



House Republican Appropriations Committee

2025-2026 Legislative Session

MEMBER HANDBOOK

Jim Struzzi
Chairman

www.pabudget.com

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ABOUT THE COMMITTEE



The House Appropriations Committee is the largest and most active standing committee in the Pennsylvania House of Representatives. The committee is primarily responsible for reviewing the governor's budget proposal, holding three weeks of budget hearings, negotiating a final budget, and reviewing other budgetary documents in preparation of the budget and during the fiscal year once the budget is enacted.

In addition to budget responsibilities, House Rule 19(A) charges the committee with analyzing and providing fiscal cost estimates of bills before they are voted on the House floor. After second consideration, a bill is referred to the committee for issuance of a fiscal note before being reported back to the House floor for third consideration and final passage.

MISSION STATEMENT

The mission of the House Republican Appropriations Committee (HRAC) is to steadfastly provide all necessary and requested information regarding the Commonwealth's financial health, which includes:

- Educating Caucus members with understanding the year-long budget cycle and the annual appropriations process
- Providing Caucus members with insight into Commonwealth operations, programs, and resources
- Performing detailed analyses of legislative proposals, including both near-term and long-term fiscal impacts on the Commonwealth's expenditures and revenues, as well as the impacts on its citizens, local governments, and school districts
- Tracking state and national economic trends, state revenues and expenditures, and the status of Commonwealth and Federal appropriations, while providing updates to the Caucus
- Assisting Caucus members and staff with answering inquiries on various budget and legislative issues, as well as represent the Caucus and members, upon request, when engaged with stakeholders and constituents

As the committee guides the House Republican Caucus through the legislative session, together, these roles will assist policymakers in constructing a fiscally responsible and sustainable Commonwealth budget – one that lives within our own means while providing the vital resources needed to our local communities and constituencies.

COMMITTEE MEMBERS

2025-26 Session



**Jim
Struzzi,
Chairman**



**Jamie
Barton,
Vice Chair**



**Marla
Brown**



**Eric
Davanzo**



**Ann
Flood**



**Josh
Kail**



**Charity
Krupa**



**Thomas
Kutz**



**Zachary
Mako**



**Kristin
Marcell**



**Marci
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**Eric
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**Jeff
Olsommer**



**Chad
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THE BUDGET CYCLE

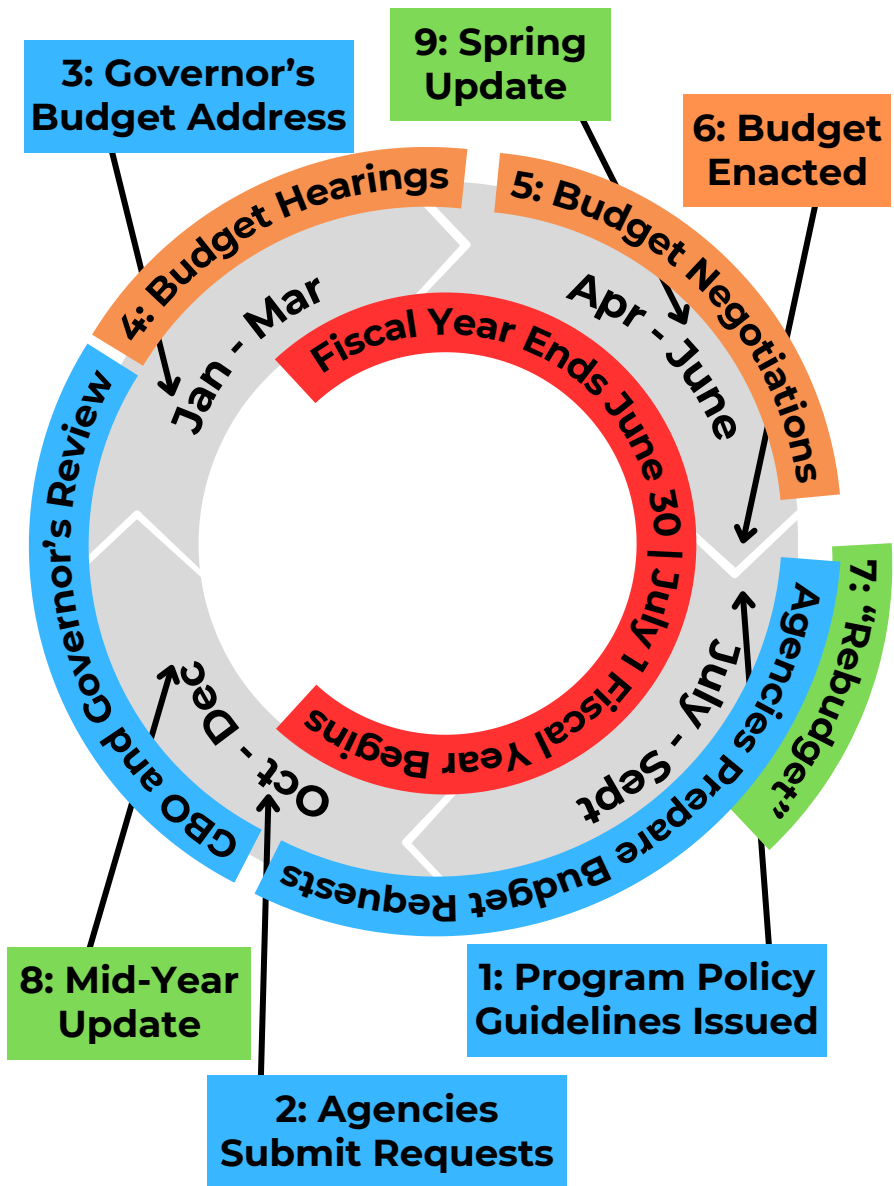
Overview

Pennsylvania's budget cycle is a year-round process, which involves actions related to both the current fiscal year and planning the next fiscal year that begins on July 1. Each stop along the way is listed below and described in further detail on pages 8-12.

Budget Cycle Steps

- 1: Program Policy Guidelines Issued (August)**
- 2: Agencies Submit Budget Requests (October)**
- 3: Governor's Budget Address (February)**
- 4: Budget Hearings (February - March)**
- 5: Budget Negotiations (April - June)**
- 6: Budget Enacted (June 30)**
- 7: Re-Budget (July - August)**
- 8: Mid-Year Update (December)**
- 9: Spring Update (April/May)**

THE BUDGET CYCLE



Key:

Planning Year

Current Year

Executive
Actions

Executive and
Legislative Actions

Executive
Actions

THE BUDGET CYCLE

1: Program Policy Guidelines

The Program Policy Guidelines (PPGs) define the major policy issues and problems faced by the Commonwealth and provide direction for the preparation of each agency's budget request. Agencies prepare budget requests starting in August, according to the direction and guidance provided in the Budget Instructions and Program Policy Guidelines. Budget requests are prepared using computerized forms (templates) and include the Agency Program Plan, a programmatic presentation of the agency request as well as a substantial amount of appropriation level and program level information.

2: Agencies Submit Requests

Once the agencies complete adjusting their budgets to comply with their actual appropriations for the current fiscal year, work begins on crafting budget requests for the following fiscal year. Assembling a budget request is time consuming. Agencies submit their budget requests to the Governor's Budget Office for review and revision. The governor-approved funding amounts are compiled into an Executive Budget Proposal and printed. This book is called the Governor's Executive Budget. The book is presented to the General Assembly and the public the day of the governor's annual budget message.

THE BUDGET CYCLE

3: The Governor's Budget Address

On the first Tuesday in February, (March when a new governor takes office) the governor presents the proposed budget for the upcoming fiscal year to a joint session of the General Assembly. At the same time, the Governor's Office provides an Executive Budget proposal, which details projected revenues and outlines proposed spending for the new fiscal year beginning July 1. The Governor's Executive Budget also contains descriptions of new programs and detailed information about current programs, including proposed revisions in each agency.

4: Budget Hearings

After the governor presents his spending blueprint for the next fiscal year, the House and Senate Appropriations committees independently hold public hearings to review and question executive agency representatives about their budget requests. The public hearings typically last three weeks, usually beginning the first or second week after the Governor's Budget is released.

THE BUDGET CYCLE

5: Budget Negotiations

After the House and Senate Appropriations Committees conclude their hearings on the governor's proposed budget, a General Appropriation (GA) bill is introduced typically both in the House and Senate.

The House adopts the General Appropriation bill and sends it to the Senate for its review. The Senate may amend the budget received from the House or introduce a different budget bill. The Senate may also adopt the budget first and send it to the House. After a tentative budget agreement is reached between the House, Senate and the governor, the agreed-to budget is amended into the GA bill by the chamber in possession of the bill. If approved, it will go to the other chamber for concurrence.

6. Budget Enactment

A GA bill follows a typical legislative process with committee consideration and an amendment process in each chamber, or a conference committee is convened to draft a final budget if needed. The budget for the next fiscal year should be adopted by June 30. The Commonwealth has limited authority to spend money unless a new budget is enacted by this date.

THE BUDGET CYCLE

7: “Re-budget” Review and Approval

As soon as the new budget is adopted, each executive agency (such as Education, Health, etc.) examines its appropriations and adjusts its spending plan accordingly. Sometimes an agency receives more than it requests; sometimes it receives less. Agencies often experience numerous program changes. The amount appropriated in the budget is the amount the agency must operate within. On occasion, the appropriated amount falls short of what is needed to cover unexpected expenses. Any necessary supplemental appropriations are included in the GA bill for the following fiscal year, or a rare Supplemental Appropriation bill.

8: Mid-Year Update

In December, the governor hosts a briefing on the status of the current fiscal year for legislative leaders as required by the Administrative Code. Revenue collections are compared to estimates and spending is reviewed. The possibility of a surplus or deficit is discussed. Commonwealth liabilities, such as pending lawsuits or court actions, are reviewed. The need for a supplemental (deficiency) appropriation is also evaluated. The December mid-year budget briefing often reveals the general trends the governor might stress in his annual budget message delivered in early February.

THE BUDGET CYCLE

9: Spring Update

In the spring, the Governor's Budget Office will release a spring update. This provides the General Assembly with the best estimate on how much of the authorized money will be spent, and if revenues will cover spending.

KEY TERMS

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 time, usually one fiscal year.

AMORTIZATION: The paying off of debt with a fixed repayment schedule in regular installments over a period of time.

AUGMENTATION: Monies such as institutional billings or fees credited to a specific appropriation of state revenues. An augmentation can usually be spent for those purposes authorized for the appropriation it augments.

AUTHORIZED SALARY COMPLEMENT: A complement authorization established by the Governor's Budget Office based on funding and agency justification for positions.

BALANCED BUDGET: A budget in which proposed expenditures equal actual and estimated revenues and surplus. The Pennsylvania Constitution requires the governor to submit a balanced budget and prohibits the General Assembly from appropriating monies in excess of actual and estimated revenues and surplus.

BALANCE SHEET: A financial statement of the available revenue and total spending for a fiscal year at a particular point in time.

KEY TERMS

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 the citizens of the Commonwealth.

CAPITAL BUDGET AUTHORIZATION: The appropriations and/or debt authorization enacted in an annual capital budget to fund any permitted capital program.

CAPITAL BUDGET: The capital budget is the mechanism through which the Commonwealth acquires, constructs, or improves capital assets. Capital assets may include buildings and structures, furnishings and equipment, land or rights to land, infrastructure, and rolling stock.

DEBT: An amount that has been borrowed by the Commonwealth through bonding or other means.

DEBT SERVICE: The annual amount of money required to make payments on the principal and interest on outstanding bonds or loans.

DEFICIT: A fiscal condition for an individual fund that may occur, whereby expenditures for a fiscal year exceed the actual revenues during the same period plus the prior year surplus. The deficit must be paid from the next year's revenue.

KEY TERMS

ENCUMBRANCE: That portion of an appropriation representing an expenditure pursuant to a contract, a purchase order, or a known invoice but where an actual disbursement has not been made. In accrual accounting it is treated as a debit against the appropriation in the same manner as a disbursement of cash.

EXECUTIVE AUTHORIZATION: An authorization made in the name of the governor to spend money from funds which had been previously approved through blanket action of the General Assembly. Usually this term is used in connection with the special funds.

EXPENDITURE: An accounting entry indicating a disbursement has been made.

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. Referred to by the year in which the fiscal year begins, for example, July 1, 2024, to June 30, 2025, would be Fiscal Year 2024-25.

GENERAL APPROPRIATION BILL: A single piece of legislation containing numerous individual appropriations. The General Appropriation Bill (GA) contains only appropriations for the executive, legislative and judicial departments of the Commonwealth, for the public debt and for public schools. All other appropriations require separate bills, each concerning one subject.

KEY TERMS

GENERAL FUND: The fund into which the general (non-earmarked) revenues of the state are deposited and from which monies are appropriated to pay the general expenses of the state.

LAPSE: The return of unencumbered or unexpended monies from an appropriation or executive authorization to the fund from which the money was appropriated.

LINE-ITEM VETO: The Pennsylvania Constitution empowers the governor to disapprove part of 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 line-item veto.

LINE-ITEM VETO OVERRIDE: The Pennsylvania Constitution empowers the General Assembly to override any veto exercised by the governor with a two-thirds vote in both the House and Senate.

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.

MILLAGE RATE: The amount per \$1,000 used to calculate taxes on property, 1 mill equals \$1 per \$1,000 in assessed property.

KEY TERMS

NONPREFERRED APPROPRIATIONS: 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 the members elected to each House of the General Assembly.

NON-TAX REVENUE: Revenue that is received by the Commonwealth from sources other than taxes. Examples are licenses, fees, fines, penalties, unclaimed property and transfers from other funds.

OFFICIAL REVENUE ESTIMATE: The estimate of revenues for the coming fiscal year determined by the governor at the time he signs the General Appropriation Act. This revenue estimate is used to determine whether appropriations are in balance with available revenues.

OPERATING BUDGET: The operating budget is that portion of the state budget that deals with the general day-to-day activities and expenses of state government, paid out of revenues derived from taxes, fees for licenses and permits, etc.

PROGRAM BUDGETING: A method of budgeting that relates expenditures to government program accomplishments. Program budgeting generally includes the identification of programs and their objectives, a system of measuring and reporting program results and the allocation of funds with a consideration of program effectiveness.

KEY TERMS

REFUNDS: The amount of revenue the Commonwealth must set aside each year in order to pay out tax return refunds to Pennsylvania tax filers.

RESTRICTED RECEIPTS: Monies received by a state fund (usually the General Fund) from a source outside of the state which may be used only for a specific purpose. The funds are held in a trust capacity for a period of time and then are disbursed to authorized recipients including other state agencies. Restricted receipts do not augment an appropriation. Usually the state makes no other appropriation for the purpose specified for the restricted receipt.

RESTRICTED REVENUE: Monies designated either by law or by administrative decision for specific purposes. The revenues are deposited in the General Fund or in certain special funds but reported separately. Restricted revenue accounts continue from one year to the next and finance a regular operation of state government. Disbursements from restricted revenue accounts must be accounted for as expenses of state government.

SPECIAL FUNDS AND OTHER FUNDS: A fund in which certain revenues specified by law are deposited (earmarked revenue). Such revenues can be spent only for purposes prescribed by law and for which the revenues were collected. Examples: Motor License Fund and Lottery Fund.

KEY TERMS

SURPLUS: A fiscal condition that may occur in a fund, whereby expenditures are less than the fund's beginning balance, revenues/receipts and lapses during the same period. The surplus funds become available for appropriation during the following year.

TAX REVENUE: Revenue the Commonwealth receives from all tax sources. Examples: Personal Income Tax, Sales and Use Tax, Corporate Net Income Tax, etc.

COMPONENTS OF THE BUDGET

General Fund

The major operating fund into which the non-restricted state revenues are deposited and from which monies are appropriated to pay the general expenses of the Commonwealth. This is the most common fund that is discussed when talking about the “state budget.” The monies in the General Fund are appropriated in the General Appropriation (GA) bill and non-preferred appropriation bills.

Special Funds and Other Funds

A fund in which revenues raised from special sources named by law are deposited (earmarked revenue). Such revenue can be spent only for purposes prescribed by statute and for which the revenues were collected. These revenues can be used as augmenting funds for an executive department’s budget.

In the Governor’s Budget book the only funds referred to as Special Funds are the Lottery Fund and Motor License Fund. All other special funds are referred to as “Other Funds.”

Federal Funds

An appropriation of monies received from the federal government. Federal funds are appropriated for a specific time. Some federal funds may require a certain level of matching funds from the state.

BUDGET LEGISLATION

1: General Appropriation Bill

The General Appropriation (GA) bill contains the appropriated amounts for each line-item in the General Fund, as well as certain special funds and other funds.

2: “House Keeping” Bills

These are pieces of legislation that make appropriations to various agencies and boards. The funding for these agencies and boards does not come from the General Fund. Instead, they are funded from a dedicated source of revenue. The following are the nine housekeeping bills:

- Bureau of Professional and Occupational Affairs - operation of professional licensure boards
- Gaming Control Board
- Department of Labor and Industry and Department of Community and Economic Development - expenses for Workers' Compensation Act, Pennsylvania Occupational Disease Act and Office of Small Business Advocate
- Office of Consumer Advocate
- Office of Small Business Advocate
- Philadelphia Parking Authority
- Public School Employees' Retirement Board
- Public Utility Commission
- State Employees' Retirement Board

BUDGET LEGISLATION

3: Non-Preferred Appropriation Bills

The appropriations for Penn State University, Temple University, the University of Pittsburgh, Lincoln University, and the University of Pennsylvania Veterinary School are separate from the General Appropriation bill. Article III, Section 30 of the Pennsylvania Constitution requires appropriations for each school are in an individual piece of legislation. Each non-preferred appropriation bill must receive a two-thirds ($\frac{2}{3}$) vote in both the House and Senate before it can go to the governor's desk to be signed into law.

4: Code Bills

The GA bill is limited in its scope to appropriations per Article III, Section 11 of the Pennsylvania Constitution. When a budget agreement requires substantive changes to statutory language to effectuate its enactment, the GA bill must be accompanied by legislation amending the necessary "code" to establish new programs or carry out changes to existing law. Below is a list of the "code bills" that may be necessary to accompany the enactment of the GA bill:

- **The Fiscal Code of 1929:** Commonly referred to as the "Fiscal Code," this code bill provides the statutory language directing the distribution of appropriated state and federal funds that are contained within specific line-items of the GA bill as well as other substantive statutory language, not otherwise included in the other code bills, necessary to implement the enacted budget.

BUDGET LEGISLATION

4: Code Bills (Continued)

- **The Administrative Code of 1929:** Commonly referred to as the “Admin Code,” this code bill provides the amendatory language necessary for changes relating to the conduct of Commonwealth agencies and departments necessary to implement the enacted budget.
- **Human Services Code of 1967:** Commonly referred to as the “Human Services Code,” this code bill provides the amendatory language necessary for the distribution of funding, or changes to programs, for human services necessary to implement the enacted budget.
- **Public School Code of 1949:** Commonly referred to as the “School Code,” this code bill provides the amendatory language affecting the Commonwealth’s education systems, such as the formulas that direct the distribution of state funds to local school districts, necessary to implement the enacted budget.
- **Tax Reform Code of 1971:** Commonly referred to as the “Tax Code,” this code bill provides the amendatory language to the Commonwealth’s tax structure necessary to implement the enacted budget.

GENERAL FUND REVENUE

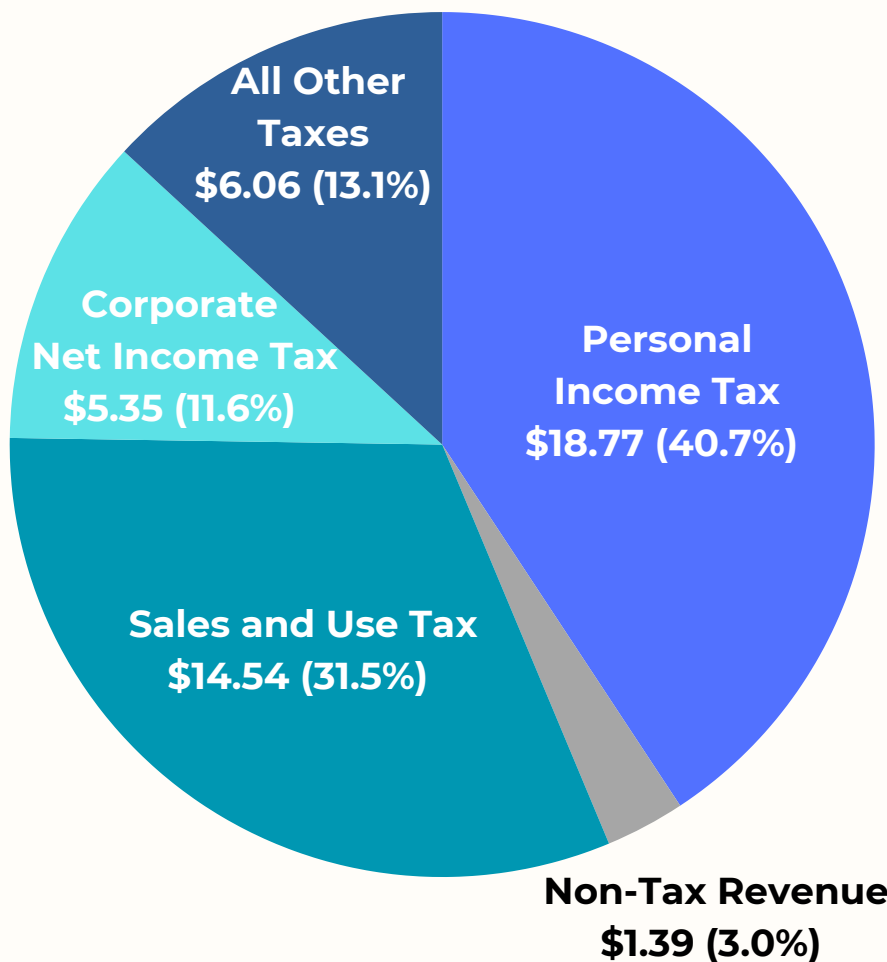
General Fund Revenue by Major Category FY 2024-25

Official Revenue Estimate: \$46.09 billion

Total Tax Revenue: \$44.70 billion

Total Non-Tax Revenue: \$1.39 billion

(Amounts in Billions)



GENERAL FUND REVENUE

PERSONAL INCOME TAX (PIT)

\$18.77 billion (40.7% of the General Fund)

Tax Rate: 3.07%

Description: The PIT is imposed on the taxable income of resident and nonresident individuals, estates and trusts, partnerships, S-corporations, business trusts, and limited liability companies that are not taxed as corporations for federal purposes. Exempt from the PIT is income commonly referred to as retirement income (pensions and Social Security).

SALES AND USE TAX (SUT)

\$14.54 billion (31.5% of the General Fund)

Tax Rate: 6% (plus an additional 1% local tax in Allegheny and 2% local tax in Philadelphia)

Description: The SUT is imposed on the retail sale, consumption, rental, or use of tangible personal property and certain services in Pennsylvania. Major items exempt from the tax include food (not ready-to-eat), clothing and footwear, prescription and non-prescription drugs, textbooks, and residential utilities.

CORPORATE NET INCOME TAX (CNIT)

\$5.35 billion (11.6% of the General Fund)

Tax Rate: 7.99% in 2025; 7.49% in 2026; 6.99% in 2027*

Description: The CNIT is imposed on domestic and foreign corporations for the privilege of doing business, carrying on activities, having capital or property employed or used in Pennsylvania, or owning property in Pennsylvania.

**Per Act 53 of 2022, the tax rate will be reduced by 0.5% annually until the rate reaches 4.99% for tax years that begin after December 31, 2030.*

GENERAL FUND REVENUE

INHERITANCE TAX

\$1.71 billion (3.7% of the General Fund)

Tax Rate: 0% to spouse; to/from child under 21 from/to parent

4.5% to lineal heirs

12.0% to siblings

15.0% to all others

Description: The inheritance tax is imposed on the value of the decedent's estate transferred to beneficiaries by will or intestacy.

GROSS RECEIPTS TAX (GRT)

\$1.32 billion (2.9% of the General Fund)

Tax Rate: 59 mills on electric; 50 mills on telecom and others

Description: The GRT is levied on the gross receipts from business transacted within the Commonwealth by specified companies owned, operated or leased by corporations, associations, or individuals. Industries include, but are not limited to, pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; telephone, telegraph and mobile communications companies; and, electric light, waterpower and hydroelectric companies.

CIGARETTE TAX

\$610.9 million (1.3% of the General Fund)

Tax Rate: \$2.60 per pack of 20 (plus an additional \$2.00 per pack of 20 in Philadelphia)

Description: The cigarette tax is an excise tax levied on the sale or possession of cigarettes and little cigars in Pennsylvania.

GENERAL FUND REVENUE

INSURANCE PREMIUMS TAX (IPT)

\$539.2 million (1.2% of the General Fund)

Tax Rate: 2% of insurance premiums (3% on policies written with surplus line insurers)

Description: The IPT is imposed on domestic and foreign insurance companies for the privilege of doing business in the Commonwealth and is levied on premiums, premium deposits, or assessments received in the course of doing business.

REALTY TRANSFER TAX (RTT)

\$581.2 million (1.3% of the General Fund)

Tax Rate: 1% (plus an additional 1% local tax)

Description: The RTT is imposed on the value of real property, including contracted-for improvements to the property, transferred by deed, instrument, long-term lease, or other writing.

LIQUOR TAX

\$464.7 million (1.0% of the General Fund)

Tax Rate: 18%

Description: The liquor tax is imposed on the net retail purchase price of spirits and wine (wholesale cost of the product plus mark-up, handling charge and federal tax). A wine excise tax of \$2.50 per gallon is imposed on direct wine shipments in lieu of the liquor tax.

GENERAL FUND REVENUE

GAMING TAXES

\$375.5 million (0.8% of the General Fund)

Tax Rate: 14% Table Games
14% iGaming
42% VGTs at Truckstops
15% Fantasy Sports
34% Sports Wagering

Description: Gaming taxes are imposed on the gross table game revenues, gross interactive gaming revenues, VGT gross terminal revenues, fantasy contest adjusted revenues, and gross sports wagering revenues of licensed operators.

FINANCIAL INSTITUTIONS TAX

\$330.5 million (0.7% of the General Fund)

Tax Rate: Bank and Trust Company Shares Tax (BST) - 0.95%
Title Insurance Companies Shares Tax (TICT) - 1.25%
Mutual Thrift Institutions Tax (MTIT) – 11.5%

Description: The BST and the TICT are levied on the value of shares as of January 1. The MTIT is levied on the net earnings or income that is received or accrued during the tax year.

GENERAL FUND REVENUE

OTHER TOBACCO PRODUCTS TAX (OTP)

\$139.7 million (0.3% of the General Fund)

Tax Rate: 55 cents per ounce on smokeless, pipe tobacco and roll your own tobacco;
40% of the wholesale price on electronic cigarettes

Description: The OTP is imposed on smokeless tobacco, roll-your-own (RYO) tobacco and electronic cigarettes (e-cigarettes) and collected by the wholesaler (dealer or manufacturer) at the time it is sold to a retailer in PA.

PUBLIC UTILITY REALTY TAX (PURTA)

\$44.5 million (0.1% of the General Fund)

Tax Rate: Variable rate calculated annually equal to the Realty Tax Equivalent

Description: The PURTA is imposed against certain entities furnishing utility services regulated by the Public Utility Commission in lieu of local real estate taxes.

MALT BEVERAGE TAX (MBT)

\$19.9 million (0.04% of the General Fund)

Tax Rate: \$2.40 per barrel or its equivalent

Description: The MBT is assessed by volume on malt or brewed beverages sold to consumers in Pennsylvania. Ultimately, the tax is paid by the consumer, but manufacturers, distributors, and importers are responsible for the remittance of the tax.

GENERAL FUND REVENUE

NON-TAX REVENUE

\$1.39 billion (3.0% of the General Fund)

Description: General Fund Non-Tax Revenue consists of the following: liquor store profits transfer; various licenses and fees; Treasury earnings and unclaimed property (i.e. escheats); other miscellaneous revenues and transfers; and, fines, penalties and interest payments.

GENERAL FUND REVENUE

Quick Reference Tax Guide		State Tax Rate	FY 2024-25 Estimate
General Fund Total			\$ 46,087,400,000
Tax Revenue			\$ 44,700,900,000
Corporate Taxes			
Corporate Net Income Tax	7.99%*		\$ 5,354,900,000
<i>Selective Business</i>			
Gross Receipts	Variable		\$ 1,321,200,000
Utility Property	Variable		\$ 44,500,000
Insurance Premiums	2.00%		\$ 359,200,000
Financial Institutions	Variable		\$ 330,500,000
Total - Corporate Taxes			\$ 7,590,300,000
Consumption Taxes			
Sales and Use	6.00%		\$ 14,535,600,000
Cigarette	\$2.60/pack		\$ 10,900,000
Other Tobacco Products	Variable		\$ 139,700,000
Malt Beverage	\$2.40/barrel		\$ 19,900,000
Liquor	18.00%		\$ 464,700,000
Total - Consumption Taxes			\$ 15,770,800,000
Other Taxes			
Personal Income	3.07%		\$ 18,770,300,000
Realty Transfer	1.00%		\$ 581,200,000
Inheritance	Variable		\$ 1,706,800,800
Gaming	Variable		\$ 375,500,000
Minor and Repealed			\$ (94,000,000)
Total - Other Taxes			\$ 21,339,800,000
Non-Tax Revenue			\$ 1,386,500,000
Liquor Store Profits			\$ 185,100,000
Licenses, Fees, & Misc			\$ 1,135,600,000
Fines, Penalties & Interest			\$ 65,800,000

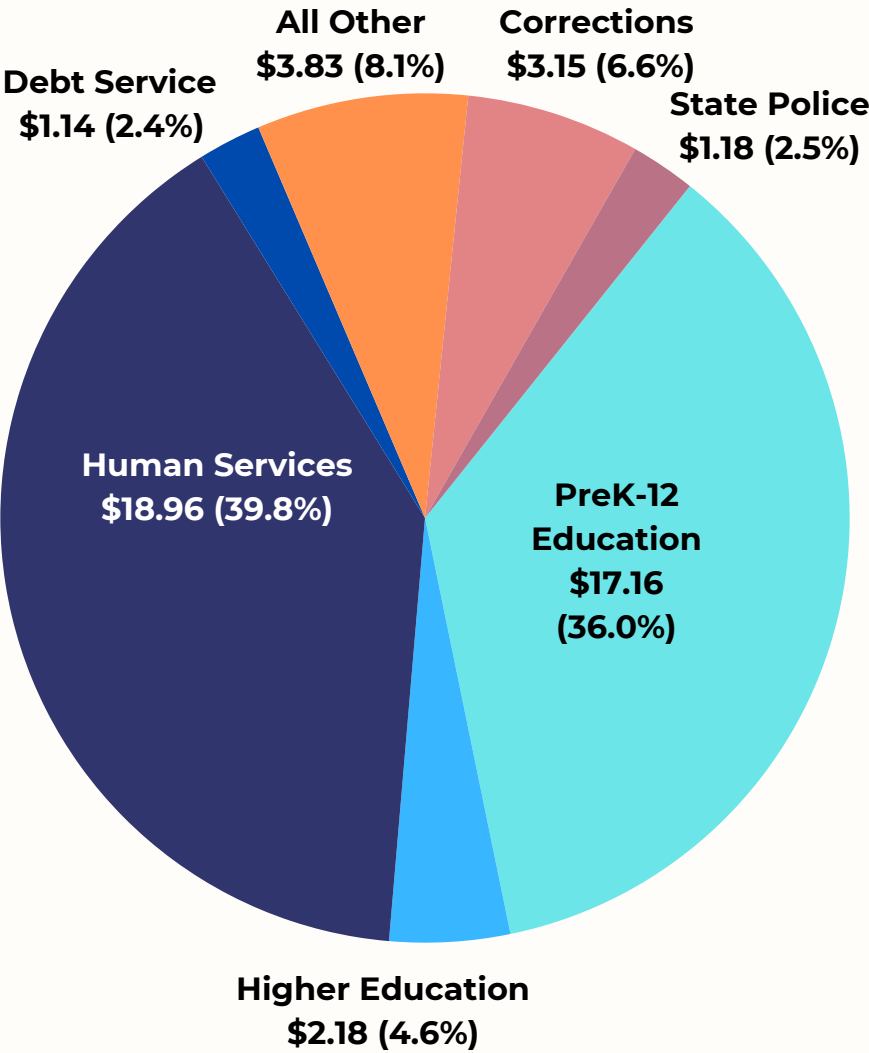
*Per Act 53 of 2022, the tax rate will be reduced by 0.5% annually until the rate reaches 4.99% for tax years that begin after December 31, 2030.

GENERAL FUND SPENDING

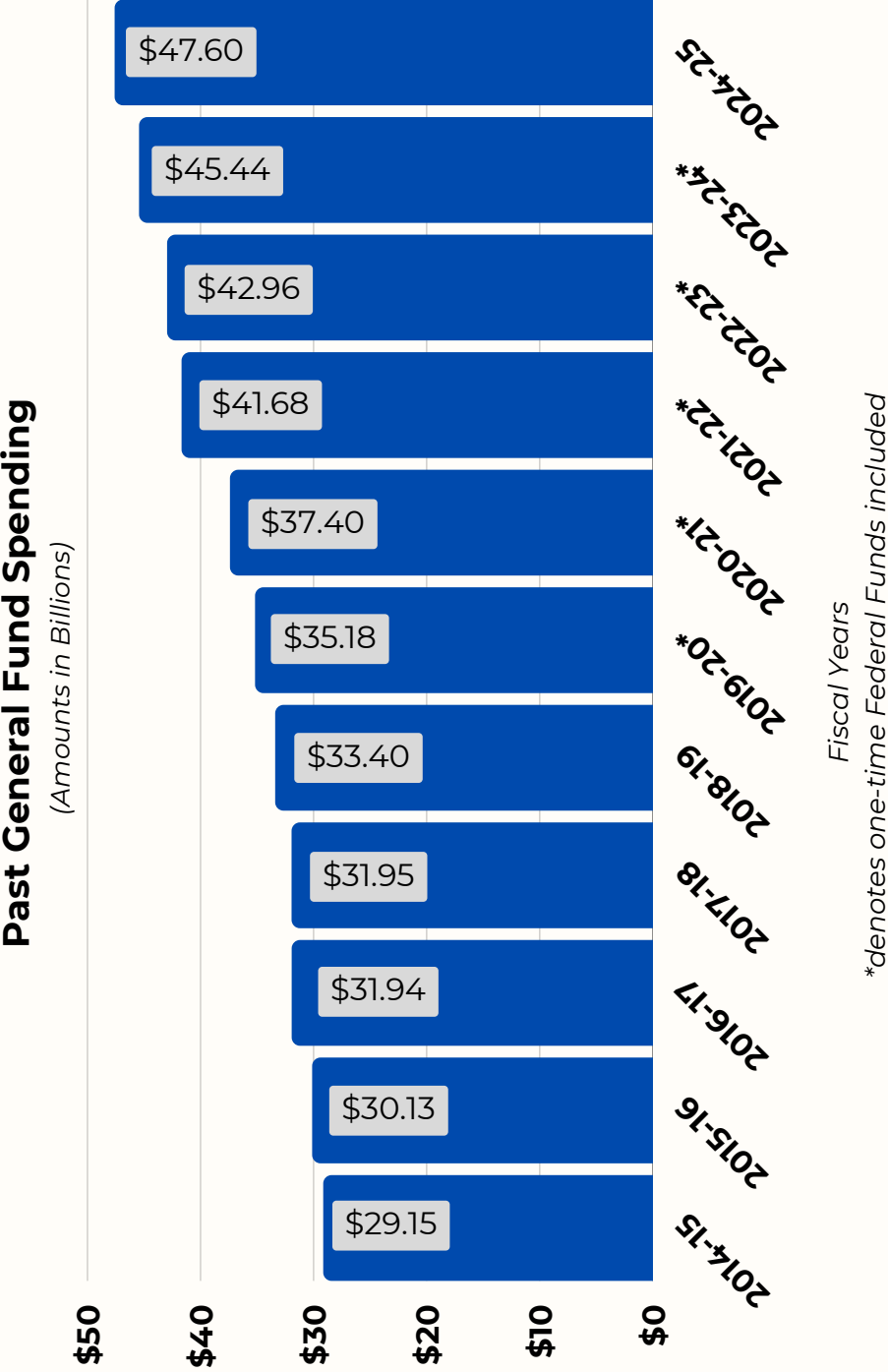
FY 2024-25 Budget

\$47.60 Billion

(Amounts in Billions)



GENERAL FUND SPENDING



TOTAL PreK-12 SPENDING

Past Education Spending

(Amounts in Billions)



PreK-12 SPENDING PER ADM

Average Expenditure per ADM
(includes state and local funding)



BALANCE SHEET

GENERAL FUND FINANCIAL STATEMENT

FY2024-25 Budget (Act 1A of 2024)

(amounts in thousands)

	2023-24 Available		2024-25 Budget	
1 BEGINNING BALANCE.....	\$8,084,871		\$6,632,089	
2 Adjustment to Beginning Balance.....	75,000		-	
3 Adjusted Beginning Balance.....	\$8,159,871		\$6,632,089	
4 REVENUES:				
5 Base Revenue Estimate.....	\$44,736,400		\$46,427,544	
6 Amount Over / (Under) Estimate.....	\$862,889			
6.1 Annual Debt Service Transfers				
6.2 Cigarette Tax - Transfer to Tobacco Settlement Fund.....	(\$115,300)		(\$115,300)	
6.3 PIT - Transfer to Environmental Stewardship Fund.....	(\$10,500)		(\$9,944)	
7 Actual / Estimated Revenues.....	\$45,473,489	1.2%	\$46,302,300	1.8%
8 Revenue Modifications and Transfers:				
8.1 Act 55 (SB700 - EITC / OSTC Expansion).....			(\$75,000)	
8.2 Act 56 (SB654 - Omnibus Tax Reform Code).....			(\$139,900)	
9 Total Revenue Modifications and Transfers.....	\$0		(\$214,900)	
10 Subtotal Actual / Official Estimated Revenues.....	\$45,473,489		\$46,087,400	1.4%
11 Refund Reserve	(\$1,986,600)		(\$1,758,000)	
12 Total Revenue	\$43,486,889		\$44,329,400	
13 Prior-Year Lapses.....	\$587,026		\$250,000	
14 Total Funds Available	\$52,233,786	4.9%	\$51,211,489	-2.0%
15 EXPENDITURES:				
16 Appropriations.....	\$45,548,308		\$47,598,974	
17 Supplemental Appropriations.....	(\$107,544)			
18 Total Appropriations.....	\$45,440,764	5.8%	\$47,598,974	4.7%
19 Less: Enhanced FMAP	(\$525,966)			
20 Total State Appropriations.....	\$44,914,798	10.1%	\$47,598,974	6.0%
21 Current Year Lapses.....	(\$50,000)			
22 Total Expenditures.....	\$44,864,798		\$47,598,974	
23 Preliminary Balance.....	\$7,368,988		\$3,612,515	
24 Less: Transfer to Budget Stabilization Reserve Fund.....	(\$736,899)		(\$361,252)	
25 ENDING BALANCE.....	\$6,632,089		\$3,251,263	

BALANCE SHEET

BEGINNING BALANCE (line 1): The balance in the General Fund at the end of a fiscal year that is brought forward to the next fiscal year.

OFFICIAL REVENUE ESTIMATE (line 10): The revenue estimate that is certified by the Department of Revenue and signed by the governor upon the passage of the budget projecting how much revenue the General Fund will collect in the upcoming fiscal year.

REFUNDS (line 11): The amount of revenue that must be set aside in order to pay tax refunds to businesses and citizens.

TOTAL FUNDS AVAILABLE (line 14): The total amount of money available in the General Fund to spend.

APPROPRIATIONS (line 16): The amount of money appropriated in the GA bill, nonpreferred appropriation bills, and executive authorizations.

SUPPLEMENTAL APPROPRIATIONS (line 17): The General Assembly can approve an appropriation for a line-item for the previous fiscal year. This is generally done for federally mandated line-items that have obligations greater than the originally appropriated amount.

LAPSES (line 21): The return of unencumbered or unexpended monies from an appropriation or executive authorization back to the General Fund.

TRANSFER TO BUDGET STABILIZATION RESERVE FUND (line 24): Each year, the Budget secretary shall calculate the surplus at the end of the fiscal year, a portion of which will be transferred to the Rainy Day Fund. More on page 38.

ENDING BALANCE (line 25): This number is derived by subtracting Total Expenditures and Transfer to the Budget Stabilization Reserve Fund from Total Funds Available. If the number is zero or higher the budget is balanced. If the number is negative, there is a deficit.

RAINY DAY FUND

Rainy Day Fund (RDF)

The Tax Stabilization Reserve Fund was initially created by Act 32 of 1985. Act 91 of 2002 repealed this fund and established the current Budget Stabilization Reserve Fund, commonly referred to as the Rainy Day Fund, in Article XVII-A of The Fiscal Code of 1929.

As required under the law, 25% of the General Fund surplus at the end of the fiscal year shall be deposited into the Rainy Day Fund. However, if the Rainy Day Fund's ending balance would equal or exceed 6% of actual General Fund revenues for the fiscal year in which the surplus occurs, the General Fund transfer to the Rainy Day Fund shall be reduced to 10%. The term "surplus" is defined under current law as the "fiscal operating result that occurs in the General Fund at the end of a fiscal year, by which expenditures, including tax refunds, are less than the fund's beginning balance, revenues and receipts and lapses during the same period."

The amount to be transferred to the Rainy Day Fund is calculated as the appropriate percent above multiplied by the "surplus," shown as the preliminary ending balance on line 23 of the balance sheet as presented.

While exceptions to the required transfer to the Rainy Day Fund have been made in previous years, these exceptions have been authorized by acts of the General Assembly. In the most recent years, the General Assembly has taken a more fiscally prudent step by directing an amount of the surplus greater than the statutory amount to be deposited into the Rainy Day Fund.

CURRENT BUDGET PICTURE

General Fund Budget Overview (as of 12.31.24)

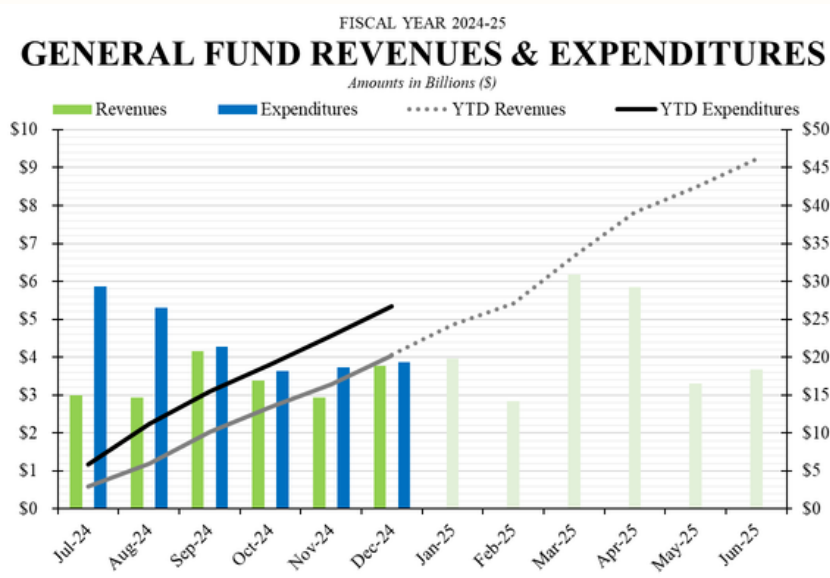
**YTD Total General
Fund Revenue**
(Amount in Billions)

\$20.17



**YTD Total General
Fund Spending**
(Amount in Billions)

\$22.82

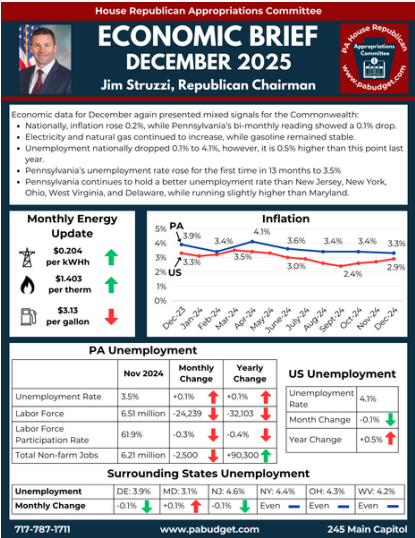
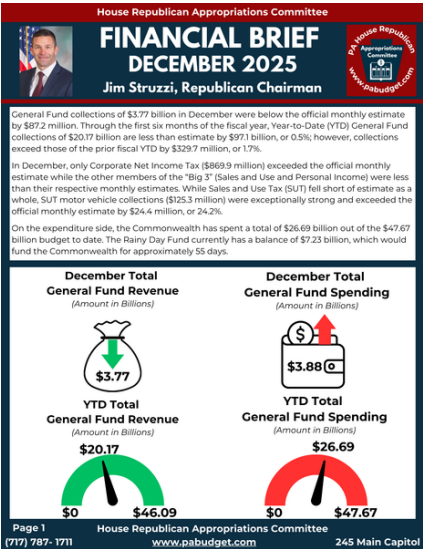


Rainy Day Fund Balance



CURRENT BUDGET PICTURE

Throughout the year, the House Republican Appropriations Committee keeps members up-to-date on the fiscal and economic status of the Commonwealth. Each month, the chairman publishes a Financial Brief and Economic Brief which are both shared with members and posted on www.pabudget.com/economicbriefs.



THE CAPITAL BUDGET

Overview

The capital budget is how the Commonwealth acquires, constructs, or improves capital assets. Capital assets may include buildings and structures, furnishings and equipment, land or rights to land, infrastructure, and rolling stock. The capital budget also provides grants for certain economic development projects and financial assistance to mass transit agencies and rail companies.

Capital projects may be financed either from current revenues or from bond funds. The Pennsylvania Constitution permits the Commonwealth to incur debt without the approval of the electors for capital projects itemized explicitly in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the auditor general. The Constitution further provides that all debt incurred for capital projects shall mature within a period not to exceed the estimated useful life of projects as stated in the authorizing law.

THE CAPITAL BUDGET

The Legislative Process

The Commonwealth budget procedures require the governor to prepare and submit a capital budget to the General Assembly each year as a component of the annual state budget. The governor's capital budget lists projects that the governor is proposing and also provides an estimate of capital expenditures for each of the ensuing five years. Capital expenditures are forecasted for five years into the future because projects are rarely completed in the same year in which they are initiated. The design, bidding, and acquisition or construction phases often overlap several fiscal years. The estimates of capital expenditures are critical because they determine the amount of general obligation bonds that must be issued each year to finance the Commonwealth's capital program.

The Capital Facilities Debt Enabling Act (Act 1 of 1999) governs the capital budget. The Capital Facilities Debt Enabling Act defines the qualifications of a capital project. The act delineates the different types of capital projects and outlines the procedures for preparing a capital project itemization bill and annual capital bond authorization bill. In addition, the act contains debt issuance requirements.

THE CAPITAL BUDGET

The Legislative Process (continued)

The General Assembly may enact a capital bond authorization act as part of its annual budget deliberations. The Capital Bond Authorization Act specifies the amount of bonds that may be issued in a given fiscal year for capital projects by each project category. The Annual Capital Bond Authorization Act usually does not include itemizations of specific capital projects. Such itemizations are included in capital project itemization acts.

Generally, one capital project itemization bill is considered and enacted each legislative session. Capital project itemization acts are often referred to as “wish lists.” ***The inclusion of a capital project in an itemization act does not guarantee that funding will be provided for that project. The administration of the capital budget rests solely with the governor, and he may choose to disapprove projects through the use of the line-item veto. Moreover, many projects that survive the line-item veto are never released and never funded.*** The Governor’s Office of the Budget oversees the release and timing of projects.

THE CAPITAL BUDGET

Capital Project Categories:

Public Improvement Projects: All public improvement projects must have at least an estimated five-year useful life. Improvements to existing assets must increase the usefulness or change the use or function of the asset in order to be considered a capital project. Maintenance and repair projects, which are to preserve or restore existing assets, are not considered capital expenditures. Public improvement projects include all types of new buildings and renovation projects. Non-structural improvements and the acquisition of land are also included.

Redevelopment Assistance Capital Projects (RACP): These projects provide grants for the acquisition of land and the construction of buildings and other property improvements for economic development, as well as for capital improvements to hospital facilities and the construction of housing units. RACP funding cannot be used solely for highways, bridges (highway and bridge projects are itemized in a separate bill), waste disposal facilities, sewage systems or facilities, or water systems or facilities. RACP may include roads, bridges, sewer, and water costs in the overall proposal.

THE CAPITAL BUDGET

Capital Project Categories (continued):

A project is eligible for an RACP grant if it has a cultural, civic, historical, regional, or multi-jurisdictional impact and generates substantial increases in employment, tax revenues, or other measures of economic activity. Grantees must be one of the following:

- a general-purpose form of local government unit (city, borough, township or county)
- any public authority
- a federally designated Local Development District
- an industrial development agency, which has been certified as such by the Pennsylvania Industrial Development Authority (PIDA) board and which is itself or is acting through a wholly owned subsidiary exempt from federal taxation under section 501 (c) (3) of the Internal Revenue Code of 1986. The grantee must follow strict guidelines to avoid jeopardizing the tax-exempt status of the bond funding.

NOTE: A school district - which is a "special purpose of local government" - is not eligible to be a RACP grantee. A school district can be the sub-grantee of an eligible grantee.

THE CAPITAL BUDGET

Capital Project Categories (continued):

RACP's must have a minimum of 50% non-state participation, of which at least one-half must be secured funding. They must have a total project cost of at least \$1 million. Act 25 of 2020 limits the aggregate amount of debt that may be outstanding for redevelopment assistance projects to \$3.1 billion.

Transportation Assistance Projects: These projects are administered by the Department of Transportation (PennDOT) and are generally divided into the subcategories: mass transit, rural and intercity rail projects, and air transportation assistance projects. Mass transit projects are for purchasing rolling stock and constructing or improving facilities operated by mass transit agencies. Rural and intercity rail projects are for acquiring, constructing, and equipping rural and intercity common carrier surface transportation systems. Most projects itemized for air transportation assistance have been improvements to rural airports.

Flood Control Projects: These projects include flood works and improvements to prevent floods in which the federal government is a participant and the location is a designated Federal Flood Control Area. This category provides the state's share of the cost of such projects. Local financial participation is also required.

THE CAPITAL BUDGET

Capital Budget Flow Chart

Capital Facilities Debt Enabling Act (Act 1 of 1999)

- Defines qualifications of a capital project.
- Defines types of capital projects.
- Outlines procedures for preparing Capital Project Itemization bill, Annual Capital Bond Authorization bill and capital debt issuance requirements.
- Does not need to be amended at any specific period.

Capital Projects Itemization Bill (Act 27 of 2022)

- Projects listed in an itemization bill are eligible for release of funds by the governor.

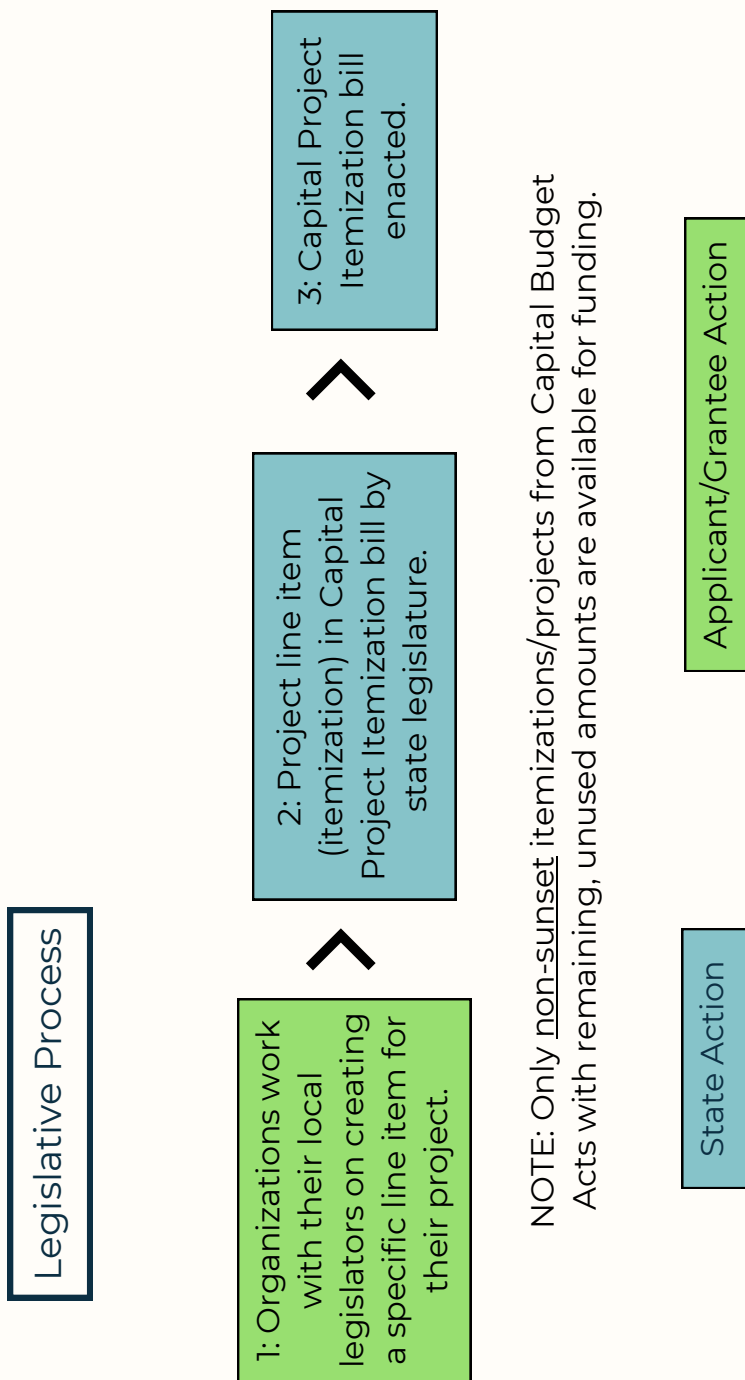
Annual Bond Authorization Act (Act 95 of 2024)

- Specifies the amount of bonds that may be issued in a given fiscal year for capital projects by category.
- Usually does not contain project itemizations.

**Issuing Officials
(Governor, Treasurer,
Auditor General) issue
bonds to fund released
capital project
expenses.**

THE CAPITAL BUDGET

RACP: Pre-award Grant Process Flowchart



THE CAPITAL BUDGET

RACP: Pre-award Grant Process Flowchart

Pre-award Application Process

1: At the governor's direction, a funding round is scheduled for the submission of e-applications.

2: Applicant/grantee will verify the project's eligibility; review RACP requirements; determine that a suitable itemization (site and project type) exists and includes the necessary available funds.

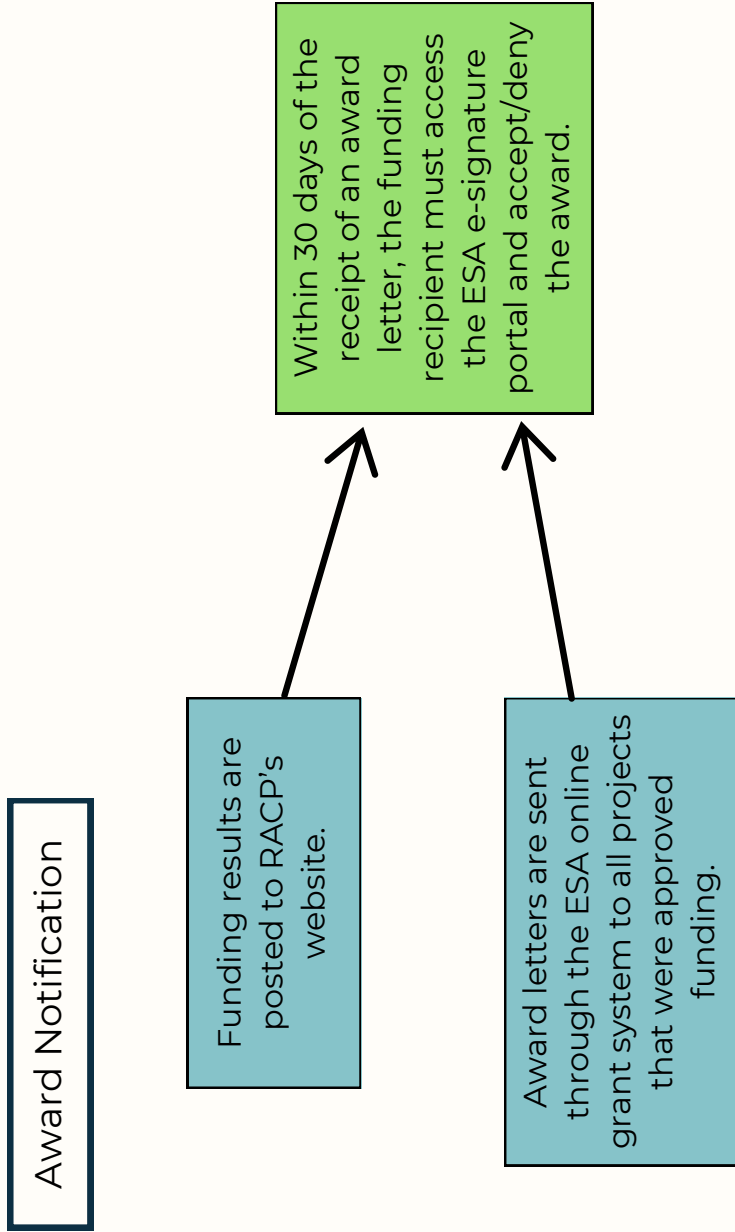
3: Using the Electronic Single Application (ESA) website, the applicant/grantee will prepare and submit an e-Application (RACP grant request) by the published deadline.

4: RACP staff reviews e-applications for eligibility and completeness. Once the review is completed then it goes to the administration.

5: The governor has final approval of all funding awards. Awards cannot be made prior to a 30-day public comment period.

THE CAPITAL BUDGET

RACP: Pre-award Grant Process Flowchart



NOTES

NOTES



HOUSE REPUBLICAN APPROPRIATIONS COMMITTEE

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