
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 7

Session of
2011

INTRODUCED BY FOLMER, VOGEL, ROBBINS, ERICKSON, ORIE, SCARNATI,
PICCOLA, ARGALL, RAFFERTY, SMUCKER, VANCE, D. WHITE,
M. WHITE, ALLOWAY, BOSCOLA, PIPPY, BRUBAKER, GORDNER, WAUGH,
MENSCH AND EARLL, JANUARY 12, 2011

REFERRED TO FINANCE, JANUARY 12, 2011

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 subsection (a) shall be reduced by the
21 amount 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 (c) Exceptions.--The appropriation limit of the Commonwealth
27 may be exceeded in any fiscal year for the following:

28 (1) To respond to a presidential or gubernatorial
29 declaration of emergency if the General Assembly approves by
30 two-thirds affirmative vote of the members elected to each

1 house of the General Assembly. In no case shall the excess
2 spending authorized by exceeding the appropriation limit in
3 this manner be included in the computation base of the
4 appropriation limit for any subsequent fiscal year.

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

14 Section 4. Disposition of surplus funds.

15 (a) Transfer of surplus.--

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

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

1 (b) Distribution.--

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

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