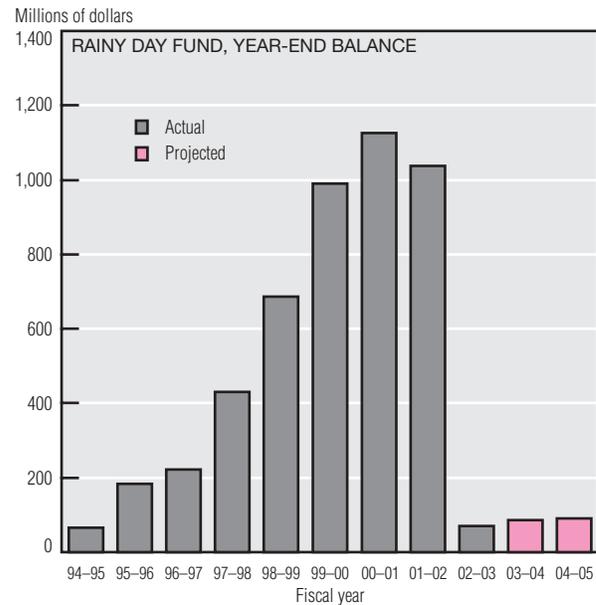
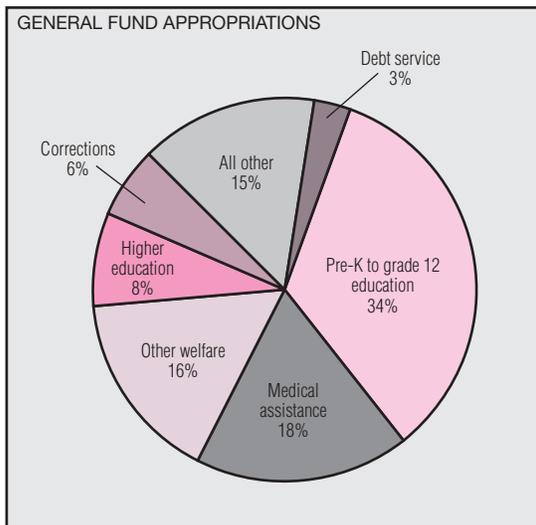
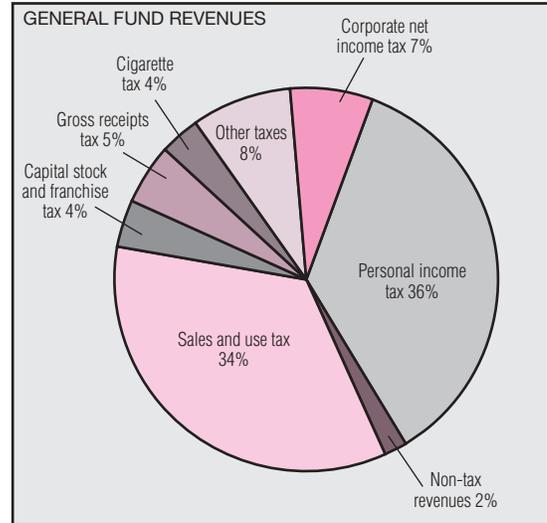
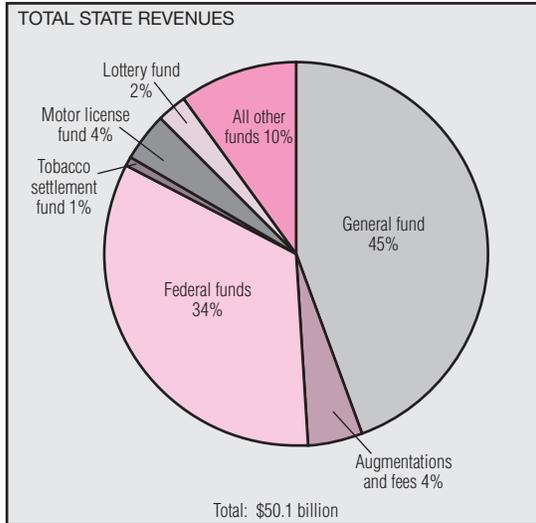


The Pennsylvania State Budget



NOTE: Budget figures are for Pennsylvania's fiscal year 2004-05, which begins July 1, 2004.
 SOURCE: Commonwealth of Pennsylvania, Office of the Budget.

In February, Pennsylvania governor Edward G. Rendell presented his annual budget proposal for fiscal year 2004-05. Only about half of the state's revenues are available for discretionary appropriations; the rest are subject to spending restrictions. For example, dollars from the motor license fund and other special funds have specific, predetermined uses. Most federal funds are also restricted, but some of those earmarked for social welfare improvement are not associated with specific programs

and can be allocated by the state legislature.

The 2004-05 budget focuses primarily on expenditures from general fund revenues, which comprise about 45% of the state's total revenues. Governor Rendell has devoted about three-quarters of his proposed general fund appropriations to education, health, and human services. General fund dollars are derived primarily from personal income taxes and sales taxes, which account for about 70% of general fund revenues.

Pennsylvania's constitution mandates a balanced budget, so the general fund's revenues must meet or exceed appropriations. They are projected to exceed appropriations by approximately \$2 million in fiscal year 2004-05. According to current law, 25% of the general fund's projected year-end balance must be transferred to a rainy day fund so that the state will be able to maintain its service level despite any revenue shortfalls. Additional revenues for the upcoming fiscal year are projected to put the rainy day fund at just under \$100 million.