

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2066

PRINTER'S NO. 4394

AMOUNT

FY 2010-11 \$24,000
FY 2011-12 \$2,043,169

FUND

General

DATE INTRODUCED

October 29, 2009

PRIME SPONSOR

Representative DeLuca

HISTORY OF BILL

Referred to FINANCE, Oct. 29, 2009
Reported as amended, Dec. 9, 2009
First consideration, Dec. 9, 2009
Laid on the table, Dec. 9, 2009
Removed from table, Dec. 14, 2009
Re-committed to APPROPRIATIONS, Dec. 14, 2009
Re-reported as amended, Feb. 8, 2010
Second consideration, March 8, 2010
Third consideration and final passage, March 9, 2010 (142-54)
In the Senate
Referred to FINANCE, March 10, 2010
Reported as committed, Sept. 22, 2010
First consideration, Sept. 22, 2010
Second consideration, Sept. 27, 2010
Re-committed to FINANCE, Sept. 27, 2010
Re-reported as amended, Sept. 28, 2010
Re-referred to APPROPRIATIONS, Sept. 28, 2010
(Remarks see Senate Journal Page), Sept. 28, 2010
Re-reported as committed, Sept. 29, 2010

DESCRIPTION AND PURPOSE OF BILL

House Bill 2066, as amended in the Senate, establishes a non-partisan Independent Fiscal Office (IFO) as an independent agency.

Duties

The IFO will have the following duties:

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- 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 an assessment of the Commonwealth's current and projected fiscal condition by November 15 of each year and a projection of what the fiscal condition will be during the next five years.
- Develop performance measures for the various Executive departments and programs. The IFO will also evaluate the performance measures promulgated and results reported by Executive departments.
- Analyze all tax and revenue proposals, including their economic impact, submitted by the Governor or the Office of the Budget.
- Study and analyze the existing sales and use tax law and propose recommendations to the Governor and the General Assembly for amending the tax to accomplish the following:
 - Eliminate obsolete and unnecessary provisions
 - Expand the tax base as necessary
 - Ensure a competitive economic market in this Commonwealth
 - Protect the stability of the Commonwealth's budget
- Establish an Internet website.

Discretionary Duties

The IFO may conduct the following:

- 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.
- Analyze the Executive Budget, including budgetary projections, economic outlook and impact; and an analysis of tax and revenue proposals. This analysis may include performance recommendations for the various programs.
- Provide an assessment of the Pennsylvania economy and the national economy and the impact of the state or national economic trends on revenue performance.

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Revenue Estimates

The initial revenue estimate is due by May 1 for the next fiscal year. The official and final estimate for the next fiscal year is due by June 15.

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

The IFO 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.

The Department of Revenue in conjunction with the Secretary of the Budget shall make revenue estimates for the use of the Governor in preparing the budget.

The Governor shall certify that any appropriation bill does not cause total appropriations to exceed the official revenue estimate.

Revenue Estimates – Required Information

- Projected revenue collections by specific tax or revenue source, including Federal funds, the General Fund, the Lottery Fund and the Motor License Fund.
- All data, assumptions and econometric models used to develop a revenue estimate.
- Any projected surplus or deficit for the current fiscal year.
- The estimate would be based on existing law and tax policy, and State and national economic trends.
- The IFO 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.

Budget Information

The Independent Fiscal 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.

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Expenditures

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

Revenue Reports

The Governor shall direct that monthly revenue reports be submitted to the IFO. 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 IFO.

Except for information that is confidential pursuant to statute, the IFO 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 IFO 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.
- 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.

Access to Information

The director of the IFO 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.

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Office of the Budget

The director of the IFO is authorized to obtain all necessary information from the Office of the Budget and Commonwealth agencies. The Office of the Budget must submit to the office copies of final agency budget requests at the same time they are submitted to the General Assembly.

Computer Database

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

The Governor, the Attorney General, the Auditor General and the State Treasurer shall cause to be prepared any other revenue data as may be required by the IFO.

Tax Information

The IFO shall be authorized to access any information in the possession of the Department of Revenue that is obtained from tax payments, returns of reports, including adjustments or corrections made by the Department. The information accessed shall be confidential.

Civil Action

If requested information is not provided to the IFO within a reasonable time, the director may bring a civil action to require the agency head to provide the information.

Director

A Selection and Organization Committee is established to select the director of the IFO. 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 Selection and Organization Committee shall appoint a director by May 30, 2011, whose term of office shall be six years. The director may be removed by a concurrent resolution passed by the Senate and House.

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The director 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.

House Bill 2066 repeals section 618 of the Administrative Code to the extent that it is inconsistent with this act.

The act shall take effect as follows:

- The effective date section is immediate.
- Section 10 regarding the Selection and Organization Committee shall take effect November 30, 2010.
- The remainder of the act shall take effect May 1, 2011.

FISCAL IMPACT:

The Independent Fiscal Office is estimated to cost \$24,000 in fiscal year 2010-11. Because the director must not be appointed until May 30, 2011, the cost analysis assumes that the IFO will not be fully functional until FY 2011-12. The \$24,000 first-year cost represents one month's salary and benefits for the director and one-half month's salary and benefits for the deputy director.

For fiscal year 2011-12, the IFO will cost approximately \$2.04 million and \$1.7 million annually thereafter. The costs are based on an estimated 14 employees. The costs breakout as follows:

Description	Cost
Start-up Costs	
Furniture	\$109,188
Office Equipment	\$9,988
Communications Equipment	\$12,920
Electronics/Computer	\$173,059
Office Fit-Out Costs	\$25,000
Total Projected Start-up	\$330,155
Recurring Costs	
Payroll & Benefits	\$1,510,679
Operating	\$202,335
Total Recurring	\$1,713,014
TOTAL	\$2,043,169

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These estimates assume that, in its first year of operation, the office will focus primarily on the prescribed mandated duties related to revenue forecasting and analysis. In subsequent years, the office may choose to devote additional resources to the enumerated discretionary duties, thus potentially requiring additional personnel and additional fiscal resources.