



Senate Finance Committee

Senator Patrick M. Browne
Chairman

459 Main Capitol Building
Harrisburg, PA 17120-3016
(717) 787-1349

Stacey M. Connors, Esq.
Executive Director
sconnors@pasen.gov

SENATE BILL 7, PN 782

BILL SUMMARY

Senate Bill 7 would amend the Pennsylvania Constitution by providing for spending limitations on the Commonwealth, providing for the disposition of surplus funds; and establishing the Taxpayer Protection Fund.

Summary of Legislation:

Senate Bill 7, the Taxpayer Protection Act (Constitutional Amendment), would amend the Constitution by establishing a new section, Section 18, entitled Spending Limitations. Section 18 would mandate that total spending by the Commonwealth in any fiscal year not exceed the spending appropriation limit.

The appropriation limit would be the total amount of the General Fund preferred and non-preferred appropriations -- as well as any appropriation from any fund created in the future -- in the immediately prior fiscal year, adjusted by the lesser of:

1. The average percentage change in personal income in Pennsylvania for the three preceding calendar years; OR
2. The average percentage change in inflation plus the average percentage change in state population for the three preceding calendar years

The total spending by the Commonwealth in any fiscal year shall not exceed the spending appropriation limit, except for the following exceptions:

1. To respond to a presidential or gubernatorial declaration of emergency if the General Assembly approves by a two-thirds vote. In no case shall the excess spending authorized by exceeding the appropriation limit be included in the computation base of the appropriation limit for any subsequent fiscal year.
2. In other situations if the Governor so requests, in the manner determined by law, and if the General Assembly approves by a two-thirds vote.

When a surplus exists, 25% would be deposited into the Budget Stabilization Reserve Fund (Rainy Day Fund) and 75% would be deposited in the Taxpayer Protection -- which would be established within the State Treasury. In years where the balance in the Rainy Day Fund equals or exceeds 5% of the total of the General Fund, 100% of the surplus shall be deposited into the Taxpayer Protection Fund.

Monies in the Taxpayer Protection Fund would be distributed to taxpayers through a reduction in the Personal Income Tax (PIT) rate established by an enactment of the General Assembly. No moneys would be distributed from the Taxpayer Protection Fund until the Secretary of the Budget certifies that the Fund is sufficient to provide a reduction of at least 0.01% in the rate of taxation for the tax imposed under the PIT.

The Secretary of the Budget and the Secretary of Revenue would certify the rate reduction for the PIT, for the upcoming calendar year no later than September 30. The new rate would be published in the Pennsylvania Bulletin, posted on the State's Internet website and reported to the General Assembly.

The General Assembly could at any time appropriate additional funds to the Budget Stabilization Reserve Fund.

AMENDMENT A00770 (Senator Eichelberger):

This amendment attempts to close a potential “loophole” in the Taxpayer Protection Act (TPA). Under this amendment, the state’s allocated spending cap would be decreased commensurate with any funding cuts to a mandated service. A mandated service is defined as, “Any program or service administered by a political subdivision of the Commonwealth of Pennsylvania as a result of being required to provide that program or service by State law.” Without this additional language, the state could force increases in local taxes while holding the line with the state budget. This would provide no real tax savings to the citizens of the Commonwealth.