

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1995 Session of 2019

INTRODUCED BY RYAN, BERNSTINE, BROOKS, ECKER, GLEIM, HERSHEY, KAUFFMAN, LEWIS, MACKENZIE, B. MILLER, STAATS, ROTHMAN AND JONES, OCTOBER 25, 2019

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, FEBRUARY 3, 2020

AN ACT

1 Establishing the Keystone Solvency Operating Study Commission
2 and providing for its powers and duties and for a report.

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

5 Section 1. Short title.

6 This act shall be known and may be cited as the Keystone
7 Solvency Operating Study Commission Act.

8 Section 2. Legislative intent.

9 The intent of this act is to provide insight into financial
10 risks relative to unfunded pension liabilities, other
11 postemployment benefit unfunded liabilities, deferred public
12 sector infrastructure projects to include deferred maintenance,
13 municipal solvency concerns, school district solvency concerns,
14 debt service solvency risks of the Commonwealth, financial
15 stress testing of the Commonwealth's cash flow projections and
16 current comprehensive annual financial reports under various
17 economic scenarios and other financial risks that may come

1 before the Keystone Solvency Operating Study Commission and
2 provide financial analysis of other states considered
3 financially vulnerable.

4 Section 3. Definitions.

5 The following words and phrases when used in this act shall
6 have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Commission." The Keystone Solvency Operating Study
9 Commission established under section 4.

10 "COMMONWEALTH." THE COMMONWEALTH OF PENNSYLVANIA. <--

11 "Critical risk factor." Any element of risk of sufficient
12 magnitude which, if not dealt with, may negatively affect the
13 ability of the Commonwealth to continue to meet financial
14 obligations.

15 "PROMESA." The Puerto Rico Oversight, Management, and
16 Economic Stability Act (Public Law 114-187, 130 Stat. 549).
17 Section 4. Keystone Solvency Operating Study Commission.

18 (a) Establishment.--The Keystone Solvency Operating Study
19 Commission is established as a legislative commission for the
20 purpose of analyzing the economic conditions of the
21 Commonwealth, specifically unfunded obligations of school
22 districts, municipalities and public pension plans. The
23 commission shall consider unfunded postemployment benefits of
24 the Commonwealth to determine the impact on operations of other
25 financial commitments during periods of economic recession. The
26 study shall ensure that the priority of financial claims is
27 understood within the framework of the Constitution of
28 Pennsylvania. The commission shall be comprised of the following
29 members:

30 (1) One member appointed by the Governor.

1 (2) Two members appointed by the President pro tempore
2 of the Senate, one from the majority party and one from the
3 minority party.

4 (3) Two members appointed by the Speaker of the House of
5 Representatives, one from the majority party and one from the
6 minority party.

7 (b) Duties.--The commission shall:

8 (1) Analyze the financial insolvencies under PROMESA and
9 solvency concerns of other states to determine ~~lessons~~ <--
10 ~~learned and the impact of insolvency proceedings to meet~~
11 ~~financial obligations in operating budgets.~~ IF THE <--
12 COMMONWEALTH CAN BECOME BANKRUPT OR INSOLVENT AND TO
13 DETERMINE LESSONS LEARNED ON THE IMPACT THAT INSOLVENCY
14 PROCEEDINGS MAY HAVE ON THE COMMONWEALTH'S ABILITY TO MEET
15 ITS FINANCIAL OBLIGATIONS IN ANNUAL OPERATING BUDGETS.

16 (2) ASSESS HOW INSOLVENCY PROCEEDINGS MAY AFFECT THE
17 COMMONWEALTH'S ABILITY TO MEET ITS OBLIGATIONS TO MAKE
18 EMPLOYER CONTRIBUTIONS TO THE PUBLIC SCHOOL EMPLOYEES'
19 RETIREMENT SYSTEM UNDER 24 PA.C.S. § 8326 (RELATING TO
20 CONTRIBUTIONS BY THE COMMONWEALTH) AND TO THE STATE
21 EMPLOYEES' RETIREMENT SYSTEM UNDER 71 PA.C.S. § 5507
22 (RELATING TO CONTRIBUTIONS TO THE SYSTEM BY THE COMMONWEALTH
23 AND OTHER EMPLOYERS), INCLUDING EMPLOYER CONTRIBUTIONS
24 NECESSARY TO PAY EACH SYSTEM'S RESPECTIVE UNFUNDED ACTUARIAL
25 ACCRUED LIABILITY.

26 (3) ASSESS HOW INSOLVENCY PROCEEDINGS MAY AFFECT THE
27 ABILITY OF THE STATE EMPLOYEES' RETIREMENT SYSTEM AND THE
28 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM TO PAY BENEFITS TO
29 ANNUITANTS AND BENEFICIARIES.

30 ~~(2)~~ (4) In consultation with the Independent Fiscal <--

1 Office, develop cash flow projections for the immediate five
2 years following the effective date of this section. The
3 projections shall include best case, expected case and ~~worst~~ <--
4 ~~case~~ WORST-CASE scenarios to be defined by the Independent <--
5 Fiscal Office in the creation of the projections.

6 ~~(3)~~ (5) Determine critical risk factors of importance to <--
7 the Commonwealth ~~on the Commonwealth's financial~~ FOR <--
8 FINANCIAL well-being and OTHER control measures to monitor <--
9 the ASSOCIATED risk factors. <--

10 ~~(4)~~ (6) Develop performance metrics for use by the <--
11 Independent Fiscal Office to monitor the critical risk
12 factors identified with the measures published in the
13 quarterly economic updates from the Independent Fiscal
14 Office.

15 (c) Quorum.--A majority of appointed members shall
16 constitute a quorum for the purpose of conducting business.

17 (d) Chairperson and vice chairperson.--The members shall
18 select one of the members to be chairperson and another member
19 to be vice chairperson.

20 (e) Qualified vote.--A vote on the findings and
21 recommendations to the General Assembly under section 5 shall
22 require two-thirds of the members voting in the affirmative.

23 (f) Compensation and reimbursement.--Members of the
24 commission shall not receive compensation or reimbursement for
25 their services on the commission.

26 (g) Information gathering.--The commission may conduct
27 hearings and otherwise gather pertinent information and analysis
28 that the commission considers appropriate and necessary to
29 fulfill its duties, ~~which may include, but shall not be limited~~ <--
30 ~~to, the Independent Fiscal Office and the Joint State Government~~

1 ~~Commission.~~

2 (h) Support.--The General Assembly shall provide
3 administrative support, meeting space and any other assistance
4 required by the commission to carry out the commission's duties
5 under this act.

6 (i) Transparency and ethics.--The commission shall be
7 subject to the following laws:

8 (1) 65 Pa.C.S. Ch. 7 (relating to open meetings).

9 (2) The act of February 14, 2008 (P.L.6, No.3), known as
10 the Right-to-Know Law. The commission shall be considered a
11 legislative agency as defined in section 102 of the Right-to-
12 Know Law.

13 Section 5. Report and expiration.

14 (a) Report.--The commission shall report its findings and
15 recommendations to the Governor and the General Assembly within
16 six months of its first organizational meeting. The report shall
17 be directly submitted to:

18 (1) The President pro tempore of the Senate.

19 (2) The Majority Leader of the Senate.

20 (3) The Minority Leader of the Senate.

21 (4) The chair and minority chair of the Finance
22 Committee of the Senate.

23 (5) THE CHAIR AND MINORITY CHAIR OF THE STATE GOVERNMENT <--
24 COMMITTEE OF THE SENATE.

25 (6) THE CHAIR AND MINORITY CHAIR OF THE APPROPRIATIONS
26 COMMITTEE OF THE SENATE.

27 ~~(5)~~ (7) The Speaker of the House of Representatives. <--

28 ~~(6)~~ (8) The Majority Leader of the House of <--
29 Representatives.

30 ~~(7)~~ (9) The Minority Leader of the House of <--

1 Representatives.

2 ~~(8)~~ (10) The chair and minority chair of the Finance <--
3 Committee of the House of Representatives.

4 (11) THE CHAIR AND MINORITY CHAIR OF THE STATE <--
5 GOVERNMENT COMMITTEE OF THE HOUSE OF REPRESENTATIVES.

6 (12) THE CHAIR AND MINORITY CHAIR OF THE APPROPRIATIONS
7 COMMITTEE OF THE HOUSE OF REPRESENTATIVES.

8 (b) Expiration.--The commission shall expire 60 days after
9 delivery of its report under subsection (a).

10 Section 6. Effective date.

11 This act shall take effect in 30 days.