

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 7 Session of 2017

INTRODUCED BY FOLMER, BARTOLOTTA, SCARNATI, EICHELBERGER, GORDNER, ARGALL, HUTCHINSON, VULAKOVICH, STEFANO, WAGNER, LANGERHOLC, AUMENT, DiSANTO, RAFFERTY, VOGEL, WHITE, LAUGHLIN AND MARTIN, JANUARY 19, 2017

REFERRED TO FINANCE, JANUARY 19, 2017

AN ACT

1 Amending Titles 24 (Education), 71 (State Government) and 72  
 2 (Taxation and Fiscal Affairs) of the Pennsylvania  
 3 Consolidated Statutes, in retirement for school employees as  
 4 to membership, contributions and benefits, further providing  
 5 for actuarial cost method; in administration and  
 6 miscellaneous provisions, further providing for  
 7 administrative duties of board; in retirement for State  
 8 employees and officers as to contributions, further providing  
 9 for actuarial cost method; in administration, funds,  
 10 accounts, general provisions, further providing for  
 11 administrative duties of board; providing for taxpayer  
 12 protection and establishing the Taxpayer Protection Fund; and  
 13 repealing certain provisions of the Fiscal Code.

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

16 Section 1. Section 8328(e)(1) of Title 24 of the  
 17 Pennsylvania Consolidated Statutes is amended to read:

18 § 8328. Actuarial cost method.

19 \* \* \*

20 (e) Experience adjustment factor.--

21 (1) For each year after the establishment of the accrued  
 22 liability contribution rate for the fiscal year beginning

1 July 1, 2011, any increase or decrease in the unfunded  
2 accrued liability, excluding the gains or losses on the  
3 assets of the health insurance account, due to actual  
4 experience differing from assumed experience, changes in  
5 actuarial assumptions, changes in contributions caused by the  
6 final contribution rate being different from the actuarially  
7 required contribution rate, active members making shared-risk  
8 contributions or changes in the terms and conditions of the  
9 benefits provided by the system by judicial, administrative  
10 or other processes other than legislation, including, but not  
11 limited to, reinterpretation of the provisions of this part,  
12 and money distributed to the board by the State Treasurer  
13 from the PSERS/SERS Unfunded Accrued Liability Fund, shall be  
14 amortized as a level percentage of compensation over a period  
15 of 24 years beginning with the July 1 second succeeding the  
16 actuarial valuation determining said increases or decreases.

17 \* \* \*

18 Section 2. Section 8502 of Title 24 is amended by adding a  
19 subsection to read:

20 § 8502. Administrative duties of board.

21 \* \* \*

22 (q) Distributions from PSERS/SERS Unfunded Accrued Liability  
23 Fund.--The board is authorized to accept money provided by the  
24 State Treasurer as a result of a distribution from the  
25 PSERS/SERS Unfunded Accrued Liability Fund.

26 Section 3. Section 5508(f)(1) of Title 71 is amended to  
27 read:

28 § 5508. Actuarial cost method.

29 \* \* \*

30 (f) Experience adjustment factor.--

1 (1) For each year after the establishment of the accrued  
2 liability contribution rate and the supplemental annuity  
3 contribution rate for the fiscal year beginning July 1, 2010,  
4 any increase or decrease in the unfunded accrued liability  
5 and any increase or decrease in the liabilities and funding  
6 for supplemental annuities, due to actual experience  
7 differing from assumed experience (recognizing all realized  
8 and unrealized investment gains and losses over a five-year  
9 period), money provided to the board as a result of a  
10 distribution by the State Treasurer from the PSERS/SERS  
11 Unfunded Accrued Liability Fund, changes in contributions  
12 caused by the final contribution rate being different from  
13 the actuarially required contribution rate, State employees  
14 making shared-risk member contributions, changes in actuarial  
15 assumptions or changes in the terms and conditions of the  
16 benefits provided by the system by judicial, administrative  
17 or other processes other than legislation, including, but not  
18 limited to, reinterpretation of the provisions of this part,  
19 shall be amortized in equal dollar annual contributions over  
20 a period of 30 years beginning with the July 1 succeeding the  
21 actuarial valuation determining said increases or decreases.

22 \* \* \*

23 Section 4. Section 5902 of Title 71 is amended by adding a  
24 subsection to read:

25 § 5902. Administrative duties of the board.

26 \* \* \*

27 (p) Distributions from the PSERS/SERS Unfunded Accrued  
28 Liability Fund.--The board is authorized to accept money  
29 provided to the board as a result of a distribution by the State  
30 Treasurer from the PSERS/SERS Unfunded Accrued Liability Fund.

1 Section 5. Title 72 is amended by adding a chapter to read:

2 CHAPTER 7

3 TAXPAYER PROTECTION

4 Sec.

5 701. Short title of chapter.

6 702. Definitions.

7 703. Spending limitations.

8 704. Disposition of surplus funds.

9 § 701. Short title of chapter.

10 This chapter shall be known and may be cited as the Taxpayer  
11 Protection Act.

12 § 702. Definitions.

13 The following words and phrases when used in this chapter  
14 shall have the meanings given to them in this section unless the  
15 context clearly indicates otherwise:

16 "Appropriation limit." The total of the amount approved as  
17 executive authorizations by the Governor plus the total amounts  
18 of preferred and nonpreferred appropriations made by the General  
19 Assembly from the General Fund during the fiscal year  
20 immediately prior to the budget year under consideration,  
21 adjusted by the lesser of:

22 (1) the average percentage change in personal income in  
23 this Commonwealth for the three preceding calendar years as  
24 reported by the Federal Government or as determined by an act  
25 of the General Assembly; or

26 (2) the average percentage change in inflation for the  
27 three preceding calendar years plus the average percentage  
28 change in the State population for the three preceding years  
29 as reported by the annual Federal census estimates, the  
30 number being adjusted every decade to match the official

1 Federal census.

2 "Average percentage change in inflation." The average of the  
3 percentage change for each of the three calendar years, from  
4 October to October, immediately preceding the calendar year in  
5 which a given executive budget is submitted by the Governor, in  
6 the Consumer Price Index for All Urban Consumers (CPI-U), not  
7 seasonally adjusted, All Items Indexes or its successor index,  
8 as officially reported by the United States Department of Labor,  
9 Bureau of Labor Statistics.

10 "Average percentage change in personal income." The average  
11 of the percentage change in personal income estimates for this  
12 Commonwealth, from second calendar quarter to second calendar  
13 quarter, for each of the three calendar years immediately  
14 preceding the calendar year in which a given executive budget is  
15 submitted by the Governor, as reported by the United States  
16 Department of Commerce, Bureau of Economic Analysis, S04  
17 quarterly income summary for this Commonwealth or its successor  
18 index or as determined by an act of the General Assembly.

19 "Average percentage change in State population." The average  
20 of the percentage change in State population for each of the  
21 three most recent years immediately preceding the calendar year  
22 in which a given executive budget is submitted by the Governor,  
23 as reported by the United States Census Bureau for July 1 of  
24 each year.

25 "Mandated service." A program or service administered by a  
26 political subdivision of the Commonwealth as a result of being  
27 required to provide that program or service by State law.

28 "PSERS." The Public School Employees' Retirement System.

29 "SERS." The State Employees' Retirement System.

30 "Total spending by the Commonwealth." All General Fund

1 appropriations made by the General Assembly and all  
2 appropriations from a constitutionally or statutorily  
3 established fund created after the effective date of this  
4 section.

5 § 703. Spending limitations.

6 (a) General rule.--Total spending by the Commonwealth in a  
7 fiscal year shall not exceed the spending appropriation limit as  
8 set forth in this chapter.

9 (b) Mandated expenses for political subdivisions.--The  
10 Commonwealth's limit under subsection (a) shall be reduced by  
11 the amount of the reduction in State appropriations to a  
12 political subdivision for administration of a mandated service,  
13 without an equal or greater reduction in State-mandated expenses  
14 for the local government or a repeal of the mandate to provide a  
15 program or service.

16 (c) Exceptions.--The appropriation limit of the Commonwealth  
17 may be exceeded in a fiscal year for the following:

18 (1) To respond to a presidential or gubernatorial  
19 declaration of emergency if the General Assembly approves by  
20 two-thirds affirmative vote of the members elected to each  
21 house of the General Assembly. In no case shall the excess  
22 spending authorized by exceeding the appropriation limit in  
23 this manner be included in the computation base of the  
24 appropriation limit for any subsequent fiscal year.

25 (2) In other situations if the Governor so requests, in  
26 writing, 30 days prior to the constitutional deadline for  
27 adoption of a budget for the next fiscal year, and  
28 simultaneously publishes that written notice in a newspaper  
29 of general circulation in each county and senatorial and  
30 representative district in which each newspaper shall be

1 published, and the General Assembly subsequently approves by  
2 an affirmative vote of two-thirds of the members elected to  
3 each house of the General Assembly.

4 § 704. Disposition of surplus funds.

5 (a) Transfer of surplus.--

6 (1) Except as provided under paragraph (2), for a fiscal  
7 year in which the Governor certifies that a surplus exists,  
8 25% of that surplus shall be deposited by the end of the next  
9 succeeding quarter into the Budget Stabilization Reserve Fund  
10 established in section 1701-A of the act of April 9, 1929  
11 (P.L.343, No.176), known as The Fiscal Code, and 25% of that  
12 surplus shall be deposited by the end of the next succeeding  
13 quarter into the Taxpayer Protection Fund, which is hereby  
14 established in the State Treasury, and 50% of that surplus  
15 shall be deposited by the end of the next succeeding quarter  
16 into the PSERS/SERS Unfunded Accrued Liability Fund, which is  
17 hereby established in the State Treasury.

18 (2) For a fiscal year in which the State Treasurer  
19 certifies that the balance in the Budget Stabilization  
20 Reserve Fund equals or exceeds 5% of the total of all General  
21 Fund appropriations, 25% of the surplus certified by the  
22 Governor under paragraph (1) shall be deposited into the  
23 Taxpayer Protection Fund and 75% of the surplus certified by  
24 the Governor under paragraph (1) shall be deposited into the  
25 PSERS/SERS Unfunded Accrued Liability Fund.

26 (b) Distribution.--

27 (1) Subject to the provisions of subsection (c), the  
28 money in the Taxpayer Protection Fund shall be distributed to  
29 taxpayers who have liability for the tax imposed under  
30 Article III of the act of March 4, 1971 (P.L.6, No.2), known

1 as the Tax Reform Code of 1971, through a reduction in the  
2 rate of the tax, which reduction shall be established by an  
3 act of the General Assembly to be effective for January 1  
4 through December 31 of the subsequent calendar year.

5 (2) The Secretary of the Budget, in conjunction with the  
6 Secretary of Revenue, shall certify the rate reduction for  
7 the tax imposed under Article III of the Tax Reform Code of  
8 1971, for the upcoming calendar year no later than September  
9 30. The new rate shall be published in the Pennsylvania  
10 Bulletin, posted on the State's publicly accessible Internet  
11 website and reported to the chairperson and minority  
12 chairperson of the Appropriations Committee of the Senate and  
13 the chairperson and minority chairperson of the  
14 Appropriations Committee of the House of Representatives.

15 (3) Subject to the provisions of subsection (c):

16 (i) The money in the PSERS/SERS Unfunded Accrued  
17 Liability Fund shall be distributed as follows when both  
18 systems have an unfunded accrued liability as reflected  
19 in the most recent actuarial report for each system:

20 (A) Two-thirds shall be distributed to PSERS.

21 (B) One-third shall be distributed to SERS.

22 (ii) If one system no longer has an unfunded accrued  
23 liability, then all of the distribution shall be paid to  
24 the system that continues to have an unfunded accrued  
25 liability.

26 (c) Accumulation.--No money shall be distributed from the  
27 Taxpayer Protection Fund pursuant to subsection (b) until the  
28 Secretary of the Budget certifies that the money deposited is  
29 sufficient to provide a reduction of at least 0.01% in the tax  
30 rate of taxation for the tax imposed under Article III of the

1 Tax Reform Code of 1971.

2 (d) Appropriated funds.--The General Assembly may at any  
3 time provide additional amounts from funds available to the  
4 Commonwealth as an appropriation to the Budget Stabilization  
5 Reserve Fund or to the PSERS/SERS Unfunded Accrued Liability  
6 Fund.

7 Section 6. Repeals are as follows:

8 (1) The General Assembly declares that the repeal under  
9 paragraph (2) is necessary to effectuate the provisions of  
10 this act.

11 (2) Section 1702-A of the act of April 9, 1929 (P.L.343,  
12 No.176), known as The Fiscal Code, is repealed.

13 Section 7. This act shall take effect immediately.