A JOINT RESOLUTION

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

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

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

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

§ 18. Spending limitations.

(a) Beginning the first full fiscal year after the adoption of this amendment, the rate of growth of total spending by the Commonwealth shall not exceed the average rate of growth of Gross Commonwealth Product in the preceding three calendar years.
(b) Total combined spending of all municipalities and school
districts of the Commonwealth, except as increased by referendum
as provided in subsection (f), for their respective calendar
years or fiscal years beginning therein, commencing more than
one year after the date of the approval of this section, shall
not increase at a rate in excess of the average rate of growth
of the Gross Commonwealth Product in the preceding three
calendar years.

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

(d) If responsibility for funding programs is transferred
from one unit or level of government to another, the respective
spending limits shall be adjusted to reflect such change,
provided that the total spending authorized by the Commonwealth
and its municipalities and school districts does not exceed that
amount which would have been authorized by the Commonwealth and
its municipalities and school districts without change. The
Commonwealth shall not impose upon any municipality or school
district new programs or increased levels of service under
existing programs unless the cost thereof shall be adequately
funded by the State, except as provided by law prior to the 
adoption of this amendment, unless local government spending 
ceilings are appropriately adjusted.

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

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

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

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

(2) with respect to municipalities and school districts, the 
mayor or chief legislative officer, where one exists, requests 
and the legislative body by a two-thirds vote approves, the 
designation of the nature of the emergency, the dollar amount of 
spending authorized for the emergency, the method by which the 
emergency will be funded, and provides a limited duration of not 
more than three years for emergency spending. Any emergency so 
declared shall be rescinded by the affirmative vote a majority 
of those voting on such question at a referendum placed on the 
ballot at a regularly scheduled municipal or general election by
petition of 5% of the voters registered in such political
subdivision at the immediately preceding primary election.

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

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

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

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

(2) for reduction of taxes;

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

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

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

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

(A) THE TOTAL SPENDING BY THE COMMONWEALTH SHALL NOT EXCEED THE SPENDING LIMIT IN ANY FISCAL YEAR. THE SPENDING LIMIT SHALL BE EQUAL TO THE SPENDING FROM THE PRIOR FISCAL YEAR, DECREASED OR INCREASED BY THE COMPOUND ANNUAL RATE OF GROWTH OF THE GROSS COMMONWEALTH PRODUCT FOR THE PRECEDING TWO CALENDAR YEARS. GROSS COMMONWEALTH PRODUCT MEANS THE TOTAL MARKET VALUE OF ALL FINAL GOODS AND SERVICES PRODUCED IN THE COMMONWEALTH IN ONE YEAR.

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

(C) IF THE DUTY OF PAYING ANY COST OR ANY PORTION THEREOF SHALL BE TRANSFERRED FROM ONE LEVEL OR UNIT OF GOVERNMENT TO ANOTHER THE COST SO TRANSFERRED SHALL BE DEDUCTED FROM THE SPENDING LIMIT OF THE TRANSFEROR AS OF THE EFFECTIVE DATE OF THE TRANSFER AND SHALL BE ADDED TO THE SPENDING LIMIT OF THE
TRANSFEREE AS OF THE DATE ON WHICH THE TRANSFEREE SHALL FIRST
MAKE AN APPROPRIATION OR AUTHORIZATION ON ACCOUNT OF SUCH COST.

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

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

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

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

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

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

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

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

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

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

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

(J) COMMONWEALTH SPENDING MEANS ALL APPROPRIATIONS AND AUTHORIZATIONS FROM THE GENERAL FUND, STABILIZATION FUND, AND MOTOR LICENSE FUND AND FUNDS CREATED AFTER THE EFFECTIVE DATE OF THIS AMENDMENT, EXCEPT REFUNDS, AND THE SPENDING OF FEDERAL FUNDS, GIFTS, OR RECEIPTS RESTRICTED BY LAWS IN EFFECT AS OF JANUARY 1, 1980. THIS SECTION SHALL NOT BE CIRCUMVENTED BY
CREATING ADDITIONAL SPENDING PROGRAMS WITHIN EXISTING FUNDS OR
CREATING NEW FUNDS OR BY TRANSFERRING EXISTING PROGRAMS OR
SPENDING FROM THE GENERAL FUND OR MOTOR LICENSE FUND TO NEW OR
EXISTING SPECIAL FUNDS OR OTHER RESTRICTED RECEIPT ACCOUNTS.