



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 1227

PRINTERS NO. 2010

PRIME SPONSOR: Blake

COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	\$0

SUMMARY: Senate Bill 1227, printer's number 2010, amends the act of April 9, 1929 (P.L. 177, No. 175), known as The Administrative Code, to transfer the powers and duties of the Public Employee Retirement Commission (PERC) to the Independent Fiscal Office (IFO) and the Department of the Auditor General. The bill also re-establishes the IFO in a new article in The Administrative Code.

ANALYSIS: The bill repeals Chapter 41 of Title 71 (relating to the Independent Fiscal Office) effective July 1, 2016, or immediately, whichever is later, and re-establishes the mandatory and discretionary duties of the IFO under a new article (proposed as Article VI-B) in The Administrative Code. Mandatory duties include:

- Preparation of revenue estimates;
- Assessments of the State's current fiscal condition and projections of the next 5 years by November 15th of each year;
- Development and evaluation of outcome-based performance measures for executive level programs and departments;
- Analysis, including economic impact, of all tax and revenue proposals submitted by the Governor or the Office of the Budget;
- The study and analysis of existing Sales and Use Tax law (SUT) and proposed recommendations for amending;
- Establishment of an Internet website;
- Study and analysis of the impact of the shared risk contributions made to the Public School Employees' Retirement System and State Employees' Retirement System by "Act 120" members; and
- Cost analysis of proposed collective bargaining agreements under the jurisdiction of the Governor prior to execution.

Discretionary duties include:

- Development and use of econometric models to forecast State revenues;
- Analysis of executive budgets, including budgetary projections, economic outlook and economic impact; and
- Assessments of the Pennsylvania economy and the national economy and the impact on current or forecasted revenue collections.

The bill provides that all IFO activities initiated under Chapter 41 of Title 71 shall continue and remain in full force and effect and may be completed under the new article established in The Administrative Code. Orders, regulations, rules and decisions which were made under Chapter 41 of Title 71 and which are currently in effect shall remain in full force and effect until revoked, vacated or modified.

Senate Bill 1227 also creates a new section (proposed as Section 615-B) for the transfer of powers and duties of PERC relating to preparation of actuarial notes for any bill or amendment proposing a change relative to a public employee pension or retirement plan. Upon request by designated officers of the Senate or the House of Representatives, the IFO is to select an enrolled pension actuary to prepare actuarial notes providing estimates of the financial and actuarial effects of proposed legislative changes. The analysis shall also include a risk transfer analysis and if requested, the potential impact on the asset allocation and related costs to the public pension systems. The IFO shall transmit actuarial notes in electronic form to the Governor and all members of the General Assembly within 20 legislative days. No amendment or bill shall be given second consideration in either chamber of the General Assembly until the IFO has attached an actuarial note prepared by an enrolled pension actuary. If the IFO fails to issue an actuarial note within 20 legislative days the amendment or bill may be considered without an actuarial note.

The IFO is directed to maintain on its website all actuarial notes issued by PERC prior to the effective date of the transfer, and all actuarial notes and reports the IFO prepares. Upon request by any of the specified officers, the IFO is directed to study the relationship of retirement and pension policy to other aspects of public personnel policy and to the effective operation of government generally.

The bill also provides for the establishment of a restricted account within the General Fund for the deposit of reimbursements the IFO is authorized to request from entities requesting the preparation of actuarial notes. Reimbursements may be requested only after the IFO has expended all appropriations it has been provided for the performance of the new actuarial analysis duties. Money in the restricted account is appropriated on a continuing basis to the IFO for the performance of duties under Section 615-B.

Effective August 1, 2016, duties of PERC relating to Municipal Pension Reporting and Analysis are transferred to the Department of the Auditor General. The transferred duties shall be independent of the Department of the Auditor General's existing municipal pension plan audit functions and shall be segregated in a departmental bureau separate from the bureau that performs municipal pension plan audits. Employees of PERC are to be transferred to the Department of the Auditor General by October 1, 2016. Municipal pension plan cost certifications pursuant to the Municipal Pension Plan Funding Standard and Recovery Act shall be prepared by the segregated unit and transmitted to the Office of the Budget for review and certification. The Office of the Budget shall transmit its certification to the Auditor General by

August 1 of each calendar year. The Department of the Auditor General shall maintain and post the reports required by the Municipal Pension Plan Funding Standard and Recovery Act on its publicly accessible Internet website.

The bill repeals the Public Employee Retirement Commission Act of 1981 (P. L. 208, No. 66) insofar as it is inconsistent with this act.

FISCAL IMPACT: Enactment of this bill will have no adverse impact on Commonwealth funds. The responsibilities of PERC are transferred to the IFO and the Department of the Auditor General. General Fund appropriations previously made to PERC will now be made to the IFO and the Department of the Auditor General to fund the new duties of each entity.

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House Appropriations Committee (R)

DATE: June 29, 2016

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.