

PROPOSED BUDGETING LEGISLATION
IMPLEMENTING THE PENNSYLVANIA CONSTITUTIONAL
REVISION OF 1968



General Assembly
of the
Commonwealth of Pennsylvania
JOINT STATE GOVERNMENT COMMISSION
Harrisburg, Pennsylvania
1970

JOINT STATE GOVERNMENT COMMISSION

1969-1971

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LETTER OF TRANSMITTAL

To the Members of the General Assembly of the Commonwealth of Pennsylvania:

This report contains the final recommendations of the Joint State Government Commission pursuant to Senate Concurrent Resolution Serial No. 152 (Session of 1968) which provides in part: "RESOLVED, That the Joint State Government Commission is hereby directed to undertake immediately a review of existing law affected by the amendments to the Constitution contained in . . . Proposals Numbers 3, 4 and 5 (taxation and State finance), . . . and the preparation of appropriate implementing legislation required thereby, and to report its findings and recommendations to the General Assembly;".

The Commission has completed its assignment to review existing law and prepare implementing legislation in all subject matter areas contained in the revisions of Article VIII of the Constitution: Commonwealth indebtedness; budgets and financial plans; auditing, tax exemption and public utility taxation.

Reports have been submitted on "Tax Exemption and Auditing" and "Public Utility Taxation and Distribution." Also, the recommendations of the task force formed the basis for the "Capital Facilities Debt Enabling Act" of July 20, 1968 (Act No. 217), as amended.

The Executive Committee authorized the creation of a task force and appointed an advisory committee of citizens with established reputations in the fields of taxation and state finance to assist in carrying out the Commission's assignment. The contribution of the task force, under the able leadership of Senator Thomas F. Lamb and Representative H. Jack Seltzer, Co-Chairmen, is fully recognized and appreciated. On behalf of the Commission, the counsel and guidance of the members of the advisory committee are gratefully acknowledged.

FRED J. SHUPNIK, Chairman

Joint State Government Commission
Capitol Building
Harrisburg, Pennsylvania
December 1970

BUDGETING LEGISLATION PROPOSALS

Constitutional Provisions

For the first time as a part of the fundamental law the 1968 amendments to the Pennsylvania Constitution required the annual submission of budgets and long-term financial planning. Specifically, itemized budgeting of all expenditures and receipts is required by various sections of Article VIII, which provide:

"Section 7. (a)(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget . . . [under certain conditions]"

"Section 12. Annually, at the times set by law, the Governor shall submit to the General Assembly:

"(a) A balanced operating budget for the ensuing fiscal year setting forth in detail (i) proposed expenditures classified by department or agency and by program and (ii) estimated revenues from all sources. If estimated revenues and available surplus are less than proposed expenditures, the Governor shall recommend specific additional sources of revenue sufficient to pay the deficiency and the estimated revenue to be derived from each source;

"(b) A capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or of its agencies or authorities or from operating funds; and

"(c) A financial plan for not less than the next succeeding five fiscal years, which plan shall include for each such fiscal year:

"(i) Projected operating expenditures classified by department or agency and by program, in reasonable detail, and estimated revenues, by major categories, from existing and additional sources, and

"(ii) Projected expenditures for capital projects specifically itemized by purpose, and the proposed sources of financing each."

"Section 13. (a) Operating budget appropriations made by the General Assembly shall not exceed the actual and estimated revenues and surplus available in the same fiscal year.

"(b) The General Assembly shall adopt a capital budget for the ensuing fiscal year."

The Schedule accompanying the constitutional amendments provides that Sections 12, 13 and 14 of Article VIII shall take effect no later than July 1, 1970. The task force determined that the foregoing provisions require that the budgets and financial plans for General Fund Expenditures be first submitted during the period beginning July 1, 1970 for fiscal year 1971-1972. Additional time, until July 1, 1975, was allotted for the transition to annual budgeting and appropriation of expenditures from special operating funds which previously had not been subject to these requirements.

Recommendations

The task force recommends the enactment of amendments to Article VI of "The Administrative Code," implementing the provisions of Article VIII, Sections 7(a)(4) and 12 and 13, of the Constitution, with the following major features:

1. Clarification of the administrative and executive functions relating to the preparation and submission of the budgets exercised by the State Planning Board, the Budget Secretary and the Executive Director of Planning.

2. Mandating the detailed procedures to ensure that the required information will be obtained to construct both an operating budget and financial plan, and a capital budget and financial plan, the latter being redesignated the "Capital Projects Program."

3. A procedure for the enactment by the legislature of the operating and capital budgets through the general appropriation bill and the capital budget bill, respectively, and the adoption of the capital financial plan through a concurrent resolution.

4. A provision for the orderly inclusion of all revenue and expenditures from special funds within the operating budget, such inclusion to take place gradually over a five-year period.

If the proposals recommended by the task force are enacted, the budget documents and legislative action required to execute an operating and capital budget are summarized in the table on page 4.

Proposed Legislation

The foregoing recommendations are implemented in the proposed amendments to Article VI of The Administrative Code of 1929, which would add Section 600 (State Planning Board), Section 600.1 (Budget Secretary), and Section 600.2 (Executive Director of Planning), and amend Sections 601 and 602. The amendments are set forth on page 5.

BUDGET DOCUMENTS AND LEGISLATIVE ACTION
REQUIRED BY PROPOSED IMPLEMENTING LEGISLATION

ANNUAL BUDGET DOCUMENTS	LEGISLATIVE ACTION
(1)	(2)
<p>A. Operating Budget</p> <p>[Pa. Const., Art. VIII, §12(a); Adm. Code, §602(a)]</p>	<p>Enacted in general appropriation bill and other necessary appropriations bills</p> <p>[Adm. Code, §602(a)]</p>
<p>B. Five-Year Financial Plan of Operating Expenditures</p> <p>[Pa. Const., Art. VIII, §12(c)(i); Adm. Code, §602(b)]</p>	<p>No action required</p>
<p>C. Capital Projects Program</p> <p>1. Projects not previously authorized by law</p>	<p>Enacted in capital budget bill and its project itemization supplements</p> <p>[Adm. Code, §602(c)]</p>
<p>2. Previously authorized projects and</p> <p>3. Five-year financial plan of capital expenditures</p> <p>[Pa. Const., Art. VIII, §§12(b), (c)(ii), 13(b); Adm. Code, §602(c)]</p>	<p>Adopted by concurrent resolution with exceptions, if any</p> <p>[Adm. Code, §602(d)]</p>

Amendments to Article VI of
"The Administrative Code of 1929"
Implementing the Provisions of Article VIII,
Sections 7(a)(4), 12, and 13(b)
of the Constitution of Pennsylvania
Relating to the Operating Budget
and Financial Plan and the Capital Projects Program

AN ACT

Amending the act of April 9, 1929 (P.L.177), entitled "An act providing for and reorganizing the conduct of the executive and administrative work of the Commonwealth by the Executive Department thereof and the administrative departments, boards, commissions, and officers thereof, including the boards of trustees of State Normal Schools or Teachers Colleges; abolishing, creating, reorganizing or authorizing the reorganization of certain administrative departments, boards, and commissions; defining the powers and duties of the Governor and other executive and administrative officers, and of the several administrative departments, boards, commissions, and officers; fixing the salaries of the Governor, Lieutenant Governor and certain other executive and administrative officers; providing for the appointment of certain administrative officers, and of all deputies, and other assistants and employes in certain departments, boards, and commissions; and prescribing the manner in which the number and compensation of the deputies and all other assistants and employes of certain departments, boards and commissions shall be determined," implementing the provisions of the Constitution of Pennsylvania requiring the preparation, submission and adoption of an Operating Budget, Financial Plan and Capital Projects Program; imposing duties upon the Budget Secretary, the Executive Director of Planning, the State Planning Board, departments and agencies; and repealing certain laws.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of April 9, 1929 (P.L.177), known as "The Administrative Code of 1929," is amended by adding to Article VI three new sections to read:

ARTICLE VI
BUDGETARY AND FINANCIAL POWERS AND DUTIES OF
ADMINISTRATIVE OFFICERS, DEPARTMENTS,
BOARDS, AND COMMISSIONS

Section 600. State Planning Board.--The State Planning Board shall in addition to its powers and duties set forth in the act of May 20, 1949 (P.L.1608), known as the "State Planning Code," prepare and maintain a long-term development program of all capital improvement projects. The capital projects program so prepared shall be a comprehensive construction and financial program covering no less than six future fiscal years and shall be prepared in consultation with the several State departments for the purpose of assisting, by long-term budgeting of capital expenditures, in stabilizing industry and employment by promoting the planning and timing of capital improvements within the State and by the elimination of unplanned, untimely, unnecessary, and extravagant projects. The board shall encourage the preparation of detailed plans for capital projects by the departments, boards, commissions, and other agencies of the State and the various political subdivisions of the State and to coordinate local capital projects programs where joint action is required. In carrying out this function, the board may request from the various State departments and other agencies and authorities of the Commonwealth and its political subdivisions and their agencies and authorities such available information as it may require in its work, and all these agencies and authorities shall, within a reasonable time, furnish such requested information to the board.

Section 600.1. Budget Secretary.--The Governor shall appoint and fix the compensation of the Budget Secretary who shall perform such duties regarding the preparation of the Operating Budget, Financial Plan and Capital Projects Program as are required by this article, assigned by the Governor, or otherwise provided by law. The Budget Secretary shall appoint and with the approval of the Governor and the Executive Board, fix the compensation of such consultants, experts, technicians, stenographers, clerks, and other assistants as may be required for the proper conduct of the office.

The departments, boards, commissions, institutions and other agencies of the Commonwealth that receive revenues or expend funds of the Commonwealth shall cooperate with the Budget Secretary who shall coordinate the activities of all executive agencies as is necessary to accomplish the purposes of his office.

Section 600.2. Executive Director of Planning.--The Governor shall appoint and fix the compensation of an Executive Director of Planning, who shall furnish upon request of the State Planning Board such data and information as the board may from time to time require, and the Executive Director of Planning shall provide administrative services for and on behalf of the board. The Executive Director of Planning shall hold no other position in the service of the Commonwealth or any political subdivision thereof to which any salary is attached, and shall

be technically qualified for the duties of his office. The Executive Director of Planning shall appoint and with the approval of the Governor and the Executive Board, fix the compensation of such consultants, experts, technicians, stenographers, clerks, and other assistants as may be required for the proper conduct of the work of the office.

The departments, boards, commissions, institutions, and other agencies of the Commonwealth that contemplate engaging in capital expenditure programs shall cooperate with the Executive Director of Planning who shall coordinate the activities of all Commonwealth and local agencies as is necessary to facilitate the development and continuity of the Capital Projects Program.

Section 2. Section 601 of the act, amended May 23, 1961 (P.L.218), is amended to read:

Section 601. Preparation of [Budget.--The] Operating Budget, Financial Plan, and Capital Projects Program.--Annually the Budget Secretary shall [, in each year,] obtain and prepare information necessary for the preparation of [a State budget] the Operating Budget, the Financial Plan, and the Capital Projects Program as required by Article VIII, section 12 of the Constitution of the Commonwealth of Pennsylvania, for the following year beginning the first day of July. He shall, not later than the fifteenth day of August of [such] each year, distribute to the Governor, to the Lieutenant Governor, to each administrative department, to each independent administrative

board and commission, to the chief clerk of the Senate, to the chief clerk of the House of Representatives, to the prothonotaries of the various courts of the Commonwealth, and to all institutions or other agencies which desire State appropriations to be made to them, or contemplate capital project expenditures during the ensuing six years, the proper blanks necessary to the preparation of the [budget] estimates to be included on their behalf in the Operating Budget, Financial Plan, and Capital Projects Program, with a request that such blanks be returned with the information desired, not later than the first day of November of the same year. Such blanks shall be in such form as shall be prescribed by the Budget Secretary, and in as far as capital projects are concerned, by the Executive Director of Planning to procure any or all information pertaining to the revenues and expenditures for the preceding fiscal years, and for the current fiscal year, the appropriations made by the previous General Assembly, the expenditures therefrom, encumbrances thereon, the amount unencumbered and unexpended, an itemized estimate of the revenues and expenditures both made and in prospect at the time of the estimate of the current fiscal year, and for the succeeding [year] six years, and an estimate of the revenues and amounts needed for the respective departments, boards, and commissions, for expenses of the General Assembly, for the Judicial Department, and for any and all institutions, or other

agencies to which appropriations are likely to be made by the General Assembly for the year next succeeding or for which capital expenditures are contemplated for the six years next succeeding. Such blanks shall also request the person returning them to accompany them with a statement in writing, giving the facts, and an explanation of and reasons for the estimates of receipts and of operating and capital expenditures [for the succeeding year] contained upon the blanks returned, which estimates and statements shall be presented to the General Assembly at the time the Operating Budget, Financial Plan or Capital Projects Program is submitted to it. It shall be the duty of each administrative department, and each independent administrative board and commission, to comply, not later than November first, with any and all requests made by the Budget Secretary in connection with the [budget] Operating Budget and Financial Plan and the Executive Director of Planning in connection with the Capital Projects Program.

The forms relating to capital project expenditures contemplated by departments, boards, commissions, institutions, or other agencies shall be returned to the Executive Director of Planning for his review and approval. The Executive Director of Planning shall forward to the Budget Secretary not later than December first, each of the capital project expenditure requests which he recommends for inclusion in the Capital Projects Program.

The Budget Secretary may, under the direction of the Governor, make further inquiries and investigations as to the capital expenditures, financial needs, expenditures, estimates, or revenues, of any department, board, commission, institution, or other agency. The Governor may, after giving to each department, board, commission, institution, or other agency, an opportunity to be heard, approve, disapprove or alter the estimates. The Budget Secretary shall, on or before the first day of January next succeeding, submit to the Governor, in writing, the above information, and any additional information requested by the Governor, as a basis for the Governor's estimates for [appropriations for the next succeeding year] the Operating Budget, Financial Plan, and Capital Projects Program. No capital project expenditure shall be included in the Capital Projects Program submitted to the General Assembly unless it has received the approval of the Executive Director of Planning.

Section 3. Section 602 of the act, amended June 6, 1939 (P.L.250), is amended to read:

Section 602. Submission of [Budget] Operating Budget, Financial Plan, and Capital Projects Program to General Assembly.-- (a) As soon as possible after the [organization of the General Assembly] first day of February, the Governor shall submit [a State budget] to the General Assembly the Operating Budget for the ensuing fiscal year, embracing therein the amounts recommended by him to be appropriated for operating

expenses to the General Assembly, the Judicial Department, the Governor, and the several administrative departments, boards, and commissions of the State Government, and to institutions within the State, and for all other public purposes, and the estimated revenues or receipts from any and all sources [, and an estimated amount to be raised by taxation or otherwise. Together with such budget, the Governor shall transmit the estimates of receipts and expenditures, as received by the Budget Secretary from the officers in the Executive, Legislative, and Judicial Departments] ; if the estimated revenues and available surplus are less than proposed expenditures, the Governor shall include his recommendations of specific additional sources of revenue sufficient to pay the deficiency and the estimated revenue to be derived from each source. In arriving at the amount of surplus or deficit, as the case may be, the Governor shall keep separate the estimated revenues and proposed expenditures from those sources restricted by Article VIII, section 11 of the Pennsylvania Constitution which cannot be expended except for the purposes enumerated therein.

The Governor shall, at the appropriate time, submit to the General Assembly the General Appropriation Bill and such other bills as are necessary to provide for the appropriation of funds recommended in the Operating Budget.

(b) At the time the Governor submits the Operating Budget he shall submit a Financial Plan of Operating Expenditures which

shall include for each of the five fiscal years succeeding the
ensuing fiscal year, the following information: Projected
operating expenditures classified by department or agency and by
program, in reasonable detail; estimated revenues, by major
categories, from existing and additional sources; and supporting
schedules summarizing the projected expenditures and estimated
revenues, by year.

(c) The Governor shall, on or before the first day of March,
submit to the General Assembly a Capital Projects Program which
shall contain therein the Capital Budget for the ensuing fiscal
year and the Financial Plan of estimated capital project
expenditures for the next succeeding five fiscal years.

For the purposes of this subsection, "capital project" and
"financial cost" shall be defined the same as in section 2 of
the act of June 20, 1968 (Act No. 217), known as the "Capital
Facilities Debt Enabling Act."

The Capital Projects Program shall specifically itemize by
brief identifying description each capital project expenditure
contemplated during the succeeding six fiscal years, and for
each such project shall set forth the following information:

- (1) Estimated change in annual operating costs upon
completion of the project;
- (2) Total estimated financial cost;
- (3) Sum of expenditures during the previous fiscal years;
- (4) Amount to be expended during the ensuing fiscal year;

(5) Amounts to be expended during each of the next succeeding five fiscal years;

(6) Total amount to be financed from proceeds of Commonwealth obligations;

(7) Total amount to be financed from operating revenues;

(8) Total amount to be financed from Federal funds;

(9) Total amount to be financed from other sources, and

(10) Amount to be financed from the proceeds of Commonwealth obligations during the ensuing fiscal year.

The Capital Projects Program shall also contain supporting schedules showing previously authorized debt subject to constitutional debt limits, previously authorized or contemplated debt not subject to constitutional debt limits, and any other pertinent information.

A Capital Budget Bill and project itemization supplements as required shall be submitted with the Capital Projects Program by the Governor to the General Assembly, and shall thereafter proceed to consideration as provided in Article III of the Constitution of the Commonwealth of Pennsylvania. The Capital Budget Bill and supplements shall specifically itemize by brief identifying description and estimated financial cost those capital projects not previously contained in a capital budget act or its supplements, for which expenditures are to be made during the ensuing fiscal year. Such capital projects shall be listed in separate categories and according to the fund to be

charged with the expenditure or with the repayment of debt obligations to be incurred. The Capital Budget Bill shall state the maximum amount of debt which may be incurred during the ensuing fiscal year for each category of capital projects.

(d) Adoption of the Capital Projects Program not incorporated in the Capital Budget Bill and supplements shall be signified by a concurrent resolution passed by the House of Representatives and the Senate, containing therein exceptions, if any, to capital expenditure proposals of the Governor.

Section 4. The following acts and parts of acts are repealed as indicated:

(1) Subsections (a), (b), and (c) of section 3, act of July 20, 1968 (Act No. 217), known as the "Capital Facilities Debt Enabling Act," absolutely.

(2) The act of May 20, 1949 (P.L.1608), known as the "State Planning Code," in so far as it is inconsistent herewith.

Section 5. All other acts and parts of acts in so far as they are inconsistent herewith.

Section 6. This act shall take effect immediately. To provide for the orderly inclusion of all fiscal operations of the Commonwealth within the Operating Budget and appropriations acts executing it, expenditures from special operating funds authorized by previously enacted continuing appropriation statutes or previously enacted continuing appropriation provisions of programs statutes shall be discontinued as soon as

practicable and said statutes and provisions of statutes are hereby repealed absolutely, effective July 1, 1975; thereafter no expenditures of public moneys from special operating funds shall be authorized except after the inclusion of the estimated revenues and expenditures of such funds in the Operating Budget, Financial Plan of Operating Expenditures and the General Appropriation Bill or other appropriation bills, as required by this amendatory act and the Constitution of Pennsylvania for the expenditure of public moneys.