
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1990 Session of
2019

INTRODUCED BY LEWIS, GROVE, O'NEAL, KEEFER, OWLETT, RYAN, JONES,
GLEIM, DUSH, BERNSTINE, MILLARD, BARRAR, B. MILLER, MOUL,
STAATS, THOMAS, KAUFFMAN, TOOHL, WALSH, GILLEN, ECKER AND
DIAMOND, NOVEMBER 19, 2019

REFERRED TO COMMITTEE ON STATE GOVERNMENT, NOVEMBER 19, 2019

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

1 context clearly indicates otherwise:

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

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

5 "Fund." The Budget Stabilization Reserve Fund.

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

9 "Secretary." The Secretary of Revenue.

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

13 § 2002. Establishment of council.

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

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

18 (1) The Auditor General.

19 (2) The secretary.

20 (3) The Secretary of the Budget.

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

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

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

26 (7) The State Treasurer.

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

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

1 public finance.

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

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

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

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

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

14 § 2003. Meetings.

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

19 (1) Commonwealth Annual Financial Report.

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

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

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

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

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

29 (3) a stress test of the General Fund and operating
30 budget, comparing projected future expenditures of the

1 Commonwealth to projected revenues for the Commonwealth under
2 the following economic scenarios:

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

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

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

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

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

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

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

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

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

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

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

1 (iv) the return on investment received under 71
2 Pa.C.S. Pt. XXV (relating to retirement for State
3 employees and officers) compared to the other states and
4 other retirement programs;

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

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

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

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

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

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

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

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

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

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

1 § 2004. Report on finances.

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

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

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

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

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

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

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

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

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

1 (6) If the source of revenue is considered by the
2 council to be stable or volatile.

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

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

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

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

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

24 Section 2. This act shall take effect immediately.