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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 7 Session of  
2013

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INTRODUCED BY FOLMER, VOGEL, ARGALL, MENSCH, SCARNATI, BOSCOLA,  
RAFFERTY, ALLOWAY, VULAKOVICH, HUTCHINSON, D. WHITE, GORDNER,  
WAUGH, WARD, BREWSTER AND EICHELBERGER, JANUARY 23, 2013

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REFERRED TO FINANCE, JANUARY 23, 2013

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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  
19 immediately prior to the budget year under consideration,

1 adjusted by the lesser of:

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

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

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

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

30 "Average percentage change in State population." The average

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

6 "Mandated service." Any program or service administered by a  
7 political subdivision of the Commonwealth as a result of being  
8 required to provide that program or service by State law.

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

14 Section 3. Spending limitations.

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

18 (b) Mandated expenses for political subdivisions.--The  
19 State's limit under subsection (a) shall be reduced by the  
20 amount of the reduction in State appropriations to a political  
21 subdivision for administration of a mandated service, without an  
22 equal or greater reduction in State-mandated expenses for said  
23 local government or a repeal of the mandate to provide a program  
24 or service.

25 (c) Exceptions.--The appropriation limit of the Commonwealth  
26 may be exceeded in any fiscal year for the following:

27 (1) To respond to a presidential or gubernatorial  
28 declaration of emergency if the General Assembly approves by  
29 two-thirds affirmative vote of the members elected to each  
30 house of the General Assembly. In no case shall the excess

1 spending authorized by exceeding the appropriation limit in  
2 this manner be included in the computation base of the  
3 appropriation limit for any subsequent fiscal year.

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

13 Section 4. Disposition of surplus funds.

14 (a) Transfer of surplus.--

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

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

30 (b) Distribution.--

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

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

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

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

29 Section 5. Repeals.

30 Repeals are as follows:

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

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

6 Section 20. Effective date.

7 This act shall take effect immediately.