
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 7 Session of 2019

INTRODUCED BY FOLMER, BARTOLOTTA, LANGERHOLC, PHILLIPS-HILL,
MARTIN, HUTCHINSON, STEFANO, DiSANTO, J. WARD, GORDNER,
K. WARD, WHITE, VOGEL, REGAN, AUMENT, SCARNATI, ARGALL AND
LAUGHLIN, FEBRUARY 1, 2019

REFERRED TO FINANCE, FEBRUARY 1, 2019

AN ACT

1 Amending Titles 24 (Education), 71 (State Government) and 72
2 (Taxation and Fiscal Affairs) of the Pennsylvania
3 Consolidated Statutes, in retirement for school employees as
4 to membership, contributions and benefits, further providing
5 for actuarial cost method; in administration and
6 miscellaneous provisions, further providing for
7 administrative duties of board; in retirement for State
8 employees and officers as to contributions, further providing
9 for actuarial cost method; in administration, funds,
10 accounts, general provisions, further providing for
11 administrative duties of board; providing for taxpayer
12 protection and establishing the Taxpayer Protection Fund and
13 the PSERS/SERS Unfunded Accrued Liability Fund; and repealing
14 certain provisions of The Fiscal Code.

15 The General Assembly of the Commonwealth of Pennsylvania
16 hereby enacts as follows:

17 Section 1. Section 8328(e)(1) of Title 24 of the
18 Pennsylvania Consolidated Statutes is amended to read:

19 § 8328. Actuarial cost method.

20 * * *

21 (e) Experience adjustment factor.--

22 (1) For each fiscal year after the establishment of the
23 accrued liability contribution rate for the fiscal year

1 beginning July 1, 2011, any increase or decrease in the
2 unfunded accrued liability, excluding the gains or losses on
3 the assets of the health insurance account, due to actual
4 experience differing from assumed experience, changes in
5 actuarial assumptions, changes in contributions caused by the
6 final contribution rate being different from the actuarially
7 required contribution rate, active members making shared-risk
8 contributions or changes in the terms and conditions of the
9 benefits provided by the system by judicial, administrative
10 or other processes other than legislation, including, but not
11 limited to, reinterpretation of the provisions of this part,
12 and money distributed to the board by the State Treasurer
13 from the PSERS/SERS Unfunded Accrued Liability Fund, shall be
14 amortized as a level percentage of compensation over a period
15 of 24 years beginning with the July 1 second succeeding the
16 actuarial valuation determining said increases or decreases.

17 * * *

18 Section 2. Section 8502 of Title 24 is amended by adding a
19 subsection to read:

20 § 8502. Administrative duties of board.

21 * * *

22 (s) Distributions from PSERS/SERS Unfunded Accrued Liability
23 Fund.--The board is authorized to accept money provided by the
24 State Treasurer as a result of a distribution from the
25 PSERS/SERS Unfunded Accrued Liability Fund.

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

28 § 5508. Actuarial cost method.

29 * * *

30 (f) Experience adjustment factor.--

1 (1) For each fiscal year after the establishment of the
2 accrued liability contribution rate and the supplemental
3 annuity contribution rate for the fiscal year beginning July
4 1, 2010, any increase or decrease in the unfunded accrued
5 liability and any increase or decrease in the liabilities and
6 funding for supplemental annuities, due to actual experience
7 differing from assumed experience (recognizing all realized
8 and unrealized investment gains and losses over a five-year
9 period), money provided to the board as a result of a
10 distribution by the State Treasurer from the PSERS/SERS
11 Unfunded Accrued Liability Fund, changes in contributions
12 caused by the final contribution rate being different from
13 the actuarially required contribution rate, State employees
14 making shared-risk member contributions or having shared-gain
15 adjustments to their regular member contributions, payment of
16 additional accrued liability contributions under section
17 5507(g), changes in actuarial assumptions or changes in the
18 terms and conditions of the benefits provided by the system
19 by judicial, administrative or other processes other than
20 legislation, including, but not limited to, reinterpretation
21 of the provisions of this part, shall be amortized in equal
22 dollar annual contributions as a percentage of compensation
23 of all active members and active participants over a period
24 of 30 years beginning with the July 1 succeeding the
25 actuarial valuation determining said increases or decreases.

26 * * *

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

29 § 5902. Administrative duties of the board.

30 * * *

1 (r) Distributions from the PSERS/SERS Unfunded Accrued
2 Liability Fund.--The board is authorized to accept money
3 provided to the board as a result of a distribution by the State
4 Treasurer from the PSERS/SERS Unfunded Accrued Liability Fund.

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

6 CHAPTER 7

7 TAXPAYER PROTECTION

8 Sec.

9 701. Short title of chapter.

10 702. Definitions.

11 703. Spending limitations.

12 704. Disposition of surplus funds.

13 § 701. Short title of chapter.

14 This chapter shall be known and may be cited as the Taxpayer
15 Protection Act.

16 § 702. Definitions.

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

20 "Appropriation limit." The total of the amount approved as
21 executive authorizations by the Governor plus the total amounts
22 of preferred and nonpreferred appropriations made by the General
23 Assembly from the General Fund during the fiscal year
24 immediately prior to the budget year under consideration,
25 adjusted by the lesser of:

26 (1) the average percentage change in personal income in
27 this Commonwealth for the three preceding calendar years as
28 reported by the Federal Government or as determined by an act
29 of the General Assembly; or

30 (2) the average percentage change in inflation for the

1 three preceding calendar years plus the average percentage
2 change in the State population for the three preceding years
3 as reported by the annual Federal census estimates, the
4 number being adjusted every decade to match the official
5 Federal census.

6 "Average percentage change in inflation." The average of the
7 percentage change for each of the three calendar years, from
8 October to October, immediately preceding the calendar year in
9 which a given executive budget is submitted by the Governor, in
10 the Consumer Price Index for All Urban Consumers (CPI-U), not
11 seasonally adjusted, All Items Indexes or its successor index,
12 as officially reported by the United States Department of Labor,
13 Bureau of Labor Statistics.

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

23 "Average percentage change in State population." The average
24 of the percentage change in State population for each of the
25 three most recent years immediately preceding the calendar year
26 in which a given executive budget is submitted by the Governor,
27 as reported by the United States Census Bureau for July 1 of
28 each year.

29 "Mandated service." A program or service administered by a
30 political subdivision of the Commonwealth as a result of being

1 required to provide that program or service by State law.
2 "PSERS." The Public School Employees' Retirement System.
3 "SERS." The State Employees' Retirement System.
4 "Total spending by the Commonwealth." All General Fund
5 appropriations made by the General Assembly and all
6 appropriations from a constitutionally or statutorily
7 established fund created after the effective date of this
8 section.

9 § 703. Spending limitations.

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

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

20 (c) Exceptions.--The appropriation limit of the Commonwealth
21 may be exceeded in a fiscal year for the following:

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

29 (2) In other situations if the Governor so requests, in
30 writing, 30 days prior to the constitutional deadline for

1 adoption of a budget for the next fiscal year, and
2 simultaneously publishes that written notice in a newspaper
3 of general circulation in each county and senatorial and
4 representative district in which each newspaper shall be
5 published, and the General Assembly subsequently approves by
6 an affirmative vote of two-thirds of the members elected to
7 each house of the General Assembly.

8 § 704. Disposition of surplus funds.

9 (a) Transfer of surplus.--

10 (1) Except as provided under paragraph (2), for a fiscal
11 year in which the Governor certifies that a surplus exists,
12 25% of that surplus shall be deposited by the end of the next
13 succeeding quarter into the Budget Stabilization Reserve Fund
14 established in section 1701-A of the act of April 9, 1929
15 (P.L.343, No.176), known as The Fiscal Code, and 25% of that
16 surplus shall be deposited by the end of the next succeeding
17 quarter into the Taxpayer Protection Fund, which is hereby
18 established in the State Treasury, and 50% of that surplus
19 shall be deposited by the end of the next succeeding quarter
20 into the PSERS/SERS Unfunded Accrued Liability Fund, which is
21 hereby established in the State Treasury.

22 (2) For a fiscal year in which the State Treasurer
23 certifies that the balance in the Budget Stabilization
24 Reserve Fund equals or exceeds 5% of the total of all General
25 Fund appropriations, 25% of the surplus certified by the
26 Governor under paragraph (1) shall be deposited into the
27 Taxpayer Protection Fund and 75% of the surplus certified by
28 the Governor under paragraph (1) shall be deposited into the
29 PSERS/SERS Unfunded Accrued Liability Fund.

30 (b) Distribution.--

1 (1) Subject to the provisions of subsection (c), the
2 money in the Taxpayer Protection Fund shall be distributed to
3 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 the 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 chairperson and minority
16 chairperson of the Appropriations Committee of the Senate and
17 the chairperson and minority chairperson of the
18 Appropriations Committee of the House of Representatives.

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

20 (i) The money in the PSERS/SERS Unfunded Accrued
21 Liability Fund shall be distributed as follows when both
22 systems have an unfunded accrued liability as reflected
23 in the most recent actuarial report for each system:

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

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

26 (ii) If one system no longer has an unfunded accrued
27 liability, then all of the distribution shall be paid to
28 the system that continues to have an unfunded accrued
29 liability.

30 (c) Accumulation.--No money shall be distributed from the

1 Taxpayer Protection Fund pursuant to subsection (b) until the
2 Secretary of the Budget certifies that the money deposited is
3 sufficient to provide a reduction of at least 0.01% in the tax
4 rate of taxation for the tax imposed under Article III of the
5 Tax Reform Code of 1971.

6 (d) Appropriated funds.--The General Assembly may at any
7 time provide additional amounts from funds available to the
8 Commonwealth as an appropriation to the Budget Stabilization
9 Reserve Fund or to the PSERS/SERS Unfunded Accrued Liability
10 Fund.

11 Section 6. Repeals are as follows:

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

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

17 Section 7. This act shall take effect immediately.