

Pennsylvania Budget Process

The General Fund budget year in Pennsylvania is July 1 to June 30. While there is no constitutional requirement that a budget be in place no later than June 30 of any given year, it is the end of the fiscal year. The budget process is an ongoing cycle with four major stages:

Preparation - Budget development and submission to the General Assembly

Approval - Budget review and enactment by the General Assembly and signing by the Governor

Execution - Re-budget approval and agency budget implementation, and

Audit - Financial audit and program performance monitoring and evaluation.

Another way to look at the budget process:

July, August, September

- Agencies submit re-budget of new General Fund Budget for review
- Issuance of budget instructions & program policy guidelines for following fiscal year

October

- Agencies submit budget requests

November, December, January

- Budget Office and Governor's Review

February

- Governor submits budget to the legislature

February, March, April, May, June

- Legislative Review and Enactment of the Budget

Glossary of Budget Terms

Aid Ratio: A term used to convey the relative wealth of each school district in Pennsylvania. It is part of the formula used to determine how funding is distributed among the school districts.

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

Augmentation: Money credited to a specific appropriation of state revenue. It usually can be spent for the purpose of the appropriation to which it is credited. Except as restricted by the

appropriation it augments, there is no limit on how the money (usually collected from institutional billings or fees) is spent. If the source is federal, then a specific appropriation is necessary.

Average Daily Membership (ADM): Average Daily Membership (ADM) is the average number of students enrolled in a school district per school day.

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

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

Capital Authorization: The debt authorization and/or appropriations authorized in the Capital Budget to fund any permitted capital program.

Capital Budget: The capital budget is that portion of the state budget that deals with projects for the construction, renovation, improvement, acquisition and original furniture and equipment of any building, structure, facility, land or land rights. Projects must have an estimated useful life in excess of five years and an estimated cost in excess of \$100,000. Most of the capital budget projects in the past have been paid from money raised by the sale of bonds.

Debt Service: Cash required in a given period for payments of interest and principal on outstanding debt.

Deficit: A fiscal condition which may occur at the end of a fiscal year, whereby expenditures for a fiscal year exceed the actual cash intake of revenues during the same period plus the prior year surplus. The deficit payment must be made from the next year's revenues.

Fiscal Year: A twelve month period beginning July 1 and ending June 30 of the following calendar year which is used as the State's accounting and appropriation period. Note, the federal fiscal year begins October 1 and ends September 30 of the following calendar year.

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

General Fund: That fund into which the general (non-earmarked) revenues of the State are deposited and from which money is appropriated to pay the general expenses of the state.

Item Veto: The Pennsylvania Constitution empowers the Governor to disapprove part or all of any item or items of any bill making appropriations of money. The part or parts of the bill

approved become law and the item or items disapproved become void. This power is known as the item veto.

Lapse: That portion of an appropriation not spent by the end of the fiscal year and then becomes part of the un-appropriated surplus.

Level Funding: A term used to describe the situation in which a program is funded at the same level as in the previous year; no increases, no decreases.

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

Medical Assistance: Medical Assistance (MA) is Pennsylvania's comprehensive health care program that provides federally-entitled Medicaid benefits to eligible individuals. It also includes General Assistance, the state-funded health care program for low-income individuals that do not qualify for federal Medicaid, but who meet income standards and other criteria established by Pennsylvania.

Medicaid entitlement includes households that receive federal TANF cash assistance – typically low-income women and children; however, two-parent households and households in which another relative is caring for the children may also be eligible. It also includes individuals who receive federal SSI cash assistance – namely low-income individuals who are aged, blind, or disabled.

General Assistance recipients are typically adults without children who have a permanent or temporary disability that precludes employment.

Nonpreferred Appropriation: An appropriation to any charitable or educational institution not under the absolute control of the Commonwealth, which requires the affirmative vote of two-thirds of all members elected to each chamber of the legislature (includes colleges, universities and hospitals).

Official Revenue Estimate: The official estimate of revenues for the fiscal year defined by the Governor at the time he signs the General Appropriation Act. It is this revenue estimate that is used to determine whether the appropriations are in balance with revenues.

Operating Budget: That portion of the state budget that deals with the general day to day activities and expenses of state government, paid for out of revenues from taxes, fees for licenses, and permits.

Pennsylvania Higher Education Assistance Agency (PHEAA): The General Assembly approves funding used by PHEAA to provide financial assistance grants to undergraduate students attending institutions of higher learning. Other services include loan forgiveness, work study and low cost educational loans.

Preferred Appropriation: The ordinary expenses of state government that require the approval of a majority of each chamber of the General Assembly.

Revenue: Money from taxes, fees, fines, federal grants, bond sales and other sources deposited in the state treasury and available as a source of funds for state government.

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

State System of Higher Education (SSHE): The system is comprised of 14 state universities. While each institution has a council of trustees, the system as a whole has a governing board. General funds are provided for the system each fiscal year.

Surplus: A fiscal condition that may occur at the end of a fiscal year, whereby expenditures are less than the actual intake of revenues during the same period. The surplus funds become available for appropriations for the following year.

* adapted from the website of the PA House Appropriations Committee