

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 707** Session of
2007

INTRODUCED BY FOLMER, REGOLA, SCARNATI, PILEGGI, ARMSTRONG,
BAKER, BOSCOLA, BROWNE, BRUBAKER, CORMAN, EARLL,
EICHELBERGER, ERICKSON, GORDNER, MADIGAN, MCILHINNEY, ORIE,
PICCOLA, PIPPY, PUNT, RAFFERTY, RHOADES, ROBBINS, VANCE,
WAUGH, D. WHITE, M. WHITE AND WONDERLING, APRIL 2, 2007

SENATOR BROWNE, FINANCE, AS AMENDED, JUNE 6, 2007

AN ACT

1 Establishing spending limitations on the Commonwealth; providing
2 for the disposition of surplus funds; establishing the
3 Taxpayer Protection Fund; and repealing provisions of The
4 Fiscal Code relating to the funding of a stabilization
5 reserve.

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

8 Section 1. Short title.

9 This act shall be known and may be cited as the Taxpayer
10 Protection Act.

11 Section 2. Definitions.

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

15 "Appropriation limit." The total of the amounts approved as
16 executive authorizations by the Governor plus the total amounts
17 of preferred and nonpreferred appropriations made by the General
18 Assembly from the General Fund during the fiscal year

1 immediately prior to the budget year under consideration,
2 adjusted by the lesser of:

3 (1) the average percentage change in personal income in
4 this Commonwealth for the three preceding calendar years as
5 reported by the Federal Government or as determined pursuant
6 to an act of the General Assembly; or

7 (2) the average percentage change in inflation for the
8 three preceding calendar years plus the average percentage
9 change in the State population for the three preceding years
10 as reported by the annual Federal census estimates, such
11 number being adjusted every decade to match the official
12 Federal census.

13 "Average percentage change in inflation." The average of the
14 percentage change for each of the three calendar years, from
15 October to October, immediately preceding the calendar year in
16 which a given executive budget is submitted by the Governor, in
17 the Consumer Price Index for All Urban Consumers (CPI-U), not
18 seasonally adjusted, all items index or its successor index, as
19 officially reported by the United States Department of Labor,
20 Bureau of Labor Statistics.

21 "Average percentage change in personal income." The average
22 of the percentage change in personal income estimates for this
23 Commonwealth, from second calendar quarter to second calendar
24 quarter, for each of the three calendar years immediately
25 preceding the calendar year in which a given executive budget is
26 submitted by the Governor, as reported by the United States
27 Department of Commerce, Bureau of Economic Analysis, SQ4
28 quarterly income summary for this Commonwealth or its successor
29 index or as determined pursuant to an act of the General
30 Assembly.

1 "Average percentage change in State population." The average
2 of the percentage change in State population for each of the
3 three most recent years immediately preceding the calendar year
4 in which a given executive budget is submitted by the Governor,
5 as reported by the United States Census Bureau for July 1 of
6 each year.

7 "MANDATED SERVICE." ANY PROGRAM OR SERVICE ADMINISTERED BY A <—
8 POLITICAL SUBDIVISION OF THE COMMONWEALTH AS A RESULT OF BEING
9 REQUIRED TO PROVIDE THAT PROGRAM OR SERVICE BY STATE LAW.

10 "Total spending by the Commonwealth." All General Fund
11 appropriations made by the General Assembly and all
12 appropriations from a constitutionally or statutorily
13 established fund created after the effective date of this
14 section.

15 Section 3. Spending limitations.

16 (a) General rule.--Total spending by the Commonwealth in any
17 fiscal year shall not exceed the spending appropriation limit as
18 set forth in this act.

19 (B) MANDATED EXPENSES FOR POLITICAL SUBDIVISIONS.--THE <—
20 STATE'S LIMIT UNDER SECTION 3(A) SHALL BE REDUCED BY THE AMOUNT
21 OF THE REDUCTION IN STATE APPROPRIATIONS TO A POLITICAL
22 SUBDIVISION FOR ADMINISTRATION OF A MANDATED SERVICE, WITHOUT AN
23 EQUAL OR GREATER REDUCTION IN STATE-MANDATED EXPENSES FOR SAID
24 LOCAL GOVERNMENT OR A REPEAL OF THE MANDATE TO PROVIDE A PROGRAM
25 OR SERVICE.

26 ~~(b)~~ (C) Exceptions.--The appropriation limit of the <—
27 Commonwealth may be exceeded in any fiscal year for the
28 following:

29 (1) To respond to a presidential or gubernatorial
30 declaration of emergency if the General Assembly approves by

1 two-thirds affirmative vote of the members elected to each
2 house of the General Assembly. In no case shall the excess
3 spending authorized by exceeding the appropriation limit in
4 this manner be included in the computation base of the
5 appropriation limit for any subsequent fiscal year.

6 (2) In other situations if the Governor so requests, in
7 writing, 30 days prior to the constitutional deadline for
8 adoption of a budget for the next fiscal year, and
9 simultaneously publishes that written notice in a newspaper
10 of general circulation in each county and senatorial and
11 representative district in which such newspapers shall be
12 published, and the General Assembly subsequently approves by
13 an affirmative vote of two-thirds of the members elected to
14 each house of the General Assembly.

15 Section 4. Disposition of surplus funds.

16 (a) Transfer of surplus.--

17 (1) Except as provided under paragraph (2), for any
18 fiscal year in which the Governor certifies that a surplus
19 exists, 25% of that surplus shall be deposited by the end of
20 the next succeeding quarter into the Budget Stabilization
21 Reserve Fund established in section 1701-A of the act of
22 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code,
23 and 75% of that surplus shall be deposited by the end of the
24 next succeeding quarter into the Taxpayer Protection Fund
25 which is hereby established in the State Treasury.

26 (2) For any fiscal year in which the State Treasurer
27 certifies that the balance in the Budget Stabilization
28 Reserve Fund equals or exceeds 5% of the total of all General
29 Fund appropriations, 100% of the surplus certified by the
30 Governor under paragraph (1) shall be deposited into the

1 Taxpayer Protection Fund.

2 (b) Distribution.--

3 (1) Subject to the provisions of subsection (c), the
4 moneys in the Taxpayer Protection Fund shall be distributed
5 to taxpayers who have liability for the tax imposed under
6 Article III of the act of March 4, 1971 (P.L.6, No.2), known
7 as the Tax Reform Code of 1971, through a reduction in the
8 rate of such tax, which reduction shall be established by an
9 act of the General Assembly to be effective for January 1
10 through December 31 of the subsequent calendar year.

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

20 (c) Accumulation.--No moneys shall be distributed from the
21 Taxpayer Protection Fund pursuant to subsection (b) until such
22 time as the Secretary of the Budget certifies that the moneys
23 deposited therein are sufficient to provide a reduction of at
24 least 0.01% in the tax rate of taxation for the tax imposed
25 under Article III of the Tax Reform Code of 1971.

26 (d) Appropriated funds.--The General Assembly may at any
27 time provide additional amounts from any funds available to the
28 Commonwealth as an appropriation to the Budget Stabilization
29 Reserve Fund.

30 Section 5. Repeals.

1 Repeals are as follows:

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

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

7 Section 6. Effective date.

8 This act shall take effect immediately.