

## FISCAL NOTE

March 9, 2017

<b>Bill No:</b>	SB 7	<b>Printer's No:</b>	89	<b>Sponsor:</b>	Folmer (R)
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### COST / (SAVINGS)

Fund (s)	2016-17	2017-18
General Fund	\$ 0	\$ 1.3 – 1.5 million

**SUMMARY:** The bill would amend the Pennsylvania Constitution to impose a spending limit on the Commonwealth.

**ANALYSIS:** The bill would through joint resolution amend the Pennsylvania Constitution to limit the commonwealth's spending rate. Spending would be equal to the previous year's funding level and any increases would be based on the lesser of the average percentage change in personal income in Pennsylvanians for the three previous calendar years or the average percentage change in inflation for the three previous calendar years as reported by the Consumer Price Index, plus the rate of change in Pennsylvania's population in the prior three years, as established by the US Census.

The appropriation limits may be exceeded if funds are necessary to respond to a declared emergency or the Governor requests the increase at least 30 days prior to the beginning of the fiscal year and the request is affirmed by a two-thirds majority vote of each chamber of the General Assembly.

As a constitutional amendment, the Commonwealth would have to publish the bill and it would have to be passed by two consecutive sessions of the General Assembly. This legislation did not pass during the previous legislative session. As such, the earliest the bill could be enacted would be during the 2019 session, which could be during the 2018-2019 fiscal year

The bill also requires surplus tax collections above the state spending limit to be redistributed in the following manner:

- 25% to the Taxpayer Protection Fund (established by the bill)
- 25% to the Budget Stabilization Reserve Fund
- 50% to the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) Unfunded Liability Fund

If the surplus exceeds 5% of the General Fund appropriations, the surplus funds will be allocated as follows:

- 25% to the Taxpayer Protection Fund
- 75% to the PSERS/SERS Unfunded Liability Fund

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When surplus funds are allocated to the PSERS/SERS Unfunded Liability Fund, two-thirds of the amount allocated would be used to pay the unfunded liability of PSERS and one-third would be used to pay the unfunded liability of SERS.

The money in the Taxpayer Protection Fund will be distributed to taxpayers who have a liability under the Tax Reform Code of 1971 through a reduction in the rate of the Personal Income Tax.

The bill also authorized the General Assembly to appropriate funds at any time to the Budget Stabilization Reserve Fund or the PSERS/SERS Unfunded Accrued Liability Fund.

The act would take effect immediately.

**FISCAL IMPACT:** The costs for the bill would relate publication costs. The estimated amount of one round of advertisements is \$1.3-1.5 million for a full-page of advertising space. The total cost of publication may vary due to the size of the bill and the number of amendments that would need to be advertised. It should be noted that the cost of two rounds of publication could occur during the same fiscal year if in the next legislative session the General Assembly immediately passes the same constitutional amendment.

The Department of Revenue has indicated that due to the uncertainty of the variable, it is difficult to measure the impact of any Personal Income Tax rate reduction.

This constitutional amendment would limit the ability of the Governor, legislature and Budget Office in crafting a budget for the commonwealth by placing specific limitations on spending potentially beginning in Fiscal Year 2019-20.