

AN ACT

1 Amending Title 72 (Taxation and Fiscal Affairs) of the  
2 Pennsylvania Consolidated Statutes, providing for Council on  
3 State Finances.

4 The General Assembly of the Commonwealth of Pennsylvania  
5 hereby enacts as follows:

6 Section 1. Title 72 of the Pennsylvania Consolidated  
7 Statutes is amended by adding a chapter to read:

8 CHAPTER 20

9 COUNCIL ON STATE FINANCES

10 Sec.

11 2001. Definitions.

12 2002. Establishment of council.

13 2003. Meetings.

14 2004. Report on finances.

15 § 2001. Definitions.

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

1 "Council." The Council on State Finances established under  
2 section 2002.

3 "Department." The Department of Revenue of the Commonwealth.

4 "Fund." The Budget Stabilization Reserve Fund.

5 "Other postemployment benefits." Benefits offered by the  
6 Commonwealth for employment after an employee retires a pension  
7 benefit.

8 "Secretary." The Secretary of Revenue.

9 "Volatility." The standard deviation from the average  
10 percent change in revenue collections over the prior 15 fiscal  
11 years.

12 § 2002. Establishment of council.

13 (a) Establishment.--The Council on State Finances is  
14 established to review finances of the Commonwealth.

15 (b) Council composition.--The council shall be composed of  
16 the following members:

17 (1) The Auditor General.

18 (2) The secretary.

19 (3) The Secretary of the Budget.

20 (4) The chairperson and minority chairperson of the  
21 Appropriations Committee of the Senate.

22 (5) The chairperson and minority chairperson of the  
23 Appropriations Committee of the House of Representatives.

24 (6) The Director of the Independent Fiscal Office.

25 (7) The State Treasurer.

26 (8) One member of the public appointed by the Governor  
27 with a background in private or public finance.

28 (9) One member of the public appointed by the President  
29 pro tempore of the Senate with a background in private or  
30 public finance.

1           (10) One member of the public appointed by the Speaker  
2           of the House of Representatives with a background in private  
3           or public finance.

4           (c) Chairperson and vice chairperson.--The secretary shall  
5           serve as chairperson of the council and the Secretary of the  
6           Budget shall serve as vice chairperson of the council.

7           (d) Staffing.--The council shall be staffed by the  
8           following:

9                   (1) Employees of the department selected by the  
10                   secretary.

11                   (2) Employees of the Governor's Office of the Budget  
12                   selected by the Secretary of the Budget.

13           § 2003. Meetings.

14           (a) Initial and monthly meeting.--The council shall hold its  
15           initial meeting no less than 30 days after the effective date of  
16           this section and shall meet once a month to discuss the  
17           following:

18                   (1) Commonwealth Annual Financial Report.

19                   (2) The overall financial condition of the Commonwealth.

20                   (3) Long-term financial trends of the Commonwealth over  
21           the prior 10 fiscal years.

22           (b) Review and assessment.--The council shall review and  
23           assess the following:

24                   (1) revenue projections and estimates for the current  
25                   and ensuing fiscal year;

26                   (2) the accuracy and error rate of the revenue  
27                   projections and estimates compared to prior fiscal years;

28                   (3) a stress test of the General Fund and operating  
29                   budget, comparing projected future expenditures of the  
30                   Commonwealth to projected revenues for the Commonwealth under

1 the following economic scenarios:

2 (i) estimated revenues if the Commonwealth  
3 experienced a moderate economic recession; or

4 (ii) estimated revenues if the Commonwealth  
5 experienced a severe economic recession;

6 (4) volatility of the revenue sources of the  
7 Commonwealth;

8 (5) changes in the overall debt of the Commonwealth  
9 during the current fiscal year and anticipated changes in the  
10 cost of the debt for the following fiscal year, including  
11 changes in the debt incurred by the Commonwealth Financing  
12 Authority and other entities empowered under current law to  
13 issue and incur debt by the Commonwealth;

14 (6) the cash flow of the General Fund, including, but  
15 not limited to, whether the Commonwealth is anticipated to  
16 borrow money to make payments for the obligations of the  
17 General Fund;

18 (7) expenditures and obligations of the General Fund,  
19 including the need for a potential supplemental appropriation  
20 during the following fiscal year;

21 (8) expenditures and obligations of the special and  
22 restricted funds of the operating budget;

23 (9) the financial health of the pension system of the  
24 Commonwealth, including, but not limited to:

25 (i) the overall funding ratio of the pension system;

26 (ii) changes in the overall funding ratio of the  
27 pension system over the past 10 fiscal years;

28 (iii) the amount appropriated for the management of  
29 the pension system during the current fiscal year; and

30 (iv) the return on investment received under 71

1 Pa.C.S. Pt. XXV (relating to retirement for State  
2 employees and officers) compared to the other states and  
3 other retirement programs;

4 (10) the financial health of the Commonwealth's other  
5 postemployment benefits which shall include, but are not  
6 limited to:

7 (i) the overall funding ratio of other  
8 postemployment benefits;

9 (ii) changes in the overall funding ratio of other  
10 postemployment benefits over the past five fiscal years;  
11 and

12 (iii) comparison of the funding ratio of other  
13 postemployment benefits offered by the Commonwealth in  
14 relation to other state governments;

15 (11) the 20 largest cost drivers in both the total  
16 operating budget of the Commonwealth and the General Fund;

17 (12) the growth of each cost driver over the past 10  
18 fiscal years and if that growth exceeded growth of the  
19 Commonwealth's revenue over the same time period;

20 (13) the approved capital budget for the current fiscal  
21 year;

22 (14) the policies for financial management used by the  
23 Commonwealth; and

24 (15) other financial data the council deems to be  
25 pertinent to the overall financial condition of the  
26 Commonwealth.

27 (c) Right-to-know.--The council shall be subject to the act  
28 of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know  
29 Law and 65 Pa.C.S. Ch. 7 (relating to open meetings).

30 § 2004. Report on finances.

1 (a) Report.--No later than April 6, 2020, and each year  
2 thereafter, the council shall present a report to the Governor  
3 and members of the General Assembly on the finances of the  
4 Commonwealth.

5 (b) Adoption of report.--The council shall adopt the report  
6 prior to sending the report to the Governor by a two-thirds  
7 majority vote.

8 (c) Underlying data required.--If the council fails to adopt  
9 a report under subsection (b), the council shall provide the  
10 Independent Fiscal Office with the underlying data necessary to  
11 compile the report. The department shall provide the Independent  
12 Fiscal Office with assistance from the staff of the council and  
13 pay for any costs incurred to provide the report under this  
14 section to the Governor and General Assembly by December 16,  
15 2020, and each year thereafter.

16 (d) Additional requirements.--In order to determine the  
17 volatility of the revenue sources of the Commonwealth, the  
18 report required under subsection (a) shall also include the  
19 following:

20 (1) If the source of revenue is a tax, fee or nontax  
21 revenue source.

22 (2) The percentage the source of revenue comprises of  
23 the total General Fund revenue.

24 (3) The percentage the source of revenue comprises of  
25 the total revenue collection.

26 (4) Changes in collection for the source of revenue over  
27 the previous five fiscal years.

28 (5) Anticipated changes in the collection of revenue for  
29 the source during a moderate or severe economic recession.

30 (6) If the source of revenue is considered by the

1 council to be stable or volatile.

2 (7) The percentage of the total revenue collected  
3 considered by the council to be volatile.

4 (8) A recommended amount to transfer into the fund. The  
5 following shall apply:

6 (i) If the current amount in the fund is sufficient  
7 to cover the volatility of the revenue collections of the  
8 Commonwealth, the recommendation for transfer shall be  
9 zero.

10 (ii) If the current amount in the fund is sufficient  
11 to cover at least one-half of the total volatility in the  
12 revenue collection of the Commonwealth, the report shall  
13 recommend an amount to be transferred into the fund to  
14 fully cover the total volatility in the revenue  
15 collection of the Commonwealth.

16 (iii) If the current amount in the fund is  
17 insufficient and cannot cover at least one-half of the  
18 total volatility in the revenue collection of the  
19 Commonwealth, the report shall recommend an amount to be  
20 transferred into the fund to cover no less than one-half  
21 of the total amount of the volatility in the revenue  
22 collection of the Commonwealth.

23 Section 2. This act shall take effect immediately.