

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1140 Session of
1997

INTRODUCED BY REINARD, GODSHALL, EGOLF, ARMSTRONG, FICHTER,
FAIRCHILD, MARSICO, BAKER, SEMMEL, E. Z. TAYLOR, ADOLPH, LEH,
HUTCHINSON AND CONTI, APRIL 2, 1997

REFERRED TO COMMITTEE ON FINANCE, APRIL 2, 1997

AN ACT

1 Providing for the imposition of State and political subdivision
2 limitations on the imposition or increase of taxes or tax
3 rates and on the levels of expenditures with certain
4 exceptions.

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

7 Section 1. Short title.

8 This act shall be known and may be cited as the Pennsylvania
9 Tax and Expenditure Limitation Act.

10 Section 2. Limitations on Commonwealth taxes.

11 (a) New tax imposition.--All taxes initially imposed by the
12 Commonwealth after January 1, 1998, shall require for enactment
13 the affirmative vote of two-thirds of the members elected to
14 each house of the General Assembly.

15 (b) Tax increase limitations.--Any tax rate increase imposed
16 by the Commonwealth after January 1, 1998, shall require for
17 enactment the affirmative vote of two-thirds of the members
18 elected to each house of the General Assembly.

1 (c) Revision of tax base.--The increase or decrease of any
2 base on which taxes imposed by the Commonwealth are determined
3 shall require, for enactment after January 1, 1998, the
4 affirmative vote of two-thirds of the members elected to each
5 house of the General Assembly.

6 (d) Enactments void.--Any law which passes the General
7 Assembly in violation of this section shall be void from the
8 date of enactment.

9 Section 3. Limitations on taxation by political subdivisions.

10 (a) Limitation.--Subject to the exceptions under subsection
11 (b) or (c), on and after January 1, 1998, no political
12 subdivision shall have any authority to:

- 13 (1) impose any new tax;
- 14 (2) increase the rate of any existing tax; or
- 15 (3) expand or reduce the base on which any local tax is
16 determined;

17 if any of these actions would result in any increase in revenue
18 which increase exceeds the percentage change in total estimated
19 tax revenues in the new fiscal year over total tax revenues in
20 the current fiscal year by more than the rate of inflation as
21 determined from the most recent Consumer Price Index for the
22 immediately preceding 12-month period.

23 (b) Referendum.--The provisions of subsection (a) shall not
24 apply to any political subdivision which, prior to taking any
25 legislative action under subsection (a), obtains the approval of
26 a majority of the electors of that political subdivision in a
27 referendum held immediately preceding any legislative action
28 under subsection (a).

29 (c) Necessary increased costs.--The requirements of
30 subsection (a) shall not apply to increased revenue necessary to

1 meet the increased costs of any of the following:

2 (1) Costs arising from increased school enrollment, but
3 only to the extent of the additional enrollment.

4 (2) Costs which arise from mandated increases in pension
5 or retirement costs, but only to the extent of these
6 additional costs.

7 (3) Costs which arise from servicing of bonded
8 indebtedness incurred prior to the effective date of this
9 act, but only to the extent of these additional costs.

10 (4) Costs which arise from increased numbers of
11 residents within the political subdivision, but only to the
12 extent of these additional costs.

13 Section 4. Spending limitations for Commonwealth.

14 (a) General rule.--Except as provided in subsection (b),
15 total spending by the Commonwealth shall not exceed the spending
16 limit in any fiscal year. The spending limit for any fiscal year
17 shall be equal to the spending during the immediately prior
18 fiscal year, adjusted by 80% of the compound annual rate of
19 change for the two preceding years of the Personal Income by
20 Place of Residence for Pennsylvania as defined and officially
21 reported by the United States Department of Commerce. The
22 percentage of the rate of change used in any fiscal year to
23 adjust the limit may be increased for that year, but not to a
24 percentage in excess of 100%, by the affirmative vote of two-
25 thirds of the members elected to each house of the General
26 Assembly.

27 (b) Exceptions.--The spending limit of the Commonwealth may
28 be exceeded in any fiscal year for presidentially declared
29 emergency or major disaster. The spending limit may also be
30 exceeded for other declared emergencies if the Governor so

1 requests and the General Assembly approves by the affirmative
2 vote of two-thirds of the members elected to each house of the
3 General Assembly. The excess spending authorized by exceeding
4 the limit in this manner shall not be included in the
5 computation base of the spending limit for any subsequent fiscal
6 year.

7 (c) Allocation of transferred costs.--If the duty of paying
8 any cost or any portion thereof is transferred from one level or
9 unit of government to another, the cost so transferred shall be
10 deducted from the spending limit of the transferor and shall be
11 added to the spending limit of the transferee.

12 Section 5. Political subdivisions.

13 The Commonwealth shall not impose upon any unit of local
14 government new programs or increase levels of service under
15 existing programs unless the necessary cost thereof shall be
16 fully funded by the Commonwealth.

17 Section 6. Pension benefits.

18 Future liabilities resulting from the adoption of or
19 contracting for new or improved deferred compensation or
20 benefits or pensions on or after the effective date of this
21 amendment shall be fully funded each in accordance with an
22 accepted advance funding actuarial method using actuarial
23 assumptions and asset valuation methods.

24 Section 7. Total Commonwealth spending computation.

25 Total spending by the Commonwealth means all appropriations
26 and authorizations from all current funds and funds created
27 after the effective date of this act and shall exclude refunds,
28 servicing of bonded indebtedness incurred prior to the effective
29 date of this act and of voter-approved bonded indebtedness,
30 expenditures for funding the unfunded pension liabilities

1 existing on the effective date of this act and the spending of
2 revenues received by the Pennsylvania Lottery. Sections 4, 5, 6
3 and this section shall apply to all general funds, all special
4 revenue funds, all debt service funds, all capital project
5 funds, all internal service funds, all enterprise funds,
6 excluding the State Workers' Insurance, and all agency funds,
7 excluding the Deferred Compensation Fund, the Deferred
8 Compensation Short-Term Portfolio Fund and the Medical
9 Professional Liability Catastrophe Loss Fund. This section shall
10 not be circumvented by creating new funds which are not included
11 in the spending limits delineated in subsection (a) or
12 transferring spending between funds. There shall not be
13 allocations or transfers of funds from the State Workers'
14 Insurance Fund, the Deferred Compensation Short-Term Portfolio
15 Fund, the Medical Professional Liability Catastrophe Loss Fund,
16 any Commonwealth trust funds or Commonwealth pension trust funds
17 to any other Commonwealth fund.

18 Section 8. Spending limitations for political subdivisions of
19 the Commonwealth.

20 (a) General rule.--Total spending by each political
21 subdivision of the Commonwealth shall not exceed the compound
22 annual rate of change for the two preceding years of the
23 Personal Income by Place of Residence for Pennsylvania as
24 defined and officially reported by the United States Department
25 of Commerce. Spending in excess of this limit may be changed by
26 a majority vote of the electorate of the political subdivision.

27 (b) Allocation of transferal costs.--If the duty of paying
28 any cost or any portion thereof is transferred from one level or
29 unit of government to another, the cost so transferred shall be
30 deducted from the spending limit of the transferor and shall be

1 added to the spending limit of the transferee.

2 (c) Pension benefits.--Future liabilities resulting from the
3 adoption of or contracting for new or improved deferred
4 compensation or benefits or pensions on or after the effective
5 date of this act shall be fully funded each in accordance with
6 an accepted advance funding actuarial method using actuarial
7 assumptions and asset valuation methods.

8 Section 9. Effective date.

9 This act shall take effect July 1, 1997.