

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO SENATE BILL NO. 7

Sponsor:

Printer's No. 191

1 Amend Bill, page 1, lines 1 through 5, by striking out all of
2 said lines and inserting

3 Amending Titles 24 (Education), 71 (State Government) and 72
4 (Taxation and Fiscal Affairs) of the Pennsylvania
5 Consolidated Statutes, further providing for actuarial cost
6 method; and providing for administrative duties of board and
7 for taxpayer protection.

8 Amend Bill, page 1, lines 8 through 19; pages 2 through 5,
9 lines 1 through 30; page 6, lines 1 through 7, by striking out
10 all of said lines on said pages and inserting

11 Section 1. Section 8328(e)(1) of Title 24 of the
12 Pennsylvania Consolidated Statutes is amended to read:
13 § 8328. Actuarial cost method.

14 * * *

15 (e) Experience adjustment factor.--

16 (1) For each year after the establishment of the accrued
17 liability contribution rate for the fiscal year beginning
18 July 1, 2011, any increase or decrease in the unfunded
19 accrued liability, excluding the gains or losses on the
20 assets of the health insurance account, due to actual
21 experience differing from assumed experience, changes in
22 actuarial assumptions, changes in contributions caused by the
23 final contribution rate being different from the actuarially
24 required contribution rate, active members making shared-risk
25 contributions or changes in the terms and conditions of the
26 benefits provided by the system by judicial, administrative
27 or other processes other than legislation, including, but not
28 limited to, reinterpretation of the provisions of this part,
29 and money distributed to the board by the State Treasurer
30 from the PSERS/SERS Unfunded Accrued Liability Fund, shall be
31 amortized as a level percentage of compensation over a period
32 of 24 years beginning with the July 1 second succeeding the
33 actuarial valuation determining said increases or decreases.

34 * * *

35 Section 2. Section 8502 of Title 24 is amended by adding a

1 subsection to read:
2 § 8502. Administrative duties of board.

3 * * *

4 (g) Distributions from PSERS/SERS Unfunded Accrued Liability
5 Fund.--The board is authorized to accept money provided by the
6 State Treasurer as a result of a distribution from the
7 PSERS/SERS Unfunded Accrued Liability Fund.

8 Section 3. Section 5508(f)(1) of Title 71 is amended to
9 read:

10 § 5508. Actuarial cost method.

11 * * *

12 (f) Experience adjustment factor.--

13 (1) For each year after the establishment of the accrued
14 liability contribution rate and the supplemental annuity
15 contribution rate for the fiscal year beginning July 1, 2010,
16 any increase or decrease in the unfunded accrued liability
17 and any increase or decrease in the liabilities and funding
18 for supplemental annuities, due to actual experience
19 differing from assumed experience (recognizing all realized
20 and unrealized investment gains and losses over a five-year
21 period), money provided to the board as a result of a
22 distribution by the State Treasurer from the PSERS/SERS
23 Unfunded Accrued Liability Fund, changes in contributions
24 caused by the final contribution rate being different from
25 the actuarially required contribution rate, State employees
26 making shared-risk member contributions, changes in actuarial
27 assumptions or changes in the terms and conditions of the
28 benefits provided by the system by judicial, administrative
29 or other processes other than legislation, including, but not
30 limited to, reinterpretation of the provisions of this part,
31 shall be amortized in equal dollar annual contributions over
32 a period of 30 years beginning with the July 1 succeeding the
33 actuarial valuation determining said increases or decreases.

34 * * *

35 Section 4. Section 5902 of Title 71 is amended by adding a
36 subsection to read:

37 § 5902. Administrative duties of the board.

38 * * *

39 (p) Distributions from the PSERS/SERS Unfunded Accrued
40 Liability Fund.--The board is authorized to accept money
41 provided to the board as a result of a distribution by the State
42 Treasurer from the PSERS/SERS Unfunded Accrued Liability Fund.

43 Section 5. Title 72 is amended by adding a chapter to read:

44 CHAPTER 7

45 TAXPAYER PROTECTION

46 Sec.

47 701. Short title of chapter.

48 702. Definitions.

49 703. Spending limitations.

50 704. Disposition of surplus funds.

51 § 701. Short title of chapter.

1 This chapter shall be known and may be cited as the Taxpayer
2 Protection Act.

3 § 702. Definitions.

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

7 "Appropriation limit." The total of the amount approved as
8 executive authorizations by the Governor plus the total amounts
9 of preferred and nonpreferred appropriations made by the General
10 Assembly from the General Fund during the fiscal year
11 immediately prior to the budget year under consideration,
12 adjusted by the lesser of:

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

17 (2) the average percentage change in inflation for the
18 three preceding calendar years plus the average percentage
19 change in the State population for the three preceding years
20 as reported by the annual Federal census estimates, the
21 number being adjusted every decade to match the official
22 Federal census.

23 "Average percentage change in inflation." The average of the
24 percentage change for each of the three calendar years, from
25 October to October, immediately preceding the calendar year in
26 which a given executive budget is submitted by the Governor, in
27 the Consumer Price Index for All Urban Consumers (CPI-U), not
28 seasonally adjusted, all items index or its successor index, as
29 officially reported by the United States Department of Labor,
30 Bureau of Labor Statistics.

31 "Average percentage change in personal income." The average
32 of the percentage change in personal income estimates for this
33 Commonwealth, from second calendar quarter to second calendar
34 quarter, for each of the three calendar years immediately
35 preceding the calendar year in which a given executive budget is
36 submitted by the Governor, as reported by the United States
37 Department of Commerce, Bureau of Economic Analysis, SQ4
38 quarterly income summary for this Commonwealth or its successor
39 index or as determined pursuant to an act of the General
40 Assembly.

41 "Average percentage change in State population." The average
42 of the percentage change in State population for each of the
43 three most recent years immediately preceding the calendar year
44 in which a given executive budget is submitted by the Governor,
45 as reported by the United States Census Bureau for July 1 of
46 each year.

47 "Mandated service." A program or service administered by a
48 political subdivision of the Commonwealth as a result of being
49 required to provide that program or service by State law.

50 "PSERS." The Public School Employees' Retirement System.

51 "SERS." The State Employees' Retirement System.

1 "Total spending by the Commonwealth." All General Fund
2 appropriations made by the General Assembly and all
3 appropriations from a constitutionally or statutorily
4 established fund created after the effective date of this
5 section.

6 § 703. Spending limitations.

7 (a) General rule.--Total spending by the Commonwealth in a
8 fiscal year shall not exceed the spending appropriation limit as
9 set forth in this chapter.

10 (b) Mandated expenses for political subdivisions.--The
11 State's limit under subsection (a) shall be reduced by the
12 amount of the reduction in State appropriations to a political
13 subdivision for administration of a mandated service, without an
14 equal or greater reduction in State-mandated expenses for the
15 local government or a repeal of the mandate to provide a program
16 or service.

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

19 (1) To respond to a presidential or gubernatorial
20 declaration of emergency if the General Assembly approves by
21 two-thirds affirmative vote of the members elected to each
22 house of the General Assembly. In no case shall the excess
23 spending authorized by exceeding the appropriation limit in
24 this manner be included in the computation base of the
25 appropriation limit for any subsequent fiscal year.

26 (2) In other situations if the Governor so requests, in
27 writing, 30 days prior to the constitutional deadline for
28 adoption of a budget for the next fiscal year, and
29 simultaneously publishes that written notice in a newspaper
30 of general circulation in each county and senatorial and
31 representative district in which each newspaper shall be
32 published, and the General Assembly subsequently approves by
33 an affirmative vote of two-thirds of the members elected to
34 each house of the General Assembly.

35 § 704. Disposition of surplus funds.

36 (a) Transfer of surplus.--

37 (1) Except as provided under paragraph (2), for a fiscal
38 year in which the Governor certifies that a surplus exists,
39 25% of that surplus shall be deposited by the end of the next
40 succeeding quarter into the Budget Stabilization Reserve Fund
41 established in section 1701-A of the act of April 9, 1929
42 (P.L.343, No.176), known as The Fiscal Code, and 25% of that
43 surplus shall be deposited by the end of the next succeeding
44 quarter into the Taxpayer Protection Fund which is hereby
45 established in the State Treasury and 50% of that surplus
46 shall be deposited by the end of the next succeeding quarter
47 into the PSERS/SERS Unfunded Accrued Liability Fund which is
48 hereby established in the State Treasury.

49 (2) For a fiscal year in which the State Treasurer
50 certifies that the balance in the Budget Stabilization
51 Reserve Fund equals or exceeds 5% of the total of all General

1 Fund appropriations, 25% of the surplus certified by the
2 Governor under paragraph (1) shall be deposited into the
3 Taxpayer Protection Fund and 75% of the surplus certified by
4 the Governor under paragraph (1) shall be deposited into the
5 PSERS/SERS Unfunded Accrued Liability Fund.

6 (b) Distribution.--

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

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

25 (3) Subject to the provisions of subsection (c):

26 (i) The money in the PSERS/SERES Unfunded Accrued
27 Liability Fund shall be distributed as follows when both
28 systems have an unfunded accrued liability as reflected
29 in the most recent actuarial report for each system:

30 (A) Two-thirds shall be distributed to PSERS.

31 (B) One-third shall be distributed to SERS.

32 (ii) If one system no longer has an unfunded accrued
33 liability, then all of the distribution shall be paid to
34 the system that continues to have an unfunded accrued
35 liability.

36 (c) Accumulation.--No money shall be distributed from the
37 Taxpayer Protection Fund pursuant to subsection (b) until the
38 Secretary of the Budget certifies that the money deposited is
39 sufficient to provide a reduction of at least 0.01% in the tax
40 rate of taxation for the tax imposed under Article III of the
41 Tax Reform Code of 1971.

42 (d) Appropriated funds.--The General Assembly may at any
43 time provide additional amounts from funds available to the
44 Commonwealth as an appropriation to the Budget Stabilization
45 Reserve Fund or to the PSERS/SERS Unfunded Accrued Liability
46 Fund.

47 Section 6. Repeals.

48 Repeals are as follows:

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

1 (2) Section 1702-A of the act of April 9, 1929 (P.L.343,
2 No.176), known as The Fiscal Code, is repealed.
3 Section 7. Effective date.
4 This act shall take effect immediately.
