

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 REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, MARCH 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) Beginning the first full fiscal year after the adoption~~
12 ~~of this amendment, the rate of growth of total spending by the~~
13 ~~Commonwealth shall not exceed the average rate of growth of~~
14 ~~Gross Commonwealth Product in the preceding three calendar~~

1 ~~years.~~

2 ~~(b) Total combined spending of all municipalities and school~~
3 ~~districts of the Commonwealth, except as increased by referendum~~
4 ~~as provided in subsection (f), for their respective calendar~~
5 ~~years or fiscal years beginning therein, commencing more than~~
6 ~~one year after the date of the approval of this section, shall~~
7 ~~not increase at a rate in excess of the average rate of growth~~
8 ~~of the Gross Commonwealth Product in the preceding three~~
9 ~~calendar years.~~

10 ~~(c) The General Assembly shall enact legislation restricting~~
11 ~~the rate of growth of spending in each class of municipality and~~
12 ~~school district in a manner which will limit the growth of total~~
13 ~~spending to the amount specified in subsection (b). The General~~
14 ~~Assembly shall provide uniform limitation formulas for each~~
15 ~~class of municipality and school district. Until the General~~
16 ~~Assembly enacts spending limitation formulas for each class of~~
17 ~~municipality and school district, each such political~~
18 ~~subdivision shall individually limit the growth of its spending~~
19 ~~to the spending ceiling rate applicable to Commonwealth~~
20 ~~spending.~~

21 ~~(d) If responsibility for funding programs is transferred~~
22 ~~from one unit or level of government to another, the respective~~
23 ~~spending limits shall be adjusted to reflect such change,~~
24 ~~provided that the total spending authorized by the Commonwealth~~
25 ~~and its municipalities and school districts does not exceed that~~
26 ~~amount which would have been authorized by the Commonwealth and~~
27 ~~its municipalities and school districts without change. The~~
28 ~~Commonwealth shall not impose upon any municipality or school~~
29 ~~district new programs or increased levels of service under~~
30 ~~existing programs unless the cost thereof shall be adequately~~

1 ~~funded by the State, except as provided by law prior to the~~
2 ~~adoption of this amendment, unless local government spending~~
3 ~~ceilings are appropriately adjusted.~~

4 ~~(c) (1) The basis of the Commonwealth's spending limitation~~
5 ~~as provided in subsection (a) may be changed only by~~
6 ~~Constitutional amendment: Provided, however, That the procedure~~
7 ~~outlined in Article XI, section 1(a), otherwise reserved for~~
8 ~~situations where a major emergency threatens the Commonwealth,~~
9 ~~may be used.~~

10 ~~(2) The spending limitations of each municipality and school~~
11 ~~district may be changed if such change is approved by a majority~~
12 ~~of those voting at a referendum placed on the ballot by the~~
13 ~~appropriate legislative body at a regularly scheduled general or~~
14 ~~municipal election.~~

15 ~~(f) The spending limit of the Commonwealth or of any~~
16 ~~municipality or school district may be exceeded in a natural~~
17 ~~disaster or other such emergency if:~~

18 ~~(1) with respect to the Commonwealth, the Governor requests~~
19 ~~and each House of the General Assembly approves by a two thirds~~
20 ~~vote; and~~

21 ~~(2) with respect to municipalities and school districts, the~~
22 ~~mayor or chief legislative officer, where one exists, requests~~
23 ~~and the legislative body by a two thirds vote approves, the~~
24 ~~designation of the nature of the emergency, the dollar amount of~~
25 ~~spending authorized for the emergency, the method by which the~~
26 ~~emergency will be funded, and provides a limited duration of not~~
27 ~~more than three years for emergency spending. Any emergency so~~
28 ~~declared shall be rescinded by the affirmative vote a majority~~
29 ~~of those voting on such question at a referendum placed on the~~
30 ~~ballot at a regularly scheduled municipal or general election by~~

1 ~~petition of 5% of the voters registered in such political~~
2 ~~subdivision at the immediately preceding primary election.~~

3 ~~(g) No spending limitations shall be circumvented by~~
4 ~~underfunding or understating future liabilities for increased~~
5 ~~deferred compensation or benefits contracted for on or after~~
6 ~~January 1, 1980. Liabilities for deferred compensation or~~
7 ~~benefits shall be determined in accordance with generally~~
8 ~~accepted actuarial and accounting principles.~~

9 ~~(h) Nothing in this section shall impair the full faith and~~
10 ~~credit obligation of the Commonwealth to pay its debt.~~

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

13 ~~(1) to establish a stabilization fund, for use only in a~~
14 ~~fiscal year when revenues do not rise to spending growth limits:~~
15 ~~Provided, That such fund shall not exceed 5% of the revenues for~~
16 ~~the current fiscal year;~~

17 ~~(2) for reduction of taxes;~~

18 ~~(3) for credit against the next year's spending limit; or~~

19 ~~(4) to finance emergencies declared in accordance with~~
20 ~~subsection (f).~~

21 ~~(j) Any taxpayer of the Commonwealth shall have standing as~~
22 ~~authorized by the General Assembly to bring suit in the~~
23 ~~Commonwealth Court to enforce the provisions of this act.~~

24 ~~(k) Spending shall include all general and special fund~~
25 ~~appropriations and authorizations, excluding any funds derived~~
26 ~~from the Federal Government, the appropriation or authorization~~
27 ~~of restricted receipts, refunds and amounts received from the~~
28 ~~public for discretionary services benefiting the person charged.~~
29 ~~The Commonwealth spending ceiling shall exclude spending of the~~
30 ~~State Lottery Fund, Nonpublic Elementary and Secondary Education~~

~~Fund, Sire Stakes Fund, State Horse Racing Fund, Highway
Beautification Fund, Pennsylvania Fair Fund, State Harness
Racing Fund, Game Fund, Fish Fund, Banking Department Fund, Milk
Marketing Fund, State Farm Products Show Fund, and the Boating
Fund. The General Assembly shall enact legislation defining, in
conformity with the provisions of subsection (b), the definition
of spending for municipalities and school districts. Gross
Commonwealth Product means the total market value of all final
goods and services produced in the Commonwealth in one year.~~

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
15 COMMONWEALTH PRODUCT FOR THE PRECEDING TWO CALENDAR YEARS. GROSS
16 COMMONWEALTH PRODUCT MEANS THE TOTAL MARKET VALUE OF ALL FINAL
17 GOODS AND SERVICES PRODUCED IN THE COMMONWEALTH IN ONE YEAR.

18 (B) EACH UNIT OF LOCAL GOVERNMENT SHALL INDIVIDUALLY LIMIT
19 THE GROWTH OF ITS SPENDING, AS DEFINED BY THE GENERAL ASSEMBLY,
20 TO THE RATE OF INCREASE IN THE SPENDING LIMIT DEFINED IN
21 SUBSECTION (A) UNLESS THE ELECTORS OF THE UNIT OF LOCAL
22 GOVERNMENT SHALL APPROVE A DIFFERENT LIMIT BY REFERENDUM. SUCH A
23 REFERENDUM MAY BE PLACED ON THE BALLOT BY THE APPROPRIATE
24 LEGISLATIVE BODY OR BY INITIATIVE AS DEFINED IN ARTICLE IX,
25 SECTION 14.

26 (C) IF THE DUTY OF PAYING ANY COST OR ANY PORTION THEREOF
27 SHALL BE TRANSFERRED FROM ONE LEVEL OR UNIT OF GOVERNMENT TO
28 ANOTHER THE COST SO TRANSFERRED SHALL BE DEDUCTED FROM THE
29 SPENDING LIMIT OF THE TRANSFEROR AS OF THE EFFECTIVE DATE OF THE
30 TRANSFER AND SHALL BE ADDED TO THE SPENDING LIMIT OF THE

1 TRANSFEEE AS OF THE DATE ON WHICH THE TRANSFEEE SHALL FIRST
2 MAKE AN APPROPRIATION OR AUTHORIZATION ON ACCOUNT OF SUCH COST.

3 (D) THE COMMONWEALTH SHALL NOT IMPOSE UPON ANY UNIT OF LOCAL
4 GOVERNMENT NEW PROGRAMS OR INCREASE LEVELS OF SERVICE UNDER
5 EXISTING PROGRAMS UNLESS THE NECESSARY COST THEREOF SHALL BE
6 ADEQUATELY FUNDED BY THE STATE, EXCEPT AS PROVIDED BY LAW
7 EFFECTIVE PRIOR TO THE ADOPTION OF THIS AMENDMENT.

8 (E) THE COMMONWEALTH'S SPENDING LIMIT AS PROVIDED IN
9 SUBSECTION (A) MAY BE CHANGED ONLY BY CONSTITUTIONAL AMENDMENT.
10 HOWEVER, THE PROCEDURE OUTLINED IN ARTICLE XI, SECTION 1(A),
11 OTHERWISE RESERVED FOR SITUATIONS WHERE A MAJOR EMERGENCY
12 THREATENS THE COMMONWEALTH, MAY BE USED.

13 (F) (1) THE SPENDING LIMIT OF THE COMMONWEALTH OR OF ANY
14 UNIT OF LOCAL GOVERNMENT MAY BE EXCEEDED IN ANY EMERGENCY IF
15 WITH RESPECT TO THE COMMONWEALTH, THE GOVERNOR SO REQUESTS
16 AND EACH HOUSE OF THE GENERAL ASSEMBLY APPROVES BY A TWO-
17 THIRDS VOTE OF ITS MEMBERS; AND WITH RESPECT TO UNITS OF
18 LOCAL GOVERNMENT, THE MAYOR OR CHIEF EXECUTIVE OFFICER SO
19 REQUESTS AND THE LEGISLATIVE BODY APPROVES BY A TWO-THIRDS
20 VOTE OF ITS MEMBERS.

21 (2) THE DESIGNATION OF SUCH AN EMERGENCY SHALL STATE THE
22 NATURE OF THE EMERGENCY, THE DOLLAR AMOUNT OF SPENDING
23 AUTHORIZED FOR THE EMERGENCY, THE METHOD BY WHICH THE
24 EMERGENCY WILL BE FUNDED, AND A DURATION OF NOT MORE THAN
25 THREE YEARS FOR EMERGENCY SPENDING.

26 (3) ANY EMERGENCY SO DECLARED MAY BE RESCINDED BY THE
27 AFFIRMATIVE VOTE OF A MAJORITY OF THOSE VOTING ON SUCH
28 QUESTION AT A REFERENDUM PLACED ON THE BALLOT AT A REGULARLY
29 SCHEDULED MUNICIPAL OR GENERAL ELECTION BY PETITION OF 10% OF
30 THE VOTERS REGISTERED IN THE GOVERNMENTAL UNIT HAVING

1 DECLARED SUCH EMERGENCY AT THE IMMEDIATELY PRECEDING PRIMARY
2 ELECTION.

3 (G) FUTURE LIABILITIES OF NEW OR INCREASED DEFERRED
4 COMPENSATION OR BENEFITS CONTRACTED FOR ON OR AFTER THE
5 EFFECTIVE DATE OF THIS AMENDMENT, SHALL BE FULLY FUNDED IN
6 ACCORDANCE WITH GENERALLY ACCEPTED ACTUARIAL AND ACCOUNTING
7 PRINCIPLES.

8 (H) NOTHING IN THIS SECTION SHALL IMPAIR THE FULL FAITH AND
9 CREDIT OBLIGATION OF THE COMMONWEALTH, NOR ANY UNIT OF LOCAL
10 GOVERNMENT TO PAY ITS DEBT. DEBT SERVICE AND LEASE RENTALS SHALL
11 HAVE FIRST PRIORITY CLAIM ON AVAILABLE REVENUES. REVENUES FOR
12 THE SERVICING OF BONDED INDEBTEDNESS INCURRED PRIOR TO THE
13 EFFECTIVE DATE OF THIS AMENDMENT AND OF VOTER APPROVED BONDED
14 INDEBTEDNESS SHALL BE EXEMPT FROM SPENDING LIMITS.

15 (I) EXCEPT AS PROVIDED IN SUBSECTION (F), REVENUES IN EXCESS
16 OF THE APPLICABLE SPENDING LIMITS SHALL BE USED ONLY:

17 (1) TO ESTABLISH A STABILIZATION FUND, FOR USE ONLY IN A
18 FISCAL YEAR WHEN REVENUES DO NOT RISE IN SPENDING LIMITS;
19 HOWEVER, SUCH FUND SHALL NOT EXCEED 5% OF THE REVENUES FOR
20 THE CURRENT FISCAL YEAR;

21 (2) FOR REDUCTION OF TAXES IN THE SUBSEQUENT FISCAL
22 YEAR; OR

23 (3) TO FINANCE EMERGENCIES DECLARED IN ACCORDANCE WITH
24 SUBSECTION (F).

25 (J) COMMONWEALTH SPENDING MEANS ALL APPROPRIATIONS AND
26 AUTHORIZATIONS FROM THE GENERAL FUND, STABILIZATION FUND, AND
27 MOTOR LICENSE FUND AND FUNDS CREATED AFTER THE EFFECTIVE DATE OF
28 THIS AMENDMENT, EXCEPT REFUNDS, AND THE SPENDING OF FEDERAL
29 FUNDS, GIFTS, OR RECEIPTS RESTRICTED BY LAWS IN EFFECT AS OF
30 JANUARY 1, 1980. THIS SECTION SHALL NOT BE CIRCUMVENTED BY

- 1 CREATING ADDITIONAL SPENDING PROGRAMS WITHIN EXISTING FUNDS OR
- 2 CREATING NEW FUNDS OR BY TRANSFERRING EXISTING PROGRAMS OR
- 3 SPENDING FROM THE GENERAL FUND OR MOTOR LICENSE FUND TO NEW OR
- 4 EXISTING SPECIAL FUNDS OR OTHER RESTRICTED RECEIPT ACCOUNTS.