



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

February 7, 2012

The 2012-13 budget I present today puts Pennsylvania on a path to prosperity again by aligning the commonwealth's resources with the core functions and priorities of government: education, public safety, and individual responsibility and opportunity.

The commonwealth's financial situation and the national efforts to address financial challenges have provided the impetus to truly align state expenditures with available revenue, using honest accounting and financial projections. This budget closes a projected revenue shortfall of more than \$700 million and controls state spending; it puts Pennsylvania on a solid fiscal footing to manage through the next several years of modest economic growth; and it prioritizes initiatives around economic development, job creation, workforce training and public safety.

This budget meets our key needs in a constrained fiscal environment, with no new taxes or burdens on families and businesses. Most importantly, this budget begins to transform the way government delivers products and services through greater use of block grants and increased flexibility for recipients, streamlining of government agencies and proposed privatization of certain activities or services.

In education, this budget significantly enhances the commonwealth's investment in basic education by providing greater funding flexibility to local school districts and allowing them to focus that funding on students and student achievement.

In public safety, this budget reflects the commonwealth's commitment through level funding of the Department of Corrections and funding for 115 new State Police troopers. This support provides both agencies with adequate resources and staffing to combat crime.

This budget is built to transform the public welfare system into a performance- and accountability-based safety net for the truly needy. It is focused on individual and family responsibility and opportunity, along with a strong work ethic, as the indispensable ingredients for prosperity and a flourishing commonwealth. The cost-saving initiatives included in this budget were all developed to ensure that limited resources are maximized and are available to those who need the most help.

The best way for us to promote job creation and economic development in Pennsylvania is to carefully manage government spending. The 2012-13 budget continues my administration's commitment to strengthen the financial foundation of state government and thus foster an environment of economic opportunity for all citizens.

As we enter a new era in federal, state and local government relations and responsibilities, there will be great challenges ahead. This budget positions Pennsylvania to take control of its destiny – delineating the priorities of state government, forging a new relationship with local governments, and preparing for less support from the federal government. I welcome the opportunity to guide the commonwealth in this promising new era.

Pursuant to Article VIII, Section 12 of the Constitution of Pennsylvania, and Section 613 of the Administrative Code of 1929 (71 P.S. Section 233), I am transmitting to your representatives in the General Assembly my proposed budget for Fiscal Year 2012-13.

Sincerely,

Tom Corbett





Commonwealth of Pennsylvania

2012-13 Budget in Brief

For a complete copy of the ***Governor's Executive Budget, Budget in Brief***
and additional budget information, visit our website:

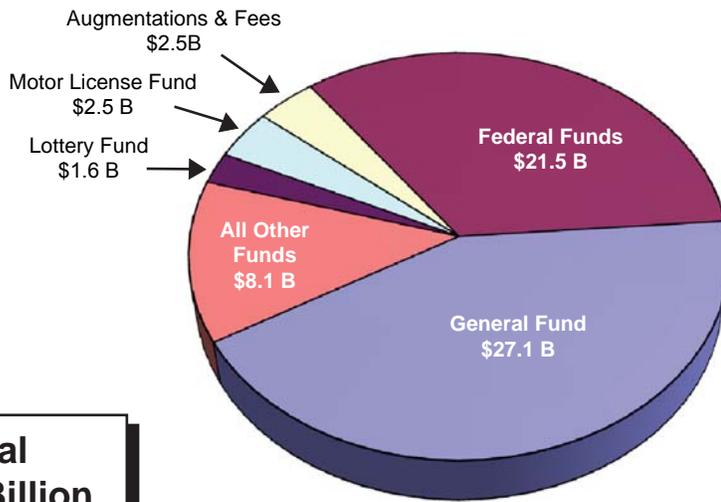
www.budget.state.pa.us

Click on Current and Proposed Commonwealth Budgets.

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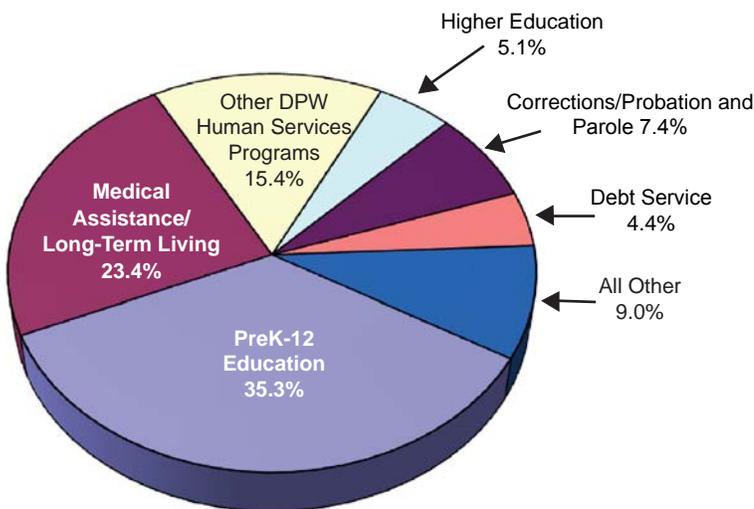
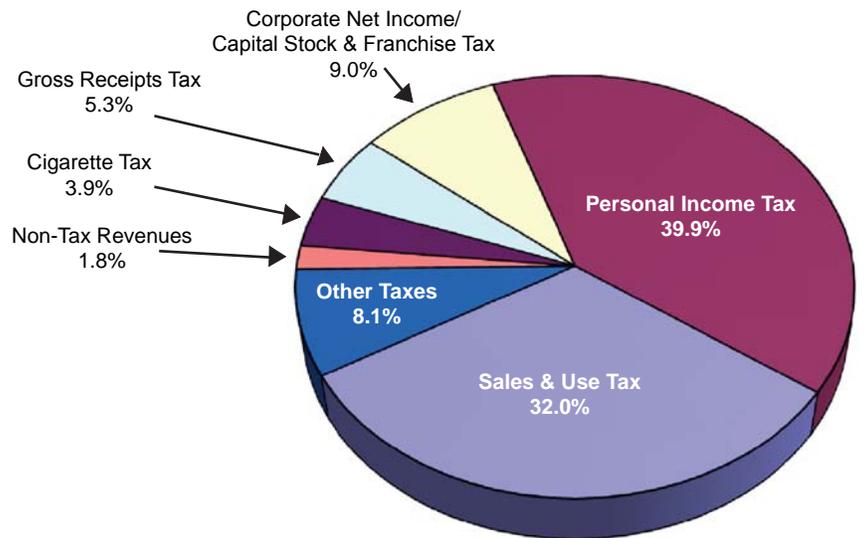
2012-13 Budget Overview



Total Operating Budget

**Total
\$63.3 Billion**

General Fund Revenues



General Fund Expenditures

\$27.1 Billion

2012-13 Budget Highlights

The 2012-13 budget puts Pennsylvania on a path to prosperity by aligning commonwealth resources with the core functions and priorities of government: education, public safety, and individual responsibility and opportunity.

- The 2012-13 Governor's Budget is balanced with no tax increases.
- The budget refocuses the investment of tax dollars in the core functions of government, including:
 - ✓ adhering to fiscal discipline;
 - ✓ promoting limited, transparent and effective government;
 - ✓ supporting free enterprise and job creation;
 - ✓ funding students and promoting educational excellence;
 - ✓ protecting public health and safety; and
 - ✓ maintaining the human services safety net.
- The General Fund budget is \$27.14 billion – a decrease of more than \$20 million, or 0.1 percent, from 2011-12.
- The budget eliminates 33 appropriation line items – cutting \$33 million in annual spending. It reduces funding for 164 appropriations.
- Administrative spending in the budget is reduced by an additional 2 percent. When combined with last year's reduction in administrative spending of 4 percent, this means that Governor Corbett has reduced administrative spending by 6 percent in two years.
- Since Governor Corbett took office in January 2011, filled staffing levels have declined by nearly 1,400 positions, or nearly 2 percent. The 2012-13 budget eliminates 650 additional positions, largely by eliminating vacant positions.
- The budget consolidates and streamlines economic development programs to attract businesses to Pennsylvania and invest in job creators through innovative entrepreneurial initiatives; it also supports new workforce development efforts focused on job-matching and employer-driven training.
- The budget continues the phase-out of the Capital Stock and Franchise Tax – providing more than 100,000 job creators with tax relief in 2012-13. The phase-out of this tax will continue until it is completely eliminated in 2014.
- The budget reflects actions taken to better manage commonwealth debt and bring new debt and debt retirement into better alignment. This includes prioritizing state building and facility infrastructure improvements and redevelopment projects with the greatest impact on Pennsylvania's economy and job creation.
- The budget level-funds the Department of Corrections, the first time in more than a decade that the Corrections budget has not increased.
- The budget helps individuals achieve self-sufficiency through sensible welfare reforms while it preserves services for those most in need.

2012-13 Budget Highlights (continued)

JOBSFirst PA: Promoting Job Creation and Economic Development

Keystone Works – \$2.5 million to provide employer-driven training opportunities for unemployed workers.

Pennsylvania First – \$22.5 million so the commonwealth can rapidly respond to companies' needs, thus facilitating increased investment in the state and enabling Pennsylvania to compete more effectively with neighboring and competitor states.

Partnerships for Regional Economic Performance – \$12 million for PREP to encourage the regional coordination of economic development efforts.

Discovered in PA, Developed in PA – \$10 million to build capacity to better support Pennsylvania businesses and to spur creativity and innovation in the provision of economic development services – from business incubating, to mentoring, to marketing and beyond.

Infrastructure & Facilities Improvement Grants – \$19.4 million for multi-year grants to debt-issuing authorities for the payment of debt service and related costs for economic development projects.

Ben Franklin Technology Partnership – \$14.5 million for this proven, innovation-focused economic development program.

Municipalities Financial Recovery Revolving Fund – \$1.7 million increase to assist municipalities in distressed fiscal status.

Early Intervention for Distressed Municipalities – \$100,000 increase to assist municipalities on the verge of becoming distressed municipalities.

Education in Pennsylvania: Changing the Culture

Student Achievement Education Block Grant – \$6.5 billion in state funds to provide funding for basic education, pupil transportation and school employees social security to school districts within a single block grant. This approach will retain broad programmatic requirements and provide local school district decision-makers with the flexibility to focus on high-performance and cost-effective management practices to achieve quality education.

Pennsylvania School Report Card – \$471,000 in state and federal funds to develop and implement a new accountability system to assess Pennsylvania public school districts and public schools.

Teacher and Principal Evaluation – \$3.7 million in state and federal funds to continue the development of evaluation tools to measure the effectiveness of teachers and principals, provide support and feedback to educators and increase the number of highly effective educators in schools.

Keystone Exams – \$15.4 million in state funds to develop and implement exams to replace the current 11th grade PSSA exams and ensure graduates are college- and career-ready.

Real-Time Data Collection – \$1.7 million in state and federal funds to improve student data collection and reporting to move the commonwealth toward a student-centered system of education financing based on current child enrollment and attendance data.

Early Intervention Program – \$206.2 million in state funds, an \$8.1 million, or 4 percent increase.

Higher Education Programs – Nearly \$1.4 billion in total funds, including \$361.9 million in the Pennsylvania Higher Education Assistance Agency for the Grants to Students program for students seeking financial assistance for higher education opportunities.

2012-13 Budget Highlights (continued)

Criminal Justice and Enhanced Public Safety

Correctional Institutions – This budget level-funds the Department of Corrections and includes \$77 million in savings from medical contract cost reductions, administrative savings, anticipated legislative changes and operational efficiencies. In addition, this budget provides \$8.2 million for salary increases for most corrections managers to address pay compression issues caused by management pay freezes.

Correctional Institutions Capacity – The opening of additional housing units during 2011 will enable the remaining 1,000 inmates temporarily housed out-of-state to return to Pennsylvania in early 2012.

Probation and Parole – \$132 million in total state funds, a \$4.8 million, or 3.8 percent increase, including funds for additional parole agents to enhance supervision for an increased parole population and additional investigators to enable the Sexual Offenders Assessment Board to conduct more investigations. In addition, this budget proposes to eliminate a legislative requirement for counties to send the commonwealth half of their adult probation supervision fees, which are then returned in full.

State Police – \$7.9 million for a class of 115 new cadets to begin in June of 2012.

Preserving the Safety Net

Medical Assistance Services – \$13 billion in total funds to provide inpatient, outpatient and capitation services for nearly 2.2 million Medical Assistance recipients.

Long-Term Living Services – \$4.7 billion in total funds to provide home and community-based services as well as nursing home care to persons with disabilities and older Pennsylvanians.

Human Services Development Fund – \$754.7 million in total funds, which reflects the consolidation of multiple human services programs into a single block grant, providing counties the flexibility to move funds where they need them the most and generating \$168.4 million in state fund savings.

PENNCARE – \$248.2 million in Lottery Funds to provide an array of home and community-based services for older Pennsylvanians.

Children's Health Insurance Program – \$430.8 million in total funds to provide health insurance coverage for 195,500 uninsured children.

Intellectual Disabilities: Community Programs – \$1.9 billion in total funds to provide home and community-based services to more than 50,000 individuals with intellectual disabilities.

Child Welfare Services – \$1.4 billion in total funds to provide child welfare services to children and youth in need of care and protection.

PACE/PACENET – \$244.8 million to provide prescription drug coverage for 303,550 older Pennsylvanians.

Early Intervention Services – \$190 million in total funds, a \$7.8 million increase, or 4.3 percent, to provide early intervention services to more than 35,000 children from birth to age 3.

Autism Services – \$25 million in total funds to support individuals living with autism spectrum disorder, including home and community-based services for 400 adults.

On the Path to Prosperity

The 2012-13 budget puts Pennsylvania on a path to prosperity by aligning resources with the core functions and priorities of government: providing economic opportunities, education, public safety and individual responsibility and opportunity. The budget closes a projected revenue shortfall of more than \$700 million and controls state spending. The budget effectively supports job creators, public education, human services and public safety. Key needs are met in a constrained fiscal environment with no new taxes or burdens on families and businesses. Most importantly, the budget continues to transform the way government delivers products and services through greater use of block grants and increased flexibility for grant recipients, streamlining of government agencies and proposed privatization of certain activities or services.

Priority Investments for Pennsylvanians

To support job creation and assist with the state's economic recovery, this budget continues the phase-out of the Capital Stock and Franchise Tax, which impacts the competitiveness of virtually every company in the state. Key tax credit programs are maintained at effective levels, such as the Research and Development Tax Credit, the Job Creation Tax Credit, the Film Production Tax Credit and the Neighborhood Assistance Program. This budget maintains investments in new business formation and entrepreneurship through programs like the Ben Franklin Technology Partners, Discovered in PA, Developed in PA and the Life Sciences Greenhouses. Competitive economic development incentive programs and systems are supported through PA First and the Partnerships for Regional Economic Performance. Workforce development systems are enhanced and focused on high-demand careers.



This budget significantly transforms the commonwealth's investment in basic education by providing greater flexibility in funding to local school districts and creating the ability to focus that funding on students and student achievement. Complementing the new funding approach is an investment in systems to provide real-time student reporting so that school funding is more closely aligned with the actual number of students being served. Investments in student, teacher and administrator assessments and evaluations will support improved student achievement. While financial pressures led to a reduction in overall higher education funding, higher education programs that directly facilitate job placement were maintained. Furthermore, the administration has created an Advisory Commission on Postsecondary Education to evaluate what is needed, or not needed, to ensure a robust and responsive postsecondary education community focused on serving the students as well as the business community of Pennsylvania.

This budget reflects the commonwealth's commitment to public safety by level funding the Department of Corrections and funding a cadet class for the Pennsylvania State Police, providing both agencies with adequate resources and staffing to combat crime. The budget also increases funding for the Pennsylvania Board of Probation and Parole to support the effective transition of offenders from incarceration to our communities while protecting the public. The budget is built to transform the public welfare system and to right-size it into a performance- and accountability-based safety net for the truly needy. It is focused on individual and family responsibility and opportunity, along with a strong work ethic, as the indispensable ingredients for prosperity and a flourishing commonwealth. Program changes in Department of Public Welfare programs include incentives for transitioning to work, and they eliminate incentives for individuals to remain on public assistance. Cost-saving initiatives are also included in the budget to ensure that limited resources are maximized and are available to those Pennsylvanians most in need.

Financial Challenges

The 2012-13 budget is \$27.14 billion, slightly less than the 2011-12 enacted budget. A number of mandated costs were considered in developing the 2012-13 budget. A total of \$520 million in pension cost increases are built into the budget. State personnel cost increases and state employee retirement employer contributions are absorbed in agency budgets. Other costs assumed in the 2012-13 budget include an \$80 million increase in debt service due to capital projects that were committed to and begun in prior years. Health care is another cost driver in this budget, specifically the cost of Medical Assistance long-term care. Controlling the growth of corrections costs is also a challenge addressed

On the Path to Prosperity (continued)

in this budget; for the past 15 years, corrections costs have grown nearly 5 percent annually. Lastly, we are seeing a retrenchment of federal spending and the potential for reductions to federally supported programs.

The 2012-13 Budget

In spite of these many challenges, the 2012-13 budget is balanced, built upon fiscal discipline supporting critical priorities within existing resources, and maintains the commitment to taxpayers not to increase taxes. A fiscally disciplined budget will serve to strengthen the commonwealth's solid double-A credit rating in the face of other credit challenges such as the growth in annual debt service costs, pension contributions and other post-employment benefit costs.

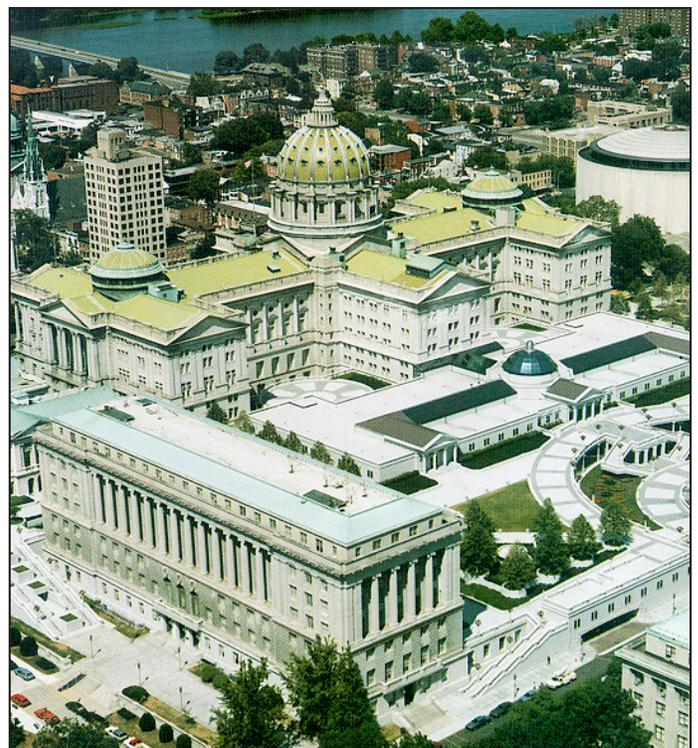
- **Managing Capital and Debt Programs.** The budget reflects actions recently taken to better manage commonwealth debt and to bring new debt and debt retirement into better alignment. In 2012-13, the annual funding level of Public Improvement Projects for commonwealth-owned buildings and facilities will be reduced by 50 percent to just less than \$200 million, and will focus on the priority infrastructure needs of state assets. The level of Higher Education project releases will also be reduced by 50 percent to approximately \$155 million a year. Reforms in the Redevelopment Assistance Capital Program will include setting releases at a much lower level than in previous years to reduce RACP debt by more than \$1 billion and prioritizing projects that will have the greatest impact on Pennsylvania's economy.
- **Streamlining Government.** The budget continues government streamlining by merging and consolidating a number of programs and agencies or realigning them for greater synergies. The budget also seeks to streamline the human resources system through greater alignment of employee recruitment, selection, development and retention activities and processes, and the pursuit of merit system modernization and reform to provide greater quality, efficiency and effectiveness of state government. In addition, certain health data and information operations will be integrated to better utilize health information for public policy purposes. Criminal justice research currently conducted independently by several state agencies will be coordinated through the Pennsylvania Commission on Crime and Delinquency.
- **Transforming Education and Human Services Program Delivery.** The budget will begin to fundamentally transform the relationship between the state and local governments and the delivery of critical services in education and human services. The budget will place several K-12 education funding streams into a block grant, providing greater flexibility for local school districts

and positioning the commonwealth to incorporate a real-time student-focused, weighted funding formula based on environmental factors and student characteristics. In human services, a number of state-funded and county-administered programs will be converted from various categorical programs to a single block grant. Under this approach, effectiveness will be measured by results and performance, while efficiencies will be gained at the local level through additional flexibility and elimination of a number of categorical compliance activities. This will result in the redistribution of staff and resources at both the state and local levels.

- **Reducing Administrative Spending.** The budget maintains a commitment to reduce administrative spending in state government. Building on the 4 percent reduction in administrative spending in 2011-12, this budget brings the total reduction in state administrative spending to approximately 6 percent over two years.

Positioning Pennsylvania for Prosperity

The 2012-13 budget continues Governor Corbett's commitment to strengthen the financial foundation of state government in order to create an environment of economic opportunity for all citizens. Amid great financial challenges, the budget reflects an approach to limited yet vigorous government in core areas of government services. The disciplined approach to fiscal management will ensure the sustainability of important government programs and will stimulate economic performance and job creation.



JOBFirst PA

Robust Employment – Growing Industry – Vital Economy

JOBFirst PA is a comprehensive road map to economic recovery in Pennsylvania that harnesses the state's abundant resources and talents to prioritize private-sector job creation and retention. JOBFirst PA focuses on three core areas: bringing a private-sector mentality to state government – Pennsylvania Inc.; investing in Pennsylvania job creators; and prioritizing workforce development.

Pennsylvania Inc.

Pennsylvania Inc. will transform state government into a partner in job creation. As part of this effort, the Governor's Advisory Council on Privatization and Innovation is reviewing state government functions to determine if the state provides the most cost-effective and transparent services that taxpayers deserve. The Interagency Coordination Advisory Group for Economic Development is focusing on big-picture, cross-agency issues affecting economic development, including infrastructure and workforce development and permitting and regulatory reform. Pennsylvania Inc. will infuse common-sense principles into the administration of state government through the establishment of the Liberty Financing Authority as a one-stop-shop for business financing. Current Department of Community and Economic Development loan programs and funds will be integrated or pooled not only to streamline the process for applicants but also to leverage additional private dollars and create more flexible financing tools that can quickly adjust to changing economic conditions.

Investments in Job Creators

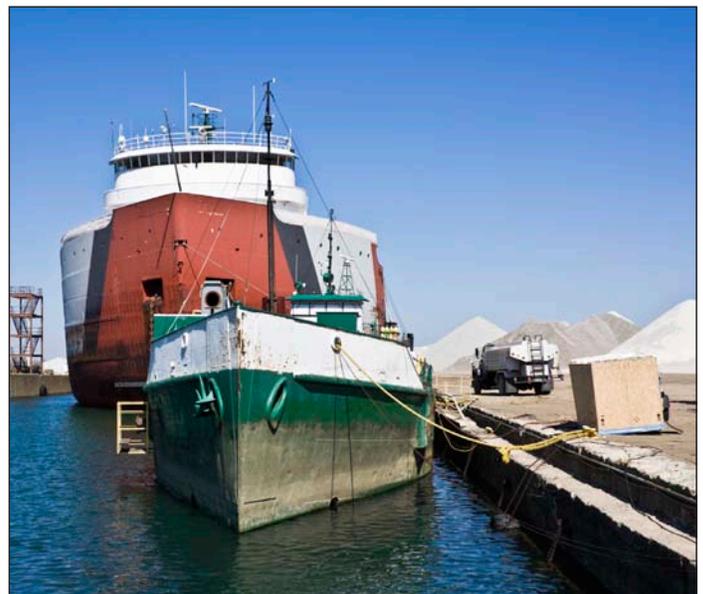
JOBFirst PA invests in job creators by blending tax reform with entrepreneurial initiatives and investments in critical growth infrastructure to cultivate new industry sectors and sustain existing industries for small and large businesses. This budget maintains Governor Corbett's commitment to continuing the phase-out of the Capital Stock and Franchise Tax. Key tax credits for job growth are maintained: the Research and Development Tax Credit, the Film Production Tax Credit, the Job Creation Tax Credit, and the Neighborhood Assistance Program. Startup PA, the Innovation Marketplace portal, and Discovered in PA, Developed in PA are the foundations of Pennsylvania's innovation economy.

- **Startup PA.** Through a collaboration with the Startup America Partnership, Startup PA will leverage national resources to supplement Pennsylvania's existing entrepreneurial initiatives. The plan will focus on five key areas: creating alumni networks of successful entrepreneurs who can be accessed efficiently by high-potential startup teams seeking mentoring; developing formal partnerships with large corporations

willing to contribute growth elements such as product validation, technology evaluation and industry expertise to local startups; identifying foundations willing to target resources toward filling gaps in seed capital and technology commercialization; improving the means of identifying top management talent in each region who have both the interest and capacity to lead high-potential startups; and creating the means to rapidly connect Pennsylvania manufacturer capabilities with high-growth companies at the scale-up stage.

- **Innovation Marketplace.** JOBFirst PA will launch the Innovation Marketplace portal to allow small companies to quickly find and investigate new technologies, startups to promote technologies to manufacturers and investors and manufacturers to identify new customers and new markets.
- **Discovered in PA, Developed in PA.** This program aims to build capacity to better support Pennsylvania businesses and to spur creativity and innovation in the provision of economic development services – from business incubating to mentoring, marketing and beyond. It funds innovative proposals to promote entrepreneurship, increase technology transfer and commercialization of intellectual property, and enhance the capacity of economic development service providers.

JOBFirst PA will also make the development of critical growth infrastructure a top priority. From transportation infrastructure – roads, ports, intermodal, rail, air – to fiber and wireless broadband infrastructure, JOBFirst PA will drive innovation and competitiveness.



JOBFirst PA: A Comprehensive Workforce Strategy

Matching Job Seekers with Employer Needs

This budget supports a comprehensive workforce development strategy to enhance the effectiveness of the commonwealth's core services and programs offered in partnership with our local Workforce Investment Boards, PA CareerLinks® and Industry Partnerships. The goal of this strategy is to connect unemployed workers with employers who are currently hiring and to reduce any skills mismatch between labor supply and employer demand. In addition, this effort will focus on incumbent worker training, recent graduate placement and transitioning welfare recipients into the workforce. In the long term, this comprehensive strategy will develop a highly responsive, flexible system that continuously connects job seekers with job creators and identifies current and future training and educational needs.

This workforce strategy is comprised of the following integrated initiatives:

Comprehensive Job-Matching System

Pennsylvania's current job-matching system is very labor-intensive, requires a great deal of human capital and is not an effective tool for either the job seeker or the job creator. The proposed system will address these limitations and create an efficient and effective job-matching system.

With the implementation of the work-search requirement in January 2012, all Unemployment Compensation claimants are required to register with the Commonwealth Workforce Development System. The new system will dramatically improve job search capabilities, will be geared toward the specific qualifications an individual provides during the

registration process and will connect unemployed workers to job vacancies through direct and automated searches that will send alerts with job matches targeted to the individual. The job-matching system will have a complementary feature that will provide employers with the ability to search the résumé and job-match database to find qualified, carefully screened applicants to fit their needs. Job creators will also be encouraged to register with the system and provide detailed information about their workforce requirements and available jobs and careers.

Employer-Driven Training Initiatives

A combination of improved and new employment programs will bolster efforts to decrease the number of unemployed workers in Pennsylvania.

- **Keystone Works.** To facilitate the rapid return to work for recently unemployed claimants, Keystone Works – a cornerstone of the JOBSFirst PA plan – will provide employer-driven training opportunities for unemployed workers through the creation of a \$2.5 million grant program. While they are participating in on-the-job training, unemployed individuals will remain eligible for their full unemployment compensation benefits, and employers will be offered an incentive if the participant completes the training and is hired. Employers who hire participants upon completion of the training period are eligible to receive up to \$1,500 in state incentive payments.



JOBFirst PA: A Comprehensive Workforce Strategy (continued)

- **Incentivize Local Efforts.** For the longer-term unemployed and to encourage more targeted training for existing employment positions, the department has formed an internal team to develop employer-driven training and hiring pilot programs. One such pilot will provide a financial incentive to local Workforce Investment Boards and selected Pennsylvania employers who agree to employ individuals who complete certain training programs. In this program, when an employer agrees to pre-select a candidate for an existing position and hire that candidate upon the successful completion of the training program, additional training funds will be provided to the local board.



- **Work Opportunity Tax Credits for Veterans.** The Returning Heroes Tax Credit and the Wounded Warrior Tax Credit are federal incentive programs for employers who hire veterans. The Department of Labor and Industry will promote the federal tax credit programs through other agencies, including the Department of Community and Economic Development and the Department of Military and Veterans Affairs.
- **Performance-Based Training.** The Department of Labor and Industry will continue to focus Industry Partnership funding on programs that emphasize occupations on the High Priority Occupation list. This emphasis will be required in order for employers to be considered for IP worker training funding.

Economic Development with a Workforce Development Focus

The in-depth information gathered through the comprehensive job-matching system will enable the Department of Labor and Industry to provide employers with critical data in a much more comprehensive and effective manner. In partnership with DCED, as well as with other state and local government agencies, the department will share information and coordinate efforts to attract and retain businesses.

- **Training for Opportunities in New Industries.** The department will continue to work with natural gas employers and associations to identify employment opportunities in direct jobs as well as in the industry's supply-chain.
- **Better Coordination Among State Agencies.** The Interagency Workforce Development Task Force was created to bring together all agencies that administer workforce development programs. The task force will continue to increase collaboration and communication across state agencies so that job creation resources are used most effectively.
- **Incumbent Worker Training.** The Department of Community and Economic Development will continue to support training for incumbent workers through the PA First program, which provides funding to Pennsylvania companies for basic skills and information technology training, and guarantees training to meet the standards agreed upon between the company and the training provider.

Higher Education Workforce Development Initiatives

The commonwealth will continue to rely on its outstanding higher education resources to ensure Pennsylvania's workers have the skills needed to compete in the global economy and to facilitate training and certification linking people with jobs.

- **Targeted Industry Cluster Certification Program.** The 2012-13 budget includes \$5 million from PHEAA earnings for this new program, which will provide grants to students enrolling in targeted industry certificate programs less than two years in length for certain high-priority occupations. In the first year, the targeted industry clusters include energy, agriculture and building construction.
- **Advisory Commission on Postsecondary Education.** This commission is tasked to review and identify policies that address critical issues facing this component of Pennsylvania's education portfolio. This review will include an assessment of state workforce shortages, system sustainability and adaptability, individual sector roles and responsibilities and funding policies.

The Workforce Development Strategy is an integrated initiative that will result in a premier system to address the existing disconnect between job creators and those Pennsylvanians who are striving to attain family-sustaining jobs in the commonwealth.

Education in Pennsylvania: Changing the Culture

Pennsylvania has embraced the importance of measuring student progress in order to improve public education. Accordingly, now is the time to expand our performance measurement tools beyond students to all aspects of public education.

The 2012-13 budget supports an approach that:

- places students at the center of educational excellence in our schools through increased accountability and access;
- encourages parents to make informed decisions about their children's academic needs and progress;
- emphasizes educators who are effective in increasing student achievement;
- recognizes that all employees must possess an understanding of how their work affects the district's overall performance; and
- offers a framework to help all employees improve their work.

Changes in the education culture will be advanced through a variety of initiatives at all levels of the education system – from the administrative infrastructure; to current measurement tools for students, teachers and school leaders; and finally to how parents and communities are informed about school district performance.

Student-Centered Investments

This budget supports efforts to move Pennsylvania's education system to a student-centered focus, emphasizing performance at all levels. The budget proposes to change departmental and school district reporting systems to reflect real-time child counts and attendance records, an effort that will require benchmarking and information technology system upgrades. The budget proposes \$1.7 million in state and federal funds to improve data collection and reporting systems.

Student Achievement Education Block Grant

This budget proposes to provide funding for basic education, pupil transportation and school employees social security to school districts within a single block grant. The state will retain general academic and administrative requirements, but will allow local school boards and school leaders to focus on cost-effective management practices that achieve quality education results and to determine the most effective way to meet their statutory education responsibilities. In addition, the budget supports the repeal of outdated and time-intensive state bureaucratic processes, such as the approval of program alteration and curtailment plans of school districts and state-directed strategic planning processes.

The budget proposes \$6.5 billion for the Student Achievement Education Block Grant, including: \$5.4 billion for basic education funding, \$542.3 million for pupil transportation, \$77.7 million for nonpublic and charter school pupil transportation, \$504.8 million for school district school employees social security, and \$36.8 million for intermediate unit school employees social security.

Career and technical center social security funding and community colleges social security funding will be added to their individual administrative operating appropriations – \$12.5 million for career and technical centers and \$20.4 million for community colleges.

In addition, this budget supports a moratorium on accepting new school construction project requests. The administration plans to review the role of state government in this area of school district operations.

This budget proposes no reduction to school district funding. School districts and intermediate units are funded at 2011-12 levels, plus a pro-rata share of additional funding provided in 2012-13. The block grant proposal eliminates bureaucratic processes such as certain annual administrative reports, and it incentivizes successful educational practices and academic excellence by allowing school districts to use resulting savings according to their educational priorities.



Quality Teachers and Leaders

Quality teachers and school leaders are essential to an effective education system. To help school districts in developing quality educators and school leaders, the Department of Education proposes new Pennsylvania Teacher and Principal Evaluation tools. The Teacher Evaluation Tool will include measures of practice and student achievement, and it will provide support and feedback to teachers as they strive to deliver quality education to their students. The Principal Evaluation Tool will rate school leader effectiveness through multiple measures. These two tools will provide educators with targeted resources, support and feedback so they can improve their instruction and school leadership.

Education in Pennsylvania: Changing the Culture (continued)

Quality Assessments

School districts should be graduating college- and career-ready students so that colleges and employers do not have to spend time and money on conducting remedial education or training. This budget supports revisions to current Keystone exam program graduation requirements by reducing the number of Keystone or final exams from ten to three. The program revisions will focus testing and accountability on the core subjects needed for students to succeed. The revisions also: eliminate the requirement that Keystone exams be considered a part of the individual course grades, modify the project-based exam alternate and delay full implementation of the Keystone exams by two years until 2017. This budget provides \$15.4 million to implement these revisions and to refocus components of the existing assessment and accountability system to ensure that Pennsylvania students are college- and career-ready.

Accountability and Transparency for Pennsylvania's School System

Parents should expect that their children are graduating from high school with the skills necessary to pursue postsecondary education or career options – saving time and money that would otherwise be spent on additional preparatory instruction. A quality education system must be built on accountability and must be focused on student achievement. This budget proposes the development and implementation of a Pennsylvania School Report Card – a new accountability system to assess Pennsylvania public schools, including career and technical centers, charter schools and cyber charter schools.

The budget provides \$471,000 in state and federal funds to implement the School Report Card. The report card system will assess the academic performance, school safety, and fiscal strength of schools and school districts. Report cards will be publicly accessible via the Internet and will allow users to examine the performance of specific school districts and specific school buildings within districts, as well as compare the performance between and among school districts. School leaders will be able to review their report card and determine in which areas they excel and in which areas they need improvement. The Department of Education's Standards Aligned System portal will make resources available to school leaders to assist them in developing plans and interventions to improve student achievement. The School Report Card will provide parents, taxpayers and educators with a straightforward and easily understandable tool to evaluate the quality of Pennsylvania's schools and education system.

These efforts to change the culture of education in Pennsylvania – focusing on a student-centered approach; providing flexibility to school boards and school leaders; improving student achievement and school leadership; and giving parents, educators and taxpayers the ability to evaluate the quality of education in their schools – will allow the commonwealth to achieve its goal of delivering a quality education to students. This in turn will allow students to achieve their full potential and become successful and productive citizens.



Criminal Justice and Enhanced Public Safety



Public safety is a primary responsibility of state government. Protecting our citizens requires our criminal justice agencies to work together and examine the effectiveness and efficiency of the commonwealth's criminal justice system. To meet this challenge, all criminal justice agencies have collaborated to develop initiatives that promote public safety by focusing on evidence-based approaches to reduce crime, lower the prison population and better prepare those offenders who are returning to the community to become productive, law-abiding citizens.

To protect our communities from unpredictable events, the Office of Homeland Security will be integrated within the Pennsylvania State Police, and the Pennsylvania Emergency Management Agency will be given additional resources to enhance emergency preparedness and planning activities. To protect not only our communities but also our National Guard troops, the Department of Military and Veterans Affairs will increase police security at Fort Indiantown Gap.

- **Justice Reinvestment Initiative.** This initiative is a data-driven approach to reducing corrections spending and reinvesting savings in strategies that can decrease crime and strengthen the safety of our communities. The initiative will examine current resource allocations, make priority recommendations based on program effectiveness, and reallocate resources to evidence-based initiatives to reduce recidivism.
- **Risk Assessment Tool.** Use of this tool is expected to lead to more accurate data-driven decision-making in sentencing, parole decisions and programming for inmates and for the supervised parole population. This tool will identify offenders with the greatest probability of successful reentry into the community and the supporting programs necessary to facilitate that reentry. The result will be a safer Pennsylvania with a more manageable and fiscally sound criminal justice system.

- **Legislative Corrections Reforms.** Several reforms are proposed to enable the Department of Corrections to expand existing effective programs such as State Intermediate Punishment, Recidivism Risk Reduction Incentive and Motivational Boot Camp. Other reforms, such as the expansion of county specialty courts, would allow judges to divert low-risk offenders with drug addictions and other offenders with mental health needs to specialized treatment programs.
- **Community Corrections and Reentry.** With more than 90 percent of offenders returning to the community after incarceration, it is imperative to provide offenders with the tools they need to transition back to society and become productive, law-abiding citizens. Day Reporting Centers, GPS monitoring, mentoring programs and the use of technical parole violation centers will enable the commonwealth to continue addressing offender needs and reduce recidivism rates.
- **Parole Supervision.** As the number of offenders returning to the community grows, the administration is committed to providing the Board of Probation and Parole with a sufficient number of parole agents. To address current and anticipated needs, this budget provides an additional \$5 million to support parole officers.
- **Operational Efficiencies.** The Department of Corrections and the Board of Probation and Parole are committed to reducing costs by creating a more efficient system of case management. This budget incorporates even greater integration of criminal justice research that will lead to better and more reliable data and information analysis.



- **State Police.** The 2012-13 budget increases State Police funding to support one cadet class. In addition, the budget proposes that vehicle fines collected by the State Police in municipalities that rely on the State Police for policing services be retained by the state instead of being returned to the local municipality. This funding will be used for radio equipment and other protective devices.

Preserving the Safety Net

WorkFirst – Favoring Jobs Over Welfare

The 2012-13 budget supports reforms that favor jobs over welfare and reduce the overall demand and caseload for welfare programs. These results-driven employment and training reforms will increase job training for welfare recipients and shift the focus back to employment, with the assumption that work experience is best achieved through actual work. The Department of Public Welfare will pursue the following reforms:

- **Job Advocacy.** Each county assistance office will have a single jobs developer who will work with job creators, chambers of commerce and other industry groups to promote job placement for welfare recipients.
- **Accountability for Recipients.** All families and individuals will sign a contractual plan of action, including an employment plan, and will agree to participate in work and activities leading to self-sufficiency and economic independence from public assistance. Individuals with disabilities will receive special services to help them develop a realistic employment plan leading to employment and independence.
- **Performance-Based Contracting for Providers.** Performance-based contracts for all providers will focus on the activities, quality and outcomes of services and will tie a substantial portion of a contractor's payment – as well as any contract extensions – to their service accomplishments.
- **Employment and Training Systems Integration.** The commonwealth operates two employment and training systems – PA CareerLink® within the Department of Labor and Industry and the Employment Advancement and Retention Network within the Department of Public Welfare. The budget supports the integration of these two systems to eliminate duplication, streamline services and reduce costs in order to seamlessly deliver employment and training services to all job seekers.

Cost Containment and Financial Integrity Initiatives to Maintain Services for Those in Need

To ensure the long-term viability of the social safety net, action must be taken to shift cost-containment efforts into broader efforts to transition individuals from reliance on social services toward self-sufficiency and independence.

The 2012-13 budget includes reforms focused on program efficiency and streamlining of services. These reforms will create an integrated, coordinated and seamless service delivery system that addresses consumer needs for quality, independence, flexibility and service coordination while also addressing the need for cost containment and financial integrity.

- **Human Services Development Fund Block Grant** - \$168.4 million in savings from consolidating multiple human services programs into a single block grant, providing counties the flexibility to align funding with the needs of each locality.
- **Foster Care Enhancements** - \$4.5 million in savings from drawing down additional federal funds to support youth in foster care until age 21.
- **General Assistance Program Reform** - \$319.3 million in savings from eliminating the cash portion of General Assistance in order to maintain health care for individuals who do not qualify for Temporary Assistance to Needy Families or Medicaid.
- **Hospital Application Process Revisions** - \$10 million in savings from maintaining recipients enrolled through the hospital application process in the fee-for-service program, rather than managed care, until redetermination.
- **Revised Provider Reimbursement** - \$59 million in savings from reducing provider reimbursement rates or considering alternative provider cost-containment initiatives.
- **Program Integrity** - \$50 million in savings by implementing an automated audit system to identify provider payment waste, fraud and abuse and by enhancing the review process for high-cost cases.
- **Child Care Reimbursement Reform** - \$10 million in savings from reducing the number of paid absences and decreasing reimbursement rates for unregulated relative and neighbor care.
- **MAWD Premium Reform** - \$10 million in savings by increasing premium rates and ensuring that individuals enrolled in the Medical Assistance for Workers with Disabilities program participate in cost-sharing for health insurance premiums.

General Fund Financial Statement

Dollars in Millions

	2010-11 Actual	2011-12 Available	2012-13 Budget
Beginning Balance.....	\$ - 294	\$ 1,073	\$ 93
Adjustment to Beginning Balance .....	. . . . .	15 ¹	. . . . .
Revenues:			
Receipts	\$ 27,497	\$ 27,122	\$ 28,395
Refunds	- 1,150	- 1,310	- 1,335
Prior Year Lapses.....	94	195	. . . . .
Funds Available.....	<u>\$ 26,147</u>	<u>\$ 27,095</u>	<u>\$ 27,153</u>
Expenditures:			
Total Appropriations	\$ 28,140 ²	\$ 27,162	\$ 27,139
Enhanced Medical Assistance Percentage...	- 1,757	. . . . .	. . . . .
State Fiscal Stabilization Fund.....	- 921	. . . . .	. . . . .
Education Jobs Fund	- 388	. . . . .	. . . . .
Current Year Lapses .....	. . . . .	- 160	. . . . .
Total State Expenditures.....	<u>\$ 25,074</u>	<u>\$ 27,002</u>	<u>\$ 27,139</u>
Preliminary Balance	<u>\$ 1,073</u>	<u>\$ 93</u>	<u>\$ 14</u>
Transfer to Rainy Day Fund.....	. . . . . ³	. . . . . ⁴	<u>3</u>
Ending Balance	<u><u>\$ 1,073</u></u>	<u><u>\$ 93</u></u>	<u><u>\$ 11</u></u>

¹ Adjustment to beginning balance reflects reallocation of prior-year funds for disaster relief.

² Includes State General Fund appropriations and Federal Fiscal Relief (ARRA) funds appropriated from the enhanced Federal Medical Assistance Percentage, the State Fiscal Stabilization Fund, and the Education Jobs Fund.

³ Act 26 of 2011 suspended the 25 percent transfer to the Budget Stabilization Reserve (Rainy Day) Fund for the 2010-11 fiscal year.

⁴ This budget proposes the suspension of the 25 percent transfer to the Budget Stabilization Reserve (Rainy Day) Fund for the 2011-12 fiscal year.

General Fund Revenue Sources

Dollars in Millions

Source	2010-11 Actual	2011-12 Estimated	2012-13 Estimated
Personal Income Tax	\$ 10,435.7	\$ 10,814.9	\$ 11,326.4
Sales and Use Tax	8,590.2	8,754.2	9,101.4
Corporate Net Income Tax	2,131.5	1,891.5	2,087.3
Capital Stock and Franchise Tax	819.4	726.6	479.4
Gross Receipts Tax	1,225.2	1,145.0	1,497.7
Cigarette Tax	1,075.4	1,075.4	1,097.0
Other Taxes	2,183.2	2,227.2	2,287.4
Non-Tax Revenues	1,036.6	487.1	518.5
Total Receipts	<u>\$ 27,497.2</u>	<u>\$ 27,121.9</u>	<u>\$ 28,395.1</u>
Difference from prior year	\$ - 151.0	\$ - 375.3	\$ 1,273.2
Percentage Difference	- 0.6%	- 1.4%	4.7%

General Fund Expenditures by Agency

(dollar amounts in thousands)

<i>Department</i>	2010-11 Actual	2011-12 Available	2012-13 Budget
Agriculture.....	\$ 92,188	\$ 133,096	\$ 56,268 ¹
Attorney General.....	83,007	81,392	78,121
Auditor General.....	46,245	44,624	42,393
Civil Service Commission.....	1	1	1
Community and Economic Development.....	303,532	214,823	211,753
Conservation and Natural Resources.....	80,914	55,288	52,723
Corrections.....	1,836,025 ²	1,867,022	1,867,022
Drug and Alcohol Programs.....	41,698	40,698	41,698
Education.....	11,590,504 ²	10,531,318	10,631,380
<i>Basic Education (Pre K-12)</i>	9,990,493 ²	9,224,964	9,567,892
<i>Higher Education</i>	1,510,250 ²	1,216,929	977,727
<i>Public Library Subsidy</i>	53,513	53,507	50,832
<i>All Other</i>	36,248	35,918	34,929
Emergency Management Agency.....	12,958	25,040	29,475
<i>Disaster-Related Funding</i>	250	14,750	18,640
<i>All Other</i>	12,708	10,290	10,835
Environmental Protection.....	143,692	137,153	126,564
Ethics Commission.....	1,786	1,768	1,680
Executive Offices.....	165,677	163,415	160,902
Fish and Boat Commission.....	17	-	-
General Services.....	118,954 ²	119,123	117,590
Government Support Agencies.....	24,748	41,698	37,332
Governor's Office.....	6,981	6,504	6,179
Health.....	186,253	183,512	175,086
Health Care Cost Containment Council.....	2,710	2,683	- ³
Higher Education Assistance Agency.....	441,152	422,950	395,705
Historical and Museum Commission.....	17,617	17,525	16,649
Insurance.....	121,415	120,674	123,195
<i>Children's Health Insurance</i>	97,365	97,365	101,608
<i>All Other</i>	24,050	23,309	21,587
Judiciary.....	276,860	298,860	298,860
Labor & Industry.....	83,954	71,752	70,512
Legislature.....	288,263	272,784	260,776
Lt. Governor's Office.....	976	1,345	1,278
Military and Veterans Affairs.....	110,279	128,681	122,427
Probation and Parole Board.....	118,288	126,835	131,667
Public Welfare.....	10,553,009 ⁴	10,560,548	10,530,950
<i>Medical Assistance</i>	4,676,413 ⁴	4,931,759	5,140,910
<i>Long Term Living</i>	1,352,125 ⁴	1,208,449	1,213,160
<i>County Child Welfare</i>	1,036,740	1,000,475	995,895
<i>All Other</i>	3,487,731 ⁴	3,419,865	3,180,985
Revenue.....	182,761	193,304	185,136
Securities Commission.....	1,123	1,031	- ⁵
State.....	8,342	10,126	8,859
State Employees Retirement System.....	4	4	4
State Police.....	172,233	186,728	187,030
Tax Equalization Board.....	1,009	1,057	- ⁶
Transportation.....	2,075	7,954	3,159
Treasury.....	1,022,541	1,090,119	1,166,596
<i>Debt Service</i>	977,529	1,041,497	1,119,792
<i>All Other</i>	45,012	48,622	46,804
TOTAL APPROPRIATIONS	\$ 28,139,791	\$ 27,161,435	\$ 27,138,970
Less Federal Fiscal Relief Funds:			
Enhanced Medical Assistance Percentage.....	\$ (1,756,520)	\$ -	\$ -
State Fiscal Stabilization Fund.....	(921,384)	-	-
Education Jobs Fund.....	(387,816)	-	-
STATE APPROPRIATIONS	\$ 25,074,071	\$ 27,161,435	\$ 27,138,970

¹ This budget proposes funding Agricultural Research and Extension, the University of Pennsylvania Veterinary Activities, the University of Pennsylvania Veterinary Center for Infectious Diseases and Payments to PA Fairs from the Race Horse Development Fund.

² Includes federal ARRA State Fiscal Stabilization Fund and Education Jobs Fund appropriations.

³ This budget proposes transferring the functions of the Health Care Cost Containment Council to the Department of Health.

⁴ Includes enhanced ARRA Federal Medical Assistance Percentage appropriations.

⁵ This budget proposes transferring the functions of the Securities Commission to the Department of Banking.

⁶ This budget proposes transferring the functions of the Tax Equalization Board to the Department of Community and Economic Development.

2012-13 Motor License Fund

INCOME

(Dollars in Millions)



Liquid Fuels Tax — \$1,234

Licenses and Fees — \$914

Turnpike Commission Payment — \$200

Other — \$86

Total Income	\$2,434
Beginning Balance....	148
TOTAL	\$2,582

OUTGO

(Dollars in Millions)



Highways & Bridges — \$1,381

State Police — \$570

Local Subsidy — \$240

Other — \$167

Licensing & Safety — \$131

Debt Service — \$19

Total Outgo	\$2,508
Ending Balance	74
TOTAL	\$2,582



2012-13 Economic Outlook

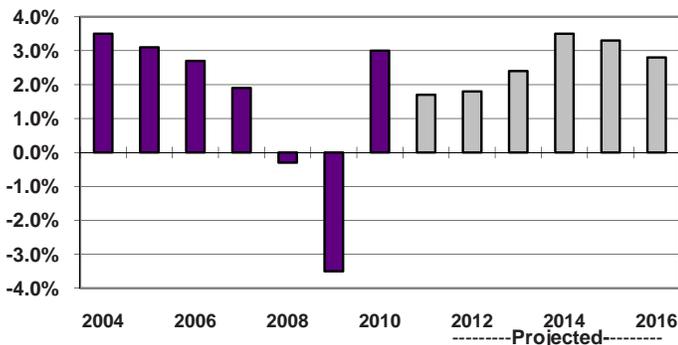
Economic forecasts are a key component in constructing the budget's revenue forecasts, and they also help the government project likely levels of demand for many public goods and services.

Recent Economic Trends

Overall real Gross Domestic Product growth for 2009 was -3.5 percent for the year. The contraction of the U.S. economy during 2009, as measured by annual growth in real GDP, was the deepest since the Great Depression. Since that time, the economic recovery has been muted and job creation has been tepid.

As measured from the start of the most recent recession (December 2007), the economic recovery in the U.S. has been the weakest since World War II. Following prior recessions, the economy, as measured by GDP, has always surpassed its pre-recession high within two years. At four years in length, the current recovery took twice as long to surpass pre-recession GDP levels, after adjusting for inflation. Job creation has been worse than in past recoveries.

REAL GROSS DOMESTIC PRODUCT
(Annual Growth)



Growth in the economy accelerated during the last quarter of 2011. The national economy, as measured by growth in real GDP, increased at an annual average rate of 2.8 percent during the last quarter of 2011. This growth rate is the highest since the second quarter of 2010 and outpaced the subdued average of 1.7 percent quarterly growth during the intervening period. However, many economic forecasters do not think the uptick in economic activity during the last quarter of 2011 is the start of a stronger recovery. Rather, many economists feel that the recent growth is the result of numerous temporary factors, and they expect quarterly growth in real GDP to slow considerably over the next three quarters.

The National Forecast

Economic growth slowed during the first three quarters of 2011, averaging just 1.2 percent over this period. Stronger growth of 2.8 percent is estimated to have occurred during

the fourth quarter of 2011. Economic growth is expected to again weaken during the first three quarters of 2012, averaging just 1.5 percent. Modest economic growth is forecast for the national economy from the first quarter of 2012 through at least the first quarter of 2013, with stronger growth forecast to occur from the second quarter of 2013 through at least the second quarter of 2014, according to a combination of data from both IHS Global Insight and Moody's Economy.com economic forecasts.

The forecast for 2012 includes an estimated gradual slowdown in the projected growth of real consumer expenditures. Estimated annual growth of 2.2 percent is forecast for 2012 and 1.9 percent growth is forecast for 2013. Beyond 2013, real consumer spending is expected to grow moderately, in the mid two percent range through 2015. These levels are well below the average annual growth in real consumer spending of 3.6 percent experienced from 1992 to 2007. It is expected that consumer spending will be constrained by chronically high unemployment, tight credit, diminished household wealth, potentially rising federal income and payroll tax rates in 2013 and exhausted unemployment compensation benefits for millions of chronically unemployed persons. Finally, more than \$1.2 trillion in automatic federal government spending cuts are slated to begin in 2013, which could also negatively impact consumer spending and the recovery in general.

Personal income growth experienced a similar annual decline in 2009, down 4.4 percent. Despite elevated unemployment, growth in real personal income returned in 2010, growing 1.5 percent annually. Stronger gains in real personal income are estimated to have occurred in 2011, with an annual increase of 2.3 percent. However, the rate of growth in personal income is forecast to remain relatively constant at approximately 2.1 percent from 2012 through

Forecast Change in Key US Economic Indicators				
Annual Percentage Growth*				
Indicator	2010	2011p	2012p	2013p
Nominal GDP	4.2	3.9	3.1	3.7
Real GDP	3.0	1.7	1.8	2.4
Real Personal Consumption	2.0	2.3	2.2	1.9
Corporate Profits (After Tax)	19.0	5.8	2.6	9.1
Unemployment Rate (Rate)	9.6	9.0	9.0	8.8
CPI	1.8	3.2	1.4	1.8
Federal Funds (Rate)	0.2	0.1	0.1	0.1

* Assumptions in this chart, as well as other assumptions, are incorporated in the 2012-13 fiscal year revenue estimates.
p=projected

2012-13 Economic Outlook (continued)

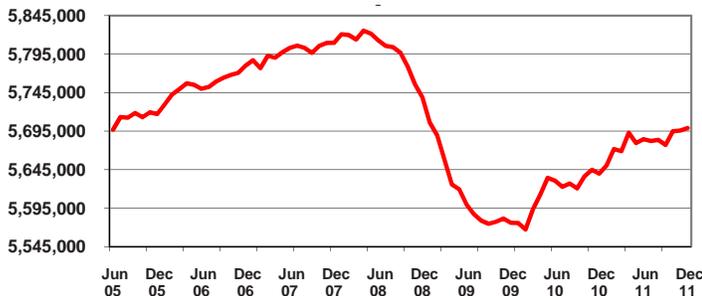
2013. Stronger annual growth is forecast to return in 2014 and 2015 as the economy continues to expand and as unemployment gradually eases.

Economists agree that additional and sustainable gains in employment will be needed to ensure that U.S. consumers continue their recently elevated levels of spending. As during the previous recovery in 2003-04, job growth will likely be minimal during this recovery.

The Pennsylvania Outlook

The commonwealth's economic performance is largely dependent upon job growth. As the U.S. and state economies entered into recession in late 2007, employment in the commonwealth peaked in January 2008 at 5.811 million non-agricultural jobs. During the most recent recession, Pennsylvania lost nearly 234,000 jobs. Job growth returned in 2010, albeit at modest levels. During 2010, approximately 64,000 net new jobs were produced in the commonwealth. This pattern continued during 2011 as approximately 60,000 jobs were created through December 2011. Employment growth is expected to accelerate in the commonwealth during 2012 as total growth in employment is forecast to be nearly 80,000 by December 2012.

PENNSYLVANIA EMPLOYMENT
(Non-Agricultural)



The commonwealth's unemployment rate rose to 9.3 percent in July 2010. Since that time, the Pennsylvania unemployment rate has been declining steadily; it was 7.6 percent in December 2011. The commonwealth's unemployment rate is forecast to remain relatively constant at around 8 percent for 2012 and 2013, before declining to 7.3 percent in 2014 and 6.4 percent in 2015.

For all of 2009, Pennsylvania's rate of growth in real personal income declined 2.9 percent while the nation as a whole dropped 4.4 percent. During 2010, the commonwealth's 1.5 percent growth in real personal income was close to the 1.9 percent national growth rate. As the national and state economies expanded during 2011, personal income in the commonwealth grew by 2.1 percent, compared to 2.3 percent nationally. Based on current projections, the commonwealth is expected to equal the national average growth in real personal income in 2012, with both rising at a rate of 2.1 percent.

The commonwealth has outperformed the national economy during the three most recent years. During 2008, the commonwealth's economy grew at an annual rate of 0.2 percent while the national economy contracted at a rate of 0.3 percent. Similarly, during 2009, the state economy outperformed the national economy by recording a lower loss: -1.7 percent for the commonwealth versus -3.5 percent for the broader U.S. economy. During 2010 the commonwealth's economy expanded at a rate of 3.0 percent – identical to the 3.0 percent growth rate for the national economy. Again in 2011, the Pennsylvania and national economies expanded at roughly the same rate of 1.7 percent annual growth. As the economic recovery gains strength, the gap between the two rates of growth is expected to re-emerge – beginning in 2012 and continuing through at least 2015.

2012-13 Capital Budget

	<u>Millions</u>
<u>From Bond Funds</u>	
Agriculture	\$ 32.0
Conservation and Natural Resources.....	143.4
Corrections	53.8
Education.....	302.1
Environmental Protection	90.3
General Services	5.9
Historical and Museum Commission	35.6
Labor and Industry.....	5.0
Military and Veterans Affairs	96.4
Public Welfare	35.8
State Police	29.0
Transportation-Local Transportation Assistance	338.4
Subtotal Bond Funds	<u>\$ 1,167.7</u>
<u>From Current Revenues</u>	
Conservation and Natural Resources.....	\$ 37.9
Transportation	5.8
Subtotal Current Revenues	<u>\$ 43.7</u>
TOTAL CAPITAL PROJECTS TO BE AUTHORIZED.....	<u>\$ 1,211.4</u>

The Capital Budget provides for the acquisition, design, construction, and/or renovation of new or existing commonwealth buildings, facilities, physical betterments or improvements.

Agriculture

Provides for improvements to the Farm Show Complex, agricultural laboratories and other agricultural-related facilities.

Conservation and Natural Resources

Provides for construction and renovation of support, day use, camping facilities and utility systems at the state parks; construction of district offices, central garages, radio communications systems and rehabilitation of forest roads in forest districts.

Corrections

Provides for construction and renovation of administrative, industrial, educational and housing facilities and utilities at the state-owned correctional institutions.

Education

Provides for construction, expansion, renovation and conversion of classrooms and auxiliary buildings, utilities and recreational facilities for the State System of Higher Education, state-owned schools and state-related universities.

Environmental Protection

Provides for construction and improvement projects to protect the environment and the health and safety of citizens using state lands and waterways. These projects include flood protection construction and flood control projects.

General Services

Provides for construction, renovation and improvements to state office buildings and facilities.

Historical and Museum Commission

Provides for restoration and renovation of historic facilities, installation of fire and security systems, development of fixed exhibits and miscellaneous building and utility improvements at commonwealth-owned museums and historic sites.

Labor and Industry

Provides for renovation and improvements to state office buildings.

Military and Veterans Affairs

Provides for land acquisition, renovations, additions and replacement at the state armories and veterans' homes. Also may include original furniture and equipment.

Public Welfare

Provides for construction and renovation of patient buildings, support facilities and utilities at state institutions for the mentally ill and intellectually disabled, restoration centers and youth development centers.

State Police

Provides for renovation, expansion and construction of troop headquarters and station facilities and driver examination facilities.

Transportation

Provides for improvements for local mass transit agencies, rail freight and air transportation projects. Also provides for the construction, and reconstruction of highways and bridges on the commonwealth road system and major federally designated safety projects.