

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 1**Session of
1979

INTRODUCED BY MESSRS. TADDONIO, SWEET, VROON, KOLTER, S. E. HAYES, KOWALYSHYN, HOEFFEL, D. M. FISHER, POLITE, GEIST, PYLES, PETRARCA, E. G. JOHNSON, WENGER, KNEPPER, MRS. KERNICK MESSRS. NOYE, A. C. FOSTER, LASHINGER, STAIRS, TRELLO, GRUPPO, KUKOVICH, PICCOLA, ZELLER, ZORD, GOEBEL, McVERRY, REED, SIEMINSKI, CESSAR, PUNT, DORR, BURD, DeVERTER, MADIGAN, W. W. FOSTER, PITTS, STEWART, McCLATCHY, KLINGAMAN, E. R. LYNCH, MISS SIRIANNI, MESSRS. LEVI, FREIND, MRS. ARTY, MESSRS. R. R. FISCHER, SWIFT, BOWSER, POTT, ZWIKL, WILSON, GLADECK, CIMINI AND MOWERY, JANUARY 23, 1979

AS RE-REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, SEPTEMBER 19, 1979

A JOINT RESOLUTION

1 Proposing an amendment to the Constitution of the Commonwealth
2 of Pennsylvania, providing for spending limitations on the
3 State and its political subdivisions.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby resolves as follows:

6 Section 1. The following amendment to the Constitution of
7 the Commonwealth of Pennsylvania is proposed in accordance with
8 the provisions of Article XI thereof:

9 That Article VIII be amended by adding a section to read:

10 § 18. Spending limitations.

11 ~~(a) The total spending by the Commonwealth shall not exceed~~ <—
12 ~~the spending limit in any fiscal year. The spending limit shall~~
13 ~~be equal to the spending from the prior fiscal year, decreased~~
14 ~~or increased by the compound annual rate of growth of the Gross~~

1 ~~Commonwealth Product for the preceding two calendar years. Gross~~
2 ~~Commonwealth Product means the total market value of all final~~
3 ~~goods and services produced in the Commonwealth in one year.~~

4 ~~(b) Each unit of local government shall individually limit~~
5 ~~the growth of its spending, as defined by the General Assembly,~~
6 ~~to the rate of increase in the spending limit defined in~~
7 ~~subsection (a) unless the electors of the unit of local~~
8 ~~government shall approve a different limit by referendum. Such a~~
9 ~~referendum may be placed on the ballot by the appropriate~~
10 ~~legislative body or by initiative as defined in Article IX,~~
11 ~~section 14.~~

12 ~~(c) If the duty of paying any cost or any portion thereof~~
13 ~~shall be transferred from one level or unit of government to~~
14 ~~another the cost so transferred shall be deducted from the~~
15 ~~spending limit of the transferor as of the effective date of the~~
16 ~~transfer and shall be added to the spending limit of the~~
17 ~~transferee as of the date on which the transferee shall first~~
18 ~~make an appropriation or authorization on account of such cost.~~

19 ~~(d) The Commonwealth shall not impose upon any unit of local~~
20 ~~government new programs or increase levels of service under~~
21 ~~existing programs unless the necessary cost thereof shall be~~
22 ~~adequately funded by the State, except as provided by law~~
23 ~~effective prior to the adoption of this amendment.~~

24 ~~(e) The Commonwealth's spending limit as provided in~~
25 ~~subsection (a) may be changed only by Constitutional amendment.~~
26 ~~However, the procedure outlined in Article XI, section 1(a),~~
27 ~~otherwise reserved for situations where a major emergency~~
28 ~~threatens the Commonwealth, may be used.~~

29 ~~(f) (1) The spending limit of the Commonwealth or of any~~
30 ~~unit of local government may be exceeded in any emergency if~~

1 ~~with respect to the Commonwealth, the Governor so requests~~
2 ~~and each House of the General Assembly approves by a two-~~
3 ~~thirds vote of its members; and with respect to units of~~
4 ~~local government, the mayor or chief executive officer so~~
5 ~~requests and the legislative body approves by a two thirds~~
6 ~~vote of its members.~~

7 ~~(2) The designation of such an emergency shall state the~~
8 ~~nature of the emergency, the dollar amount of spending~~
9 ~~authorized for the emergency, the method by which the~~
10 ~~emergency will be funded, and a duration of not more than~~
11 ~~three years for emergency spending.~~

12 ~~(3) Any emergency so declared may be rescinded by the~~
13 ~~affirmative vote of a majority of those voting on such~~
14 ~~question at a referendum placed on the ballot at a regularly~~
15 ~~scheduled municipal or general election by petition of 10% of~~
16 ~~the voters registered in the governmental unit having~~
17 ~~declared such emergency at the immediately preceding primary~~
18 ~~election.~~

19 ~~(g) Future liabilities of new or increased deferred~~
20 ~~compensation or benefits contracted for on or after the~~
21 ~~effective date of this amendment, shall be fully funded in~~
22 ~~accordance with generally accepted actuarial and accounting~~
23 ~~principles.~~

24 ~~(h) Nothing in this section shall impair the full faith and~~
25 ~~credit obligation of the Commonwealth, nor any unit of local~~
26 ~~government to pay its debt. Debt service and lease rentals shall~~
27 ~~have first priority claim on available revenues. Revenues for~~
28 ~~the servicing of bonded indebtedness incurred prior to the~~
29 ~~effective date of this amendment and of voter approved bonded~~
30 ~~indebtedness shall be exempt from spending limits.~~

1 ~~(i) Except as provided in subsection (f), revenues in excess~~
2 ~~of the applicable spending limits shall be used only:~~

3 ~~(1) to establish a Stabilization Fund, for use only in a~~
4 ~~fiscal year when revenues do not rise in spending limits;~~
5 ~~however, such fund shall not exceed 5% of the revenues for~~
6 ~~the current fiscal year;~~

7 ~~(2) for reduction of taxes in the subsequent fiscal~~
8 ~~year; or~~

9 ~~(3) to finance emergencies declared in accordance with~~
10 ~~subsection (f).~~

11 ~~(j) Commonwealth spending means all appropriations and~~
12 ~~authorizations from the General Fund, Stabilization Fund, and~~
13 ~~Motor License Fund and funds created after the effective date of~~
14 ~~this amendment, except refunds, and the spending of Federal~~
15 ~~funds, gifts, or receipts restricted by laws in effect as of~~
16 ~~January 1, 1980. This section shall not be circumvented by~~
17 ~~creating additional spending programs within existing funds or~~
18 ~~creating new funds or by transferring existing programs or~~
19 ~~spending from the General Fund or Motor License Fund to new or~~
20 ~~existing special funds or other restricted receipt accounts.~~

21 ~~(A) TOTAL SPENDING BY THE COMMONWEALTH SHALL NOT EXCEED THE~~ <—
22 ~~SPENDING LIMIT IN ANY FISCAL YEAR. THE SPENDING LIMIT FOR ANY~~
23 ~~FISCAL YEAR SHALL BE EQUAL TO THE SPENDING DURING THE~~
24 ~~IMMEDIATELY PRIOR FISCAL YEAR, ADJUSTED BY 80% OF THE COMPOUND~~
25 ~~ANNUAL RATE OF CHANGE FOR THE TWO PRECEDING YEARS OF THE~~
26 ~~PERSONAL INCOME OF PENNSYLVANIA AS DEFINED AND OFFICIALLY~~
27 ~~REPORTED BY THE FEDERAL GOVERNMENT. THE PERCENTAGE OF THE RATE~~
28 ~~OF CHANGE USED IN ANY FISCAL YEAR TO ADJUST THE LIMIT MAY BE~~
29 ~~INCREASED FOR THAT YEAR, BUT NOT TO A PERCENTAGE IN EXCESS OF~~
30 ~~100%, BY THE AFFIRMATIVE VOTE OF TWO-THIRDS OF THE MEMBERS~~

1 ELECTED TO EACH HOUSE OF THE GENERAL ASSEMBLY.

2 (B) THE GENERAL ASSEMBLY SHALL ENACT LEGISLATION RESTRICTING
3 THE ANNUAL GROWTH IN EXPENDITURES OF EACH MUNICIPALITY, SCHOOL
4 DISTRICT OR ANY OTHER SIMILAR GENERAL PURPOSE UNIT OF GOVERNMENT
5 HEREINAFTER CREATED, TO AN APPROPRIATE ECONOMIC INDEX ADJUSTED
6 FOR POPULATION FLUCTUATION AND PROVIDE FOR CHANGING THE
7 EXPENDITURE LIMIT BY A MAJORITY VOTE OF THE ELECTORATE.

8 (C) IF THE DUTY OF PAYING ANY COST OR ANY PORTION THEREOF
9 SHALL BE TRANSFERRED FROM ONE LEVEL OR UNIT OF GOVERNMENT TO
10 ANOTHER THE COST SO TRANSFERRED SHALL BE DEDUCTED FROM THE
11 SPENDING LIMIT OF THE TRANSFEROR AND SHALL BE ADDED TO THE
12 SPENDING LIMIT OF THE TRANSFEREE.

13 (D) THE COMMONWEALTH SHALL NOT IMPOSE UPON ANY UNIT OF LOCAL
14 GOVERNMENT NEW PROGRAMS OR INCREASE LEVELS OF SERVICE UNDER
15 EXISTING PROGRAMS UNLESS THE NECESSARY COST THEREOF SHALL BE
16 ADEQUATELY FUNDED BY THE STATE.

17 (E) THE COMMONWEALTH'S SPENDING LIMIT AS PROVIDED IN
18 SUBSECTION (A) MAY BE CHANGED BY THE PROCEDURE OUTLINED IN
19 ARTICLE XI, SECTION 1(A).

20 (F) THE SPENDING LIMIT OF THE COMMONWEALTH MAY BE EXCEEDED
21 IN ANY FISCAL YEAR FOR A DECLARED EMERGENCY IF THE GOVERNOR SO
22 REQUESTS AND THE GENERAL ASSEMBLY APPROVES BY THE AFFIRMATIVE
23 VOTE OF TWO-THIRDS OF THE MEMBERS ELECTED TO EACH HOUSE. THE
24 EXCESS SPENDING AUTHORIZED BY EXCEEDING THE LIMIT IN THIS MANNER
25 SHALL NOT BE INCLUDED IN THE COMPUTATION BASE OF THE SPENDING
26 LIMIT FOR ANY SUBSEQUENT FISCAL YEAR.

27 (G) FUTURE LIABILITIES RESULTING FROM THE ADOPTION OR
28 CONTRACTING OF A NEW OR IMPROVED EMPLOYEE BENEFIT PENSION PLAN
29 ON OR AFTER THE EFFECTIVE DATE OF THIS AMENDMENT, SHALL BE
30 FUNDED FOR IN ACCORDANCE WITH AN ACCEPTABLE ADVANCE FUNDING

1 ACTUARIAL METHOD USING ACTUARIAL ASSUMPTIONS AND ASSET VALUATION
2 METHODS.

3 (H) COMMONWEALTH SPENDING MEANS ALL APPROPRIATIONS AND
4 AUTHORIZATIONS FROM THE GENERAL FUND, AND MOTOR LICENSE FUND AND
5 FUNDS CREATED AFTER THE EFFECTIVE DATE OF THIS AMENDMENT, AND
6 SHALL EXCLUDE REFUNDS, SERVICING OF BONDED INDEBTEDNESS INCURRED
7 PRIOR TO THE EFFECTIVE DATE OF THIS AMENDMENT AND OF VOTER
8 APPROVED BONDED INDEBTEDNESS, EXPENDITURES FOR FUNDING THE
9 UNFUNDED PENSION LIABILITIES EXISTING ON THE EFFECTIVE DATE OF
10 THIS AMENDMENT, AND THE SPENDING OF FEDERAL FUNDS, GIFTS OR
11 RECEIPTS RESTRICTED BY LAWS IN EFFECT AS OF JANUARY 1, 1980.
12 THIS SECTION SHALL NOT BE CIRCUMVENTED BY CREATING ADDITIONAL
13 SPENDING PROGRAMS IN, OR TRANSFERRING SPENDING FROM THE GENERAL
14 FUND OR MOTOR LICENSE FUND TO, EXISTING SPECIAL FUNDS OR OTHER
15 RESTRICTED RECEIPT ACCOUNTS.

16 (I) THE COMMONWEALTH AND EACH MUNICIPALITY, SCHOOL DISTRICT,
17 OR ANY OTHER SIMILAR GENERAL PURPOSE UNIT OF GOVERNMENT
18 HEREINAFTER CREATED, SHALL NOT IMPOSE TAXES OR SPEND REVENUES IN
19 EXCESS OF THOSE IMPOSED OR EXPENDED DURING THE FISCAL YEAR NEXT
20 FOLLOWING THE DATE ON WHICH THIS AMENDMENT IS ADOPTED UNTIL THE
21 LEGISLATION REQUIRED BY SUBSECTION (B) HAS BEEN ENACTED.

22 SCHEDULE

23 SECTION 18(A) SHALL BE EFFECTIVE FOR THE FISCAL YEAR OR
24 PERIOD COMMENCING SIX MONTHS AFTER VOTER APPROVAL.