

Fact Sheet

Line Item Veto/Enacted Budget

What Action is the Governor Taking?

Facing a \$1.5 billion deficit and struggling to provide adequate funding for essential programs, the General Assembly voted to increase its own \$320 million budget by 2 percent. They chose to charge the taxpayers an additional \$5 million to pay for their parking. They refused to use any of their own six-month surplus – \$150 million in taxpayer-funded budgetary reserves – to help close the budget gap. They filled the budget with earmarks driven by high-powered lobbyists. And they refused to deal with the biggest fiscal challenge facing Pennsylvania – our public pensions.

The governor is also concerned by the revenue assumptions used by the House and Senate in crafting their budget and chose to use his line-item veto authority to reduce spending to ensure a better chance of meeting revenue estimates. The commonwealth's official revenue estimate is \$60 million lower than the revenue estimate in the General Assembly budget. Item vetoes are as follows:

General Bill

- 38 appropriations, more than \$72 million of spending
- Two transfer appropriations (Machinery and Equipment Loan Fund [MELF] and Small Business First), totaling \$20 million
- One legislative earmark

Fiscal Code

- Seven legislative earmarks that drive out some of the funding the governor item vetoed in the General Appropriation Bill. The total value of item vetoed earmarks is nearly \$7 million (this total is part of the \$72 million noted above because the appropriation must be reduced in the General Appropriation Bill and the earmark must also be eliminated).

Along with some other discretionary programs, legislative earmarks that were not item vetoed will be placed in budgetary reserve to give the Administration time to review the program and its intended outcomes. This review period will also allow the commonwealth to monitor revenue collections to ensure that sufficient funding is available for the earmarks.

General Assembly Operating Appropriations – \$65 million of reductions in total

During budget negotiations, the governor asked the General Assembly to use \$75 million of its \$150 million in reserves to help balance the budget. Because the General Assembly did not include this funding in its budget, and at the same time relied on overly optimistic revenues, the governor chose to reduce the General Assembly's spending, which will cause the General Assembly to spend down its reserves to a more reasonable level.

In the spring, the governor directed agencies under his jurisdiction to identify any available funds that could be used to help balance the budget. As a result of the governor's direction, commonwealth agencies returned nearly \$425 million of unneeded funds that helped to balance this year's budget.

Other Appropriations with a Line-Item Veto – \$7 million of reductions in total

- **Treasury – Intergovernmental Organizations: Line-Item Veto of \$45,000**
 - The General Assembly added this funding to pay for membership dues for a national organization, dues which the Fish and Boat Commission has paid in recent years. The governor believes the Fish and Boat Commission should continue to pay the full cost of this national membership organization.
 - In the February budget, the Fish Fund was projected to have a balance of more than \$30 million at the end of this fiscal year.
 - The membership dues are only one-tenth of one percent of projected Fish Fund spending this year.
- **Dept. of Community and Economic Development (DCEd) – Community Development Financial Institution Grants: Line-Item Veto of \$250,000**
 - Rather than create another new state program when the state’s resources are limited, the governor chose to eliminate funding for this new program.
- **DCEd – Intergovernmental Cooperation Authority (ICA): Line-Item Veto of \$300,000**
 - Based on conversations with the ICA, the Administration does not believe this increased funding is necessary.
- **Dept. of Conservation and Natural Resources (DCNR) – Heritage and Other Parks: Line-Item Veto of \$500,000**
 - The governor eliminated a legislative earmark for the Washington Crossing Park.
- **Dept. of Environmental Protection (DEP) – Environmental Program Management: Line-Item Veto of \$150,000**
 - The governor eliminated a legislative earmark for a study on the effects of natural gas drilling. Funding was included in last year’s budget for this project, and that funding remains unspent.
- **DEP – Sewage Facilities Planning Grants: Line-Item Veto of \$700,000**
 - The governor eliminated legislative earmarks that directed funding to specific projects.
- **Dept. of General Services (DGS) – Rental, Relocation and Municipal Charges: Line-Item Veto of \$5 million**
 - The General Assembly added funding to DGS’ budget for parking costs and then gave itself the authority to move that funding to its budget. Given the level of legislative reserves that remain, the governor chose to eliminate this funding.
- **Dept. of Labor & Industry – General Government Operations: Line-Item Veto of \$250,000**
 - The governor eliminated a legislative earmark that directed funding to a specific entity.
- **Dept. of Military and Veterans Affairs (DMVA) – Civil Air Patrol: Line-Item Veto of \$100,000**
 - The General Assembly added funding to DMVA’s budget for this program. While the governor has supported veterans’ initiatives throughout his career, including the creation of the successful Pennsylvania’s Veterans Trust Fund, the DMVA has stated that this program funding is not necessary.

Vetoes of Transfer Amounts to the General Fund – \$20 million reduction

- The governor reduced the transfer from the Machinery and Equipment Loan Fund to the General Fund from \$100 million to \$85 million. A reduction in the proposed amount was necessary to ensure sufficient funding for important economic development projects.
- The governor reduced the transfer from the Small Business First Fund to the General Fund from \$100 million to \$95 million. A reduction in the proposed amount was necessary to ensure sufficient funding for important economic development projects.

General Fund Revenues

In addition to the \$20 million reduction in the transfers from special funds, the commonwealth's official revenue estimate is projected to be an additional \$40 million lower than the revenues in the House and Senate plan.

Other Key Budget Highlights

- \$29 billion in spending, an increase of only 1.5% from the previous fiscal year. This is about \$400 million less than in the February budget.
- No new taxes
- Ready to Learn Block Grant - \$100 million increase (to \$200 million total)
- Pre-K Counts - \$10 million increase (to \$97 million)
- Special Education - \$20 million increase (to \$1.05 billion)
- A new Ready-to-Succeed Scholarships program - \$5 million
- Intellectual Disabilities Waiver - \$13 million initiative to address the waiting list
- Services to Persons with Disabilities and Attendant Care - \$9 million to serve an additional 1,599 individuals with physical disabilities
- Child Advocacy Centers – new \$2 million program that was part of the February budget
- Primary Health Care Practitioner - \$1 million increase (part of the *Healthy PA* initiative)
- Community-Based Health Care Subsidy - \$2 million increase (part of the *Healthy PA* initiative)

Background

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.

Definitions

Budgetary Reserve: An administrative mechanism used to freeze program funding. Monies placed into budgetary reserve can be released following a detailed review of the program(s) which they fund.

Earmark: A legislative provision that directs appropriated funds to be spent on specific projects.

Fiscal Code: Legislation that, in short, authorizes and directs the disposition of funds outlined in it and the General Appropriation Act.

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.

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.