

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

2002-03

# Budget In Brief



Mark Schweiker  
Governor



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

FEBRUARY 5, 2002

To the People of Pennsylvania:

Pursuant to Article VIII Section 12 of the Constitution of Pennsylvania, and Section 613 of the Administrative Code of 1929 (71 P.S. Section 233), I am transmitting to your representatives in the General Assembly my proposed budget for Fiscal Year 2002-03.

My friends, this is a budget year unlike any other in modern Pennsylvania history. You need only look at the front cover of the book now in your hands to understand why. Less than five months ago, our nation was attacked, thousands killed and injured. A Pennsylvania field became the final resting place for the heroes of Flight 93. It was a devastating day. But it was a day that defined us — as Americans and as Pennsylvanians. I deliver this budget proposal to you as the only governor in America who holds this office as a direct result of September 11<sup>th</sup>. It has been shaped in many ways by the events of that day, and the weeks and months that followed. We are presented with a host of new challenges — what lies within these pages are my choices as to how we face them.



Pennsylvanians should feel good about our readiness to handle these challenges. We are a safe state. We were prepared for September 11<sup>th</sup>. We are better prepared now. And this budget lays the groundwork to ensure that we are more prepared with each passing day. But Pennsylvanians must not only be safe from terrorism, they must be safe from the fear of losing their paychecks.

That's why this budget aggressively builds on the commitments made by my predecessor and partner, Tom Ridge, to Pennsylvania's working families and job-creating entrepreneurs. September 11<sup>th</sup> accelerated the national recession in which we find ourselves today. But because of actions we took over the last seven years, Pennsylvania was among the last states to feel the full effect of the tightening economy. We budgeted conservatively to grow a Rainy Day Fund from just \$66 million to \$1.1 billion. That's why I am able to deliver a budget proposal that does not include a tax increase — the first time in modern Pennsylvania history that our state can survive a recession without asking its citizens to pay higher taxes. Further, this budget proposes that state spending grow by only six-tenths of one percent. This is not a frugal budget, but it is a thrifty one. It is not elaborate, but it is decisive. I think Pennsylvanians will agree with me that the times demand it.

This budget continues our focus on education — particularly on 215,000 children in Philadelphia, Pennsylvania's largest school district. Philadelphia's public schools have not been getting the job done, tragically failing these kids. A City/State partnership will trigger a new era of academic achievement and financial stability. To make it work, I am proposing an additional \$75 million in state support for the Philadelphia School District. Combined with new financial resources from the City and the oversight of a newly created School Reform Commission to oversee the changes, I am confident we can transform that school system into a world-class urban district.

Friends, this is my first and last budget proposal. Although my term as governor will be short in duration, with your help, it will be long on accomplishment.

Sincerely,

Mark Schweiker  
Governor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Commonwealth of Pennsylvania  
Pennsylvania**

For the Fiscal Year Beginning  
**July 1, 2001**

*Arnold B. Buehr*  
President

*Jeffrey R. Egan*  
Executive Director

*The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the Commonwealth of Pennsylvania for its annual budget for the fiscal year beginning July 1, 2001. The award is valid for a period of one year.*

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

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

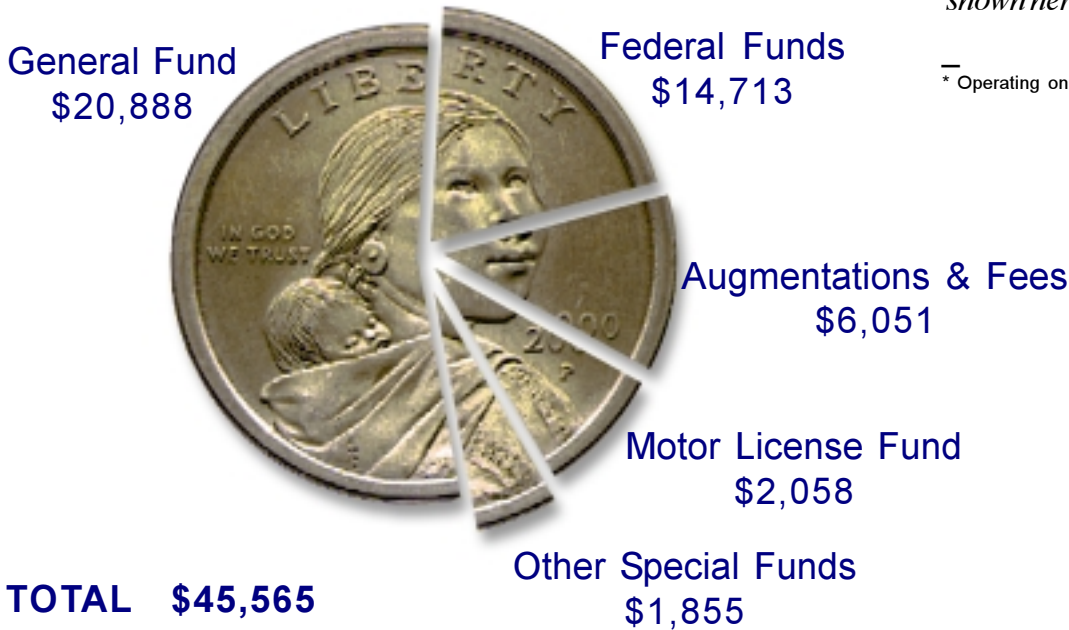


# 2002-03 TOTAL RECOMMENDED BUDGET

**(All Funds)\***

Dollars in Millions

The budget submitted by the Governor to the General Assembly includes funds from the five sources shown here and totals \$45.6 billion.



\* Operating only; excludes capital.

## 2002-03 Governor's Recommended Budget

Governor Schweiker's 2002-03 Budget is based on fiscal discipline with minimal spending increases and continues to provide tax cuts for working families.

- The proposed 2002-03 General Fund Budget is nearly \$20.9 billion, an increase of \$119 million or just 0.6 percent. The Administration's seven enacted budgets have had an average spending growth of 3.0 percent. The average growth in

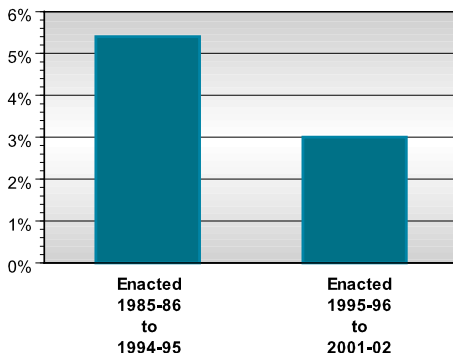
the enacted budgets during the previous ten-year period was 5.44 percent.

- The budget proposes a \$550 million appropriation from the Commonwealth's Rainy Day Fund to the General Fund in light of the current national recession and its effect on the Commonwealth's General Fund revenues. The use of Rainy Day Fund reserves established during

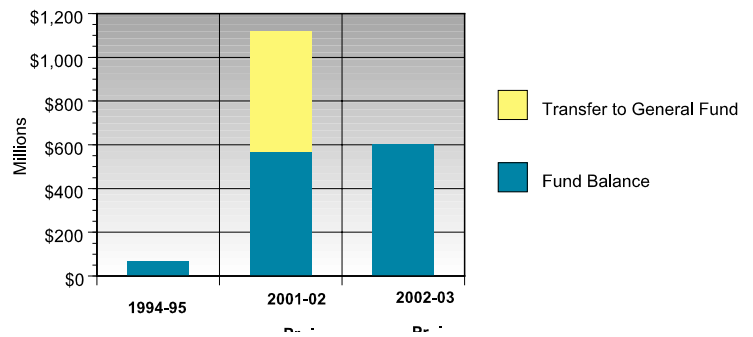
this Administration will keep the General Fund in balance and avoid the need for a tax increase.

- \$103.4 million in total tax reductions are included in the 2002-03 recommended budget. Tax forgiveness for working families is recommended to be expanded and the Capital Stock and Franchise Tax will continue to be phased out.

Enacted State Budgets Average Spending Growth



Rainy Day Fund Ending Cash Balance

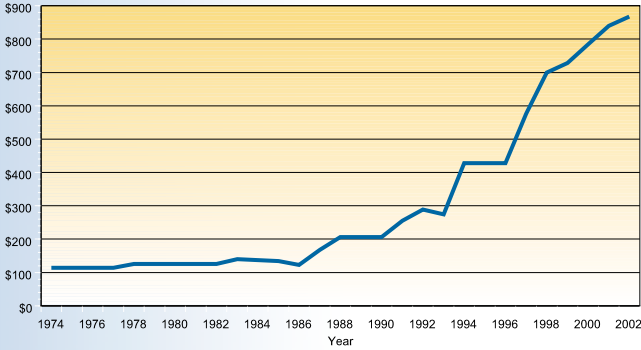


# PROPOSED TAX REDUCTIONS (DOLLAR AMOUNTS IN THOUSANDS)

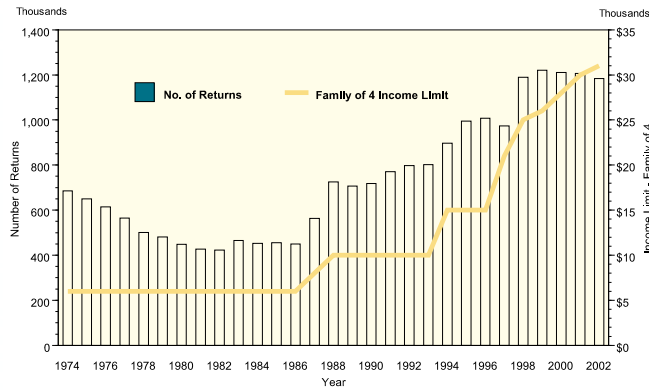
## Personal Income Tax:

**Expand Tax Forgiveness** ..... \$ -12,400  
 A claimant's eligibility income limit to qualify for full tax forgiveness under the special tax provisions is proposed to be increased from \$8,500 to \$9,000 for each dependent, effective January 1, 2002. A qualifying family of four with two claimants and two dependents will owe no tax on taxable income up to \$31,000, for a savings of \$868.

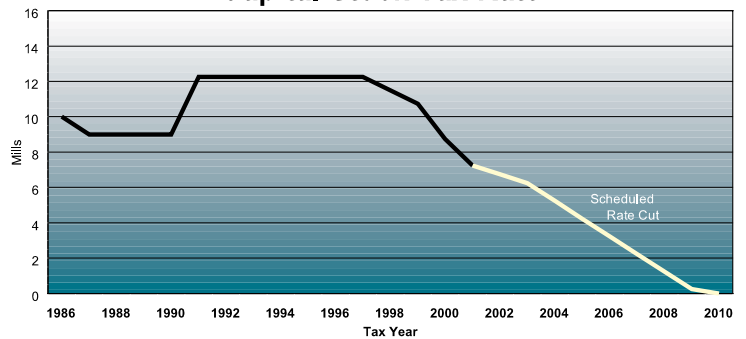
**Tax Savings for a Family of Four**



**Forgiveness Income Limits and Number of Returns**



**Capital Stock Tax Rate**



## Capital Stock and Franchise Tax:

**Phase-Out Tax** ..... \$ -91,000  
 The tax will continue to be phased out although at a temporarily modified rate. Beginning January 1, 2002, the tax rate will be reduced by one-half mill per year through the end of 2003. For 2002, the rate will be 6.99 mills and in 2003 the rate will be 6.49 mills. Beginning January 1, 2004, the tax rate will be reduced by one mill each year thereafter until the tax is eliminated. The 0.25 mill portion of the tax dedicated to the Hazardous Sites Cleanup Fund will be eliminated with the last mill of the tax rate. The estimated 2002-03 cost is \$91 million.

**TOTAL TAX REDUCTIONS** ..... \$ -103,400

# Homeland Security Initiative

## **“Protecting the pillars of our nation – our people, our values and our communities”**

*The events of September 11, 2001, have forever changed the face of our nation. For the first time in nearly sixty years, our nation was attacked by an unconventional enemy using unconventional means. The impact of this attack touched the entire world, and its effects will forever be in our minds. As a result of these events, we strengthen our resolve to protect our nation, our people, our values and our communities. Pennsylvania has been building a model for anti-terrorism since 1996, and this model has been strengthened and will continue to be expanded. The Governor's Task Force on Security has acted with great speed to assess the Commonwealth's emergency preparedness and has identified opportunities to build upon our existing core capacity to respond quickly and effectively in the event of future emergencies. The Task Force has identified immediate needs of over \$7 million in State funds for the current fiscal year to strengthen and broaden our preparedness. Also, the Federal government could provide up to \$66 million in immediate assistance for emergency preparedness. In addition, this budget proposes nearly \$39 million in State funds and \$64 million in Federal funds to build upon existing preparedness programs in the following areas.*

- **State and Local Emergency Preparedness and Response Plans (\$9.3 million in State funds).**

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 conduct training and emergency preparedness exercises for State and local emergency response organizations and emergency plan development for counties.

- **Critical Infrastructure Security (\$16 million in State funds and \$7.1 million Federal funds).**

Critical infrastructure items must be identified, and their security risks and needs must be assessed to ensure the continued protection of these infrastructure items.

This budget recommends funding for 100 additional State Police Troopers who will be deployed statewide to provide additional law enforcement support. In addition, funding is recommended for the State Police to guard against and investigate incidents of cyber attacks and to enhance law enforcement preparedness. Funding is also recommended to the Department of General Services to deploy additional security staff and to enhance security at various Commonwealth buildings. This budget also recommends funding for the Executive Offices to enhance the security of the Commonwealth's data facilities and resources.

- **Public Health Readiness and Response (\$1 million State funds and \$56.7 million in Federal funds).**

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 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 develop emergency preparedness plans for the plant and animal health industries. In addition, this budget recommends funding for the Emergency Management Agency for additional Urban Search and Rescue training and certification and for regional assessment team development and training. Funding is also recommended for the Department of Public Welfare and the Executive Offices for crisis counseling preparedness.

- **Radio Communication Systems (\$12.3 million in State funds).**

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 first year of implementation of the Statewide Public Safety Radio System. Funding is also recommended for the Department of Military and Veterans Affairs to participate in the Statewide Public Safety Radio System. In addition, this budget recommends funding for the Emergency Management Agency for secure communication equipment.

# Homeland Security Initiative Funding Summary

		2001-02 Available		
		(Dollar Amounts in Thousands)		
	<u>State Funds</u>	<u>Federal Funds</u>	<u>Capital Funds</u>	
<b>Executive Offices</b>				
Flight 93 Disaster and Counseling Assistance.....		\$ 1,100		
Incident Preparedness.....		5,000		
<b>Emergency Management Agency</b>				
Training and Planning Assistance.....	\$ 728			
Emergency Preparedness and Response.....		981		
Urban Search and Rescue.....	3,517			
<b>Department of General Services</b>				
Infrastructure Security.....		243		
Capitol Police Staffing and Security Equipment.....	1,600			
<b>Department of Health</b>				
Public Health Emergency Preparedness and Response.....		50,000		
<b>Department of Public Welfare</b>				
Disaster Counseling Preparedness.....		3,275		
<b>State Police</b>				
Cyber Security.....		4,100		
Law Enforcement Preparedness.....		2,988		
TOTAL.....	<u>\$ 7,069</u>	<u>\$ 66,463</u>	<u>\$ 0</u>	

		2002-03 Budget		
		(Dollar Amounts in Thousands)		
	<u>State Funds</u>	<u>Federal Funds</u>	<u>Capital Funds</u>	
<b>Executive Offices</b>				
Statewide Public Safety Radio System.....	\$ 11,174			
Data Security Enhancements.....	2,686		\$ 5,039	
Flight 93 Disaster Assistance.....		\$ 1,100		
<b>Department of Agriculture</b>				
Bio-Security.....	80			
<b>Emergency Management Agency</b>				
Training and Planning Assistance.....	7,089			
Emergency Preparedness and Response.....	2,182			
Urban Search and Rescue.....	808			
<b>Department of Environmental Protection</b>				
Environmental Health Surveillance.....	60			
Nuclear and Biological Security.....		3,225		
<b>Department of General Services</b>				
Infrastructure Security.....	589		24,821	
Capitol Police Staffing and Security Equipment.....	4,602			
<b>Department of Health</b>				
Public Health Emergency Preparedness and Response.....		46,775		
<b>Department of Military and Veterans Affairs</b>				
Statewide Public Safety Radio System.....	1,170			
<b>Department of Public Welfare</b>				
Disaster Counseling Preparedness.....		5,605		
<b>State Police</b>				
Additional State Police Troopers.....	7,240			
Additional State Police Trooper Support.....	860			
Cyber Security.....		4,100		
Law Enforcement Preparedness.....		2,988		
TOTAL.....	<u>\$ 38,540</u>	<u>\$ 63,793</u>	<u>\$ 29,860</u>	



# RETAINING AND CREATING JOBS

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

*The 2002-03 Budget includes the following program changes and funding amounts in pursuit of this program's goal.*

## *Tax Cuts For Jobs*

- The Capital Stock and Franchise Tax, regarded as a drawback to employers in Pennsylvania and a job-crushing tax that particularly hurts technology employers, will be completely phased out by 2010. The phase-out will provide for one-half mill rate reductions for calendar years 2002 and 2003 and annual mill reductions thereafter until the tax has been completely eliminated.

## *Attracting High Technology Jobs*

- \$54.4 million in General Fund monies to be provided through the Ben Franklin Technology Development Authority Fund, one of the largest single state technology development programs in the nation. Programs include innovative financing and technology development assistance for small- and medium-sized businesses; outreach and training programs to businesses and local governments focused on stimulating access to broadband technologies in rural and urban areas; and coordinating and expanding university-based research and development in high-tech fields.



- \$6 million for Small Business Development Centers to provide one-on-one business management consulting, information and education programs that build small firms' capacity to compete effectively in domestic and international markets.
- \$5 million for Interactive Marketing to continue internet-based marketing for business attraction and the attraction and retention of students and knowledge workers.
- \$2 million for the Brain Gain initiative to encourage the retention and attraction of young people to Pennsylvania by marketing PA, providing grants to local organizations and facilitating internships.

## *Workforce Development Strategy*

- \$238 million in Workforce Investment Federal funds for adult, youth and dislocated worker career development.
- \$37.5 million for customized job training to ensure Commonwealth citizens are equipped for employment in new and growing businesses.
- \$12.2 million in targeted State and Federal funds for the new Critical Job Training Program.
- \$6.2 million for SciTech and Technology Scholarships to provide an incentive for Pennsylvania students to pursue education and training in science and technology and stay in Pennsylvania after graduation, thus expanding the Commonwealth's skilled workforce.

## *RETAINING AND CREATING JOBS (CONTINUED)*

- \$5 million for workforce leadership grants to fund responsive programs for meeting the workforce needs of employers.
- \$850,000 in State and \$2 million in Federal funds for the Cyberscholarships Program, which provides Internet-skills training for qualified workers and job seekers.
- \$100,000 for the Pathways project which will assist disabled workers enter the workforce.



### *International Trade/Export*

- \$7.6 million for international trade.

### *Assistance for Employers*

- \$56 million for programs to develop infrastructure and provide incentive grants to employers wishing to expand or relocate in the Commonwealth.
- \$25 million for loans to establish and expand small businesses
- \$17 million in loans from the machinery and Equipment Loan Fund to support business expansion.

### *Aiding and Promoting Agribusiness*

- \$4.8 million for planning and prevention of the discharge of agricultural nutrient pollutants.

- \$4.3 million for the Animal Health Commission to prevent and control animal diseases through research and diagnostic services.
- \$3.6 million for Agricultural Research to enhance the quality and quantity of agricultural products.
- \$2.3 million for Product Promotion Marketing, Education and Exports to develop and expand domestic and international markets for Pennsylvania agricultural products.

### *Improving Communities for Technology and Living*

- \$10 million for New Communities to redevelop buildings in downtown areas to serve as a central focus of downtown commerce.
- \$4 million for sound land use activities.

### *Reinforcing Our Commitment To Tourism*

- \$14.5 million for marketing tourism.
- \$11.5 million for Tourist Promotion Assistance matching funds for local tourist promoting agencies for marketing the cultural and historical assets of the Commonwealth.
- \$5.5 million to facilitate regional marketing to attract tourists through coordination of local efforts.





# EDUCATION

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

*The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.*



## Basic Education

- \$6.6 billion in State support provided to the 501 local school districts.
- \$4 billion will be provided through the Basic Education Funding subsidy. Commonwealth support on average is equal to \$3,986 per student for the 125 poorest school districts and \$1,079 per student for the 125 wealthiest school districts.
- \$75 million in additional State funds for the Philadelphia School District in support of a new City/State partnership to improve the academic performance of the school district.
- \$23.6 million in funding for Education Support Services to purchase after-school assistance for elementary students who are not performing at grade level in reading and math.
- \$23.1 million increase for Pupil Transportation services.
- \$21.2 million increase in the State's share of local education costs for School Employees' Social Security.
- \$15 million for the fourth year of the \$100 million Read-to-Succeed initiative to help ensure Pennsylvania's school children learn to read by grade 3.

- \$12.9 million increase for Special Education.
- \$ 7 million increase in the Authority Rentals and Sinking Fund Program for school infrastructure reimbursement.
- \$2 million increase for Tuition for Orphans and Children placed in Private Homes program.
- \$1.3 million for School improvement Grants to provide new empowerment grants to school buildings with low academic achievement in school districts that have an overall acceptable level of academic performance.
- \$850,000 in Federal funds to create Charter School Regional Support Centers that will provide day-to-day communication, on-site monitoring, technical assistance, and conduct workshops on topics specific to charter school operations.
- \$254,000 increase for school breakfasts and lunches.



# EDUCATION (CONTINUED)



## Early Childhood Initiative

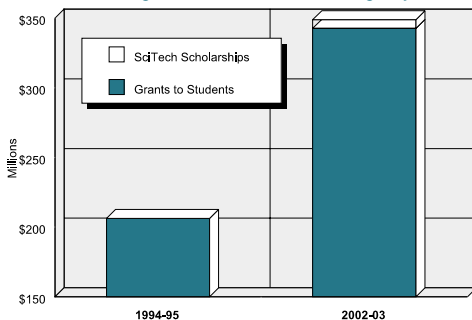
- \$1.8 million in total funds to purchase diagnostic testing and screening tools for children in kindergarten through second grade.
- \$400,000 in Federal funds to develop educational tools for younger children and provide implementation standards for family involvement.

## Higher Education

- \$8.3 million, a 4.4 percent increase, for Pennsylvania's community colleges.
- \$6.7 million, a 2 percent increase, for the ongoing Grants to Students Program and a \$25,000 increase for the Keystone Academy at Cheyney University.
- \$1.6 million, a 12.8 percent increase, for Matching Payments for Student Aid Funds.

## Student Aid

Higher Education Assistance Agency



Since 1994-95, State funding for student aid has increased by \$143 million or 69 percent.

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



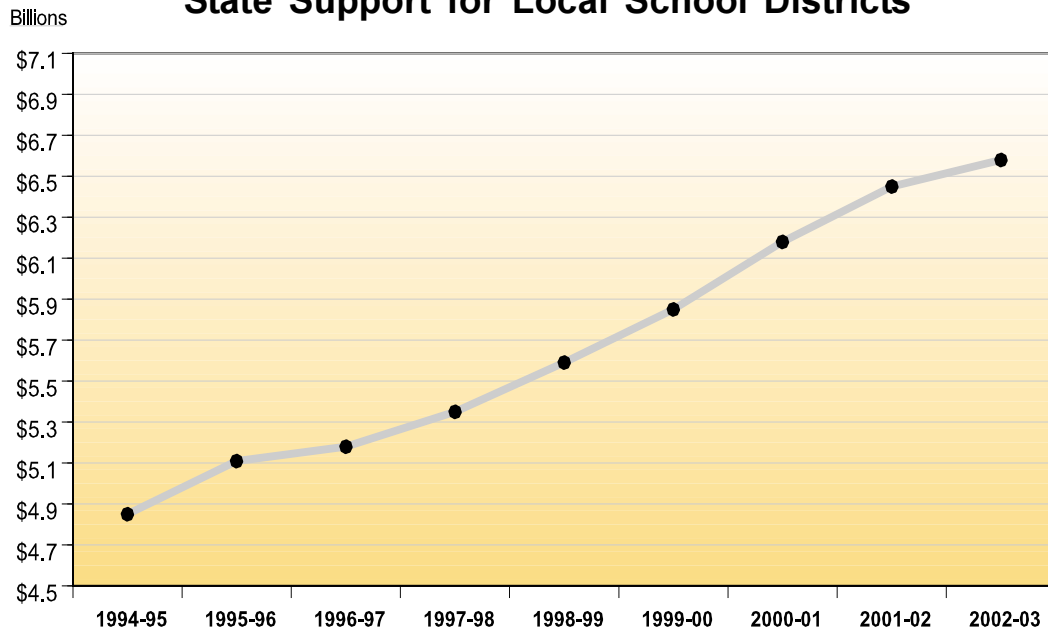
(Dollar amounts in thousands)

	2000-01 Actual	2001-02 Available	2002-03 Budget
Basic Education Funding .....	\$3,791,813	\$3,959,885	\$3,999,484
Special Education .....	783,089	861,398	874,319
Pupil Transportation .....	433,792	415,744	438,882
School Employees' Social Security .....	378,820	397,009	418,244
Authority Rentals and Sinking Fund Requirements .....	267,451	276,061	283,078
Early Intervention .....	93,503	102,435	102,819
Philadelphia School District.. .....	0	0	75,000
Special Education - Approved Private Schools	61,602	63,450	63,450
Vocational Education .....	53,068	55,378	55,378
Nonpublic and Charter School Pupil Transportation... .....	55,392	56,055	55,211
Tuition for Orphans and Children Placed in Private Homes .....	42,960	43,498	45,528
Safe and Alternative Schools .....	35,119	36,256	36,256
School Improvement Grants .....	25,000	26,661	27,961
PA Charter Schools for the Deaf and Blind .....	24,999	25,749	25,749
Performance Incentive .....	33,538	36,892	25,000
School Food Service .....	24,186	24,433	24,687
Read to Succeed .....	24,994	25,000	15,000
Intermediate Units .....	6,127	6,311	6,311
Technology Initiative .....	21,450	26,600	5,665
Teen Pregnancy and Parenthood.....	1,500	1,725	1,725
Education Mentoring .....	1,198	1,200	1,200
Homebound Instruction .....	662	746	840
Education of Migrant Laborers' Children .....	727	751	751
Comprehensive Reading .....	300	300	300
Payments in Lieu of Taxes .....	182	180	180
Education of Indigent Children .....	116	116	100
Vocational Education Equipment Grants .....	9,998	5,000	0
School District Demonstration Projects .....	6,700	4,000	0
Administrative/Instructional Consolidation .....	1,475	1,500	0
Alternative Education Demonstration Grants ..	1,000	0	0
School-to-Work Opportunities .....	500	0	0
<b>TOTAL .....</b>	<b>\$6,181,261</b>	<b>\$6,454,333</b>	<b>\$6,583,118</b>

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

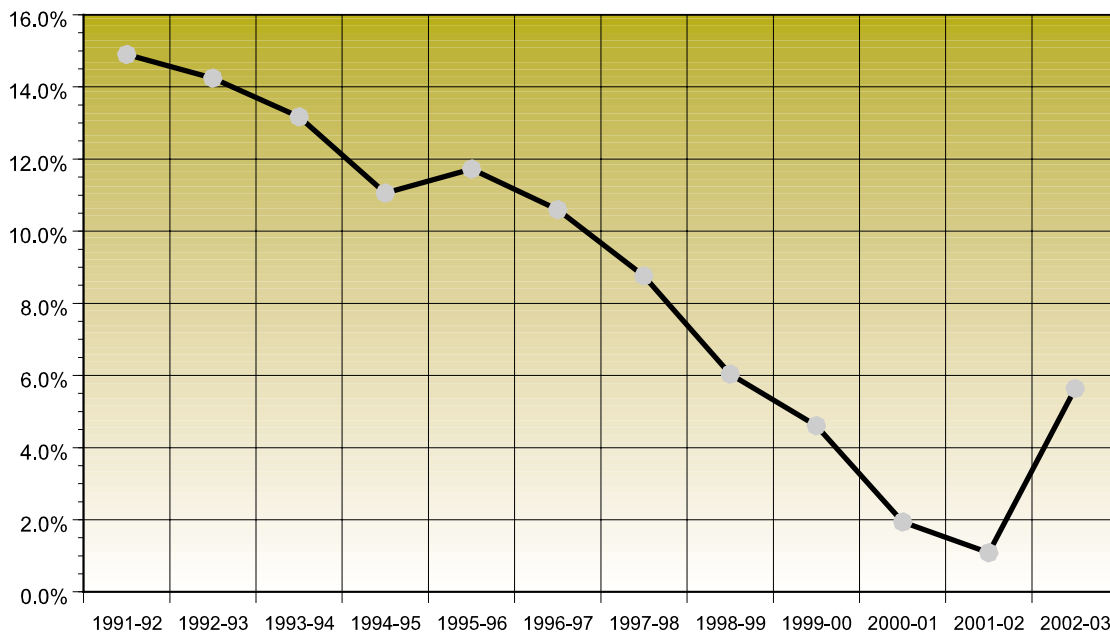


## State Support for Local School Districts



- Commonwealth appropriations in direct support of local school districts have increased since 1994-95 by over \$1.73 billion.
- In addition, decreases in the employer contribution rate for school employees' retirement will result in cumulative savings for school districts of more than \$1.1 billion from 1996-97 through 2002-03, despite the increase in the 2002-03 contribution rate.

## School Employees' Retirement Contribution Rate\*



\* Rate is paid approximately one-half by school districts and one-half by the State.

# PROTECTION OF PERSONS AND PROPERTY

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

The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

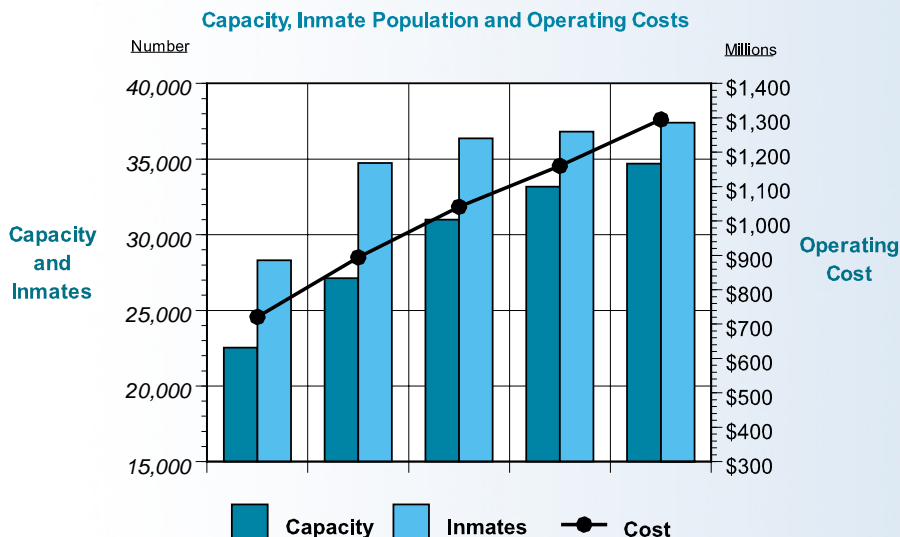
## Law Enforcement and Protection

- \$1.3 billion for the operation of the State Correctional institutions.
- \$45 million for the continued development and implementation of the State Police incident information Management System.
- \$27.6 million to the State Police for the Commonwealth Law Enforcement Network including \$5.9 million to redesign the criminal history repository.
- \$24 million to operate the 600 bed State Correctional Institution at Pine Grove for incarcerated young adult offenders that was opened in January 2001.
- \$23.5 million to operate the new 2,034 bed State Correctional Institution in Fayette County that will be opening in 2002-03.
- \$10.8 million to improve the Department of Corrections' information technology.
- \$8.1 million for the training, equipping and services of 100 additional State Police troopers.
- \$3.7 million to provide resources for base stations and mobile and portable radio equipment for State Police participation in the Statewide Public Safety Radio System.
- \$2.7 million to redesign and automate existing database applications for the Municipal Police Training Program.
- \$1.4 million to provide enhancements and additional storage capacity for the Automated Fingerprint identification System.
- \$1.2 million to provide base stations and mobile and portable radio equipment for the Department of Military and Veterans Affairs.



- \$1.2 million to provide hepatitis vaccinations to inmates and staff of the Department of Corrections.
- \$444,000 in technology funding to enhance victim notification and other services for the Office of Victim Advocate.

## State Correctional Institutions



## Crime Prevention

- \$3.3 million increase in State and Federal funds, for a total of \$5.6 million, to build upon the Weed and Seed Program by doubling efforts to expand crime prevention and juvenile violence prevention activities.
- \$1.2 million increase in State funds, for a total of \$13.6 million in State and Federal funds, to enhance the activities of the Governor's Partnership for Safe Children.

# PROTECTION OF PERSONS AND PROPERTY (CONTINUED)

## Security Initiatives

- \$50 million in the current year and \$47 million in the budget year in Federal funds for public health emergency preparedness and response.
- \$29.9 million for capital projects to enhance security in Commonwealth-owned buildings.
- \$11 million for emergency preparedness training and planning assistance in Pennsylvania's counties, including Statewide security for emergency communication and warning systems.
- \$7 million for expansion of security staffing and equipment for Commonwealth-owned buildings.
- \$4.3 million to establish and equip a second Urban Search and Rescue Team.

## Growing Greener

- \$663 million over six years from the Environmental Stewardship Fund for Growing Greener to address major environmental issues of the 21st Century.

The recommended growing greener budget for 2002-03 includes:

- ✓ \$32.5 million for watershed preservation and restoration.
- ✓ \$20.6 million for stormwater, water and sewer grants.
- ✓ \$12.9 million to rehabilitate, repair and develop State Parks and Forest land facilities.
- ✓ \$12.9 million for farmland preservation.
- ✓ \$7.5 million in grants to communities for conservation and open space projects.
- ✓ \$500,000 for grants to counties and local governments for conserving biological diversity.

## Other environmental initiatives include:

- \$5 million to continue the Household Hazardous Waste Collection Program via a transfer from the Hazardous Sites Cleanup Fund.
- \$4 million to provide grants to municipalities for the remediation of waste tire piles.
- \$3.2 million in Federal funds to provide equipment and materials for rapid response to nuclear and radiological events, expanded monitoring and tracking and other environmental security activities.
- \$1.1 million to enhance the Pennsylvania Natural Diversity Inventory Program.
- \$80,000 for animal health and plant industry bio-security.





# HEALTH AND HUMAN SERVICES



## Children Services

- \$449.5 million in total funds to provide child care for over 189,000 children of low-income working families and TANF and former TANF families.
- \$179 million in State, Federal and other funds to serve over 133,000 children through the Children's Health Insurance Program.
- \$23 million in Federal funds to continue youth employment and training, pregnancy prevention and before and after-school programs.
- \$10 million in Federal funds to continue to provide challenge grants to increase the capacity of child care centers in areas with unmet need.
- \$10 million in total funds to provide pre-school children in the Commonwealth access to internet-based learning tools and program content.
- \$9.8 million in State funds to continue adoption efforts.
- \$4.1 million in Federal funds to implement an early childhood cognitive development information campaign.
- \$3 million in Federal funds to increase parent-child interaction, better preparing children to enter school ready to succeed.
- \$2 million in Federal funds to continue development of additional full-day, full-year comprehensive Head Start child care services.

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

The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

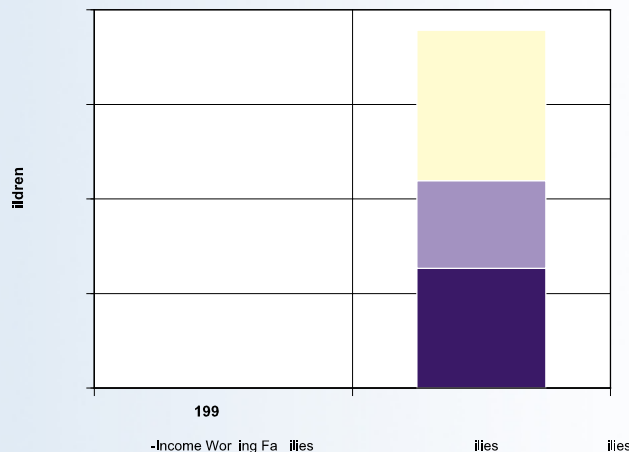
## Early Childhood Initiative

- \$7.9 million in Federal funds to provide subsidized child care services to approximately 3,240 additional children.
- \$6 million in Federal funds to implement a three year demonstration program to improve the quality of care provided to children in regulated child care facilities and to enable parents to assess the quality of care through a new rating system.
- \$4 million in total funds to provide Early Intervention services for an additional 1,132 children under age three.
- \$3 million in Federal funds to promote comprehensive local planning regarding early childhood program need.
- \$250,000 in Federal funds to expand the availability of scholarships for child care workers to pursue career development opportunities.

## Tobacco Settlement Funds

- \$124.4 million in Tobacco Settlement funds for adult health insurance and to extend Medical Assistance to disabled workers.
- \$78.7 million in Tobacco Settlement funds for health-related research proposals from Pennsylvania-based researchers and institutions.
- \$53.9 million in Tobacco Settlement funds for the Departments of Aging and Public Welfare to provide home and community-based care opportunities for 4,393 older Pennsylvanians.
- \$49.7 million in Tobacco Settlement funds to significantly expand the program to encourage prevention and cessation of tobacco use.
- \$41.5 million in Tobacco Settlement funds and \$52.5 in Federal funds to reimburse hospitals for uncompensated care costs incurred on behalf of uninsured individuals.
- \$33.2 million in Tobacco Settlement funds to support pharmaceutical purchases under the PACE and PACENET programs.

## Child Care



In 2002-03 the child care system will serve an estimated 55,000 more children of low-income working families than in 1994-95, an increase of 221%.



# HEALTH AND HUMAN SERVICES (CONTINUED)

## Helping People Help Themselves

- \$74 million in Federal funds to provide enhanced employment and training opportunities, including services for individuals with significant barriers to employment, of which \$43.8 million provides the Maximizing Participation Project (MPP) to assist families who have reached the 60-month limit for Temporary Assistance to Needy Families (TANF).
- \$38.9 million in total funds to expand the availability of affordable housing opportunities for low-income families.
- \$4 million in Federal funds to provide services to persons whose primary language is not English.

## Helping Pennsylvanians With Disabilities

- \$169.1 million in total funds for vocational rehabilitation services.
- \$18.1 million increase in total funds to provide home- and community-based services for 1,175 additional persons with mental retardation.
- \$13.4 million in total funds to provide home and community-based services to 479 persons with disabilities.
- \$7.1 million in State funds for community oversight of mental retardation services.
- \$5.6 million in Federal funds for disaster counseling preparedness.
- \$4 million in State funds to provide vocational rehabilitation services to individuals who are not eligible to receive services through the Federal program.
- \$1.6 million for the Centers for Independent Living to provide referral services, peer counseling, and independent living training.

- \$1.5 million in total funds to improve the administrative structure of home- and community-based services for persons with disabilities.
- \$1.4 million increase in State funds to provide home and community-based services to 33 individuals currently residing in State mental hospitals.
- \$1.3 million in total funds to increase fees paid to providers of home health care services provided through the Medical Assistance Program.
- \$1.2 million for supported employment which provides job placement in the community with on-site intensive training.



- \$1.1 million for the Independence Capital Access Network Program to provide grants to businesses to support the purchase of specialized or adaptive equipment for employees with disabilities.

## Health Care for Low-Income Pennsylvanians

- \$3.4 billion in State funds to maintain comprehensive medical coverage for 1.5 million children, pregnant women, older Pennsylvanians and people with disabilities meeting current income eligibility guidelines.
- \$433.2 million in total funds for premium and utilization increases for managed care organizations under the HealthChoices Southeast, Southwest and Lehigh/Capital Programs.
- \$371.8 million in total funds to annualize the expansion of the HealthChoices Program into the ten county Lehigh/Capital region.
- \$139 million in total funds to provide for the HIV/AIDS Risk Pool in the HealthChoices Program.
- \$35.7 million in total funds to provide for special population adjustments in the HealthChoices Program.
- \$22.3 million in total funds to provide tobacco cessation products and counseling for Medical Assistance recipients.
- \$20 million in State funds to provide for rate increases for hospitals providing Medical Assistance services.
- \$13.2 million in State funds savings as a result of Medical Assistance cost containment initiatives designed to maintain eligibility for individuals most in need.
- \$9.1 million in total funds to provide treatment for women diagnosed with breast or cervical cancer.

# HEALTH AND HUMAN SERVICES *(CONTINUED)*

- \$4.2 million in total funds to begin the expansion of the HealthChoices program into the nine county Northeast region.
- \$568,000 in State funds to improve the oversight of hospital and ambulatory care facilities.
- \$386,000 in State funds to provide sexually transmitted disease services to additional individuals and to reimburse increased service costs.



## *Technology for Human Services*

- \$3.4 million in total funds to develop an integrated client-based data system for home- and community-based services.
- \$6.5 million in total funds for the existing edical Assistance management information system to comply with Federal Health Insurance Portability and Accountability Act claims transaction requirements.
- \$1.5 million in State funds to implement an automated case management system for the youth development centers and youth forestry camps.
- \$1.3 million in State funds to develop a centralized database for the administration of cross-system human services licensing programs.
- \$403,000 in total funds to improve information technology resources, electronic reporting and automated survey capabilities.

## *Human Services*

- \$46.4 million increase in State funds to continue the County Child elfare needs-based program.
- \$4 million in Federal funds to provide low-income families access to computers in community-based settings.
- \$4 million in Federal funds to continue enhanced services for victims of domestic violence.
- \$2.1 million in total funds to enhance county child welfare program's Federal reporting capacity.
- \$2 million in Federal funds to improve access to legal services for low-income families.
- \$1.5 million in Federal funds to improve access to community drug and alcohol assessment and treatment services for criminal offenders.

## *Services to Older Pennsylvanians*

- \$165 million from the General Fund and Lottery Fund to maintain transportation programs that will provide over 46 million free and 6.5 million shared rides.
- \$66.8 million for Veterans Homes including \$8.5 million for the opening of the 170 bed Delaware Valley Veterans Home.
- \$1.96 million increase in State funds to provide services to an additional 112 persons in the PENNCARE Attendant Care Program.



# TRANSPORTATION

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

The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

## State Highway and Bridge Construction

- \$2 billion, including \$600 million in State and \$1.4 billion in Federal funds, for new construction and major repairs of highways and bridges.

## State Highway and Bridge Maintenance

- \$1.3 billion, including \$200 million in Federal funds, for the maintenance of the Commonwealth's bridges and highways. Also included is a \$15 million initiative to enhance road safety conditions in all 67 counties in the Commonwealth.

## Mass Transportation

- \$830 million, including \$753 million in State funds and \$77 million in Federal funds, for operating and capital assistance to mass transit agencies.

## Local Road Maintenance and Construction Payments

- \$289 million to municipal governments for local road maintenance and construction.

## Transportation Administration

- \$17.1 million for advanced maintenance technologies and more efficient transportation systems.

## Air Transportation

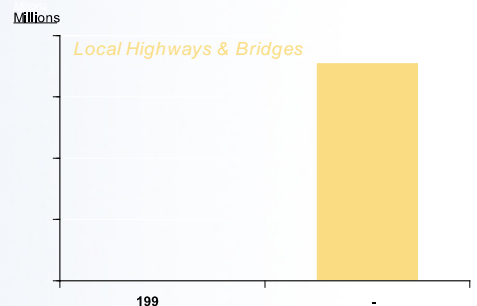
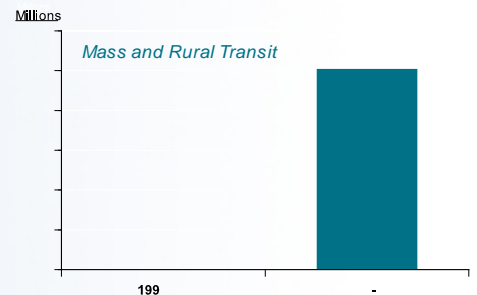
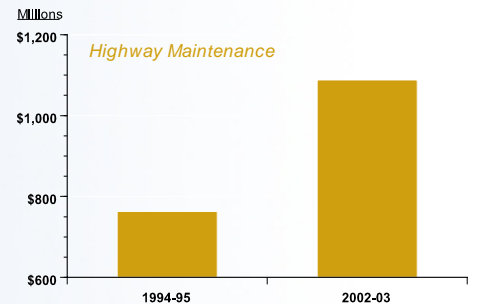
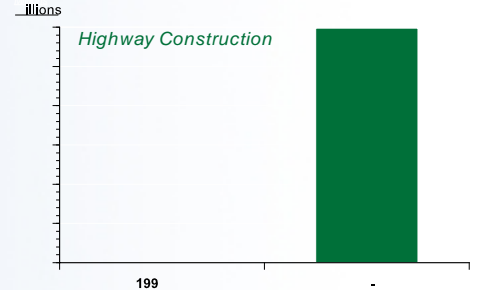
- \$9.25 million, an increase of \$1.5 million, to improve public airports.

## Intercity Transportation

- \$6.5 million to subsidize intercity transportation

## Disability Pilot Project Expansion

- \$1.8 million to expand transportation services for persons with disabilities living in rural communities.



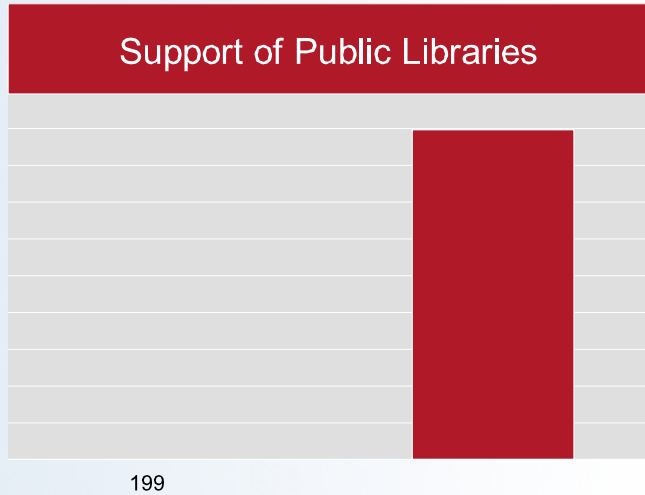


# RECREATION AND CULTURAL ENRICHMENT

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

The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

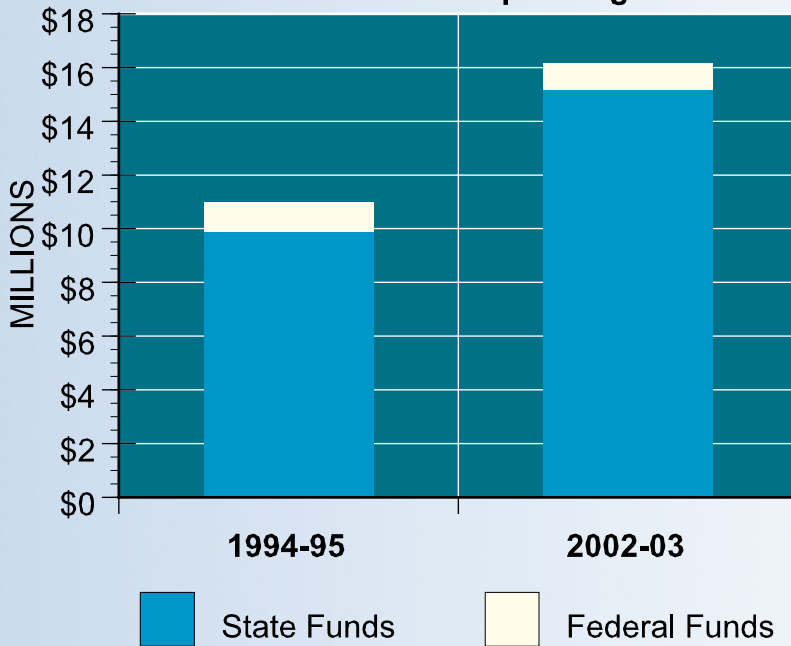
- \$62.6 million for the operation of the State Parks system.
- \$16.3 million for the management of State forest lands.
- \$265,000 to support expanded operations at the State museum, Pennsylvania anor and the Pennsylvania ilitary useum.
- \$90,000 to provide equipment and administrative support for Benjamin Rush State Park.



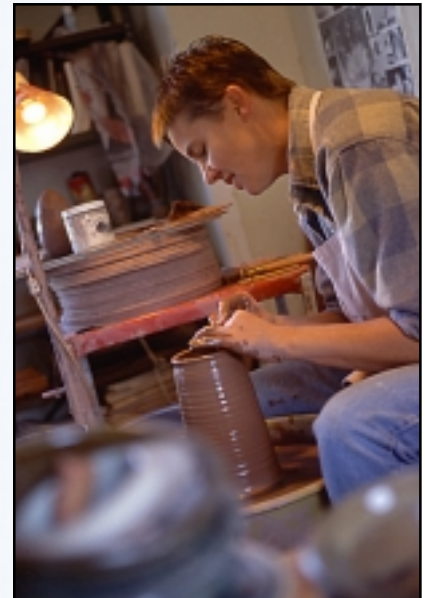
Total Commonwealth support for public libraries has increased by \$60.3 million from \$29.4 million in 1994-95 to \$89.7 million in 2002-03, an increase of 205 percent.

## Funding for the Arts

### Grants and Operating



Funding for the arts has increased since 1994-95 from \$11.0 million to \$16.2 million, a 47 percent increase.





# DIRECTION AND SUPPORTIVE SERVICES

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

The 2002-03 Budget recommends the following program changes and funding amounts in pursuit of this program's goal.

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

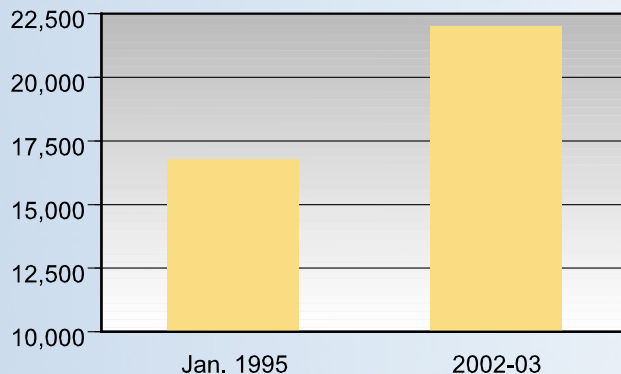
- \$71.9 million to complete the redesign and integration of the Commonwealth's budget, accounting, payroll, procurement and personnel systems to improve the efficiency and effectiveness of State Government.
- \$12.6 million to provide initial resources for operational changes to ensure compliance with the Federal Health Insurance Portability and Accountability Act.
- \$6.5 million in General Fund and \$4.7 million in Motor License Fund to provide first year support for the implementation of the new Statewide Public Safety Radio System.

- \$2.7 million to enhance security for the Commonwealth's information technology systems including telecommunications and data centers.
- \$1.5 million to complete development and implementation of internet licensing, reporting, and document management applications for the Department of Banking.
- \$1.2 million to continue implementation, enhancement and maintenance of the Juvenile Tracking System including \$219,000 to provide connection costs to the Integrated Criminal Justice Network (JNET) for up to 18 counties.
- \$858,000 in augmentations to continue development of a computerized imaging system to electronically process, store and retrieve application materials for the Civil Service Commission.

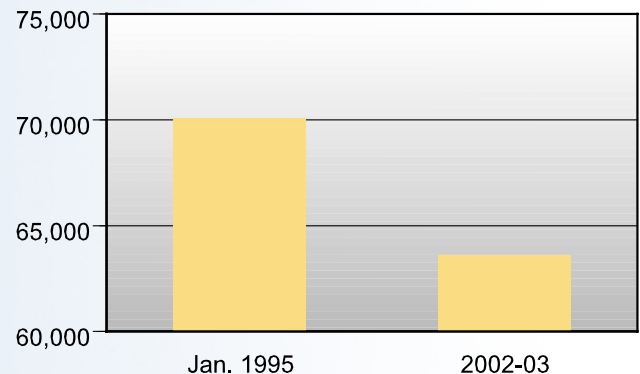
## Other

- \$550,000 to complete the development of a centralized voter registration database.
- \$301,000 to provide additional disciplinary action information for regulated professionals through the Department of State's website.

## Authorized Salaried Complement



Corrections,  
Board of Probation & Parole,  
State Police



All Other Agencies

### Personnel Complement

- Since January 1995, excluding new public safety and law enforcement positions necessary for the State correctional institutions, the probation and parole system and the State Police, the Commonwealth's authorized salaried complement has decreased by 6,468 positions.

## SALARIED COMPLEMENT BY AGENCY

### Full-Time Equivalent (FTE)

The following is a summary, by department, of the 2000-01 actual, 2001-02 available and 2002-03 recommended salaried complement levels on a full-time equivalent (FTE) basis.

Department	2000-01 Actual	2001-02 Available	2002-03 Budget	Difference Budget vs. Available
Governor's Office .....	91	91	91	
Executive Offices .....	2,337	2,382	2,448	66
Lieutenant Governor's Office .....	17	15	15	
Aging .....	109	113	114	1
Agriculture .....	638	649	648	-1
Banking .....	121	121	123	2
Civil Service Commission .....	180	180	180	
Community and Economic Development .....	342	344	344	
Conservation and Natural Resources .....	1,339	1,385	1,390	5
Corrections .....	14,814	15,067	15,067	
Education .....	847	854	854	
Emergency Management Agency .....	142	150	165	15
Environmental Hearing Board .....	22	22	22	
Environmental Protection .....	3,172	3,206	3,211	5
Fish and Boat Commission .....	441	441	437	-4
Game Commission .....	731	732	732	
General Services .....	1,343	1,336	1,448	112
Health .....	1,424	1,466	1,510	44
Historical and Museum Commission .....	350	357	359	2
Infrastructure Investment Authority .....	23	25	25	
Insurance .....	309	324	325	1
Labor and Industry .....	6,412	6,412	5,951	-461
Liquor Control Board .....	2,969	3,037	3,037	
Military and Veterans Affairs .....	2,147	2,481	2,481	
Milk Marketing Board .....	36	36	36	
Municipal Employees' Retirement .....	26	27	27	
Probation and Parole Board .....	987	1,039	1,046	7
Public Television Network .....	20	20	20	
Public Utility Commission .....	538	533	533	
Public Welfare .....	22,292	21,879	21,439	-440
Revenue .....	2,279	2,279	2,279	
School Employees' Retirement System .....	290	290	290	
Securities Commission .....	84	93	93	
State .....	407	415	419	4
State Employees' Retirement System .....	192	192	192	
State Police .....	5,702	5,792	5,892	100
Tax Equalization Board .....	22	22	22	
Transportation .....	12,351	12,351	12,356	5
<b>TOTAL ALL DEPARTMENTS .....</b>	<b>85,546</b>	<b>86,158</b>	<b>85,621</b>	<b>-537</b>

# Early Childhood Initiative

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

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

- **All children are healthy.**

Healthy children are better prepared for learning and academic success. A coordinated system of health care, nutritional services and nutritional information supports children and families as they learn and grow.

This budget recommends funding for the Department of Health to provide newborn screening, well-baby/child visits, childhood immunizations, health care referrals and services to children with special needs. Funding is also provided for the Department of Public Welfare and the Insurance Department to provide health care coverage for low-income children. In addition, funding is provided for the Departments of Education, Health and Public Welfare to provide nutritional assistance for children and their families.

- **All children are safe.**

Children must reside and be cared for in safe, stable environments that support their learning and growth.

This budget recommends funding for the Department of Public Welfare to ensure that child care centers are appropriately licensed, provide quality services, and support parental choice of child care providers for low-income families. Funding is also provided for the Commission on Crime and Delinquency and the Department of Education to support safe communities and stable families for children. In addition, funding is provided to continue programs that support a father’s role in the family.

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

Parental involvement and access to performance-based early childhood development materials are critical to a child’s future success.

This budget recommends funding for the Departments of Education and Public Welfare to provide early intervention services designed to assess and assist children with developmental delays. Funding is also provided for the Department of Education to support school readiness and family literacy programs. In addition, the Department of Health is implementing an early childhood cognitive development information campaign, aimed at providing parents and families with information to support early childhood cognitive and brain development.

Below is a summary of new and expanded early childhood initiatives, totaling approximately \$23.4 million.

	(Dollar Amounts in Thousands)	
	<b>State Funds</b>	<b>Federal Funds</b>
<b>Department of Education</b>		
Early Childhood Screening Enhancements .....	\$ 300	\$ 1,500
Preschool and Family Educational Resources .....		400
<b>Department of Public Welfare</b>		
Subsidized Child Care Services Expansion .....		7,900
Child Care Services Quality Enhancements .....		6,000
Expanded Early Intervention Services .....	3,569	472
Increased Early Childhood Program Planning Grants .....		3,000
Enhanced Early Childhood Professional Development .....		250
<b>TOTAL</b> .....	<b>\$ 3,869</b>	<b>\$ 19,522</b>

In addition to the increased funding provided for new and expanded initiatives in 2002-03, this budget includes approximately \$55 million in total funds to continue the Early Childhood Initiatives started in 2001-02.



The Privatize, Retain, Innovate, Modify and Eliminate (PRIME) process is creating a more customer-centered, cost efficient, and competitive State Government through employee driven change. To date, 525 PRIME initiatives have been completed. It is estimated that over \$581 million has been saved, reallocated or earned from completed projects.

Examples of work in progress or implemented include the following:

- The Department of Education implemented the Child Nutrition Program Electronic Application and Reimbursement System. This is a customer friendly web-based system allowing 1,700 sponsors of seven Federal child nutrition programs to submit annual applications and monthly claims for reimbursement and other required forms and reports to the Department of Education via the Internet.
- The Pennsylvania State Police Bureau of Research and Development developed the new Pennsylvania Uniform Crime Reporting System. The system is available 7 days a week, 24 hours a day through the Internet and through a help desk during normal business hours.
- The Department of Revenue created the first income tax curriculum, PIT 101, for high school students.
- The Department of General Services will streamline the process for procuring new vehicles.



Governor's Green Government Council

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

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

Significant highlights include:

- The nation's first gold LEED Version 2 (Leadership in Energy and Environmental Design) rating being awarded to DEP's Cambria Mining Office by the U.S. Green Building Council.
- Establishing a climate in which green buildings are becoming increasingly common. Twenty Pennsylvania buildings are now registered with the U.S. Green Building Council for evaluation as green buildings under the LEED system.
- Five agencies, including the State System of Higher Education, and the Departments of Corrections, Education, Labor and Industry, and Military and Veterans Affairs either have or are negotiating performance contracts to perform energy efficient upgrades to major facilities.
- Plans to acquire 50,000 megawatt hours of renewable electricity in calendar year 2002.



# GENERAL FUND

## Financial Statement

	Millions	
	2001-02	2002-03
Beginning Balance ....	\$ 336	\$ 300
Receipts .....	19,850	20,702
Tax Reductions .....	. . . .	-103
Funds Available .....	\$ 20,186	\$ 20,899
Appropriated* .....	-20,770	-20,888
Lapses .....	334	. . . .
Preliminary Balance .	\$ -250	\$ 11
Transfer from		
Rainy Day Fund .....	550	. . . .
Transfer to		
Rainy Day Fund .....	. . . .	-1
Ending Balance .....	\$ 300	\$ 10

\*2001-02 includes \$78.7 million in recommended supplemental appropriations.

The Governor has proposed a General Fund Budget for 2002-03 that increases spending by only six-tenths of one percent. The Governor's budget includes \$103.4 million in tax reductions for Pennsylvania's employers and working families.

## Economic Outlook

- The U.S. economy is currently in a recession, with March 2001 being officially recognized as the beginning of the tenth recession of the postwar period.
- Through the first half of 2000 the U.S. economy experienced exceptional growth with real GDP reaching 6.1 percent. However, an economic slowdown developed swiftly in the second half of 2000 resulting in annual growth in real GDP for 2000 of 4.1 percent. The U.S. economy continued to experience weakness in early 2001 and finished the year with two quarters of negative annualized growth. Growth in real GDP for 2001 is estimated to have been percent.
- Although economic forecasters predict the current recession will end during the first or second quarter of 2002, real GDP growth is expected to only reach 0.6 percent for 2002.
- Data indicates that this recession differs from most typical recessions in that consumer spending did not decline precipitously. As a result, the recovery period will be slower and more modest.

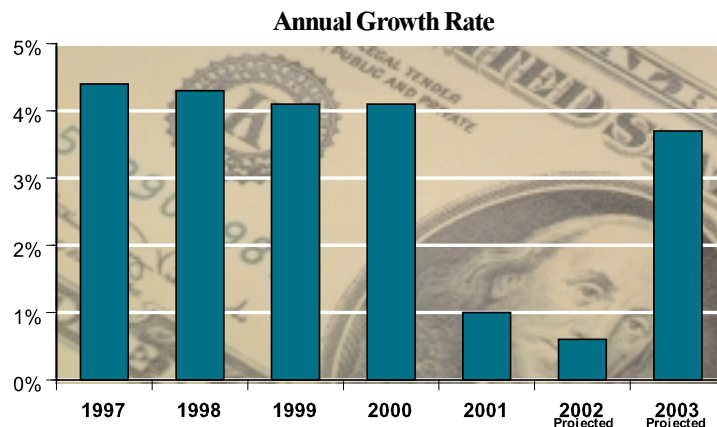
Most recovery periods post growth in real GDP of between 5 and 7 percent. Economic forecasters predict the real GDP will peak between 3.5 and 4 percent.

- For the General Fund in 2001-02, revenues are now expected to be \$677.7 million below the official estimate. Corporate tax receipts are being adversely impacted by the economic slowdown to the point that receipts for 2001-02 are expected to be below

2000-01 actual receipts. Revenue from the personal income tax is also weak and is expected to be significantly below the official estimate. Lower interest rates and the weak economy are also impacting interest earnings on investments.

- Revenue estimates for the 2002-03 budget were prepared based on a baseline forecast that represents the economic conditions most likely to occur.

## Real Gross Domestic Product



Source: WEFA Baseline Forecast

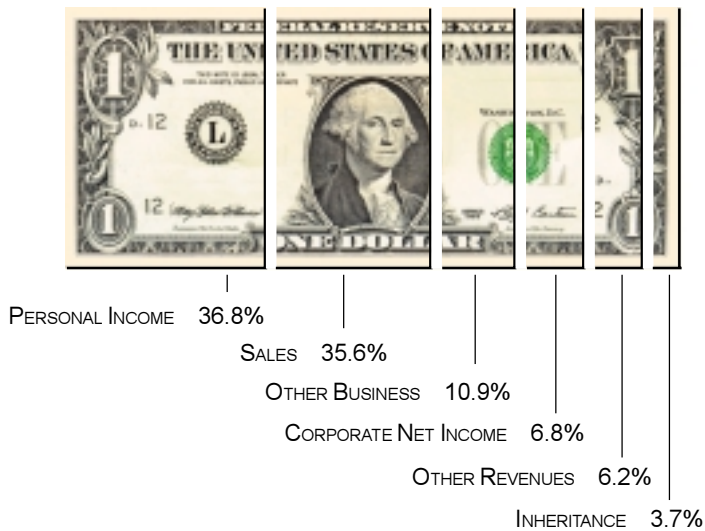
Calendar Year

# GENERAL FUND (CONTINUED)

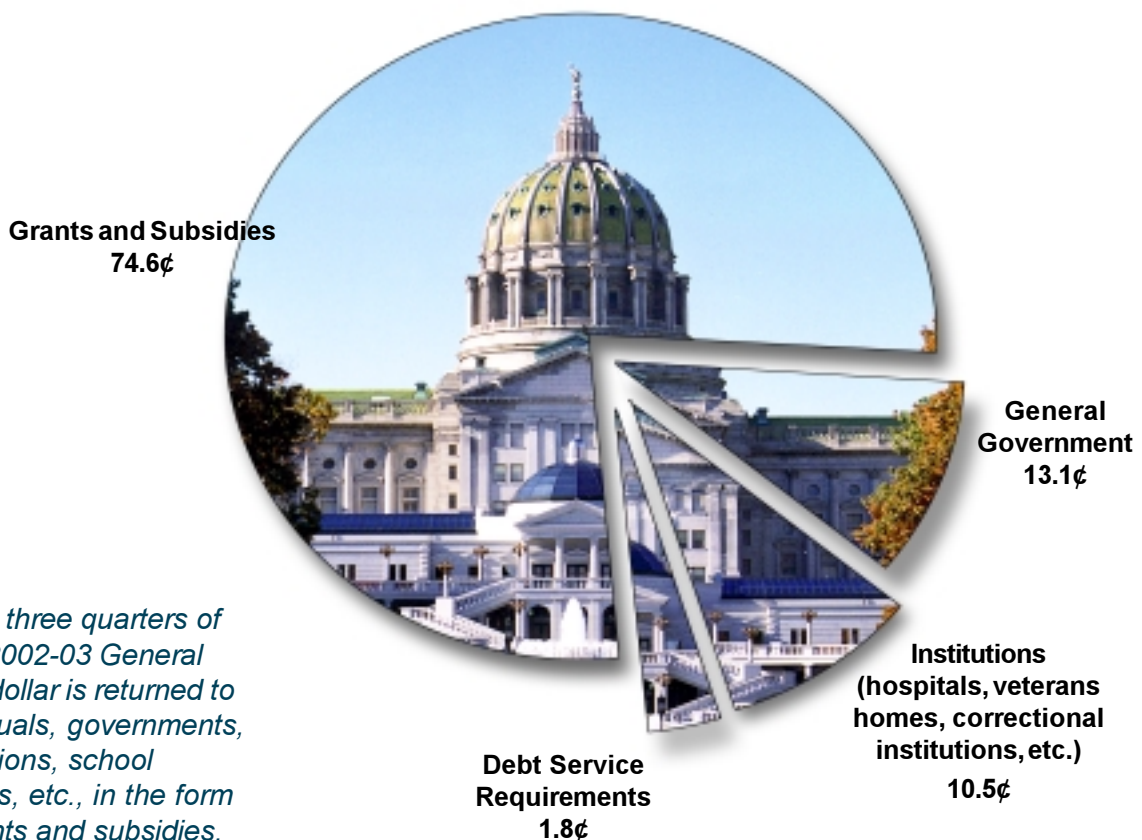
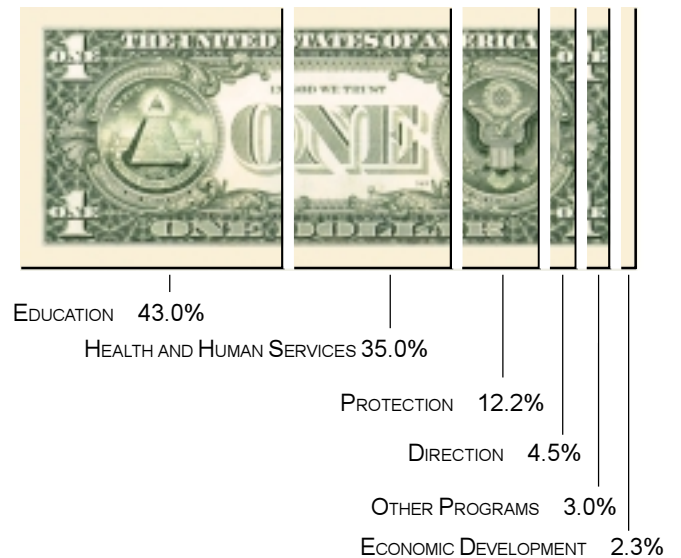
## 2002-03 Fiscal Year

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

### Income



### Outgo



Nearly three quarters of each 2002-03 General Fund dollar is returned to individuals, governments, institutions, school districts, etc., in the form of grants and subsidies.

# MOTOR LICENSE FUND

## Financial Statement

	Millions	
	2001-02	2002-03
Beginning Balance .....	\$ 115	\$ 67
Receipts .....	2,009	1,999
Funds Available .....	\$ 2,124	\$ 2,066
Appropriated .....	-2,061	-2,058
Lapses .....	4	.....
Ending Balance .....	<u>\$ 67</u>	<u>\$ 8</u>

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

## 2002-03 Motor License Fund\*

### INCOME

### OUTGO

(Millions)



Liquid Fuels Tax — \$1,110  
 Licenses and Fees — \$812  
 Other — \$77

Total Income .....	\$1,999
Beginning Balance .....	67
<b>TOTAL .....</b>	<b>\$2,066</b>



Maintenance — \$745  
 Improvement, Design — \$409  
 State Police — \$372  
 Other — \$179  
 Local Subsidy — \$190  
 Licensing and Safety — \$120  
 Debt Service — \$43

Total Outgo .....	\$2,058
Ending Balance .....	8
<b>TOTAL .....</b>	<b>\$2,066</b>

\* Excludes restricted accounts. Total highway maintenance is \$1.089 billion: \$745 million Motor License Fund and \$344 million restricted accounts.



# LOTTERY FUND

## Financial Statement



- The Lottery Fund will offer player participation in the multi-state Powerball game, widen advertising campaigns and explore retail enhancements in an effort to improve the fund's resources which support services for older Pennsylvanians.
- Provides pharmaceutical cost assistance to qualified older Pennsylvanians.
- Provides in-home and community-based services to qualified older Pennsylvanians.
- Provides free and shared ride transportation for older Pennsylvanians.

	Millions	
	2001-02	2002-03
Beginning Balance .....	\$ 176	\$ 187
Receipts .....	1,151	1,250
Funds Available .....	\$ 1,327	\$ 1,437
Appropriated .....	-1,158	-1,214
Lapses .....	18	. . . .
Ending Balance .....	<u>\$ 187</u>	<u>\$ 223</u>

# CAPITAL BUDGET

	<u>2002-03</u> <u>Millions</u>
<b><u>From Bond Funds</u></b>	
Conservation and Natural Resources .....	\$ 9
Corrections .....	30
Education .....	8
Environmental Protection .....	19
Executive Offices .....	6
General Services .....	60
Historical and Museum Commission .....	2
Military and Veterans Affairs .....	28
Public Welfare .....	12
State Police .....	11
Transportation – Mass Transit .....	61
Subtotal Bond Funds .....	\$ 246
<b><u>From Current Revenues</u></b>	
Conservation and Natural Resources .....	\$ 57
Liquor Control Board .....	11
Transportation .....	97
Subtotal Current Revenues .....	\$ 165
<b>TOTAL CAPITAL .....</b>	<b><u>\$ 411</u></b>

## The 2002-03 Capital Budget recommends:

- Conservation and Natural Resources - Upgrade of the infrastructure at State Parks. Many projects at the parks are funded from agency funding sources such as the Keystone Recreation, Park and Conservation Fund and the Environmental Stewardship Fund.
- Corrections - Infrastructure and security improvements at several State Correctional institutions.
- Education - Renovation of existing academic buildings and infrastructure improvements at various university locations and other educational institutions across the Commonwealth.
- Environmental Protection - Construction of flood protection projects and the rehabilitation of existing flood protection structures.
- Executive Offices - Upgrades to enhance security of mission critical systems at the Commonwealth Technology Center.
- General Services - Infrastructure and security improvements at the Capitol Complex.
- Historical and Museum Commission - Infrastructure renewal at historic sites along with upgrades to exhibits and facilities.
- Liquor Control Board – Construction of an addition to distribution facility and an upgraded materials handling system.
- Military and Veterans Affairs - Renovations to existing readiness centers and initiates land acquisition for a number of new readiness centers and maintenance shops to support the new Interim Brigade Combat Teams.
- Public Welfare - Improvements to the State mental hospitals and State centers.
- State Police - Construction of a new troop headquarters in estmoreland and Washington Counties.
- Transportation - Replacement of highway maintenance facilities, improvements for local mass transit agencies and authorization of major highway rehabilitation projects.

# THE BUDGET PROCESS



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

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

## Phases of the Budget Process

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

### Preparation

The preparation stage of the budget process begins nearly twelve months prior to the start of that fiscal year. The first step of the preparation

stage is the distribution of the Budget Instructions by the Office of the Budget and the Program Policy Guidelines by the Governor. The Program Policy Guidelines define major policy issues, spell out priorities and provide policy direction to the agencies for budget preparation.

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

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

The Secretary of the Budget and his staff review agency budget requests for accuracy and for adherence to the Governor's policy guidelines. The Agency Program Plan and the appropriation templates are used by the Office of the Budget to analyze the agency requests and prepare funding recommendations for the Secretary of the Budget and the Governor. Total agency requests must be brought into balance with total funds estimated to

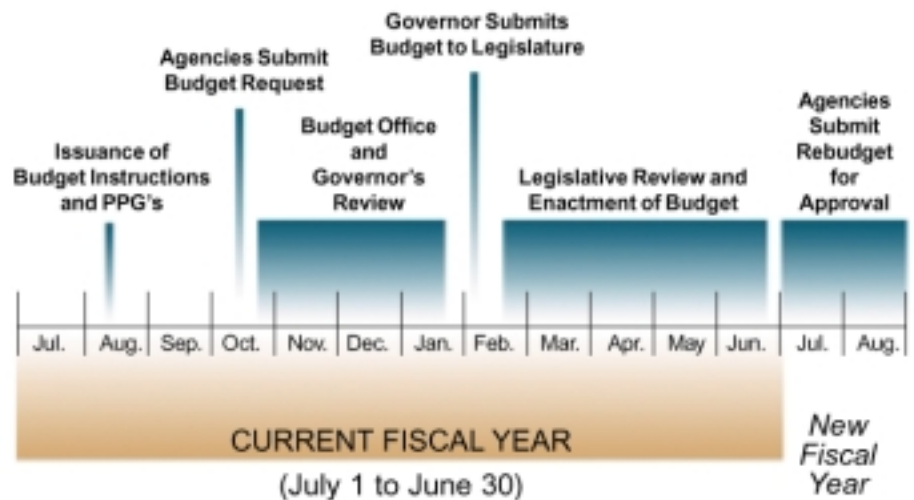
be available from existing sources and any new revenue sources that are recommended. The Secretary of the Budget makes recommendations to the Governor on the expenditure proposals contained in each agency budget request and, in conjunction with the Secretary of Revenue, provides revenue estimates. The Governor reviews these recommendations and makes final budget decisions. The Governor's Executive Budget document is then completed and submitted to a joint session of the General Assembly by the Governor through the budget address.

### Approval

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

Appropriations made to institutions not under

## BUDGET CYCLE IN PENNSYLVANIA





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

the absolute control of the Commonwealth are considered nonpreferred appropriations and require a two-thirds vote of each House of the General Assembly for passage. The passage of the General Appropriation Bill and other appropriation bills by the General Assembly and the passage of any revenue measures which may be required to ensure a balanced budget constitute the legislative approval phase of the budget process.

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

available. A Governor's item veto may be overridden by a two-thirds vote of each House of the General Assembly.

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

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

### ***Execution***

The Office of the Budget has the authority to request and approve agency spending plans, commonly referred to as rebudgets, and to establish authorized levels for agency's full-time equivalent (FTE) salaried complement, i.e., personnel. The rebudgets are based primarily on

the enacted appropriations. The Office of the Budget uses the Integrated Central System to electronically enter allocation amounts into the accounting system based upon the approved rebudget. Program managers and administrators are responsible for operating their programs within the resources that are available and for producing the results cited in the budget.

### ***Audit***

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

## ***THE CAPITAL BUDGET PROCESS***

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

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

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

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

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

Each year, even if a capital project itemization bill is not passed, legislation establishing

limitations on the debt to be incurred for capital projects is passed and signed into law. This legislation is known as the Capital Budget Act. The act establishes a debt ceiling for each major category of the capital program and remains in force until passage of the next Capital Budget Act.

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

# TERMS USED IN THE BUDGET PROCESS

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

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

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

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

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

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

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

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

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

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

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

**Federal Fiscal Year (FFY):** A twelve-month period beginning October 1 and ending September 30 of the following calendar year which is used as the Federal accounting and appropriation period. Referred to by the year in which the fiscal year ends. For example, October 1, 2001 to September 30, 2002 would be FFY 2002.

**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, 2002 to June 30, 2003 would be 2002.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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