



# Senate Finance Committee

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## BILL SUMMARY

### SENATE BILL 1, PN 1043 (SENATOR BROWNE)

#### *Summary:*

This legislation establishes a nonpartisan Legislative Fiscal Office as an independent agency.

#### **The Legislative Fiscal office shall have the following duties:**

1. Prepare revenue estimated to include Federal funds, State revenues and funds from other resources, including ant projected revenue surplus or deficit for a given fiscal year.
2. By January 1, provide a baseline budget that includes levels of spending necessary to retain all current programs and statutory requirements.
3. Provide an analysis of the executive budget, including budgetary projections, economic outlook and economic impact and an analysis of all related tax and revenue proposals. The budget analysis may include performance recommendations to secure greater efficiency and economy.
4. Develop and use econometric models to annually forecast State revenues and update the models. The office shall make the equations of a model and any historic databases related thereto available to the Appropriations Committees of the Senate and the House or Representatives, and the Majority and Minority Leaders of the Senate and House of Representatives.
5. By November 15 of each year, provide an assessment of the State's current fiscal condition and a projection of what the fiscal condition will be during the next five years. The assessment shall take into account the state of the economy, demographics, revenue and expenditures.
6. Monitor State taxes and other receipts.
7. Develop performance measures for executive level programs and departments and evaluate performance measures and results as promulgates and reported by executive level departments. Performance measurements shall be outcome-based and include, but not be limited to, activity cost analysis, measured of status improvement of recipient populations, economic outcomes and performance benchmarks against similar State programs.
8. Establish an Internet website.

#### **Revenue Estimates:**

- A. Initial revenue estimate: By the second week of February, the office shall submit to the General Assembly an initial revenue estimate for the next fiscal year.
- B. Official revenue estimate: By June 15, of each year, the office shall submit to the general Assembly an official final revenue estimate for the next fiscal year. The revenue estimate

submitted under this section shall establish the maximum amount of tax revenue which may be considered for the General Appropriations Act for the ensuing fiscal year. No changes in the revenue estimates shall be made by the office thereafter unless changes in statutes affecting revenues and receipts are enacted. The office shall publish the methodology used to develop revenue estimates.

- C. Information: the office shall provide to the Appropriations Committees of the Senate and the House of Representatives and the Secretary of the Budget all data, assumptions and econometric models used to develop projections and revenue estimates.
- D. Required information: a Revenue estimate submitted by the office under this subsection shall include all of the following:

- 1) An assessment of the Pennsylvania economy and the national economy and the impact of the existing or emerging State or national economic trends on revenue performance for the current year and the forecaster of projected revenue collections for the budget year and the succeeding year.
- 2) A summary of current year-to-date revenue collections by specific tax or revenue source, including Federal funds, the General Fund, the Lottery Fund and the Motor License Fund and a detailed explanation of any negative or positive reaction from the prior year's official revenue estimate, including the reasons or events contributing to the variation.
- 3) Any projected revenue surplus or deficit for the current budget year.

A revenue estimate shall be based on existing statutes and tax policy and existing or emerging State or national economic trends.

The office shall prepare a revenue estimate of any change in State tax law proposed as part of the annual State budget. If the proposed change in State tax law will have a fiscal impact in excess of \$10,000,000 in any fiscal year, the estimate shall be prepared on the basis of assumptions that estimate the probable behavioral responses of taxpayers, businesses and other persons to the proposed changes and shall include a statement identifying those assumptions.

- E. Department of Revenue: the Department of Revenue, in conjunction with the Secretary of the budget, shall make revenue estimates for the use of the governor in preparing the budget.
- F. Governor: the governor shall line item veto any part of any appropriation bill that causes total appropriations to exceed the official revenue estimates plus any unappropriated surplus.

**Budget Information:** the office shall be notified and shall attend any briefings provided by the Governor or the Secretary of the Budget under section 619 of the act of April 9, 1929 (P.L. 177, No. 175), known as the Administrative Code of 1929.

**Expenditures:**

- A. Expenditure reports: Commonwealth agencies shall make monthly expenditure data available to the office. The data shall be provided within seven days after the end of each month. The monthly data shall include a summary of the last monthly submission. The data shall be provided in finished reports or electronically, as determined by the office. The data shall be provided by fund, by appropriation, by department and by organization within each department and shall include:

- 1) Number of filled personnel positions and their cost
  - 2) Itemized personnel vacancies and their cost
  - 3) New positions created and their cost
  - 4) Wage and overtime costs
  - 5) Allotments and expenditures for itemized personnel expenses
  - 6) Allotments and expenditures for itemized operating expenses
  - 7) Allotment and expenditures for itemized fixed assets
  - 8) The rate of expenditures in appropriations for major subsidy and grant programs during the month
- B. Budget requests: Commonwealth agencies shall submit their agency budget requests to the office and the Office of the Budget. The Commonwealth agency budget requests shall be submitted to both offices at the same time.
- C. Revenue reports: The governor shall make monthly revenue reports to the office. The revenue reports shall show the actual collection of revenue itemized by source and a comparison of the actual collections with estimated collections for each month. The comparison shall include an analysis of any change in collection patterns which will cause a shortfall or overrun on annual estimates of more than 1%.
- D. Other revenue data: Commonwealth agencies shall cause to be prepared any other revenue data as may be requested from time to time by the office.
- E. Electronic access: except for information that is confidential pursuant to statute, the office shall have access to all information available under this section on inquiry-only screens through an integrated central computer system.

**Revenue conference:**

By January 31 of each year, the office shall convene a meeting with the Secretary of the Budget and the majority and minority chairmen of the Appropriations Committees of the Senate and House of Representatives to discuss the following:

- 1) An assessment of the Pennsylvania economy and the national economy and the impact of economic trends on revenue performance for the budget year and the succeeding year.
- 2) Recommended changes to revenue forecasting and econometric models being considered by the office.
- 3) Current year-to-date revenue collections by specific tax or revenue source, including Federal funds, the General Fund, Lottery Fund and the Motor Vehicle License Fund and variations that may be occurring in the revenue estimate submitted under section 5(a).
- 4) Any statutory or tax policy change that may be recommended by the Governor or the General Assembly for the next succeeding fiscal year.

**Access to information:**

- A. Agencies: the director is authorized to secure information, data, expense information, estimates and statistics directly from a Commonwealth agency or political subdivision.
- B. Office of the Budget: in carrying out the duties and functions of the office, the director is authorized to obtain information, data, estimates and statistics developed by the Office of the Budget and all Commonwealth agencies.
- C. Computer database: the office shall have access to any computerized database of a State agency that is required to aid the office in the performance of its duties, except that any

statutory requirements regarding privacy of individuals' records shall be observed in providing access.

D. Daily revenue data:

1) The Secretary of Revenue and the Secretary of the Budget shall post revenue collection data for each deposit day and make the information available to the office and the majority and minority chairmen of the Senate and house Appropriations committees.

2) The daily revenue data shall be presented in a manner similar to and consistent with the daily revenue data provided in June 30, 2007. In no case shall each deposit day contain less information than was accessible during the 2006-07 fiscal year as a result of changes in reporting procedures, accounting systems or computer systems.

3) The Governor, Attorney General, Auditor General and State Treasurer shall cause to prepare any other revenue data as may be requested by the office.

E. Civil action: if information is not made available by a commonwealth agency or political subdivision within a reasonable time, the director may make a written request to the agency head, stating the authority to receive the information. The agency head has ten days to respond to the request. If the information is not provided within ten days, the director may bring a civil action to require the agency head to provide the information. .

**Director:**

A. Selection committee: A selection committee shall select the director of the office. The selection committee shall consist of the Majority and minority Chairmen of the Appropriations committees of both the Senate and House, and the Majority Leader and Minority Leader of both the Senate and House, the President Pro Tempore of the Senate and the Speaker of the House of Representatives.

B. Appointment: The director shall be appointed by the selection committee. The appointment shall be made without regard to political affiliation and solely on the basis of fitness to perform the duties of the office based on qualifications published by the selection committee.

C. Deputy director: The director shall appoint a deputy director who shall perform such duties as assigned by the director and who shall act as director during the absence or incapacity of the director or a vacancy.

D. Term: the term of office of the director shall be four years.

E. Removal: the director may be removed by a concurrent resolution passed by the Senate and House of Representatives.

**Powers and duties of director:**

A. To appoint and fix the compensation of personnel as necessary to carry out the functions and duties of the office.

B. To procure the temporary or intermittent services of experts or consultants or organization thereof by contract.

***Effective Date:***

This act shall take effect in 60 days.