Commonwealth of Pennsylvania

2001-02
Governor’s Executive Budget

Tom Ridge
Governor
2001-02 BUDGET BACKDROP

- Economy has slowed dramatically
- Predictions of a quick recovery are critical
- Revenue collections have been erratic
- Relying on strong personal income tax collections this Spring
Real Gross Domestic Product

Seasonally Adjusted Annualized Growth Rates

Calendar Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999 Q3</td>
<td>Actual</td>
</tr>
<tr>
<td>1999 Q4</td>
<td>Actua**</td>
</tr>
<tr>
<td>2000 Q1</td>
<td>Actual</td>
</tr>
<tr>
<td>2000 Q2</td>
<td>Actual</td>
</tr>
<tr>
<td>2000 Q3</td>
<td>Actual</td>
</tr>
<tr>
<td>2000 Q4</td>
<td>Preliminary</td>
</tr>
</tbody>
</table>
Real Gross Domestic Product

Annual Rates of Growth

Source: WEFA
U.S. Retail Sales

(Million Dollar Seasonally Adjusted)
## General Fund

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2001-02</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$ 610</td>
<td>$ 313</td>
<td></td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>19,650</td>
<td>20,509</td>
<td></td>
</tr>
<tr>
<td><strong>Tax Reductions</strong></td>
<td>.</td>
<td>– 45</td>
<td></td>
</tr>
<tr>
<td><strong>Funds Available</strong></td>
<td>$ 20,260</td>
<td>$ 20,777</td>
<td></td>
</tr>
<tr>
<td><strong>Appropriated</strong></td>
<td>– 19,979</td>
<td>– 20,772</td>
<td></td>
</tr>
<tr>
<td><strong>Lapses</strong></td>
<td>87</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>$ 368</td>
<td>$ 5</td>
<td></td>
</tr>
<tr>
<td><strong>Less Transfer to Rainy Day Fund</strong></td>
<td>– 55</td>
<td>– 1</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td>$ 313</td>
<td>$ 4</td>
<td></td>
</tr>
</tbody>
</table>
## 2001-02 Tax Cuts

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Stock &amp; Franchise Tax</td>
</tr>
<tr>
<td>One and one-half mill reduction effective January 2001.</td>
</tr>
<tr>
<td>Additional one mill reduction effective January 2002.</td>
</tr>
<tr>
<td>Phase-out by one mill annual reductions of the tax rate until eliminated in 2009.</td>
</tr>
<tr>
<td>Personal Income Tax</td>
</tr>
<tr>
<td>Increase dependent allowance by $1,000 to $8,500.</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
</tr>
<tr>
<td>Personal Computer Plus Tax Holiday.</td>
</tr>
<tr>
<td>Job Creation and Neighborhood Assistance Tax Credits</td>
</tr>
<tr>
<td>Repeal Nuisance Taxes</td>
</tr>
</tbody>
</table>

### Total Tax Cut

$ – 216.9
INCOME TAX FORGIVENESS

Maximum Tax Savings for a Family of Four

Year

$0
$100
$200
$300
$400
$500
$600
$700
$800
$900

INCOME TAX FORGIVENESS

Income Limits and Number of Returns

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Returns</th>
<th>Family of 4 Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>200</td>
<td>$0</td>
</tr>
<tr>
<td>1976</td>
<td>400</td>
<td>$5</td>
</tr>
<tr>
<td>1978</td>
<td>600</td>
<td>$10</td>
</tr>
<tr>
<td>1980</td>
<td>800</td>
<td>$15</td>
</tr>
<tr>
<td>1982</td>
<td>1,000</td>
<td>$20</td>
</tr>
<tr>
<td>1984</td>
<td>1,200</td>
<td>$25</td>
</tr>
<tr>
<td>1986</td>
<td>1,400</td>
<td>$30</td>
</tr>
<tr>
<td>1988</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td></td>
<td></td>
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<tr>
<td>1994</td>
<td></td>
<td></td>
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<tr>
<td>1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CAPITAL STOCK TAX RATE

[Graph showing the capital stock tax rate over time from 1986 to 2008, with a scheduled rate cut indicated.]
Rainy Day Fund

With the projected transfer at the end of 2001-02, the balance in the Rainy Day Fund will be nearly $1.3 billion.
Slowing The Growth In Spending

Percentage Growth Rate

Enacted: 1985-86 to 1994-95
Enacted: 1995-96 to 2000-01
Basic Education

 ✓ Total State support to local schools. $6.4 Billion

 - School district savings due to reduced retirement rate. $ 44 M
 - Increased direct State support to local school districts. 231 M

 Total $ 275 M

 - 4% increase in Basic Education Funding. $151.7 M
 - 10% Increase for Special Education. 78.3 M
 - School Improvement Grants (total). 26.7 M
 - Education Support Services. 23.6 M
 - Increase for Authority Rentals and Sinking Fund. 8.6 M
 - Early Intervention Increase. 5.3 M
 - Performance Incentive Program Increase. 3.4 M
 - Increase for Vocational Education. 2.3 M
 - Charter Schools Increase. 2.0 M
 - Increase for Safe and Alternative Schools. 1.1 M
Growth in School District Enrollment, Inflation and State Support Over the last 7 years
Cumulative Retirement Savings for School Districts*

* Also includes intermediate units and area vocational-technical schools.
2001-02 Basic Education Funding

Least Wealthy School Districts

- Percent of Students: 13%
- Percent of Funding: 26%

Most Wealthy School Districts

- Percent of Students: 23%
- Percent of Funding: 30%

State Share:

- $3,860 per Student
- $2,828 per Student
- $1,956 per Student
- $1,021 per Student

Percent of Students and Percent of Funding
Libraries, Reading and Literacy

- Local Library funding:
  - State support for local libraries ($13 M increase) .............. $ 75.3 M
  - Library Access ......................................................... $ 7.4 M
  - Access Pennsylvania – electronic library ......................... $ 4.0 M
  - State Library .............................................................. $ 4.3 M
  - Library services for visually impaired/disabled ................. $ 3.0 M

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Libraries Total $ 94.0 M

- Read-to-Succeed (third year) ........................................... $ 25.0 M
- Adult and family literacy ($1.7 M increase) ....................... $ 19.7 M

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Grand Total $138.7 M
Total Commonwealth support for public libraries has nearly tripled during the Ridge Administration, from $32.8 million in 1994-95 to $94.0 million in 2001-02.
Higher Education

- Total State support for higher education: $1.9 B
- Direct support of colleges and universities (increases):
  - Community Colleges: $9.2 M
  - State System of Higher Education: $18.0 M
  - State-Related Universities: $16.8 M
- 7 percent increase for PHEAA scholarships: $22.0 M
- Graduation Incentive Program ($2 M increase): $8.0 M
- Institutional Assistance Grants increase: $1.2 M
Since 1994-95, State funding for student aid has increased by $138 million or 67 percent.
# Early Childhood Initiative

- **CyberStart and Bridging the Digital Divide**  $13.1$ M
- **Child Care Start-Up Challenge Grants**  $10.0$ M
- **Expanded Early Intervention**  $9.4$ M
- **Nurse Home Visitation**  $7.2$ M
- **Parent-Child Home Program**  $4.0$ M
- **Head Start Collaboration Project**  $2.0$ M
- **Early Childhood Education**  $1.8$ M
- **Child Abuse Prevention**  $0.5$ M

**TOTAL**  $48.0$ M
Children & Families

**Tax Cuts**

- **Working Families Income Tax Cut**: $-17.8 M

**Program Support**

- Child Care (total funds): $393.3 M
- Children’s Health Insurance Program (total funds): 172.0 M
- Expand home ownership: 33.0 M
- Expanded employment and training: 30.9 M
- Services for youth: 24.0 M
- Tobacco cessation programs for MA clients: 10.2 M
- Adoption (total): 9.0 M
- Expanded domestic violence and rape prevention: 5.0 M
- Matched savings accounts for asset accumulation: 2.0 M
Health Investment Plan

Making Pennsylvanians Healthier

- 5% Annual deposit to the Endowment Account $17 M
- 40% Health insurance
  - Uninsured adults $110 M
  - Subsidized Medical Assistance for the disabled $26 M
- 15% Home and community-based care $51 M
- 10% Tobacco use prevention $34 M
- 10% Health research $34 M
- 10% Reimbursement to hospitals for uncompensated care $34 M
- 5% Tobacco use cessation $17 M
- 5% Venture capital for health & biotechnology companies $17 M

100% to Health Related Programs

- $90 M in 2000-01 one-time funding for biotechnology research centers
## Expanding Opportunities for Older Pennsylvanians and Persons with Disabilities

### Program Increases

- **Community long-term care system reform** ........................ $ 43.1 M
- **Expanded home and community-based services for:**
  - persons with mental retardation ........................................ 42.9 M
  - persons with physical disabilities .............................. 19.4 M
  - persons with mental health needs .............................. 9.0 M
- **Direct careworker recruitment and retention** ....................... 41.3 M
- **State Supplement for personal care residents** .................. 14.9 M
- **Psychiatric rehabilitation in HealthChoices** ...................... 8.5 M
- **Mental retardation systems monitoring** .......................... 6.6 M
- **Respite care** .............................................................. 2.5 M
Excelling in the Digital Economy

**Tax Cuts**
- Capital Stock and Franchise Tax phase-out $-172.3 M
- Personal computer sales tax holiday $-10.7 M
- Job creation tax credit expansion $-2.5 M

**Employers & Jobs**
- Opportunity grants for expansion or relocation in PA $40.0 M
- Infrastructure Development $33.5 M
- Customized job training to meet employer needs $37.5 M
- “Brain Gain” retention and attraction of young people $10.0 M

**Technology**
- Ben Franklin Technology Development Authority $56.4 M
- Industrial Resource Centers $11.2 M
- SciTech and Technology Scholarships $8.2 M
- Internet-based marketing to attract business $5.5 M
## Technology
### To Better Serve Pennsylvania

<table>
<thead>
<tr>
<th>Technology Area</th>
<th>Budget (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Technology:</td>
<td></td>
</tr>
<tr>
<td>- Integrated Learning Systems, Digital School</td>
<td>$26.6</td>
</tr>
<tr>
<td>- Districts and Spending Analysis Project</td>
<td></td>
</tr>
<tr>
<td>- Higher Education Technology Grants</td>
<td>$5.5</td>
</tr>
<tr>
<td>- Technology for Nonpublic Schools</td>
<td>$8.0</td>
</tr>
<tr>
<td><strong>Education Technology Total</strong></td>
<td><strong>$40.1</strong></td>
</tr>
<tr>
<td>Integrated Management Systems</td>
<td>$46.5</td>
</tr>
<tr>
<td>Justice Network and IIMS</td>
<td>$40.4 *</td>
</tr>
<tr>
<td>Human Services Technology Enhancements</td>
<td>$30.5 **</td>
</tr>
<tr>
<td>Information Communication</td>
<td>$26.2</td>
</tr>
<tr>
<td>Enterprise-wide Technology Projects</td>
<td>$25.6</td>
</tr>
<tr>
<td>Public Safety Radio System</td>
<td>$17.9</td>
</tr>
<tr>
<td>Electronic Government</td>
<td>$10.0</td>
</tr>
<tr>
<td>Law Enforcement Technology Enhancements</td>
<td>$10.0</td>
</tr>
<tr>
<td><strong>Technology Total</strong></td>
<td><strong>$247.2</strong></td>
</tr>
</tbody>
</table>

* Includes General and Motor License Funds  
** Includes General, Federal and Other Funds
The Government Performance Project
Grading the States 2001

Pennsylvania’s Average Grade: B+

Only 3 States received a higher average grade

<table>
<thead>
<tr>
<th>REPORT CARD</th>
<th>Pennsylvania Grades 1999</th>
<th>Pennsylvania Grades 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management</td>
<td>A-</td>
<td>A-</td>
</tr>
<tr>
<td>Capital Management</td>
<td>B</td>
<td>B+</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>B-</td>
<td>B</td>
</tr>
<tr>
<td>Managing For Results</td>
<td>B</td>
<td>B+</td>
</tr>
<tr>
<td>Information Technology</td>
<td>B</td>
<td>B+</td>
</tr>
</tbody>
</table>
Enhancing Public Safety

- State Police Crime-Fighting Technology (total) $50.0 M
- State correctional institutions including the opening of a new 600-bed prison in Indiana County 49.1 M
- Public Safety Radio System (total) 17.9 M
- Mental Health & Substance Abuse services for parolees 2.5 M
- Increase services for juvenile offenders 2.4 M
- Research-based Violence Prevention 2.0 M
- Partnership for Safe Children expansion 1.8 M
- Civilian Support so State Police troopers can focus on law enforcement duties 1.5 M
- Weed and Seed Program 1.2 M
- Drug Education and Law Enforcement 1.2 M
## Protecting Pennsylvania’s Environment in the 21st Century

### 2001-02 Five Year Total

<table>
<thead>
<tr>
<th>Project</th>
<th>2001-02</th>
<th>Five Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watershed preservation and restoration</td>
<td>$37.9 M</td>
<td>$177.0 M</td>
</tr>
<tr>
<td>Stormwater, water and sewer grants</td>
<td>32.9 M</td>
<td>153.6 M</td>
</tr>
<tr>
<td>Rehabilitate State parks and forests facilities</td>
<td>24.8 M</td>
<td>118.6 M</td>
</tr>
<tr>
<td>Farmland preservation</td>
<td>20.6 M</td>
<td>100.9 M</td>
</tr>
<tr>
<td>Abandoned mine reclamation and remediation</td>
<td>10.0 M</td>
<td>46.3 M</td>
</tr>
<tr>
<td>Community conservation and open spaces</td>
<td>8.2 M</td>
<td>35.6 M</td>
</tr>
<tr>
<td>Water and sewer infrastructure projects</td>
<td>1.0 M</td>
<td>6.0 M</td>
</tr>
<tr>
<td>Plug abandoned oil and gas wells</td>
<td>3.0 M</td>
<td>12.9 M</td>
</tr>
<tr>
<td>Plant and animal conservation research</td>
<td>.5 M</td>
<td>2.0 M</td>
</tr>
</tbody>
</table>

**Total** $138.9 M $652.9M
• $100 million record investment
  - $80 million for the State Museum of Pennsylvania
  - $20 million for historic sites and museums throughout the Commonwealth
State Funding for Transportation

State Construction and Maintenance Projects

State Highway Construction

State Highway Maintenance

Millions

1994-95  2001-02

$0  $100  $200  $300  $400  $500  $600

1994-95  2001-02

$600  $800  $1,000  $1,200
State Funding for Transportation

Local Highway and Transit Assistance

Local Highway and Bridges

1994-95 2001-02

$200  $225  $250  $275  $300

Millions

Local Transit

1994-95 2001-02

$500  $550  $600  $650  $700  $750  $800

Millions
The New Pennsylvania
A Record of Fiscal Discipline

✓ Unprecedented seven consecutive years of tax cuts.
✓ Reduced spending growth.
✓ Record balance in the Rainy Day Fund - nearly $1.3 billion.
✓ No short-term note borrowings for three consecutive years.
✓ Bond rating upgrades and financial management awards.
Governor Ridge’s Vision

Having become a leader among states and a competitor among nations, Pennsylvania is now poised for greatness:

- Cutting taxes to create jobs and help families.
- Excelling in the Digital Economy.
- Improving educational results and opportunities.
- Helping children and families.
- Protecting our environment: Growing Greener.
- Making Pennsylvanians healthier.
- Moving people from welfare to work.
- Strengthening fiscal discipline.