commonwealth of Pennsylvania is one of the most populous states, ranking sixth behind California, Texas, New York, Florida, and Illinois. Pennsylvania is an established state with a diversified economy. Pennsylvania had been historically identified as a heavy industrial state. That reputation has changed over the last thirty years as the coal, steel and railroad industries declined. The Commonwealth's business environment readjusted with a more diversified economic base. This economic readjustment was a direct result of a long-term shift in jobs, investment, and workers away from the northeast part of the nation. Currently, the major sources of growth in Pennsylvania are in the service sector, including trade, medical, health services, education and financial institutions.

Pennsylvania's agricultural industries remain an important component of the Commonwealth's economic structure, accounting for more than \$5.1 billion in crop and livestock products annually. In 2003, agribusiness and food related industries reached record export sales surpassing \$1.3 billion in economic activity. Over 58,000 farms form the backbone of the State's agricultural economy. Farmland in Pennsylvania includes over four million acres of harvested cropland and three million acres of pasture and farm woodlands - nearly one-third of the Commonwealth's total land area. Agricultural diversity in the Commonwealth is demonstrated by the fact that Pennsylvania ranks among the top ten states in the production of a variety of agricultural products. Agriculture exports have grown by more than 6% since 2002.

Pennsylvania's extensive public and private forests provide a vast source of material for the lumber, furniture, and paper products industries. The forestry and related industries accounts for 1.5% of employment with economic activity of nearly \$4.5 billion in domestic and international trade. Additionally, the Commonwealth derives a good water supply from underground sources, abundant rainfall, and a large number of rivers, streams, and lakes. Other natural resources include major deposits of coal, petroleum, and natural gas. Annually, about 80 million tons of anthracite and bituminous coal, 180 billion cubic feet of natural gas, and about 1.4 million barrels of oil are extracted from Pennsylvania.

Pennsylvania is a Mid-Atlantic state within easy reach of the populous eastern seaboard and, as such, is the keystone to the Midwest. A comprehensive transportation grid enhances the Commonwealth's strategic geographic position. The Commonwealth's water systems afford the unique feature of triple port coverage, a deep-water port at Philadelphia, a Great Lakes port at Erie and an inland water port at Pittsburgh. Between air, rail, water, and road, Pennsylvania is easily accessible for both inter and intra state trade and commerce.

Population

The Commonwealth is highly urbanized. Of the Commonwealth's 2004 mid-year population estimate, 79 percent resided in the 15 Metropolitan Statistical Areas ("MSAs") of the Commonwealth. The largest MSAs in the Commonwealth are those that include the cities of Philadelphia and Pittsburgh, which together contain almost 44 percent of the State's total population. The population of Pennsylvania, 12.4 million people in 2004, according to the U.S. Bureau of the Census, represents a population growing slower than the nation with a higher portion than the nation or the region comprised of persons 45 or over. The following tables present the population trend from 1994 to 2004 and the age distribution of the population for 2003.

Population Trends Pennsylvania, Middle Atlantic Region and the United States 1994-2004

As of July 1	Total Population In Thousands			Total Population as a % of 1994 base		
	PA	Middle Atlantic Region ^(a)	U.S.	PA	Middle Atlantic Region ^(a)	U.S.
1994.....	12,042	38,117	260,327	100%	100%	100%
1995.....	12,044	38,161	262,803	100	100	101
1996.....	12,038	38,191	265,228	100	100	102
1997.....	12,015	38,213	267,783	100	100	103
1998.....	12,002	38,257	270,248	99	100	104
1999.....	11,994	38,334	272,690	99	100	105
2000.....	12,286	38,715	282,178	102	101	108
2001.....	12,298	39,877	285,094	102	104	109
2002.....	12,328	40,038	287,974	102	105	110
2003.....	12,370	40,194	290,810	102	105	112
2004.....	12,406	40,332	293,655	103	105	113

^(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey
Source: U.S. Department of Commerce, Bureau of the Census

Population By Age Group — 2003 Pennsylvania, Middle Atlantic Region and the United States

Age	Pennsylvania	Middle Atlantic Region ^(a)	United States
Under 5 years.....	5.7 %	6.2 %	6.8 %
5-24 years.....	26.7	26.7	28.3
25-44 years.....	25.6	30.2	27.5
45-64 years.....	26.6	23.2	25.1
65 years and over.....	15.4	13.7	12.3

^(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Commerce, Bureau of the Census

Employment

Non-agricultural employment in Pennsylvania over the ten years ending in 2003 increased at an average annual rate of 1.0 percent compared with a 1.2 percent rate for the Middle Atlantic region and 1.5 percent rate for the U.S. The following table shows employment trends from 1994 through 2003.

Non-Agricultural Establishment Employment Trends Pennsylvania, Middle Atlantic Region and the United States 1994-2003

Calendar Year	Total Establishment Employment In Thousands			Total Establishment Employment as a % of 1994 base		
	PA	Middle Atlantic Region ^(a)	U.S.	PA	Middle Atlantic Region ^(a)	U.S.
1994.....	5,192	17,222	114,291	100 %	100 %	100 %
1995.....	5,253	17,268	117,298	101	101	103
1996.....	5,306	17,541	119,708	102	102	105
1997.....	5,406	17,919	122,776	104	104	107
1998.....	5,495	18,005	125,930	106	105	110
1999.....	5,586	18,148	128,993	107	105	113
2000.....	5,691	18,737	131,785	108	108	115
2001.....	5,682	18,733	131,826	109	109	115
2002.....	5,651	18,836	130,376	109	109	114
2003.....	5,698	19,155	130,124	109	111	114

^(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Non-manufacturing employment in Pennsylvania has increased in recent years and reached 87.4 percent of total employment by 2003. Consequently, manufacturing employment constitutes a diminished share of total employment within the Commonwealth. Manufacturing, contributing 12.6 percent of 2003 non-agricultural employment, has fallen behind both the services sector and the trade sector as the largest single source of employment within the Commonwealth. In 2003, the services sector accounted for 43.5 percent of all non-agricultural employment while the trade sector accounted for 15.8 percent. The following table shows trends in employment by sector for Pennsylvania from 1999 through 2003.

Non-Agricultural Establishment Employment by Sector Pennsylvania 1999-2003 (In Thousands)

	CALENDAR YEAR									
	1999		2000		2001		2002		2003	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Manufacturing:										
Durable.....	547.2	9.8	537.4	9.4	514.6	9.0	478.7	8.5	422.1	7.4
Non-Durable.....	393.0	7.0	388.6	6.8	377.9	6.6	363.4	6.4	294.7	5.2
Total Manufacturing ^(d)	940.2	16.8	926.0	16.3	892.5	15.7	842.1	14.9	716.8	12.6
Non-Manufacturing:										
Trade ^(a)	1,250.4	22.4	1,275.2	22.4	1,272.0	22.3	1,266.0	22.4	900.9	15.8
Finance ^(b)	323.7	5.8	326.3	5.7	328.6	5.8	327.8	5.8	338.8	5.9
Services.....	1,812.7	32.5	1,872.4	32.9	1,907.6	33.5	1,921.7	34.0	2,476.9	43.5
Government.....	710.1	12.7	726.9	12.8	729.8	12.8	740.4	13.1	771.4	13.5
Utilities ^(c)	292.8	5.2	301.1	5.3	303.3	5.3	288.3	5.1	220.6	3.9
Construction.....	235.7	4.2	251.1	4.4	248.4	4.4	248.7	4.4	254.5	4.5
Mining.....	20.5	0.4	19.4	0.3	19.0	0.3	17.0	0.3	18.0	0.3
Total Non-Manufacturing ^(d)	4,645.9	83.2	4,772.4	83.5	4,808.7	84.3	4,809.9	85.1	4,981.1	87.4
Total Employees ^{(d)(e)}	5,586.1	100.0	5,698.4	99.8	5,701.2	100.0	5,652.0	100.0	5,697.9	100.0

^(a) Wholesale and retail trade.

^(b) Finance, insurance and real estate.

^(c) Includes transportation, communications, electric, gas and sanitary services.

^(d) Discrepancies occur due to rounding.

^(e) Does not include workers involved in labor-management disputes.

Source: US Bureau of Labor Statistics

The following table presents the percentages of non-agricultural employment in various sectors in Pennsylvania and the United States in 2003.

Non-Agricultural Establishment Employment by Sector Pennsylvania and the United States

	2003 Calendar Year	
	Pennsylvania	United States
Manufacturing.....	12.6 %	11.1 %
Trade ^(a)	15.8	15.8
Finance ^(b)	5.9	6.1
Services.....	43.5	41.1
Government.....	13.5	16.7
Utilities ^(c)	3.9	3.6
Construction.....	4.5	5.2
Mining.....	0.3	0.4
Total ^(d)	100.0 %	100.0 %

^(a) Wholesale and retail trade.

^(b) Finance, insurance and real estate.

^(c) Includes transportation, communications, electric, gas and sanitary services.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Within the manufacturing sector of Pennsylvania's economy, which now accounts for less than one-sixth of total non-agricultural employment in Pennsylvania, the non-electrical machinery industries employed the largest number of workers. Employment in the non-electrical machinery industries was 7.9 percent of Pennsylvania manufacturing employment but only 0.9 percent of total Pennsylvania non-agricultural employment in 2003. The following table shows trends in manufacturing employment by industry for Pennsylvania from 1999 through 2003.

Manufacturing Establishment Employment by Industry Pennsylvania 1999-2003 (In Thousands)

	CALENDAR YEAR									
	1999		2000		2001		2002		2003	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Durable Goods:										
Primary Metals.....	71.5	8.0	67.8	7.8	62.9	7.8	57.9	6.8	44.0	6.1
Fabricated Metals.....	88.0	9.1	89.6	9.2	86.8	9.2	81.5	9.5	90.5	12.6
Machinery (excluding electrical)....	107.0	11.3	99.4	11.4	92.9	11.4	83.4	9.8	56.5	7.9
Electrical Equipment.....	78.6	8.1	80.9	8.1	78.3	8.1	65.9	7.7	24.4	3.4
Transportation Equipment....	53.4	5.4	49.4	5.5	46.8	5.5	43.3	5.1	41.4	5.8
Stone, Clay and Glass.....	38.8	4.1	38.8	4.1	37.9	4.1	36.6	4.3	32.1	4.5
Other Durable Goods.....	109.9	11.3	111.5	11.5	109.0	11.5	108.1	12.6	133.2	18.6
Total Durable Goods ^(a)	<u>547.2</u>	<u>57.3</u>	<u>537.4</u>	<u>57.7</u>	<u>514.6</u>	<u>57.7</u>	<u>476.7</u>	<u>55.8</u>	<u>422.1</u>	<u>58.9</u>
Non-Durable Goods:										
Apparel & Related Goods...	40.7	4.6	38.2	4.3	32.6	3.5	28.9	3.4	15.8	2.2
Food Products.....	84.0	9.1	84.3	9.0	85.0	9.1	85.3	10.0	73.6	10.3
Chemical Products.....	68.8	7.2	70.2	7.3	72.3	7.7	72.8	8.5	60.6	8.5
Printing and Publishing.....	81.7	8.8	82.3	8.7	80.5	8.6	78.0	9.1	40.1	5.6
Textile Products.....	21.9	2.4	21.5	2.3	18.6	2.0	16.8	2.0	16.8	2.3
Paper Products.....	36.8	3.9	36.0	3.9	35.3	3.8	34.7	4.1	29.8	4.2
Other Non-Durable Goods...	63.7	6.7	63.5	6.8	64.3	6.9	61.4	7.2	58.0	8.1
Total Non-Durable Goods ^(a)	<u>396.8</u>	<u>42.7</u>	<u>397.6</u>	<u>42.5</u>	<u>388.6</u>	<u>41.5</u>	<u>377.9</u>	<u>44.2</u>	<u>294.7</u>	<u>41.1</u>
Total Manufacturing										
Employees ^(a)	<u>940.7</u>	<u>100.0</u>	<u>929.6</u>	<u>100.0</u>	<u>936.4</u>	<u>100.0</u>	<u>854.6</u>	<u>100.0</u>	<u>716.8</u>	<u>100.0</u>

^(a) Discrepancies occur due to rounding

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment

Pennsylvania's annual average unemployment rate was equivalent to the national average throughout the 1990's. Slower economic growth caused the unemployment rate in the Commonwealth to rise to 6.2 percent in 1994. The resumption of faster economic growth resulted in a decrease in the Commonwealth's annual unemployment rate to 5.6 percent through 2003 peaking at 4.2 percent in 2000. From 1994 through 2003, Pennsylvania's annual average unemployment rate was at or below the Middle Atlantic Region's average. Since 2001 Pennsylvania's annual average has been at or below both the Middle Atlantic and the United States. As of September 2004, the most recent month for which figures are available, Pennsylvania had a seasonally adjusted annual unemployment rate of 5.3 percent. The following table represents the annual non-adjusted unemployment rate in Pennsylvania, the Middle Atlantic Region, and the United States from 1994 through 2003.

Annual Average Unemployment Rate Pennsylvania, Middle Atlantic Region and the United States 1994-2003

<u>Calendar Year</u>	<u>Pennsylvania</u>	<u>Middle Atlantic Region^(a)</u>	<u>United States</u>
1994.....	6.2 %	6.7 %	6.1 %
1995.....	5.9	6.2	5.6
1996.....	5.3	5.9	5.4
1997.....	5.2	5.7	5.9
1998.....	4.6	5.1	4.5
1999.....	4.4	4.8	4.2
2000.....	4.2	4.2	4.0
2001.....	4.7	4.7	4.7
2002.....	5.7	5.9	5.8
2003.....	5.6	6.0	6.0

^(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table presents the thirty largest non-governmental employers in Pennsylvania:

Commonwealth of Pennsylvania Thirty Largest Non-Governmental Employers March 2003

<u>Company</u>	<u>Rank</u>	<u>Company</u>	<u>Rank</u>
Wal-Mart Associates	1	The Home Depot USA Inc	16
University of Pennsylvania	2	Highmark Blue Cross/Blue Shield	17
Pennsylvania State University	3	Verizon Co Inc.....	18
United Parcel Service.....	4	Wachovia Bank	19
Giant Food Stores.....	5	May Department Stores	20
US Airways Inc	6	Vanguard Group Inc.....	21
University of Pittsburgh	7	Heartland Employment	22
Merck & Co Inc	8	Mellon Bank, NA	23
Weis Markets Inc	9	Acme Markets Inc	24
UPMC Presbyterian	10	GMR Restaurants of Pennsylvania	25
KMART of Pennsylvania LP	11	Hershey Foods Corporation.....	26
Sears Roebuck & Co.....	12	Temple University.....	27
PNC Bank, NA.....	13	J C Penney Company Inc	28
Giant Eagle Inc	14	Eckerd Corporation	29
Tenet Health System Inc Philadelphia	15	Eat'n Park Hospitality Group.....	30

Source: Pennsylvania Department of Labor, Office of Employment Security.

Personal Income

Personal income in the Commonwealth for 2003 is \$392.1 billion, an increase of 1.1 percent over the previous year. During the same period, national personal income increased at a rate of 3.1 percent. Based on the 2003 personal income estimates, per capita income for 2003 is at \$31,998 in the Commonwealth compared to per capita income in the United States of \$31,632. The following tables represent annual personal income data and per capita income from 1994 through 2003.

**Personal Income
Pennsylvania, Mideast Region and the United States
1994-2003**

Year	Total Personal Income Dollars in Millions			Total Personal Income As a % of 1994 base		
	PA	Mideast Region ^(a)	U.S. ^(b)	PA	Mideast Region ^(a)	U.S.
1994.....	\$ 275,336	\$1,140,466	\$5,878,362	100 %	100 %	100 %
1995.....	285,923	1,193,865	6,192,235	104	105	105
1996.....	299,001	1,255,345	6,538,103	109	110	111
1997.....	313,457	1,315,810	6,928,545	114	115	118
1998.....	330,733	1,400,562	7,418,497	120	123	126
1999.....	342,357	1,458,307	7,779,511	124	128	132
2000.....	364,837	1,580,733	8,422,074	133	138	143
2001.....	371,897	1,625,768	8,718,165	137	143	148
2002.....	380,161	1,649,048	8,868,261	142	146	152
2003.....	392,057	1,694,202	9,148,680	142	149	156

^(a) Mideast Region: Pennsylvania, New York, New Jersey, Maryland, District of Columbia, and Delaware.

^(b) Sum of States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**Per Capita Income
Pennsylvania, Mideast Region and the United States
1994-2003**

Calendar Year	Per Capita Income			As a % of U.S.	
	PA	Mideast Region ^(a)	U.S.	PA	Mideast Region ^(a)
1994.....	\$ 22,632	\$ 25,361	\$ 22,340	101 %	114 %
1995.....	23,439	26,421	23,255	101	114
1996.....	24,467	27,661	24,270	101	114
1997.....	25,635	28,868	25,412	101	114
1998.....	27,008	30,565	26,893	100	114
1999.....	27,916	31,630	27,880	100	113
2000.....	29,759	34,013	29,760	100	114
2001.....	30,752	34,952	30,413	101	115
2002.....	31,727	36,403	30,941	103	118
2003.....	31,998	36,243	31,632	101	115

^(a) Mideast Region: Pennsylvania, New York, New Jersey, Maryland, District of Columbia, and Delaware.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table presents growth rates in personal income and selected components of personal income for Pennsylvania, the Mideast Region and the United States from 1999 through 2003.

Annual Growth Rates Personal Income and Selected Components of Personal Income Pennsylvania, Mideast Region and the United States

Calendar Year	Pennsylvania	Mideast Region ^(a)	United States
Total Personal Income			
1999.....	3.5%	4.1 %	4.8%
2000.....	6.5	8.0	7.9
2001.....	3.4	3.3	7.9
2002.....	3.2	1.7	1.7
2003.....	1.1	2.2	3.1
Manufacturing			
1999.....	2.9%	2.2%	6.7%
2000.....	3.0	6.3	7.6
2001.....	-1.5	-1.5	-3.2
2002.....	-18.2	-23.9	-14.1
2003.....	-14.8	0.7	1.0
Trade^(b)			
1999.....	5.3%	5.8%	6.6%
2000.....	5.8	6.9	7.0
2001.....	1.6	1.0	1.0
2002.....	-14.7	-14.8	-17.4
2003.....	4.4	4.4	3.1
Finance^(c)			
1999.....	6.9%	8.6%	9.1%
2000.....	6.4	10.8	8.4
2001.....	5.8	4.8	6.5
2002.....	3.2	-2.1	0.1
2003.....	6.5	2.3	6.3
Services			
1999.....	5.9%	6.7%	7.8%
2000.....	7.4	8.5	9.7
2001.....	6.4	6.3	5.7
2002.....	19.3	12.1	6.6
2003.....	10.5	7.8	8.0
Utilities^(d)			
1999.....	6.8%	6.7%	8.9%
2000.....	4.4	5.9	6.8
2001.....	3.6	3.9	4.0
2002.....	-29.5	-19.2	-11.0
2003.....	2.8	2.4	1.7
Construction			
1999.....	10.7%	10.8%	10.8%
2000.....	7.3	9.2	8.4
2001.....	5.7	7.5	5.1
2002.....	12.2	9.6	7.4
2003.....	2.9	2.4	2.9
Mining			
1999.....	6.5%	2.2%	-8.3%
2000.....	0.1	2.5	10.4
2001.....	4.7	5.0	9.5
2002.....	-11.0	-12.7	1.2
2003.....	8.7	8.9	12.6

^(a) Mideast Region: Delaware, District of Columbia, Maryland, Pennsylvania, New York, and New Jersey.

^(b) Wholesale and retail trade.

^(c) Finance, insurance and real estate.

^(d) Includes transportation, communications, electric, gas and sanitary services.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The Commonwealth's average hourly wage rate of \$16.70 for manufacturing and production workers compares to the national average of \$15.50 for 2003. The following table presents the average hourly wage rates for 1999 through 2003.

Average Hourly Wages Production Workers on Manufacturing Payrolls Pennsylvania and the United States 1999-2003

Calendar Year	PA	U.S.
1999.....	\$ 14.18	\$ 13.24
2000.....	14.60	13.76
2001.....	14.85	14.31
2002.....	15.99	15.20
2003.....	16.70	15.50

Source: U.S. Department of Labor, Bureau of Labor Statistics

Market and Assessed Valuation of Real Property

Annually, the State Tax Equalization Board (the "STEB") determines an aggregate market value of all taxable real property in the Commonwealth. The STEB determines the market value by applying assessment to sales ratio studies to assessment valuations supplied by local assessing officials. The market values certified by the STEB do not include property that is tax exempt but do include an adjustment correcting the data for preferential assessments granted to certain farm and forestlands.

The table below shows the assessed valuation as determined and certified by the counties and the market value and the assessed to market value ratio determined by the STEB for real property over the last ten years. Increases in valuations shown below result from reassessment valuations by the counties, changes in property tax rolls and increases in the real value of existing property. In computing the market values for uneven-numbered years, the STEB is statutorily restricted to certifying only those changes in market value that result from properties added to or removed from the assessment rolls. The STEB is permitted to adjust the market valuation to reflect any change in real estate values or other economic change in value only in even-numbered years. This restriction accounts for the two-year pattern of market value changes apparent in the data below.

Valuations of Taxable Real Property 1994-2003

Year	Market Value ^(a)	Assessed Valuation	Ratio of Assessed Valuation to Market Value ^(a)
1994	\$333,872,670,300	\$ 98,004,141,038	29.4
1995	338,550,074,600	101,088,995,085	29.9
1996	359,993,651,000	102,107,687,304	28.4
1997	366,096,581,900	123,734,109,457	37.2
1998	388,146,465,800	204,581,152,222	52.7
1999	390,136,860,900	208,896,190,899	53.5
2000	420,041,123,600	241,060,798,812	57.4
2001	430,102,389,400	310,111,943,560	72.1
2002	467,311,009,700	325,451,064,697	69.6
2003	478,362,689,800	348,726,965,926	72.9

^(a) Value adjusted for difference between regular assessment and preferential assessment permitted on certain farm and forestlands.
Source: Annual Certifications by the State Tax Equalization Board July 2004.