

Governor's Report on State Performance

2006-07

Edward G. Rendell
Governor



pennsylvania
STATE OF INDEPENDENCE



On the Front Cover:

Highway Safety. The Pennsylvania State Police patrol more than 69,000 miles of commonwealth roadways. In 2005, the State Police received the National Roadway Safety Award for their innovation, excellence in operations, advance planning to reduce highway fatalities and the results of their highway safety initiatives.

Student Achievement. The Department of Education continues to invest in proven educational programs that provide all students with solid critical thinking skills and strong backgrounds in reading, math and science. These investments are showing results – students are making gains in reading and math at every grade level. In 2006-07, 68 percent of 8th graders were proficient in math, up from 52 percent in 2002, and 75 percent were proficient in reading, up from 59 percent in 2002.

Disaster Response. When disasters strike Pennsylvania, the Pennsylvania Emergency Management Agency coordinates the state response, supports county and local government response-and-recovery efforts and helps lessen the impact of the disaster on families, businesses and communities.

Long-Term Living Services. The Departments of Public Welfare and Aging have significantly expanded home and community-based programs that provide older Pennsylvanians with more options to remain in their homes and communities while receiving high-quality services that allow them to maintain their health and enjoy greater independence and a better quality of life.



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

January 2008

To the People of Pennsylvania:

Pennsylvania taxpayers have a right to know what the commonwealth does with their hard-earned tax dollars. The 2006-07 Governor's Report on State Performance – the first of its kind from my administration – provides this crucial information.

We asked agencies to tell us what they accomplished in the 2006-07 fiscal year. In the pages that follow, you will learn how they answered that question. Here are just a few examples:

- **National Leader in Education** — From pre-kindergarten to high school, Pennsylvania is making major investments in raising student achievement, and we are getting results. Our commonwealth is one of only nine states making progress in elementary school reading and math since 2003 on the National Assessment of Educational Progress, also known as “The Nation’s Report Card.”
- **Record Reductions in TANF Assistance** — Because Pennsylvania’s Department of Public Welfare has focused on moving families to financial self-sufficiency, the number of low-income adults in the commonwealth receiving public assistance through Temporary Assistance for Needy Families, or TANF, is lower than at any time since 1961. Between October 2005 and October 2007, 54,800 people left the TANF program – saving Pennsylvania taxpayers more than \$82 million.
- **Moving Toward Energy Independence** — In 2004 my administration revived the long-dormant Pennsylvania Energy Development Authority. Since then, the authority has provided \$32.2 million in grants and loans to 81 clean energy projects that are leveraging another \$362 million in private investment. Recipients of PEDDA grants and loans in 2006-07 are pursuing projects that will eliminate pollution and help meet our state’s electricity needs.



One of my goals as governor has been to transform the way government works – to improve the quality of the services the commonwealth provides to its citizens while reducing the cost of government. By developing new business practices and fostering innovation and efficiency throughout the government, my administration generated more than \$1 billion in annual recurring cost savings in 2006-07.

These results, and the many other accomplishments described in this report, were made possible by the dedicated efforts of our commonwealth’s workforce. Their service plays a major role in making Pennsylvania a better place to live, work and do business.

I am committed to making our state government more accountable to the citizens of Pennsylvania. I want taxpayers to be able to see how their tax money is being used and what the commonwealth is doing to make our state more prosperous and competitive and improve our quality of life. The 2006-07 Governor’s Report on State Performance provides a snapshot of state government in action. I hope you find it enlightening and informative.

Sincerely,
Edward G. Rendell

Edward G. Rendell

ACKNOWLEDGEMENTS

Many people helped to make the **2006-07 Governor's Report on State Performance** a reality.

The Office of Performance Improvement would like to acknowledge:

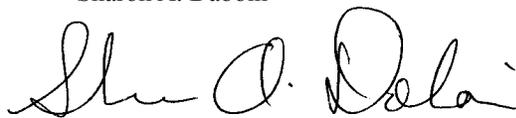
Members of Governor Rendell's Senior Staff: Greg Fajt, chief of staff; Michael J. Masch, secretary of the budget; Donna Cooper, secretary of planning & policy; Steve Crawford, secretary of legislative affairs; Naomi Wyatt, secretary of administration; Mary Soderberg, executive deputy secretary of the budget; and Doug Rohanna, director of communications.

Special thanks to: Joe Seidel, supervisor, division of graphic services, and Kathy Reitz, special assistant, Office of the Budget, for their tireless work on all phases of production of this report. Thanks also to: Ann Spishock, special advisor to the secretary of the budget, and Kelly Radcliffe, fiscal policy specialist, Office of the Budget; Barry Ciccocioppo and Mark Shade, deputy directors of communications, Governor's Communications Office; and Susan Hooper, communications director, Office of the Budget.

Many thanks also: to the staff of the commonwealth agencies represented in the Governor's Report on State Performance for their assistance in compiling the various sections of this report and also for their daily service to the citizens of Pennsylvania. The dedication, commitment and accomplishments of these employees are reflected in the pages of this report.

The **Governor's Report on State Performance** will be published annually by the Office of Performance Improvement, a unit of the Office of the Budget. This initial report includes performance information for most, but not all, of the agencies under the Governor's jurisdiction. Performance reporting on additional agencies will be added in future reports.

Sharon A. Daboin



Deputy Secretary for Performance Improvement



Commonwealth of Pennsylvania

Governor's Report on State Performance

Fiscal Year 2006-07

(July 1, 2006 - June 30, 2007)

Edward G. Rendell
Governor

To request a copy of the Governor's Report on State Performance 2006-07 or provide comments, please e-mail the Governor's Budget Office, at GBOpublications@state.pa.us.



www.state.pa.us

CONTENTS

<i>Letter from the Governor</i>	i
<i>Acknowledgments</i>	ii
<i>Why Was This Report Prepared</i>	vi
<i>Budget Overview</i>	viii
<i>Commonwealth Profile</i>	ix

Education

<i>Introduction</i>	1
Department of Education	3

Economic & Community Development

<i>Introduction</i>	13
Department of Community & Economic Development	15
Department of Labor & Industry	27

Health & Human Services

<i>Introduction</i>	33
Department of Health	35
Department of Aging	40
Department of Public Welfare	46
Office of Long Term Living–Public Welfare and Aging	53
Office of Child Development and Early Learning– Public Welfare and Education	57

Consumer Protection

<i>Introduction</i>	61
Department of Banking	63
Department of State	68
Pennsylvania Insurance Department	72
Department of Agriculture	77

CONTENTS *(continued)*

Environment

<i>Introduction</i>	83
Department of Environmental Protection	85
Department of Conservation & Natural Resources	91

Public Safety

<i>Introduction</i>	99
Pennsylvania State Police	101
Department of Corrections	107
Board of Probation and Parole	113
Pennsylvania Emergency Management Agency.....	119
Department of Military and Veterans Affairs	126

Infrastructure

<i>Introduction</i>	133
Department of Transportation.....	135
Pennsylvania Infrastructure Investment Authority (PENNVEST)	143

Managing State Government

<i>Introduction</i>	147
Department of Revenue	149
Department of General Services	154
Office of the Budget	160
Office of Administration.....	163

<i>Commonwealth Services Directory</i>	168
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GOVERNOR'S REPORT ON STATE PERFORMANCE

Why was this report prepared?

- To offer the citizens of Pennsylvania a better understanding of the major services that were provided to the public by the commonwealth in fiscal year 2006-07 (July 1, 2006 to June 30, 2007).
- To increase state government's accountability to those who live and work in Pennsylvania.
- To highlight major achievements and new initiatives.

How is the report organized?

The report is organized by subject area. Information is provided on each agency whose major programs and services are concentrated in each subject area, including major achievements during 2006-07 and budget highlights and key performance measures from 2004-05 through 2006-07. More detailed information on each particular agency may be obtained by accessing its Web site via the links provided.

The subject areas covered in this report are:

Education: This section describes the commonwealth's efforts to ensure that all children have access to an education that prepares them to be productive citizens and succeed in a high-skill, globally competitive knowledge economy.

Economic and Community Development: This section describes the commonwealth's efforts to improve vitality and quality of life in our cities and towns and enhance economic opportunity for all Pennsylvanians by encouraging and supporting job retention and job creation, spurring private-sector investment and business development, enhancing the state's competitive position in the global economy, and revitalizing Pennsylvania's communities.

Health and Human Services: This section describes the commonwealth's efforts to provide essential services that help vulnerable and struggling Pennsylvania individuals and families to live in safety and dignity and contribute to society to the maximum of their potential.

Consumer Protection: This section describes the commonwealth's efforts to protect the public from fraud and financial abuse, and ensure access to safe, nutritious and affordable food.

Environment: This section describes the commonwealth's efforts to keep our air clean, restore our rivers and streams, preserve our forests, wildlife and farmland, and enable all citizens to experience and enjoy Pennsylvania's natural beauty and outdoor amenities.

Public Safety: This section describes the commonwealth's efforts to ensure the well-being of our citizens by taking proactive steps to maintain the safety and welfare of the public, reduce crime and respond to emergencies.

Infrastructure: This section describes the commonwealth's efforts to develop and maintain a transportation infrastructure that efficiently connects people to jobs, goods to markets, businesses to customers, and students to schools; to provide accessibility and mobility to meet our citizens' social, economic, cultural, environmental and recreational needs; and to ensure the safety and adequacy of local water and wastewater systems.

Managing State Government: This section describes the commonwealth's efforts to operate state government efficiently and effectively and in a manner responsive to the needs and concerns of Pennsylvania's citizens.

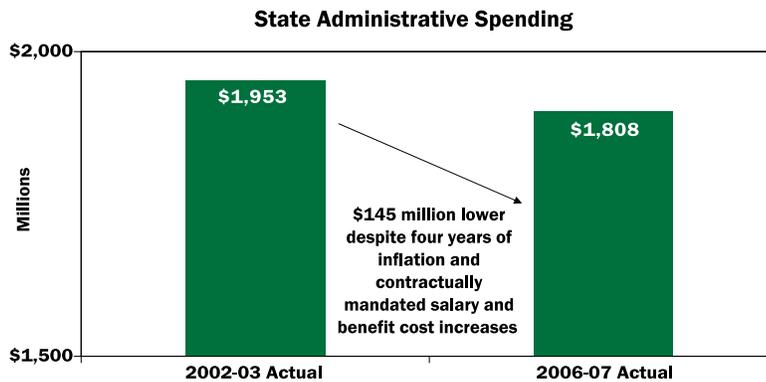
BUDGET OVERVIEW

Budget and Complement Information in the Governor's Performance Report

Each agency's presentation in this report includes Budget and Complement Highlights tables that present each agency's annual operating budgets and annual authorized complement for the three-year period from 2004-05 through 2006-07. The financial data presented reflects actual obligations as of the end of each fiscal year.

State Administrative Spending in 2006-07 Was Lower Than 2002-03

Since he took office in January 2003, Governor Rendell has made it a policy of his administration to reduce state administrative spending. The Office of the Budget has worked with state agencies under the Governor's jurisdiction to implement the Governor's policy. As a result, in 2006-07 the cost of operating Pennsylvania's state government was actually 7.2 percent lower than it was in 2002-03, despite increases in the state's per-employee costs for salaries, wages, health benefits and pensions over that four-year period.

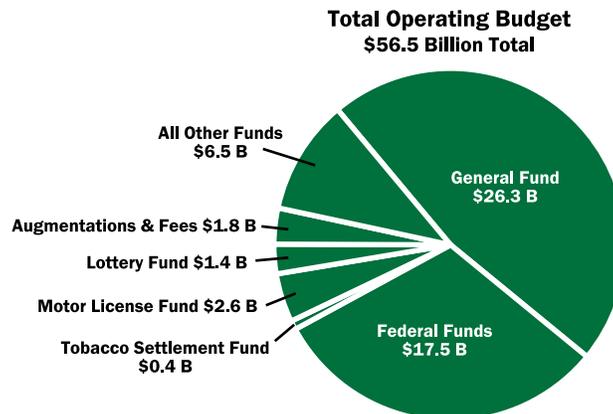


During the 2006-07 budget planning process, the Rendell administration directed state agencies to continue the spending constraints that were imposed three years earlier, make further efforts to identify and eliminate nonessential spending, and deliver essential services at lower cost. Agencies also were told to construct their budgets so they would continue to meet the needs of the commonwealth and its citizens, taking into account changes in the number of people eligible for state programs, legally mandated service levels, and the actions needed to enhance economic growth and student achievement.

2006-07 Budget Highlights

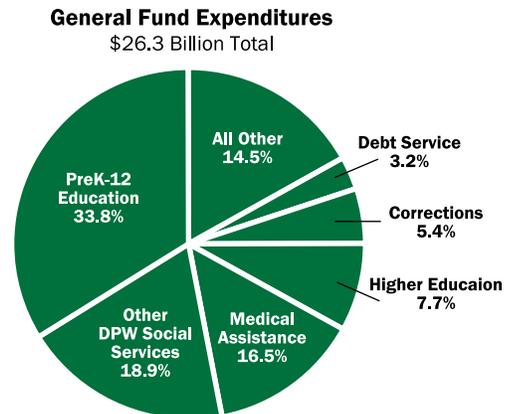
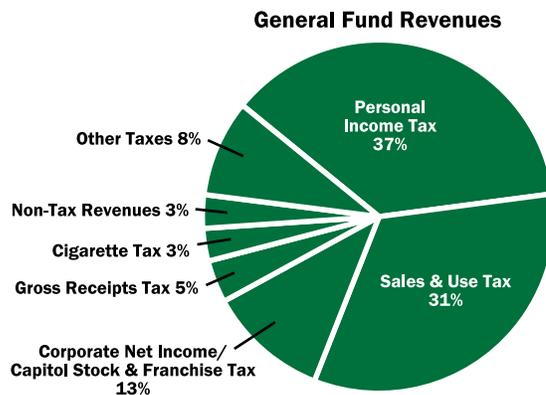
The 2006-07 budget made important investments in educating Pennsylvania's children, enhancing job creation, increasing our state's global competitiveness and preserving the social safety net that protects the elderly, people with disabilities and other Pennsylvanians in need.

Total expenditures in the 2006-07 Pennsylvania operating budget, including all commonwealth funds, were \$56.5 billion. The 2006-07 General Fund total was \$26.3 billion, an increase of \$1.6 billion or 6.62 percent over 2005-06.



BUDGET OVERVIEW *(continued)*

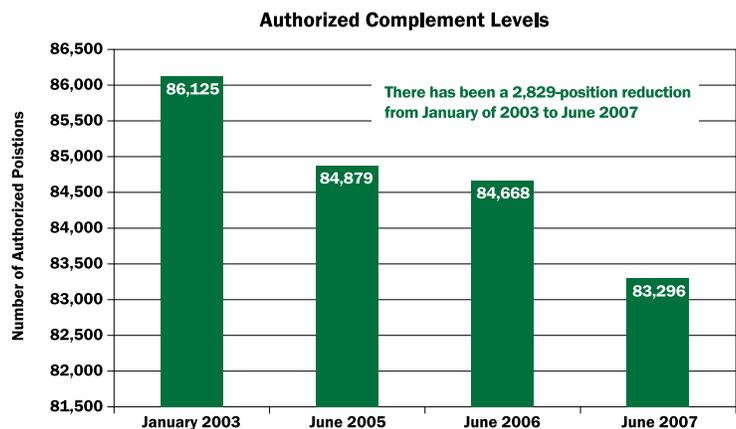
In the 2006-07 budget, \$782 million, or nearly half, of the \$1.6 billion increase in General Fund expenditures was for education.



Complement Highlights

The 2006-07 budget reduced the commonwealth's authorized complement by 1,372 positions, with no layoffs and no cutbacks in government services. Through attrition and good management, the authorized state complement was reduced by 2,829 positions from January 2003 to June 2007, also with no layoffs and no service reductions. The "authorized complement" is the maximum number of positions agencies are allowed to fill.

From January 2003 to June 2007, the total number of filled salaried positions in the commonwealth workforce was reduced through attrition by 3,908. This net reduction takes into account an increase of 435 filled salaried positions in State Police and Corrections, reflecting the Rendell administration's commitment to public safety. The administration's efforts to reduce the number of commonwealth employees through attrition saved Pennsylvania taxpayers more than \$186 million.



COMMONWEALTH PROFILE

The people of Pennsylvania

	Pennsylvania	USA
Population, 2006 estimate	12,440,621	299,398,484
Population, percent change, April 1, 2000 to July 1, 2006	1.3%	6.4%
Persons under 18 years old, percent, 2005	22.7%	24.8%
Persons 65 years old and over, percent, 2005	15.2%	12.4%
White persons, 2005	86.0%	80.2%
Black persons, 2005	10.6%	12.8%
American Indian and Alaska Native persons, 2005	.02%	1.0%
Asian Persons, 2005	2.2%	4.3%
Persons of Hispanic or Latino Origin, 2005	4.1%	14.4%
Foreign born persons, percent, 2000	4.1%	11.1%
Language other than English spoken at home, percent age 5+, 2000	8.4%	17.9%
Persons below poverty, percent, 2004	11.2%	12.7%

Education in Pennsylvania

	Pennsylvania	USA
High school graduates, percent of persons age 25+, 2000	81.9%	80.4%
Bachelor's degree or higher, percent of persons 25+, 2000	22.4%	24.4%

PreK-12 Education:

- Pennsylvania has 1.8 million students enrolled in public schools.
- 126,926 Pennsylvania students graduated from high school in the 2005-06 school year.
- 88 percent of all Pennsylvania high school seniors graduate each year.
- 72% of Pennsylvania high school graduates are college bound.
- There are 501 public school districts in Pennsylvania.
- There are 3,235 public schools in Pennsylvania including:
 - 20 comprehensive Career and Technical Centers (CTCs)
 - 65 occupational CTCs
 - 119 charter schools
 - 8 juvenile correctional institutions
- There are 2,516 private and nonpublic schools in Pennsylvania.

Higher Education:

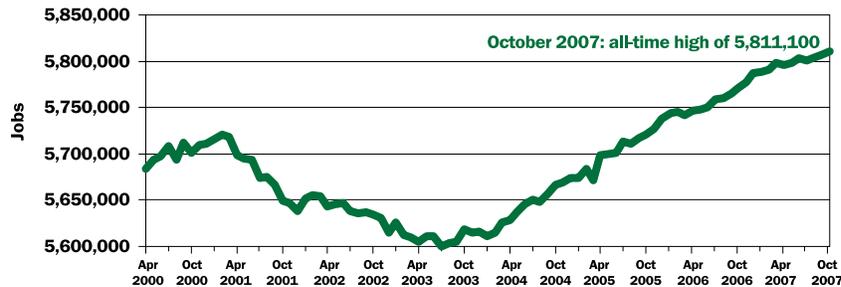
- There are 243 accredited post-secondary educational institutions in Pennsylvania.
- There are 20 community colleges and colleges of technology in Pennsylvania, 31 campuses of state-related universities, and 14 universities in the PA State System of Higher Education.
- There are 91 private 4-year colleges and universities.
 - 556,900 students are enrolled in Pennsylvania post-secondary institutions.
 - 117,500 students are enrolled at community colleges and colleges of technology.
 - 117,300 students are enrolled at state-related universities.
 - 92,500 students are enrolled in the State System of Higher Education.
 - 196,100 are enrolled at 4-year private colleges and universities.

COMMONWEALTH PROFILE *(continued)*

Pennsylvania Economy

Pennsylvania: Then and Now		
	Then	Now
Employment	5,628,200 (January 2003)	5,815,200 (Nov. 2007)
Unemployment	5.7% (January 2003)	4.2% (Nov. 2007)
Personal Income (Per Capita)	\$31,023 (2002)	\$36,689 (2006)
Exports	\$15.8 Billion (2002)	\$26.3 Billion (2006)
PA Gross Domestic Product (GDP)	\$423 Billion (2002)	\$510 Billion (2006)
Number of Tourists	119 Million (2002)	138 Million (2005)
Venture Capital Investment	\$458 Million (2002)	\$778 Million (2006)
R & D Investment	\$1.91 Billion (2002)	\$2.4 Billion (2005)

Steady Rise in Pennsylvania Jobs

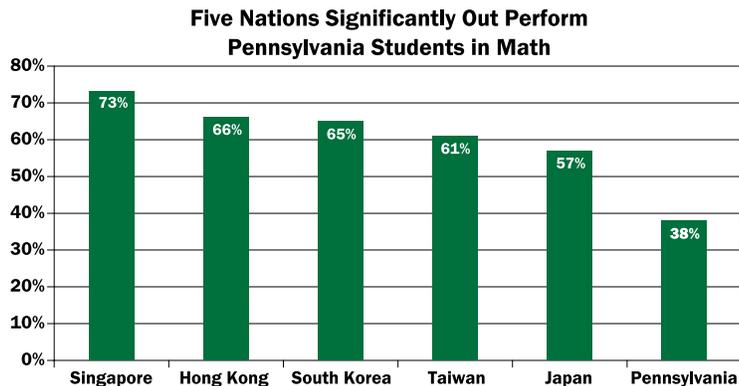


The Commonwealth Workforce (as of June 30, 2006)

Number of Full-Time and Part-Time Filled Salaried Positions	78,733
Number of Full-Time and Part-Time Filled Wage Positions	7,223
State Employees Per Population	Rank 50th of 50 States
Average Annual Salary	\$43,684
Average Annual Benefits	\$19,353
Average Salary of State Workers	Rank 17th of 50 States
Average Age	46
Average Length of Service	13 years
Average Annual Sick Leave Days	8.6
Percent Civil Service	69.2%
Percent Represented by Unions	82.1%
Percent Minorities	13.0%

Introduction

In the interconnected global economy of the 21st century, Pennsylvanians no longer compete for jobs only against residents of New Jersey, New York, Maryland, Ohio and other nearby states. Now, the competition for well-paying employment pits residents of the commonwealth against the best-trained citizens of nations around the globe. As a result, Pennsylvanians must master literacy, math, science and problem-solving skills to an unprecedented degree. The latest international data indicate that Pennsylvania still has a long way to go:



Ensuring that all children in the commonwealth have access to an education that prepares them to be productive citizens and succeed in a high-skill, globally competitive, knowledge-based economy is the goal of Pennsylvania's publicly-supported education system.

This section of the Governor's Performance Report will primarily review the major achievements and initiatives of the **Department of Education**.

The **Office of Child Development and Early Learning (OCDEL)** is a new joint initiative of the Department of Public Welfare and the Department of Education. This office seeks to effectively and efficiently increase the number of Pennsylvania children and families receiving affordable, high-quality, early childhood services. Many OCDEL programs focus on low-income children whose parents participate in Temporary Assistance for Needy Families, Medical Assistance and other state safety net programs. For that reason, the description of services delivered to the public by the Office of Child Development and Early Learning in 2006-07 is included in the **Health and Human Services** section of this report.

The Office of Child Development and Early Learning is responsible for the oversight and operation of several important state **education** programs, including:

- ✓ Full-day kindergarten
- ✓ Pre-kindergarten
- ✓ Child Care Works

To learn more about these programs, go to page 57.



Did you know.....

Education Week's January 2008 "Quality Counts" report gave Pennsylvania a "B-." The nation's grade was a "C." No state earned an overall grade of "A." Pennsylvania outperformed the nation in five of the six grading categories and 14 of the 17 graded criteria.

"The fact that only three other states received a higher overall grade than Pennsylvania speaks volumes about the progress we've made and will continue to pursue," said Governor Rendell in a statement on January 14th, 2008. "Our record investments in proven education initiatives and stronger accountability standards are better preparing our students for success in the workforce."

The Governor said the Quality Counts report is recommending that there is more Pennsylvania can do to ensure that every student graduates with the skills and knowledge needed to succeed in life.

"The report reinforces the need to ensure that a Pennsylvania high school diploma has value," Governor Rendell said. "By adopting statewide high school graduation requirements, we will know that a diploma means students are ready for college and high-skill careers."

For more information about the Quality Counts report and the Rendell administration's ongoing education investments and initiatives, visit www.pde.state.pa.us.



Department of Education

Gerald L. Zahorchak, D.Ed.,
Secretary
www.pde.state.pa.us

Mission Statement

The mission of the Department of Education is to lead and serve the educational community to enable each individual to grow into an inspired, productive and fulfilled lifelong learner.

Overview of Programs and Services:

- Ensures that Pennsylvania's 1.8 million preK-12 public school students receive a quality education.
- Provides financial support to Pennsylvania's elementary, secondary and post-secondary schools.
- Supports effective efforts to expand and improve early childhood education; raise achievement levels for all students; improve high school performance; help principals, administrators and teachers become more effective; and ensure that Pennsylvania students are prepared to succeed in the global economy.
- Helps institutions of higher education become more accessible and affordable for students and their families.

Major Agency Objectives for 2006-07

1. **Develop stronger accountability measures to ensure a positive return on the public's investment in education, and decrease the funding gap between school districts so that all students can receive a quality education.**
2. **Enhance the quality of Pennsylvania's high schools so that students are adequately prepared for college and careers.**
3. **Ensure that all children have the essential math, English and science skills they need to be successful in a global economy.**
4. **Promote access and affordability for students in institutions of higher education.**
5. **Align public funding with economic development in the area of post-secondary education.**

Major Achievements and New Initiatives in 2006-07

1. **Develop stronger accountability measures to ensure a positive return on the public's investment in education, and decrease the funding gap between school districts so that all students can receive a quality education.**

Since taking office in January 2003, Governor Rendell has, with the support of the Pennsylvania General Assembly, provided \$2.4 billion in new state investments to schools. State education funding has been targeted to programs proven to work in boosting student achievement. The Rendell administration has also championed a new Foundation Funding system for distributing state financial assistance to Pennsylvania's 501 school districts to ensure that all school districts reach adequate per-student resource levels.

Major statewide reforms instituted over the past five years are changing the face of public education in Pennsylvania from the first day of pre-kindergarten to the last day of high school:

- ✓ **Early childhood education and other proven programs to improve achievement in the early grades:** Pennsylvania has gone from being one of nine states that failed to fund pre-kindergarten to a national leader in pre-school funding. And, for the first time ever, more than half of the commonwealth's kindergartners are in full-day kindergarten programs.
- ✓ **High schools geared to the knowledge economy:** To ensure that every student graduates from high school ready for college and high-skill careers, Pennsylvania is helping school districts implement a rigorous college-prep curriculum, transforming teaching and learning by putting laptops on every desk and giving teachers intensive training in how to use technology to improve instruction, and making it possible for thousands of students to earn college credit before they even receive a high school diploma.

- ✓ **Support for struggling students and schools:** Pennsylvania has made unprecedented resources available for academically challenged school districts to provide tutoring and other extra assistance to the students who need that support the most. To help struggling schools turn around, the commonwealth has launched a robust technical assistance program that deploys teams of state-provided **distinguished educators** to help leaders in struggling schools to improve school operations.

The **Foundation Supplement** was created to help all school districts reach an adequate per-pupil funding level. Foundation Funding started in 2005-06 by targeting school districts that lacked the resources to spend \$8,500 per student – a level based on research from other states on the real cost of successfully educating students. The Foundation Funding target increased to \$9,030 per student in 2006-07. After two years of foundation funding, 86 percent of districts originally below the per-student level - and with a moderate-to-high local tax burden - reached the original target of \$8,500 per pupil.

The **Accountability Block Grant** was the Rendell administration’s first intensive initiative to provide school districts with the resources needed to invest in high-quality **early childhood education** programs – pre-kindergarten, full-day kindergarten and smaller class sizes in the early grades – as well as other proven academic strategies designed to raise student achievement. As shown below, school districts have overwhelmingly chosen to direct their block grant resources to helping the youngest students get a strong foundation for success in school and life.

PA ACCOUNTABILITY BLOCK GRANT How PA School Districts Spent Their 2006-07 Grants	
Early Childhood Program	\$174,791,749 (75%)
Quality Pre-Kindergarten Programs	\$15,648,261
Full-Day Kindergarten Programs	\$142,776,803
K-3 Class Size Reduction	\$16,366,685
All Other Programs	\$59,037,640 (25%)
Literacy and Math Coaching	\$23,050,699
Performance of Student Subgroups	\$18,456,334
Science and Applied Knowledge Skills	\$10,196,013
Tutoring Assistance	\$7,334,594



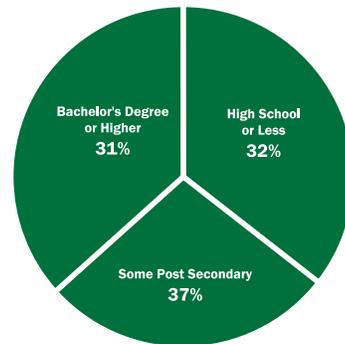
As a result:

- With the help of Pennsylvania’s first-ever **state funding for Head Start**, there were 18,008 children in state-funded pre-kindergarten programs in 2006-07.
- For the first time ever, more than half of Pennsylvania kindergartners are in full-day programs, increasing from 32 percent in 2002-03 to 55 percent in 2006-07.

2. Enhance the quality of Pennsylvania’s high schools so that students are adequately prepared for college and careers.

As part of the transformation of our economy, the job market that today’s students will face requires a higher level of education than ever before. In 2004, just under one in four U.S. jobs required a bachelor’s degree or higher. But between 2000 and 2010, fully 31 percent of all jobs created will require at least a four-year college education – and most will require at least some college education (see chart on next page).

Education Requirements of Projected New Jobs
2000 to 2010



By 2003, there was a clear mismatch between the demands of the emerging economy and the preparation levels of Pennsylvania's future workforce. According to one analysis, only 35 percent of the class of 2001 graduated from high school on time, with a transcript that made them ready for college and with at least basic reading skills. Another study found that of every 100 ninth graders:

- 77 graduated from high school (on time) four years later;
- 47 immediately enrolled in college;
- 37 re-enrolled in college for their second year; and
- Only 28 earned an associate degree within 3 years or a bachelor's degree within six years.

Pennsylvania is upgrading the high school experience in order to improve on these results and prepare all students in the state for college and rewarding careers.

In 2006-07, Pennsylvania launched **Classrooms for the Future**, Governor Rendell's high school reform program that aims to change the way high school teachers teach and students learn by using the power of technology to reach the technology generation. Classrooms for the Future will provide \$200 million over three years to make every high school classroom in Pennsylvania a "smart" classroom, providing laptop computers for every teacher and student in English, math, science and social studies classes.

In 2006-07, the inaugural year of Classrooms for the Future, \$20 million was invested in 103 high schools in 79 districts, equipping 1,200 classrooms with more than 16,000 laptops and providing 1,900 teachers with intensive training in how to integrate technology into their lessons. Just a few months after the initiation of Classrooms for the Future, an independent study found that in participating schools:

- ✓ Observers and students reported that teachers were spending significantly less time in whole-class lectures and more time working with small groups of students and interacting with individual students.
- ✓ Teachers reported that students were spending significantly more time working in groups and the physical setup of classrooms was often being changed to accommodate more collaborative student learning.
- ✓ There was a notable shift in the nature of assignments given to students, moving away from worksheets and toward "real-world" topics and teaching styles in which students gained greater understanding through activities and hands-on projects.
- ✓ A before-and-after analysis of Classrooms for the Future indicated that students using technology tools in learning were spending significantly less time "off task" (doing things other than what the teacher had intended) and there was a significant increase in the level of engagement.



- ✓ Teachers' attitudes changed, reflecting increased value for technologies in the learning process, increases in effort and hours, and increased levels of preparation to teach their subjects well.

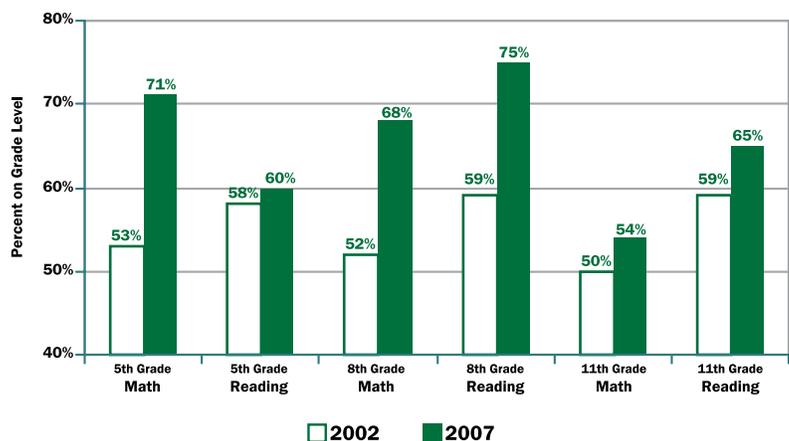
Classrooms for the Future builds on and supports three other core high school reform initiatives that are being carried out by the Department of Education:

- **Project 720**, named for the number of days from the beginning of ninth grade to the end of 12th grade, is designed to help school districts transform high school education to meet the needs of the 21st century. Project 720 helps high schools ensure that all students take a rigorous college- and career-prep curriculum; create “small school” environments so that all students get the attention they need; and enable students to successfully transition from high school to post-secondary success. School districts participating in Project 720 reported:
 - ✓ More student-adult interaction.
 - ✓ Increased Pennsylvania System of School Assessment proficiency scores.
 - ✓ Increased interest in reading.
 - ✓ Decreased discipline problems.
 - ✓ Improved attendance.
- **Dual Enrollment** is Pennsylvania’s landmark program that provides funding so high school students can earn college credit even before they receive a high school diploma. In 2006-07, \$8 million was provided to school districts by the commonwealth to provide dual enrollment opportunities to more than 12,000 students, including many low-income high school students who otherwise might never have had the opportunity to spend time on a college campus. Pennsylvania’s Dual Enrollment program made it possible for these students to enroll in 18,326 post-secondary courses.
- **College and Career Counseling** grants provided Pennsylvania school districts with \$3 million in 2006-07 to upgrade middle and high school guidance programs. Pennsylvania provided support in 2006-07 for 19 pilot school districts that agreed to overhaul their guidance counseling systems in order to better serve students and link them more effectively to post-secondary education and workforce opportunities.

3. Ensure that all children have the essential math, English and science skills they need to be successful in a global economy.

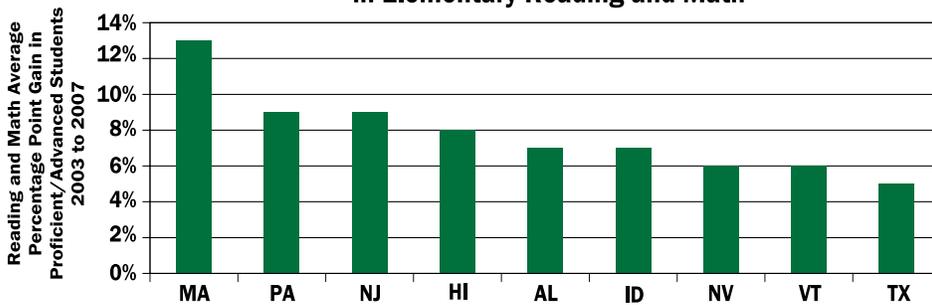
Student achievement in Pennsylvania is on the rise. There have been improvements in elementary, middle and high schools over the last five years as shown in the chart.

Pennsylvania’s success in raising student achievement levels has made it a leader among states. The commonwealth is one of only nine states making progress in elementary school reading and math since 2003 on the National Assessment of Educational Progress (NAEP), also known as the “Nation’s Report Card.”



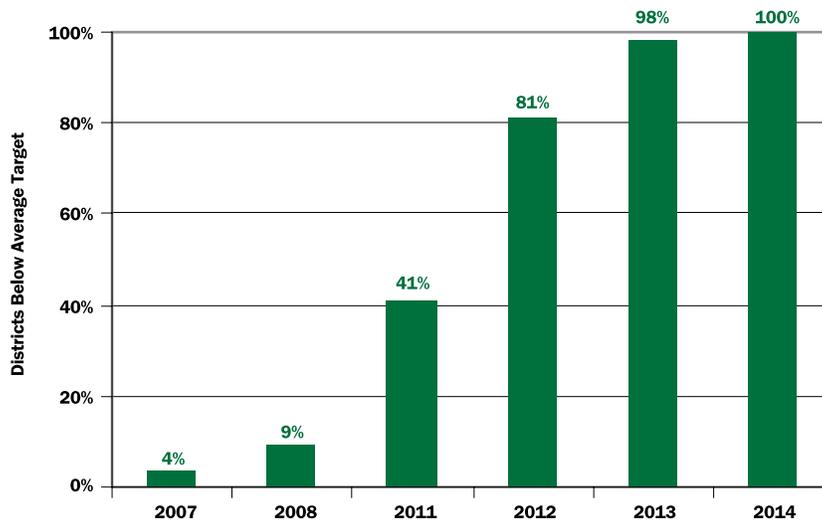
Nevertheless, Pennsylvania – like all other states – must overcome significant challenges in order for all students to reach grade level in reading and math by 2014, as required by the federal No Child Left Behind law. Without dramatic and rapid student learning gains, the number of school districts falling below the escalating student achievement targets in No Child Left Behind will skyrocket in the coming years:

PA Ranks Near the Top of States Making Progress in Elementary Reading and Math



Despite the significant new resources that have been provided to preK–12 education since Governor Rendell took office, the commonwealth will need to do even more to meet mandated accountability targets. In 2004–05, Pennsylvania ranked 30th in the nation in state per-pupil funding and lagged behind both the U.S. and neighboring states:

Percent of PA School Districts Projected to Fall Below No Child Left Behind as NCLB Standards Increase Over Time



Continuing to boost achievement so all children receive the high-quality education they deserve – and our economy demands – will require an ongoing commitment to provide adequate resources and high levels of accountability so every taxpayer dollar spent on education improves the performance of the commonwealth’s students.

State	2004-05 State K-12 Expenditure Per Student
Delaware	\$7,149
New Jersey	\$6,783
New York	\$6,617
West Virginia	\$6,013
Ohio	\$4,757
U.S. Average	\$4,692
Maryland	\$4,309
Pennsylvania	\$4,222

To build upon the progress that has been made in recent years, the Department of Education has developed a “system of assistance” to provide targeted support to struggling schools and districts. This system of assistance involves three types of support strategies:

- ✓ Foundation-level support – This is a nationally recognized program in which the Department of Education designs and implements school improvement tools, programs and training.
- ✓ Field-based assistance – In this program, the Department of Education uses educational networks and resources that exist across the state and matches them to the needs of schools that have not met adequate yearly progress goals.
- ✓ Leadership development - In this program, the Department of Education provides customized support through:
 - The **Pennsylvania Inspired Leadership program**, which supports principals and other administrators during various stages of their careers. In the 2006–07 school year, nearly \$3 million in state and federal money was allocated, which reached 530 principals and administrators.
 - The **Distinguished Educator program**, which uses education experts to help under-performing schools recognize and address weak areas in their curricula and develop strategic solutions. In the 2006–07 school year, more than \$4 million in federal and state money assisted 18 high-need school districts.

By focusing intensive efforts on making improvements in schools that have been identified as needing assistance, the Department of Education is helping to increase the percentage of students demonstrating competency on statewide tests, both overall and among minority groups.

The 2006-07 school year was the inaugural year for **Science: It’s Elementary**, a \$10 million initiative that reaches students early in their education to develop a lifelong interest in science and prepare them to be the scientists, engineers and inventors of tomorrow. In its first year, the program reached almost 37,000 students in 74 elementary schools across 68 districts. The program provides intensive training and professional development to teach teachers to transform science instruction for elementary school children. In the 2006-07



school year, training was provided to 1,368 teachers. Science: It's Elementary is based on a successful program in Southwestern Pennsylvania that has led to some of the highest science scores in the world in standardized achievement tests.

4. Promote access and affordability for students in institutions of higher education.

With more well-paying, high-demand jobs requiring postsecondary education and training, it is more important than ever for Pennsylvanians to have access to affordable college education. At present, Pennsylvania trails the nation's five leading states, according to the "Measuring Up 2006" National Report Card on Higher Education:

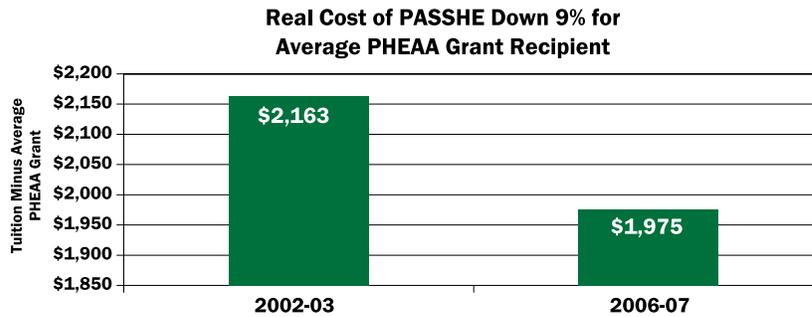
Pennsylvania helps to promote access and affordability for students seeking to be admitted to institutions of higher education by offering its citizens a rich and diverse array of options for postsecondary training, including the state-owned universities in the [State System of Higher Education](#), [state-related institutions](#), [private colleges and universities](#), [community colleges](#), and [private licensed vocational and technical schools](#).

Who Went on to Higher Education in 2006?		
Type of Post-Secondary Student	Pennsylvania	Top States from the 2006 Measuring Up Report
Ninth graders who graduated from high school on time and immediately entered college	45%	53%
18- to 24-year-olds enrolled in college	35%	41%
25- to 49-year-olds enrolled part-time in some type of post-secondary education	3.1%	5.1%

These institutions enrolled more than 670,000 students in the 2006–07 school year. More than half of these students enrolled in institutions that were supported by the commonwealth.

Pennsylvania's higher education institutions are one of the state's strongest assets. That is why state financial support has been increased, making it easier for students to attend by increasing the availability of financial aid. In addition to \$988 million in direct aid to colleges and universities in 2006–07, the state provided more than \$386 million to the [Pennsylvania Higher Education Assistance Agency](#) (PHEAA) to provide financial assistance to more than 166,000 students.

The Rendell administration has made it a priority to control tuition increases in the one higher education sector where the commonwealth has a significant governing role: the [Pennsylvania State System of Higher Education](#) (PASSHE). As a result of improvements in efficiency, the system's last three annual tuition increases have been the lowest in the last eight years and below the rate of inflation. Thanks to the commonwealth's increased financial support for both PHEAA and PASSHE, it now costs less for an average middle-class or low-income student who receives a PHEAA grant to attend PASSHE than it did five years ago.



5. Align public funding with economic development in the area of post-secondary education.

In 2006-07, Pennsylvania also began to better alline its support for higher education with the needs of employers across the state. For [community colleges](#), the commonwealth began reimbursing institutions based on enrollment in courses related to high priority occupations. The state supported more than 1,200 courses in the commonwealth’s 14 community colleges. In total, the state appropriated more than \$265 million in support of community colleges which included incentive funding for the colleges to offer education for careers with a future in the community. The Community College Economic Development Stipend program, initiated in 2005, represents a significant departure from previous funding methods.

The [Community College Economic Development Stipend](#) program, initiated in 2005, represents a significant departure from previous funding methods because, for the first time, community college education and training resources are being specifically directed toward offering for-credit and non-credit programs and courses that prepare students for careers paying good wages in fields with significant job openings.

In the 2006-07 academic year, the Department of Education, in collaboration with the [Department of Labor and Industry](#), approved 855 “[high-priority occupation](#)” credit programs. More than 7,000 students completed credit-bearing programs in high-priority occupations during the 2006–07 school year. In addition, the department approved 691 non-credit “[workforce development](#)” courses to provide opportunities for students and working people to develop or upgrade skills necessary for high-priority occupations. More than 9,000 individuals completed these non-credit programs.

Another Pennsylvania post-secondary initiative intended to advance community economic development is the [New Economy Technology Scholarship](#) (NETS) program, which provides funding for students pursuing either an associate’s or bachelor’s degree in a variety of fields in math and science. These are the fields upon which Pennsylvania’s 21st century economy will depend, like biomedical sciences, aerospace engineering and computer systems security. More than 1,500 students a year benefited from these NETS scholarships in 2006-07. Pennsylvania’s communities also benefited because, under the terms of the scholarship, these students must agree to work for a Pennsylvania company for one year for each scholarship year. This means that local businesses are able to hire talented workers who can help increase innovation and productivity, while students receive the financial assistance they need to pursue higher education at top-notch colleges and universities.



Awards and Recognition

In a September 2006 article, [Education Week](#) recognized Pennsylvania's [Distinguished Educator program](#) as a powerful school improvement tool. This program provides the state's most struggling districts with the expertise of an educator experienced in turning around low-performing schools to help them find and implement the best improvement strategies.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds			
Accountability Block Grants (ABG)	\$200,000	\$200,000	\$250,000
Basic Education Funding	4,386,024	4,517,184	4,784,264
Dual Enrollment	N/A	5,000	8,000
Project 720/High School Reform	N/A	4,700	8,000
Community Colleges	231,831	252,831	265,585
All Other State Appropriations	4,589,034	4,707,625	5,145,192
State General Funds Total	\$9,406,889	\$9,687,340	\$10,461,041
Federal Funds	1,656,782	1,816,015	1,848,433
Special/Other Funds	160,012	188,744	196,403
Department Total	\$11,223,683	\$11,692,099	\$12,505,877

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	784	766	754



Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Public school enrollment (preK-12)	1,828,089	1,830,684	1,810,430
Percentage of students enrolled in schools spending less than \$8,500 per student	22.2%	10%	6%
Percentage of the State Basic Education Funding increase directed to poorer-than-average districts	71%	66%	69%
Percentage of students proficient/advanced in mathematics	62.9%	66%	69%
Percentage of students proficient/advanced in reading	64.1%	66%	68%
Percentage of schools that met Adequate Yearly Progress	77%	82%	77%
Number of high school students getting college credit	N/A	9,110	17,178
High school graduation rate	87.7%	88.3%	88.6%
Number of students participating in the Classrooms for the Future Program	N/A	N/A	56,084
Number of students participating in Science: It's Elementary	N/A	N/A	31,079
Percentage of high schools participating in Project 720	N/A	11.1%	17.3%
Higher education degrees awarded by state-supported and private institutions of higher education:			
State-supported:			
State System of Higher Education	20,699	21,456	22,319
Community colleges	12,882	12,943	13,093
State-related universities	35,334	36,167	35,924
Non-state-related universities and colleges	13,397	13,786	14,393
Non-state-supported:			
Private universities and colleges	49,520	50,400	50,705
Total	131,832	134,752	136,434
Six-year graduation rate for full-time, first-time students at State System institutions	55.6%	53.3%	54.0%
Six-year graduation rate for full-time, first-time students at state-related institutions	63.5%	62.4%	63.3%
Three-year graduation rate for full-time, first-time students at community colleges	14.7%	15.7%	16.0%



Economic & Community Development

Introduction

State government has a vital role to play in economic development. While economic growth is not possible without the energy and creativity of private businesses competing in the marketplace, the state is an essential partner to the for-profit and non-profit sectors -- enhancing economic opportunity for all Pennsylvanians by encouraging and supporting job retention and job creation, preparing the work force for the jobs of the future, enhancing the state's competitive position in the global economy through investments in infrastructure and education, making strategic investments to revitalize Pennsylvania's communities, and helping families weather economic adversity with mortgage assistance, workers compensation and unemployment insurance.

The agencies featured in this section are those most directly involved in state economic development:

- [The Department of Community and Economic Development](#)
- [The Department of Labor and Industry](#)

Several other state agencies operate programs and provide services that also contribute in significant ways to economic and community development in the commonwealth. Four examples are the Department of Education, the Department of Agriculture, the Department of Transportation and the Department of Revenue.

The [Department of Education](#) ensures that Pennsylvania's 1.8 million preK-12 public school students receive a quality education. The department also administers several important programs that ensure that Pennsylvania students are prepared to meet the needs of employers and successfully compete in the global economy. To learn more about the Department of Education, go to page 3.

The [Department of Agriculture](#) protects consumers and businesses from animal disease outbreaks and ensures that all Pennsylvania consumers have access to safe and nutritious food. The department also is responsible for preserving, protecting and promoting agriculture and agriculture-related industries throughout the commonwealth. To learn more about the Department of Agriculture, go to page 77.

The [Department of Transportation](#) maintains, repairs, expands and operates the commonwealth's highway and bridge infrastructure. PennDOT also is responsible for the oversight and management of several important state economic development and community development programs, such as Community Safe Routes to Schools and Hometown Streets. To learn more about PennDOT, go to page 135.

The [Department of Revenue](#) collects and manages all tax revenues and lottery proceeds that support services provided to the citizens of Pennsylvania. The department strengthens the state's business climate and spurs economic development by improving the competitiveness and fairness of Pennsylvania's tax system. To learn more about the Department of Revenue, go to page 149.



Did you know.....

- *176,600 PA workers made between \$5.15 and \$6.24 in 2006, and 222,800 made between \$6.25 and \$7.14.*
- **Top 10 Employers:**
 - *Federal Government (includes military)*
 - *State Government (includes Penn State and PASSHE schools)*
 - *Wal-Mart*
 - *City of Philadelphia*
 - *School District of Pennsylvania*
 - *University of Pennsylvania*
 - *Giant Food Stores*
 - *United Parcel Service*
 - *UPMC*
- *If Pennsylvania were a nation, it would have the world's 17th largest economy – larger than, for instance, Turkey, Switzerland, Saudi Arabia, Ireland, Indonesia or Sweden.*
- *Agriculture in Pennsylvania generates \$4.7 billion in cash receipts; with \$45 billion is total economic impact for the commonwealth each year.*
- *Food products are the state's number one export, generating \$754 million in international sales.*
- *One in seven jobs in the state is related to agriculture.*
- *Each farmer produces enough food and fiber to supply 146 Pennsylvanians*



Economic & Community Development

Department of Community & Economic Development

Dennis Yablonsky, Secretary
www.newpa.com

Mission Statement

The mission of the Department of Community and Economic Development is to provide Pennsylvania businesses and communities with the tools they need to succeed and thrive.

Overview of Programs and Services:

- Implements and administers business finance and technical assistance programs through loans, bond financing, grants, tax credits and loan guarantee assistance.
- Directs, manages and develops promotional activities to encourage increased travel, tourism and film production in Pennsylvania.
- Directs, manages and develops technology investment marketing efforts and business-development advertising and marketing activities.
- Provides assistance to local governments and local elected officials across Pennsylvania to help improve the efficiency and responsiveness of local governments and enable local governments to maintain or, when necessary, regain fiscal stability.
- Provides support for affordable and accessible housing and other assistance to stabilize and improve local communities across Pennsylvania, working with the Pennsylvania Housing Finance Agency and other public- and private-sector partners.

Major Agency Objectives for 2006-07

1. Use state economic development resources in a coordinated and cost-effective manner to maximize job creation and retention within the commonwealth.
2. Help companies from incubation through maturity by offering an array of financing options to grow and strengthen their business presence in the commonwealth.
3. Serve as a catalyst for growth and competitiveness through technology-based economic development initiatives, including funding, partnerships and support services.
4. Provide a targeted approach utilizing funding and technical assistance to revitalize and support Pennsylvania's core communities.
5. Provide support for affordable and accessible housing and assistance to stabilize and improve communities.
6. Effectively implement the commonwealth's multi-year economic stimulus program.
7. Make Pennsylvania a much stronger presence in the global economy by providing increased export assistance services to Pennsylvania companies and attracting more foreign direct investment in the commonwealth.
8. Establish Pennsylvania's tourism assets as a major economic driver.

Major Achievements and New Initiatives in 2006-07

1. Use state economic development resources in a coordinated and cost-effective manner to maximize job creation and retention within the commonwealth.

The Department of Community & Economic Development works in partnership with hundreds of local governments, business federations, and community and regional economic development agencies to deliver resources to businesses, communities and individuals in need of assistance to successfully implement their economic and community development strategies.

The **Governor's Action Team** is the unit within DCED that plays a key role in this effort and reacts immediately to major problems and opportunities related to economic development. This includes attracting businesses to Pennsylvania and helping Pennsylvania-based companies expand and prosper. For example, GAT helped Shire Pharmaceuticals Group of England establish its U.S. corporate headquarters in Wayne, Delaware County, in 2004, creating 400 jobs.

A summary of key accomplishments for GAT in 2006-07:

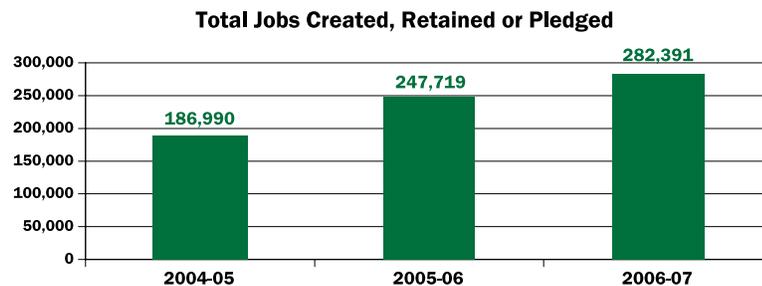
- ✓ 335 new projects started,
- ✓ 225 assistance offers made,
- ✓ 188 assistance offers accepted,
- ✓ 153 projects successfully completed,
- ✓ 58,509 jobs pledged to be created/retained, and
- ✓ 28,521 jobs created or retained by manufacturers.

Overview of Programs and Services: *(continued)*

- Promotes the expansion of Pennsylvania exports overseas and the attraction of greater foreign investment to Pennsylvania.
- Works directly with Pennsylvania-based companies to preserve and expand job opportunities in Pennsylvania through grants, loans, tax credits, access to private investment, technical assistance, market research, workforce training, development of collaborative partnerships and other supports.
- Recruits out-of-state companies to persuade them to locate or expand their operations in the commonwealth.
- Supports state entities created to promote economic development in Pennsylvania, including the Commonwealth Financing Authority, the Pennsylvania Industrial Development Authority and the Pennsylvania Economic Development Financing Authority.

DCED’s economic development marketing efforts aim to increase foreign and domestic investment in Pennsylvania and to expand the markets for the products of Pennsylvania firms overseas. Marketing activities target out-of-state companies to familiarize corporate decision makers and strategists with the opportunities and assets available to businesses that invest and locate in the commonwealth. Trade shows, printed materials, advertising and the commonwealth’s presence on the Internet all provide opportunities to help Pennsylvania-based companies develop their domestic and worldwide market potential and help strengthen, support and promote Pennsylvania’s business-friendly environment and encourage corporate location and expansion.

The chart below shows that the number of jobs created, retained or pledged as a result of DCED’s economic development efforts has increased steadily and significantly over the most recent three-year period:



2. Help companies from incubation through maturity by offering an array of financing options to grow and strengthen their business presence in the commonwealth.

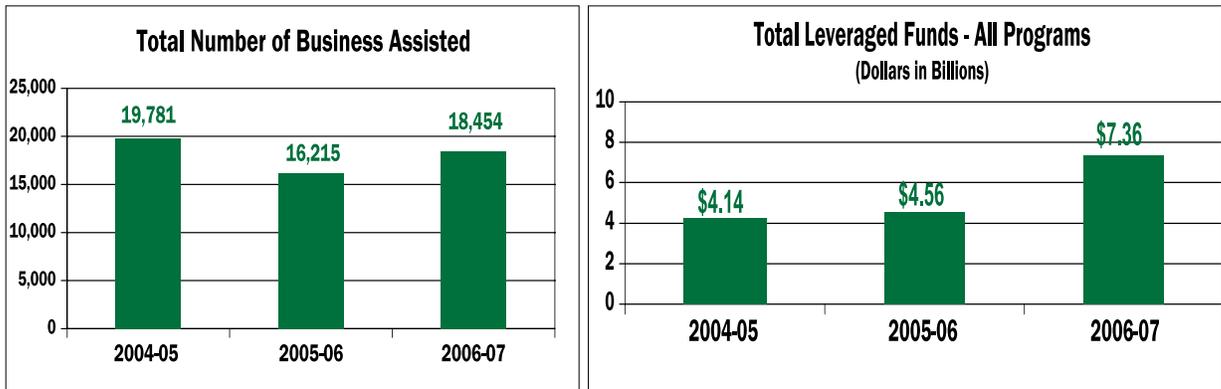
One of DCED’s key objectives is to make it possible for local governments and local economic development agencies to identify areas where development would be most prudent and viable. Many DCED programs encourage public-private partnerships and cooperative efforts between neighboring jurisdictions, which tends to result in a greater regional impact for supported projects.

An array of funding and technical assistance options are available so that practically every sector of the state’s diverse economy is eligible for some sort of assistance to enhance employment opportunities for the residents of Pennsylvania. DCED also offers financial assistance to local agencies looking to make sites “shovel-ready” for future development, so that a developer’s or investor’s momentum is not stalled simply because a development site is not readily available. In both instances, grants, loans, and tax credits are available, as well as technical help that is sometimes needed when applying for and using DCED funds and other public and private financial assistance. Some of DCED’s major programs, services and accomplishments are described in the following table:

DCED Program	Purpose	2006-07 Accomplishments
<p>Infrastructure Development -</p> <p>Provides grants and loans to private companies or developers.</p>	<p>To assist businesses with:</p> <ul style="list-style-type: none"> ✓ Making necessary infrastructure improvements to accommodate relocation or expansion needs and ✓ Redeveloping abandoned sites. 	<p>32 projects - \$22.3 million</p> <p>Leveraged \$645 million</p> <p>Projected jobs - 4,408</p> <p>Retained jobs - 4,245</p>
<p>Pennsylvania Industrial Development Authority</p> <p>Loans to for-profit businesses.</p>	<p>To assist businesses with:</p> <ul style="list-style-type: none"> ✓ Acquiring land or buildings, ✓ Constructing or renovating buildings, ✓ Developing industrial parks, and ✓ Building multi-tenant buildings. 	<p>59 loans - \$58 million</p> <p>Leveraged \$111 million</p> <p>Projected jobs - 1,301</p> <p>Retained jobs - 2,266</p>
<p>Machinery and Equipment Loan Fund</p> <p>Low-interest loans to information technology, manufacturing and biotechnology businesses.</p>	<p>To assist certain businesses with:</p> <ul style="list-style-type: none"> ✓ The acquisition and installation of machinery and equipment - including computer hardware and software. 	<p>42 loans - \$27.4 million</p> <p>27 counties</p> <p>Leveraged \$51.4 million</p> <p>Projected jobs - 2,580</p> <p>Retained jobs - 3,900</p>
<p>Small Business First Fund</p> <p>Eligible financing for a wide range of small-business needs.</p>	<p>Provide financial support for:</p> <ul style="list-style-type: none"> ✓ Meeting environmental requirements, ✓ Converting military facilities, ✓ Developing hospitality-industry projects, and ✓ Developing export-related, retail-establishment, advanced-technology and computer-related services. 	<p>144 loans - \$20.7 million</p> <p>42 counties</p> <p>Leveraged \$67.1 million</p> <p>Projected jobs - 1,055</p> <p>Retained jobs 3,088</p>
<p>Job Creation Tax Credit</p> <p>For businesses creating at least 25 full-time jobs or increasing employment by 20 percent within three years.</p>	<ul style="list-style-type: none"> ✓ To encourage businesses to locate or expand in Pennsylvania. 	<p>79 Projects in 37 counties generating \$1.1 billion in private investments</p> <p>Projected jobs - 9,914</p>
<p>Pennsylvania Minority Business Development Authority</p> <p>Low-interest loans to minority-owned businesses.</p>	<p>To provide:</p> <ul style="list-style-type: none"> ✓ Fixed-asset financing, ✓ Working capital and ✓ Other financing needs. 	<p>15 loans - \$2.3 million</p> <p>8 counties</p> <p>Leveraged \$2 million</p>

For specific information about all of the programs offered by DCED, visit www.newpa.com.

The charts below show the total number of businesses assisted and total funds leveraged by DCED over the last three years.



3. Serve as a catalyst for growth and competitiveness through technology-based economic development initiatives, including funding, partnerships and support services.

DCED's [Technology Investment Office](#) serves as a catalyst for technology-based economic development initiatives in Pennsylvania, providing funding, partnerships and support services to promote technology-centered development.

In 2006-07, the Technology Investment Office:

- ✓ Leveraged more than \$968 million in outside funds and
- ✓ Helped Pennsylvania-based business create more than 7,900 jobs and retain more than 12,300 jobs.

Promoting the use of advanced technology enables Pennsylvania companies to compete more successfully both nationally and internationally. DCED helps Pennsylvania-based businesses engage in research and development to create new products and processes that in turn create new businesses and expand existing ones.

The Technology Investment Office works collaboratively with partners like the Ben Franklin Technology Development Authority, the Life Sciences Greenhouses and the Health Venture Investment Account to:

- ✓ Create new technology companies,
- ✓ Improve the competitiveness of young technology-oriented firms,
- ✓ Develop a technologically-skilled workforce for Pennsylvania and
- ✓ Assist in the transfer of technology research from Pennsylvania universities to the marketplace.

In 2006-07, the four regional [Ben Franklin Technology Partners](#):

- ✓ Leveraged approximately \$38.9 million in matching and follow-on funding and
- ✓ Created 1,603 jobs and retained 1,725 others.

In 2006, the **Life Sciences Greenhouses** and the **Health Venture Investment Account** achieved the following:

- ✓ The **LSGs** funded 103 early stage companies and 25 university-based projects totaling more than \$30.4 million. This investment in early stage Pennsylvania companies, through the **Tobacco Settlement Investment Board**, attracted approximately \$355 million in follow-on funding and created or retained approximately 1,600 high-value jobs.
- ✓ **Health Venture Investment Account** managers have funded 46 companies with more than \$32 million of tobacco settlement funds. The funds leveraged 32:1, attracting more than \$1 billion to these Pennsylvania companies that employ more than 1,000 high-salary workers.

During 2006–07, the Ben Franklin Technology Development Authority committed \$3.6 million in operational grants and planning grants to the 26 **Keystone Innovation Zones**. Approximately 80 institutions of higher education are participating in the KIZ program, which aims to use local higher education institutions as catalysts to promote development in adjacent communities. In 2006–07, the KIZ program:

- ✓ Leveraged more than \$271 million,
- ✓ Attracted 85 start-up companies to the zones,
- ✓ Assisted 2232 companies and
- ✓ Created 821 jobs and retained 1,768 jobs.

Keystone Innovation Grants is a \$10 million KIZ companion program designed to provide institutions of higher education and entrepreneurs with the resources to jump-start the transfer of university-created science and technology into new companies. The second round of approved applicants was announced during 2006-07:

- ✓ \$3.2 million in grants were approved for 20 institutions of higher education,
- ✓ These grants leveraged more than \$74.98 million in other investments,
- ✓ 200 jobs were created and 230 jobs were retained and
- ✓ 432 businesses were assisted.

The **Research and Development Tax Credit Program** provides tradable tax credits to companies performing research and development. In 2006–07:

- ✓ The amount of tax credits available for initial awards increased from \$30 million to \$40 million and
- ✓ The amount of the available tax credits initially set aside for small businesses increased from \$6 million to \$8 million.

4. Provide a targeted approach utilized funding and technical assistance to revitalize and support Pennsylvania's core communities.

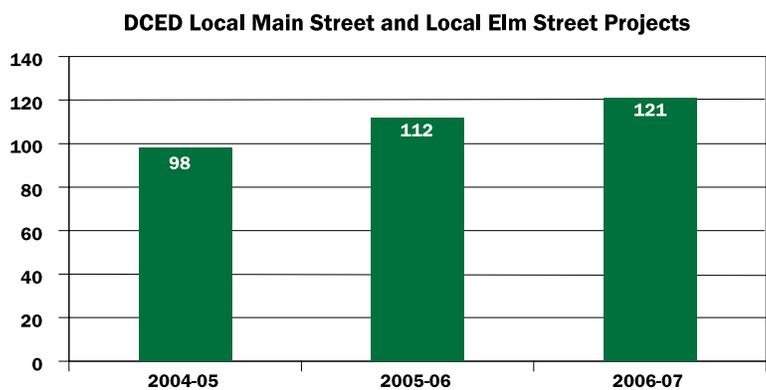
The Rendell administration created the **Community Action Team** in 2004 to be the focal point for local communities requiring assistance from commonwealth agencies. CAT provides a targeted approach to revitalization of Pennsylvania's historic core communities. The team serves as a single point of contact for communities seeking to finance and implement priority projects to promote local revitalization and acts as a trouble-shooter to cut through bureaucratic "red tape." In the past three years, more than \$720 million state and private dollars have been invested in 49 CAT projects. A few examples:

- ✓ Redevelopment of the former Pomeroy's building in Easton, vacant since 1976, into a mixed-use housing and retail space with a parking garage and
- ✓ Replacement of vacant industrial buildings at the Armstrong World Industries site in Lancaster with an athletic and recreational complex available to the public.

Through the Governor's **Economic Stimulus Program**, DCED has targeted funding for rebuilding depressed inner-city neighborhoods and rural areas, generally stabilizing communities so economic and social growth can occur. Two of these programs are listed below:

- ✓ The **Main Street** component preserves and strengthens existing retail, local government and business centers in Pennsylvania's communities. In 2006-2007, there were 71 Main Street-related projects.
- ✓ The **Elm Street** component allows communities to integrate a Main Street or downtown revitalization program with a neighborhood

renewal strategy. It is designed to provide assistance and resources to mixed-use and residential areas close to central business districts, further enhancing the downtown area and improving the viability of older neighborhoods. In 2006-07, 47 Elm Street projects were conducted.



The **Shared Municipal Services Program** helps two or more communities reduce costs and coordinate services through cooperative efforts, such as combined police records administration, shared data processing operations, municipal insurance pooling, shared public works operations, regional recreation activities, shared code enforcement activities and the purchase of vehicles. In 2006-07, 66 projects totaling \$1.4 million had an impact on 14 cities, 302 boroughs and 381 townships in all 67 counties.

The **Early Intervention for Distressed Municipalities Program** provides grants to municipal and county governments for multi-year financial management plans that provide both short- and long-term direction to address fiscal difficulties before they reach a crisis point. This program helps local officials implement sound financial management practices and track revenues and expenditures over a multi-year period. In 2006-07, two counties and 13 municipalities received funding to undertake a multi-year financial planning process.

5. Provide support for affordable and accessible housing and assistance to stabilize and improve communities.

DCED funds a variety of community development projects that promote the growth and stability of neighborhoods and communities through the revitalization of community facilities, downtown structures, housing and infrastructure. These programs help communities achieve and maintain social and economic diversity and ensure a productive tax base that will improve their quality of life. In 2006-07, 68 projects were approved that leveraged \$82.4 million in private funds and assisted in the creation and renovation of 5,202 housing units.

Through the New Communities Program, DCED has targeted funding to rebuild depressed inner-city neighborhoods and rural areas, stabilizing older communities so economic and social growth can occur.

DCED also manages programs that:

- ✓ Support home modifications that increase the ability of persons with physical disabilities to remain in their homes. In 2006-07, 10 grants for \$3 million provided assistance to 299 households.
- ✓ Help the homeless find stable living conditions, which also serves the community. Funding is targeted to shelters and transitional facilities serving 9,517 adults and children in 2006-07.
- ✓ Support housing for people with special needs, including the mentally and physically disabled. In 2006-07, eight projects were funded for more than \$3 million.

DCED works closely with the [Pennsylvania Housing Finance Agency](#) to operate programs that increase and protect the supply of decent, safe and affordable multi-family rental units and single-family housing and protect families from foreclosures. Three key programs run by PHFA are:

- ✓ The **Single Family Homeownership Program** – This is a home-buyer assistance program that offers below-market-rate mortgage loans to first-time buyers of single-family houses. In 2007, PHFA provided \$798 million in mortgage financing for approximately 7,000 families.
- ✓ The **Homeowners Choice Program** – This program provides funding for the development and/or rehabilitation of single-family homes for purchase in urban communities. It also provides for the rehabilitation of the upper floors of store fronts on the commercial corridors of urban neighborhoods and core communities to provide either rental or ownership housing opportunities. In 2007, \$8 million was committed to revitalizing distressed communities.
- ✓ The **Homeowners Emergency Mortgage Assistance Program** – This program was established to protect citizens who, through no fault of their own, are in danger of losing their homes to foreclosure. Eligible applicants receive assistance in an amount sufficient to bring mortgage payments current and may also receive continuing assistance for up to 24 months. Loan repayment begins when the recipient's housing expenses (mortgage, taxes, utilities and insurance) do not exceed 40 percent of net household income. To date, PHFA has channeled more than \$206 million and \$228.6 million in repayments into HEMAP to save more than 39,000 homes from foreclosure.

In addition, PHFA has committed \$17.3 million in secondary funding and \$24.2 million in tax credits in 2006-07 to finance 51 developments totaling 3,412 units. For more information about PHFA programs, visit www.phfa.org.

6. Effectively implement the commonwealth's multi-year economic stimulus program.

Early in 2004, a \$2.6 billion **Economic Stimulus Program** proposed by the Governor was approved by the General Assembly. This program included a variety of creative funding tools, many of which are directed toward revitalization and redevelopment in older communities. The stimulus programs are overseen by the [Commonwealth Financing Authority](#) and administered by the Department of Community and Economic Development. These initiatives – combined with existing DCED programs, such as [Housing and Redevelopment Assistance](#), [Community Development Block Grants](#), the [Redevelopment Assistance Capital Program](#), [Main Street](#) funding for improvements to downtown commercial area facades and streetscapes, the [Community Development Bank](#) and [Keystone Opportunity Zones](#) that provide tax incentives for reinvestment in urban and rural communities – offer a wealth of funding tools that can be combined to help municipalities reverse decline, build on their assets and make their communities attractive places to live, work and visit.

The following table presents a status report on Economic Stimulus Program activities:

Economic Stimulus Programs - June 30, 2007				
Program	Number of Projects	Funds Invested	Jobs Pledged	Total Amount Leveraged
Infrastructure Projects				
Business in Our Sites	105	\$295,883,717	117,359	\$993,549,551
PennWorks	61	\$199,999,328	92,832	\$265,168,384
Tax Increment Financing	2	\$10,000,000	1,500	\$10,850,000
Infrastructure Facilities Improvement Program	18	\$17,363,941	30,824	\$1,041,515,575
Redevelopment Assistance Capital Program	606	\$1,247,767,000	N/A	\$1,247,767,000
Subtotal	792	\$1,771,013,986	242,515	\$3,558,850,510
Community Revitalization				
Main Street Downtown Business Renewal	235	\$23,100,000	461	\$33,475,852
Elm Street Downtown Residential Renewal	149	\$26,000,000	12	\$12,159,750
Enterprise Zones	134	\$21,174,844	1,452	\$84,037,349
Housing & Redevelopment Assistance	376	\$121,637,658	457	\$298,030,974
Homeownership Choice	55	\$65,512,300	N/A	N/A
Hometown Streets	271	\$176,100,000	N/A	N/A
Subtotal	1,220	\$433,524,802	2,382	\$427,703,925
Business and Other Private-Sector Investments				
First Industries Fund (Agriculture/Tourism)	374	\$76,195,830	2,495	\$156,897,004
Second Stage Loan Program	5	\$2,475,000	90	\$6,950,000
Venture Capital Investment Fund	15	\$47,850,000	210	\$36,174,979
Venture Guarantee Program	7	\$182,500,000	N/A	N/A
Building PA	11	\$52,300,000	393	\$117,028,993
Keystone Innovation Zones	26	\$9,320,375	1,966	\$367,929,941
PA Base Development Committee	Multiple sites	\$6,031,443	N/A	N/A
Subtotal	438	\$376,672,648	5,154	\$684,980,917
GRAND TOTALS	2,450	2,581,211,436	250,051	4,671,535,352

For specific information about the economic stimulus program, please visit: www.newpa.com and select Economic Stimulus Plan.

7. Make Pennsylvania a much stronger presence in the global economy by providing increased export assistance services to Pennsylvania companies and attracting more foreign direct investment in the commonwealth.

In 2006-07, DCED implemented the [World Trade PA initiative](#), substantially increasing Pennsylvania's efforts to export its products and services to key target markets and convince foreign-based companies to set up or expand their U.S. operations in our state.

In 2006-07, DCED's [Office of International Business Development](#), responsible for implementing the World Trade PA initiative:

- ✓ Expanded its network of international contractors for trade promotion and investment attraction to include the Czech Republic, Saudi Arabia, Vietnam, Spain, Scandinavia and the Netherlands, as well as an expanded presence in two fast-growing export markets: China and India;
- ✓ Assisted 1,156 Pennsylvania companies with 2,193 requests for various export assistance services, facilitating more than \$253 million in export sales;
- ✓ Identified 995 foreign direct investment leads, was actively involved in 147 competitive investment projects, organized 70 business visits to Pennsylvania and located 21 foreign investment projects in the state, creating more than 2,000 jobs;
- ✓ Organized three international press tours to Pennsylvania, hosting 20 foreign reporters who published 19 articles about Pennsylvania in newspapers and magazines in Australia, Brazil, Finland, France, Germany, India, Israel, South Korea, the Netherlands, Spain, and the United Kingdom;
- ✓ Organized the Governor's first international investment trip to Europe, with business meetings and investment seminars in Spain and the United Kingdom, directly resulting in more than six company visits to Pennsylvania and at least three successful investment projects so far;
- ✓ Increased funding for the Export Financing Program (a low-interest revolving loan program for exporters) from \$3 million to \$8 million and for the Market Access Grant program from \$500,000 to \$1 million, allowing DCED to assist 293 small- and medium-sized Pennsylvania businesses with their international trade activities; and
- ✓ Through its Center for Port Development, was tasked with developing and implementing a maritime (ports, navigable waterways and borders) security plan by the Governor's Executive Cabinet of Homeland Security and Emergency Preparedness.

8. Establish Pennsylvania's tourism assets as a major economic driver.

The key objective of the [Pennsylvania Tourism Office](#) is to position Pennsylvania as a top tourism destination for both domestic and international travelers. Over the past three years, the office has implemented a variety of effective and cost-efficient marketing tactics to attract tourists that continues to establish tourism as one of Pennsylvania's primary economic catalysts. Marketing strategies included:

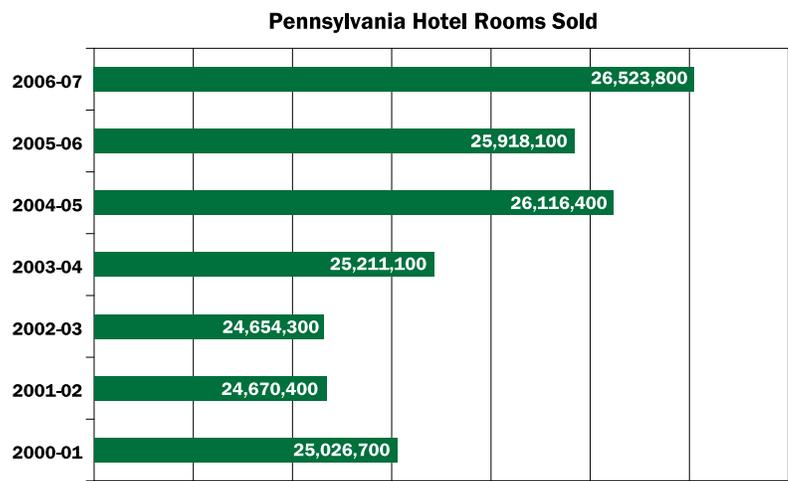
- ✓ "So whatcha wanna do", Spring/Summer campaign comprised of TV, radio, print, billboards and transit posters.
- ✓ "[Cabin Fever Month](#)," and "Fall is Bigger Here" campaigns comprised of radio and print advertising.
- ✓ "[visitPA.com](#)", Pennsylvania's official tourism web site was continually enhanced to include innovative and groundbreaking use of web videos and user generated content that significantly increased the length of time the seven million unique visitors spent on the web site.

- ✓ Proactively pitching regional and national media to produce news and feature stories spotlighting the state's tourism assets.

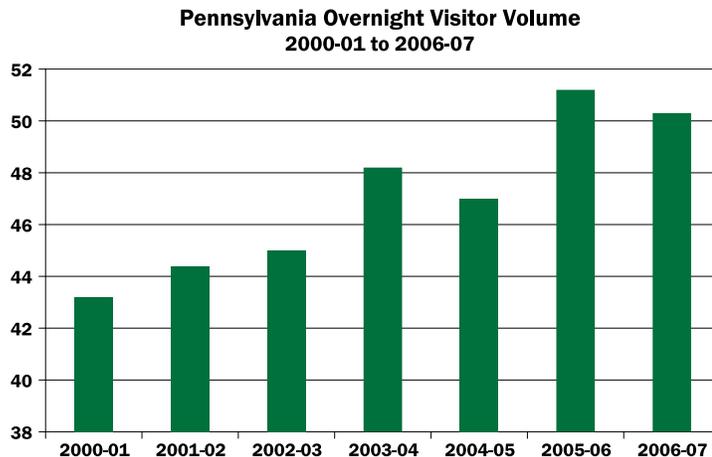
Recognizing the fact that travelers and tourists are generally unaware of local county boundaries, the Pennsylvania Tourism Office has established Regional Marketing Alliances, funded by the Regional Marketing Initiative Program to promote a regional approach in marketing the commonwealth to prospective tourists.

These marketing strategies developed by the Pennsylvania Tourism Office and its industry partners have achieved the following results:

- Pennsylvania's hoteliers sold over 26.5 million hotel rooms in 2006-07 – nearly 606,000 more than in 2005-06 and a new record high. Other standard measures of hotel industry performance also showed strong increases between 2005-06 and 2006-07. The strong demand allowed Pennsylvania's hoteliers to raise room rates resulting in a 9 percent increase in hotel room revenues, far outpacing the national average increase of 6.7 percent, and totaling \$2.6 billion. These revenues, in turn, generated more than \$157 million for the commonwealth from the state's hotel occupancy tax and well over \$116 million for local taxing jurisdictions that have adopted a local room tax.



- For the third year in a row, Pennsylvania hosted well over 100 million leisure visitors based on preliminary estimates for the first half of 2006-07. Nearly 108 million leisure visitors traveled to and/or within Pennsylvania for an overnight or day-trip in 2005-06 with the number of leisure visitors whose travels included an overnight stay surpassing 50 million for the second consecutive year.



- The continued strength of Pennsylvania’s tourism industry in 2006-07 helped support over 500,000 jobs in the state’s leisure and hospitality sector. The number of jobs in this sector rose 0.7 percent in 2006-07, just slightly below the 0.9 percent gain in all non-farm jobs in the state.

Awards and Recognitions

Business Retention and Expansion International 2006 State-wide/Province-wide Program – The PA Business Retention & Expansion Program is the winner of the Business Retention and Expansion International 2006 State-wide/Province-wide Program.

The Local Government Academy gave the **2006 Outstanding Advocate for Good Government Award** to the Governor’s Center for Local Government Services.

2006 Innovations in American Government Awards Competition – The Ash Institute for Democratic Governance and Innovation, part of Harvard University’s Kennedy School of Government, named the Governor’s Community Action Team program, the Fresh Food Financing Initiative and the Homeowner’s Emergency Mortgage Assistance Program among the top 50 programs.

The Elm Street Program, which provides grant funds for planning, technical assistance and physical improvements to residential and mixed-use areas in proximity to central business districts, was awarded the **2006 President Award for Innovation from the Council of State Community Development Agencies.**

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$521,445	\$521,412	\$673,663
Federal Funds	123,044	128,861	100,750
Special/Other Funds	198,085	222,254	187,202
Department Total	\$842,574	\$872,527	\$961,615

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	359	362	374

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Businesses assisted:			
Business assistance	12,709	9,564	11,155
Technology investment	7,072	6,651	7,299
Total	19,781	16,215	18,454
Jobs pledged to be created:			
Business assistance	70,416	147,810	147,973
Technology investment	8,084	7,141	7,939
Total	78,500	154,951	155,912
Jobs retained:			
Business assistance	103,463	82,444	114,134
Technology investment	5,027	10,324	12,345
Total	108,490	92,768	126,479
Public/private funds leveraged (in thousands):			
Business assistance	\$3,458,810	\$3,433,839	\$6,386,844
Technology investment	\$683,997	\$1,125,168	\$968,732
Total	\$4,142,807	\$4,559,007	\$7,355,576
Export sales facilitated (dollars in thousands)	\$84,406	\$173,928	\$253,580
Persons receiving job training	138,182	116,202	113,297
Traveler expenditures (dollars in millions)	\$25,260	\$25,800	\$26,808
Visitors from targeted countries	480,000	530,000	600,000



Economic & Community Development

Department of Labor & Industry

Stephen M. Schmerin,
Secretary

www.dli.state.pa.us

Mission Statement

The mission of the Department of Labor & Industry is to improve the quality of life and the economic security of Pennsylvania's workers and businesses, encourage labor-management cooperation and prepare the commonwealth's workforce for the jobs of the future.

Overview of Programs and Services:

- Administers programs that foster and maintain economic growth and economic development.
- Protects the health, welfare and safety of workers.
- Enforces a statewide building code.
- Provides meaningful job training and placement services.
- Stabilizes the incomes of injured, disabled or unemployed workers.
- Facilitates labor-management cooperation.

Major Agency Objectives for 2006-07

1. Improve job training and placement services.
2. Collect wages owed to Pennsylvania's workers.
3. Reduce the cost of doing business while making workplaces safer.
4. Support Pennsylvania's workforce.
5. Enhance labor-management relations.
6. Improve employment opportunities for people with disabilities.

Major Achievements and New Initiatives in 2006-07

1. Improved job training and placement services.

Job Ready Pennsylvania is the Rendell administration's program to dramatically improve workforce development programs. An investment of \$91 million in state funds has leveraged another \$2 billion in public and private funds to improve the commonwealth's workforce development and technical educational systems. The funds are used to enhance worker skills necessary to compete in the global economy, provide increased options for students to receive post-secondary education; and boost the skills of high school graduates.

Industry partnerships and industry partnership worker training programs are examples of the wide range of changes that the Rendell administration has made in state workforce development programs. The partnerships give employers the opportunity to play a major role in designing workforce training programs so Pennsylvania's education and training programs are aligned more closely and realistically with the needs of employers. This means that workers and prospective workers are much more likely to find good-paying jobs and rewarding careers.

Direct investments from state funds in 2006-07 in training and vocational education programs to benefit workers and businesses include:

- ✓ \$15 million to upgrade the skills of employed workers
- ✓ \$5 million to establish and support industry partnerships so that businesses and training programs can grow by working together in mutually beneficial ways
- ✓ \$2.5 million to help school district career and technical education programs and other nonprofit schools to purchase equipment needed to ensure the skills of graduates meet the needs of businesses.

As a result of these investments:

- ✓ More than 34,000 workers completed, or are currently engaged in, advanced training
- ✓ More than 5,900 companies worked together in 91 industry partnerships.
- ✓ More than 106 equipment grants awarded to help school job training programs become more relevant to local industry
- ✓ More than 74,700 students enrolled in training and education programs received assistance to compete more effectively for higher wage, higher skill jobs.

- ✓ Workers receiving training to upgrade their skills under this initiative saw an **average increase in their wages of nearly 13 percent.**

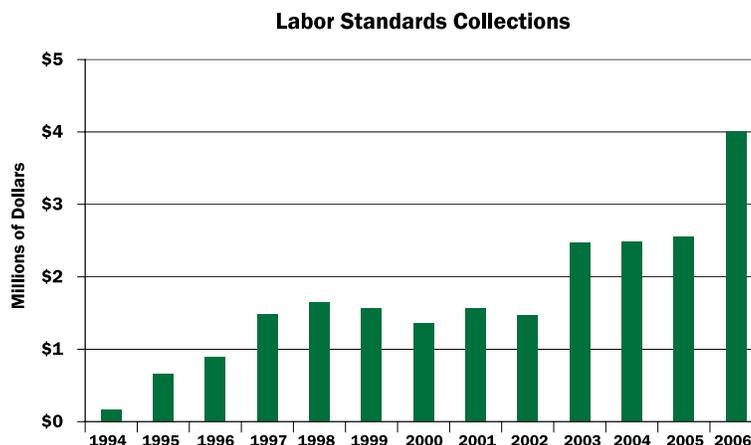
Pennsylvania has established the **Center for Health Careers** to lead a statewide effort to respond to shortages in nursing and allied health-related occupations. Since 2006, the Center has distributed \$5 million in grants to nursing programs and hospitals to increase teaching faculty and expand opportunities for clinical education. As a result of these efforts, the number of registered nurse graduates from Pennsylvania’s nursing program has increased from 2,939 in 2003 to 5,937 in 2006.

Through partnerships developed by Labor and Industry’s Bureau of Workforce Development, a total of more than 330,000 individuals received workforce development services during 2006–07. Services included job search and placement assistance, career counseling and planning, occupational skills training and customized training through the Pennsylvania CareerLink system. Historical data shows that more than 65 percent of individuals gain employment after receiving services, and about 82 percent of those who gain employment stay employed for at least six months. The average six-month earnings for these individuals are approximately \$11,700.

For more information on Pennsylvania’s workforce development programs or to contact a local PA CareerLink Office, go to www.dli.state.pa.us and click on the Quick Link, “PA Workforce Development.”

2. Collecting wages owed to Pennsylvania’s workers.

Labor and Industry’s Bureau of Labor Law Compliance works to ensure that workers are treated fairly and that they receive the pay to which they are entitled. The department rigorously enforces Pennsylvania’s labor laws, including minimum wage, wage payment collection, child labor and prevailing wage. All-time records were achieved for collecting wages due to employees in both prevailing wage and labor standards in 2003, 2004 and 2005, and for labor standards again in 2006.



Since March 2003, the department has collected some \$16.3 million in prevailing wage settlements and, since January 2003, more than \$13 million in labor standards collections (minimum wage, wage payment collection and child labor law violations). Since 2003, approximately 27,000 Pennsylvania workers have received refunds from these collection efforts.

For more information on Pennsylvania’s labor laws, go to www.dli.state.pa.us and click on the Quick Link, “Labor Law Compliance.”

3. Reduce the cost of doing business while making workplaces safer.

Labor and Industry's [Bureau of Workers' Compensation](#) continually strives to reduce workers' compensation costs through efforts to improve workplace safety, resolve disputes more quickly and increase electronic filing of forms and paperwork. As a result of these efforts, workers' compensation costs were lowered by an average of 8 percent over the past three years (despite a slight increase in 2006-07), without any benefit reduction.

The state-certified Workplace Safety Committee program reached a milestone in 2006-07 by reaching the 1 million mark in the number of workers covered. These workers are covered under programs established by more than 7,000 businesses that are saving 5 percent annually on workers' compensation premiums through the establishment of state-certified workplace safety committees. To date, businesses have saved more than \$268 million in workers' compensation premiums due to this discount program. In 2006-07, premium savings amounted to more than \$39 million. Beyond the premium savings, reducing worker injuries directly reduces the cost of doing business.

Pennsylvania's workers' compensation claims process has also been streamlined. The time it takes to process a workers' compensation claim is down from 12.7 months in 1996 to an all-time low of 8.1 months. This is primarily due to the department's efforts to implement Act 147, which makes claims mediation and rotation of WC judges mandatory, resulting in a more efficient and involved claims process. Labor and Industry has also reduced the time needed to litigate disputes from 9.3 months in 2002-03 to 7.4 months in 2006-07.

For more information on Workers' Compensation and Health and Safety, go to www.dli.state.pa.us and click on the Quick Link, "Workers' Comp/SWIF," and then click on "Bureau of Workers' Compensation."

4. Support Pennsylvania's workforce.

Labor and Industry ensures that income is provided through the [Unemployment Compensation \(UC\) Program](#) to those who have lost a job through no fault of their own. In 2006, the UC system served 570,000 Pennsylvanians, providing \$2.1 billion in state UC benefit payments to Pennsylvanians. Nearly 35 percent of initial UC claims were filed via Internet (29 percent of those were processed without human intervention). Nearly 37 percent of continued UC claims are filed via Internet.

Pennsylvania employers and workers are now protected from unscrupulous employers who attempt to artificially reduce their unemployment compensation tax rates by transferring their workforce to another entity – like a shell corporation or employee leasing company. The department now has broader powers to detect and prevent these tax avoidance schemes. Since August 2003, the department has completed 190 investigations in this area and recovered nearly \$19 million in underpaid unemployment compensation taxes.

The UC trust fund balance was at \$1.9 billion at the end of 2006-07, which translates into 10 months of benefits based on the projected benefits payout for 2007.

Through the efforts of the Unemployment Compensation Board of Review and its staff, the appeals workload has also stabilized since 2003. The backlog of cases from 2003 has been eliminated to a working inventory, and the board is currently exceeding federal standards for timeliness of disposition of appeals.

For more information on Pennsylvania's UC system, go to www.dli.state.pa.us and click on the Quick Link, "Unemployment Compensation."

5. Enhance labor-management relations.

As a result of improved labor-management relationships in Pennsylvania, there has been a decrease in the number of strikes. Pennsylvania recorded 28 work stoppages in 2006 – down from 48 stoppages in 2005 – representing a new all-time low since records have been maintained. Before 2006, the lowest number of work stoppages on record was 30 in 2002. This record is due in part to the hard work of Labor and Industry’s Bureau of Mediation and Office of Labor-Management Cooperation, which works with the state’s 12 local area labor-management committees.

To learn more about the state’s role in improving labor-management relations, or to contact a local labor-management committee, go to www.dli.state.pa.us and click on the Quick Link, “Workplace & Community Safety,” then click on the items listed under “Labor-Management Cooperation.”

6. Improve employment opportunities for people with disabilities.

Labor and Industry improves employment opportunities for people with disabilities with programs administered by the Office of Vocational Rehabilitation (OVR). In 2006-07, OVR provided services to nearly 86,000 people and, during the 2006 federal fiscal year, OVR had nearly 25,000 new applicants for services. The department was able to improve services to its customers as a result of the addition of 51 new, highly skilled vocational rehabilitation counselors — of whom 24 percent have disabilities, and 22 percent are from diverse backgrounds.

In 2006, 10,735 workers gained competitive positions as a result of OVR services. These new workers received state-of-the-art training, education or rehabilitation services that enhanced their employers’ competitive edge. And, these workers contributed \$55 million in state and federal taxes as illustrated by the accompanying chart.

	Before Rehabilitation	After Rehabilitation
Total Estimated Earnings	\$55,422,068	\$188,022,032
Total Estimated Taxes Paid	\$15,573,601	\$55,644,191
Average Estimated Earnings/Person	\$5,163	\$18,446
Average Estimated Taxes/Person	\$1,451	\$5,183

For learn more about Pennsylvania’s Office of Vocational Rehabilitation, go to www.dli.state.pa.us and click on the Quick Link, “Disability Services.”

AWARDS AND RECOGNITION

Pennsylvania was the first state in the nation to implement a common performance management system to measure the successes and weaknesses of Labor and Industry’s workforce programs, and has been asked by the U.S. Department of Labor to provide technical assistance to other states in developing similar systems. The Department of Labor & Industry received consecutive awards for outstanding performance in June 2005 and June 2006 from the U.S. Department of Labor.

The department received two consecutive, \$1 million incentive awards from the U.S. Department of Labor for meeting or exceeding outcome goals in Workforce Investment Act, Carl Perkins and Adult Basic and Literacy Education (ABLE) programs.

A \$3.5 million workforce development grant will help the commonwealth enhance the competitiveness of the plastics industry; a \$15 million, three-year grant will develop and implement economic transformation strategies in northeast Pennsylvania in the business and financial sector; and a \$5 million grant will focus on developing a pipeline of well-educated talent for southeastern Pennsylvania's biopharmaceutical industry.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$97,936	\$115,210	\$137,723
Federal Funds	502,529	540,789	806,000
Special/Other Funds	508,969	508,409	513,925
Department Total	\$1,109,434	\$1,164,408	\$1,457,648

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	5,856	5,842	5,570

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Job Training Programs:			
Adult entered employment	84%	76%	76%
Adult retained employment	86%	83%	83%
Dislocated worker entered employment	88%	87%	82%
Dislocated worker retained employment	93%	90%	90%
Prevailing Wage Law violations cases closed	797	418	470
Unfair labor practices cases concluded	495	558	555
Final decisions in litigated workers' compensation claims	52,150	54,053	52,295
New claims for unemployment compensation	626,954	601,143	606,091
Public health and safety inspections:			
Total inspections performed (building, elevator, boiler, and other)	117,056	82,123	80,408
Building approvals issued	5,339	2,884	3,222
Individuals receiving services ¹	250,000	287,000	330,000
OVR clients placed in competitive employment	11,428	10,893	10,821
Total taxes paid by competitively employed OVR clients (in thousands)	\$52,806	\$51,378	\$48,487

¹ Individuals in programs administered by the Department of Labor and Industry including the Workforce Investment Act, Wagner-Peyser, Veterans and Trade Act.



Health & Human Services

Introduction

Strengthening the safety net, increasing access to health care coverage and giving seniors more choice in where to live when they need care are just three of the many goals of Pennsylvania's health and human services system. This section will review the major achievements and initiatives of the key agencies and offices that make up this system. The key agencies included here are:

- **The Department of Health**
- **The Department of Aging**
- **The Department of Public Welfare**

Two new offices have been created to improve the coordination and quality of human services provided by the commonwealth, and these offices are also included in this section of the report:

- **The Office of Long Term Living** – a joint initiative of the departments of Public Welfare and Aging
- **The Office of Child Development and Early Learning** – a joint initiative of the departments of Public Welfare and Education

Several state agencies have core missions that include the operation of health and human services programs but also include other, very different, kinds of services and programs. Two examples are the Insurance Department and the Department of Military and Veterans Affairs

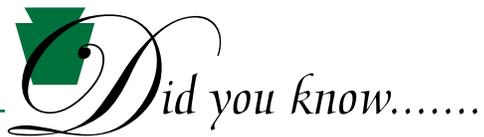
The **Insurance Department** protects the public from financial abuse and ensures the safety and soundness of depository institutions. The department also is responsible for the oversight and operation of several important state health and human services programs:

- ✓ Children's Health Insurance Program (CHIP)
- ✓ adultBasic Program
- ✓ Medical Care Availability and Reduction of Error Fund (Mcare)

To learn more about the Insurance Department, go to page 72.

The **Department of Military and Veterans Affairs** oversees and supports more than 20,000 members of the Pennsylvania National Guard. The department also is responsible for the oversight and operation of important programs that provide health and human services and other supports to 1.1 million Pennsylvania veterans and their dependents, including the operation of six veterans' homes and the Scotland School for Veterans' Children. To learn more about the DMVA, go to page 126.

Finally, the **Governor's Office of Health Care Reform** brings together members of the Governor's cabinet and other key stakeholders to design and implement policies to improve the accessibility, affordability and quality of health care in Pennsylvania. GOHCR is responsible for the implementation of the **Prescription for Pennsylvania**, Governor Rendell's comprehensive plan to restructure and improve the commonwealth's health care system.



Did you know.....

- *The commonwealth sponsors and funds services that directly affect the lives of one in every six Pennsylvanians.*
- *In 2006-07, the commonwealth provided:*
 - *support services to more than 48,000 persons with mental retardation,*
 - *affordable health care for 138,000 children from low- and moderate-income families enrolled in the Children’s Health Insurance Program (CHIP) and*
 - *assistance to more than 300,000 older Pennsylvanians to help them pay for prescription drugs through the PACE and PACENET programs.*
- *A recent Insurance Department survey found that 900,000 Pennsylvanians lacked health insurance, including 133,000 children.*
- *Health insurance premiums rose 9.2 percent in 2005 – the fifth straight year of increases of more than 9 percent.*
- *The percentage of workers receiving health insurance through their employer has declined from 66 percent in 2000 to 61 percent in 2004.*
- *The U.S. Census Bureau ranks Pennsylvania as the third-oldest state in the nation, with one in five Pennsylvanians now over the age of 60.*
- *According to Penn State demographers, the average increase in life expectancy of the “65-plus” population in the past decade has been approximately one month per year.*
- *The top five causes of death among Pennsylvania residents are heart disease, cancer, stroke, chronic lower respiratory disease (bronchitis, emphysema, and asthma), and accidents.*
- *Lung, female breast, prostate, colorectal, and urinary bladder cancers accounted for 58 percent of all cancer cases newly diagnosed in 2005.*
- *Sixty-two percent of Pennsylvania adults were considered overweight or obese in 2006.*
- *593 physicians, nurse practitioners and dentists have been placed in medically underserved areas.*
- *Medical professionals have been placed in the most medically needy areas in 49 of the 67 counties throughout the commonwealth.*
- *There are 61 State Health Improvement Plan (SHIP) Partners serving 57 counties in Pennsylvania.*



Health & Human Services

Department of Health

Calvin B. Johnson, M.D., M.P.H.
Secretary
www.health.state.pa.us

Mission Statement

The mission of the Department of Health is to promote healthy lifestyles, prevent injury and disease and assure the safe delivery of quality health care for all Pennsylvanians.

Overview of Programs and Services:

- Assesses the health care needs of the citizens of Pennsylvania.
- Administers health promotion and disease prevention programs.
- Monitors compliance with federal and state regulations in institutions and programs in order to assure the provision of quality care in various health care settings.
- Provides essential information through collection and interpretation of surveillance data to provide direction for statewide health planning.
- Assures the readiness of Pennsylvania's public health systems to respond to public health emergencies.

Major Agency Objectives for 2006-07

1. Increase the readiness of the public health systems in Pennsylvania to prepare for, protect against, respond to, and recover from all acts of bioterrorism and other public health emergencies that may affect commonwealth citizens.
2. Lead and coordinate strategic efforts aimed at preventing tobacco use among youth and promoting smoking cessation among youth and adults.
3. Protect Pennsylvania's most vulnerable populations by assuring that nursing homes, hospitals, intermediate care facilities and other providers of health services meet minimum standards of care.
4. Establish a systematic approach to reduce the unequal burden of disease and disability due to race, geography, language or cultural factors, gender, education or income.
5. Prevent and control injuries and injury-related deaths in Pennsylvania.
6. Establish a data driven management program to improve public health services and outcomes in the commonwealth.
7. Provide useful and timely information about commonwealth services to the citizens of Pennsylvania through the Health and Human Services Call Center.

Major Achievements and New Initiatives in 2006-07

1. Increase the readiness of the public health systems in Pennsylvania to prepare for, protect against, respond to and recover from all acts of bioterrorism and other public health emergencies that may affect commonwealth citizens.

Immediately following Sept. 11, 2001, the commonwealth focused significant attention and resources on improving the capacity of public agencies to take appropriate actions for the protection of our citizens in the event of emergencies. Through the creation of the [Office of Public Health Preparedness](#), the commonwealth has been able to help relevant public agencies become streamlined and more productive, increasing the readiness of the public health and medical systems to prepare for, protect against, respond to, and recover from public health emergencies. Recent key successes include the following:

- Development of a [Public Health Preparedness Strategic Plan](#) with more than 80 stakeholders. The plan guides the department as it continues to strengthen and enhance the commonwealth's ability to respond to public health emergencies.
- Creation of [SERVPA \(www.servpa.state.pa.us\)](#), Pennsylvania's online registry for emergency volunteers interested in responding to, or assisting with, a disaster or other emergency.
- Creation of the [PA Prepared Learning Management System](#) to provide timely quality education and training. As of December 2007, more than 50,000 state and county emergency management agencies, emergency medical service providers, hospital staff, fire fighters, and other volunteers and professionals involved in emergency preparedness and response activities throughout the commonwealth were registered as system users.

- In 2006, a statewide pandemic summit was held for federal, state and local officials. As a result of the summit, the department performed county-level assessments to determine gaps in pandemic planning activities and it continues to work to fill those gaps by partnering with the Department of Agriculture and PEMA to assist stakeholders at the local level to:
 - ✓ Jump-start pandemic preparedness awareness.
 - ✓ Assist in the creation of county-level planning committees to develop and train to implement county specific pandemic plans to be made part of each county's Emergency Operations Plan.

2. Lead and coordinate strategic efforts aimed at preventing tobacco use among youth and promoting smoking cessation among youth and adults.

The Department of Health has implemented a statewide, comprehensive **tobacco control program** aimed at preventing tobacco use among youth and smoking cessation among youth and adults. Aligned with the Center for Disease Control's best practices for comprehensive tobacco control, this program has resulted in the:

- Decrease in the number of adult smokers over the past decade from 25 percent to 22 percent—equating to savings of \$450 million in tobacco-related health care costs.
- Decrease of 33 percent over seven years in the illegal sale of tobacco to minors from 41 percent of all sales in 1999 to 7 percent in 2006, well below the national average of 13 percent.
- Reduction in smoking by high school students from 27.6 percent in 2000 to 17.5 percent in 2006. Smoking by middle school youth, during the same time period, dropped from 13.1 percent to 4.1 percent.

3. Protect Pennsylvania's most vulnerable population by assuring that nursing homes, hospitals, intermediate care facilities and other providers of health services meet minimum standards of care.

The Department of Health's certification and inspections of health care facilities in Pennsylvania ensures that nursing homes, hospitals, intermediate care facilities and other providers of health services meet minimum standards of care. State inspection and certification is mandatory in order for Medicare-eligible providers to receive reimbursement. In 2006-07, surveyors based at nine Department of Health field offices:

- Conducted more than 2,000 patient care surveys in 2006-07.
- Responded to 4,308 complaints, including 3,621 complaints related to nursing homes, 677 related to hospitals, and 10 related to intermediate care facilities.
- Responded to urgent or life-threatening complaints and investigated all other complaints within two days of receipt of the complaint.

4. Establish a systematic approach to reduce the unequal burden of disease and disability due to race, geography, language or cultural factors, gender, education or income.

In April 2006, the Department of Health created the **Office of Health Equity** to reduce the unequal burden of disease and disability due to race, geography, language or cultural factors, gender, education or income, through ongoing collaborations with community-based organizations, other state agencies and the public. The office will work with policy makers, insurers, health care providers and communities to develop policies and programs that result in a measurable and sustained improvement in the health status of underserved and disparate populations. The Department of Health was successful in obtaining federal funds to support the functions of this new office and is continuing to identify and obtain resources to create sustainable programs to support the mission of the office.

5. Prevent and control injuries and injury-related deaths in Pennsylvania.

The **Pennsylvania Injury Reporting and Intervention System** (PIRIS) is a hospital-based injury surveillance and intervention system that was established in 2005–06. This system is used to collect information on firearm-related injuries and develop a multi-system intervention for victims of firearm-related injuries and their families. The City of Philadelphia has the greatest number of hospital discharges due to firearm injuries for persons ages 15 to 24, accounting for 391 of the 700 firearm-related discharges for this age range in 2003 in the commonwealth (55.8 percent).

During this same period, the Hospital of the University of Pennsylvania, Temple University Hospital and Albert Einstein Medical Center represented 38.3 percent of firearm-related discharges statewide for this age group. These three Philadelphia trauma centers were selected to participate in PIRIS. During 2006-07, 104 youth accepted into the PIRIS program received services to maintain their health status, education and job training. Of the 66 youth discharged from the program, over half had met their goals related to health, education and employment. The Department of Health was also successful in obtaining a five-year grant for \$600,000 from the U.S. Centers for Disease Control to prevent and control injuries and injury-related deaths in Pennsylvania. These funds supported a statewide injury planning group that met through 2006-2007, culminating in the development of a comprehensive injury prevention and control plan for Pennsylvania.

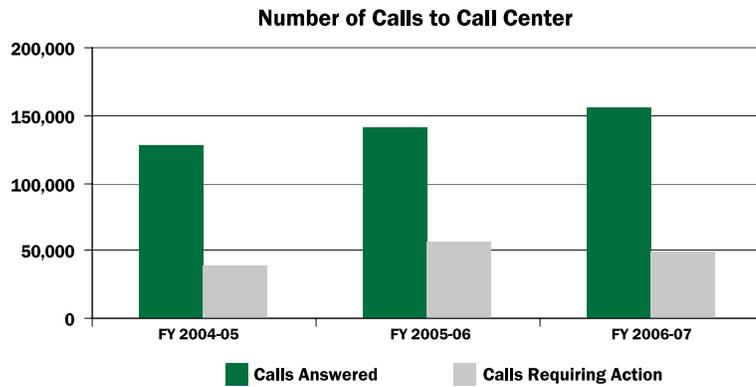
6. Establish a data driven management program to improve public health services and outcomes in the commonwealth.

In 2007, the department's data driven management program was formally established to improve public health services and outcomes in the commonwealth. The program's primary objective is to implement and maintain a data system to provide decision makers with information to effectively measure and improve the performance of the department's programs, contractors, and business or core business functions.

7. Provide useful and timely information about commonwealth services to the citizens of Pennsylvania through the Health and Human Services Call Center.

At Governor Rendell's first inauguration, he criticized the commonwealth's penchant for creating help lines using toll-free numbers that were wasteful and duplicative, referring to them as "1-800-WE WASTE." In an effort to improve cost-effectiveness and government efficiency, the commonwealth has consolidated a number of help lines that had been provided by different vendors in different sites. The result is the Health and Human Services Call Center, started in August of 2004. The call center now provides useful and timely information to commonwealth citizens through the following help lines:

- Healthy Baby (Love 'em With a Checkup, CHIP, Medicaid), 1-800-986-BABY (2229)
- Healthy Kids (CHIP, Medicaid, Love 'em With a Checkup), 1800-986-KIDS (5437)
- adultBasic, 1-800-g0-basic (462-2742)
- Special Kids Network/Recreation and Leisure, 1-800-986-4550
- Lead Poisoning Information Line, 1-800-440-lead (5323)
- Brain Injury Helpline, 1-866-412-4755
- Long Term Care, 1-866-286-3636
- Licensure, 1-800-254-5164 (after-hours response to nursing home complaints)
- TTY for Deaf/Hard of Hearing (all programs), 1-877-232-7640



In 2006-07, the call center answered 154,854 calls on behalf of the departments of Insurance, Public Welfare, Aging and Health. The creation of the consolidated call center has resulted in a 45 percent reduction in costs, while consumers now are able to get more information with only one single toll-free call.

Awards and Recognition

The Department of Health cancer registry received Gold Certification from the North American Association of Central Cancer Registries. Gold Certification is the highest possible certification awarded to central registries that meet established standards for excellence in the areas of case completeness, data quality and timeliness in data availability. This is the seventh year the registry has earned this award.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$267,963	\$259,951	\$282,399
Federal Funds	421,435	424,455	423,695
Special/Other Funds	138,826	130,835	118,220
Department Total	\$828,224	\$815,241	\$824,314

Complement	2004-05 Actual	2005-06 Available	2006-07 Projected
Authorized Complement	1,575	1,589	1,570

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Women and Children's Programs:			
High-risk uninsured women aged 40 to 49 who receive breast and cervical cancer screening as determined by state funding	N/A	N/A	4,200
Average number of persons participating in Women, Infants and Children (WIC) programs each month	243,000	240,920	240,920
Average actual food cost per WIC participant, per month	\$33.44	\$33.71	\$34.70
Laboratory Services:			
Rabies tests conducted by the state laboratory per year	3,647	3,875	3,343
West Nile virus tests conducted by the state laboratory per year	22,451	23,986	27,907
Protect Vulnerable Population:			
Nursing home surveys completed within 15 months	736	763	732
Intermediate care facilities/mental retardation surveys completed within 12 months	194	215	207
Drug and Alcohol Abuse Prevention and Treatment:			
Admissions to treatment	92,224	90,985	84,755
Public Health Readiness:			
Surge beds available	7,163	7,163	7,615
Injury Prevention:			
Children and adults receiving injury prevention education and awareness	32,000	28,353	25,650
Prevent Tobacco Use:			
Percentage of adults who smoke	23%	23%	22%
Percentage of high school students who smoke	23.1%	23.1%	17.5%



Health & Human Services

Department of Aging

Nora Dowd Eisenhower,
Secretary
www.aging.state.pa.us

Mission Statement

The mission of the Department of Aging is to enhance the quality of life of all older Pennsylvanians by empowering diverse communities, the family and the individual.

Overview of Programs and Services:

- Oversees the provision of vital services and benefits to older Pennsylvanians through a network of Area Agencies on Aging (AAAs) that operate in all counties across the commonwealth.
- Partners with advocacy groups in support of safety, security and an improved quality of life for older Pennsylvanians.
- Provides a system of home and community-based services for eligible older Pennsylvanians in cooperation with the Department of Public Welfare.
- Provides pharmaceutical assistance programs (PACE and PACENET) to eligible state residents age 65 or older.

Major Agency Objectives for 2006-07

1. Increase the number of older Pennsylvanians enrolled in the PACE program by running the program with maximum efficiency and creativity.
2. Provide meaningful education to older residents of Pennsylvania about their health insurance options – especially options pertaining to the new Medicare Part D program.
3. Ensure the inclusion of diverse communities and cultures in all aspects of the aging network.
4. Provide a diverse array of community-based services to older individuals across Pennsylvania.
5. Protect older Pennsylvanians from fraud and abuse.

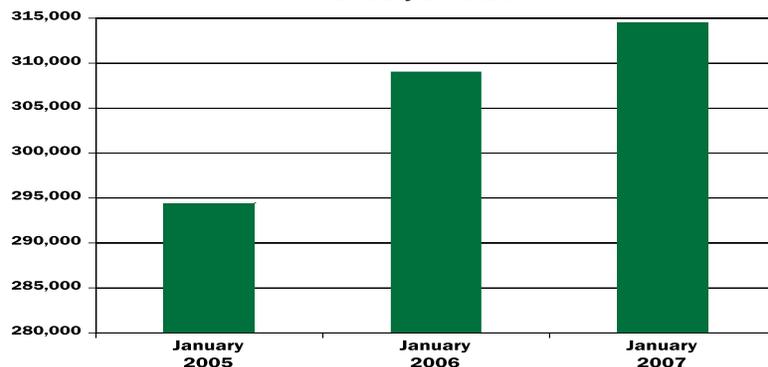
Major Achievements and New Initiatives in 2006-07

1. Increase the number of older Pennsylvanians enrolled in the PACE program by running the program with maximum efficiency and creativity.

The PACE program provides pharmaceutical assistance to qualified state residents 65 years of age and over who face a growing burden in paying for the prescription drugs they require to maintain healthy and independent lives. The Lottery and revenues from the Tobacco Settlement Fund support the program, which has two components:

- **PACE** is a comprehensive assistance program for persons with income at or below \$14,500 for single persons and \$17,700 for married couples. The annual growth rate for the number of PACE participants has been more than 30 percent since fiscal year 2002-03, a trend that is expected to continue.
- **PACENET** is a companion program to PACE with higher consumer cost-sharing and income limits of \$23,500 for single persons and \$31,500 for married couples. These income limits reflect a major eligibility expansion for seniors that occurred in 2004. PACENET has grown by nearly 110,000 enrollees since 2002-03.

PACE / PACENET Total Enrollments Steadily Increase



The federally funded Medicare Part D pharmacy program has reinforced the need for comprehensive pharmaceutical assistance services. The Department of Aging has relieved the anxiety of thousands of Pennsylvania seniors by revamping the PACE program so that there is full, seamless integration between PACE and Medicare Part D. Aging has been able to maximize the number of older Pennsylvanians currently enrolled in the PACE program,

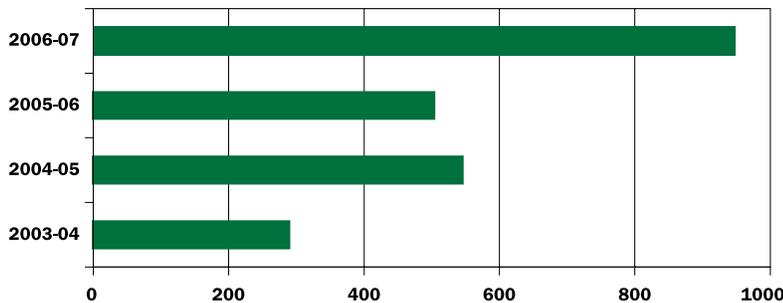
while saving valuable state resources, by wrapping PACE around the Medicare drug benefit. By realizing significant savings, estimated to be \$170 million in state-funded expenditures, as a result of the PACE “wrap-around,” Aging has been able to support the enrollment of an additional 120,000 people in the PACE program.

2. Provide meaningful education to older residents of Pennsylvania about their health insurance options – especially options pertaining to the new Medicare Part D program.

The **APPRISE** health insurance assistance program helps provide effective education to older residents of the commonwealth about their health insurance options – especially options pertaining to the new Medicare Part D program. Pennsylvania’s Medicare beneficiaries and their families must navigate a maze of health insurance benefits and options, and APPRISE helps older Pennsylvanians understand their choices and make critical, well-informed decisions.

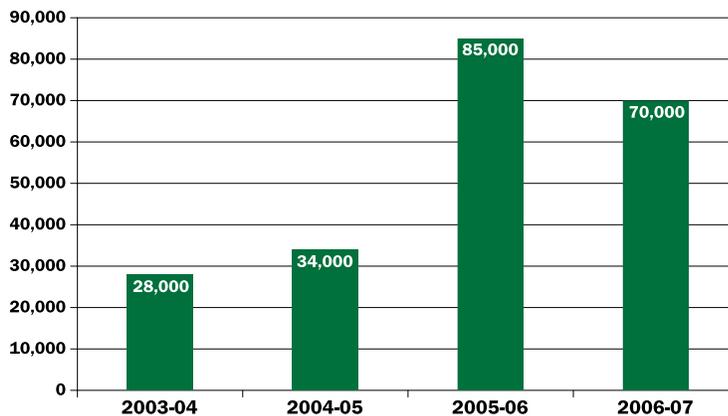
During the past year, APPRISE counselors helped more than 135,000 individual Pennsylvanians, by holding 3,150 Medicare informational and enrollment meetings and 67 Limited English Proficiency Medicare informational and enrollment meetings. Vital to the continued success of APPRISE are its well-trained volunteer counselors. Pennsylvania volunteers completed counselor training in record numbers in 2006-07, as demonstrated by the graph below.

APRISE Volunteers



The APPRISE help line has responded to more than 217,000 calls since 2003-04.

Telephone Calls Handled by APPRISE Program



The Department of Aging and the Insurance Department also partnered in 2006-07 to alert older Pennsylvanians to the possibility of fraudulent marketing practices related to the numerous plans offering Medicare Part D coverage with a “**Stop, Call and Confirm**” campaign.

3. Ensure inclusion of diverse communities and cultures in all aspects of the aging network.

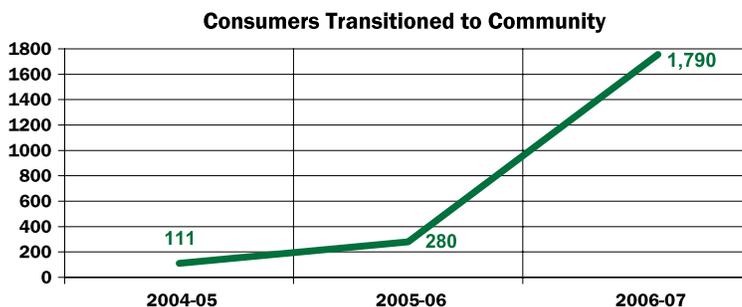
As the size and diversity of Pennsylvania’s older population grows, the Pennsylvania aging network must respond effectively. “Cultural inclusion” refers to efforts to reach and include people from diverse cultures and communities in all aspects of the aging network, including employment, workforce training and leadership development.

The Department of Aging pursued a number of initiatives to increase access to services among Pennsylvania’s diverse older population in 2006-07. These efforts included a technology literacy initiative focusing on the Latino population of the Lehigh Valley. This was an innovative, accredited Vocational English as a Second Language/Nursing Assistant project that trained and provided career ladders for Limited English Proficiency students. The department also expanded its Asian-American outreach projects in 2006-07. The number of people served in these programs increased by 21 percent from 2003-04 to 2005-06. In addition, the department funded other intensive benefits counseling projects directed at more effectively reaching the African-American community.

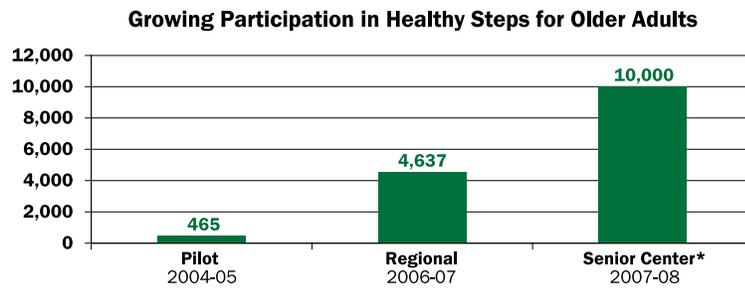
4. Provide a diverse array of community-based services to individuals across Pennsylvania.

Aging’s **OPTIONS** program provides a spectrum of home and community-based services to persons age 60 and older whose income levels do not qualify them for participation in home and community-based programs sponsored by the **Medical Assistance Program** (MA). The services provided depend on the circumstances of the recipient. Some people need very modest assistance (i.e., home-delivered meals), while others have needs very similar to those of participants in the department’s Medicaid program, even though they are financially or functionally ineligible for the MA program. OPTIONS uses a consumer cost-sharing system with a sliding scale based on income; this promotes the efficient use of public dollars.

The Department of Aging supports the Nursing Home Transition program (NHT) to help persons in nursing homes who can be served more comfortably and effectively in their home by home and community-based service providers. The graph below shows that 1,790 nursing home residents returned to the community in 2006-07.



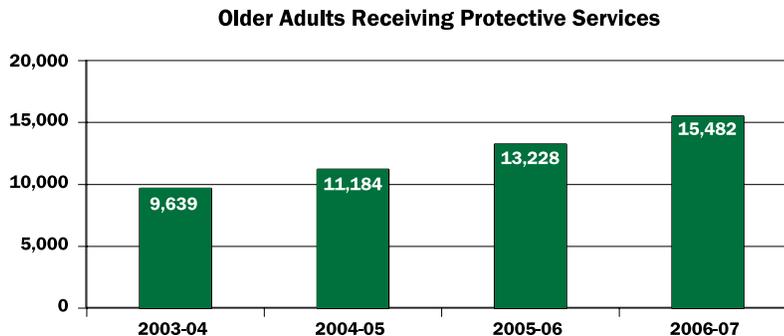
Maintaining healthy lifestyles is central to enable older persons to “age in place” in their home and community. Through Pennsylvania’s network of 650 senior centers, the Department of Aging sponsors health and wellness programs as well as a vast array of social and community programs, that enrich and diversify the lives of older persons living in their own homes and communities. One notable program being sponsored in senior centers across the state is the award-winning [Healthy Steps for Older Adults](#), a falls risk-reduction program that has enjoyed growing participation by older adults as noted in the graph below. A pilot project began in 2004-05, followed by three 10-county regional efforts in 2006-07. For 2007-08, more than 10,000 seniors have signed up for the program. Healthy Steps for Older Adults received first place in the [American Public Health Association’s](#) Public Health Education Promotion Award program.



5. Protect older Pennsylvanians from fraud and abuse.

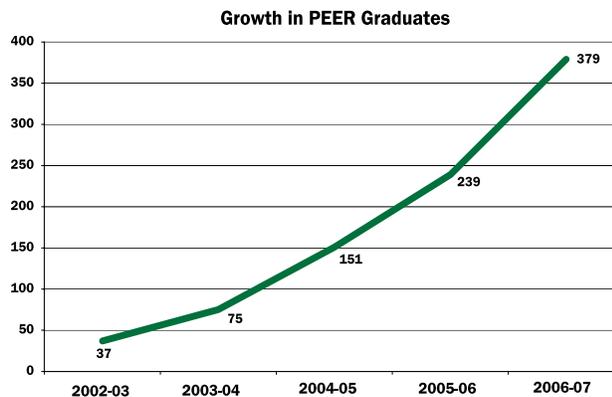
While the Department of Aging cannot directly control all of the people and circumstances that result in abuse, neglect, exploitation and abandonment of older Pennsylvanians, the department protects older Pennsylvanians from fraud and abuse by developing effective methods to detect, investigate and refer for prosecution all cases brought to its attention.

According to the U.S. Census, the number of Pennsylvanians over age 60 increased by approximately 45,000 - or 1.8 percent - from 2000 to 2005. During this same period, the number of protective service reports of need increased by more than 18 percent. For 2005-06, the number of [protective service reports](#) of need totaled 11,574. Of these reports, 1,791 (15.5 percent) cases were substantiated as needing protective services.



In the five-year period beginning July 1, 2000, Pennsylvania's [Area Agencies on Aging](#) received more than 63,000 reports of need for protective services. After thoroughly investigating these reports, they substantiated the need for protective services in more than 13,000 cases. AAAs received an average of 12,630 reports of the need for protective services each year, and substantiated an average of 2,738 cases in 2006-07. In each substantiated case, AAAs carefully investigated the facts, followed up with a thorough assessment of the older adult's needs and developed a comprehensive plan of care and services tailored to the needs of the older adult.

Another service that ensures that the rights of older Pennsylvanians are protected is the Ombudsman program. The [Ombudsman Pennsylvania Empowered Expert Residents \(PEER\) Program](#) was started by the Pennsylvania Department of Aging in 2002 and trains residents to be volunteer advocates within their long-term care facility. PEERs work with facility staff and other residents to enhance the quality of care and the quality of life for resident peers. The graph below demonstrates the exponential increase in residents who have become PEER-certified, allowing them to be a proactive voice for the rights of the elderly in the facilities in which they live.



Awards and Recognition

The department's APPRISE program was awarded the Social Security Administration's Public Service Award for its exceptional work in educating consumers about the new Medicare Prescription Drug Benefit Program.

Healthy Steps for Older Adults was awarded first place for the American Public Health Associations's Public Health Education Promotion Award.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$35,954	\$20,223	\$19,950
Federal Funds	129,512	128,216	160,814
Special/Other Funds	743,903	744,008	533,742
Department Total	\$909,369	\$892,447	\$714,506

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	109	109	107

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Available	2006-07 Projected
Comprehensive PACE program:			
Older Pennsylvanians enrolled (average)	192,485	189,124	181,876
Average PACE cost per prescription	\$44.26	\$41.83	\$26.49
PACE Needs Enhancement Tier (PACENET):			
Older Pennsylvanians enrolled (average)	97,997	117,014	131,813
Average PACENET cost per prescription	\$52.40	\$54.05	\$25.49
Pre-admission assessment:			
Eligibility/care plan assessments	68,851	78,989	94,317
Referrals to nursing homes	34,727	30,777	32,446
Referrals for community services	34,021	27,292	38,064
Community Services:			
Persons served in the community who are clinically nursing home-eligible	37,652	36,064	31,184
Persons receiving attendant care services	844	954	1,019

Health & Human Services

Department of Public Welfare

Estelle B. Richman, Secretary,
www.dpw.state.pa.us

Mission Statement

The mission of the Department of Public Welfare is to promote, improve and help maintain the highest quality of life for Pennsylvania families, support families' efforts to find permanent employment and move from welfare to work, and provide access to the highest-quality services to help keep Pennsylvania's most vulnerable citizens safe and healthy.

Overview of Programs and Services:

- Provides services that directly affect the lives of one in six Pennsylvanians.
- Administers and funds a broad range of health care and family support services including medical assistance, mental health services, substance abuse prevention and treatment services, services to persons with developmental disabilities, services to persons with autism, cash assistance, food stamps, employment and training programs, assistance with child care, adoption services, subsidies for essential purchases like food and home heating, and protective services for children at risk of abuse, neglect and delinquency.
- Monitors programs and implements strategies to control program costs to ensure that taxpayer dollars are being used efficiently and effectively while continuing to meet the needs of Pennsylvanians who require the support and assistance of their fellow citizens.
- Conducts inspections and licenses more than 10,000 facilities that provide services to nearly 500,000 Pennsylvanians.

Major Agency Objectives for 2006-07

1. Increase the ability of Pennsylvanians in **Department of Public Welfare (DPW)** programs to maintain and improve their physical health in order to improve their quality of life and reduce the state's long-term health care cost burden.
2. Mitigate the impact of rising health care costs and federal budget cuts without reducing coverage to those in need by tightly managing program costs.
3. Provide services and support to people with **mental illness** and **developmental disabilities**, including **autism** -- and to their families -- so that these individuals can have the opportunity to live, work, and become active members of their communities without imposing unsustainable emotional and financial burdens on their families.
4. Provide time-limited services and support to families as they move from **welfare to work**.
5. Provide for the continued health and safety of all Pennsylvania's children.

Public Welfare

QUICK FACTS

The largest numbers of Pennsylvanians served by DPW are those low income Pennsylvanians who receive affordable health care and long-term living services through the Medical Assistance (MA) program. Nearly 81 percent of the people receiving health care services through MA are elderly, persons with disabilities and children.

Major Achievements and New Initiatives in 2006-07

1. **Increase the ability of Pennsylvanians in DPW programs to maintain and improve their physical health in order to improve their quality of life and reduce the state's long-term health care cost burden.**

Medical Assistance (MA) is the largest single health insurance program in Pennsylvania. It provides funding for health care and other related services to approximately 1.9 million Pennsylvanians with low incomes or very high medical expenses. Pennsylvanians enrolled in the MA program receive their services, depending on their place of residence or **type of eligibility**, through one of two systems:

- ✓ **HealthChoices** - the commonwealth's Medicaid managed care program, offering eligible participants their choice of several different managed care plans in each HealthChoices region.
- ✓ **ACCESS Plus** - a coordinated Medicaid fee-for-service system that features strong case management and other services designed to encourage preventive and cost-effective care.

As the largest single purchaser of health care services in the commonwealth, MA is committed to effectively restructuring health care funding and service delivery to emphasize wellness, prevention and cost-effective purchase of care. This is why Pennsylvania's MA program uses **a pay-for-performance model** for all managed care entities, hospitals and disease-management facilities.

The **HealthChoices** managed care program provides services to 1.1 million individuals, the majority of Pennsylvania’s MA recipients. Under HealthChoices, the commonwealth pays participating insurers a fixed amount per member and the insurer is then expected to manage and pay for all covered services. To help Pennsylvanians work towards improving and maintaining their physical health and at the same time hold down rising health care costs, HealthChoices pays insurers, in part, based on a pay-for-performance schedule that encourages health care providers to be actively engaged with their patients. It also provides incentives to the commonwealth’s managed care contractors to make measurable improvements in participants’ health status in critical areas such as cholesterol management for patients with cardiovascular conditions, appropriate use of medication for people with asthma and early childhood blood lead screening.

Public Welfare

QUICK FACTS

In 2006, U.S. News & World Report ranked six of the seven HealthChoices managed care organizations in Pennsylvania in the top 50 percent of the 71 Medicaid plans surveyed, with one MCO ranking eighth in the nation. Rankings reflect the health plans’ success in preventing and treating illness.

The **ACCESS Plus** MA program serves about 290,000 individuals. ACCESS Plus ensures that each fee-for-service MA enrollee has a dedicated primary care practitioner to manage his or her care and authorize and facilitate access to necessary specialty care. ACCESS Plus enrollees are also provided with a disease management program to better control chronic conditions like asthma, diabetes, chronic obstructive pulmonary disease, coronary artery disease and congestive heart failure. In 2006-07, a total of 34,000 ACCESS Plus enrollees received services for disease management. Like HealthChoices, ACCESS Plus also uses a **pay-for-performance** model, which encourages and rewards more effective preventive health care. In 2006, significant improvements were realized in the number of enrollees receiving care for cholesterol management (16 percent increase), Beta-Blocker treatment after a heart attack (18 percent increase), diabetes management (13 percent increase) and prenatal care (9.6 percent increase).

Information on **HealthChoices** and **Access Plus** can be obtained at www.dpw.state.pa.us - select “**Your Benefits Explained**” and then go to the Health Care Coverage section.

2. Mitigate the impact of rising health care costs and federal budget cuts without reducing coverage to those in need by tightly managing program costs.

DPW has successfully implemented program monitoring and cost-control strategies to ensure that the programs funded by DPW are run efficiently and effectively. By regularly reviewing the costs and results of each program, DPW improves its ability to effectively meet the needs of those vulnerable populations that require DPW’s assistance while saving taxpayer dollars. This continuous review process resulted in more than \$150 million in new, recurring program savings in 2006-07.

DPW is committed to preventing, identifying and combating **fraud and abuse** in the health care and social service programs it provides to eligible individuals and families. These efforts resulted in \$21 million in savings to the Medicaid program and \$5.7 million in recoveries and billing adjustments from service providers in 2006-07.

Savings of more than \$11.2 million resulted from improved DPW oversight of contractors in 2006-07, thanks to a more strategic approach to contracting in which the performance of each contractor is measured and monitored to ensure that increased payments are tied to the delivery of added value.

DPW has increased collections from third-party payers like Medicare and private insurance companies. Under federal law, the Medicaid program is the payer of last resort, and all other health insurance available to a recipient must be exhausted before the Medicaid program is liable for payment. In 2006-07, DPW recovered more than \$108 million from third-party payers.

3. Provide services and support to people with mental illness and developmental disabilities, including autism -- and to their families -- so that these individuals can have the opportunity to live, work, and become active members of their communities without imposing unsustainable emotional and financial burdens on their families.

In 2006-07 more Pennsylvanians receiving services and support for a mental illness had the opportunity to [live and thrive in community settings](#), thanks to DPW's ongoing initiative to transfer patients and funds from state hospitals to more therapeutically appropriate community settings. Between 2004-05 and 2005-06, 193 state hospital beds were eliminated, which resulted in an additional 325 persons being able to receive state-supported mental health services in the community. [Harrisburg State Hospital was closed in 2006](#). As of June 30, 2007, 2,581 people have been successfully discharged from the state hospital system through the combined efforts of DPW and county governments in Pennsylvania.

For those living in the community, state-supported mental health services are now provided through a managed care behavioral health system known as the [HealthChoices Behavioral Health](#) program, which has improved access to behavioral health care services for more than 1.1 million MA recipients. Through this program, Pennsylvanians living with mental illness receive quality medical care and timely access to mental health and/or drug and alcohol services.

DPW also continues to provide a flexible and dynamic system of [community support and services](#) tailored to the needs of persons with developmental disabilities -- and their families -- so these individuals can live, work and become active members of their communities. Increased state funding in recent years has allowed more individuals with developmental disabilities to receive services in their home communities, rather than in institutional settings. Community services and support are provided in the recipient's home, the workplace or other locations in the community. Types of assistance provided include finding and maintaining a job or recreational activities, as well as securing a safe, appropriate place to live and other support services necessary for daily living. From July 2005 through June 2007, through various programs aimed at decreasing the number of people waiting for community services, DPW:

- ✓ Increased by 20 percent the number of people served in community programs and small private intermediate care facilities for the mentally retarded.
- ✓ Decreased by 7 percent the number of people served in large private intermediate care facilities for the mentally retarded.
- ✓ Decreased by 3 percent the number of people served in the state mental retardation centers.

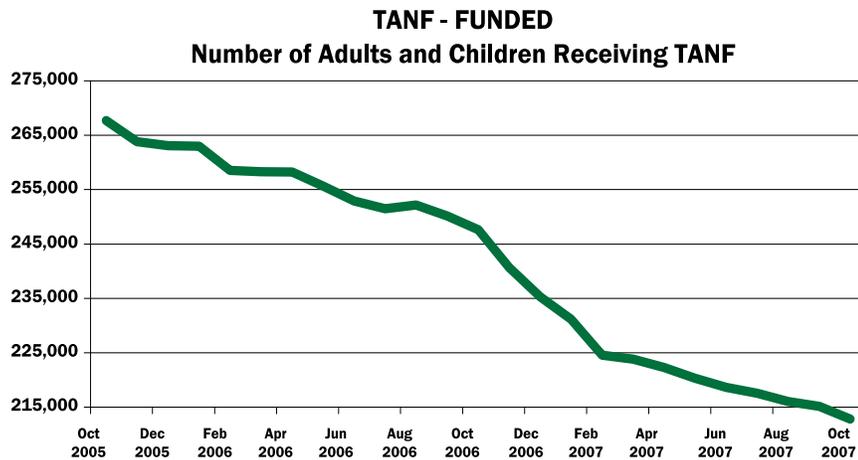
The Altoona Mental Retardation Center was closed in May 2006, giving residents of that facility the opportunity to be transitioned into safe, appropriate, community-based settings.

Responding to the large increase in autism diagnosed nationwide, DPW provided increased services and support to people with autism in 2006-07, so these individuals could have expanded opportunities to live, work, and become active members of their communities. The [Bureau of Autism Services](#) was created in 2006-07 to develop

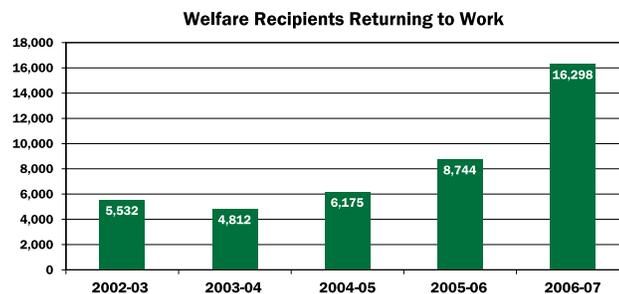
autism-specific DPW programs, better coordinate services already provided by different state agencies, and develop standardized training/assessment tools for organizations that provide [autism services](#).

4. Provide time-limited services and support to families as they move from welfare to work.

DPW provided temporary support to families in 2006-07 through the [Temporary Assistance for Needy Families \(TANF\)](#) program. TANF provides short-term assistance to families when one or both parents lose their jobs, including cash grants, job training, job placement and subsidized child care. Of the 217,562 individuals who were receiving public assistance through Pennsylvania’s TANF program in September 2007, approximately 70 percent were children and almost 14,000 were adults with disabilities.



Individuals applying for TANF services are assessed for their job skills and ability to be employed. They are also required to take part in activities, such as job training and/or part-time work, that will increase their chances of getting stable, full-time jobs that will enhance their ability to provide for their children without further public assistance. Thousands of people in the TANF program find jobs each year and leave public assistance after participating in state-provided employment and training activities. The annual number of Pennsylvania TANF participants obtaining employment has grown significantly, and is expected to reach 25,000 in 2007-08. Also, job placements by TANF-funded employment and training contractors have grown every year since 2003-04 and grew substantially in 2006-07 (see chart).



Public Welfare

QUICK FACTS

The U.S. Department of Health and Human Services applauded DPW for its ability to ensure continuing health care coverage for many people who successfully left the TANF public assistance program. DPW received a \$4.7 million bonus in federal fiscal year 2004 for its performance in this area.

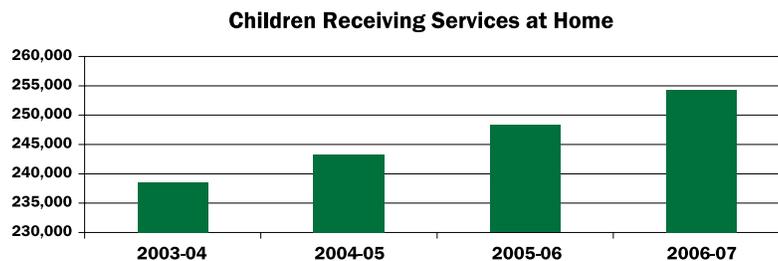
As a result of DPW's focus on [moving families in the TANF program to financial self-sufficiency](#), the number of low-income adults receiving public assistance through TANF is now lower than at any time since 1961. Between October 2005 and October 2007, 54,800 people have left the TANF program, resulting in savings of more than \$82 million to Pennsylvania taxpayers. The number of adults and children receiving TANF benefits has fallen by more than 20 percent since October 2005.

5. Provide for the continued health and safety of all Pennsylvania's children.

In 2006-07 DPW helped low-income Pennsylvania families [put food on the table](#) and qualify for good jobs with health care benefits:

- ✓ The U.S. Department of Agriculture commended DPW for its ability to effectively deliver food benefits to eligible families and awarded DPW two **bonus payments of \$5 million and \$3.7 million** for achieving high accuracy rates in the Food Stamp program in federal fiscal years 2005 and 2006.

DPW also protected the health and safety of Pennsylvania's [most vulnerable children](#) in 2006-07 through its continued funding and oversight of county agencies providing child abuse prevention, behavioral health services, social services, and/or health care services to aid children suffering from or at high risk of abuse, neglect and delinquency. DPW also supports programs that ensure families are more involved in planning effectively to provide and secure vital services to meet the needs of their children.



Pennsylvania continues to successfully find adoptive homes for children who are in the custody of local child welfare agencies while awaiting [adoption](#). In 2006-07 the total number of Pennsylvania children who found permanent homes through adoption, legal custodianship and living with relatives was 3,796. In addition, in 2006-07 the department helped 457 youth who were formerly in [foster care](#), or adopted after age 16, to attend college.

- ✓ The Pennsylvania State Foster Parent Association was recognized in 2007 by the National Foster Parent Association as **Foster Parent Association of the Year** for their legislative activities, advocacy and support to resource families and the children they serve.

Pennsylvania's [Child Support Enforcement Program](#) has exceeded federal standards for the collection of monthly child support payments. Court-ordered payments are processed electronically, reducing delays in payments to parents and resulting in five-year estimated savings of nearly \$50 million to Pennsylvania taxpayers. According to the results of a [federal audit released in February 2007](#), Pennsylvania successfully established paternity for more than 98 percent of families with children born out of marriage and established support orders for nearly 85 percent of parents, amounting to nearly \$1.5 billion collected and distributed annually on behalf of approximately 750,000 children statewide. Also, Pennsylvania scored 100 percent in federal assessments of overall system cost-effectiveness, collecting nearly \$7 for every \$1 spent on administrative costs and exceeding the federal average of \$5 for every \$1 spent.

The Pennsylvania Adoption Exchange, at www.adoptpakids.org, maintains a list of children who need families as well as families who have been approved to adopt. Pennsylvania's **Statewide Adoption and Permanency Network (SWAN)** program is nationally recognized, having received numerous awards from both public and private organizations, including:

- ✓ Two **Adoption Excellence awards** from the U.S. Department of Health and Human Services in November 2006.

DPW is committed to finding ways to continuously improve the quality of services provided to juvenile offenders in the state's **youth development centers** (YDCs) and **youth forestry camps** (YFCs) so that the young people in these facilities can grow up to become **productive members** of their communities. In 2006-07, 254 youth in the commonwealth's YDCs and YFCs received a high school diploma or GED. Additionally, 75 percent of the youth referred to the state reintegration program had not re-entered the juvenile justice system within six months of discharge.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
Human Services Support (administrative costs)	\$268,433	\$245,920	\$264,501
Medical Assistance	9,426,453	9,995,771	10,102,015
Long-Term Living	4,572,690	4,462,729	4,408,046
Income Maintenance	2,084,311	2,149,286	2,160,295
Mental Health	1,023,710	1,033,239	1,044,044
Mental Retardation	1,930,760	2,036,217	2,141,897
Human Services	1,802,588	1,689,543	1,745,428
Child Development	412,856	453,176	501,346
Total State Funds	\$7,886,399	\$8,917,527	\$9,304,407
Total Federal Funds	\$11,505,680	\$11,104,331	\$11,393,518
TOTAL (State and Federal)	\$19,392,079	\$20,021,858	\$20,697,925
Total Other Funds (IGT, Tobacco, etc.)	\$2,129,722	\$2,043,963	\$1,669,647
TOTAL (All Funds)	\$21,521,801	\$22,065,821	\$22,367,572

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	20,536	19,958	19,116

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Medical Assistance:			
Total persons participating in MA:	1,747,615	1,833,760	1,883,235
Persons enrolled in ACCESS Plus	162,015	221,450	285,000
Persons enrolled in HealthChoices			
Physical	1,086,333	1,164,121	1,086,472
Behavioral	1,111,675	1,160,836	1,256,680
Physician visits per 1,000 enrollees	3,206	2,255	2,390
Clinic visits per 1,000 enrollees	1,625	1,389	1,136
Emergency room visits per 1,000 enrollees	724	458	626
Average number of prescriptions filled per member per month	4.0	4.5	2.4
Average cost of generic and over-the-counter medications	\$20.48	\$19.85	\$14.31
Mental Health and Substance Abuse:			
Total persons provided mental health services	398,590	418,749	517,440
Total persons receiving substance abuse services	87,690	91,508	100,303
Total persons provided with services in state mental hospitals	3,877	3,611	3,575
Percentage of adults re-admitted to state mental hospitals within one year of last discharge	13%	11%	10%
Percentage of adults re-admitted to community inpatient unit within 30 days (HealthChoices only)	19.6%	19.1%	16.8%
Mental Retardation:			
People receiving mental retardation services in the community	37,688	42,296	45,685
People receiving mental retardation services in private intermediate care facilities for the mentally retarded (at end of year)	2,617	2,623	2,635
People receiving mental retardation services in state-operated intermediate care facilities for the mentally retarded (state centers)	1,450	1,447	1,382
Income Assistance, Food Stamps and Employment and Training:			
Persons receiving cash assistance (monthly average)	278,474	278,496	250,687
Temporary Assistance for Needy Families Recipients obtaining jobs	20,628	27,071	28,215
Child Welfare:			
Finalized Adoptions	1,973	1,917	1,946
Child Support Collected (in millions)	\$1,145	\$1,394	\$1,437

Health & Human Services

Office of Long Term Living

Estelle B. Richman, Secretary
Department of Public Welfare
www.dpw.state.pa.us

Nora Dowd Eisenhower,
Secretary, Department of Aging
www.aging.state.pa.us

John Michael Hall,
Deputy Secretary,
Office of Long Term Living

Overview of Programs and Services:

- Administers programs to increase the independence and improve the quality of life of eligible older adults and persons with disabilities who require skilled nursing services and assistance with activities of daily living through placement in nursing homes and through the provision of Medicaid funded home and community-based services.
- Enhance and expand efforts to assist nursing home residents who wish to leave a facility-based care setting to return to their home or community.
- Ensure that the supply of nursing home beds properly matches the need for such facilities while providing opportunities for nursing facilities and other service providers to expand their continuum of care.
- Maximize available resources to serve as many eligible consumers in the aging and disability communities as possible, while ensuring the provision of high-quality care and services.

The [Office of Long Term Living](#) is a joint initiative of the **Department of Public Welfare** and the **Department of Aging** and was created to improve coordination across state departments, support long-term living reform, and achieve a balanced, consumer-driven long-term living system that ensures consumer choice.

Major Agency Objectives for 2006-07

1. **Serve as many eligible consumers as possible with high-quality long-term living services.**
2. **Expand efforts to help nursing home residents who wish to move out and receive care in their own home or community.**
3. **Ensure that the supply of nursing home beds reflects consumer demand for such care while providing opportunities for nursing homes and other care providers to expand their continuum of care.**
4. **Remove barriers to providing care in homes and communities.**

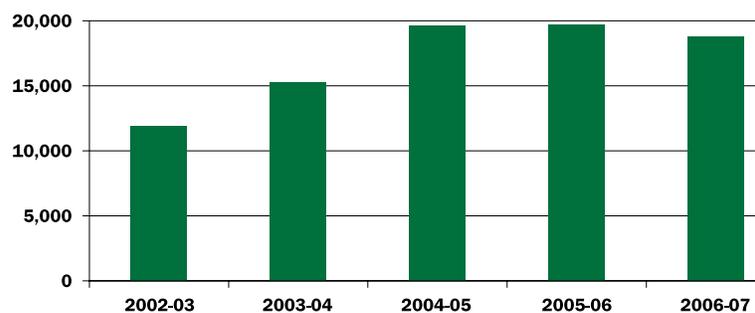
Major Achievements and New Initiatives in 2006-07

1. **Serve as many eligible consumers as possible with high-quality long-term living services.**

Pennsylvania has made a significant financial investment to serve as many eligible consumers as possible with high-quality in-home and community-based long-term services. Between 2002 and 2007:

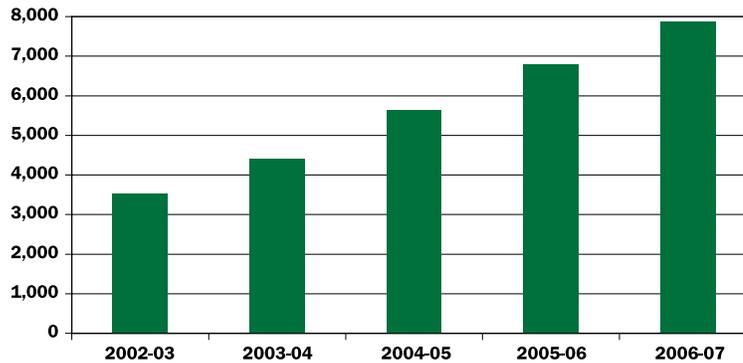
- ✓ The amount of money spent on home and community-based long-term living services more than doubled
- ✓ The number of older Pennsylvanians served at home grew from 12,000 in 2002-03 to more than 18,700 in 2006-07 (see charts below)
- ✓ The number of persons living with disabilities receiving care in the home rose from more than 3,500 in 2002-03 to more than 7,800 in 2006-07 (see charts below)

Number of Older Pennsylvanians Served at Home*



* Number represents annual unduplicated consumers age 60 and older in the PDA 60+, Attendant Care 60+, Independence and OBRA Waivers.

Number of Pennsylvanians with Disabilities Served at Home**



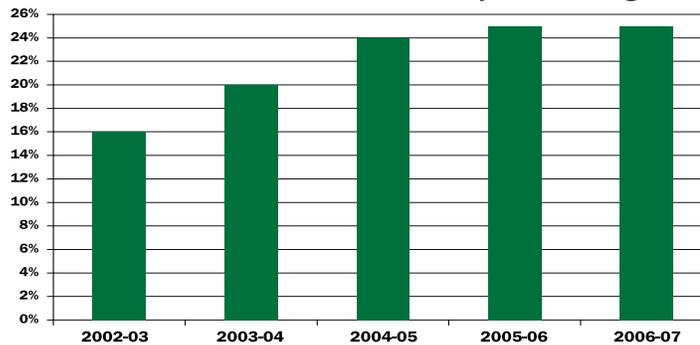
** Number represents annual unduplicated consumers under age 60 in Attendant Care, Independence and OBRA Waivers.

Long Term Living

QUICK FACTS

In 2006-07, approximately 25 percent of individuals receiving state-funded long-term living services reside in homes or community-based settings. This compares to approximately 16 percent in 2002-03.

Percent of Individuals Receiving State-funded Long Term Living Services in Their Homes or Community-Based Settings



According to U.S. Census data, Pennsylvania’s over-85 population grew by nearly 13 percent between 2000 and 2004, while the state’s total population increased by less than one percent. The Pennsylvania State Data Center estimates that by 2010, the over-85 population segment will grow an additional 18 percent to 365,000.

Given the rapid growth in the number of older Pennsylvanians, state government is very focused on more effectively managing resources to meet the increased demand for long-term living services among the low-income elderly and others who require these services but cannot afford to obtain them without financial assistance. Pennsylvania’s efforts to meet this goal include:

- ✓ In 2006-07, the commonwealth designed and implemented a new care plan review process for MA-funded home and community-based long-term living services for the elderly to more efficiently and effectively determine eligibility and design appropriate service delivery plans for applicants to these programs. Implemented in March 2006, this care plan review process resulted in cost savings of \$1.76 million as of June 30, 2007.
- ✓ While maintaining program quality, the Office of Long Term Living achieved additional savings of more than \$3.3 million in 2006-07 in three state-sponsored long-term living programs for persons with disabilities.

2. Expand efforts to help nursing home residents who wish to move out and receive care in their own home or community.

Entering a nursing home does not automatically mean that a person has to stay there permanently. In 2006-07, the commonwealth's nursing home transition program was expanded statewide to work with all county Area Agencies on Aging and other partner agencies to identify and support nursing home residents who seek help returning to a community setting or their own home. As a result of this program, 1,790 nursing home residents returned to the community during 2006-07, more than three times as many as in the transition program's first 18 months.

3. Ensure that the supply of nursing home beds reflects consumer demand for skilled nursing facility care while providing opportunities for nursing homes and other care providers to expand their continuum of care.

Surveys have consistently shown that Pennsylvanians in need of assistance with activities of daily living prefer to receive services in home and community-based settings rather than in institutional settings. In response, the commonwealth and local [Area Agencies on Aging](#) have been working to steadily increase the number and quality of local home and community-based long term living options. As a result, certain regions of Pennsylvania now have more nursing home beds than consumers need and some nursing homes have begun to convert traditional skilled nursing beds into more modern independent living units. The Office of Long Term Living has assisted in this transition, so that the supply of nursing home beds is adequate to meet consumer needs and nursing homes and other care providers have expanded opportunities to expand their range of care, resulting in a decline in nursing home beds and an increase in consumer choice. Since 2002-03, Medicaid licensed nursing facility beds have decreased by 5 percent, from 88,950 to 84,587. During this same time, the number of older Pennsylvanians and Pennsylvanians with disabilities served in the community grew from about 15,500 in 2003-03 to more than 26,500 in 2006-07.

4. Remove barriers to providing more long-term care in homes and communities.

Local Area Agencies on Aging do a comprehensive assessment of an individual's needs and resources to determine if they are eligible for the programs that provide money for home and community care. In 2006-07, Pennsylvania removed barriers to providing care in homes and communities by decreasing the time of the assessment from 30 to 60 days to 48 hours when necessary. This more efficient assessment enables people to receive the services that they need at a much quicker rate.

Budget Highlights

Funding for the Office of Long Term Living is provided by the departments of Aging and Public Welfare.

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Recipients receiving home and community-based services (monthly average):			
Over age 60	13,101	14,540	13,604
Under age 60	4,569	5,709	6,793
Average monthly cost of home and community-based waiver services	\$1,788	\$2,008	\$2,064
Recipients receiving institutional care (monthly average):			
Over age 60	53,058	52,825	52,285
Under age 60	4,262	4,448	4,449
Average monthly cost of nursing home care	\$3,938	\$4,033	\$4,152



Health & Human Services

Office of Child Development & Early Learning

Estelle B. Richman, Secretary
Department of Public Welfare
www.dpw.state.pa.us

Gerald L. Zahorchak, Secretary
Department of Education
www.pde.state.pa.us

Harriet Dichter, Deputy Secretary
*Office of Child Development
and Early Learning*

Overview of Programs and Services:

- Increases access to well-researched, successful early childhood education programs.
- Works with parents and providers to increase the availability and quality of early childhood education services such as: child care, early intervention, Head Start and other services that prepare children to succeed in school.
- Enables Pennsylvania families to work and achieve self-sufficiency by providing increased access to affordable child care services.

The Office of Child Development and Early Learning (OCDEL) is a joint initiative of the **Department of Public Welfare** and the **Department of Education** that seeks to effectively and efficiently increase the number of Pennsylvania children and families receiving affordable and high-quality early childhood services.

Major Agency Objectives for 2006-07

- 1. Improve education outcomes for children served by early education programs and increase professional development opportunities for early education practitioners.**
- 2. Provide resources to school districts that will allow them to offer valuable full-day kindergarten programs, expanded pre-kindergarten and smaller early grade class sizes to children across the state.**
- 3. Provide early intervention support services to children and families to identify and effectively address early childhood developmental delays.**
- 4. Increase the number of families able to work or participate in employment and training programs as a result of receiving access to subsidized, affordable child care.**

Major Achievements and New Initiatives in 2006-07

- 1. Improve education outcomes for children served by early education programs and increase professional development opportunities for early education practitioners.**

Thirty years of research confirms the connection between a child's participation in a quality early childhood program and improved outcomes in school and later life. Pennsylvania's **Keystone Standards Training/Professional Development Assistance Resource and Support** program, also known as **Keystone STARS**, provides parents with convenient, easy-to-understand information to help them make more informed decisions in seeking a quality early childhood education program for their child. It is the largest voluntary quality-improvement program of its kind in the country. More than 61 percent of the early childhood centers in the state participated in the program in 2006-07, serving more than 138,000 children.

The commonwealth is also committed to raising the quality of Pennsylvania's early childhood programs by **increasing professional development opportunities for early childhood practitioners**. Pennsylvania's Keys to Professional Development program was launched in 2006-07 to support Keystone STARS by giving early childhood teachers participating in the program greater access to early childhood degrees and credentials.

OCDEL has been working to improve early learning opportunities for Pennsylvania's children through several foundation-sponsored initiatives. For example, the **Build Initiative** is a prestigious privately funded initiative operating in five states that is supporting Pennsylvania's early childhood system with a \$240,000 grant.

The Build Initiative is designed to help states build a coordinated system of programs, policies and services that:

- ✓ Responds to the needs of families,
- ✓ Carefully uses public and private resources,
- ✓ Effectively prepares young children for a successful future.

2. Provide resources to school districts that will allow them to offer valuable full-day kindergarten programs, expanded pre-kindergarten and smaller early grade class sizes to children across the state.

Governor Rendell's emphasis on improving early childhood education programs has led to:

- ✓ Much greater state financial support to school districts to offer valuable full-day kindergarten programs and
- ✓ Smaller class sizes in early grades and quality pre-kindergarten programs.

Three of the 11 options provided to school districts for use of their portion of the state's \$250 million annual **Accountability Block Grant** focus on early childhood education. School districts demonstrated their support for these programs by choosing to spend \$2 out of every \$3 of their block grant funding on early childhood programs. A total of 408 (out of 501) school districts invested state-provided ABG funds in early childhood education, with the greatest support going to full-day kindergarten.

In 2002–03, 32 percent of Pennsylvania kindergarten students attended a full-day program. In 2006–07, that number had increased to 55 percent.

Early results show that as a result of expanded early childhood and full-day kindergarten programs, Pennsylvania students have:

- ✓ Improved social relationships,
- ✓ Gained better self-help skills and
- ✓ Demonstrated greater academic readiness.

In 2006–07, 89 school districts allocated all or a portion of their ABG funds to reducing class sizes in grades K-3, resulting in 17 or fewer students in each class. This provided 16,863 students with opportunities to learn in smaller classes with more one-on-one instruction time.

Early Learning

QUICK FACTS

Through the Accountability Block Grant program, nearly 65 percent of Pennsylvania's school districts are offering full-day kindergarten in 2007-08, and 57,223 students are enrolled in full-day kindergarten (up from 51,246 in 2003-04).

In recognition of the state's tremendous investment in and rapid expansion of early childhood initiatives, the U.S. Department of Education had awarded the state a \$730,000 grant to develop appropriate systems to make sure that Pennsylvania's early childhood education programs are effective.

3. Provide early intervention support services to children and families to identify and effectively address early childhood developmental delays.

OCDEL promotes collaboration among parents, service providers and others significantly involved with infants, toddlers and preschoolers who have, or are at risk of having, a developmental delay. More than 69,000 children participated in state-supported early [intervention services](#) in 2006–07, up from 67,711 in 2005–06. The [early intervention program for infants and toddlers](#) is managed at the local level by the counties, while the [preschool early intervention program](#) is led at the local level by intermediate units, school districts and other providers.

4. Increase the number of families able to work or participate in employment and training programs as a result of receiving access to subsidized, affordable child care.

[Child Care Works](#) is a subsidized child care program that helps low-income parents seeking to move off of [Temporary Assistance for Needy Families](#) to pay their child care fees. This program supports parents who are working hard to provide for their families and gives children the opportunity to participate in an affordable early childhood program, which enables their parents to get work and keep working. In 2006–07, an average of 122,084 children were served monthly by Child Care Works, as compared to 118,973 children in 2005–06.

Budget Highlights

Funding for these programs is provided by the departments of Education and Public Welfare.

Funding Sources (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
Accountability Block Grants	\$200,000	\$200,000	\$250,000
Head Start supplemental assistance (state)	15,000	30,000	40,000
Keystone STARS (total)	42,388	44,751	47,779
Early Intervention: birth to age five	243,883	311,839	355,647
Child Care Works subsidized child care: TANF (total)	153,321	168,000	170,485
Former TANF (total)	\$107,819	\$133,000	\$164,290
Low-income (total)	\$242,290	\$263,000	\$284,301

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Students enrolled in Keystone STARS pre-school program	132,111	153,863	138,128
Percentage of kindergarten students enrolled in full-day programs	51%	52%	55%
Districts offering pre-kindergarten programs	71	71	89
Students enrolled in state-funded Head Start expansion	2,484	4,710	5,780
Children participating in subsidized child care (monthly average):			
TANF	36,638	39,224	32,669
Working Families	72,072	79,294	89,415
Number of children participating in Early Intervention	63,248	66,711	69,325



Consumer Protection

Introduction

Pennsylvania's consumer protection agencies are responsible for ensuring the safety of the food we eat, protecting the public from fraud and financial abuse, ensuring the accuracy, integrity and security of the electoral process for voters and candidates, and protecting consumers and businesses from animal disease outbreaks, among many other responsibilities.. This section will review the major achievements and initiatives of those state agencies that have primary responsibility for protecting Pennsylvania's consumers. The agencies included in this section of the report are:

- [The Department of Banking](#)
- [The Department of State](#)
- [The Department of Insurance](#)
- [The Department of Agriculture](#)

The Department of Agriculture provides important services to protect Pennsylvania consumers and for that reason the department is included in this section. The department also is responsible for the oversight and operation of several important environmental and economic development programs, such as:

- ✓ The Resource Enhancement and Protection Program
- ✓ PAGrows
- ✓ The Pennsylvania Agricultural Renewable Energy Council
- ✓ The Dairy XP Program and Profit Team Program
- ✓ Pennsylvania's Nutrient Management Act



Did you know.....

- *Within Pennsylvania, charitable organizations increased from 3,700 in 1995 to more than 10,000 in September 2007.*
- *In 2006-07, individuals and organizations that violated the public's trust in charitable solicitations or in their professional and occupational capacities were assessed \$941,500 in fines and penalties.*
- *From mortgage brokers to check cashers to collector-reposessors, the Department of Banking licenses more than 14,000 financial service providers in 15 different categories.*
- *In July 2007, there were 1.5 million mortgages in Pennsylvania; 174,000 had adjustable interest rates.*
- *The Department of Banking secured more than \$2.1 million in refunds for 6,921 citizens who called 1-800-PA-BANKS in 2006-07.*
- *The Department of State licenses more than 1,000 sports professionals and regulates sporting events, including professional boxing, kickboxing and wrestling.*
- *The Boxing Commission sanctioned 457 events. Of the 457 events, 249 were in the Philadelphia region, 143 in the Pittsburgh region, and 65 in the Scranton region.*
 - *37 boxing events – which represents an (11%) increase from 2006*
 - *356 wrestling events*
 - *51 amateur boxing events*
 - *13 kickboxing events*



Consumer Protection

Department of Banking

Steven Kaplan, Secretary
www.banking.state.pa.us

Mission Statement

The mission of the Department of Banking is to protect the public from financial abuse, ensure the safety and soundness of state-chartered depository institutions operating in Pennsylvania and foster a strong and inclusive economy.

Overview of Programs and Services:

- Ensures the safety and soundness of more than 250 depository institutions—banks, credit unions, etc.—that hold more than \$120 billion in assets.
- Licenses and regulates more than 15,000 non-depository entities, including, but not limited to, mortgage bankers, mortgage brokers, check cashers and pawn shops.
- Develops and advocates for policies to make the financial marketplace more robust and fair to consumers.
- Increases the quality and availability of financial education in the commonwealth's schools, communities and workplaces.
- Connects financial professionals to government economic development programs to create and retain jobs in the commonwealth.
- Provides one-on-one assistance to consumers who have questions or concerns regarding financial transactions.

Major Agency Objectives for 2006-07

1. Ensure the safety and soundness of state-chartered banking institutions and proper conduct in the provision of other financial services in accordance with Pennsylvania law.
2. Oversee and reform mortgage transactions in Pennsylvania.
3. Protect and educate Pennsylvania consumers in day-to-day financial transactions.
4. Add value, employ technology and streamline internal processes to better serve customers.

Banking	QUICK FACTS
<p>In total, the Banking Department supervises more than 250 depository institutions with about \$120 billion in assets under management, ranking Pennsylvania among the top 10 states nationwide in state banking regulation and supervision.</p>	

Major Achievements and New Initiatives in 2006-07

1. **Ensure the safety and soundness of state-chartered banking institutions and proper conduct in the provision of other financial services in accordance with Pennsylvania law.**

In order to ensure the safety and soundness of these institutions, the Banking Department conducted 165 examinations in 2006-07. Banking examiners review each institution's capital protection, asset quality, management competence, earnings strength, liquidity risk and market risk. If any of these factors presents cause for concern, the department works with the institution to correct the negative trend and protect consumers' hard-earned deposits.

The department also licenses and regulates more than 15,000 non-depository entities, including, but not limited to, mortgage bankers, mortgage brokers, check cashers and pawn shops. In order to use its resources in the most strategic way, the Banking Department has begun to institute a "risk focus" for the scheduling of non-depository examinations. This means that the Banking Department analyzes available information, past performance, consumer complaints, database information and other factors to assign priority to examination scheduling. Last year, the department conducted about 3,565 non-depository examinations to ensure [proper conduct under Pennsylvania law](#).

Working with its consumer services unit, examinations professionals and others, the department's investigations unit completed 62 cases in 2006-07. The department's overall enforcement activity resulted in:

- ✓ Heightened supervision of 24 banking institutions,
- ✓ 4,335 violation corrections,

- ✓ 750 fines assessed totaling nearly \$1 million and
- ✓ Almost \$250,000 in consumer refunds.

In addition, the Banking Department has begun scrutinizing licensed motor vehicle sales operations – something that had never been done in any systematic way in the past. A blend of on-site and off-site techniques ensures statewide coverage and has resulted in more than 900 examinations across every county in the state. When it finds violations, the department orders consumer refunds. In the program’s inaugural year, approximately \$33,000 was returned to consumers across Pennsylvania.

For the first time in its history, the Banking Department brought suit against a financial service provider for operating in Pennsylvania without a license and charging interest and fees in excess of state law. Commonwealth Court ruled in the department’s favor against Advance America, the nation’s largest payday lender, with regard to its “Choice Line of Credit,” which allowed customers to borrow up to \$500 if they paid a \$149.95 monthly “participation fee” and 5.98 percent interest. The court ordered the company to immediately cease selling and collecting on the product in Pennsylvania. This prohibition has been upheld by the commonwealth’s Supreme Court as the case is being appealed.

2. Oversee and reform mortgage transactions in Pennsylvania.

During 2006 and the first part of 2007, the department:

- ✓ Conducted 4,083 mortgage company examinations and addressing 6,940 business violations.
- ✓ Took 102 substantive enforcement actions on issues ranging from misleading advertising to the failure to fund loans to fraud.
- ✓ Fined 56 companies for substantive mortgage-related violations.
- ✓ Secured more than \$2 million in mortgage-related refunds for citizens who called the Banking Department’s 1-800-PA-BANKS hotline.
- ✓ Increased scrutiny of applications and enforcement activity, which contributed to 73 mortgage-related companies’ licenses being revoked, suspended, disapproved or withdrawn during investigation.

In addition to its customary regulatory activities, the Banking Department has also invested significant resources to change the governance of, and increase its authority with respect to, [mortgage-related lending oversight](#) in Pennsylvania.

In summer 2006—after two years of study, refinement and advocacy—the Banking Department worked with the General Assembly to craft and introduce six bills in the Senate intended to reduce or eliminate abusive practices in the mortgage lending industry. Among other provisions, these bills would create a new licensing category for mortgage professionals who deal directly with consumers, add members to the state’s Board of Real Estate Appraisers, increase penalties for mortgage and appraiser misconduct, allow the Banking Department to make citizens aware of certain enforcement actions, prohibit prepayment penalties on mortgages under about \$200,000, require lenders to provide foreclosure notices to the state and reduce the interest rate on assistance provided to citizens through the Homeowners’ Emergency Mortgage Assistance Program. Though the bills did not pass in the first session in which they were introduced, they were reintroduced in the House and the Senate in early 2007. Since reintroduction, the Banking Department has testified at three House Commerce Committee hearings across the state in order to build momentum for the legislation.

In December 2006, the Banking Department issued a policy statement to all mortgage licensees to provide clear guidance and examples of practices that the department interprets as dishonest, fraudulent, unfair, unethical and illegal in the mortgage industry. The statement clarifies the Banking Department’s authority under existing law and makes the industry aware of practices that will be under close scrutiny during future examinations.

3. Protect and educate Pennsylvania consumers in day-to-day financial transactions.

The commonwealth has long protected consumers from unscrupulous securities and insurance sales people, but no agency has focused solely on protecting Pennsylvanians in the day-to-day marketplace of financial transactions. For the first time, the department has hired financial experts, law enforcement professionals, intelligence analysts and computer forensics technicians to sift through reams of data – state, federal and private databases in addition to the department’s own internal records – to find patterns of misconduct that might otherwise stay hidden.

Banking	QUICK FACTS
<p>In 2006–07, the Banking Department’s consumer service professionals directly assisted 6,921 citizens who contacted them with questions, concerns or complaints. More than \$2.1 million in refunds were secured on their behalf.</p>	

Because an unprecedented number of mortgage companies went bankrupt in 2006-07, it was crucial for the Banking Department to ensure that promised funds were available at closing, cutting through large lenders’ bureaucratic red tape in order to get Pennsylvania’s citizens the help they needed.

The Banking Department also houses the Pennsylvania Office of Financial Education, which seeks to improve the availability and quality of financial education in the commonwealth’s schools, communities and workplaces.

Last year, the [Office of Financial Education](#) helped more than 500 teachers integrate age-appropriate financial education into the reading, writing, mathematics and other subjects that they are already teaching in the commonwealth’s K-12 classrooms. The office also brought together more than 100 community-based educators—cooperative extension agents, community action professionals, consumer credit counselors, family savings account case managers, librarians and others—to share best practices and learn new techniques to improve the quality and delivery of personal finance instruction.

In addition, the office developed and conducted a pilot program to test the efficacy and outcomes of employer-provided financial education. Using four state agencies as test locations, the office conducted 29 financial education sessions covering six topics over three months. Nearly 400 commonwealth employees participated in the program. Demand was high in the pilot agencies, with about 20 percent of all eligible employees participating in at least one session. On a three-month follow-up survey, all respondents reported an increased sense of “financial well-being.” The office is using lessons learned to prepare programs and materials to help other employers in the commonwealth cost-effectively deliver financial education to their employees. The department distributed more than 10,000 [consumer brochures](#) on topics such as avoiding foreclosure, identity theft and common financial scams.

Banking
QUICK FACTS

More than 60,000 unique users have visited www.moneysbestfriend.com, the Office of Financial Education's commercial-free personal finance web site.

4. Add value, employ technology and streamline internal processes to better serve customers.

At a time when most states are losing banks, the department has chartered more than two dozen new institutions since Governor Rendell took office. In making their charter decisions, several institutions suggested that the Pennsylvania Department of Banking's competence, accessibility and value-added services were positive influences.

One value-added service was provided through the department's [Office of Economic Development](#). The office has Harrisburg and Pittsburgh-based experts who travel the state to help banking professionals sort through the myriad of government grants, loans and guarantee programs that can help their clients. Last year, the office reached out to more than 250 lending and economic development professionals and delved deeply into more than a dozen specific financing deals to help create and retain jobs in Pennsylvania.

The Banking Department has also created and piloted a system so that licensees can access the annual renewal process online and pay fees via credit card. The system was tested by the mortgage bankers and broker licensees, of which more than 2,000 eligible participants (38 percent) used the online system. During this pilot phase, more than \$750,000 in licensing fees was collected electronically.

Fiscal year 2006-07 was the first year that all licensing categories could renew licenses, file annual reports and pay associated fees online. More than \$2.3 million was collected from 9,235 license renewals and 3,464 annual report filings. In addition to being more convenient for the regulated community, the online processes saved the department both administrative time and money that were redirected toward conducting more thorough background checks on license applicants, speeding up turnaround times for examinations and other service improvements.

The Banking Department has also streamlined other administrative activities for license applicants and licensees. It coordinated with other states and other Pennsylvania agencies to reduce paperwork by moving to a multi-state approved licensing form, providing leadership on the development of a multi-state licensing database and cross-referencing license applicants with state tax records to connect delinquent filers with the Revenue Department for expedited processing.

Awards and Recognition

October 2006 – The Banking Department received reaccreditation by the National Association of State Credit Union Supervisors (NASCUS). To earn NASCUS' prestigious accreditation, a state supervisory agency must demonstrate that it meets standards in department administration and finance, personnel, training, examination, supervision and legislative powers. Modeled on the university accreditation concept, the program applies national standards of performance to a state's credit union regulatory program. The accreditation process includes disciplined self-evaluation, peer review and ongoing monitoring.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$0	\$0	\$0
Federal Funds	0	0	0
Special/Other Funds	14,196	18,120	18,004
Department Total	\$14,196	\$18,120	\$18,004

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	153	169	173

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Number of institutions supervised and regulated:			
Banks	166	172	171
Savings and loan associations	8	8	8
Credit unions	73	71	69
Consumer credit agencies:			
First mortgage bankers/brokers	4,278	4,717	4,638
Second mortgage lenders/brokers/brokers agents	4,222	4,872	5,048
Sales finance companies	1,037	1,057	1,042
Consumer discount companies	483	483	478
Pawnbrokers	53	53	57
Money transmitters	26	26	28
Collectors-repossessors	160	158	158
Installment sellers	3,683	3,614	3,452
Check cashers	525	551	555
Number of license applications filed electronically.	640	2,194	6,563



Consumer Protection

Department of State

Pedro A. Cortés, Secretary
www.dos.state.pa.us

Mission Statement

The Department of State promotes the integrity of the electoral process; provides the initial infrastructure for economic development through corporate organizations and transactions; and protects the health, safety, and welfare of the public. The department encourages the highest standards of ethics and competence in the areas of elections, campaign finance, notarization, professional and occupational licensure, charitable solicitation, and the regulation of professional boxing and wrestling.

Overview of Programs and Services:

- Administers the electoral process across the commonwealth, which encompasses everything from voter and candidate registration to candidates' campaign finance reports.
- Collects registrations for lobbyist firms and principals.
- Licenses, inspects and regulates more than one million professionals in the commonwealth.
- Licenses more than 1,000 sports professionals and regulates sporting events, including professional boxing, kick boxing and wrestling.
- Serves as the centralized filing office for Uniform Commercial Code financing statements.
- Provides administrative and legal support to 27 professional and occupational licensing boards and commissions.

Major Agency Objectives for 2006-07

1. Ensure the accuracy, integrity and accessibility of the electoral process for voters and candidates.
2. Improve processing times and workflow for business and Uniform Commercial Code registration.
3. Enhance professional and occupational licensure services.
4. Promote informed charitable giving and aggressively pursue fraudulent solicitation in the commonwealth.

Major Achievements and New Initiatives in 2006-07

1. Ensure the accuracy, integrity and accessibility of the electoral process for voters and candidates.

The Department of State files candidate nomination petitions, secures ballot positions, processes campaign expense reports, registers voters and ensures polling place accessibility and ballot secrecy on Election Day. It also translates educational documents for voters and election officials from English into seven alternate languages, and developed the *Pennsylvania Voting Guide for New Citizens*, one of the first guides of this type in the nation.

In 2007, the department began overseeing lobbying disclosure, as mandated by Act 134, so it developed registration, reporting and termination forms for lobbyists, lobbying firms and principals. More than 1,200 expense reports were filed in the first quarter alone. Regulations to implement Act 134 are still under development.

The 2002 **Help America Vote Act (HAVA)** significantly changed the voting process for all federal elections in the United States. HAVA required or authorized several procedures that states must follow including, but not limited to:

- ✓ Standards for all voting systems used by the states.
- ✓ Identification requirements for those who vote for the first time after registering by mail.
- ✓ Educational programs for voters and election officials.
- ✓ Implementation of a statewide voter registration database.

In the Nov. 7, 2000, General Election, 76.1 percent of the precincts (7,173 out of 9,418) used either lever or punch card voting systems. HAVA's mandates made these systems obsolete. In 2005-06, the Department of State certified 13 HAVA-compliant electronic voting systems. By the primary election in May 2006, 95 percent of the precincts had replaced their systems with either direct recording electronic or optical scan systems.

The **Statewide Uniform Registry of Electors (SURE)** system is a centralized voter registration and election management system created by the Department of State. SURE enhances the accuracy and integrity of voter registration rolls by eliminating duplicate records, promoting consistent data management practices across counties, and improving the quality of voter services. As required by HAVA, all 67 Pennsylvania counties were operating on the SURE system by Jan. 1, 2006. The department launched the Pennsylvania voter services portal on its Web site in English and Spanish. There,

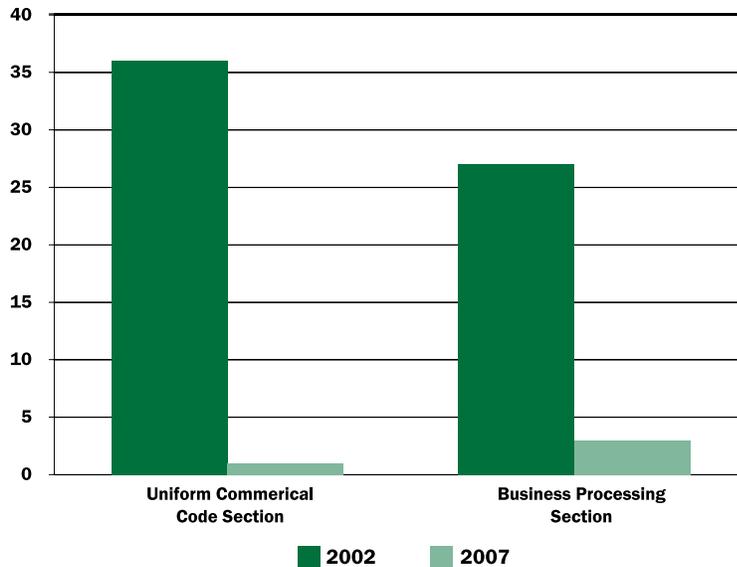
voters can locate polling places, obtain information on their counties and voting systems, and view election news. Also available online for the first time are nomination petition forms and a campaign finance contributor search feature. Recently, the department enhanced its voter services portal with new features such as online voter registration, voter registration information modification, the ability for voters to learn the status of their provisional ballots, absentee ballot application requests, and an election events calendar. (www.dos.state.pa.us)

2. Improve processing times and workflow for business and Uniform Commercial Code registration.

The Department of State is the initial registration point for new businesses in Pennsylvania and timely registration processing promotes economic development within Pennsylvania by allowing organizations to begin conducting business as soon as possible. More than 2.4 million Pennsylvania companies are registered with the department, which serves as the centralized filing office for Uniform Commercial Code financing statements. Currently, 45 percent of Uniform Commercial Code filings are processed online.

With the online system’s implementation, the Department of State has significantly decreased processing times. As of August 2007, the Uniform Commercial Code section processing time was decreased from 36 days in 2002 to one day and the business processing section was reduced from 27 days in 2002 to three days.

**Corporation Bureau Processing Times
(Number of Days)**

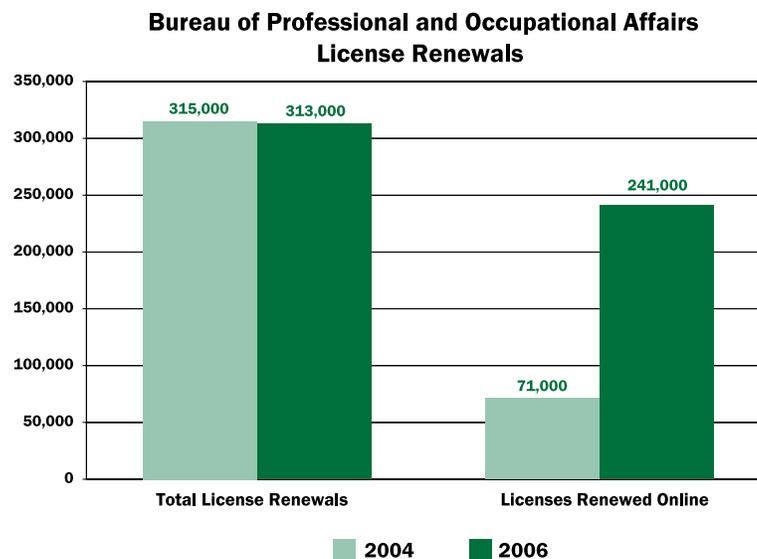


3. Enhance professional and occupational licensure services.

The Bureau of Professional and Occupational Affairs provides administrative and legal support to 27 boards and commissions of the commonwealth, and licenses more than one million professionals, ranging from doctors and pharmacists to funeral directors and accountants, barbers and realtors to architects and engineers.

The Department of State has added additional features to its online licensing system to make it more efficient. Through the Web site, www.dos.state.pa.us, a licensee can renew his or her license, obtain a duplicate license, check the status of an application and change an address.

Nearly 313,000 licensees renewed their licenses last year, with 241,005 licensees renewing online. The percentage of licensees renewing their licenses online increased from 27 percent in June 2004 to 77 percent in 2006-07.



One of the key missions of the Department of State is to protect the public’s health, safety and welfare. In 2006, the department created a special unit to expedite the processing of complaints as well as dispositions of cases against licensees. As of July 2007, the department had completed more than 3,800 investigations – the second-highest case-closing rate in 10 years. The Department of State also completed 20,066 inspections in 2006-07, which are 4,000 more inspections than in the prior fiscal year. Comparisons to the prior year speak well to the improvements in the process:

- During the first three quarters of 2007, prosecutors filed 1,372 pleadings initiating some type of disciplinary action, compared to 1,004 pleadings in the first three quarters of 2006, representing a 37 percent increase.
- During the same time period, the number of final dispositions of cases was 2,981 compared to 2,300 in 2006, a 27 percent increase.

4. Promote informed charitable giving and aggressively pursue fraudulent solicitation in the commonwealth.

The Department of State is widely regarded as innovative and highly effective in its oversight of charities. Within Pennsylvania, charitable organizations increased from 3,700 in 1995 to more than 10,000 in September 2007.

The Department of State continues to cement its status by aggressively investigating and prosecuting individuals and organizations which violate the public’s trust in charitable solicitations or their professional and occupational capacities. The Department of State’s legal actions have resulted in 114 consent agreements and adjudications, including more than \$1,075,000 in administrative fines and penalties.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$5,489	\$5,434	\$12,055
Federal Funds	147,511	151,553	101,652
Special/Other Funds	40,738	45,989	47,470
Department Total	\$193,738	\$202,976	\$161,177

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	506	527	537

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Electoral Process:			
Campaign finance reports filed online	1,583	3,345	3,584
Voter Registration Transactions	975,000	898,382	1,007,621
Corporation Bureau:			
Uniform Commercial Code financing statement filings & information requests fulfilled	147,000	168,434	132,181
Reviews of fictitious names, business corporations and trademark applications	111,000	135,687	143,545
Bureau of Professional and Occupational Affairs:			
Professional licenses and renewals issued	358,782	431,412	388,892
Cases opened	11,062	11,363	12,242
Cases closed	10,145	11,725	15,923
Disciplinary actions	3,000	2,870	3,627
Bureau of Charitable Organizations:			
Charity registrations	8,800	8,900	9,274
Investigations opened	350	269	226
Investigations closed	350	300	256
Bureau of Enforcement and Investigation:			
Inspections completed	14,157	16,033	20,020
Investigations opened	3,290	4,091	3,403
Investigations closed	4,130	3,769	3,874
Professional Health Monitoring Program:			
Cases opened	918	1,125	1,184
Cases closed	879	1,055	977



Consumer Protection

Pennsylvania Insurance Department

Joel Ario, Acting Commissioner
www.ins.state.pa.us

Mission Statement

The mission of the Insurance Department is to provide a premier regulatory environment which promotes the best insurance marketplace to serve consumers.

Overview of Programs and Services:

- Regulates an industry that generates over \$75 billion in insurance policies annually.
- Protects consumers through programs and services designed to educate and reach out to consumers, educate and license insurance professionals, monitor and promote a competitive insurance marketplace, and assure that insurance companies remain financially stable (solvent).
- Administers health care programs for uninsured Pennsylvanians & Mcare.

Major Agency Objectives for 2006-07

1. Administer programs to ensure access to quality health care coverage for all Pennsylvanians.
2. Educate and protect consumers.
3. Protect policyholders, consumers and creditors from financial loss.
4. Provide effective, uniform and streamlined industry regulation.

Insurance	QUICK FACTS
Pennsylvania is among the top 10 insurance markets in the world and is home to a diverse marketplace with some of the world's largest multi-line carriers as well as some of the smaller, more regional, carriers	

Major Achievements and New Initiatives in 2006-07

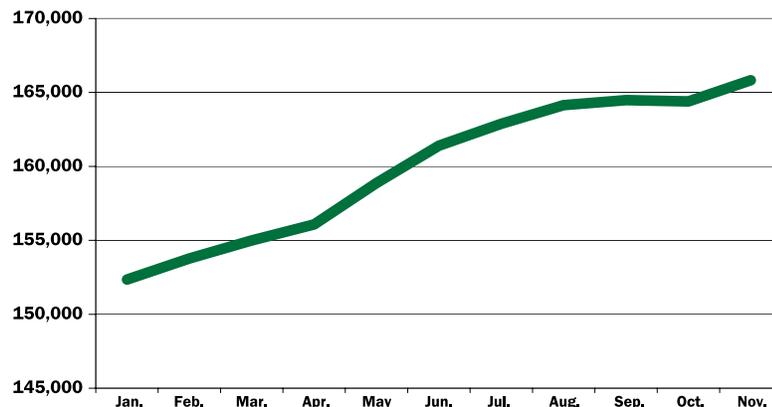
1. Administer programs to ensure access to quality health care coverage for all Pennsylvanians.

Under Governor Rendell's leadership, Pennsylvania has intensified its commitment to providing affordable access to quality health care coverage for uninsured children and adults through the **Children's Health Insurance Program (CHIP)** and the **adultBasic Program**.



CHIP is the state's nationally recognized program that provides a comprehensive benefits package – including dental, vision, doctor visits, prescriptions and more – to uninsured children and teens up to age 19. CHIP is administered through eight insurance companies and is available statewide, with some counties offering a choice of providers. In 2007, Governor Rendell's Cover All Kids initiative was implemented, which expanded CHIP coverage. Now, ALL uninsured kids and teens who are not eligible for **Medical Assistance** can apply for coverage. Depending on the family income, CHIP is either free or available at low-cost, based on a sliding scale of the family income. CHIP has achieved record enrollments for 19

CHIP Enrollment
January 2007 - November 2007

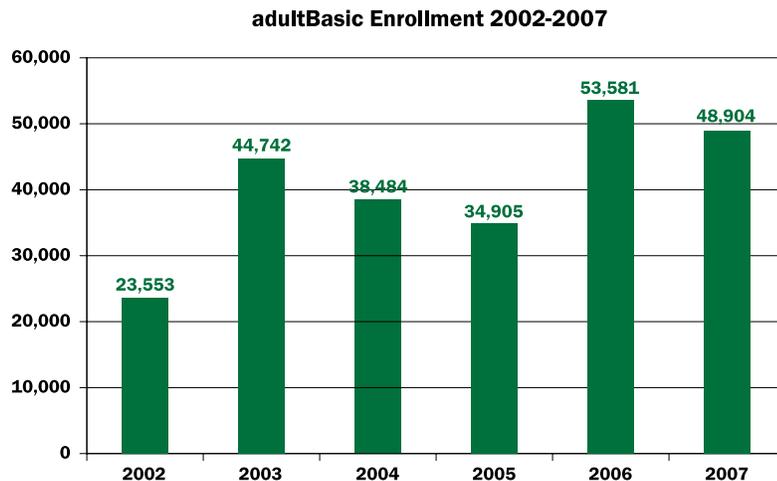


consecutive months from February 2006 through September 2007, and garners just below three million hits a month on its Web site, www.chipcoverspakids.com.



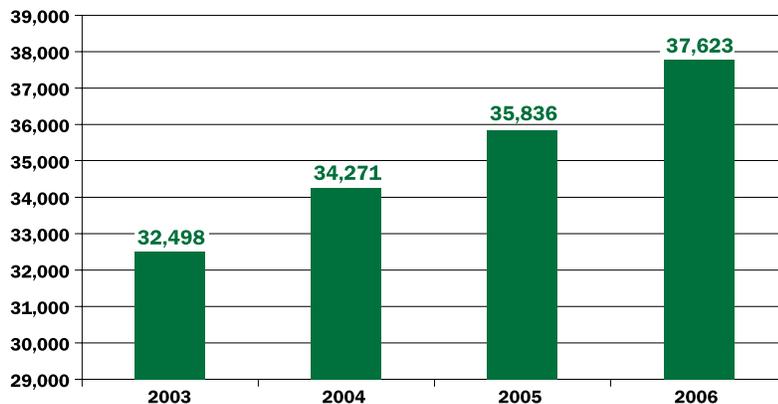
The adultBasic program began in 2002 and offers a basic health insurance package for eligible adults 19 through 64 years of age whose incomes are too high to qualify them for Medical Assistance but still face difficulty affording health insurance coverage. Enrollees pay \$33.50 monthly to

contribute to the cost of the coverage. Due to a limited funding stream and the extraordinary public response to adultBasic, a waiting list had to be implemented just six months after the adultBasic program started. Those who are on the waiting list have the option of purchasing the coverage at the state rate. Enrollment has expanded significantly since the Rendell administration began in 2003, and enrollment as of October 2007 was 48,904. (See chart)



The Insurance Department also administers the **Medical Care Availability and Reduction of Error Fund (Mcare)**, which covers the catastrophic layer of medical malpractice insurance. An abatement program was implemented in 2003 to help keep health care providers in the state and ensure access to quality health care in Pennsylvania, as a medical malpractice crisis was looming. Under the abatement program, high-risk specialists have 100 percent of their Mcare assessment abated, and all other physicians received 50 percent abatements. Podiatrists, nursing homes and emergency physicians

Health Care Providers Participating in the Mcare Abatement Program (2003-2006)



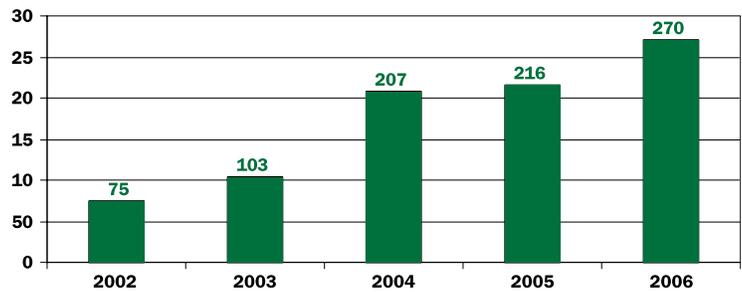
(Please note: Mcare does not track the number of licensed health care providers in the commonwealth; that number is maintained through the Department of State.)

employed in accredited trauma centers have been added to the Mcare abatement program since 2003. As the chart illustrates, the number of health care providers accessing the abatement program does increase as more providers are eligible, but more importantly, the number of health care providers has remained steady, an indication that the medical malpractice climate in the commonwealth is improving.

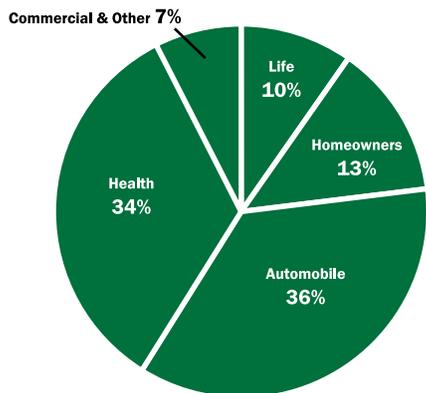
2. Educate and protect consumers.

The department is committed to educate and protect consumers through many outreach, monitoring, and enforcement initiatives. With its home office in Harrisburg and two regional offices in Philadelphia and Pittsburgh, the Insurance Department’s Bureau of Consumer Services handles thousands of complaints and inquiries each year and serves as a resource for consumers who have a question about their policy coverage or wish to file a complaint against their insurance company or agent (producer). These complaints can result in monetary awards for the consumer. The bureau also helps to staff disaster recovery centers and promotes consumer education through outreach activities, such as senior fairs, consumer events and speaking engagements. Consumer outreach initiatives have increased with the new Office of Consumer Liaison, which in addition to consumer outreach, publishes a quarterly online newsletter. The charts below depict the growth of the Insurance Department’s consumer education outreach efforts, and provide a breakout of consumer complaints by type and the amount of money rewarded for consumers by year.

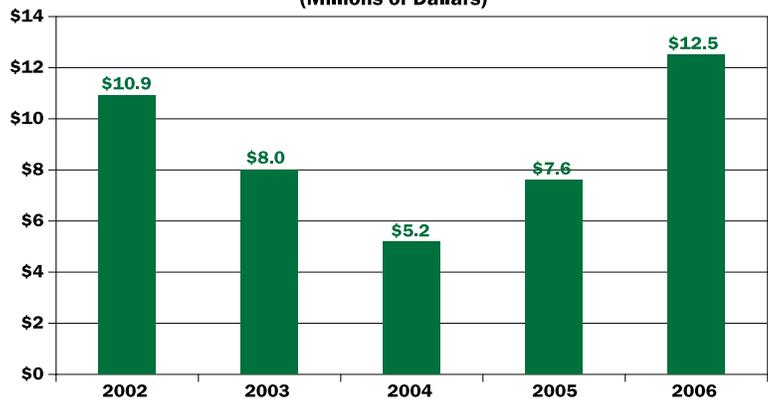
Consumer Education and Outreach Events



2006 Consumer Complaints, by Type



Money Recovered from Consumer Complaints (Millions of Dollars)



3. Protect policyholders, consumers and creditors from financial loss.

Consumer protection is the goal in the Insurance Department's solvency and monitoring enforcement activities. Entities that are selling, soliciting or negotiating the business of insurance in Pennsylvania must be licensed by the Insurance Department.

- The [Bureau of Producer Services](#) is responsible for 176,235 licensed individuals.
- The [Office of Corporate and Financial Regulation](#) oversees 1,850 insurance entities.

The Insurance Department's efforts to monitor the financial condition of insurers organized in Pennsylvania (domestic insurers) continue to be successful. These efforts focus on identifying, at the earliest possible stage, insurers in a weak or deteriorating financial position and taking corrective actions to protect policyholders, consumers and creditors from financial loss. The goal is to minimize the number and size of failed insurers (insurer insolvencies). The results of these activities were particularly noteworthy in 2006—there were no insolvencies of domestic insurers and seven domestic insurers were saved from imminent financial problems. For the first time in 45 years, there have been no insolvencies of Pennsylvania domestic insurers for two consecutive calendar years.

The department also has a dedicated unit that reviews all insurance company filings as they relate to "rates" and "forms." During 2006-07, the rate and form unit received 15,195 filings. Rate filings refer to the amount a consumer pays for their insurance coverage in the form of premiums. They are reviewed by actuaries on staff who analyze the filing to make sure the rates are not excessive, inadequate or unfairly discriminatory. "Forms" is another term for the language that is in an insurance policy. If a policy is going to be offered, the Insurance Department reviews the policy language to make sure that it complies with insurance law.

4. Provide effective, uniform and streamlined industry regulation.

The Insurance Department, through the use of financial and market conduct examinations and analysis, monitors the financial solvency of insurance carriers, identifies potentially problematic situations and recommends corrective actions.

In calendar year 2006, 34 market-conduct examinations were carried out. The Insurance Department's enforcement investigation resulted in 206 finalized consent orders, settlement agreements and adjudications, resulting in the recovery of \$5,843,919 in restitution for Pennsylvania consumers and the assessment of \$1,694,000 in civil penalties to be paid into the commonwealth General Fund.

The Insurance Department also manages and oversees several other insurance-related funds. The Underground Storage Tank Indemnification Fund provides money to clean up 140 leaking underground storage tank sites, while managing the fees charged to tank owners. The Workers' Compensation Security Fund provides more than \$66 million in benefits to 3,076 injured workers covered by 28 insolvent insurance companies without having to assess solvent workers compensation insurers.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$82,513	\$80,586	81,630
Federal Funds	162,039	158,103	182,040
Special/Other Funds	804,705	719,384	525,391
Department Total	\$1,049,257	\$958,073	\$789,061

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	408	410	403

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
CHIP enrollment	134,371	138,665	152,028
Percentage of CHIP applications filed electronically	17%	9%	15%
Adult Health Insurance Coverage enrollment	38,372	40,810	52,190
Adult Health Insurance average monthly wait list	100,780	97,082	74,702
Companies in liquidation	18	16	11
Administrative hearings held	172	195	203
Rate filings reviewed	6,259	6,590	6,500
Form filings reviewed	8,842	8,711	7,900
Enforcement investigations completed	347	350	350
Insurer market conduct examinations completed	38	35	35
Company financial and corporate filings reviewed	2,900	2,900	3,015
Cost per company licensing and financial analysis	\$463	\$463	\$435



Consumer Protection

Department of Agriculture

Dennis C Wolff, Secretary
www.agriculture.state.pa.us

Mission Statement

The mission of the Department of Agriculture is to encourage, protect and promote agriculture and related industries throughout the commonwealth.

Overview of Programs and Services:

- Ensures wholesome and safe agricultural products for consumers.
- Expands and develops domestic and international markets for Pennsylvania's agriculture industry.
- Develops and encourages sustainable farming and conservation practices.
- Prevents, controls and eradicates livestock, poultry and plant diseases.
- Regulates the conduct of horse racing.
- Improves the quality of life in rural Pennsylvania.

Major Agency Objectives for 2006-07

1. Create an environment in which small, medium and large farming operations can be profitable and related industries can thrive.
2. Ensure that all Pennsylvania consumers have access to safe, nutritious and affordable food.
3. Protect consumers and businesses from animal disease outbreaks.
4. Preserve farmland and conserve natural resources for future generations.
5. Improve water and air quality through nutrient management planning.

Major Achievements and New Initiatives in 2006-07

1. **Create an environment in which small, medium and large farming operations can be profitable and related industries can thrive.**

Governor Edward G. Rendell signed the [Agriculture Communities and Rural Environment \(ACRE\)](#) bill in 2005 to protect Pennsylvania's farmers and communities. This bill was the result of extensive work undertaken by the legislature and the Rendell administration to balance the legitimate business interests of agriculture with the environmental and community concerns of local citizens and elected leaders. In 2006, Attorney General Tom Corbett filed four lawsuits challenging four municipal ordinances under the provisions of the ACRE statute.

To support the state's need for homegrown, renewable fuels, Governor Rendell created the **Pennsylvania Agricultural Renewable Energy Council** and developed the Renewable Energy Portfolio Standard, which has been recognized nationally as the most ambitious and innovative program of its kind. By building an agricultural renewable energy industry:

- ✓ The state will open markets to new farmers.
- ✓ Reduce dependency on foreign fuels.
- ✓ Create new jobs, promote economic growth.
- ✓ Encourage conservation and build a diversified energy base.

The [Pennsylvania Dairy Task Force](#) was created by Governor Rendell to identify and coordinate the leadership and resources necessary to ensure a competitive and profitable dairy industry in Pennsylvania. The [Center for Dairy Excellence](#) was created at the recommendation of the **Dairy Task Force** to empower people, create partnerships, and increase the availability and use of resources to enhance the profitability of the dairy industry. To further support this \$4.2 billion agricultural business, in 2006-07 the Center for Dairy Excellence developed the following two unique programs to dairy farmers:

- ✓ **The Dairy XP Program** – launched in Bradford and Tioga counties is designed to increase milk production and farm profitability. The result was an 11-to-1 return on investment in the region's dairy industry.
- ✓ **The Profit Team Program** – teaming farmers with business professionals to plan and meet key goals. A year later, the 10 dairies participating in the program increased their profits by an average of \$249 per cow.



REGISTERED PENNSYLVANIA
DEPARTMENT OF AGRICULTURE

The **PA Preferred Program** has helped increase the visibility of Pennsylvania products in an ever growing marketplace. PA Preferred has helped foster relationships between Pennsylvania companies and major retailers like Giant Foods, Weis Markets and others. One such retailer began selling \$60 million worth of PA Preferred products in 2006-07, helping small, local companies sell their products state-wide. In its first year, over 1,400 vendors joined the PA Preferred program.

Upon taking office, Governor Rendell directed that agencies streamline the maze of forms and applications necessary to secure capital financing. The Department of Agriculture responded by launching **PAgrows** – a one-stop shop for all financing needs for agricultural producers, agricultural processors, farmers’ markets and agribusinesses to expand, sustain or diversity their operation through personal and technical consultations. In 2006-07, the state’s **First Industries Fund** provided loan funds to 120 projects totaling more than \$28 million in state money and leveraging more than \$69 million. PAgrows played direct and indirect roles in those loans through individual consultations, workshops, presentations and publications in various media formats. During that same time period, PAgrows, through the Next Generation Farmer Loan program, provided funding to five projects totaling more than \$1.2 million in tax exempt financing through Pennsylvania’s tax exempt bond cap. The PAgrows toll free number alone provided for nearly 1,000 new and follow-up consultations to Pennsylvania’s agricultural businesses with potential projects totaling more than \$107 million.

Similarly, the **Center for Farm Transitions**, launched in 2006, helps farmers in planning for the various stages of transition, from starting a new farm, to creating new products, to retirement. By helping farmers’ better plan for the future of their farms, the department is helping to keep more land and jobs in agriculture. Since its creation, the center has helped more than 257 farm families plan for their future.

To prepare future generations of farmers and agriculture professionals, the department launched the **Marketplace for the Mind** in 2003. This agriculture education initiative plays an important role in educating the public on the importance of Pennsylvania agriculture. For many young adults, the initiative opens the window to career opportunities in agriculture they may otherwise have not realized. The initiative’s Web site, www.Marketplaceforthemind.com, provides resources for educators to enhance their classroom activities. Since going live in October 2003, the site has registered almost 5.2 million hits. During the academic year in 2006-07, 12,000 visitors downloaded 5,000 documents from the site.

The **Hardwood Development Council** has supported Pennsylvania’s timber and wood products industries through strategic investments and technical assistance in accessing new markets, particularly in Asia. The council participated in 12 major trade shows and activities to support marketing initiatives in 2006-07, and expects to participate in 12 in 2007-08. Pennsylvania is the number one state in hardwood lumber exports primarily to Canada, Mexico, Germany and China.

Pennsylvania is the Number One State in Hardwood Lumber Exports

Hardwood Exports from PA to:	
Canada	\$502 Million
Mexico	\$50 Million
Germany	\$38 Million
China	\$37 Million
United Kingdom	\$31 Million
Italy	\$24 Million
All Others	\$229 Million

2. Ensure that all Pennsylvania consumers have access to safe, nutritious and affordable food.

By joining forces with state, federal and local partners, the department protects food production animals, food crops, and animal feed and works to ensure access to safe and wholesome food products for all Pennsylvanians.

In 2005-06, the department made a major change to the way restaurant inspections are conducted by investing in a new digital health system, allowing inspectors to work more accurately and efficiently. In 2006-07, the department took the next step to improve the way the public accesses those inspection records. For the first time ever, complete, timely inspection reports for the 27,000 eating establishments inspected by the department are online at www.agriculture.state.pa.us/pafoodsafety.

The Department of Agriculture chairs Governor Rendell’s **Inter-Agency Council on Food and Nutrition**, which aims to tackle hunger in the commonwealth and Pennsylvanians’ lack of access to nutritious food. Working with participating stakeholder groups, the council serves as a forum for developing common goals and strategies to eradicate hunger and food insecurity. In January 2007, the Council began to develop the “**Blueprint for a Hunger-Free Pennsylvania.**” The blueprint recognizes the need to break down barriers between the public and private sectors and improve coordination on hunger-related program and policy issues.

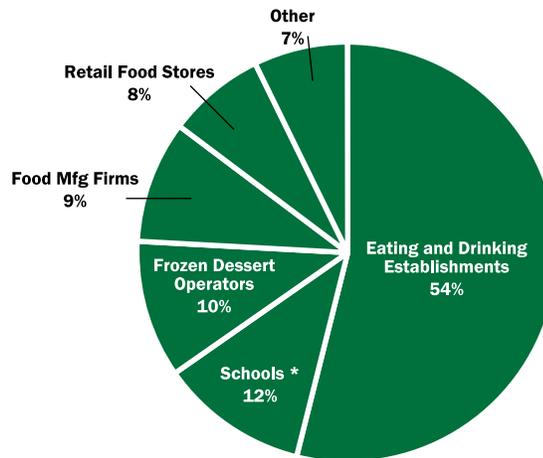
The Department of Agriculture plays an important role in providing supplemental and emergency food assistance. It administers the **State Food Purchase Program**, which purchases food for donation to regional food banks, local food pantries and soup kitchens. These purchases supplement the more than 461,000 cases of donated commodities received each year through the **Emergency Food Assistance Program**.

To help qualified seniors and low-income mothers and children improve their families’ access to fresh fruits and vegetables, the department also administers the **Farmers Market Nutrition Program**. More than 300,000 eligible participants received vouchers redeemable by more than 950 participating farmers in 2006-07.

3. Protect consumers and businesses from animal disease outbreaks.

The department oversees animal health and livestock quality assurance programs that work to control and eradicate diseases in livestock and poultry that affect human health and cause significant economic loss to farmers. The department also administers regulatory programs for animal health certification, containment of diseased animals and elimination of disease agents. The **Pennsylvania Animal Diagnostic Laboratory System** consists of the department’s veterinary lab and labs at Penn State University and the University of Pennsylvania’s **New Bolton Center**. The three labs offer a seamless network of diagnostic tools and information for producers and veterinarians. More than 833,000 samples were tested by the labs in 2006-07.

Over 48,000 Food Safety Inspections Conducted in FY 2006-07



* School Cafeterias are inspected twice per year.

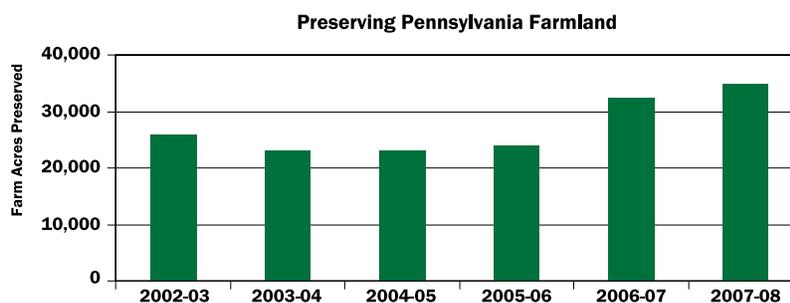
The department received a 2006 Intergovernmental Solutions Award for the **PA Animal Health Emergency Response and Diagnostic System**. **PAHERDS** was designed to work with state and federal identification programs, the Centers for Disease Control and the U.S. Department of Homeland Security to quickly identify, contain and eradicate outbreaks of dangerous animal diseases. The program eliminates manual certificates and recertification reminders, streamlining business processes for the Department of Agriculture and reducing annual costs to taxpayers by more than \$75,000.

Dog Law: On October 17, 2006, the Governor announced sweeping changes to the state’s dog law and regulations. Since that time, Pennsylvania has made great strides in protecting the health and safety of dogs in kennels. In 2007, the department developed and launched the PA DOGS computer program for more efficient capturing and recording of dog licensing and kennel inspection data. PA DOGS also allowed Pennsylvania to be the first state in the country to post complete kennel inspection records on the Web, accessible at www.agriculture.state.pa.us/padoglaw.

The year 2007 also saw the first uses of various legal tools to improve kennel conditions -- first formal consent agreement, first conditional kennel license, first Commonwealth Court injunction sought, first seizure under the Dog Law, first probation imposed for Dog Law violations, first systematic check of license non-renewals for illegal unlicensed kennels, and the first enforcement of out-of-state dealer license requirements. As a result of improved enforcement actions, citations went up 143 percent in Lancaster County, home of 11 percent of Pennsylvania’s dog kennels.

4. Preserve farmland and conserve natural resources for future generations.

Pennsylvania leads the nation in farmland preservation, ensuring the state’s ability to continue to produce food, fuel, and fiber for generations to come. As recognized by the American Farmland Trust, Pennsylvania’s state-level **Easement Purchase Program** has protected more farmland than any other state-level agricultural conservation easement program in the country. Through **Growing Greener II**, Pennsylvania made a historic \$80 million investment in farmland preservation. In 2006-07 the department reached a milestone of more than 3,223 participating farms representing 360,620 acres subject to permanent agricultural easements.



5. Improve water and air quality through nutrient management planning.

The **State Conservation Commission**, which is housed in the Department of Agriculture, implements **Pennsylvania’s Nutrient Management Act**, a water quality protection program regulated by federal and state laws. The law is designed to minimize surface and groundwater pollution from agricultural operations. In

cooperation with the 65 conservation districts and the Department of Environmental Protection, the commission works with hundreds of farmers each year to develop and implement plans to protect water resources from agricultural runoff.

Recent changes to the Nutrient Management Act require that the most intensive livestock operations must address odor issues in their nutrient management planning whenever they expand livestock facilities or manure storage. Pennsylvania is one of few states to address air quality as well as water quality in its nutrient management efforts. In support of the Conservation Commission’s goals, the Department of Agriculture recently implemented certification and record keeping requirements for the commercial manure hauling industry.

Act 55 of 2007 created the **Resource Enhancement and Protection Program (REAP)**, a \$10 million tax credit program administered by the State Conservation Commission, designed to encourage farmers to use conservation best management practices that reduce erosion and sedimentation impacting Pennsylvania’s streams and watersheds. With increased production and energy costs, Pennsylvania’s farmers must find ways to cut costs, and REAP offers one more option to help their businesses remain viable and growing.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$81,171	\$79,155	\$85,399
Federal Funds	30,265	32,566	35,039
Special/Other Funds	88,904	103,249 ¹	135,168 ²
Department Total	\$200,340	\$214,970	\$255,606

¹ The 2005–06 budget includes \$80,000 received from the Growing Greener II bond fund.

²The 2006–07 budget includes \$40 million for purchase of county easements retained in the bond fund.

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	638	659	688

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Development of Pennsylvania's agricultural industry:			
Additional farm acreage preserved	46,208	24,126	32,264
Dollar value of food and agricultural exports (in millions)	\$1,305	\$1,370	\$1,656
Vendors participating in the Pennsylvania Preferred Program	N/A	N/A	1,400
Department crop insurance policies sold	16,202	16,000	16,000
Value of crop insurance policies (in millions)	\$281	\$282	\$247
Improving participant access to Pennsylvania fruits and vegetables:			
Farmers markets participating in the Farmers Market Nutrition Program	803	847	849
Value of commodities distributed (in thousands)	\$44,000	\$44,000	\$41,445
Persons receiving donated or surplus foods (in thousands):			
Traditional program	1,000	1,000	1,000
TEFAP (the emergency food assistance program)	3,300	2,700	2,700
State Food Purchase Program	3,300	2,600	2,600
Consumer Commodity Inspections:			
Number of amusement rides inspected	N/A	N/A	8,086
Number of gasoline pumps certified	N/A	N/A	54,971
Number of restaurant inspection reports available online	N/A	N/A	24,000
Nutrient Management:			
Number of farm acres covered by approved Nutrient Management Plans	N/A	N/A	638,000
Nutrient Management Plans approved	200	229	222
Harness and Horse Racing			
Investigations to ensure compliance with established rules and regulations.	3,400	7,009	7,680



Introduction

Pennsylvania state government plays an important role in keeping our air clean, restoring our rivers and streams, preserving our forests, wildlife and farmland, and investing in our state parks and forests to improve the outdoor recreation experience.

The key agencies included in this section of the report are:

- **The Department of Environmental Protection**
- **The Department of Conservation and Natural Resources**

The **Department of Agriculture** – featured in the **Consumer Protection** section of this document – also plays an important role in protecting our environment. The commonwealth’s farmland preservation program has protected more farmland than any other state-level agriculture conservation easement program in the country. Since January 2003, more than 810 farms totaling 81,252 acres have been preserved. To learn more about the services delivered to the public by the Department of Agriculture in 2006-07, go to page 77.

Growing Greener II Continues to Improve Our Environment

Improving Pennsylvania’s environment has been a major priority of Governor Rendell since he took office in 2003. To implement this vision and address some of Pennsylvania’s most critical environmental concerns, Governor Rendell proposed the Growing Greener II plan. This plan was enacted by the General Assembly and approved by the voters in 2005. The \$625 million, six-year Growing Greener II program is providing:

- \$230 million to the Department of Environmental Protection (DEP) to clean up rivers and streams, take on serious environmental problems at abandoned mines and contaminated industrial sites, and finance the development and deployment of advanced energy projects.
- \$217.5 million to the Department of Conservation and Natural Resources to preserve natural areas and open spaces, improve state parks and enhance local recreational needs.
- \$80 million to the Pennsylvania Department of Agriculture to protect working farms.
- \$50 million to the Department of Community and Economic Development to revitalize communities through investments in housing and mixed-use redevelopment projects.
- \$27.5 million to the Pennsylvania Fish and Boat Commission to repair fish hatcheries and aging dams.
- \$20 million to the Pennsylvania Game Commission for habitat-related facility upgrades and repairs.



Did you know.....

- *The nine wind farms currently operational in Pennsylvania generate a total of 323 Megawatts which is enough to power almost 80,000 homes*
- *Sources of Electric Generation capacity in PA:*

Resource	MWH	Percent
Coal	120,938,406	55.45
Petroleum	4,965,387	2.28
Natural Gas	10,805,642	4.95
Other Gases	511,038	0.23
Nuclear	76,289,432	34.98
Hydroelectric Conventional	2,232,179	1.02
Pumped Storage	-711,041	-0.33
Other	21,556	0.01
Other Renewables	3,038,526	1.39
Total	218,091,125	100.00

- *More than 25,000 species of known organisms – white-tailed deer, ladyslippers, rainbow trout, slugs, eastern hemlocks, black bears, timber rattlesnakes, red-tailed hawks – are found in Pennsylvania.*
- *Of its 28.7 million acres, Pennsylvania is graced with 17 million acres of forest land and 7.7 million acres of farmland.*
- *Pennsylvania leads the nation in farmland preservation, preserving a total of 3,399 farms and 377,910 acres in 55 of the 67 counties—both national records.*



Department of Environmental Protection

Kathleen A. McGinty, Secretary
www.dep.state.pa.us

Mission Statement

The mission of the Department of Environmental Protection is to protect Pennsylvania's air, land and water from pollution and to provide for the health and safety of its citizens through a cleaner environment. The department partners with individuals, organizations, governments and businesses to prevent pollution and restore the commonwealth's natural resources.

Overview of Programs and Services:

- Administers programs to evaluate and control sources of contaminants in the environment. This includes issuing permits, conducting inspections and enforcement actions, and providing assistance to encourage pollution prevention and energy efficiency
- Restores contaminated land and protects and restores land affected by mining and oil and gas development
- Provides grants and incentives to promote waste recycling, clean up rivers and streams and finance the development of energy projects that promote renewable energy

Major Agency Objectives for 2006-07

1. Limit exposure to unsafe levels of air pollutants.
2. Protect water quality and enhance Pennsylvania's watersheds and wetlands.
3. Encourage waste reduction, reuse, recycling and safe waste disposal, and restore contaminated land.
4. Promote policies and initiatives that foster a climate of environmentally sound, sustained economic growth and transform environmental threats and community eyesores into areas of growth.
5. Reduce mining accidents.
6. Provide for dams that protect life, property and the environment.
7. Promote clean energy innovation and lessen the nation's dependence on foreign fuels.

Major Achievements and New Initiatives in 2006-07

1. Limit exposure to unsafe levels of air pollutants.

DEP seeks to protect the public's health by controlling emissions of air contaminants and limiting exposure to unsafe levels of air pollutants. Pollutants of primary concern include ground-level ozone (smog), fine particulate matter that can lead to heart and respiratory problems, and toxic air pollutants. In 2005, 21 Pennsylvania counties, with a total population of 3.8 million people, began measuring how closely each county met the federal health-based clean air standard for ground-level ozone. DEP petitioned the U.S. Environmental Protection Agency to acknowledge that Franklin, Lancaster, Tioga, Berks, Greene, Blair, Cambria, Dauphin, Cumberland, Lebanon, Perry and Mercer counties have met the national eight-hour ozone standards, which are based on 2003 to 2005 ambient air quality levels. This request for "attainment" status refers only to smog-forming ozone. Two-thirds of Pennsylvanians live in the 37 counties that were designated as "non-attainment" for ozone by EPA in 2004. In 2007, only 25 counties are still designated "non-attainment"—not achieving the national eight-hour ozone standards.

Changes to Pennsylvania's **Clean Vehicles Program** will result in cleaner, healthier air across the commonwealth, at no cost to consumers, and to the benefit of businesses. By adopting regulations that require cleaner burning cars, drivers will have to fill up less often because of greater gas mileage. Also, by reducing air pollution coming from vehicles, Pennsylvania will improve the economic climate for businesses because greater emission reductions from cars and light-duty trucks means factories, power plants and manufacturers have to reduce emissions by less in order to meet overall air quality standards.

The commonwealth has invested \$900,000 in grants to help with the estimated \$5 million cost of installing technology at several truck stops around the state so truckers can still have heat, air conditioning and other amenities without idling their diesel engines while at rest. An Idle-Air facility has already been installed in Carlisle. This effort will result in cleaner air, reduced fuel consumption, and savings for trucking companies.



2. Protect water quality and enhance Pennsylvania’s watersheds and wetlands.

The department is investing heavily in protecting and enhancing watershed restoration. The Growing Greener II bond initiative, which was approved overwhelmingly by voters in a May 2005 ballot referendum, provided:

- ✓ \$625 million in new funds over six years for projects that improve Pennsylvania’s environment and quality of life
- ✓ \$250 million of Growing Greener II funds are being targeted to finance water and wastewater system upgrades to protect public health and sustain natural aquatic systems
- ✓ Additional Growing Greener II funds are being used to take on serious environmental problems at abandoned mines and contaminated industrial sites
- ✓ A portion of Growing Greener II funds is being used to finance the deployment of energy projects that use domestic and renewable energy sources to promote state economic development while reducing dependence on foreign fuel sources

While many facilities in the Chesapeake Bay basin can achieve nutrient reduction cost-effectively just through proper planning and operational changes, other facilities may need to incur significant capital costs to achieve their reduction targets. Nutrient trading is a low-cost innovative approach to compliance that can allow these facilities to take advantage of nutrient reduction as an economic opportunity while benefiting the bay and other state waterways where nitrates threaten public health and the quality of life.

In April 2006, Pennsylvania invested \$1.8 million to advance an innovative nutrient trading program in a unique partnership with the state’s agricultural community. Working with local farmers, county conservation districts will invest in projects to generate environmental improvement credits that can be traded to help meet water quality goals for the state’s rivers and streams, and ultimately the Chesapeake Bay as well. The first two trading proposals were certified in June and each has the potential to generate thousands of nutrient reduction credits while helping to achieve cost-effective water quality improvement in the Susquehanna and Potomac River basins, sending cleaner water to the Chesapeake Bay.

Pennsylvania	QUICK FACTS
Second only to Alaska, Pennsylvania has 86,000 stream miles.	

Since 2003, more than 15,000 acres of forested buffers have been installed along streams in Pennsylvania to prevent erosion and protect water quality. Pennsylvania is experiencing extraordinary growth in the number of clean water permits related to construction projects—from 1,325 in 2002 to 2,661 in 2006. This is an impressive sign that our economy is thriving and that investors see Pennsylvania as an attractive place to do business. DEP has responded by providing enhanced guidance and training on permit applications and by pooling staff and resources from every part of the state to continue prompt and effective reviews that ensure the highest environmental standards.

The **Conservation Reserve Enhancement Program (CREP)** is a US Department of Agriculture (USDA) program that is designed to improve water quality by improving conservation practices on certain croplands and pasturelands within 180 feet of a stream. Pennsylvania’s CREP program is one of the largest in the country and 265,000 acres are authorized for enrollment into the program and more than 175,000 acres are already under contract. Since 1999, more than \$83 million in federal funds from the USDA and \$20 million in Pennsylvania Growing Greener funds have been used to improve conservation practices.

DEP has also enacted stronger notification procedures for public water suppliers when alerting residents of an imminent threat to drinking water supplies. Enhancements include the use of reverse 911 calls, door-to-door visits, and bullhorn announcements to supplement local media outreach. Community water systems must work with emergency responders so warnings are disseminated quickly, and information about potential health effects and treatment options is provided so consumers can make informed decisions.

3. Encourage waste reduction, reuse, recycling and safe waste disposal, and restore contaminated land.

Managing municipal waste is a big job for local governments, but vital for keeping our environment clean. To help local governments meet this challenge, nearly \$189,000 has been released to reimburse Berks, Elk and Schuylkill counties for 80 percent of the costs of revising municipal waste management plans. The **Municipal Waste Planning, Recycling and Waste Reduction Act (Act 101 of 1988)** requires each county in Pennsylvania to submit an officially adopted municipal waste management plan to DEP for waste generated within its boundaries. The plans describe the origin, content and weight or volume of municipal waste generated within the county’s boundaries both currently and for waste expected to be generated during the next 10 years. The plan must also ensure disposal capacity is available for the next decade.

Pennsylvania has also provided \$700,000 toward efforts by local government and other groups to pay for collection events where residents can bring **household hazardous wastes** and **electronics** for proper disposal or recycling. Pesticides, pool chemicals, bleach, oven cleaner, rechargeable batteries and televisions are all examples of common household products that can create environmental and public health hazards if disposed of in the regular trash.

COALS is a community-based partnership of non-profit groups, local governments, state agencies, and private industry stakeholders that uses a multi-faceted approach to combat illegal dumping. COALS combines financial donations, cleanups, surveillance, law enforcement, volunteerism, recycling, beautification and community education to clean up illegal dumpsites and prevent future dumping. COALS began in early 2006 and is currently operating in 15 Pennsylvania counties. Since its inception, the program has successfully completed



April 2006 COALS Clean Up in Schuylkill County

over 75 cleanups, removing 500 tons of municipal waste, 15,000 tires, and 220 pounds of hazardous waste. Over 600 students, concerned citizens, and other groups, including contractors, have contributed to these cleanups.

4. Promote policies and initiatives that foster a climate of environmentally sound, sustained economic growth and transform environmental threats and community eyesores into areas of growth

Across the commonwealth, once-active industrial sites now sit vacant. These “brownfields” are a sign of Pennsylvania’s continually evolving economy. To help transform these environmental threats and community eyesores into areas of growth and opportunity, DEP launched the [Brownfield Action Team](#) in 2004. This novel concept creates a single point of contact within DEP for developers interested in pursuing projects that are deemed by local leaders as being important to community revitalization work. The program has cut in half the time needed to secure environmental permits. To date, the action team has helped 32 projects in 22 counties to redevelop more than 4,500 acres of “brownfields.” These assisted areas are now helping to create and retain 39,600 jobs.

Also in 2004, the department signed an agreement with the U.S. Environmental Protection Agency to become the first state in the nation to establish a “**one-stop shop**” for state and federal [cleanup standards](#). The first project under the historic federal/state [One Cleanup Program](#) sponsored by the EPA and the state of Pennsylvania was completed at a Boeing Company site in Delaware County. The One Cleanup Program expedites community revitalization and drives “brownfield” redevelopment more quickly.

5. Reduce mining accidents

DEP protects Pennsylvania’s 4,600 underground miners through safety programs that train underground mine workers to prevent accidents and prepare for quick response should an accident occur. The department is taking all steps it can under existing law to equip miners with the latest technology and most current information to promote and encourage [mine safety](#).

DEP is creating an online database of more than 20,000 existing underground mines with updated maps that can be used by mining companies and municipalities. Additionally, the commonwealth has invested \$415,000 to purchase 48 new breathing units for underground mine rescue teams. The new units replace older units purchased more than 30 years ago, and are now being deployed around the state at DEP’s three mine rescue stations in Uniontown, Fayette County; Ebensburg, Cambria County; and Tremont, Schuylkill County.

Because DEP believes the department’s mine safety professionals should have a direct role in the decision-making process when it comes to permit reviews for any new or expanding mining operation, the department has revised mine permitting and inspection procedures so the mine safety experts, who have benefited from revised training protocols from the agency, are now able to contribute their invaluable insight to decisions that affect the environment in which miners work.

DEP is working to ensure the safety not only of Pennsylvania’s hardworking miners but also of the general public by encouraging citizens to avoid entering abandoned mines and quarries. In any given year, there are dozens of civilian injuries at abandoned and active mines and quarries across the state. Since 1989, there have been 42 fatalities at mines and quarries in the commonwealth—two of which occurred in 2006.

To better educate the public about the dangers these areas hold, DEP has partnered with the [U.S. Mine Safety and Health Administration](#) and the mining industry to get the word out. DEP meets with property owners and local emergency responders to restrict access to these sites, while the department’s updated [Stay Out/Stay Alive](#) Web

page offers new educational information and streaming video of the secretary's public service announcement cautioning that abandoned mines and quarries are not recreational havens, and should be avoided.

6. Provide for dams that protect life, property and the environment.

Building on the state's nationally recognized [dam safety initiative](#), DEP issued notices of violation to 46 high-hazard dams operating without emergency action plans in 2006-07. All high-hazard dams in Pennsylvania are required to have an emergency action plan that details specific steps to take in the event of an actual or potential dam failure that threatens downstream communities. The 57 owners receiving notices failed to create or update their plans in a timely manner, despite requests by DEP to bring the structures into compliance.

7. Promote clean energy innovation and lessen the nation's dependence on foreign fuels.

Since taking office in 2003, Governor Rendell has underscored the importance of developing clean energy from domestic sources and Pennsylvania has become a leader in promoting these technologies.

For example, Governor Rendell's innovative [Energy Harvest](#) Program has been able to:

- ✓ Spur clean energy innovation,
- ✓ Lessen the nation's dependence on foreign fuels, and
- ✓ Significantly reduce air and water pollution.

Since the program began in May 2003, Energy Harvest has awarded \$21 million and leveraged another \$51.9 million in private funds through projects like the River Hill waste coal plant in Clearfield County. This plant will use as much as 2 million tons of waste coal per year to generate more than 2 million megawatts of low-cost electricity annually, and will help to reclaim mine land now covered by waste coal piles

In 2004, Governor Rendell brought the [Pennsylvania Energy Development Authority](#) back to life. Established in 1982 to promote applied energy research, provide financial incentives for the deployment of alternative energy projects and promote investment in Pennsylvania's energy sector, PEDA went through a period of inactivity until Governor Rendell restarted the authority as part of his energy strategy. Since 2004, PEDA has awarded \$32.2 million in grants and loans to 81 clean energy projects that are leveraging another \$362 million in private investment. This year's PEDA aid recipients are pursuing projects that will:

- ✓ Eliminate 2.7 million tons of carbon dioxide annually,
- ✓ Reduce emissions of smog-producing pollutants like sulfur dioxide by more than 15,000 tons, and nitrogen oxide by 4,300 tons, and
- ✓ Assist with meeting the state's electricity needs, generating 3.2 billion kilowatt hours of electricity annually — enough to power 320,000 homes.

Also in 2004, Pennsylvania passed the historic [Alternative Energy Portfolio Standards Act](#) requiring that 18 percent of the retail electricity sold in the commonwealth must come from alternative or renewable energy sources by 2021. By mandating a greater use of power from sources like wind, solar energy and waste coal, the state has been able to attract \$1 billion in economic activity from advanced-energy companies—investments that have also helped create 3,000 new jobs. The portfolio standards law was subsequently strengthened this past year as part of Governor Rendell's [Energy Independence Strategy](#). With passage of H.B. 1203 in June, Pennsylvania can expect another 850 megawatts of clean, renewable solar energy by the target year of 2021.



The Energy Independence Strategy, unveiled in February 2007, represents another major push to strengthen the state's economy and national security, while cleaning the environment. With energy prices continuing to climb, Governor Rendell wants to help consumers conserve power while encouraging the development homegrown energy resources. If approved by the Pennsylvania General Assembly, the Energy Independence Strategy will:

- ✓ Inject \$850 million in new investments into the state's growing alternative and renewable energy sector to spur technological developments,
- ✓ Reduce dependence on foreign oil,
- ✓ Add 13,000 new jobs, and
- ✓ Attract \$3.5 billion in new private economic growth.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$191,105	\$192,099	\$206,050
Federal Funds	140,760	148,486	164,219
Special/Other Funds	268,497	266,414	301,880
Department Total	\$600,362	\$606,999	\$672,149

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	3,122	3,132	3,076

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Percentage of population in counties attaining the ambient ozone standard	35%	62%	60%
Acres of stream buffers installed*	2,882	7,571	1,851
Tons of municipal solid waste recycled (in millions)	4.76	4.8	5.15
Cleanups completed at land recycling sites	280	282	136
Value of advanced energy development resulting from the department's activities (in thousands)	\$5,200	\$29,962	\$30,000
Cumulative miles of assessed streams attaining assessed water uses	62,250	65,917	67,883
Leaking storage tank cleanups completed	645	2,133	400
Acres of abandoned mine land reclaimed	890	1,358	1,358
Percentage of population served by water supply systems that meet health-based standards	96%	98%	98%
Breeding areas treated to control West Nile virus	7,500	106,149	120,208



Department of Conservation & Natural Resources

Michael DiBerardinis, Secretary
www.dcnr.state.pa.us

Mission Statement

The mission of the Department of Conservation and Natural Resources is to conserve and sustain Pennsylvania's natural resources for present and future generations' use and enjoyment.

Overview of Programs and Services:

- Manages a system of 117 state parks and 2.1 million acres of state forestlands.
- Manages programs that support economic development through the wise use of natural resources and increased tourism opportunities.
- Acquires additional lands that protect or enhance the existing park and forest systems or provide other ecological or recreational benefits.
- Provides guidance to help communities manage their growth, protect special lands and reduce the loss of open space, and help landowners to understand the conservation values of their properties.
- Assists communities in regional and county-level planning to conserve natural and heritage resources.
- Assists forest owners to develop tools that will produce sustainable results.
- Assists communities in building green infrastructure and greenway connections and encourage new outdoor recreation and heritage-based business development.
- Creates recreational and educational connections with the outdoors by continually improving visitor experiences and increasing awareness of available recreational and educational resources.

Major Agency Objectives for 2006-07

1. Improve stewardship and management of state parks and forests.
2. Promote statewide land conservation.
3. Create outdoor connections for citizens and visitors.
4. Build and maintain sustainable and attractive communities.

Major Achievements and New Initiatives in 2006-07

1. Improve stewardship and management of state parks and forests.

The **Growing Greener II** bond initiative, approved by the voters in May 2005, provided DCNR with an additional \$217.5 million to preserve open space, improve state parks and state forests, and invest in community parks and recreation areas. In 2006-07, more than \$46 million in Growing Greener II bond proceeds and other funds were used to improve DCNR facilities and infrastructure to maximize citizen enjoyment and enhance conservation efforts. Rehabilitation and improvements include upgrades and improvements to cabins, campsites and campgrounds, as well as new and improved roads, bridges, sewer and water systems, bathrooms and marinas. Some examples of the investments made in the state parks:

- A \$25 million investment to make **Point State Park** in Pittsburgh a spectacular symbol of the city with improved green spaces, recreational opportunities, and interpretation of the park's significance in the history of our country.
- A reconstructed dam at **Lyman Run State Park** in Potter County that replaced a 50 year-old structure that was breached in 2000. The reconstructed dam will restore Lyman Run Lake for recreation use for the 2008 season.
- Reconstruction of the dam at **Gouldsboro State Park**, where deteriorating spillway conditions forced a draw down of the popular 250-acre lake in Monroe and Wayne counties in 2005.

To make it easier for citizens to reserve a state park camping site or a cabin, a five-year contract was awarded in 2005 to operate the commonwealth's central parks reservation system and build and host the state's first-ever park reservation Web site, <http://www.pa.reserveworld.com>. During its first full year of operation, the new system took 44,300 Web reservations, representing 33 percent of the 90,550 reservations made in 2006. The call center (888-PA-PARKS) handled more than 212,600 customer phone calls for information and reservations during the same period. Total reservations were up 3 percent with the new system for 2006 over 2005, indicating that a more user-friendly way of doing business is paying off. The new contract will also result in a 2.5 percent annual operating cost savings to the commonwealth for handling and processing reservations.

Effective management also extends to the methods used in construction, operation and maintenance. DCNR has incorporated sustainable building practices into the construction and renovation of its facilities. This includes pursuing [LEED](#) (Leadership in Energy and Environmental Design Green Building Rating System®) certification for large, new structures and adopting LEED standards for smaller structures. The LEED assessment framework includes site development, water savings, energy efficiency, materials selection and indoor environmental quality. The Tom Ridge Environmental Center at Presque Isle State Park in Erie (LEED rating pending) is an example of how DCNR is applying these principles to design and construction. DCNR is also developing a Green Parks initiative that aims to reduce carbon emissions and air pollution from state park activities and educate park staff and visitors on climate change mitigation strategies. A carbon emissions inventory is underway at a pilot park.

2. Promote statewide land conservation.

To protect important watershed lands and acquire lands for local parks, greenways, trails, river access, natural areas and open space protection, DCNR has awarded close to \$61 million in grants to local communities and non-profit organizations, making possible the protection of an additional 6,490 acres through easement or direct purchase. Additionally, to enhance, connect and protect state park and state forest land, the department acquired nearly 12,000 additional acres. Some examples include:

- 5,000 acres of prime watershed and forestland in Lackawanna County to protect highly diverse ecological habitats including extensive wetlands, riparian and barren habitats as well as provide important connectivity to state game lands, protected lands on Moosic Mountain and Tobyhanna and Gouldsboro state parks.
- A 1,108-acre forested tract in Pike County near the Grey Towers National Historic Site— the Milford Experimental Forest property—for continued forestry and wildlife research, conservation education and passive recreation.
- 259 additional acres across the state park system, including a 90-acre campground adjacent to Little Buffalo State Park; 86 acres adjacent to White Clay Creek Preserve; 8 acres for the Varden Conservation area; and, 74 acres of the Kittatinny Ridge added to the Boyd Big Tree Conservation area. The state park system also received four conservation easements on private property adjacent to Bald Eagle State Park, totaling 256 acres.

3. Create outdoor connections for citizens and visitors.

Across the country and in Pennsylvania, citizens are becoming increasingly disconnected from the outdoors. This disconnect has the potential to negatively affect children's health, the vitality of our rural areas, our quality of life and the future of the state's billion-dollar hunting industry. DCNR convened the [Governor's Outdoor Conference](#) in March 2007, which gathered experts from Pennsylvania and across the country on issues such as child and family health, outreach, the future of hunting, business, conservation and recreation, environmental education and sustainable development. The conference was followed by statewide public meetings to review and seek feedback on conference findings. A task force was convened and is developing a report for Governor Rendell, with recommendations based on the identified trends, implications and possible responses.

Get Outdoors PA is an outdoor recreation program designed to draw closer connections between the commonwealth's citizens and their natural resources through outdoor recreational activities such as hiking, canoeing and biking on state park and forest lands. This effort began as a pilot program in western Pennsylvania in April 2004, and since has developed into a statewide initiative involving about 40 state parks and forests and numerous partner organizations. More than 1,000 Get Outdoors PA programs were offered throughout the system in Fiscal Year 2006–07, engaging visitors in a fulfilling outdoor recreation learning experience.



DCNR has developed agency trail marking guidelines to provide a seamless trail experience for visitors crossing state forest and state park lands. These new guidelines will connect trail users to state trail networks in a user-friendly, consistent fashion.



The opening of the **Rock Run Recreation Area**, a 6,000-acre, multi-use, motorized recreation site in Cambria and Clearfield counties was celebrated in May 2007. Built on abandoned mine lands using DCNR grants, the new site serves as a model for future ATV and snowmobile trail development in Pennsylvania.

The **Pennsylvania Wilds Program** is a 12-county regional strategy to encourage the growth of nature-based tourism in northcentral Pennsylvania. It is being touted as a national model for mobilizing and coordinating the wide array of conservation, tourism promotion, economic development and community revitalization interests. This focused, public–private partnership is using tourism to promote appropriate stewardship and conservation and revitalize communities while retaining their rural character.

The Pennsylvania Wilds:

- ✓ Is an area comparable in scale and potential to national parks, such as Yellowstone and Great Smoky Mountains.
- ✓ Contains more than 1.5 million acres of state forest and game lands, 29 state parks, the 500,000-acre Allegheny National Forest, Pine Creek Gorge, the largest elk herd in the northeast, the darkest night skies in the eastern United States and hundreds of miles of backpacking trails, bike paths and trout fishing streams.

In 2006-07, DCNR awarded more than \$1.9 million in grants for investments in Pennsylvania Wilds communities. These grants provide support for strategic planning efforts and projects such as trails, parks and river access points that will make these communities attractive places for economic investments. These and other investments to support the Pennsylvania Wilds program include:

- Completion of the Elk Scenic Drive for wildlife watching,
- Improvements at Cherry Springs State Park for dark skies viewing,
- Development of a recreation plan and team for the region,
- Installation of wayside exhibits to guide visitor recreational experiences and
- Completion of the southern and northern terminus of the Pike Creek Rail-Trail.

Local communities have found that more visitors can mean more challenges, with enhancements needed for local hospitality services and infrastructure in order to provide a quality guest experience. To enable the small towns and rural villages of north central Pennsylvania to meet those challenges, a team has been formed to discuss and analyze potential growth impacts and provide assistance to help interested communities in the region realize economic benefits while still retaining their rural, small town and natural qualities. The Pennsylvania Wilds Planning Team is comprised of representatives from:

- ✓ County planning and economic development agencies
- ✓ Regional planning and development Commissions
- ✓ Regional heritage organizations
- ✓ Appalachian Regional Commission
- ✓ Pennsylvania Wilds Tourism Marketing Corporation
- ✓ Local government associations for counties, boroughs, and townships
- ✓ State and federal agencies



The Planning Team has developed *The Pennsylvania Wilds Design Guide – A Design Guide for Community Character Stewardship*, a new resource to assist communities in proactively and appropriately planning for increased development that might arise in response to the initiative. This voluntary tool is available through the county representatives on the [Pennsylvania Wilds Planning Team](#).

The execution of an intergovernmental cooperative agreement among the 12 counties in the Pennsylvania Wilds region has strengthened the Pennsylvania Wilds Planning Team and its eligibility for funding under DCNR and DCED grant programs, bringing additional resources for technical assistance, analysis of infrastructure needs and community planning.

The eight Tourism Promotion Agencies responsible for marketing this 12-county region joined forces to form the Pennsylvania Wilds Tourism Marketing Corporation and established guiding principles by which to market this region to attract visitors. The success of this Regional Alliance has strengthened its eligibility for funding from DCED's Regional Marketing Initiative grant program.

Demand for hotel rooms in the Pennsylvania Wilds grew 5.3 percent between 2003 and 2007. The relatively strong increase in hotel room demand helped support a 4.7 percent increase in the region's room supply. State hotel tax revenues from the Pennsylvania Wilds grew by approximately \$1 million between 2003 and 2007, and are expected to exceed \$4 million for the first time ever in 2007 (Source: Smith Travel Research, Inc.). The actual impact from the increase in tourism to the Pennsylvania Wilds region is likely much higher as travelers purchased meals, gasoline and other goods and services. In Ridgeway, Elk county: 30 historic homes were improved; 20 new businesses started and retained; hotel tax receipts increased 20 percent in the town and 17 percent across the county since 2002.

4. Build and maintain sustainable and attractive communities.

Communities on Pennsylvania's waterways have come to see their connection to rivers and streams as a unique, untapped asset. DCNR, in partnership with DCED, has supported building and maintaining sustainable and attractive communities through the establishment of the **River Towns** initiative to support communities in their pursuit of economic revitalization and new mixed-use development. Resources are provided to help with designing recreational access, parks and open space, heritage and cultural assets and greenways and trails

into communities’ redevelopment efforts. Communities that once turned their backs to waterfronts dominated primarily by industrial uses are now reinventing themselves by making proximity to a river and riverfront access for recreation and tourism key to their economic development strategies. By investing together in these places through a variety of community resources, DCNR is reinforcing the value of “quality of life” and “quality of place.” Some examples of River Towns projects are:

- ✓ Reading, Berks County, is implementing its River Place Master Plan, which incorporates downtown redevelopment efforts within the context of the Schuylkill River greenway corridor.
- ✓ The Borough of Ridgway, Elk County, situated along the banks of the Clarion River, is benefiting from the collective resources of DCNR and DCED in support of a proposed riverfront park being designed with direct connections to Ridgway’s main street and community.

Much like River Towns, Pennsylvania communities adjacent to long-distance recreational trails have begun to identify the economic potential of becoming **Trail Towns**. To support these communities, DCNR and DCED came together to provide funding and technical assistance that helps build local capacity to implement trail-related projects as part of an economic development strategy. Extension of the **Pine Creek trail** into Jersey Shore, Lycoming County, is connecting one of the best hiking and biking trails in the country to a host of facilities and local businesses in Jersey Shore. This project supports the administration’s goal of working with local communities to help grow nature-based tourism attractions. The completion of the Jersey Shore trailhead will also focus the development of accommodations and visitor services in the nearby trail town rather than in Pine Creek Valley where these facilities would have a greater negative impact on natural resources. The economic benefits are real, as a recent economic study of the corridor known as the Great Allegheny Passage which runs from Pittsburgh to Washington D.C., revealed that revenue generated from trail users contributes more than \$7.9 million per year to local economies.



TreeVitalize is a public-private initiative to restore tree cover to the five-county area of southeastern Pennsylvania (Bucks, Chester, Delaware, Montgomery and Philadelphia). A 2003 U.S. Department of Agriculture Forest Service and American Forests Inc. study estimated that the region lost more than five million trees over the preceding 15 years. Recognizing that such a loss impacts municipalities, neighborhoods and homeowners through increased

storm water runoff, lower air quality and increased energy costs, DCNR launched TreeVitalize, a four-year effort to plant more than 20,000 trees, train citizen volunteers and plant streamside buffers. Including \$3 million invested from DCNR and the Department of Environmental Protection, a total of more than \$5.4 million in public and private dollars has been committed to the effort to date.

Pennsylvania

QUICK FACTS

TreeVitalize has planted more than 19,000 trees and more than 280 acres of streamside buffers and educated more than 3,000 citizens in how to properly plant and care for trees.



Awards and Recognition

DCNR's partnership program, [TreeVitalize](#), received the Home Depot Foundation National Award for Excellence in Community Trees.

The [Tom Ridge Environmental Center at Presque Isle State Park](#) was awarded the Commonwealth Design Award by 10,000 Friends of Pennsylvania.

The [Wild Resource Conservation Program](#) received the Karl Mason Award from the Pennsylvania Association of Environmental Professionals in 2006. The award recognizes the statewide program's strong support of research and protection efforts for the state's natural heritage.

The Big Savage Mountain Tunnel Rehabilitation on the Great Allegheny Passage received the Diamond Award Certificate for Engineering Excellence from the American Council of Engineering Companies.

Pennsylvania's state forests received [Forest Stewardship Council Certification](#) by Scientific Certification Systems in January 2007 for sustainable forest management. The department has received this certification every year since 1999.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$97,178	\$97,979	\$104,499
Federal Funds	27,546	48,040	47,236
Special/Other Funds	178,817	218,886	211,735
Department Total	\$303,541	\$364,905	\$363,470

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	1,395	1,407	1,407



Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Stewardship and management of state parks and forests:			
State park attendance (calendar year)	35,095,476	36,295,873	35,800,000
Percentage of available State Park family cabins rented during peak weekends	85%	92%	92%
Percentage of available State Park family campsites rented during peak weekends	65%	65%	66%
LEED registered buildings under construction (parks and forests)	1	5	5
Forest fires suppressed	750	901	508
Forest fires (acres) suppressed	3,243	8,871	854
Sales of certified timber—millions of board feet sold	52,700	71,541	66,513
Statewide land conservation:			
Land conservation through acquisition and easement (acres)	11,000	16,820	18,490
Sustainable and attractive communities:			
Pennsylvania Natural Heritage program (web site database searches)	N/A	35,861	45,887
Outdoor connections for citizens and visitors:			
Get Outdoors PA—recreation programs conducted	206	797	1,053
Environmental education and interpretive programming attendance	340,194	320,050	364,368

Note: State Park information is reported by calendar year. Peak season extends from Memorial Day to Labor Day. The Bureau of Forestry fights fires on DCNR managed lands, other public lands and private lands.



Public Safety

Introduction

Pennsylvania's public safety agencies are responsible for ensuring the safety of our citizens, maintaining security at correctional facilities, preparing offenders for successful reentry into society, maintaining emergency preparedness and response, and assisting in the global war on terrorism.

This section will review the major achievements and initiatives of the key agencies and offices that make up the commonwealth's public safety system. The key agencies included in this section of the report are:

- **Pennsylvania State Police**
- **Department of Corrections**
- **Board of Probation and Parole**
- **Pennsylvania Emergency Management Agency**
- **Department of Military and Veterans Affairs**

The **Department of Military and Veterans Affairs** supports the nearly 20,000 members of the Pennsylvania National Guard. For that reason it is included in the **Public Safety** section of this report. The department is also responsible for the oversight and operation of several important **health and human services** programs for the commonwealth's 1.1 million veterans and their families, such as:

- ✓ Veterans' Emergency Assistance
- ✓ Educational Assistance
- ✓ Real Estate Tax Exemption
- ✓ Pension programs for blind and paralyzed veterans



Did you know.....

- *To date, 3,592 volunteers across the Commonwealth have been trained in the Community Emergency Response Team (CERT) Program*
- *The PA National Guard has almost 3,000 members serving full-time and 16,000 training on a part-time basis while pursuing a civilian education or career.*
- *The PA National Guard is one of the largest National Guards in the nation. It has the largest Army National Guard of all the states and the fourth largest Air National Guard.*
- *The Department of Corrections (DOC) operates 26 state prisons, one boot camp, a training academy, 13 community corrections centers and contracts with more than 45 private community corrections facilities.*
- *The DOC requires inmates to achieve a GED while in prison.*
- *The DOC offers training in computer technologies, industrial occupations, business, mechanical-technical occupations and service jobs.*
- *The DOC operates a number of Correctional Industries factories, where inmates manufacture goods ranging from soap to furniture. These goods, by law, may be sold only to non-profit organizations.*
- *Inmates earn 19 cents to 42 cents per hour working a variety of prison jobs.*
- *Thirteen new prisons have been built since 1980.*
- *In 2006, the daily cost to house an inmate was \$85.93*
- *The inmate population has increased by 21 percent over the past seven years, with a greater number of less-serious offenders and parole violators being admitted.*
- *Since 1998, the DOC has collected more than \$23 million from inmates for payments of court costs, fines and victim restitution.*

Public Safety

Pennsylvania State Police

Jeffrey B. Miller, Commissioner
www.psp.state.pa.us

Mission Statement

The mission of the State Police is to promote traffic safety, effectively investigate crime, reduce criminal activity, and provide investigative assistance and support services to all law enforcement agencies within the commonwealth.

Overview of Programs and Services:

- Provides primary police service to 85 percent of the Commonwealth's land area.
- Patrols 63 percent of the Commonwealth's highways, including the interstates.
- Assists local municipal police departments at their request.
- Enforces all traffic and criminal laws.
- Identifies, analyzes and addresses negative crime and traffic trends.
- Provides statewide forensic and laboratory services.
- Operates up-to-date law enforcement information systems, including background checks, DNA and criminal histories, and maintains a registry of sex offenders that is easily accessible to the public.
- Provides personal protection for the Governor and other dignitaries.

Major Agency Objectives for 2006-07

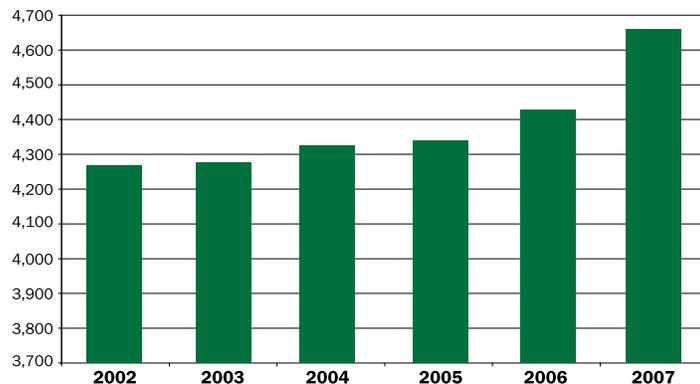
1. Maintain the largest state trooper complement in Pennsylvania history to enhance public safety and security in the commonwealth.
2. Reduce criminal activity in Pennsylvania through effective detection, investigation, and prosecution.
3. Secure Pennsylvania communities and infrastructure against foreign and domestic threats.
4. Provide cost-effective quality services to the citizens of Pennsylvania.
5. Prevent loss of life, injuries, and property damage on commonwealth highways.

Major Achievements and New Initiatives in 2006-07

1. Maintain the largest state trooper complement in Pennsylvania history to enhance public safety and security in the commonwealth.

Since Governor Rendell took office, the enlisted ranks of the Pennsylvania State Police (PSP) have grown to the highest levels in Pennsylvania's history. The authorized complement is now 4,660 sworn members. In 2006, 235 new troopers graduated from the State Police Academy and 245 more graduated in 2007.

Pennsylvania State Trooper Complement



2. Reduce criminal activity in Pennsylvania through effective detection, investigation, and prosecution.

The **Pennsylvania Criminal Intelligence Center** is the first facility of its kind in the nation. It provides local, state, and federal law enforcement agencies with access to information that helps them detect and prevent crimes. Access to the center is accomplished by a single toll-free call, e-mail, or fax to the center at any time, day or night. The center provides investigative and intelligence information to law enforcement officers from a wide variety of state and national databases. This allows criminal investigators to spend their time working cases and conducting interviews, while analysts at the center piece together complex background information on investigative subjects.

Gangs, gun violence, and drugs remain a scourge on our society. Consequently, gang suppression is now one of the department's top law enforcement priorities. PSP has established regional gang task forces throughout the state comprised of federal, state, and local law enforcement officers. In the fall of 2006, the department added 11 state troopers to its area intelligence task forces to specifically target criminal activity by street gangs. State Police is also collaborating with the Federal Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF). Nine state police troopers are assigned to ATF offices across the state, where they concentrate solely on investigations related to gun violence and firearms operations. During 2006, these officers made 70 arrests and recovered 242 firearms. In 2007, they made 93 arrests and recovered 133 firearms. In addition to the Firearms Investigation Task Forces, 15 other troopers are designated points of contact in the ATF's eTrace program – an internet-based system that allows police to trace crime guns and the illegal movement of guns in our communities.

Unfortunately, from a strategic perspective, Pennsylvania's geographical location makes it a natural conduit for the illegal transportation of contraband and illicit drugs. Our interstate highway system provides access to major cities, airports, and one of the largest seaports along the eastern seaboard. To enhance State Police's ability to recognize and intercept illegal activity occurring on Pennsylvania's highways, State Police launched **Operation "SHIELD" (Safe Highways Initiative through Effective Law Enforcement and Detection)**. Operation SHIELD focuses on all types of criminal behavior, including the detection of individuals who are illegally transporting weapons, stolen and counterfeit property, illicit drugs and currency.

Regrettably, illegal gun trafficking has evolved into a "currency" flowing throughout illicit transactions. Consequently, it is more critical than ever to take every step possible to keep guns out of the hands of criminals. For almost nine years, PSP has been operating the **Pennsylvania Instant Check System (PICS)**, which allows firearms dealers and sheriffs to determine whether an individual can legally obtain a firearm or carry a concealed firearm. Since its inception, PICS has conducted more than 4 million background checks, preventing more than 85,000 convicts from illegally obtaining firearms and enabling police to capture more than 800 fugitives who were attempting to acquire a firearm.

To prevent criminals and fugitives from illegally obtaining guns, PICS electronically checks a variety of databases, including the **Commonwealth Law Enforcement Assistance Network (CLEAN)** to obtain criminal histories, fugitive information, drivers' license records, stolen vehicle data, and other information critical to effective law enforcement. Until just a few years ago, bench warrants issued by the Philadelphia courts were kept in a separate electronic database that was only accessible to Philadelphia police officers. In the spring of 2004, the Pennsylvania State Police partnered with the Philadelphia police and court system to correct this problem by entering more than 50,000 existing warrants into CLEAN in just six months, at virtually no cost to the taxpayers. In the very first month after Philadelphia's warrants were entered into CLEAN, 158 Philadelphia fugitives were captured and at least eight fugitives were prevented from illegally buying firearms.

OPERATION SHIELD

Seized

- \$1.7 million dollars
- \$3.5 million in narcotics
- \$1.3 million in counterfeit merchandise

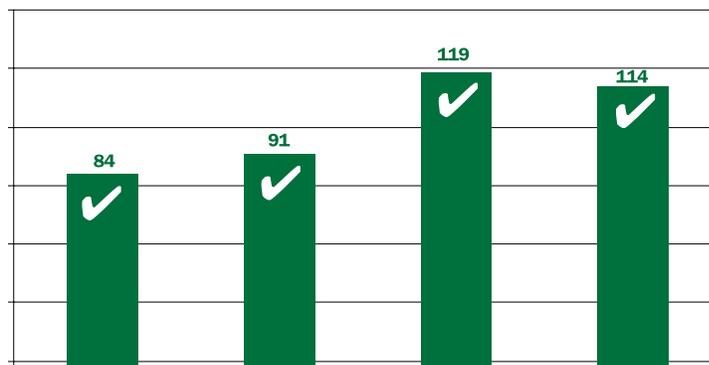
Arrested

- 99 fugitives
- 274 illegal aliens
- 2 people on terrorist watch list

OTHER SEIZURES (2006)

- 890 kilograms of cocaine
- 11 kilograms of heroin
- 62 kilograms of methamphetamine
- 3,178 kilograms of marijuana
- \$11.6 million cash drug proceeds

PENNSYLVANIA INSTANT CHECK SYSTEM
Fugitives Apprehended



3. Secure Pennsylvania communities and infrastructure against foreign and domestic threats.

In addition to assisting law enforcement, PSP has helped secure Pennsylvania communities and infrastructure against foreign and domestic threats by equipping the Pennsylvania Criminal Intelligence Center with a [crime and terrorism tip line](#) for the public. During 2006, analysts at the center processed 8,995 law enforcement requests while fielding more than 400 terrorism tips. In 2007, analysts handled 10,726 law enforcement requests and 529 terrorism tips. In addition, State Police increased its participation in the Federal Bureau of Investigation's Joint Terrorism Task Force. As a result, PSP gained unique, valuable investigative experience related to homeland security and an increased awareness of international terrorism issues that could potentially affect Pennsylvania.

In September 2004, the department's efforts to improve homeland security were greatly enhanced when PSP created its first-ever hazardous device and explosive section. Using state-of-the-art equipment, this section responds to incidents involving explosive chemicals, explosive devices, incendiary devices, pyrotechnics, ammunition, and other suspected explosives. The unit also provides vital assistance in hardening critical infrastructure against terrorist attacks.

4. Provide cost-effective quality services to the citizens of Pennsylvania.

The department operates a Bureau of Forensic Services, which includes one of the finest DNA laboratories in the country. In late 2004, legislation was enacted to require every convicted felon to submit a DNA sample. As a result, PSP's laboratory received 57,000 DNA samples in 2005 and 36,000 more samples in 2006. By the end of September 2006, the backlog of unprocessed convicted offender samples had grown to 80,000. By the end of 2006, however, the State Police laboratory analyzed 7,000 samples and reviewed 28,000 samples that had been outsourced. By the end of 2007, the backlog was down to 9,000 samples. More than 160,000 DNA samples were uploaded into the national Combined DNA Index System by the end of 2007, greatly increasing the ability to solve cold cases. The crime laboratory also processes hundreds of thousands of fingerprints annually. Comparing those prints to crime scene prints solves hundreds of cases each year.

State Police also maintains a registry of sex offenders who live, work, or go to school in Pennsylvania. During 2006 and 2007, State Police made significant improvements to its [Megan's Law](#) operation. Within days after the General Assembly authorized Internet posting of all sex offenders' street addresses, the addresses were available on the State Police Web site. To assist the public in determining whether a particular sex offender is still in

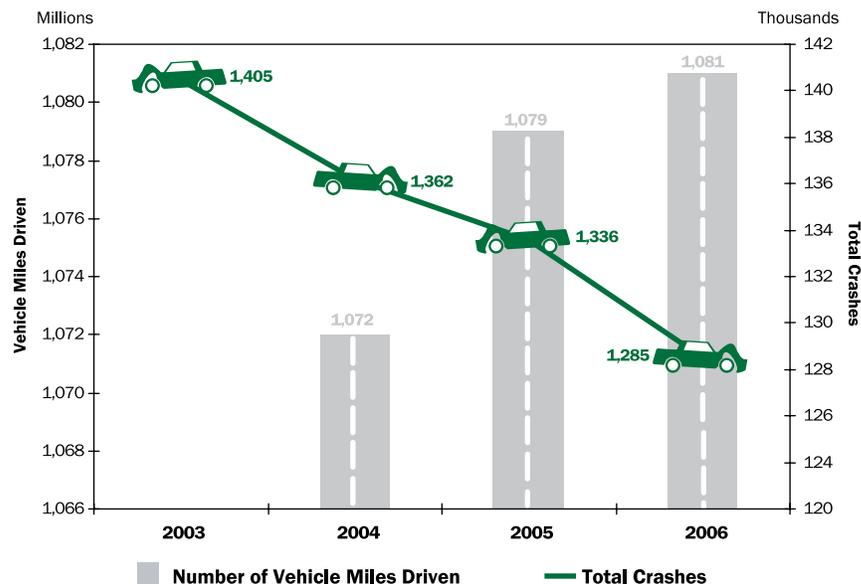
prison, State Police has included links to federal and state inmate locators. State Police also added a “submit a tip” function, enabling the public to provide information about offenders who are not complying with Megan’s Law requirements. In the first month alone, State Police received 250 tips. To track down noncompliant sex offenders, State Police formed a statewide task force that successfully located and registered 297 noncompliant sex offenders. As a result, the non-compliance rate was reduced from 11.9 percent in July 2005 to 6.6 percent, which is substantially less than the national average non-compliance rate of 24 percent.

State Police also serves as the central repository for all criminal records in Pennsylvania. Over the years, the trend in public policy has shifted toward making it more difficult for convicted offenders to hide their criminal backgrounds. As a result, State Police now conduct [criminal records checks](#) for a variety of employment-related purposes, including checks for prospective teachers, people who work with or around children, foster or adoptive parents, medical professionals, and individuals working in long-term care facilities.

Pennsylvania State Police	QUICK FACTS
<p>In 2007, State Police conducted 1.2 million background checks for noncriminal justice purposes such as employment, adoption, foster families, volunteers, etc. Of those 1.2 million background checks, approximately 1 million were for employment purposes.</p>	

5. Prevent loss of life, injuries and property damage on commonwealth highways.

The goal of the Pennsylvania State Police is to prevent loss of life, injuries and property damage on commonwealth highways, not merely respond to them after the fact. In 2003, State Police first implemented **problem specific policing**, which gives officers computerized access to real-time data so they can make informed decisions about how to best allocate and deploy limited resources. During the first four years that PSP has implemented problem specific policing, accident fatalities have declined by 6.4 percent and crash-related fatalities went down by 8 percent. Total accidents decreased by 11 percent and accident-related injuries dropped by nearly 14 percent. These statistics are particularly impressive because the number of registered vehicles and vehicle miles driven continue to increase.



From 2004 to 2005 alone:

- ✓ The number of vehicle miles driven in Pennsylvania has increased by nearly 2 million miles
- ✓ The number of registered vehicles in Pennsylvania has increased by 136,884.

In 2006, state troopers made a record number of DUI arrests, taking 15,628 intoxicated drivers off the road. In addition, troopers issued more than 500,000 traffic citations.

Traffic safety has also been improved by the 2005 consolidation of State Police and Department of Transportation Motor Carrier Enforcement programs into a single operation. Sixty-five motor carrier enforcement officers, supervisors, and managers were transferred to the State Police from the Department of Transportation. Each transferee completed an intensive four-week course designed to provide advanced training in homeland security, traffic control, and use of force. Now troopers and motor carrier enforcement officers work together on trooper commercial vehicle enforcement teams. By combining their efforts, the teams have inspected thousands more trucks than they previously inspected separately. In the first year alone, the commercial vehicle enforcement teams inspected 4,526 more trucks than the year before.

Awards and Recognition

In 2005, problem specific policing was awarded the U.S. Department of Transportation Highway Safety Administration's Roadway Safety Award.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$184,797	\$157,416	\$189,676
Federal Funds	27,534	35,109	61,536
Special/Other Funds	435,701	506,255	599,609
Department Total	\$648,032	\$698,780	\$850,821

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	6,038	6,161	6,409



Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Percentage of commonwealth highways patrolled by State Police	62%	63%	63%
Motor vehicle accidents	82,996	78,558	82,513
Vehicle Accident Fatalities	779	750	757
Traffic citations	451,160	479,086	506,844
DUI arrests	12,271	13,791	15,628
Methamphetamine lab - special investigations	125	79	41
Megan's Law: Number of registered sex offenders	7,305	8,339	10,690
Specimens submitted for DNA analysis	691	52,087	38,923
Firearm checks conducted for firearm purchases	514,287	512,686	503,013
Criminal history checks for employment	1,074,325	1,183,426	1,157,483
Terrorism Hotline calls with possible intelligence	479	324	287
Incident responses by the Hazardous Device and Explosives Section	139	211	275
Criminal arrests per 100,000 population for crimes against persons in State Police jurisdiction	2,712	3,520	2,519
Percentage of cleared offenses (cases closed) in which person was identified for crimes against persons in State Police jurisdiction	69.8%	65.9%	63.7%
Criminal arrests per 100,000 population for crimes against property in State Police jurisdiction	10,312	10,484	10,393

Public Safety

Department of Corrections

Jeffrey A. Beard, Ph.D.,
Secretary
www.cor.state.pa.us

Mission Statement

The mission of the Department of Corrections is to protect the public by confining persons committed to its custody in safe, secure facilities and providing opportunities for inmates to acquire the skills and values necessary to become productive, law-abiding citizens, while respecting the rights of crime victims.

Overview of Programs and Services:

- Oversees the housing and rehabilitation of nearly 45,000 inmates at 26 state correctional prisons, 14 community corrections centers, over 45 private community corrections facilities, and one motivational boot camp.
- Ensures the safety and security of inmates, Department employees, and the surrounding communities;
- Provides for inmate health care, treatment of addictions/behaviors that contribute to crime;
- Provides educational and vocational training to develop the skills necessary for successful reentry into the community.

Major Agency Objectives for 2006-07

1. Maintain the safety and security of inmates, staff, and the public and operate each prison in a fair and humane manner.
2. Prepare inmates for reentry into the community.

Portrait of a New Inmate in 2006

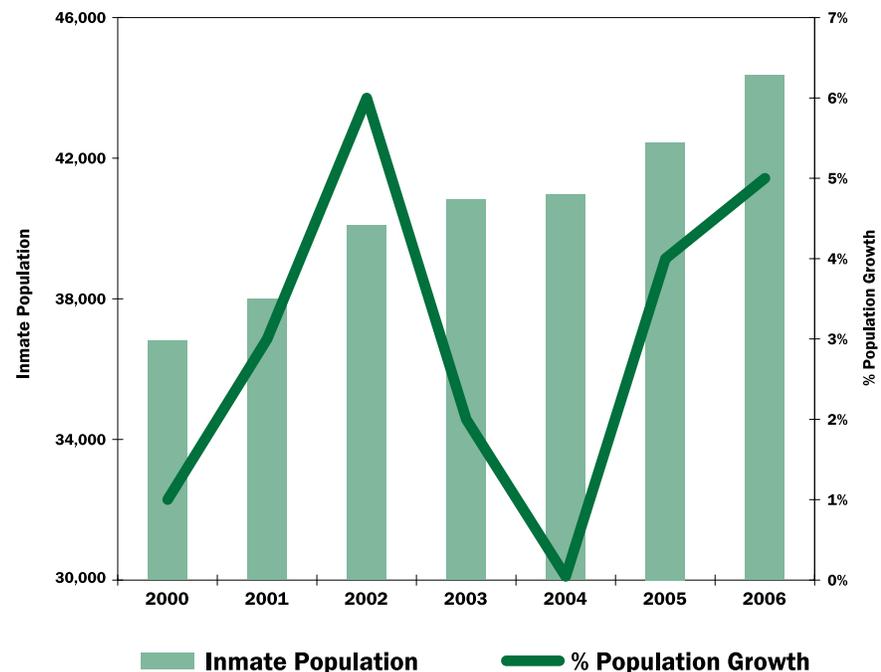
- The average inmate was 33 years old
- 32% had committed a drug-related crime
- 20% had some degree of mental illness
- 79% were functioning below the 12th grade level
- 47% had no high school diploma or GED
- 77% were unemployed
- 59% were alcohol or drug-dependent

Major Achievements and New Initiatives in 2006-07

1. Maintain the safety and security of inmates, staff, and the public and operate each prison in a fair and humane manner.

The total inmate population housed in the department's correctional facilities has increased by 27 percent over the past decade, from 34,964 inmates in 1997 to nearly 45,000 in 2006. There were 9,578 new inmates added to the system in 2006.

DOC Inmate Population Growth



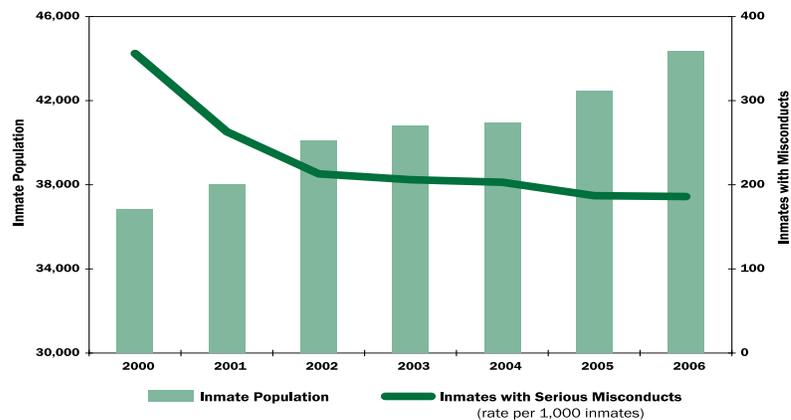
Corrections

QUICK FACTS

Despite a significantly increasing prison population:

- There have been no major disturbances since 1989
- There were no breach escapes from 1999 through 2006
- Less than four percent of all assaults have been major assaults since 2003
- The number of inmates with serious misconducts has significantly decreased
- Based upon random inmate testing, Pennsylvania prisons are more than 99 percent drug-free

Inmate Misconducts Continue to Decline



Recognizing that inmate population increases result in overcrowding that can lead to unrest and other disturbances, the department continues to maintain the safety and security of inmates, staff and the public by creatively and efficiently managing the populations and facilities for which it is responsible.

The department has made significant physical improvements to its prisons. A perimeter intrusion-detection system has been installed at each facility that includes electronic sensors and physical barriers designed to detect an inmate’s movement and delay the inmate long enough for corrections officers to respond. In addition to installing 20,000 cut-resistant window bars and more external security cameras, fence upgrades and additional razor wire have been added at numerous prisons.

In order to reduce the number of assaults on corrections officers and other related health problems caused by inmate behavior, safety devices have been installed on food pass-through equipment in restricted housing units. This has greatly reduced the potential for staff to incur injury or contamination. Since 2003, less than four percent of all inmate-on-staff assaults have required treatment outside the prison.

Pennsylvania corrections officers in many facilities now are equipped with personal protection and man-down alarms. These devices identify the location of the officer within the facility and contain a mechanism that automatically sends a signal to the control center when the device tips over beyond a certain degree. Thus, this allows the control center to quickly respond to an emergency.

Drugs and alcohol in prisons are a significant threat to staff and inmate safety and prison security. The department has a zero-tolerance drug policy, targeting all sources of potential drug contraband by monitoring inmates, visitors, and employees. Through continual drug testing, canine searches and electronic drug detection, the Department has been successful in keeping drugs out of its prisons. Of the nearly 48,500 random drug tests conducted in 2006, less than one-quarter of one percent were positive.

2. Prepare inmates for reentry into the community

More than 90 percent of the inmates incarcerated in state prisons will eventually return to the community. The department prepares inmates for reentry into the community by conducting the following:

- ✓ Risk assessments – to determine the likelihood that an offender will commit additional offenses.
- ✓ Needs assessments – to identify specific problems that drive an offender’s criminal behavior—these are known as criminogenic needs.

Criminogenic needs are risk factors that can be altered by treatment programs, many of which have been shown to effectively reduce recidivism rates.

Recidivism is defined as the tendency to relapse into a previous condition or mode of behavior. Consequently, relapse among inmates into a previous mode of criminal behavior often leads to re-offending, which in turn leads to re-imprisonment. Findings from numerous studies of offender treatment programs have concluded that those programs that assess criminogenic risk and need, target high-risk offenders, and treat criminogenic needs will effectively reduce recidivism and promote public safety.

- ✓ Approximately 68 percent of newly committed inmates in 2006 were found as needing varying levels of alcohol or other drug treatment.
- ✓ Approximately 79 percent of the newly committed inmates in 2006 were found to be functioning educationally below the 12th grade level.

The department approaches the reentry needs of inmates through a **three-pronged release preparation strategy**:



Assessment

The department conducts a thorough, objective, and rigorous assessment of each offender’s treatment needs and risk of committing additional offenses upon release. High risk offenders receive high priority for treatment, as they are most likely to recidivate if left untreated. The department uses a standard set of tools:

- ✓ To assess alcohol and other drug needs.
- ✓ To conduct a thorough assessments of educational and vocational aptitude and achievement.
- ✓ To conduct a mental health evaluation.
- ✓ To explore other background variables, as required.

These assessments are the basis for development of an individualized treatment plan for offenders, which provides a “road map” for the offender that, if followed, will significantly increase the probability that the inmate will reintegrate into society as a responsible, law abiding citizen.

Treatment

The department's current treatment strategy is guided by research, such as its own parole violator study, as well as other department-initiated evaluations and national research on what constitutes an effective reentry strategy. In response to these findings, the department has revised and implemented a number of programs including:

- **State Intermediate Punishment** – For less serious drug offenders, this program provides treatment addressing the underlying cause of the offenders' crime. Inmates serve at least seven months in prison, at least two months at a community-based therapeutic facility and the remainder of the minimum 24-month sentence at a halfway house or group home while receiving addiction treatment. Three prisons (Cambridge Springs, Chester and Quehanna Boot Camp) are operating this program. By mid-2007, there were 570 inmate participants, and the program will continue to expand to other prisons as more judges become aware of its impact.
- **Sex Offender Program** – is an intensive and structured intervention aimed at reducing the risk of recidivism through the use of effective self-management. The department recently implemented the Medlin "Responsible Living" sex offender treatment model, incorporating cognitive-behavioral treatment elements that have consistently demonstrated to be the most effective intervention for sex offenders. There were 5,967 sex offenders in the inmate population at the end of 2006.
- **Alcohol or Other Drug (AOD) Treatment** – In December 2006, 59 percent of inmates in custody were assessed as having drug or alcohol treatment needs. Continual advancements and improvements are made to the AOD treatment policy to incorporate new methods of treatment to ensure success. Many of the improvements are the result of ongoing evaluations. A recent study has determined that the use of therapeutic communities reduces recidivism by 27 percent.
- **Behavioral Treatment** – The department's standardized treatment programs have been revised in order to alter cognitions, attitudes, values and expectations that contribute to anti-social behavior. In support of these revisions, employees are now receiving training on how to use a cognitive-behavioral approach when interacting with offenders. In addition, other department initiatives, such as parenting programs, are being examined with the goal of revising or replacing these programs with more evidence-based approaches that conform to this model.
- **Education** – In December 2006, there were 10,479 inmates enrolled in academic programs and 3,804 enrolled in vocational programs. Academic programs are designed to help inmates gain the skills necessary to obtain a GED or commonwealth secondary diploma. Vocational programs offer development of entry level employment skills through classroom instruction and hands-on training. Completion of the vocation training programs may lead to trade-based certificates or registration in an apprenticeship program. The Department, in collaboration with the Department of Labor and Industry, is focusing its vocational programs upon meaningful, family-sustaining entry level jobs that have been identified as having a high demand in the workforce investment area where the inmate will be released. Special education programs are available to all inmates who qualify and have assessed special needs. Thus far, research on Department education and vocational programs has determined that they reduce recidivism rates by approximately 15 percent.

Reentry

While reentry is the third component of the department's three-pronged release preparation strategy, it is viewed by the department as a process that begins when an offender enters prison. In recent years, the department has introduced several initiatives specifically targeted to assist in reentry planning from the end of an offender's stay in prison to his or her return to the community. These initiatives include:

- ✓ The community orientation and reintegration program is a two-phase program intended to reinforce lessons learned from treatment programs that an offender received while incarcerated and to prepare for and address reintegration obstacles. An outcome evaluation is currently underway, with results expected later this year.
- ✓ The "Erie Pennsylvania" reentry project is a demonstration reentry partnership in Erie County among multiple state and county agencies, as well as non-profit organizations and community leaders, to provide comprehensive transitional services for offenders returning to the Erie area. Presently, the Erie Pennsylvania reentry project is being evaluated by the federal government as part of a national study of similar reentry programs funded by the Department of Justice.

The department also is conducting a comprehensive process and outcome evaluation of its community corrections system, and the results of this evaluation are expected in 2008. In addition to these reentry initiatives, the Department helps facilitate the inmates' reintegration into society by assisting in obtaining identification and social security cards as well as access to medical and other benefits.

Operational Efficiencies:

The department has improved the efficiency of its daily operations through numerous initiatives, including:

- Consolidation of the information technology operations of the Board of Probation and Parole and the Department of Corrections.
- Relocation of regional community corrections centers in the State Correctional Institution-Pittsburgh administration building, effectively eliminating rental and outsourcing costs and resulting in savings of \$500,000 annually.
- Co-location of inmate Hepatitis-C patients, reducing the waste of unused medications and saving \$600,000 annually.
- Planning for a new commissary distribution system that will provide off-site filling of inmate commissary orders from centralized locations rather than stocking items at individual prisons, with expected savings of \$200,000 annually.

Awards and Recognition

All department prisons, the department's staff training academy and the central office are fully accredited by the American Correctional Association (ACA). Pennsylvania remains as one of only a few states to earn full ACA accreditation.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$1,330,876	\$1,357,581	\$1,420,259
Federal Funds	37,560	71,328	17,390
Special/Other Funds	52,460	50,252	88,432
Department Total	\$1,420,896	\$1,479,161	\$1,526,081

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	15,324	15,324	15,191

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Inmates in department custody ¹	40,965	42,446	44,365
Inmates in state intermediate punishment program	N/A	24	270
Inmates enrolled in academic programs ¹	8,543	9,739	10,937
Inmates receiving high school diplomas/GED's ¹	989	1,119	1,140
Inmates enrolled in vocational programs ¹	3,137	3,096	3,516
Monies collected from inmates to pay for victim restitution and other fines, fees, costs, penalties and reparations	\$3,216,848	\$4,076,895	\$4,593,000
Percentage of inmates testing positive for drug and alcohol use while in prison (random test)	0.20%	0.25%	0.22%
Number of hours worked in the Community Works Projects	703,217	742,928	806,771

¹Measures are by calendar year.

Public Safety

Board of Probation & Parole

Catherine McVey, Chairman
www.pbpp.state.pa.us

Mission Statement

The Pennsylvania Board of Probation and Parole is committed to protecting the safety of the public, addressing the needs of crime victims, improving county adult probation and parole services, and assisting in the fair administration of justice by ensuring the custody, control, and treatment of offenders under the jurisdiction of the Board.

Overview of Programs and Services:

- Makes informed decisions regarding who to release on parole.
- Provides solid supervision in the community to an individual that is granted parole.
- Supervises offenders from other states, and offenders from the county courts.
- Increases the number of persons who successfully complete parole to become productive, law-abiding citizens.

Major Agency Objectives for 2006-07

Enhance public safety and reduce victimization by:

1. Making safe parole decisions based on offender risk.
2. Improving reentry preparation and services.
3. Enforcing offender accountability.
4. Implementing operational efficiencies.
5. Developing community partnerships to facilitate successful reintegration into the community.
6. Leading offenders to productive law-abiding lifestyles.
7. Reducing crime through technical parole violator management.
8. Pursuing offenders who abscond from supervision.

Annual Snapshot of Parole – 2006-07

• Parole Population – June 2007	29,568
• Offenders Released From Prison to Parole	14,361
• Offenders Successfully Completing Parole	6,054
Percent Increase over 2005-06	10%
• Average Length of Time on Parole	2.05 years

Major Achievements and New Initiatives in 2006-07

1. Making safe parole decisions based on offender risk.

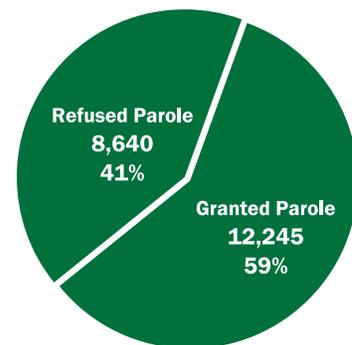
Sound parole decisions are made using tools that assist board members in determining an offender's risk of re-offending so the right offenders are released at the right times. Prior to the parole interview, the board member reviews extensive documents and evaluations regarding the offender, including:

- ✓ The crime committed;
- ✓ Their conduct while in the institution;
- ✓ The offender's history; and
- ✓ Status of required programming while in prison.

Only after examining all of this information and then holding an interview with the offender can the board member realistically assess the risk that reentry of the offender may compromise public safety.

Through a study initiated by the board, the decision instrument was refined to ensure that it reflects and weighs factors correlated with the risk of re-offending and to ensure consistency in decision making. The changes to the instrument more closely relate the highest identified risk and needs with the conditions of parole that are established by the board.

Parole Cases Reviewed
Fiscal Year 2006-07



2. Improving reentry preparation and services.

In 2004, the Governor's Task Force on Reentry was formed to improve procedures to better prepare the offender for successful reentry into the community. Many offenders face serious challenges when they enter prison, such as:

- ✓ Need for drug or alcohol treatment;
- ✓ Lack of vocational skills;
- ✓ Lack of a high school diploma;
- ✓ Functioning below the 12th grade level;
- ✓ Mental illness; and,
- ✓ Criminal thinking patterns.

To end the fragmented, stovepipe approach to reentry that hampered the best efforts to address all of these needs, the board created a Bureau of Offender Reentry to facilitate the agency's shift to a new approach to offender supervision that balances supervision and case management. Each offender released to parole supervision must be provided with the support and services he or she needs to successfully complete parole.

All of the post-release needs of an offender are incorporated into a **Transitional Accountability Plan (TAP)**, which is the offender's reentry plan, to ensure that the offender has a higher chance of being successful on parole. TAP is a comprehensive analysis of the offender's post release needs such as: **education, employment, medical, financial, family, emotional, prior criminal associations, substance abuse, housing and other needs**. The offender, as an active participant in developing his or her plan, gains a clear understanding of what needs to be done to increase the chance of success on parole and thereafter. By identifying the offender's critical needs prior to release, we ensure the continuity of medical and psychiatric care as well as drug and alcohol programming.

Certain offenders need to be supervised by agents with specialized supervision strategies and skills. The Board now has parole agents with specialized training to supervise offenders with mental health conditions and to supervise sex offenders to enhance public safety.

3. Enforcing offender accountability.

Making offenders accountable for even a modest portion of their supervision reinforces the concept that fulfilling obligations is an important step to successful reentry. One way offenders help pay their own way is by meeting the legislative mandate to pay supervision fees. Currently, offenders pay \$30 per month towards the cost of supervision unless they receive a hardship waiver which allows them to pay \$10 instead of \$30. This means each offender pays up to approximately 13 percent of the monthly cost of parole supervision.

4. Implementing operational efficiencies.

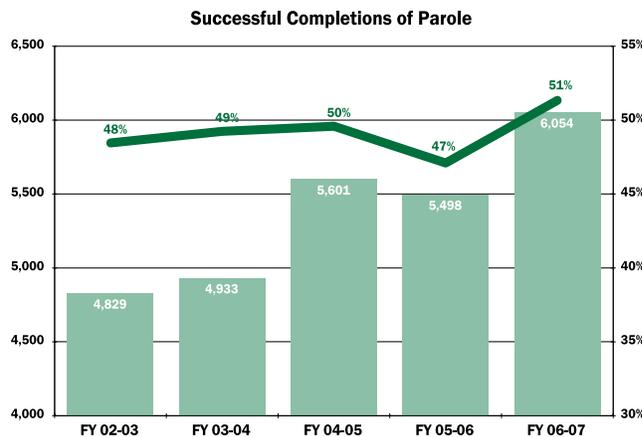
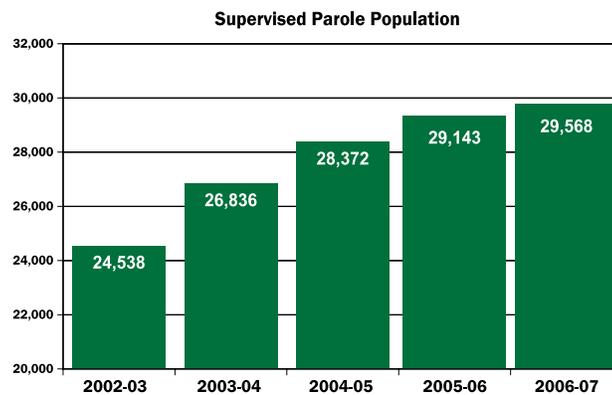
The board continues to take steps to reduce operational costs including using more technology to improve the efficiency of its work processes. The use of video conferencing technology for parole interviews reduced the time board members and hearing examiners spend traveling to prisons. The use of video conferencing was implemented in 2005 and has grown to encompass 10.5 percent of interviews. Through additional cost-saving initiatives, the board has saved the taxpayers more than \$2.5 million dollars in general operating expenses on overtime, travel, training, telecommunications, legal services and other office expenses.

5. Developing community partnerships to facilitate successful reintegration into the community.

While incarcerated, offenders have been separated from economic, career, social and psychological support systems other citizens take part in. As a partner in community corrections, the board recognizes the need to increase coordination with local support services to facilitate each offender’s reconnection to these support networks. Increased local cooperation has led to better coordination with local health and human services agencies and local criminal justice advisory boards to better meet the needs of each offender and help ensure successful reentry. In addition, the board has agreements with several counties to allow state parolees to be assigned to community service as a sanction if the offender chooses not to be gainfully employed or fails to pay their restitution and fines. The board also has developed partnerships with groups such as the Pennsylvania Prison Society, Justice and Mercy, and the National Alliance for the Mentally Ill.

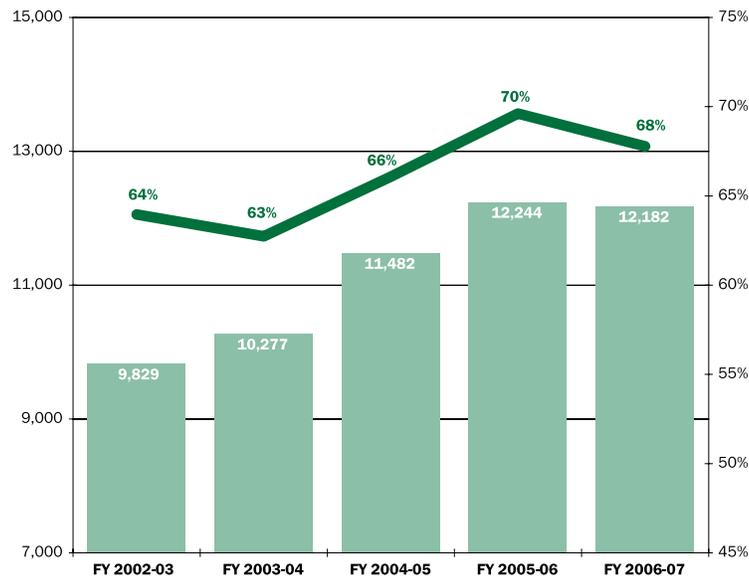
6. Leading offenders to productive law-abiding lifestyles.

A field parole agent supervises the offender in the community to ensure the safety of the public by monitoring compliance with the conditions of parole and leading offenders to productive law-abiding lifestyles outside of prison. As part of the agency’s responsibility to public safety, the field parole agent uses problem-solving case management to help the offender with challenges regarding his job, home, continuity of medical or psychiatric care or other issues. Parole agents also use cognitive behavioral programming – helping the offender to understand how their thinking patterns relate to wrong decisions and actions – to foster change within the offender. All of these efforts are designed to lead to the successful completion of parole, reduced recidivism, and reduced victimization. The number of offenders successfully completing parole increased 10 percent over the prior fiscal year, resulting in a total of 6,054 parolees successfully reentering society.



An important part of success on parole is the ability to obtain and keep a job. If the offender has not found a job before release, the field agent works with the offender on the skills learned in prison regarding interviewing, securing work, and keeping a job. Each offender is required to be actively seeking employment until they find a job. The board has maintained a steady rate of employment for offenders who are able to work and continues to seek ways to improve the employment rate.

Number Employed and Employment Rate for Offenders*



* Employment rate based on those able to work.

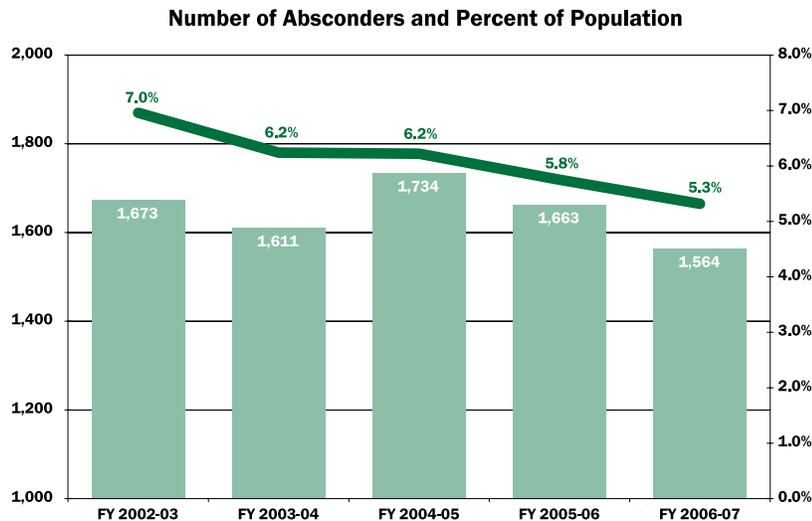
7. Reducing crime through technical parole violator management.

The board has the authority to revoke parole and send offenders back to prison for violations, if necessary. Technical parole violators have done something they are not allowed to do, such as missing a curfew, but these violations need not necessarily lead to a return to prison. Key to the preservation of public safety and a reduction in crime is the management of technical parole violators through alternative, community-based interventions and specialized support programs that safely and effectively allow for continued supervision in the community. Through community-based programs and services, offenders are helped with problems such as drug relapse or anger management that cause them to struggle with their adjustment to life outside of prison. Comparing the periods of July 2005 - June 2006 and July 2006 - June 2007, the number of technical parole violators returned to state prison was reduced by 15 percent.

8. Pursuing offenders who abscond from supervision.

Parolees who fail to report as instructed or move without permission to an unknown residence, called absconders, are a national problem. The board is in its fifth year of enhanced efforts to track down absconding offenders. If a diligent search for the offender is unsuccessful, the case is transferred to a team of specially trained agents who aggressively pursue the apprehension of absconders. This work is often done in coordination with local, state,

and federal law enforcement authorities. In addition, the agency has a 24/7 unit – the Operations Monitoring Center – that receives information and notification about absconders from law enforcement. These efforts have resulted in an absconder rate in Pennsylvania of 4.7 percent as of Nov. 1, 2007, which is significantly lower than the 10.5 percent national rate.



Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$97,303	\$99,954	\$97,610
Federal Funds	892	1,282	689
Special/Other Funds	19,386	15,337	\$19,784
Department Total	\$117,581	\$116,573	\$118,083

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	1,048	1,039	1,018



Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Average monthly number of offenders scheduled for parole interviews	2,039	2,140	2,418
Average monthly number of offenders granted parole or reparole	940	1,020	1,020
Average monthly number of supervised offenders employed	12,244	12,244	12,182
Average monthly number of state sentenced and supervised offenders returned to prison for technical parole violations	289	318	271
Number of state sentence field case additions (releases)	10,073	10,067	9,765
Recidivism among state sentenced new releases after one year of supervision	3,022	3,020	2,929
State supervision fees collected annually	\$1,339,571	\$2,111,909	\$3,261,137
Notifications sent to registered crime victims	18,972	20,194	20,323
Sex offender assessments completed	1,446	1,534	1,616



Public Safety

Pennsylvania Emergency Management Agency (PEMA)

Robert P. French, Director
www.pema.state.pa.us

Mission Statement

The mission of the Pennsylvania Emergency Management Agency is to coordinate the state's efforts in support of county and local governments in civil defense, disaster mitigation, emergency preparedness, as well as planning for, responding to and recovering from all major man-made and natural disasters in the commonwealth.

Overview of Programs and Services:

- Leads commonwealth agencies in response and resolution during emergencies.
- Builds strong partnerships with state agencies, local governments, private sector and the educational community
- Develops and maintains a statewide emergency response plan of action in the event of a natural, technological or other man-made disaster to ensure response-oriented regions and counties.
- Maintains civil preparedness for war or resource-based emergencies.
- Provides state loans and grants to volunteer fire, ambulance and rescue companies, coordinates state fire services and administers federal funds, including the State Homeland Security Grant program.

Major Agency Objectives for 2006-07

1. Train and educate county and local personnel for civil preparedness and emergency response readiness to minimize or eliminate the impact of disasters on Pennsylvania's communities, residents and businesses.
2. Maximize the commonwealth's capability to prevent, protect against, respond to and recover from any man-made or natural disaster.
3. Assist communities and citizens of the commonwealth in restoring essential infrastructure, replacing personal property and restoring their communities to pre-disaster conditions.
4. Fully implement and maintain the enhanced Wireless 911 Program.
5. Provide training and financial assistance to the commonwealth's volunteer fire and emergency medical response organizations.

EMERGENCY PREPAREDNESS

Action	Lead Agency
Prevention	Pennsylvania State Police (PSP)
Protection	PEMA/Office of Homeland Security (OHS)
Response	Pennsylvania Emergency Management Agency (PEMA)
Recovery	Pennsylvania Emergency Management Agency (PEMA)

Major Achievements and New Initiatives in 2006-07

1. Train and educate county and local personnel for civil preparedness and emergency response readiness to minimize or eliminate the impact of disasters on Pennsylvania's communities, residents and businesses.

Following the events of Sept. 11, 2001, regionalization has become a national and state priority for emergency management programs. PEMA, with the Office of Homeland Security, the State Police, and other key state and local agencies, has developed a statewide strategy to maintain preparedness and emergency response readiness which is recognized as a national model that includes a network of nine regional counterterrorism task forces.

In fiscal year 2006, PEMA trained 19,260 emergency responders across the commonwealth. PEMA also assisted state agencies and municipal governments in adapting their response plans to meet requirements of the federal **National Incident Management System (NIMS)** which enabled them to qualify for federal grants. To assist the commonwealth's 2,657 municipal governments in adopting the federal system, PEMA updated its model municipal emergency operations plan so it matches the National Incident Management System and provides user-friendly response checklists. Copies of the plan, along with a planning guidebook were distributed to

every city, borough and township in Pennsylvania and also posted on the PEMA Web site. In addition, PEMA coordinated the 6th Annual Regional Task Force Symposium for 250 state, local and private sector partners to gather information and best practices from emergency responders and local emergency planners.

To help local communities prepare for natural disasters, **A Pennsylvania Evacuation Planning and Implementation Guidebook** was produced based on lessons learned from hurricanes Katrina and Rita. The guidebook was widely distributed and is posted on PEMA's Web site at www.pema.state.pa.us.

PEMA also participated in the design of pandemic planning for schools and in the organization of 13 related regional meetings attended by 600 persons representing over 200 different school districts.

The Pennsylvania Citizen Corps program is managed by PEMA and is designed to train volunteers who are interested in providing assistance during times of need. Members of the Pennsylvania Citizen Corps Council have provided 3,441 Pennsylvania citizens with emergency response training and an additional 8,427 citizens have received other emergency preparedness training, such as damage assessment, pandemic flu preparedness, and training in using the National Incident Management System. Volunteers have logged thousands of hours at public education and outreach events to educate more than 179,000 Pennsylvania citizens in emergency preparedness.

PEMA has invested more than \$388 million in federal homeland security funds to provide equipment, planning, training and exercises for special task forces and for other state agencies since the events of 9/11. PEMA has also completed security reviews at each of the commonwealth's five licensed commercial nuclear power plants and conducted two full-scale off-site exercises at Three Mile Island Nuclear Generating Station and Susquehanna Steam Electric Station. PEMA also worked with the City of Philadelphia to update the commonwealth's repatriation plan.

A special all-hazard incident management team has been organized and trained to assist with emergency management planning for large events such as the farm show and also for providing assistance to counties during natural emergency situation such as major flooding.

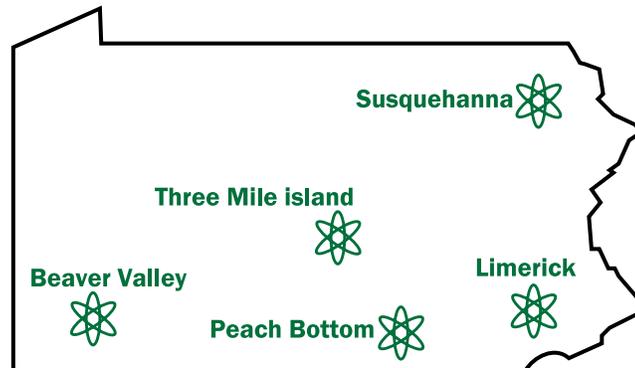
2. Maximize the commonwealth's ability to prevent, protect against, respond to and recover from any man-made or natural disaster.

Knowing what resources are available in an emergency and having well-trained personnel are essential to the state's ability to respond effectively to any given disaster. PEMA assists other state agencies and local officials with the development of counterterrorism plans, pandemic preparedness plans and radiological emergency plans. In 2006-07, Pennsylvania's statewide emergency management community statewide responded to approximately 7,300 incidents. The state Emergency Operations Center assisted with the coordination of 9,540 incidents that were processed through the **Pennsylvania Emergency Incident Reporting System (PEIRS)**. This database of incident information is shared with key state, local and federal agencies, as appropriate, 24 hours a day, seven days a week.

To ensure the widest possible distribution of emergency information, the statewide **Emergency Alert System (EAS)** was expanded by adding 62 cable television systems. The satellite warning network was upgraded to include additional terminals, or Earth Stations, at Pennsylvania State Police, the Department of Health, the Department of Military and Veterans Affairs and the Pennsylvania Department of Transportation. This satellite voice and data system connects state agencies for better coordinated disaster response and recovery operations.

The radiological emergency preparedness program addresses commonwealth oversight of the five nuclear power plants in Pennsylvania. In 2006–07, more than 70,000 people participated in exercises across the commonwealth to simulate terrorism events including scenarios involving security based threats at nuclear power plants. To address the federal regulatory requirements for planning, exercises, and equipment pertaining to nuclear power plants the commonwealth created:

- The **Radiological Emergency Response Fund** that requires each of the nuclear power plants to contribute an annual fee for use by affected counties, municipalities and school districts for the purchase of equipment and planning services.
- The **Radiological Emergency Protection Fund**, which required each plant site to contribute an annual fee for use by PEMA to support the required planning, preparedness and exercise actions.



2006-07 Nuclear Power Safety Activity Highlights:

- ✓ 85 communications drills, 3 DHS/FEMA and National Regulatory Commission RC graded exercises and 21 preparation drills were conducted at the 5 nuclear power plants.
- ✓ 509 emergency hospital staff and local emergency medical service personnel were trained by PEMA in radiological response, and were exercised in 17 state graded exercises.
- ✓ 517 individuals received initial and refresher radiological response resident and field course training.
- ✓ 126 responders completed various courses via the Federal Emergency Management Agency’s Emergency Management Institute’s Independent Study program, which were pre-requisites for field training.
- ✓ 86 commonwealth radiological responders attended the Bechtel-Nevada courses at the Nevada Test Site, Mercury, Nevada and the Noble Training Site, Anniston, Alabama; paid for with federal dollars.

2006-07 Emergency Preparedness and Response Training Highlights:

- ✓ 86 resident (classroom and field courses were provided for more than 2,323 students who received specialized training in leadership, management, communications, surveillance and detection, radiological preparedness and response, mitigation, mass fatality response, catastrophic logistics, continuity of operations, weather preparedness, and rural preparedness.
- ✓ 256 other specialized first responder and emergency management support courses were conducted, supported, and promoted for sister agencies, such as the PA Office of Fire Services, the Pennsylvania Departments of Agriculture, Health, Military and Veteran Affairs, the Office of Homeland Security, the National Weather Service, the US Department of Homeland Security and DHS’ 40 Consortium training academies.

Another commonwealth response resource is the Urban Search and Rescue Team, one of only 27 such response teams recognized by the Federal Emergency Management Agency. These teams are deployed in support of highly complex or large-scale structural collapses, explosions and similar events. The task force is “ready to roll” from the Harrisburg International Airport within six hours of a request.

3. Assist communities and citizens of the commonwealth in restoring essential infrastructure, replacing personal property and restoring their communities to pre-disaster conditions.

After a disaster strikes, PEMA coordinates with other state and county personnel to assess the impact and determine if conditions meet the various federal disaster assistance levels. Disaster recovery centers are established in or near the impact areas where a wide range of state, federal and county agencies are made available to assist victims and answer questions. During the June flooding of 2006, 20 disaster recovery centers were opened and provided assistance to 4,294 flood victims. Homeowners, renters and small businesses received over \$80.7 million in federal and state disaster assistance.

Homeowners and renters can learn more about disaster preparedness and assistance from www.fema.gov.

Homeowners, renters and small businesses can learn about SBA disaster loans and disaster preparedness at www.sba.gov.

PEMA is working closely with the 67 county emergency managers to assist in the development of comprehensive county hazard mitigation plans. Counties with hazard mitigation plans in place qualify for participation in the federal **hazard mitigation** program, which helps break the cycle of disasters by funding the buyout or elevation of homes in flood-prone areas. As of June 30, 2007, 41 (61 percent) of Pennsylvania's counties have FEMA approved hazard mitigation plans.

In 2006-07, 190 residential structures were removed from the flood-prone areas, returning the land to a natural floodplain. This brought the total number of structures removed from the floodplain to 1,213 since 1996. As a result of PEMA's efforts, Pennsylvania's hazard mitigation plan was designated by FEMA as an enhanced all-hazards plan, which allows Pennsylvania to receive 20 percent in federal disaster aid for mitigation efforts rather than the normal 15 percent. Using the federal cost benefit calculation ratios, the estimated commonwealth savings is around \$8 million annually.

The **Public Assistance Grant** program provides funding to local and state government entities to repair infrastructure damaged during large disasters. In order for this grant to be activated statewide, damages must have exceeded a threshold of \$14.8 million, according to federal law, and the President must have issued a disaster declaration. During June 2006, a severe storm damaged infrastructure in 25 counties and a November 2006 storm caused similar damage in eight counties. As a result of these major disasters, PEMA coordinated the commitment of \$88,129,151 in federal funding and \$18,060,302 in state funding to assist municipalities in repairing or replacing their flood damaged infrastructure. A total of 4,352 projects were approved within the designated disaster counties. These projects included repair or replacement of facilities, such as bridges, roads, dams, waster water treatment plants, government buildings and removal of disaster debris. Since 2003, the Public Assistance Grant program has provided \$286,777,576 to repair or replace critical infrastructure within the state.

4. Fully implement and maintain the enhanced Wireless 911 Program.

To continue the rollout of technology and resources that will allow 911 centers to identify the location of a wireless caller dialing 911, PEMA reviewed and approved county wireless 911 deployment plans resulting in the disbursement of \$87,299,736 to county call centers. At the end of 2006-07, 40 of Pennsylvania's 67 counties possessed wireless 911 capability. In addition, nine counties have achieved an interim Phase I deployment level

that allows county 911 centers to receive a call back number. Since cell phone calls can often be dropped in mid-call, this level of deployment is an important step in enabling a quick response to an emergency.

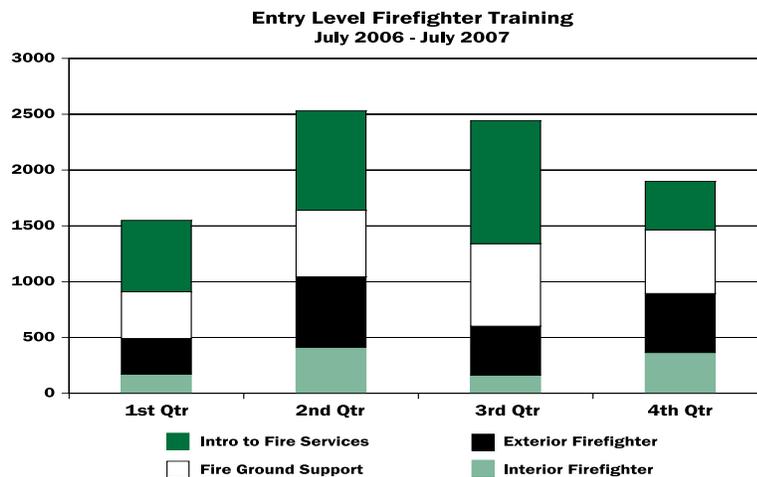
5. Provide training and financial assistance to the commonwealth’s volunteer fire and emergency medical response organizations.

The Office of the State Fire Commissioner manages Pennsylvania’s **Volunteer Loan Assistance Program** which, since its inception in 1976, has provided low-interest loans to volunteer fire, rescue and ambulance organizations for the purchase of apparatus, equipment and buildings.

More recently the Office of the State Fire Commissioner has been given the task of managing the new **Volunteer Company State Grant Program** initiated by Governor Rendell, which annually provides grants to volunteer fire and ambulance companies for the purchase or repair of apparatus, equipment or buildings; for eligible debt reduction; or for training or certification of emergency response personnel.

During 2006-07 the OSFC completed processing of 2,081 fire company grants totaling \$22 million and 561 ambulance company grants totaling \$3 million.

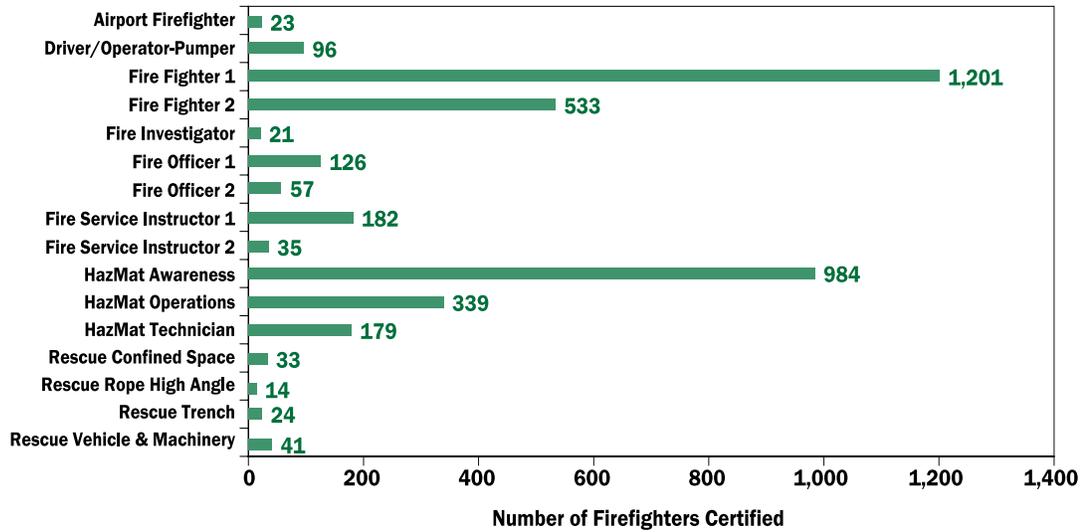
The Office of the State Fire Commissioner, through the State Fire Academy, and in cooperation with a several community colleges and county emergency training organizations, makes a program of basic to mid-level firefighter training available throughout the state. A new basic firefighter training curriculum was introduced in 2006. Completion of successive training modules prepares new firefighters to be ready to provide an increasing range of fire fighting and rescue services to their communities, from fire ground support activities to interior structural fire fighting. In 2006-07, more than 5,350 students completed training modules beyond the basic entry level introduction to the Fire Service.



The academy’s resident fire and rescue training programs at the Lewistown facility provided mid-level and advanced hands-on and/or live-fire fighting training experiences for more than 540 firefighters and fire officers in 2006-07, and intensive live-fire training for 50 new fire fighting instructor candidates. In addition, the “Academy on the Road” program provided intensive firefighter safety and survival training to firefighters in more 40 county and regional training sessions. These sessions varied from four-hour evening sessions focusing on individual firefighter health and safety issues to two-day hands-on sessions that taught skills and techniques necessary to rescue fellow firefighters suddenly trapped in buildings during actual fire incidents.

Through the academy’s **Voluntary Firefighter Certification Program**, more than 3,900 firefighters were certified at one of 16 professional certification levels, ranging from Firefighter I to Fire Officer II and including specialty levels in rescue and hazardous materials response.

2006 Firefighter Certification



A series of five juvenile firesetter intervention workshops were conducted during 2006-07. These workshops provided guidance and resources to assist county and regional groups establish multi-disciplinary organizations and programs that can offer communities and individuals help in preventing and mitigating juvenile fire setting incidents. Workshops were also conducted to promote the introduction of the National Fire Protection Association’s Risk Watch® Child Injury Prevention Curriculum into pre-kindergarten through grade eight classrooms in schools and other child-related organizations throughout the commonwealth. In addition to instruction on program introduction and management, curriculum and supporting materials were provided to several new and existing Risk Watch programs.

Office of Homeland Security

James F. Powers, Jr., Director, www.homelandsecurity.state.pa.us

PEMA and the Office of Homeland Security work together to ensure that the focus of preparedness efforts in the commonwealth remains an all-hazards approach to preventing, protecting against, responding to, and recovering from incidents or events that have actual, potential, domestic, or international implications. The relationship between PEMA and OHS was further strengthened by Executive Order 2007-10, which established a formal reporting relationship between the director of OHS and PEMA. The OHS:

- Develops and maintains strategies to protect the commonwealth’s critical infrastructure, key resources, and significant special events.
- Partners with federal and commonwealth agencies and municipality, county, and private sector entities to develop strategies to mitigate risk.

- Prioritizes and implements risk-based protective programs.
- Evaluates first responders' capabilities to respond to emergencies.

Awards and Recognition

Emergency Management Accreditation Program (EMAP) –The Pennsylvania Emergency Management Agency was the fifth state emergency management agency in the nation to receive EMAP certification. PEMA was ranked number one in the nation for activities designed to educate citizens on how to be better prepared for a disaster or emergencies during September 2006, National Preparedness Month.

Budget and Complement Highlights (PEMA)

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$54,154	\$51,097	\$34,026
Federal Funds	285,696	402,005	337,432
Special/Other Funds	47,296	166,153	138,419
Department Total	\$387,146	\$619,255	\$509,877

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	171	172	160

Key Performance Measurements (PEMA)

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Emergency management training recipients	6,500	9,250	19,260
Emergency management grants awarded	445	504	382
Emergency exercise participants	797,000	501,875	70,393
Number of incidents reported through the PA Emergency Incident Reporting System	6,782	7,303	10,136
State Fire Academy entry level training:			
Graduates	3,710	2,638	8,110
Certified at firefighter or higher	3,286	4,315	4,185
Volunteer company loans approved (in thousands)	\$13,608	\$15,321	\$17,490
Number of Fire and Emergency Medical Services Grants Awarded	2,500	2,642	2,913

Department of Military and Veterans Affairs

Major General Jessica L. Wright
www.dmva.state.pa.us

Mission Statement

DMVA has a dual mission: to provide quality service to the commonwealth's 1.1 million veterans and their families, and to oversee and support the nearly 20,000 members of the Pennsylvania National Guard. In its oversight of the Pennsylvania National Guard, DMVA is unique among state agencies in that the Department must work in close partnership with the federal government to fulfill the Guard's dual responsibilities to the commonwealth and the nation.

Overview of Programs and Services:

- Assists over one million Pennsylvania veterans and their dependents through the operation of six veteran's homes, a school for veterans' children, and the administration of veteran benefit programs.
- Provides oversight and support to the Pennsylvania National Guard.
- Provides well-trained personnel and well-equipped units that function effectively and efficiently in either combat or civil missions.

The Department of Military and Veterans Affairs fulfills its dual mission by:

- Providing advice and assistance to Pennsylvania veterans and their families; providing quality care for aging and disabled veterans; and creating responsible citizens and developing lifelong learning in veterans' children who reside at Scotland School for Veterans' children.
- Preparing the Pennsylvania National Guard for combat, performing worldwide combat and combat support operations, providing global reach and the protection of the U.S. military power in support of national objectives; and, at the command of the governor, providing trained personnel to support state and local authorities in times of natural disaster or civil strife.

Major Agency Objectives for 2006-07 to support the National Guard:

- 1. Support enhanced benefits for Pennsylvanians who have served in the National Guard and in the other branches of the Armed Forces.**
- 2. Enhance the strength of the Pennsylvania National Guard.**
- 3. Support the transformation of the Army National Guard through modernization and modularity.**
- 4. Support the transformation of Naval Air Station Joint Reserve Base Willow Grove into a joint interagency installation under a Commonwealth of Pennsylvania lease with national defense, homeland security and emergency preparedness missions.**
- 5. Provide well-trained and well-equipped personnel for deployment in connection with the global war on terrorism, homeland security, and emergency preparedness and response.**

Major Agency Objectives for 2006-07 to support Pennsylvania veterans:

- 6. Enhance services to veterans and their dependents and beneficiaries.**
- 7. Provide quality care to residents in Pennsylvania's veterans' homes.**
- 8. Develop lifelong learning skills for students who attend the Scotland School for Veterans' Children.**

The Department of Military and Veterans Affairs is partially funded with state dollars but federal dollars are the primary source of funding for the **Pennsylvania National Guard**. The federal government contributes roughly four times more funding than the commonwealth for the National Guard. DMVA has a significant economic impact on the commonwealth. According to the "2006 Economic Impact in Communities" report, DMVA and the Pennsylvania National Guard generated a total economic impact of \$1.34 billion on more than \$800 million in expenditures in 2006. These expenditures represent an increase of nearly 12 percent over 2005.

Major Achievements and Initiatives in Fiscal Year 2006-07

1. Support enhanced benefits for Pennsylvanians who have served in the National Guard and in other branches of the Armed Forces.

Governor Rendell and the Department of Military and Veterans Affairs have actively pursued the most comprehensive package of legislation to support Pennsylvania veterans, active duty soldiers, members of the National Guard and their families ever considered in Pennsylvania. Governor Rendell unveiled his “Support our Soldiers” legislative initiative on April 30, 2005, and, with the cooperation and support of the Pennsylvania General Assembly, most of those proposals have now been enacted into state law.

The enhanced benefits now provided to National Guard personnel and to those Pennsylvanians serving in the other branches of the Armed Forces includes the following:

Persian Gulf Conflict Veterans’ Bonus – eligible veterans will receive \$75 per month for each month of active service up to a maximum of \$525. Five thousand dollars will be paid on behalf of veterans who died in active service, or were prisoners of war.

Merchant Marine Veterans’ Bonus – Pennsylvanian Merchant Marine veterans who served during World War II are eligible to receive a \$500 one time payment. Claims totaling \$586,500 have been processed to all 1,173 eligible Merchant Marines.

Educational Assistance – provides grants for eligible recipients equal to the [tuition](#) at any of the 14 State System of Higher Education universities.

Soldiers Group Life insurance premiums – reimbursement payments for federal life insurance premiums will be made for eligible members of the Pennsylvania National Guard who are deployed to combat and elect to partake in the coverage.

Free college tuition for children and surviving spouses - is provided at [State System of Higher Education](#) universities, state-related schools and community colleges for unmarried surviving spouses and children of Pennsylvania National Guard members killed in the performance of federal or state active duty.

Extension of eligibility for health insurance coverage - for a period equal to the period of active duty for eligible full-time students who serve on active duty in the Guard and other reserve components.

Death benefit for survivors of personnel who die as a result of state active duty - personnel who die while in state active duty or who die from heart attack or similar causes within 24 hours after release from state active duty receive an increased death benefit of \$50,000 for a total of \$100,000.

Additional 15 days paid military leave – for guard and reserve personnel employed by the commonwealth who are ordered to active duty for 30 or more consecutive days.

Deferred motor vehicle insurance coverage – allows deployed soldiers to defer their motor vehicle insurance coverage when they are called to active duty outside to commonwealth and don’t operate their cars.

Reduced-price hunting and fishing licenses for deployed soldiers - are available at a reduced cost for one year after their return.

State active duty for Emergency Management Assistance - Pennsylvania National Guard personnel are eligible to perform state active duty with 48 other states.

Military Family Relief Assistance - Funded through donations, this program provides grants to Pennsylvania members of the Armed Forces and their families who have a direct and immediate financial need resulting from military service. Total donations to the program during 2006-2007 were \$347,255 and grants totaling \$31,656 were awarded to those in need.

2. Enhance the strength of the Pennsylvania National Guard.

The recruit sustainment program became operational in August 2005. It prepares new soldiers to excel when they are sent to basic training. This program provides physical fitness conditioning, training in basic combat techniques, common tasks and military customs and courtesies to every newly enlisted soldier. This training increases the success rate of new soldiers deployed to basic training. Currently the success rate in Pennsylvania is 85 percent which exceeds the national average of 76.1 percent. This training is conducted at 12 sites across the commonwealth.

As part of the nationwide initiative to increase readiness, the department provides financial incentives to current National Guard members who recruit new personnel. Eligible National Guard members receive up to \$2,000 per new soldier or airman recruit and \$8,500 per new officer recruit. Since January 2006, more than 1,800 individuals have enlisted because of this program.

3. Support the transformation of the Army National guard through modernization and modularity.

Sustainability is a long term strategy that looks to “sustain the mission and secure the future” of existing military facilities. DMVA continues to explore ways to meet the challenges of the future by evaluating the mission, enhancing community compatibility, and respecting the environment at all of its facilities across the commonwealth.

[Fort Indiantown Gap](#) has been lauded for its work in integrating land management practices with military training by establishing buffer zones; rotating training areas to control erosion; and upgrading tank trails, stream crossings and culverts to limit sediment and control invasive species. Because of DMVA’s successful development and implementation of advanced sustainability programs, the Department of the Army selected Pennsylvania to host the first Sustainability Workshops for the National Guard and help model sustainability for all the other state National Guards.

4. Support the transformation of Naval Air Station Joint Reserve Base (NASJRB) Willow Grove to a joint interagency installation under a Commonwealth of Pennsylvania lease with national defense, homeland security and emergency preparedness missions.

After the Department of Defense announced its recommendation to close NASJRB Willow Grove and deactivate the 111th Fighter Wing of the Pennsylvania Air National Guard, Governor Rendell led the fight to save the installation and the unit. Pennsylvania worked with the Navy and the Air Force to develop a concept for a [joint interagency installation at Willow Grove/Horsham](#), which ultimately was authorized by the May 2007 Supplemental Defense Appropriation Act. In an exchange of correspondence with the Secretary of the Air Force, it was agreed that the Air Force would accept transfer of Navy property identified by the commonwealth for inclusion in a joint interagency installation, and the commonwealth would lease the property from the Air Force and assume operational responsibility for the installation. Governor Rendell has instituted a joint interagency installation planning process, which is currently underway.

5. Provide well-trained and well-equipped personnel for deployment in connection with the global war on terrorism, homeland security, and emergency preparedness and response.

Fort Indiantown Gap remains one of the top three busiest National Guard training sites in the country with more than 123,000 personnel trained annually. The base is also home to the largest military construction program at the installation since it opened in 1941. The Pennsylvania 56th Brigade was selected to transform from a heavy combat brigade to a Stryker Brigade, one of seven elite rapid-mobilization brigades in the Army, and the only one in the National Guard force. To help prepare for the Brigade's success, the Fort Indiantown Gap National Guard Training Site has just opened a state-of-the-art weapons systems and simulations training site. This site has the capability to provide realistic battle simulation to train all levels of command and staff. It was constructed to support the training of the 56th Stryker Brigade Combat Team, but it will support other Pennsylvania units as well as National Guard units from Maryland, Virginia, Arkansas, Louisiana, and New York.

Fort Indiantown Gap is also the home to several Army and Air National Guard military schoolhouses, which provide training for aviation, regiment, counter drug, medical, maintenance, lightning force, and regional equipment operators. In total, these military schoolhouses graduate nearly 10,000 students a year from all components of the Army and Air Force, and also include many international military students.

The Pennsylvania National Guard has units deployed around the world in support of the Global War on Terror. More than 1,100 members of the Pennsylvania National Guard were deployed in 2006-07 to serve in Operation Iraqi Freedom and Operation Enduring Freedom.

More than 1,000 Pennsylvania National Guard members responded to help thousands of motorists stranded on interstate highways during "Operation Winter Freeze." The snow and ice storm that began on Feb. 14, 2007, led to the activation of soldiers and airmen to provide military assistance to civil authorities. During this operation, the Pennsylvania National Guard distributed more than 4,500 meals, 8,000 bottles of water and juice, 500 diapers and 3 cases of baby formula to stranded motorists. The soldiers and airmen also conducted ground and aerial reconnaissance, directed traffic and assisted in relocating motorists to warm shelters.

The Pennsylvania National Guard also played a key role during "Operation Winter Rain" and "Operation Spring Fury" in March and April 2007, with more than one thousand members participating in emergency operations. During "Operation Winter Rain," the soldiers and airmen provided support to civil authorities through patrolling more than 5,200 miles of highways. Likewise, during "Operation Spring Fury" the Pennsylvania National Guard provided 27 high mobility multipurpose wheeled vehicles to help the Pennsylvania State Police patrol snow-covered interstates.

6. Enhance services to veterans and their dependents and beneficiaries.

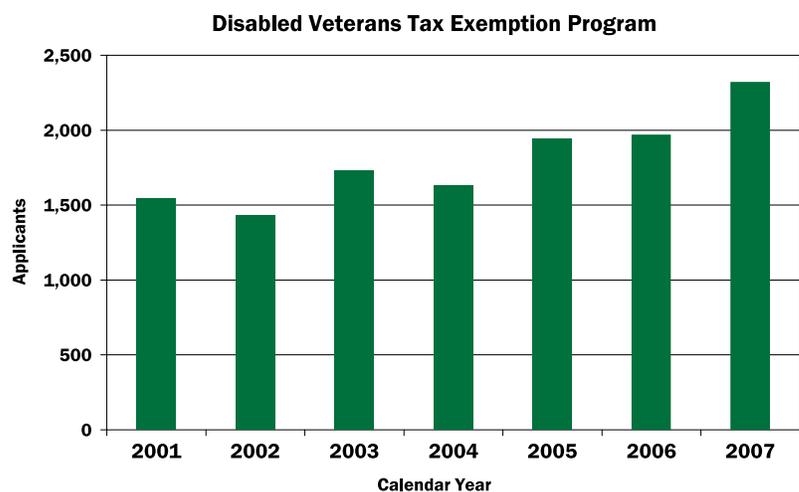
DMVA is committed to providing support and care to Pennsylvania's veterans and improving outreach efforts to veterans and their families. Federal monthly payments by the [U.S. Department of Veterans Affairs](#) to veterans are classified as compensation claims. The commonwealth's veterans' service officers helped veterans in realizing \$30 million in monetary awards for new compensation and pensions including, \$2.9 million to residents of Pennsylvania's veterans' homes. New federal compensation and pension claims have increased, with Pennsylvania now the 8th highest recipient in the country.

Pennsylvania recently enacted the **Veterans Service Officer Grant Program**, Act 66 of 2007, which provides funding to support veterans' service officer programs. The objective of the program is to improve the coordination and distribution of veterans' benefits, to maximize the effective and efficient use of taxpayer dollars; and increase veterans' participation in available benefits programs. Grants awarded under this Program shall be used solely to support accredited veterans' service officer and the associated costs, including:

- ✓ Wages, benefits, other compensation and related personnel costs.
- ✓ Training provided by accredited veterans' service advocacy staff.
- ✓ Equipment to be used by accredited veterans' service officer staff.

The **Disabled Veterans' Real Property Tax Exemption Program**

provides real estate tax exemption for any honorably discharged veteran who is 100 percent disabled, is a resident of the commonwealth and has a financial need. A change in legislation expanded financial need eligibility for this program for certain disabled veterans and their unmarried surviving spouses and increased the period of exemption from two to five years before a recipient needs to reapply. Since the new law took effect, the number of properties on the tax exemption rolls has increased from 1,970 in December 2006 to 2,323 today. About 480 additional applications are pending.



7. Provide quality care to residents in Pennsylvania's veterans homes.

Approximately \$145 million in federal and state funds are available annually for veterans' services in PA. Six **veterans' homes** with a total capacity of 1,632 beds provide services to more than 2,000 veterans and/or their spouses who are disabled, indigent or in need of care. These homes are located in Hollidaysburg, Erie, Spring City, Scranton, Pittsburgh, and Philadelphia. The Scotland School for Veterans' children is in southern Franklin County, near Chambersburg.

The **Bureau of Veterans Affairs** continues to evaluate its services to identify best practices, make improvements in efficiency and effectiveness, and ensure that the care and services provided are appropriate to its mission and responsive to the changing special needs of the veterans' community.

In the past 12 years, the number of veterans' homes has doubled from three to six. The department recently dedicated a new 32-bed unit for dementia/Alzheimer's residents at the Pennsylvania Soldiers' and Sailors' Home in Erie. With the completion of this project, each of the veterans' homes now has the ability to care for residents suffering from dementia or Alzheimer's disease in a safe and secure environment. In addition, the department has partnered with the U.S. Department of Veterans Affairs to improve the provision of long-term

care to veterans. DMVA and VA sharing agreements have resulted in improved on-site medical and dental care, preventative maintenance of medical equipment, and pharmaceutical savings.

DMVA is dedicated to providing individualized quality health care to the veterans of Pennsylvania and their spouses who reside in Pennsylvania veterans homes in a home-like atmosphere. Specially trained staffs provide modern preventive and rehabilitative services while encouraging residents' self-choice, well-being and dignity. Residents are encouraged to achieve their highest level of function and maintain self-determination and independence.

DMVA programs include:

- ✓ **Veterans' Emergency Assistance** - Provides temporary financial assistance to eligible veterans, their unmarried surviving spouses and surviving dependents when they face a financial emergency and need assistance to provide themselves with the necessities of life.
- ✓ **Educational Gratuity** – Provides education gratuities up to \$500 per term or semester per qualified child to each approved educational institution covering matriculation and other necessary fees, tuition, board, room, rent, books and supplies. The Veterans' Commission determines eligibility.
- ✓ **Real Estate Tax Exemption** – Any eligible honorable discharged veteran who is a resident of the Commonwealth is exempt from the payment of all real estate taxes.
- ✓ **Pension programs for blind and paralyzed veterans** - \$150/month for eligible veterans who are functionally blind and eligible veterans who lost the use of two or more limbs. Veterans do not have to reside in PA but must have been a PA resident at the time of entering military service.

8. Develop lifelong learning skills for students who attend the Scotland School for Veterans' Children.

[Scotland School for Veterans' Children](#) was established in 1895 and it is the only remaining state-operated school in the United States devoted exclusively to serving veterans' children. DMVA has operated the Scotland School since 1996. The school offers a unique state-funded residential education experience for children in grades 3 through 12 on its 186-acre campus. It provides a safe and nurturing environment that has resulted in 95 percent of graduates going on to college, a trade school, or entering military service. The mission of Scotland School for Veterans' Children is to motivate students to develop lifelong learning skills and challenge them to achieve their full potential as responsible citizens by providing a high-quality educational environment within a caring and nurturing residential community.

A partnership with Shippensburg University has resulted in many mutually beneficial exchanges such as training for house parents in child behavior, computer literacy, and sensitivity training to both faculty members and house parents. Tutoring is also provided to the students by college students majoring in education.

Awards and Recognition

2006 National Guard Bureau, Army National Guard's National Resource Conservation Award. The [Pennsylvania National Guard's](#) natural resource management at Ft. Indiantown Gap was lauded for integrating land management practices with military training. This included establishing buffer zones, rotating training areas to control erosion, upgrading tank trails, stream crossings and culverts to limit sediment, plus controlling invasive species.



Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$116,396	\$121,736	\$126,320
Federal Funds	89,236	125,139	165,057
Special/Other Funds	27,939	33,520	45,389
Department Total	\$233,571	\$280,395	\$336,766

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	2,469	2,475	2,428

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Pennsylvania National Guard Personnel	18,651	19,923	18,946
Percentage of authorized strength level	87%	91%	92%
Armories and field sites under major repair	117	113	35
Department of Defense personnel receiving training at Fort Indiantown Gap	124,031	116,080	113,016
Non-Department of Defense personnel (local law enforcement, State Police) receiving training at Fort Indiantown Gap	20,494	15,171	10,860
National Guard personnel receiving educational financial aid	2,854	2,670	3,035
Veterans Homes Residents	1,467	1,457	1,467
Percentage of residents that are veterans	94.5%	92.0%	91%
Percentage of residents that are spouses	5.5%	8.0%	9%
Veterans in Pennsylvania	1,117,004	1,088,220	1,088,220
Recipients of Veterans Emergency Assistance	1,654	1,538	1,904
Recipients of Blind Veterans Pension	119	115	114
Children of deceased and disabled veterans receiving education grants	132	90	112
Participants in Paralyzed Veterans programs	213	216	224
Scotland School for Veterans' Children:			
Capacity	360	360	360
Student attendance	336	294	316



Infrastructure

Introduction

The commonwealth plays a major role in connecting people to jobs, goods to markets, businesses to customers and students to schools; providing accessibility and mobility to meet the public's social, economic, cultural, environmental and recreational needs; and helping local communities finance critical water-related infrastructure projects. This section will review the major achievements and initiatives of the key agencies and offices responsible for building and maintaining critical portions of Pennsylvania's infrastructure. They are:

- **The Department of Transportation**
- **Pennsylvania Infrastructure Investment Authority (PENNVEST)**

Keeping Pennsylvania Moving – Improving our Transportation Systems

Pennsylvania's communities are linked by one of the nation's most expansive highway systems. Numerous regions across the state also have extraordinary mass transit networks. State and federal funding have made it possible to invest an additional \$2 billion in transportation over the last four years – including highways, bridges, public transportation, rail freight and aviation. While substantial unmet needs remain, the commonwealth has made a significant investment in improving the state's transportation system over the past four years.

Highways and Bridges: State funding increases made possible an additional \$1.5 billion in investments in highways and bridges over the last four years compared to 2002-03 funding levels.

Public Transportation: Over the last four years, mass transit has received \$537 million in additional resources – representing 15.3 percent more revenue than would have been available for public transportation had there been no increases in state transit funding and no state use of federal flex funding to keep Pennsylvania's transit agencies in operation.

Airports: The commonwealth provides \$31 million annually for airport development projects at public-use general aviation airports. The state also uses a portion of its funding to leverage an additional \$80 million annually in grants administered by the Federal Aviation Administration at 15 scheduled-service airports such as Philadelphia International and Pittsburgh International.

Passenger Rail: In 2006, Governor Rendell joined with Amtrak in announcing the completion of a \$145 million upgrade of the **Keystone Corridor** to bring 110 mph service to the Philadelphia-to-Harrisburg passenger rail line.

Freight Railroads: Rail freight is a key ingredient for preventing further congestion on our highways. Since 2003, the Rendell administration has increased annual rail freight assistance grants for critical rail lines and shippers' needs from \$14.25 million to \$31 million to support rail rehabilitation and related construction projects.



Did you know.....

- *PennDOT maintains almost 40,000 miles of highways, the nation's fifth largest system.*
- *PennDOT's highway system is comparable to the combined state-maintained systems of New York, New Jersey and all the New England states.*
- *\$1.89 billion in contracts was awarded in 2006-07 for highway and bridge work.*
- *Wyoming County has the most PennDOT maintained miles with 1,201 and Cameron has the smallest number of PennDOT maintained miles with 112.*
- *Southeast Pennsylvania Transportation Authority in the Philadelphia region is the nation's 6th largest transit system and the Port Authority of Allegheny County is the nation's 21st largest transit system.*
- *On average, one intermodal freight train can replace 280 trucks on the highway.*
- *Growth in truck traffic increased by 82 percent in Pennsylvania between 1984 and 2004.*
- *PennDOT used 879,000 tons of salt in 2006-07 and the total cost for winter services was \$196 million.*



Infrastructure

Department of Transportation

Allen D. Biehler, P.E., Secretary
www.dot.state.pa.us

Mission Statement

Through the active involvement of customers, employees, and partners, the Department of Transportation provides services and a safe intermodal transportation system that attracts businesses and residents and stimulates Pennsylvania's economy.

Overview of Programs and Services:

- Maintains, repairs, expands and operates the commonwealth's highway and bridge infrastructure.
- Oversees the planning, inspection and grant programs for aviation, freight railroads, rail shippers, passenger rail, and public transit.
- Improves the quality of life for the citizens of Pennsylvania.
- Oversees all driver licensing and vehicle registration services.

Major Agency Objectives for 2006-07

1. Establish a dedicated funding stream for highway and bridge maintenance and transit services; develop and adopt reforms for how dollars are invested.
2. Manage assets and processes with funding and resources prioritized for the preservation and betterment of all systems and services through a "Maintenance First" commitment.
3. Improve access and mobility, through innovative management, ensuring that people and goods can move efficiently.
4. Maximize safety for customers and employees through educational activities, infrastructure improvements and enforcement.
5. Maximize performance across the organization to make better use of scarce resources and improve the effectiveness and efficiency of the products and services PennDOT provides to the citizens of the commonwealth.

Major Achievements and New Initiatives in 2006-07

1. Establish a dedicated funding stream for highway and bridge maintenance and transit services; develop and adopt reforms for how dollars are invested.

Governor Rendell established a nine-member, bipartisan [Transportation Funding and Reform Commission](#) in February 2005 to study and make recommendations concerning the operations, structural condition, and funding of public transportation, highways and bridges in the commonwealth. In November 2006, the commission issued a final report that recommended:

- \$965 million annually in additional state funding for highway and bridges,
- \$760 million annually in new, dedicated state funding for public transit, and
- Implementation of structural reforms in the organization of state transportation programs and funding and operational efficiencies in the management of Pennsylvania's public transit systems and bridge and highway repair programs.

In response to these findings, Act 44 was enacted in July 2007, establishing a new dedicated funding stream for highway and bridge maintenance and for public transit services through a historic new funding partnership between PennDOT and the Pennsylvania Turnpike Commission. Act 44 also revamps the allocation of state public transportation funding based on performance and need. As a result of Act 44, funding for public transportation in 2007-08 has been increased by \$300 million, an increase in state funding of roughly 50 percent, and highway/bridge funding has been increased by \$450 million. The new highway and bridge funding provided through Act 44 will be used to maintain Pennsylvania's highways and bridges, and improve crumbling highway and bridge infrastructure across the state.

2. Manage assets and processes with funding and resources prioritized for the preservation and betterment of all systems and services through a “Maintenance First” commitment.

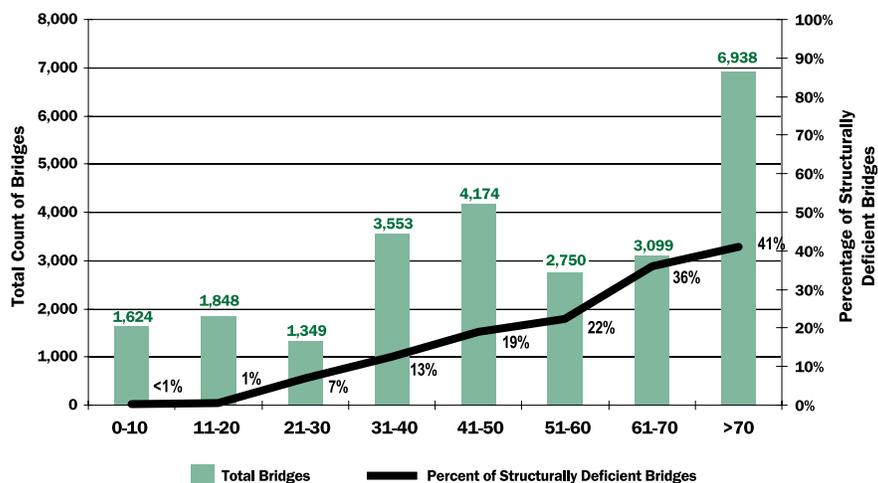
With the nation’s fifth-highest number of state-maintained roadways and the third-highest number of state-maintained bridges, PennDOT has adopted a “**Maintenance First**” approach to prioritizing departmental expenditures to most effectively maintain Pennsylvania’s highways and bridges.

In calendar year 2007, the department reached a record high of \$2.01 billion invested in highways and bridges across the commonwealth through the letting of 747 projects. Approximately 90 percent of the funding was used for preservation and improvement projects, with the remaining 10 percent expended for new construction and capacity-adding projects. Bridge improvement and preservation procurements totaled \$708 million for 657 bridges.

Bridge Facts:

- PennDOT is responsible for preserving and maintaining 25,313 bridges more than 8 feet long, with 15,374 of those being more than 20 feet long.
- The average age of a Pennsylvania bridge is 50 years, and 6,115 state-maintained bridges are older than 50.
- PennDOT improved or preserved 666 bridges in 2005-06; 768 in 2006-07.

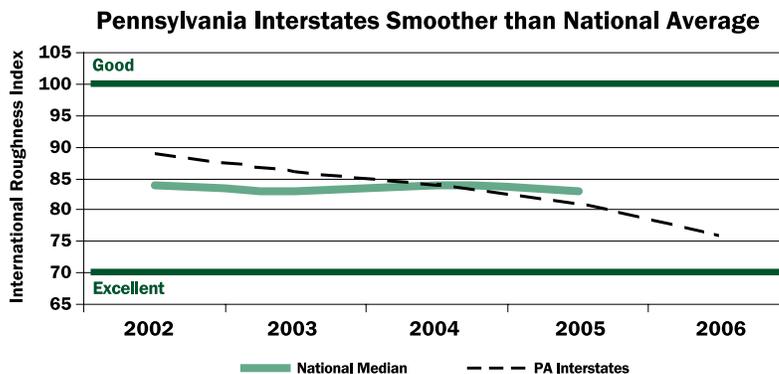
Aging Bridges and Structural Deficiency



PennDOT inspects all of Pennsylvania’s state-maintained bridges at least once every two years, ensuring their safety. Structurally deficient bridges are defined as having some deterioration in their decks, supporting members or superstructures, and/or having been designed to older standards that do not accommodate today’s legal loads. Structurally deficient bridges are inspected more frequently if their condition warrants. PennDOT imposes weight restrictions and closes bridges if deterioration causes safety concerns. Despite a record level of investment since 2003, Pennsylvania has more than 6,000 structurally deficient bridges - the most of any state.

As a result of the department performing surface improvements on 6,304 miles of roadway in 2006-07, **Pennsylvania roads are getting smoother.** Pavement smoothness has continued to improve steadily as measured by the International Roughness Index (IRI). For 2006-07, on state-maintained roadways:

- 23 percent of the system achieved an IRI rating of “excellent,”
- 34 percent of the roadways were in the “good” category,
- 22 percent are classified as “fair,” and
- Pennsylvania interstates achieved a median rating of 76 in 2006-07, which was a five-point improvement from 2005-06, and they rate above the national average.



Note: National Median Average for 2006 was not available at the time of this publication.

To improve its response to winter emergencies, PennDOT has adopted new command and control processes using the National Incident Management System, which provides a clear, organized structure for handling incidents and enhancing the agency’s emergency response.

PennDOT also has updated its Web site to provide a separate travelers’ information section. The Interstate Condition Hotline will be automatically fed information from PennDOT’s Road Condition Reporting System. www.dot7.state.pa.us/TravelerInformation

Additional winter preparation steps being taken by PennDOT include:

- ✓ Contracting with a weather forecasting service to provide automatic notification of approaching storms.
- ✓ Pilot testing of automatic vehicle locators in PennDOT trucks to improve the ability to respond to approaching storms and re-direct resources to areas that are hardest hit.
- ✓ Installation of PennDOT, PEMA and State Police incident reporting information at PennDOT’s central transportation communications center. All three incident systems are also installed at PEMA and State Police.
- ✓ Development of an interstate road closure protocol in coordination with the State Police and PEMA.

3. Improve access and mobility, through innovative management, ensuring that people and goods can move efficiently.

PennDOT's expressway service patrol, operating in the metropolitan areas of Allentown, Philadelphia, Harrisburg and Pittsburgh, keeps motorists moving in heavily congested areas. The bright green expressway patrol trucks monitor designated interstates and other major highways looking for disabled vehicles. The service can help motorists change flat tires, supply a few gallons of gas or tow a vehicle to a safe area. The operators can also offer a cell phone and phone book and will wait with the motorist until other help arrives. Along with aiding stranded motorists, PennDOT service patrol trucks provide valuable assistance at crashes. Each truck is equipped with an overhead arrow to help direct traffic around crash scenes, helping to ensure the safety of emergency responders. Started in 1996, the expressway service patrol program has served more than 116,000 motorists.

Pennsylvania has 42 urban and rural public transit systems and more than 30 community transit systems providing public transportation in all counties. They are critical to Pennsylvania's economic vitality. As a result of Act 44 of 2007, Pennsylvania's public transportation system has a dedicated and growing funding stream.

In 2006-07, Pennsylvania invested \$852 million in transit capital investments and operations, making 389 million trips possible. As a result of Act 44, Pennsylvania will invest \$1.08 billion in transit capital investments and operations in 2007-08, which will support an estimated 402 million trips. Transit systems will reinvest more than 50 percent of those dollars back into the state and local economy in capital and labor purchases.

In 2001, Pennsylvania began the **Rural Transportation Program for Persons with Disabilities** in eight counties. Fourteen additional counties were added in 2006-07 and the program now operates in 49 of Pennsylvania's 67 counties. In 2006-07, the program provided more than 177,000 rides, giving individuals better access to jobs, shopping and health care. The rapid expansion this year was made possible by a \$4.8 million investment in the 2006-07 budget. Forty-five percent of the trips made in 2006-07 were for work-related purposes, while another 21 percent were for medical appointments. As a result of Act 44, the program will be expanded to the remaining eligible counties.

In 2006, Governor Rendell joined Amtrak in announcing the completion of a \$145 million upgrade of the **Keystone Corridor** that brought 110-mph service to the Philadelphia-to-Harrisburg passenger rail line.

The enhanced service, which began during the late fall of 2006, features 90-minute express trains between Harrisburg, Lancaster and Philadelphia, a 30-minute improvement over the previous two-hour trip time. Local service also improved to 105 minutes between Harrisburg and Philadelphia. There was a 17 percent increase in ridership after this service was enhanced.

PennDOT administers \$31 million annually (\$18 million in federal funds and \$13 million in state funds) for airport development projects at public-use general aviation airports. **State aviation grants** are used to complete critical safety, economic development and system preservation projects. For example, an airport may be awarded a grant to extend runways, preserve pavements and conduct planning studies. The majority of this funding comes from taxes collected on jet fuel sold in the commonwealth. The state also uses a portion of its funding to leverage an additional \$80 million annually in grants administered by the Federal Aviation Administration at 15 scheduled-service airports such as Philadelphia International and Pittsburgh International.

To increase awareness and use of Pennsylvania’s 15 scheduled-service airports, PennDOT and the Department of Community and Economic Development developed www.IFlyPA.com. This site offers travel facts, cost-comparison scenarios and direct links to Pennsylvania’s airports. Since its inception in 2005, [IFlyPA.com](http://www.IFlyPA.com) has helped more than 120,000 visitors understand how the time and expense associated with traveling to out-of-state airports to begin air travel far exceed the costs of some in-state airfares.

Rail in PA	QUICK FACTS
<p>In the railroad industry, Pennsylvania ranks:</p> <ul style="list-style-type: none"> • 1st in the number of railroads – 65 operating railroads • 5th in number of track miles – more than 6,000 miles • 10th in rail tons originated in the state with 66.9 million tons, • 9th in the amount terminated in the state with 69.4 million tons. 	

Rail freight is an important factor in preventing further congestion on Pennsylvania’s highways. Increased investment in the [Rail Freight Assistance Program \(RFAP\)](#) - \$11 million) and the capital budget program (\$20 million) supports critical rail maintenance projects and develops and maintains rail sidings that provide rail access to manufacturers and shippers. These projects not only help to remove trucks from the highway, but also help create new jobs. Since 2004, projects funded through RFAP awards have helped to create approximately 12,000 new jobs.

The fastest-growing revenue “commodity” for Class 1 railroads (the largest freight railroads based on operating revenue) is intermodal traffic -- trains carrying truck trailers and containers. On average, one of these trains replaces 280 trucks on the highway. For projects funded by RFAP and the capital budget programs, there were approximately 1.6 million carloads shipped in 2005 and 2006, removing an estimated 6.4 million trucks that would have used Pennsylvania’s highways during these two years.

In 2004, the Buffalo and Pittsburgh Railroad applied for state and federal assistance to rehabilitate 16 miles of track along the Homer City Branch Line to restore rail service to the Edison Mission Coal Fired Power Plant in Homer City. Without rail service, Edison Mission would have required that all 6 million tons of coal the plant burns per year be delivered by truck, resulting in an estimated 220,000 trucks running using the highway system into and out of the Homer City facility. The commonwealth invested \$4 million in capital budget funds, which leveraged more than twice as much in private investment to:

- ✓ Reduce traffic congestion and roadway maintenance needs,
- ✓ Maintain and create jobs at the facility,
- ✓ Improve air quality, and
- ✓ Improve the quality of life in the surrounding communities.

The Homer City line was officially reopened in 2005, resulting in the transportation by rail of the approximately 1 million of the 6 million tons of coal previously delivered by trucks. This eliminated 40,000 trucks per year from Pennsylvania highways.

4. Maximize safety for customers and employees through educational activities, infrastructure improvements and enforcement.

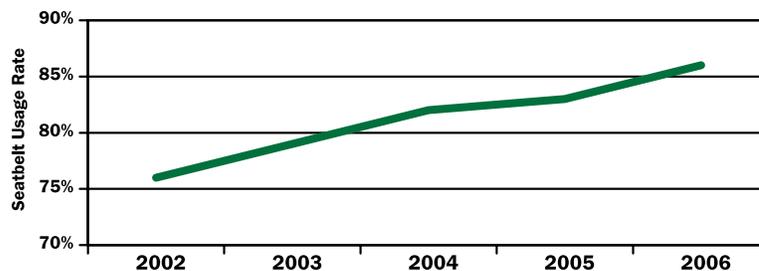
PennDOT maximized safety for customers and employees in 2006-07 through educational activities, infrastructure improvements and enforcement. As a result, there was a measurable decrease in highway fatalities in 2006 -- 1,525 fatalities reported in 2006 compared to 1,616 fatalities in 2005.

PennDOT approaches highway safety based on the three E's: engineering, enforcement and education. Examples of engineering improvements include center line and shoulder rumble strips. PennDOT provides support to state and local law enforcement agencies to make sure that DUI, seat belt, aggressive driving and other traffic laws are enforced. Education efforts supported by PennDOT include advertising campaigns on seat belt use, impaired driving and aggressive driving.

The “Smooth Operator” program was developed by PennDOT to deter aggressive driving through an enforcement program that aims to maximize safety by reducing aggressive-driving crashes and fatalities. The program was expanded statewide in 2007 with an investment of \$2 million to fund enforcement, equipment and training for the State Police and municipal police departments. In 2007, during five weeks of Smooth Operator enforcement, 175 police departments, targeting more than 200 roadways, were responsible for 96,457 citations and arrests. Pennsylvania and other partner states that are also participating in the Smooth Operator program have received the Peter K. O'Rourke Special Achievement Award from the Governors' Highway Safety Association.

Pennsylvania's seat belt-usage rate rose to 86.7 percent in 2007, the highest rate since the department began surveying usage in 1988. In cooperation with the National Highway Transportation Safety Administration, PennDOT has participated in a multi-state “Click It or Ticket” campaign to promote and enforce seat belt use. Because the commonwealth achieved a seat belt rate higher than 85 percent in the last two years, it is eligible for up to \$28.36 million in additional federal money. The department estimates that with every percentage point increase in seat belt usage, eight to 12 lives are saved.

**Pennsylvania's Seat Belt Usage Rate
Continues to Rise**



5. Maximize performance across the organization to make better use of scarce resources and improve the effectiveness and efficiency of the products and services PennDOT provides to the citizens of the commonwealth.

A growing number of PennDOT's customers are turning to online services for vehicle and driver licensing services. In 2006-07, 22 percent of the customers eligible to renew their driver's licenses and vehicle registrations online took advantage of those services. In addition to the online renewals, the department received 6.9 million renewals in 2006-07 that were processed using high-speed scanning equipment.

Pennsylvania operates the largest network of state-owned and operated Welcome Centers in the nation: 15. PennDOT’s Welcome Centers experienced a record number of customers served and overnight hotel reservations placed in 2006-07. The program recorded 3,910,700 customers personally served by professional tourist information counselors (between the hours of 7 a.m. and 7 p.m. daily) and 10,370 overnight accommodation reservations placed. These numbers represent 4 percent and 15 percent increases, respectively, compared to the previous year.

The **Home Town Streets** and the **Safe Routes to School** programs were launched in 2004 to:

- ✓ Improve the physical condition of our downtowns to attract residents, shoppers and the general public, thereby stimulating the local economy in older established Pennsylvania communities.
- ✓ Improve pedestrian conditions and create safe walking and biking routes that provide safe passage to local schools.

These initiatives have resulted in 350 approved projects and \$206 million in public investment across the commonwealth. PennDOT set a program target of \$200 million worth of projects in four years and that goal was met by April 2006, after only two years.

Home Town Streets / Safe Routes to School Project Summary						
	Home Town Streets		Safe Routes to School		Totals	
	Projects	Grant Amount	Projects	Grant Amount	Projects	Grants
2004	80	\$ 41.7 M	4	\$2.2 M	84	\$43.9 M
2005	102	\$ 71.3 M	40	\$12.2 M	142	\$83.5 M
2006	89	\$ 63.1 M	35	\$16.3 M	124	\$79.4 M
Total	271	\$176.1 M	79	\$30.7 M	350	\$206.8 M

To further enhance the value of PennDOT’s investments in Pennsylvania’s bridges and highways, the department has launched the “smart transportation” initiative, which is changing the way PennDOT approaches how projects are planned and how PennDOT works collaboratively with local communities. The goal of smart transportation is to build the **“right project, at the right time, for the right cost.”** Smart transportation planning recognizes that transportation projects support local and statewide social, economic and environmental objectives. By building projects that complement the fabric of the communities where they are located, PennDOT is able to use transportation investment to complement other efforts to improve the quality of Pennsylvanians’ lives.

To help with proper land-use planning and maximize the value of transportation assets by encouraging compatible development, PennDOT developed the **Transportation and Land Use Toolkit**. The toolkit is an educational resource that helps increase awareness of the planning tools available to help land-use planning officials, airport authorities, community advisory groups and other local leaders make smart decisions on how best to shape their community’s future, from the standpoint of transportation and mobility. The Toolkit is a guide to help Pennsylvania municipalities better integrate transportation into their community planning efforts by providing comprehensive, user-friendly guidance on the opportunities to more strongly link land use, economic development and transportation planning.



Awards and Recognition

PennDOT's project, "New Perspective On Project Delivery Utilizing ISO 9001," was the recipient of the 2007 Francis B. Francois Award for Innovation from the American Association of State Highway and Transportation Officials.

The Facilities Management Advisory Committee won a Pathfinder Award from AASHTO's Standing Committee on Quality for the development of a Strategic Energy Plan for its facilities.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$334,784	\$325,182	\$334,351
Federal Funds	1,158,447	1,320,461	1,370,196
Special/Other Funds	3,048,552	3,413,177	3,579,135
Department Total	\$4,541,783	\$5,058,820	\$5,283,682

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	12,270	12,259	12,012

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Miles of state roadways receiving maintenance work (seal coats, pavings and widenings)	6,170	6,885	6,304
Percentage of structurally deficient bridge deck ¹	20.9%	21.5%	20.8%
Number of bridges replaced/repaired	235	233	186
Dollar value of contracts (highways and bridges) (in billions)	\$1.46	\$1.61	\$1.89
Seat belt usage rate ²	81.8%	83.3%	86.3%
Percentage of drivers served in 30 minutes or less at driver licensing centers	95.5%	92.8%	91.8%
Percentage of aviation funding for economic development/capacity adding projects	58%	47%	62%
Trips provided by transit (in millions)	409	400	389

¹ Calculated by adding the total surface area of all bridges in the commonwealth. The measures represent the percent of that statewide total that is structurally deficient.

² Rate is measured by calendar year based on survey data and statistical analysis. Rates are actual for calendar year 2004, 2005 and 2006.



Infrastructure

Pennsylvania Infrastructure Investment Authority (PENNVEST)

Paul K. Marchetti,
Executive Director
www.pennvest.state.pa.us

Mission Statement

The mission of the Infrastructure Investment Authority is to serve the communities and citizens of Pennsylvania by funding sewer, storm water, drinking water, and various other types of projects that solve water problems not associated with traditional water and wastewater infrastructure systems including “brownfields”, acid mine drainage and homeowner septic problems.

Overview of Programs and Services:

- Provides low-cost loan financing and supplemental grants to communities and private entities to construct water-related infrastructure.
- Improves public health, benefits the environment and promotes economic development and community revitalization.
- Disburses grants in addition to loans to the most economically disadvantaged applicants whose ability to pay for the improvements being funded is very limited, making necessary projects too expensive to implement without grant assistance.
- Evaluates and monitors supported projects, in cooperation with Department of Environmental Protection, during construction and after completion to assure that the funded projects achieve the anticipated public health and environmental benefits.

Major Agency Objectives for 2006-07

1. Assure the continued funding of water-related infrastructure projects to improve water quality.
2. Move projects as quickly as possible through the application review and funding processes.

Major Achievements and New Initiatives in 2006-07

1. Assure the continued funding of water-related infrastructure projects to improve water quality.

PENNVEST provided benefits to more than 30,000 citizens in 2006-07 through the approval of applications for 69 new infrastructure projects and funding increases for previously approved projects to improve water systems, sewer systems, storm water management systems and “brownfields.” Of the total \$54 million in project approvals, \$4.3 million was provided in the form of grants to support PENNVEST’s special funding initiative and to ease the financial burden that capital improvements can impose on households in distressed communities. As a result of projects approved by PENNVEST in 2006-07, customers will save more than \$5.6 million per year in interest charges and more than \$128.8 million over the total repayment period. Economic development projects funded by PENNVEST in 2006-07 will support the creation of 3,887 new jobs and leverage nearly \$8 million in private investment.

The four largest projects funded during 2006-07 were:

- **Sharon City** received a \$15 million loan to eliminate overloads at the city’s wastewater treatment plant were occurring during wet weather, resulting in discharges of partially-treated sewage into the Shenango River.
- **McCandless Township Sanitary Authority** received a loan of over \$10 million to expand the capacity of its treatment plant to eliminate wet weather overflows that were contaminating Little Pine Creek. The project also allows the Authority to provide additional tap connections to a local hospital so that it can expand its workforce by 570 positions over the next three years.
- **Salem Township** received a loan of over \$9 million to construct almost 17 miles of sewage collection lines to serve more than one thousand households whose septic systems were malfunctioning and contaminating local water sources.
- **Houtzdale Municipal Authority** received a loan of over \$9 million to construct a raw water intake and a new well, as well as almost five miles of transmission lines and a pump station to convey raw water to the treatment plant, which will also be upgraded as part of this project.

In the spring of 2004, the commonwealth initiated a plan to support urban revitalization with low interest loans to fund the redevelopment of contaminated industrial sites often referred to as “brownfields.” Since the program’s creation, PENNVEST has committed to 11 projects in 7 counties, totaling \$49 million. As of June 30, 2007, \$27.5 million in loans have reached settlement.



In 2005-06 the PENNVEST Board approved projects utilizing the \$50 million in new funding authorized under Act 218 for combined sewer overflow and sanitary sewer overflow improvements, which are cases where sewer systems are overloaded during heavy rains. PENNVEST also funded nutrient reduction technology projects, which are upgrades to wastewater treatment plants that reduce nitrogen and phosphorous discharges to receiving streams. During 2006-07, 36 of the 37 approved projects reached settlement. These Act 218 grant funds were combined with \$65.2 million of PENNVEST loan funding.

2. Move projects as quickly as possible through the application review and funding processes.

PENNVEST is continuing and strengthening its efforts to automate application review, settlement and disbursement to move projects forward as quickly as possible. In the spring of 2003, PENNVEST introduced an on-line funding request system. Applicants have found the new system easy to use and a great improvement in terms of project tracking and management. The system has also allowed PENNVEST to eliminate data reentry from paper applications and has improved data accuracy.

Building on this effort in 2005–06, PENNVEST launched an on-line project settlement process that was further revised and improved during 2006-07. In addition, a web-based disbursement program that was designed during the prior fiscal year was tested and made ready for implementation by the end of 2006-07.

These efforts, along with web-based methods for storing essential data and documents, are giving PENNVEST’s staff, applicants and interested members of the public much greater access to information on the status of PENNVEST-supported projects.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$0	\$0	\$0
Federal Funds	90,250	143,045	130,540
Special/Other Funds	273,316	285,317	260,909
Department Total	\$363,566	\$428,362	\$391,449

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	27	27	26



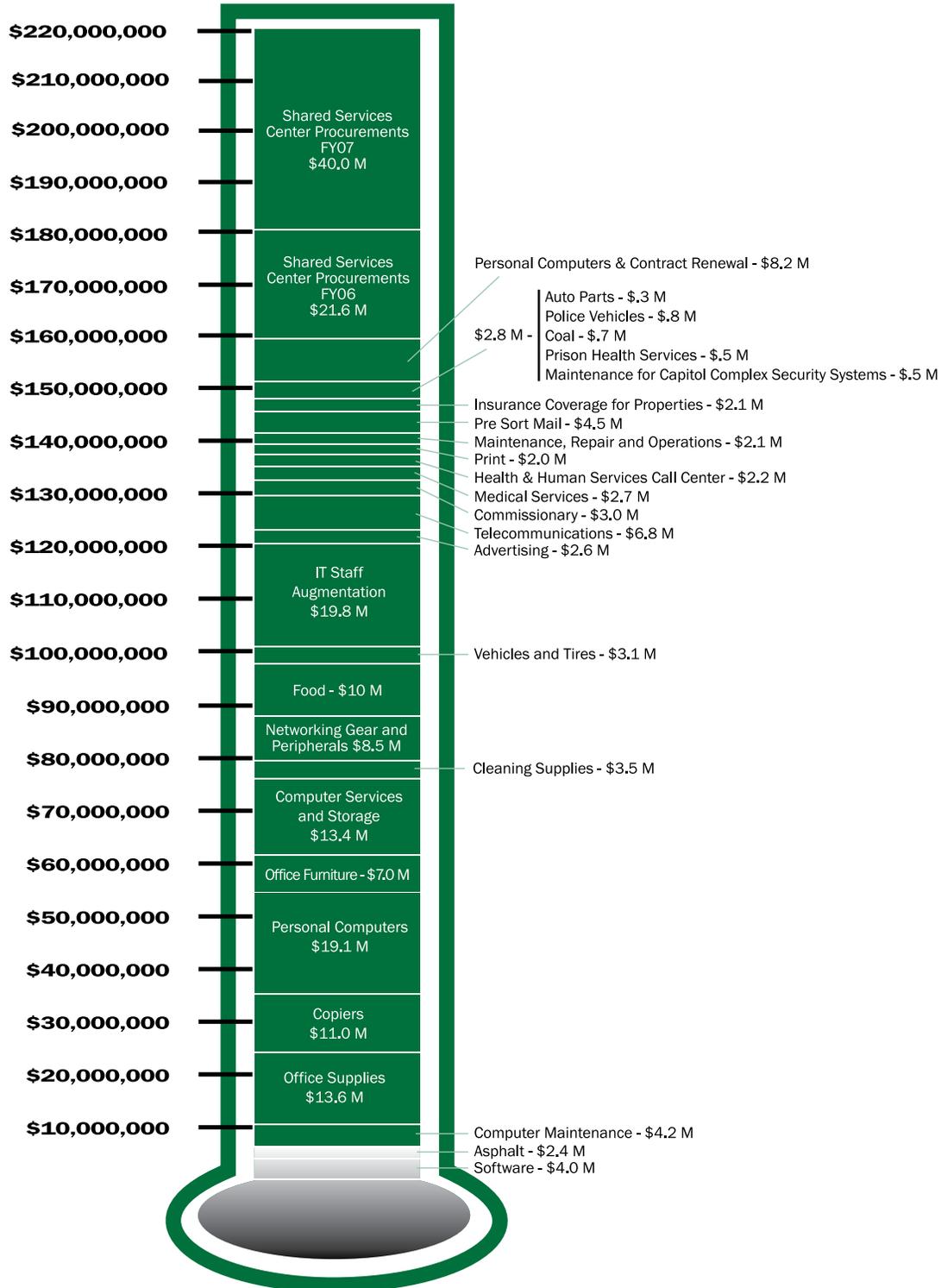
Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
PENNVEST projects implemented	91	91	112
PENNVEST awards:			
Loans (in millions)	\$280	\$278	\$281
Grants	39	68	17
Total	\$319	\$346	\$298
Projects as a percentage of total funding:			
Wastewater projects	78%	78%	84%
Drinking water projects	21%	21%	16%
Storm water projects	1%	1%	0%
Combined sewer overflow projects awarded (percentage of wastewater funding)	14%	21%	26%
Sanitary sewer overflow projects awarded (percentage of wastewater funding)	24%	29%	24%
Nutrient reduction technology projects awarded (percentage of wastewater funding)	N/A - New Measure	22%	8%
Median time from application submittal to funding approval (in days) ¹	63	43	76
Median time from funding approval to settlement (traditional projects—no brownfields) ¹	328	295	238

¹Measures changed in 2006-07 to measure traditional and brownfield projects separately.

Governor Rendell's Strategic Sourcing Initiative Has Saved \$220.3 Million to Date

by Aggregating the Purchasing Power of State Agencies to
Guarantee Pennsylvania Taxpayers the Lowest Possible Prices





Managing State Government

Introduction

Pennsylvania's administrative-support agencies provide high-quality, cost-efficient services to the rest of the commonwealth's agencies so those agencies can more effectively serve the public.

This section will review the major achievements and initiatives of the following key central management agencies:

- **The Department of Revenue**
- **The Department of General Services**
- **The Office of the Budget**
- **The Office of Administration**

Providing efficient and effective administrative services to agencies without increasing the cost of government to taxpayers has been the primary focus of the commonwealth's central management agencies over the last several fiscal years. These departments achieve their missions by applying private-industry practices to traditional government processes, emphasizing the use of technology and enhanced collaboration to provide services more effectively and at lower cost. These cost-containment efforts have allowed valuable budget dollars to be spent on services for the citizens of Pennsylvania, instead on administration.



Did you know.....

- *The commonwealth purchases over \$3 billion worth of goods and services annually.*
- *Each year DGS manages \$1 billion worth of public works construction projects either in design or construction.*
- *The Pennsylvania State Capitol Police, established in 1895, is second only to the Texas Rangers as the oldest state police organization in the United States.*
- *The bronze doors in the Finance Building were sculpted by the famed Swedish sculptor Carl Milles in 1938, and are considered the most valuable artwork in the Capitol Complex outside of the Capitol Building itself.*
- *The Capitol Park, dating back to 1785, is one of the oldest public green spaces in the country.*
- *Pennsylvania Liquor Control Board operates 625 Wine & Spirits stores across the state that had \$1.69 billion in sales in 2006-07.*
- *An estimated 22,000 state historical markers have been placed throughout the commonwealth, bringing history home. About 30 new markers are added annually.*
- *Ephrata Cloister, Lancaster County, was cited by USA Today as one of the ten best places to visit and learn about America's German-speaking heritage.*
- *A collection of historical and archaeological artifacts, works of fine art and natural history specimens numbering nearly 4 million are preserved for the citizens of the Commonwealth.*
- *Since the Federal Rehabilitation Investment Tax Act program's inception in 1978, 2152 completed projects have generated over \$3.9 billion dollars worth of private investment in Pennsylvania communities.*



Managing State Government

Department of Revenue

Thomas W. Wolf, Secretary
www.revenue.state.pa.us

Mission Statement

The mission of the Department of Revenue is to administer the tax laws of the commonwealth in a fair and equitable manner. The department also administers the state lottery, which generates funds for programs that benefit older Pennsylvanians.

Overview of Programs and Services:

- Collects all tax levies as well as various fees, fines and other monies due the commonwealth.
- Supervises the administration and collection of monies for Philadelphia and Allegheny county local sales tax and various special funds.
- Promotes expanded use of electronic tax filing, permitting quick deposit of funds and quick review of a tax return's accuracy.
- Audits and verifies tax returns to detect fraud and non-filers.
- Collects delinquent taxes.
- Administers the Pennsylvania Lottery.
- Collects gaming-related taxes and assessments.

Major Agency Objectives for 2006-07

1. Increase delinquent tax collections.
2. Ensure Pennsylvania's business tax climate is fair and competitive.
3. Continue to expand the state lottery to support programs for older Pennsylvanians.
4. Continue to expand the use of e-commerce.

Major Achievements and New Initiatives in 2006-07

1. Increase delinquent tax collections.

By enforcing the tax laws of the commonwealth, the Department of Revenue is not only fulfilling its duty to enforce the law, but also ensuring that the playing field is level for the majority of individuals and businesses who responsibly pay their taxes. Businesses that do not pay taxes gain an unfair financial advantage over their law-abiding competitors.

Through increased enforcement and encouraged voluntary compliance, an additional \$159 million, or 20 percent, was collected from 2004-05 to 2005-06 and \$78 million, or 11 percent, from 2004-05 to 2006-07. For each \$1 spent on enforcement administration, the department has collected \$14 in delinquent taxes.

2. Ensure Pennsylvania's business tax climate is fair and competitive.

Targeted changes to business tax rates and bases to help make Pennsylvania more competitive in attracting and retaining business investment have been implemented since Governor Rendell took office in January 2003, resulting in cumulative business tax cuts of \$1.2 billion through the end of 2006-07. Business tax reductions since January 2003 include the following:

- Continued phase-out of the capital stock and franchise tax, reducing the tax rates from 7.24 mills in 2003 to 3.89 mills in 2007 – a 46 percent reduction. This rate reduction saved business taxpayers \$522.1 million in 2006-07.
- Increasing the sales factor in the corporate net income tax apportionment formula from 60 percent to 70 percent. This change helps businesses with large investments in property and employees in Pennsylvania. Savings for Pennsylvania-based businesses in 2006-07 were \$14.1 million.
- Increasing the annual cap on net operating loss carry-forward deductions from \$2 million to the greater of \$3 million or 12.5 percent of taxable income. This change primarily benefits high-tech companies, which tend to have losses in their first years, and cyclical businesses. This change saved Pennsylvania businesses \$21 million in 2006-07.
- Providing sales tax processing exemptions for cellular telephone companies and a sales tax credit for certain call centers. More than 400 telecommunications companies have benefited from this change, with an estimated savings of \$218 million through 2006-07.
- Expansion of the research and development tax credit for businesses. Credits may now be issued up to \$40 million in a fiscal year, with \$8 million allocated for small businesses. When Governor Rendell took office, state research and

development tax credits were limited to \$15 million per year. More than five out of every 10 business taxpayers receiving the research and development tax credit are manufacturers, claiming 63 percent of the total amount of approved credits.

3. Continue to expand the state lottery to support programs for older Pennsylvanians.

For 2006-07, the [Pennsylvania Lottery](#) ranked seventh of 43 U.S. lotteries in annual sales, and ranked fourth in terms of the highest level of net profits provided to state programs.

Lottery proceeds are dedicated exclusively to programs that aid low- and moderate-income older Pennsylvanians, such as:

- ✓ The Property Tax/Rent Rebate program, which reduces the property tax burden and
- ✓ The [PACE](#) and [PACENET](#) programs, which provide subsidies for pharmaceutical purchases.

The Property Tax/Rent Rebate Program allows Pennsylvanians 65 years of age or older, surviving spouses over 50 and permanently disabled citizens 18 years of age or older to lead fuller lives by restoring a portion of their income through property tax and rent rebate assistance. In 2006-07 the income ceiling for program eligibility was \$15,000 per household, with assistance declining from a maximum benefit of 100 percent of the tax to \$500, whichever is less. In the income eligibility calculation, 50 percent of Social Security Income and Railroad Retirement Benefits are excluded. In 2006-07, the average tax assistance payment was \$375.28 and the average rent rebate was \$393.82. More than 310,000 Pennsylvania households received state-provided rebates under the Property Tax/Rent Rebate Program in 2006-07. Special Session Act No. 1 of 2006 provided for a dramatic expansion of the Property Tax/Rent Rebate program, increasing rebate amounts from \$500 to \$650 and making more Pennsylvanians eligible for a rebate by increasing the household income limit from \$15,000 to \$35,000.

The Pace Program provides pharmaceutical assistance to qualified state residents 65 years of age and over who have a growing burden from the cost of prescription drugs required to maintain healthy, independent lives. The program has two components:

- ✓ PACE - the traditional comprehensive program for persons with an income at or below \$14,500 for a single person or \$17,700 for married couples, and
- ✓ PACENET - a program with higher cost-sharing, with income limits of \$23,500 for a single person and \$31,500 for married couples.

More than 314,000 eligible older Pennsylvanians received PACE benefits in 2006-07. The annualized enrollment growth rate is more than 30 percent since 2002-03, a trend that is expected to continue.

Lottery sales have grown by more than \$1.1 billion, or 58 percent, in five years. Sales increased by 12.6 percent in 2004-05, 15.5 percent in 2005-06 and 1 percent in 2006-07. (www.palottery.com)

Lottery retailers, many of them small businesses, earned \$166.3 million in 2006-07. The number of retailers has increased from 7,041 in January 2003 to about 8,500 in 2006 (a 17 percent increase) after 17 years of decline.

Lottery initiatives and accomplishments include:

- ✓ Innovative lottery games, such as Millionaire Raffle and Match 6,
- ✓ Increased instant prize payouts,

- ✓ More effective marketing, including “Gus, the second most famous groundhog in Pennsylvania,” an instant-ticket spokesperson,
- ✓ Technology innovations such as player-activated terminals – **Pennsylvania’s lottery was the first to use this type of technology,**
- ✓ Increased operational efficiency through lottery reorganization - a new field operations unit and stronger inventory shipment and control, and
- ✓ Innovative age-identification capability – with assistance from the Department of Transportation – to help retailers restrict the sale of age-controlled products such as the lottery, tobacco and beer; as well as the lottery retailer **AMBER Alert** program – implemented with help from the State Police.

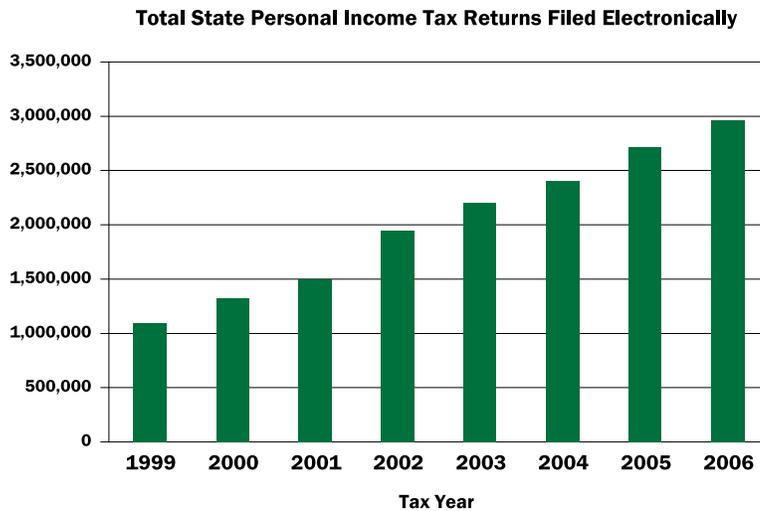


**“Gus, the second most famous groundhog in Pennsylvania”
An Instant Ticket Spokesperson**

4. Continue to expand the use of e-commerce.

The Revenue Department has expanded the use of e-commerce to increase its efficiency and ease the burden on taxpayers in filing returns. E-filing dramatically reduces the cost of processing paper tax returns.

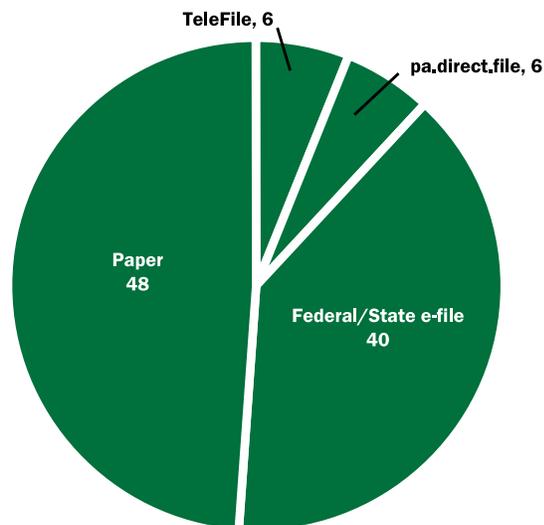
More than 3 million taxpayers – more than half of all individuals filers – filed their 2006 state personal income tax returns electronically, setting an all-time record for electronic filing. The new total was an increase of 7 percent over the previous year.



In 2004–05, the department discontinued mailing paper sales and use tax returns. In 2006–07, 98 percent of sales and use tax returns were received electronically. Also in 2005–06, the department discontinued mailing paper

employer withholding returns, and received 48 percent of the filings electronically that year. In 2006-07, 92 percent of employer withholding returns were received electronically.

**2006 State Personal Income Tax Returns Received
52 percent Filed Electronically**



The number of new businesses registering electronically with the state has been increasing steadily over the last several years. Overall, the number of business applications submitted electronically has increased from 25 percent in 2001 to 82 percent in 2007. Savings from these e-commerce initiatives are estimated to be more than \$1.8 million annually.

AWARDS AND RECOGNITION

2005 Federation of Tax Administrators Award for Outstanding Research and Analysis in State Tax Administration

– The department was recognized for its work in analyzing the effects of combined reporting on state tax revenues. Judges noted, “This analysis will be very useful to other states that may be looking at moving to combined reporting.”

Federation’s 2004 award for Outstanding Compliance Program (co-winner) –The federation called Pennsylvania’s pass-through business office “incredibly impressive” and said, “Pass-through compliance is a struggle for all the states, and it’s amazing that Pennsylvania could come up with a way to automate the collections process that works quickly. Plus the speed of implementation, that they did it with limited resources—that required an extra level of innovation.”

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$214,108	\$173,055	\$179,261
Federal Funds	0	0	0
Special/Other Funds	544,614	718,593	1,147,969
Department Total	\$758,733	\$891,648	\$1,327,230

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	2,237	2,270	2,336

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Delinquent taxes collected per dollar spent	\$12.66	\$15.05	\$14.36
Increased tax collections:			
Enforcement agent assessments	\$4,100,000	\$21,441,509	\$22,053,751
Pass-through business collections	\$10,700,000	\$15,300,000	\$16,000,000
Lottery operating costs as a percentage of ticket sales (includes cost of lottery administration only).	0.72%	0.70%	0.76%
Electronic business tax registrations as a percentage of the total	67%	75%	80%
Personal income tax returns processed:			
Total electronic	2,520,663	2,813,228	3,040,325
Total paper	3,288,166	3,994,634	2,076,124
Total	5,808,829	6,807,862	5,116,449



Managing State Government

Department of General Services

James P. Creedon, Secretary
www.dgs.state.pa.us

Mission Statement

The mission of the Department of General Services (DGS) is to provide high-quality services at a fair price to support the operation of state government. As the state's central purchaser of commodities and services, the manager of the state's public works program that builds and repairs the commonwealth's buildings and infrastructure, and the manager of most state-owned facilities, it is imperative that DGS make cost-effective service its primary mission. DGS also works to make state government friendlier to citizens and suppliers, expand opportunities for minority- and women-owned businesses and reduce operating costs for all state agencies.

Overview of Programs and Services:

- Procures goods and services for the commonwealth.
- Oversees the commonwealth's vehicle fleet.
- Manages state property and facilities, including state office buildings.
- Manages non-highway capital construction projects and improvements to existing facilities.
- Provides space utilization planning services for state agencies.
- Manages the state's minority and women-owned business opportunity program, the Capitol Police Department and the Bureau of Commonwealth Media Services.
- Serves as the insurance broker and real estate agent for the commonwealth, managing more than 1,400 real estate leases and the state's insurance programs.

Major Agency Objectives for 2006-07

1. Buy smarter.
2. Reduce vehicle costs and build a more fuel-efficient fleet.
3. Improve the quality and delivery of construction projects.
4. Manage energy costs.
5. Revitalize downtowns.
6. Expand women- and minority-owned business opportunities.

Major Achievements and New Initiatives in 2006-07

The Department of General Services, as an administrative-support agency, continues to advance Governor Rendell's mandate to cut costs and drive greater efficiencies within state government, thereby saving taxpayers millions of dollars while providing them with improved services. DGS is accomplishing this mandate by advancing several major enterprise-wide management and productivity reform efforts on behalf of the Rendell administration.

In 2006-07 DGS achieved recurring savings of more than \$200 million by being a better steward of taxpayer dollars. DGS's cost-cutting efficiency initiatives include buying smarter through Strategic Sourcing, reducing the state's vehicle fleet, better managing state construction projects and reducing energy costs. DGS also supports economic revitalization in Pennsylvania by locating more state leases in Pennsylvania's downtowns, and also stimulates economic development by creating greater opportunities for minority and women-owned businesses to participate in state contracts.

1. Buy smarter.

The commonwealth purchases approximately \$3 billion a year in goods and services. In the past four years, DGS has generated more than \$220 million in annual savings by buying smarter through **Strategic Sourcing**, the Rendell administration's initiative to save money for taxpayers in the state's purchase of goods and services.

Strategic Sourcing means buying smart. Just as large families go to discount stores to buy products in bulk at the lowest prices, the commonwealth does the same thing through Strategic Sourcing. Instead of allowing every state agency to purchase on its own and paying higher prices due to the relatively small size of the purchase, the commonwealth now goes to market as a single coordinated enterprise and obtains much more competitive pricing as a result.

There have been many Strategic Sourcing success stories. Early in the Strategic Sourcing initiative, Governor Rendell was joined by Michael Dell, founder and CEO of Dell Computers, to announce that Dell would be awarded the commonwealth's master contract for desktop and laptop computers, saving taxpayers more than \$19 million annually. Dell also announced that the

company would partner with eight Pennsylvania minority- and women-owned businesses in the fulfillment of this contract. Under the Dell contract, the average cost of a laptop dropped from \$1,277 per computer to \$714 – a savings for taxpayers of \$563 per computer, or nearly 40 percent off the previous price.

Annual purchasing savings of \$280 million are expected by the end of 2007-08. These savings allow state agencies to reduce their operational costs and free up available funds to fund important government initiatives that benefit the people of Pennsylvania.

DGS also works with businesses throughout the commonwealth to connect them with local governments and non-profits in need of goods and services at competitive prices. The Rendell administration has worked with the General Assembly to allow DGS to establish contracts that provide goods and services at competitive prices to Pennsylvania's counties, cities, townships, school districts and other local public procurement units. Through DGS's **COSTARS** program (**Cooperative Sourcing to Achieve Reductions in Spending**), more than 3,200 local entities and non-profit institutions have been brought together with more than 1,200 suppliers and manufacturers on 190 different contracts ranging from road salt to computers, while preserving access to government contracting opportunities for Pennsylvania's small businesses.

The COSTARS program provides business opportunities for businesses too small to economically provide goods and services under the large contracts let by the commonwealth, while enabling local governments to obtain competitive priced goods and services and save money.

For more information on Strategic Sourcing or the COSTARS program, go to www.dgs.state.pa.us, "Doing Business with the Commonwealth," and click on "Procurement."

2. Reduce vehicle costs and build a more fuel-efficient fleet.

In 2003, when Governor Rendell took office, the state's policy was to sell state-owned passenger vehicles at 65,000 miles no matter what condition they were in. The commonwealth now retains passenger vehicles until they reach 100,000 miles. Even with increased maintenance costs to keep vehicles operating longer and the lower sales price of a used older vehicle, the commonwealth has still **saved more than \$13 million** since these changes began in 2004. As older cars are turned in, they are replaced, when economically feasible, with new hybrid vehicles, in order to reduce Pennsylvania's dependence on imported oil and improve Pennsylvania's environment. Since 2003, nearly 400 SUVs have been eliminated from the fleet, a 25 percent reduction. At the same time, the number of alternative fuel vehicles, including hybrids, in the fleet has tripled from 271 in 2003 to 753.

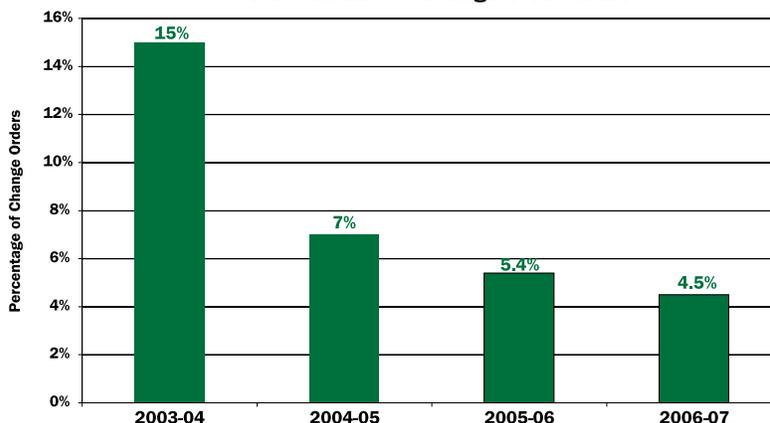
3. Improve the quality and delivery of construction projects.

DGS oversees \$1.3 billion in public works projects each year, representing approximately 500 active projects. Through a series of improvements to its public works processes implemented since 2003, the following successes have been accomplished:

- Change-order rate for DGS capital projects dropped from 15 percent to 4.5 percent,
- The number of construction projects completed on time increased to 93 percent,
- The number of claims filed against the commonwealth dropped by 90 percent and
- The timeliness of payments to state contractors and professionals improved by 25 percent.

For more information on DGS construction projects, go to www.dgs.state.pa.us, "Construction and Public Works."

Improved Construction Through a Reduction of
More Than 10% in Change Order Rates



4. Managing energy costs.

By implementing new energy conservation measures, the commonwealth reduced energy consumption in state buildings by 10 percent in 2006, which translated into **\$1.6 million in savings**. These results were achieved by:

- ✓ lowering the temperature to 68 degrees in all buildings in the winter,
- ✓ raising the temperature to 74 degrees in the summer,
- ✓ reducing lighting in the hallways,
- ✓ installing new lighting technology and
- ✓ turning off equipment when not in use.

DGS' goal is to decrease energy consumption by 20 percent by 2011.

DGS has also realized significant energy cost savings by utilizing **ESCOs**, or **Energy Service Companies**. ESCOs serve as project managers to develop, install and finance projects designed to improve energy efficiency and maintenance costs in commonwealth facilities. Each ESCO measures, monitors and verifies its project's energy savings over multiple years. Energy costs are reduced by taking actions like sealing cracks, installing more energy-efficient windows, installing low-flush bathroom fixtures and improving insulation.

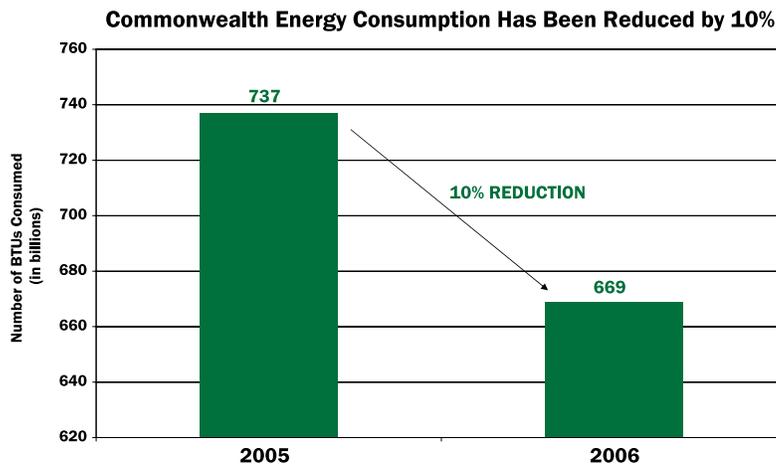
The ESCO program pays for itself through the energy savings generated by the renovations. The commonwealth has already realized \$2 million in annual savings through a number of DGS ESCO projects. When all 34 current projects are completed, the commonwealth will realize more than \$150 million in energy savings over the life of the projects.

The Department of General Services' energy savings program is being managed to further Governor Rendell's commitment to incorporating green principles into the renovation of commonwealth buildings. DGS recently applied for **Leadership in Energy and Environmental Design (LEED)** gold certification for two of its major ESCO projects: the Governor's Residence and the Rachel Carson Building, home to the Pennsylvania Department of Environmental Protection. Achieving LEED certification is the best way to demonstrate that a building project is truly "green." To be granted Gold LEED certification, buildings must meet more than 25

rigorous standards developed by the U.S. Building Green Building Council for environmentally sustainable construction. In the near future, the commonwealth will see more and more of its ESCO projects achieve LEED certification.

Similarly DGS is incorporating green principles, when possible, into the planning and construction of new facilities. Over a dozen newly designed commonwealth buildings, exceeding \$100,000,000 in construction costs, are being registered for LEED certification. In February 2007, the department convened a summit with the Pennsylvania Department of Environmental Protection in the hope of expanding the commonwealth's commitment to environmentally sustainable construction.

For more information on DGS energy projects, go to www.dgs.state.pa.us, and click on the energy icon in the right column.



5. Revitalize downtowns.

The Rendell administration has worked aggressively to help revitalize Pennsylvania's downtown communities through the **Downtown Location Initiative**. In 2004, DGS strengthened existing downtown location guidelines based upon the authority granted to the department in the Governor's Executive Order 2004-2, which authorized DGS to take all steps necessary to ensure that the objectives of the Downtown Location Law are met.

Particularly noteworthy is the administration's effort to identify office consolidation opportunities that may be moved into downtown areas. These efforts have resulted in the consolidation and relocation of approximately 700 state employees and 210,000 square feet of office space into downtown Greensburg, Wilkes-Barre and Allentown.

Overall, 100 percent of state owned buildings are located in downtown locations and 30 of 33, or 91 percent, of leases executed during 2006-07 were in downtown locations.

To learn more about DGS downtown guidelines, or for more information about all of the commonwealth's real estate projects, go to www.dgs.state.pa.us, "Doing Business with the commonwealth," and click on "Opportunities in Real Estate."

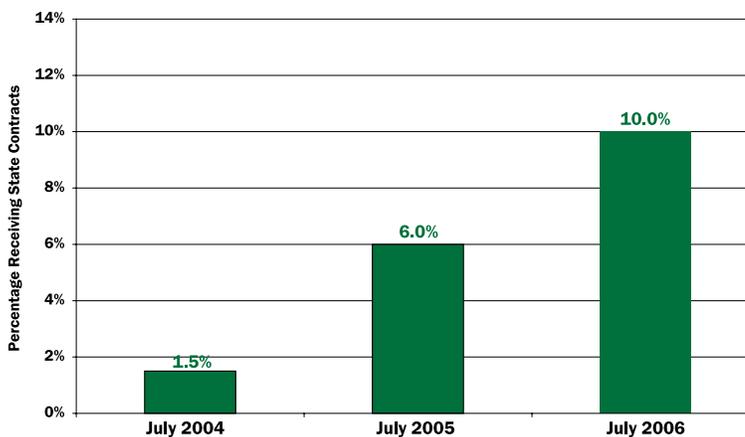
6. Expand women- and minority-owned business opportunities.

Implementing a series of systematic and strategic reforms over the past four years, DGS has more than tripled the participation of minority-owned enterprises (MBE) and women-owned enterprises (WBE) in state contracts. Participation was increased from **less than 2 percent** in January 2003 to **10 percent** in the third quarter of 2006.

In 2005, the minority- and women-owned business opportunity program was applied to all of state spending, including the purchase of commodities, an area that was never emphasized in past administrations. All RFPs for commodity purchasing now include incentives for minority- and women-owned business participation and the results have been outstanding. New commodity contracts – bid under the Strategic Sourcing initiative – have not only saved taxpayers \$220 million annually, but also provided significant opportunities for MBE and WBE. For example, under a contract for media services, savings to Pennsylvania’s taxpayers amounted to \$1 million a year and achieved 100 percent participation by a Pennsylvania WBE. Under a cleaning supplies contract, \$3.5 million a year was saved and 32 percent participation by a Pennsylvania MBE and WBE was achieved.

In the past three years the certification process has been streamlined, improving by 30 percent the number of days required to review an application for MBE and WBE certification, and the pool of certified companies has increased by 30 percent to more than 1,850 companies.

Expanding Opportunities for Minority and Women-Owned Businesses



For more information about minority- and women-owned business opportunities, go to www.dgs.state.pa.us, “Doing Business with the Commonwealth,” and click on “Minority and Women Business Opportunities.”

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$110,807	\$108,423	\$116,081
Federal Funds	5	0	0
Special/Other Funds ¹	23,967	38,522	143,065
Department Total	\$134,779	\$146,945	\$259,296

¹ The 2006–07 budget includes an increase in augmenting funds (\$3.8 million) for the operation of the annex complex by the Department of General Services.

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	1,373	1,419	1,382

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Enterprise-wide annual procurement-related savings (in thousands)	\$140,000	\$181,000	\$219,960
Percentage return on investment for procurement services	N/A	N/A	331%
Capital and agency projects completed within 10% of scheduled date	91%	95%	93%
Percentage of change orders approved for payment	7.0%	5.4%	4.5%
BTUs consumed in billions	717	702	686
Leases located in downtown areas as a percentage of new or renewed leases	88%	93%	93%
Commonwealth spending awarded to minority and women-owned businesses	6%	8%	7%
State surplus property distributed (in thousands)	\$5,300	\$5,705	\$5,684

Managing State Government

Office of the Budget

Michael J. Masch, Secretary
www.budget.state.pa.us

Mission Statement

The mission of the Office of the Budget is to develop, coordinate and oversee the execution of a balanced financial plan for the commonwealth that reflects the policies and priorities of the Governor, promotes the efficient allocation and use of resources, and ensures that all funds received and disbursed for commonwealth programs are accounted for in accordance with current laws, regulations and policies.

Overview of Programs and Services:

- Prepares the Governor's proposed budget and implements the enacted budget.
- Maintains the commonwealth's uniform accounting, payroll and financial reporting systems.
- Provides fiscal analysis of key policy issues facing the commonwealth and the fiscal impact of pending legislation.

Major Agency Objectives for 2006-07

1. Stewardship of the public's resources.
2. Helping government work smarter.

Major Achievements and New Initiatives in 2006-07

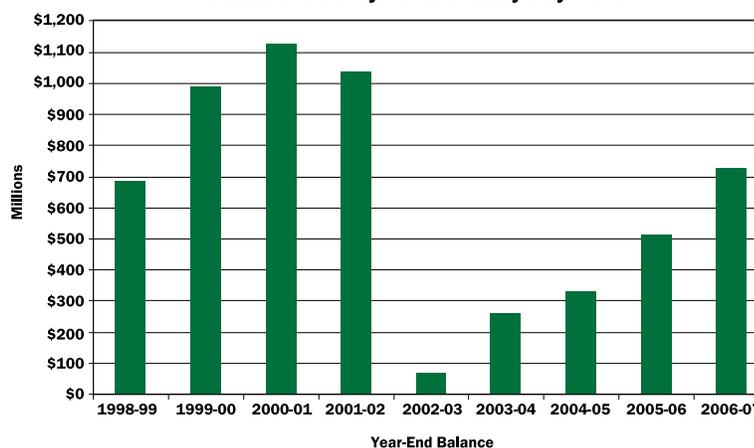
The [Governor's Budget Office](#) works with agencies during the budget process to identify ways to expand and improve key services to the citizens of the commonwealth through improved policies and administrative cost containment. This ensures that taxpayer dollars are spent as effectively as possible.

The [Office of Comptroller Operations](#) focuses on ensuring that public funds are used effectively, efficiently and in compliance with the law. The Office of Comptroller Operations performs general accounting, accounts payable, accounts receivable, payroll, travel reimbursement, internal audit, professional services contract review, and other related financial functions for all commonwealth agencies under the Governor's jurisdiction, as well as various other independent agencies, boards, and commissions. In performing these functions, the Office of Comptroller Operations identifies savings opportunities and ensures that public funds are directed toward their appropriate use.

1. Stewardship of the public's resources

Restoring Fiscal Stability: In January 2003, Governor Rendell inherited a \$2.4 billion General Fund deficit, a near-bankrupt Pennsylvania Employees Benefit Trust Fund and a depleted Rainy Day Fund. Since then, the commonwealth has seen five enacted balanced budgets; a restored Pennsylvania Employees Benefit Trust Fund with an \$80 million reserve balance – the highest since 2001-02; and a Rainy Day Fund of \$726 million – also the highest since 2001-02. These achievements have helped restore Pennsylvania to fiscal stability.

Status of Pennsylvania's Rainy Day Fund



Constraining Budget Growth While Maintaining Vital State Services: The Office of the Budget has worked to keep the growth of the General Fund Budget as low as possible, consistent with the fulfillment of the commonwealth’s responsibilities to its citizens, businesses and taxpayers. The 2006-07 General Fund total was \$26.3 billion, an increase of \$1.6 billion or 6.62 percent over 2005-06.

Excellence in Reporting: The Office of Comptroller Operations has been awarded the Government Financial Officers Association Certificate of Achievement for Excellence in Financial Reporting for the commonwealth’s Annual Financial Report for 21 consecutive years. This results in higher bond ratings, which lead to lower interest rates on capital debt and millions of dollars of savings that can be used to fund critical programs.

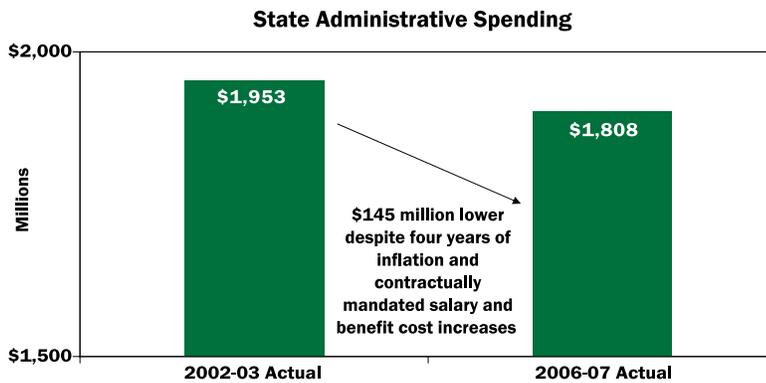
Additionally, the commonwealth also received the Distinguished Budget Presentation Award from the GFOA for the last 10 years. This award denotes approval of the budget process by an outside professional agency and informs management and citizens that the budget is prepared according to accepted standards.

2. Helping government work smarter.

Savings from Refinancing Bonds: The Governor’s Budget Office proactively monitors fluctuations in interest rates to determine when portions of outstanding bonds can be refunded or refinanced to obtain savings for taxpayers. Since 2003, the commonwealth has refinanced \$2.6 billion in outstanding debt and achieved more than **\$239.3 million in savings** that have been redirected to fund key state programs and initiatives.

The commonwealth issues debt in the form of tax-exempt general obligation bonds to fund its capital budget and other voter-approved bond programs. The commonwealth has maintained a sound credit rating from the Wall Street rating agencies based on its relatively low debt burden and sound financial management practices. In a recent report, Moody’s Investors Service – one of the leading credit-rating agencies – said the commonwealth has “an established record of good financial management, reflected in strong actions to preserve budget balance in recent years.”

Reducing Administrative Spending: Governor Rendell made it a priority to reduce administrative spending when he took office in January 2003, and the Office of the Budget has worked with state agencies under the Governor’s jurisdiction to reduce administrative spending. In 2006-07, costs to operate state government were actually 7.2 percent lower than in 2002-03, despite increased costs per employee for salaries/wages, health benefits and pensions.



Doing More with Less: The Rendell administration has taken concrete steps to ensure that public employees work smarter, so critical state resources can be directed to needed investments in areas such as education, economic development and human services. To meet this objective, the Office of the Budget has worked closely with state agencies to reduce the number of state employees without adversely impacting the delivery of vital state government services. Total commonwealth authorized positions have declined from 86,125 in 2002-03 to 83,296 in 2006-07 – a 3.4 percent reduction that has allowed state funds to be redirected toward necessary services for Pennsylvania’s citizens.

Budget and Complement Highlights

Budget Highlights (Dollar Amounts in Thousands)	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$31,613	\$30,317	\$31,928
Federal Funds	1,458	5,400	400
Special/Other Funds	37,556	40,874	39,909
Department Total	\$70,627	\$76,591	\$72,237

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	916	829	831

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Months between fiscal year end and Commonwealth Annual Financial Report	6.0	6.0	5.5
Percentage of invoices that are electronic invoices (internal)	39%	53%	49%
Percentage of invoices paid within 30 days of receipt	82%	80%	76%
Audits and Engagements - Percentage of comments/recommendations implemented	84%	82%	73%
Comptroller Operations Federal Accounting - Percentage of federal funds drawn within seven calendar days	99.5%	99%	82%



Managing State Government

Office of Administration

Naomi Wyatt, Secretary
www.oe.state.pa.us

Mission Statement

The mission of the Office of Administration is to serve the Governor and the citizens of the commonwealth by providing excellent and efficient public services using leading technologies and a dedicated workforce.

Overview of Programs and Services:

- Provides core [information technology services](#) to the commonwealth, including network services and security, and provides oversight, policy guidance, strategic planning and project management services for the information technology organizations in other state agencies.
- Administers the [commonwealth's human resources system](#) for all agencies under the Governor's jurisdiction, providing central support and direction with respect to compensation, benefits, training, work place safety, and labor relations.
- Designs, builds and manages the [commonwealth's public safety radio system](#) to provide reliable statewide communications within and between all of Pennsylvania's critical public safety agencies.
- Oversees [continuity of government](#) planning to ensure that all critical commonwealth services will continue to operate in the event of an emergency.
- Identifies, analyzes and implements [management and productivity](#) projects across the enterprise to reduce costs, raise quality and improve the way state government does business.
- Oversees the [commonwealth's enterprise records management system](#) to ensure consistent and effective agency implementation of commonwealth management directives concerning

Major Agency Objectives for 2006-07

1. **Maintain and improve the commonwealth's information technology infrastructure through strategic and prioritized technology investment and a standardized enterprise architecture.**
2. **Increase the efficiency of state government operations.**
3. **Support and assist the commonwealth's employees, and maintain a constructive relationship with the commonwealth's collective bargaining units.**
4. **Provide tools that will ensure a well-trained and healthy workforce.**
5. **Streamline and standardize key business processes.**

Major Achievements and New Initiatives in 2006-07.

1. **Maintain and improve the commonwealth's information technology infrastructure through strategic and prioritized technology investment and a standardized enterprise architecture.**

Implementing state-of-the-art information technology is critical to the commonwealth's ability to contain costs and still maintain and improve services. The commonwealth is making substantial investments in information technology. Effective project implementation and collaboration among state agencies are critical to ensuring that these investments are effectively implemented and consistent with and supportive of the commonwealth's highest priorities.

OA's Office for Information Technology has developed a "[Communities of Practice](#)" process that brings together state agencies to share their technology-related program and policy objectives, devise methods to better serve common populations, and identify compatible data collection and management needs. This process identifies and resolves potential infrastructure redundancy problems across agencies and is the primary enabler of shared-service development. Examples of key initiatives to better deliver coordinated commonwealth IT services include:

- **Operation Secure Enterprise**, which detects and blocks malicious traffic and unauthorized activity on the commonwealth's IT network.
- **Business Solutions Center of Excellence**, is an application framework to identify and reuse best practices in the commonwealth's technical applications and business processes.
- **Information Technology Contracts Office**, manages all information technology procurements for agencies under the jurisdiction of the Governor and implements the commonwealth's information technology consolidation effort, in order to maximize the deployment of cost-effective quality information technology services.

- **Identity Protection and Access Management** is an initiative to provide secure access to commonwealth data and applications by citizens, business partners and employees, while eliminating redundant verification processes.
- **Shared Infrastructure Services** is an initiative to leverage existing agency-specific IT infrastructure across the enterprise and consolidate servers, storage devices and telecommunications services.

2. Increase the efficiency of state government operations.

By developing new business practices and focusing on innovation and efficiency throughout state government, the commonwealth has been able to reduce recurring state expenditures dramatically since Governor Rendell took office in January 2003. In 2006-07, management and productivity initiatives implemented by the Rendell administration produced more than \$1 billion in recurring savings while maintaining and improving the level and quality of state services. During 2006-07, the Governor again challenged state agencies to implement additional cost-savings initiatives. Agencies met this challenge by applying new technologies, collaborating to supply services, generating new revenues and developing cost-saving programs. Several important initiatives implemented in 2006-07 are highlighted below:

- The Department of Public Welfare saved more than \$455 million in 2006-07 through a variety of initiatives, including implementation of a preferred-drug list in the Medical Assistance fee-for-service program, revisions to the pharmacy reimbursement formula program, issuing supplemental social security checks in-house and increasing third-party liability collections.
- The Department of General Services saved more than \$180 million through the Strategic Sourcing Initiative. (For additional information refer to the Department of General Services section of this report.)
- The commonwealth saved almost \$135 million in 2006-07 by reducing the state's complement since 2003.
- The Pennsylvania Employee Benefit Trust Fund saved \$45 million in 2006-07 by competitively bidding its prescription drug plans for active employees and retirees.
- The Office of Administration collaborated with the Pennsylvania State Police to design a shift planning/scheduling solution that will result in an annual \$16 million dollar improvement in efficiency due to the deployment of a more efficient trooper scheduling methodology.
- The Office of Administration's information technology contractor replacement initiative has conducted reviews of 143 positions since 2003. During 2005-06, 55 of those positions were reviewed. To date, \$4.27 million has been saved by transferring contracted work to state-funded positions.

3. Support and assist the commonwealth's employees, and maintain a constructive relationship with the commonwealth's collective bargaining units.

OA's Office of Human Resources and Management has worked closely with the departments of Public Welfare and Corrections to successfully find alternative job placement opportunities for more than 1,200 commonwealth employees whose positions were eliminated due to the closure of various state facilities.

The Office of Administration has implemented a new discipline and grievance system as well as revised benefit plans for public safety employees. The changes in the benefit plans saved approximately \$650,000 in 2005-06, and that amount is projected to grow to more than \$2 million per year as additional changes are phased in.

4. Provide tools that will ensure a well-trained and healthy workforce.

In 2006, the commonwealth implemented a new [Enterprise Learning Management System](#) to support the authoring and deployment of Web-based training courses and provide enterprise-wide training and reporting capabilities. Since the inception this system, 210,650 training courses have been completed by commonwealth employees.

The commonwealth has worked closely with the Pennsylvania Employee Benefits Trust Fund to implement [PEBTF's Get Healthy initiative](#), which gives state employees the tools they need to live longer, healthier lives and financial incentives to use these tools by reducing employee-paid health care premiums for program participants. PEBTF also implemented cost-savings initiatives that produced \$52 million in savings in the active employee health plan in 2005-06, plus an additional \$23 million in savings for the retired employees' prescription drug plan.

5. Streamline and standardize key business processes.

The [commonwealth's Integrated Enterprise System](#) is an integrated set of enterprise-wide IT applications that streamline and standardize key business processes in accounting, budgeting, payroll, human resources and procurement. IES applications speed transaction processing, provide more accurate data and reduce or eliminate redundancy.

The Office of Administration reviews administrative functions on an ongoing basis, and looks for additional opportunities to improve performance by replacing existing computer systems with state-of-the-art software. IES's improved business practices and integrated system functionality have enabled 53 commonwealth agencies, departments, authorities, boards and commissions to improve service to their customers and integrate their work processes in a single computer system.

Awards and Recognition

[National Association of Chief Information Officers](#) – The Pennsylvania Justice Network Global XML 3.0 Document Creation Process received NASCIO's 2006 Recognition Award for Outstanding Achievement in the category of data, information and knowledge management. This program enables police, the courts and other partners in Pennsylvania's criminal justice system to quickly and easily share vital information. It sets new uniform standards for statewide data exchange, helping to improve public safety and reduce costs to taxpayers.

[Computerworld Honors Program](#) — The commonwealth's Business Solutions Center of Excellence was recognized as a laureate by the Computerworld Honors Program. The Business Solutions Center of Excellence allows state agencies to share their existing technology assets and knowledge so they can jump-start new software development projects, which ultimately saves the commonwealth time and money.

Budget and Complement Highlights

Budget Highlights <i>(Dollar Amounts in Thousands)</i>	2004-05 Actual	2005-06 Actual	2006-07 Actual
State General Funds	\$8,073	\$7,951	\$8,131
Federal Funds	10	20	0
Special/Other Funds	12,536	11,653	12,910
Department Total	\$20,619	\$19,624	\$21,041

Complement	2004-05 Actual	2005-06 Actual	2006-07 Actual
Authorized Complement	176	172	162

Key Performance Measurements

Key Performance Measurements	2004-05 Actual	2005-06 Actual	2006-07 Actual
Office for Information Technology:			
Enterprise Help Desk--system availability (Application is 99% accessible during business hours.)	N/A (new measure)	99.5%	99.5%
Maintain high availability (99.5%) of e-mail system during working hours	99.5%	99.9%	99.9%
Application availability to law enforcement and other government agencies	97.0%	98.5%	96.4%
Office of Human Resources and Management:			
Cost per contract hour of management/supervisory training	\$31.74	\$34.68	\$34.68
Contact hours of briefings and training for human resource professionals and others	14,778	18,000	18,000
Reclassification requests (approved/disapproved/modified/returned without action)	1,152	1,000	1,000
Vacancies filled by new hires (permanent/temporary)	4,236	9,532	9,500
Equal Employment Opportunity complaints investigated	390	260	260



Commonwealth Services Directory

Commonwealth Services Directory

Aging

APPRISE Health Insurance Counseling	1-800-783-7067
General Information	717-783-1550
PACE	1-800-225-7223

Agriculture

General Information	717-787-4737
PAgrows	888-PA-GROWS

Banking

Ask a Question/File a Complaint	1-800-PA-BANKS	1-800-722-2657
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Budget Office

Secretary of the Budget	717-787-4472
Governor's Budget Office	717-787-2542
Office of Comptroller Operations	717-787-6496

Community & Economic Development

Center for Entrepreneurial Assistance	1-800-280-3801
Governor's Action Team	1-888-483-2672
Customer Service Center	1-800-379-7448

Conservation & Natural Resources

Forestry	717-787-2703	
State Parks	1-888-PA-PARKS	1-888-727-2757
	717-787-6640	

Corrections

General Information	717-975-4859
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Education

General Information	717-783-6788
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Emergency Management

State Emergency Operations Center	717-651-2001
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Environmental Protection

General Information	717-783-2300
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General Services

State Surplus Property Program	717-787-4085	Ext. 3222
Federal Surplus Property Program	717-787-6159	Ext. 3205
Commonwealth Information Center	1-800-932-0784	
Publications	717-787-9047	
Capitol Police	717-787-3199	

Commonwealth Services Directory

Health

General Information	1-877-PA•HEALTH	1-877-724-3258
Healthy Baby (Love 'em With a Checkup, CHIP, Medicaid)	1-800-986-BABY (2229)	
Healthy Kids (CHIP, Medicaid, Love 'em With a Checkup)	1800-986-KIDS (5437)	
adultBasic	1-800-go-basic (462-2742)	
Special Kids Network/Recreation and Leisure	1-800-986-4550	
Lead Poisoning Information Line	1-800-440-lead (5323)	
Brain Injury Helpline	1-866-412-4755	
Long Term Care	1-866-286-3636	
Licensure (after-hours response to nursing home complaints)	1-800-254-5164	
TTY for Deaf/Hard of Hearing (all programs)	1-877-232-7640	

Health Care Reform, Office of

General Information	717-772-9022	
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Housing Finance Agency

Homeowners' Emergency Mortgage Assistance Program	1-800-342-2397	
Homeownership Programs	1-800-822-1174	
Housing Services	717-780-1808	

Infrastructure Investment Authority (PENNVEST)

General Information	1-877-787-8137	
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Insurance

Automated Consumer Hotline	1-877-881-6388	
Children's Health Insurance Program (CHIP)	1-800-986-5437	
CHIP / adultBasic	717-705-6830	
Bureau of Consumer Services	717-783-2153	
Mcare Producer Licensing	717-787-3840	

Labor and Industry

Unemployment Compensation Service Center	1-800-313-7284	
PENNSAFE	1-888-SAFE-422	1-888-723-3422
Workers' Compensation: Claims Helpline	1-800-482-2383	
Workers' Compensation: Employer Helpline	717-772-3702	
Workforce Development	717-787-3354	

Military and Veterans Affairs

General Information	717-861-8572	or 717-861-2000
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Probation and Parole Board

General Information	717-787-5699	
Office of the Victim Advocate	1-800-563-6399	

Commonwealth Services Directory

Public Welfare

HelpLine	1-800-692-7462	
Welfare Fraud Tip Line	1-800-932-0582	
Income Maintenance Hotline	1-800-692-7462	
ChildLine (State Child Abuse Registry)	1-800-932-0313	
Child Care Works Helpline	1-877-4-PA-KIDS	1-877-472-5437
Child Support	1-800-932-0211	

Revenue

FACT and Information Line	1-888-PATAXES	1-888-728-2937
Lottery	717-702-8000	
Taxpayer Information: Business	717-787-1064	
Taxpayer Information: Personal income	717-787-8201	

State

General Information	1-888-659-9962	
Bureau of Commissions, Elections and Legislation	717-787-5280	
Bureau of Charitable Organizations	1-800-732-0999	

State Police

Terrorism Tip Line	1-888-292-1919	
CrimeStoppers	1-800-4-PA-TIPS	1-800-472-8477

Transportation

Motor Vehicle/Driver License Information	1-800-932-4600	
Road Condition and Travel Information	1-888-783-6783	or 717-783-5186

Commonwealth Telephone Directory

Available on the
Department of General
Service's Web site.

On the Back Cover:

Supporting Our Troops. The Pennsylvania Army and Air National Guard, through the Department of Military and Veterans Affairs, performs worldwide combat support operations, provides global reach and the projection of U.S. military power in support of national objectives, and provides trained personnel to support state and local authorities in times of natural disaster or civil strife. In addition, the department provides assistance to Pennsylvania's 1.1 million veterans and their families and operates veterans' homes that provide quality care to aging veterans.

Farmland Preservation. With 360,000 acres approved for permanent preservation through 3,200 agricultural conservation easements, the Pennsylvania State Farmland Preservation Program is first in the nation in the number of acres preserved and is continuing to preserve farmland at a faster rate than in any other state.

Manufacturing Innovation. The Department of Community and Economic Development's manufacturing innovation initiative provides technical assistance and referral services to attract and retain manufacturing businesses in Pennsylvania and promote the retention and development of more manufacturing jobs.

Preserving Our Communities. The Department of Community and Economic Development helps communities pursue sound land-use and job-creation policies to preserve and enhance the quality of life and revitalize the economies of Pennsylvania's older established communities.



Commonwealth of Pennsylvania

www.state.pa.us

Edward G. Rendell
Governor