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Commonwealth of Pennsylvania
Governor's Office

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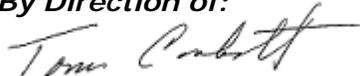
Subject:

2013-2014 Program Policy Guidelines, Agency
Budget Requests

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By Direction of:



Tom Corbett, Governor

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Contact Agency:

Governor's Office of the Budget, Governor's Budget Office, Telephone 717.265.8070

The Program Policy Guidelines provide direction for the preparation of the 2013-14 Governor's Executive Budget agency budget requests. Executive Budget planning for 2013-14 is to be predicated on the fact that the Pennsylvania economy is still in recovery and has not yet emerged from the "Great Recession." Additionally, continued increases in pension obligations and other cost drivers, such as Medical Assistance, prison costs and debt service obligations, are projected to consume an even greater share of the commonwealth's budget next year. Therefore, agencies should not assume funding increases for the 2013-14 fiscal year and should continue to evaluate current programs and recommend changes that will improve program management and operations, reduce costs and optimize direct services.

The 2013-14 Budget that Governor Corbett presents to the General Assembly must be fiscally responsible, built on innovation and focused to help grow Pennsylvania's economy. It must send a message to the rest of the world that Pennsylvania is on a strong financial footing and once again open for business.

The past two budgets have laid the foundation for Pennsylvania's resurgence with a focus on fiscal discipline and limited government. Each budget reined in spending, streamlined government operations and eliminated "nice to have" programs – instead focusing limited taxpayer resources on "must have" initiatives that protect the human safety net, educate our children and keep our communities safe. These efforts formed the first step in Governor Corbett's vision toward rebuilding Pennsylvania's economy.

We now embark on the next phase of Governor Corbett's vision for a new Pennsylvania – one that focuses our limited resources on the future and builds a brighter tomorrow. While each agency still is being asked to find cost savings and efficiencies and be responsible stewards of taxpayers' money, agencies also are being tasked with building upon that solid foundation from the last two budgets of fiscal discipline and limited government, and focus attention on free enterprise.

Unleashing the innovative power of free enterprise is the key to economic prosperity for all Pennsylvanians. Earlier this year, Governor Corbett unveiled JOBSFirst PA – a two-part strategy that supports Pennsylvania workers and partners with Pennsylvania job creators to establish the commonwealth as a world leader. The 2012-13 Budget saw the beginning of this culture shift within state government through important efforts around unemployment compensation reform, business tax cuts, restructured economic development programs, workforce initiatives and regulatory reform. The 2013-14 Budget presents a unique opportunity to continue these efforts throughout each agency across the commonwealth.

Every agency must change the culture - change the conversation - within its purview to find innovation and new ideas for the 2013-14 Budget. While supporting mission critical programs, it is time to think "outside of the box" and determine how best your agency can contribute to Governor Corbett's JOBSFirst PA agenda. As part of this process, each agency is being asked to pull together its core team of executive leadership, budget, policy, legislative, communications and general counsel staff to identify its top five priorities for the 2013-14 Budget. Consistent with the direction presented in this document, agencies should consider the following during the planning process:

- **What does your agency need to accomplish in 2013-14 to better serve the taxpayers of Pennsylvania? Do these ideas fit within Governor Corbett's vision of preparing our workforce and partnering with job creators? Will they help to grow Pennsylvania's economy?**
- **Can you eliminate, retool or enhance long-standing programs to better leverage and target limited resources to new innovative programs that will help to rebuild the economy? How can you rethink, repackage or even rebrand these programs and line items to support job training or partnering with job creators to help grow Pennsylvania's economy? Are there programs you can eliminate in their entirety? Can you outsource programs, consider privatization or consider public-private partnerships?**

In addition to answering the above referenced questions, agencies should submit budget requests that also adhere to the following guidelines:

- Request General Government Operations (GGO) and administrative appropriations at levels that do not exceed 2012-13 Enacted Budget amounts.
- Identify efficiencies, consolidations or other personnel cost reductions sufficient to offset in a realistic and sustainable manner any requested increase in operating and fixed asset spending.

- Manage 2012-13 complement, immediately slow hiring, including requests to fill current year vacancies, in a prudent manner that will keep budget requests within the levels specified by this guidance, given the likelihood of further complement reductions that will be necessary to balance the 2013-14 Budget.
- Request discretionary programs not statutorily set by state or federal requirements at levels that do not exceed enacted 2012-13 Budget amounts. Agencies should consider the elimination of discretionary programs which do not further the priorities of the administration outlined in this and other documents.
- Keep program revision requests requiring new or increased funding within existing 2012-13 funding levels through offsetting savings that are achievable in 2013-14 and sustainable in future fiscal years.
- Request no additional state funding to replace lost or reduced federal funding.

It is critical for the development of Governor Corbett's 2013-14 Budget that all agencies specifically answer the questions and adhere to these guidelines.

There is no doubt that answering these questions and guidelines will be a challenge. But rethinking your agencies, and building budgets that change the conversation, is also a great opportunity to enable free enterprise to grow and flourish in the commonwealth and put the citizens of Pennsylvania first.

Background Information for the Program Policy Guidelines

The development of the Governor's 2013-14 Executive Budget follows two of the most challenging budgets enacted in recent Pennsylvania history. As the administration developed the 2011-12 Budget, it confronted a structural deficit of \$4.2 billion in the commonwealth's General Fund – the result of years of spending greater than base revenues, and a reliance on one-time revenues, such as federal stimulus funding and other short-term fixes. While making progress toward structural balance, the 2012-13 Enacted Budget is more than \$350 million out of structural balance, exacerbating our budgetary challenges in 2013-14.

The guiding principles of budget development continue to be: fiscal discipline, limited government and free enterprise. The strategic focus areas of the 2013-14 Budget are government and regulatory reform; economic development, international trade and agriculture; education and workforce development; health and human services; and criminal justice and public safety. In supporting these priority areas, all of state government must fundamentally rethink which services it provides and how these services are delivered. We are operating in a "new-normal" where mandated costs increase faster than new revenues. If we are to avoid a point where we repeatedly shave funding for all programs so that we cannot deliver any of them well, we must refocus efforts and resources where they will truly make a difference for Pennsylvanians.

Currently, the new normal projections for 2013-14 will require us to reduce cost-to-carry expenditure growth by \$1.3 billion. This is necessary to address a 44% increase in the Public School Employees Retirement System (PSERS) contributions, a 43% increase in the State Employees Retirement System (SERS) contributions, a 7.5% increase in debt service and an estimated 6% increase and 3.5% increase in Medical Assistance and Corrections costs, respectively. This creates a scenario requiring another round of difficult choices.

What quickly becomes evident is that the growth in these mandated costs is consuming all revenue growth before even a single dollar is available to address the Governor's priorities of supporting Pennsylvania workers and creating an environment in which jobs can grow. While the commonwealth effectively constrained spending growth over the last two years, we still have much work to do in identifying additional spending reductions that will offset the growth in mandated costs and put the commonwealth's budget in structural balance. While the magnitude of the challenges in 2013-14 will not exceed the two previous years, the challenge will be even greater, given that many cost savings options have already been undertaken. Consequently, meeting the 2013-14 challenges will require even stronger leadership, management and greater creativity to achieve our fiscal goals, which will then allow us to achieve our programmatic and organizational goals.

Given this environment and the challenges it presents, fiscal discipline, limited government and free enterprise must continue to guide the administration's fiscal planning. Doing so not only better ensures Pennsylvania can successfully navigate these challenges but also best enables us to foster a climate that will expand growth and prosperity throughout the state.

Fiscal Discipline

Pennsylvania continues to face fiscal challenges related to limited revenue growth and increasing cost pressures to deliver government products and services. At the same time, we recognize that our citizens know best how to spend their own money, so we must refrain from imposing any greater tax burden, and our policies must allow for citizens to keep more of their hard-earned income. Consequently, every agency must continue to diligently work to control spending. Agencies should prepare for no increase in funding and develop innovative approaches or process improvements to absorb program cost increases through efficiencies. In searching for greater efficiencies, agencies should look to their employees to find better ways to accomplish their work and to identify and eliminate or modify wasteful practices or processes. Agencies should review their program responsibilities and functions and assess if they could better be performed through other means such as: outsourcing, privatization, public-private partnership or other competitive processes. Similarly, as an enterprise, the commonwealth should look for functional consolidations to achieve efficiencies and enhancements in customer service.

Debt service to pay for the state's bond issues will be over \$1.2 billion, double what it was less than ten years ago. Agencies must approach their responsibility in preparing their capital improvement plans as stewards of both the commonwealth's physical assets and its fiscal assets.

There are a number of activities or responsibilities of state government for which the costs were intended to be covered by a fee paid by a particular applicant or beneficiary, or imposed for a particular benefit to cover the cost of a specific public good. Over time, many of those fees have become outdated or do not meet the cost to cover the activity. In many of those cases, the taxpayers are covering the cost of an activity that benefits a targeted beneficiary. Agencies are asked to review their current fees and evaluate if they are covering the appropriate costs, and if not, to make recommendations to update the individual fee, fee methodology or fee structure. Agencies recommending fee increases must consider the impact on taxpayers, both positive and negative, the return or increased benefits to the fee payer and be able to justify any fee increase due to already implemented process improvements or efficiencies.

Limited Government

The streamlining of state government has progressed significantly over the past year and a half. Nearly all of the initiatives set forth in Governor Corbett's reform plan – a plan for a more efficient and responsible Pennsylvania government – have been launched or completed. Highlights include:

- Eliminated WAM programs and reduced legislative reserves
- Reduced the state vehicle fleet
- Eliminated per diems for state employees for travel, food and lodging and replaced them with a receipts-based reimbursed system
- A review and audit of all boards and commissions is also underway and a number of commissions have already been eliminated.
- PennWATCH, the *Pennsylvania Web Accountability and Transparency Act* website, will go live in December 2012 in accordance with *Act 18 of 2011*. This site will provide information on the commonwealth's budget, revenues, spending, performance measures and complement. PennWATCH will provide users with the ability to search for information by agency, commitment item or vendor.

As with prior budgets, agencies must not seek to expand their staff or reach and agencies should seek to consolidate information technology and administrative functions to achieve costs savings to support public policy priorities.

Free Enterprise

Unleashing the innovative power of free enterprise is the key to ongoing economic prosperity for all Pennsylvanians. Enabling free enterprise to fulfill its promise and removing impediments to job creation will require tax reform, legal reform, regulatory reform and a rethinking of our economic development, workforce development, and infrastructure systems.

Historically, Pennsylvania has not been competitive in terms of its business tax climate. With the 2011-12 Budget, we began to distance ourselves from this distinction with the reinstatement of the phase-out of the Capital Stock and Franchise Tax (CSFT). The 2013-14 Budget will enact the complete phase-out of the CSFT, marking a major milestone for Pennsylvania by permanently eliminating the perception and position of Pennsylvania as being one of only a few states which taxed both assets and income. The Real Estate Transfer Tax and Inheritance Tax for the transfer of family farms was eliminated, thereby also eliminating a disincentive to maintaining family farms and strengthening the agricultural sector of our economy. We will focus on reforming our overall business climate through meaningful tax restructuring efforts at all levels aimed at marketing Pennsylvania to the world for business location or direct investment.

Streamlining the regulatory burden on job creators is an important component to spurring innovation and economic vitality. All agencies were directed to inventory all existing regulations and evaluate them. This is an ongoing process, and one that should continue with particular attention being given to revising or repealing those regulations that create an undue burden on job creators with little public benefit. Similarly, agencies should identify those regulations that are expensive to administer but have little public benefit, and seek non-regulatory and more cost-effective approaches to achieve the intended public purpose.

Pennsylvania's economic development strategy must focus on empowering innovation, growing small businesses, and expanding Pennsylvania's international reach. The 2013-14 Budget will continue the process of retooling Pennsylvania's economic development arsenal. Pennsylvania cannot compete for jobs and economic investment by primarily relying on incentive-based economic development, there simply isn't enough money to match competitor offers deal by deal. Additional steps can be taken to upgrade, modify or replace economic development programs to make them more responsive to the needs of business and economic realities, and so they better leverage private or other resources. Consequently, initiatives to harmonize existing economic development grant and loan programs should be developed and proposed, the economic development delivery system should be rationalized further, and the results of all programs – focusing support on the creation of family-sustaining jobs – should be rigorously measured.

DIRECTION

The 2013-14 Budget will be a fiscally responsible one that restrains government spending, supports Pennsylvania workers and focuses on job creation. As with the current budget, the 2013-14 Budget will contain no General Fund tax increases and will seek to cut taxes to improve the economic competitiveness of the commonwealth and allow individual Pennsylvanians to keep more of their hard-earned dollars. Further, revenue constraints will continue to force us to focus commonwealth investment on the mission and vision outlined by the Governor, as well as the core functions of government.

General Government Operations/Administrative Appropriations

Governor Corbett committed to reducing the administrative expenses of state government by 10% over four years. The last two enacted budgets include administrative cost savings of nearly 6%. By absorbing increased SERS and other benefit increases, agencies have effectively achieved a 10% reduction in administrative costs. However, to continue to address fiscal challenges, agencies should request GGO and other operating or administrative appropriations at levels less than or equal to 2012-13 enacted levels. When developing budget requests, each agency must ensure that contractually mandated salary increases and necessary increases to employee healthcare and pension contributions are incorporated into its budget request within the level funding amount. For more specific instructions on how to budget in 2013-14 for salary and benefit costs please refer to [Manual 110.1, 2013-14 Budget Instructions](#).

- In general, agencies should not request any increases in Operating and Fixed Asset spending. Agencies wishing to increase Operating and Fixed Asset expenditures must identify efficiencies or other personnel cost reductions sufficient to offset in an achievable and sustainable manner.
- Any new position requests should be offset by proposals to eliminate or otherwise transfer positions to the recruitment pool.

Discretionary and Other Program Spending

Discretionary programs, those programs that are not statutorily set by the state or that are not a federal requirement, are to be submitted at 2012-13 Enacted Budget levels. In addition, proposals for new or expanded programs must be offset by reducing funding in other programs.

Federal Funding not to be Replaced with State Funding

Changes in federal funding priorities often result in the loss or reduction of federal funds. This year, the *Federal Budget Control Act* has the potential to reduce the amount of funding the commonwealth receives through the sequestration process beginning this January. In cases where federal funding is reduced, agencies should not request additional state funding, but instead should adjust program operations and priorities to be consistent with the new federal priorities, provided they are consistent with Pennsylvania's priorities. In those rare cases where it may be a higher state priority to maintain a federal program and agencies request state funds to replace the anticipated loss of federal funds, agencies must include other realistic and sustainable program offsets to stay within the funding direction presented in these guidelines.

Governor's Innovation Initiative

Governor Corbett established the Governor's Privatization and Innovation Council in 2011 to help identify and evaluate opportunities to consider alternatives to the current delivery of government services. The Council worked with all state agencies to identify opportunities for process or performance improvements. This effort was followed with the creation of the Governor's Innovation Office through *Executive Order 2012-04* to manage a portfolio of innovation projects and to assist agencies in conducting or carrying out these initiatives. Governor Corbett officially kicked off this initiative on July 12, 2012, addressing all agency Innovation Team members sharing his belief that "there is no shortage of ideas for how to make state government work better."

To date, agencies have identified 132 potential initiatives with an estimated savings of over \$115 million. Agencies must include Innovation Action Plan initiatives which will be implemented in the fiscal year, or from which the savings of the initiative will be realized within the fiscal year, in their budget submissions. These initiatives may be critical in helping agencies achieve their zero increase target. More importantly, any savings achieved could focus on workforce development and partnering with job creators. **Agencies should continually seek new innovation initiatives which will provide more effective service delivery while lowering administrative costs.**

Complement Management

Agencies must continue to identify efficiencies and strategies that will result in permanently reducing filled complement levels. Agencies must be mindful that budgetary pressures and related pension obligations will remain as we begin planning for the 2013-14 Budget cycle. Prudent management of complement in the current fiscal year and restraint in filling positions will be essential as agencies craft their 2013-14 Budget requests.

- The Office of Administration and the Office of the Budget will continue to review agency and total filled complement levels on an ongoing basis. Agencies can be subject to more stringent complement controls, up to and including, temporary or permanent reductions in authorized complement. Agencies must ensure that filled staffing levels, for each appropriation, do not exceed the authorized complement levels established in their approved rebudget plan.
- Each agency is expected to develop a proactive complement management plan. Given projected increases in pension costs and benefits rates, all agencies are advised to immediately slow hiring in 2012-13 given that further complement reductions will be part of the 2013-14 Budget. Agencies will be expected to share their complement management plans during this fall's review of 2013-14 agency budget requests. Where non-commonwealth agency activities impact commonwealth pension and other obligations, oversight agencies should recommend strategies to control costs in these instances as well.

Program Revision Requests for Strategic Focus Areas

As this guidance makes clear, the commonwealth's financial constraints will generally preclude adding significant new funding to agency budgets except in the highest priority areas. Agencies are to include in their budget requests fully developed Program Revision Requests (PRR) for the strategic focus areas noted later in this document. PRR should clearly model the revised program, including resource allocation, anticipated outcomes and defined performance measures. PRR and initiatives requiring new funding should identify realistic and sustainable offsets within existing agency budgets through efficiencies or other program modifications or eliminations.

Agencies considering proposals to eliminate programs that are no longer effective, are not a core function of the agency, or otherwise not responsive to the needs of Pennsylvanians, or proposals to implement new programs or program changes as a result of changes in policy, statute, regulation or court direction, must submit preliminary PRR for these proposals. Agencies should request additional resources for program addition or change proposals only after they have explored offsetting cost savings in other programs. In addition, agencies must justify in the request narrative why the new program or program change cannot be implemented using resources made available from the elimination or reduction of other less effective or unresponsive programs, or from other improvements in program efficiency.

PRR that require an increase in agency General Fund expenditures only will be considered if:

- The PRR is to implement a new or expanded program required as part of a legislative or judicial mandate (which must be documented and explained as part of the budget submission); or
- The PRR is requesting new complement or other resources to maintain current staff to caseload/population ratios (which must be documented and explained as part of the budget submission); or
- The PRR that increases spending is accompanied by an "efficiency" PRR that proposes offsetting reductions in agency expenditures, so that the net impact of the two PRR is essentially no net increase or an actual savings in planned agency expenditures.

Program Performance Measurement

Pennsylvania's public servants are entrusted to expend and invest the public's money on the public's behalf. In return, our citizens expect results and accountability. Agency budget submissions must include outcome measures as well as efficiency, customer service, or activity measures, where appropriate. Key performance indicators should be identified along with strategies for achieving key results. For the overall budget request, funding should be related to the high-level goals the agency is attempting to achieve as defined in its annual Agency Performance Plan. Key performance indicators should be identified along with the costs and strategies for achieving key results. For more specific instructions concerning the preparation and submission of agency program performance measures, please refer to the Instructions for 2012 Performance Plan Updates and [Manual 110.1, 2013-14 Budget Instructions](#).

Information Technology Initiatives

Agencies should submit PRR for all major new and ongoing information technology initiatives included in the IT strategic plan review process managed by the Office for Information Technology. These IT PRR must be submitted in accordance with the PRR direction presented in this document. In addition, a Strategic Enterprise Management – Business Planning and Simulation (SEM-BPS) decision package must be created for each PRR, including corresponding SEM-BPS complement planning and commitment item layouts as specified in [Manual 110.1, 2013-14 Budget Instructions](#).

STRATEGIC FOCUS AREAS

Government and Regulatory Reform

All agencies are expected to update their regulatory review agenda, identify outdated or unneeded regulations and propose their revision or elimination based on the review criteria established in [Executive Order 1996-1, Regulatory Review and Promulgation](#). Agencies should particularly focus on regulations that add little value or benefit to the public and on those in which a less expensive non-regulatory approach may accomplish the same objectives. Those agencies whose regulations impact private-sector job development and investment should seek to streamline their processes to minimize the impediments to job creation. Agencies should include in their budget requests regulation elimination proposals that result in cost savings to either the commonwealth or the regulated community.

Similarly, all internal support agencies should analyze their own processes to identify burdens placed on other government agencies that if removed or modified would allow agencies to operate more efficiently or serve their customers more effectively. Agencies should identify opportunities for functional outsourcing or consolidations. The “Yellow Pages” test provides a good place to start. If a product or service that state government is currently providing can be found in the Yellow Pages and can be done less expensively by the private sector, then the commonwealth should consider offering that product or service in a different manner.

Finally, the potential for greater efficiencies through the strategic investment of IT resources must be a key component of every agency’s business plan.

Economic Development, International Trade and Agriculture

The 2011-12 Budget began the economic development retooling of the commonwealth. Significant opportunities remain to better leverage private and other public dollars to support the Governor’s JOBSFirst PA agenda. The Department of Community and Economic Development should propose a refined plan on how to gain a greater return from current commonwealth grant and loan programs.

All agencies administering programs impacting the economic development of our communities and job training initiatives, such as Community and Economic Development, Labor and Industry, Agriculture, Revenue, Education, Public Welfare and others, must rigorously scrutinize their portfolio of programs and prioritize the allocation of resources to those activities directly impacting job training, job creation and positive economic growth in our communities. Agencies should continue their interagency efforts to streamline and maximize resources for assisting Pennsylvania workers.

Education and Workforce Development

At a time of constrained resources, a premium must be placed on ensuring tax dollars are spent efficiently and effectively. Governor Corbett believes that education and workforce development are synonymous because a solid basic and postsecondary educational system are critical to preparing Pennsylvania's students for the jobs of tomorrow.

With basic education, spending and resource allocation is often misaligned between student achievement performance goals and the needs of the adults within the education system. Putting students first, and better ensuring resources intended to support their education are provided to the schools and classrooms they attend, requires greater transparency, alignment, and coherence in our education funding and reporting systems.

The quality of data is paramount at both the school district and school building level. Data quality and accuracy concerns are compounded at the school level, where current budget and accounting practices make it nearly impossible to know exactly how much is actually being spent at any single school. The current accounting system cannot identify how much it costs to deliver a particular course or service, whether dollars are making it to the classroom or even the basic reconciliation between budgets and expected expenditures. Research shows these practices often result in poor outcomes where students and schools with the fewest educational challenges are favored at the expense of those with the most; or more is spent for extracurricular activities and non-core electives than for English, math and other core subjects. In the end, the lack of accurate financial tools leaves policymakers at all levels flying blind and produces a finance system that shortchanges students and frustrates efforts to boost achievement.

The Department of Education has started the process of improving data quality by implementing a new system of counting the number of students enrolled and attending by school district and building, referred to as real-time average daily membership. The quality and accuracy of such data is vitally important, as it will serve as the cornerstone upon which all other reporting and accountability systems will be based. The Department of Education, working with the Governor's Budget Office, should develop a plan to move basic education funding to a weighted student funding approach, using the new real-time average daily membership metric, which would provide portability between all public school entities. A weighted student funding approach would ensure funding is linked directly to the student and the school they attend. In addition, reimbursement and other formulas for special education and cyber charter schools should be reviewed for their effectiveness and equity.

For postsecondary education, Governor Corbett established an Advisory Commission on Postsecondary Education to make recommendations related to the establishment and maintenance of a robust and responsive postsecondary education system in the commonwealth for the 21st century to serve the students and citizens of this commonwealth. While a report is not due from the Commission until November of 2012, the Department of Education should be significantly engaged with the Commission and anticipate key recommendations and prepare to submit PRR to advance recommendations aligned with the mission of the Governor and the parameters set out in these guidelines.

Health and Human Services

Providing care and assistance for those incapable of caring for themselves is a core function of government. The compassion of Pennsylvanians is unequalled when it comes to taking care of families and children in need. The commonwealth manages a number of early childhood programs: Pre-K Counts, Head Start (Supplemental Assistance), Child Care Services and Child Care Assistance. Each is intended to serve the early childhood needs of Pennsylvania's children. Yet each has different eligibility requirements, standards of performance, and costs. The Departments of Education and Public Welfare should assess the issues and identify the most pressing needs, evaluate existing programs and rationalize the spectrum and administration of early childhood programs. The intent should be to meet the needs of our most vulnerable citizens in the most cost-effective manner.

The delivery of much of Pennsylvania's human service safety net is provided by the commonwealth's counties, and over time, increasing responsibility for this safety net has been placed with them. Like all others delivering public services, counties and their service providers have had to combat rising costs and more competition for resources. The 2011-12 Budget authorized the development of a pilot to allow counties to integrate many human service programs. This pilot was implemented in 2012-13 and should provide for a more streamlined and comprehensive approach to providing categorical human service programs. For example, homeless assistance programs, child care programs and behavioral health programs should work in concert with each other, complement each other, and serve individuals in a holistic manner or individually focused approach as opposed to a program-focused approach. The 2013-14 Budget assumes the block grant implemented in the pilot will be expanded to all counties and replace the previous categorical model for service delivery.

Agencies administering programs through categorical or formulaic methods should review the relevance of existing formulas and propose any updates which more accurately address current realities such as in the area of county human services, area agencies on aging.

Medical Assistance, long-term care and health care in general will continue to drive much of the commonwealth's budget. Further, the commonwealth is currently analyzing the components of the *Affordable Care Act* and pending that analysis, it may be faced with significant transitional issues and costs. Therefore, the Departments of Health, Aging, Insurance and Public Welfare must continue to identify cost savings and efficiencies.

Criminal Justice and Public Safety

A primary responsibility of government is protecting the public health and safety of its citizens. The 2012-13 Budget reflected this priority and the 2013-14 Budget will as well. However, criminal justice and public safety agencies cannot be exempt from budget pressures and must also seek to improve efficiencies and secure cost savings. In an effort to better align and coordinate efforts, the commonwealth's criminal justice agencies must continue to cooperate and collaborate on the various research efforts to achieve a unified outcome in providing resources to guide policy.

Our criminal justice agencies should continue to implement the Justice Reinvestment Initiatives that were part of the 2012-13 Budget, reconsidering how, when and how long to incarcerate. Process improvements need to be implemented to more effectively facilitate the transition from inmate status, to supervision, and to life as an unsupervised citizen.

Summary

Pennsylvania, like most other states, is facing a protracted economic recovery that will take considerable time and effort to address. The direction presented here is responsive to fiscal realities and addresses our 2013-14 Budget challenges head on. The principles of fiscal discipline, limited government and free enterprise will continue to guide the administration's budget planning, allowing us to focus on the core functions and responsibilities of state government and to ensure future growth and prosperity for all Pennsylvanians.

There is no doubt that focusing all of our efforts and programs to preparing our workforce and partnering with job creators to help grow Pennsylvania's economy will be a challenge. It is one we must take on with singleness of purpose. Rethinking our agencies and their budgets to change the conversation from the programs of the past to facilitating the economic opportunities of the future is the objective of these directions and the next budget. This is an opportunity to unleash the power of innovation and enable free enterprise to grow and flourish in the commonwealth and put the citizens of Pennsylvania first.