

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO.

Senate Bill 1

PRINTER'S NO.

1303

AMOUNT

FY 09-10: No Fiscal Impact
FY 10-11: \$4.082 million
FY 11-12 and beyond: \$3.607 million

FUND

General Fund

DATE INTRODUCED

May 27, 2009

PRIME SPONSOR

Senator Browne

HISTORY OF BILL

Referred to FINANCE, May 27, 2009
Reported as committed, June 17, 2009
First consideration, June 17, 2009
Re-referred to APPROPRIATIONS, June 22, 2009
Re-reported as amended, July 14, 2009

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1 establishes a non-partisan Legislative Fiscal Office (LFO) as an independent agency.

Duties

The LFO will have the following duties:

- Prepare revenue estimates for Federal funds, State revenues, and any other funds. The estimate must include any projected surplus or deficit for a given fiscal year.
- Provide a baseline budget by January 1. The baseline would include the levels of spending necessary to maintain current programs and meet statutory requirements.
- Analyze the Executive Budget, including budgetary projections, economic outlook and impact; and an analysis of tax and revenue proposals. This

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analysis may include performance recommendations for the various programs.

- Develop econometric models to annually forecast State revenues and to make those models and databases available to the Appropriations Chairmen and the Majority and Minority Leaders of the House and Senate.
- Provide an assessment of the Commonwealth's current and projected fiscal condition by November 15 of each year.
- Monitor taxes and other receipts.
- Develop performance measures for the various Executive departments and programs. The LFO will also evaluate the performance measures promulgated and results reported by Executive departments.
- Establish an Internet website.

Revenue Estimates

The initial estimate is due by the second week of February. The official and final estimate for the next fiscal year is due June 15.

The estimate is to establish the maximum amount of tax revenue that may be considered for the General Appropriation Act for the next fiscal year. Unless there are changes in statutes affecting revenues and receipts, no further changes in the revenue estimate shall be made by the LFO.

The LFO must publish the methodology used to develop the estimates. The assumptions and econometric models used to develop projections and revenue estimates would be provided to the House and Senate Appropriations Committees and the Secretary of the Budget.

Revenue Estimates – Required Information

- An assessment of the Pennsylvania and national economy the impact of economic trends on revenue performance (current and projected).
- A summary of current year-to-date revenue collections by tax or revenue source. The summary would include Federal funds; General Fund, Lottery Fund, and Motor License Fund revenue; and a detailed explanation of any variation from the prior year estimate.
- Any projected surplus/deficit for the current fiscal year.
- The estimate would be based on existing statutes, tax policy, and State and national economic trends.
- The LFO would prepare an estimate of any change in State tax law proposed as part of the annual budget. If the change is in excess of \$10,000,000 in the fiscal year, the estimate must include probable behavioral responses of persons to the change in the law.

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Budget Information

The Legislative Budget Office must be notified and attend any briefings provided by the Governor or the Secretary of the Budget under section 619 of the Administrative Code.

Expenditures

Commonwealth agencies must make monthly expenditure data available to the LFO within seven days of the end of the month. The data must be provided by fund, appropriation, department, and by organization within each department.

Budget Requests

Agency budget requests shall be submitted to both the Governor's Budget Office and the Legislative Budget Office at the same time.

Revenue Reports

The Governor will make monthly revenue reports to the LFO. The reports must show the actual collection of revenue itemized by source and a comparison of the actual collections with estimated collections. The comparison is to include an analysis of any change in collection patterns which will cause a shortfall or surplus of more than 1%.

Commonwealth agencies will prepare any other revenue data as may be requested by the LFO.

Except for information that is confidential pursuant to statute, the LFO will have access to all information on "inquiry-only" screens through an integrated central computer system.

Revenue Conference

By January 31 of each year, the LFO will convene a meeting with the Secretary of the Budget and the Majority and Minority Chairmen of the Appropriations Committees. At the meeting they will discuss the following:

- An assessment of the Pennsylvania and national economy.
- Recommended changes to revenue forecasting and econometric models.
- Current year-to-date revenue collections.
- Any statutory or tax policy changes that may be recommended by the Governor or the General Assembly for the following fiscal year.

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Access to Information

The director of the LFO is authorized to obtain information, data, expense information, estimates and statistics directly from a Commonwealth agency or a political subdivision. The agency or political subdivision is required to furnish any information the director determines to be necessary in the performance of the duties of the office. By agreement with an agency head, the director may utilize the services, facilities and personnel of the agency with or without reimbursement.

Office of the Budget

The director of the LFO is authorized to obtain all necessary information from the Office of the Budget and Commonwealth agencies. The Governor must submit to the office copies of final agency budget requests.

Computer Database

The LFO will have access to any computer database of a State agency required to aid the office in the performance of its duties.

Daily Revenue Data

The Secretary of Revenue and Budget shall post and provide access to revenue collection data to the Majority and Minority Chairmen of the Appropriations Committees.

The data shall be presented in a manner similar to and consistent with the data provided on June 30, 2007.

Civil Action

If requested information is not provided to the LFO within ten days, the director may bring a civil action to require the agency head to provide the information.

Director

A Selection Committee is established to select the director of the LFO. The members of the committee will be the Chairmen and Minority Chairmen of the Appropriations Committees, the Majority and Minority Leaders, the President pro tempore, and the Speaker.

The term of office for the director shall be four years. The director may be removed by a concurrent resolution passed by the Senate and House.

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He/she will appoint and fix the compensation of personnel to carry out the duties and functions of the office. The director may procure temporary or intermittent services of experts or consultants by contract.

The Act takes effect in 60 days.

Fiscal Note

The Legislative Fiscal Office is estimated to cost \$4.082 million in the first year and \$3.6 million annually thereafter. The costs are based on an estimated 30 employees. The costs breakout as follows:

Description	Cost
Start-up Costs	
Furniture	\$204,054
Office Equipment	\$12,550
Communications Equipment	\$15,000
Electronics/Computer	\$218,000
Office Fit-Out Costs	\$25,000
Total Projected Start-up	\$475,201
Recurring Costs	
Payroll & Benefits	\$3,327,451
Operating	\$279,998
Total Recurring	\$3,607,449
TOTAL	\$4,082,650

An amendment will be offered that changes the schedule by which the Selection Committee must complete its work. As such, there will be no cost in the FY 2009-10.