

**MEETING OF ACT 47 MUNICIPAL FISCAL DISTRESS TASK FORCE –
SUBCOMMITTEE ON FINANCE AND INDEBTEDNESS**

Thursday, June 13, 2013

The meeting of the Act 47 Municipal Fiscal Distress Task Force Subcommittee on Finance and Indebtedness was called to order by Senator John P. Blake at 10:00 a.m. in Room 14 East Wing-Main Capitol Building, Harrisburg, with the following individuals present:

Members

**Senator John Blake, Chair
Craig Best, Pennsylvania Bankers Association (via telephone)
John Brosious, PA Municipal Authorities Association
Dean Kaplan, Public Financial Management Group
John Kelly, U.S. Bankruptcy Court – Middle District of Pennsylvania**

Staff

**Jason Brehouse, Senate Community, Economic & Recreational Dvlpmt. Committee (R)
Luc Miron, Office of Senator Blake
Philip Klotz, Local Government Commission
David Greene, Local Government Commission
Alexis Kricher, Department of Community and Economic Development**

Other Attendees

Dave Davare, Pennsylvania Economy League

As the first order of business, Senator Blake welcomed all of the Subcommittee members, staff and guests and then gave a brief overview of the meeting. The purpose of the Subcommittee meeting was to distill issues outlined at the June 6, 2013, meeting of the Subcommittee into a series of recommendations to the full Task Force. The issues outlined at the previous meeting were reflected in the agenda as follows:

- a. Implement tax-base sharing for distressed municipalities and neighboring communities.**
- b. Institute payroll tax for distressed municipalities.**
- c. Enact an optional 1% county sales tax.**
- d. Waive state mandates placed on distressed municipalities.**
- e. Permit the coordinator to petition the court of common pleas under Section 123 of Act 47 to increase the rate of Local Services Tax above \$52.**
- f. Create overlay districts to provide municipal services pursuant to Sections 6 and 7 of Article IX of the Pennsylvania Constitution.**

Senator Blake then directed the attention of the Subcommittee to the minutes of the June 6, 2013, Subcommittee meeting, and stressed that members should take a very close look at them given that they are an important record of proceedings. He noted that after circulation of a previous draft, clarifications and corrections were submitted to Commission staff. The draft under review integrated those suggested changes. The amended minutes were approved unanimously after a motion by Mr. Kaplan and a second by Mr. Kelly.

Turning specifically to the recommendations, Senator Blake noted that a recommendation need not occur for every discussion topic. He also suggested that recommendations be made with a reasonable level of comfort and consensus among Subcommittee members, and that issues that demonstrate a significant level of difference among members should be passed upon. He also noted that this is a fluid process, and once all Subcommittee recommendations come in to the full Task Force for consideration, members will still have an opportunity to provide input. Mr. Miron asked if other Subcommittees had made recommendations that did not enjoy unanimous endorsement. Mr. Greene answered that in both Procedural and Labor Subcommittees, recommendations were based on unanimous endorsement. He noted the Chairman Ross assured Labor Subcommittee members, who may have been disappointed with recommendations, that they would have an opportunity to comment before the full Task Force and perhaps contribute to a minority report. Senator Blake echoed comments of Senator Eichleberger that issues would “bounce back

and forth” between subcommittees and the full Task Force, and that opportunities would exist for additional comment.

a. Implement tax-base sharing for distressed municipalities and neighboring communities.

Senator Blake then turned to the first issue, tax-base sharing for purposes of providing certain municipal services. Mr. Davare provided background on the recommendation, stating that he and Gerald Cross discussed scenarios in which cooperation made sense. He noted, for example, that there are public roads in the Altoona area that have segments crossing back and forth between several municipalities, and for which cooperative snow removal is warranted. Any alternative is highly inefficient, but there simply is no appreciable incentive to more intensely promote cooperation. Senator Blake raised the issue of mandating cooperation, and that any proposal doing so is problematic, not only for municipalities, but also for school districts. He noted that consensus on any recommendation that involved forced cooperation would likely be very hard to achieve.

Senator Blake asked Mr. Greene how a tax-base sharing mechanism might look legislatively. Mr. Greene noted that the Pennsylvania Constitution provides for mandated intergovernmental cooperation through referendum, and that a legislative mechanism could be established to more precisely step out a process for voter-approved cooperation and tax-base sharing, after perhaps study and fact-finding, in a manner similar to what occurs in merger and consolidation. Mr. Brehouse noted that such legislation may still encounter some resistance notwithstanding its constitutional origins because the mechanism could provide a “political cover” excuse for governing bodies not to take affirmative steps to cooperate. Mr. Brosious asked Mr. Greene whether there would be two types of referenda: one initiated by the governing body and one initiated by the people. Mr. Greene said the legislation could, like merger and consolidation, include both, and that he had no information about which method prevailed in merger and consolidation. Mr. Brosious, asked if these are possible amendments to the intergovernmental cooperation law, or something else. Mr. Davare said the intergovernmental cooperation provisions of Title 53 are very broad, and they cover most forms of local government, but that the initiative provisions are not stepped out. He suggested that there is a training component that may need to be addressed in terms of apprising local officials of cooperative options and the relevant law, perhaps through DCED. Mr. Greene noted that Mr. Davare’s comments raised another issue: In merger and consolidation, there is a report that does not exist in intergovernmental cooperation. Senator Blake said the central question is whether the statutory framework may be sufficient and enhanced training should be explored, or whether additional legislation is necessary. Mr. Kaplan added the state has a role in promoting cooperation. In his experience in the Pittsburgh area, a COG (council of government) was available, but not really used. He mentioned Pittsburgh’s assumption of trash and fire protection services for Wilkensburg as promoted by DCED. He further noted that this was done within an existing statutory framework, but it also demonstrates that additional education and encouragement may sometimes be warranted.

Mr. Kaplan noted another alternative, albeit one that may not be practical, which would be grants to promote intergovernmental cooperation agreements (ICAs). Senator Blake clarified that any proposed modification to the ICA statute does not necessarily involve a new revenue stream, but instead the dedication of existing funding sources to a cooperative venture. Mr. Brosious mentioned that the Senator’s point was well-taken; many mutual agreements do not involve new funding streams, but just a refocusing of exiting funding streams. He also was wondering why it did not happen more often. Senator Blake acknowledged that local “parochial” concerns may get in the way of ICAs, but that more informal agreements probably did exist than with the formalities of a statutory ICA. After a question by Mr. Kelly, Mr. Davare clarified that ICAs do not typically involve the creation of a “new level of government” and that the financing responsibilities are stepped out in the agreement itself, not in statute.

Senator Blake focused the discussion on whether the current statutes were sufficient to address the procedures of providing services on an areawide basis, or whether, alternatively, more education on available resources was warranted. Mr. Kaplan recounted

his Pittsburgh experience on how more cooperation between the City and adjoining municipalities was encouraged by the coordinator and DCED. He also noted that there may be municipalities that are not aware of a decent COG in the area that could assist them. He emphasized that all these tools exist in the law currently, but that additional education is warranted. Mr. Davare noted that collective bargaining agreements would have to be a factor in any ICA. Senator Blake asked Mr. Kaplan if Act 47 expressly mandates that a coordinator explore ICAs. Mr. Kaplan answered that he did not believe so, but that a coordinator typically explores the relationship between adjoining municipalities, and his or her role includes promoting greater cooperation. Mr. Davare noted that often the coordinator sits down with labor and discusses cooperation given the municipality's inability to pay for services under the current arrangement. Mr. Kaplan suggested that it may be possible to request grants for joint ventures under the current scheme of Act 47. Mr. Brehouse said another impediment to ICAs is a municipality's residents' suspicion of giving control over municipal functions to other levels of governments. He also noted that economies of scale achieved through ICAs may not always result in long-term savings and, if they do, it may be difficult to adequately illustrate the savings to the electorate.

Senator Blake emphasized that local government officials are constantly turning over and that new officials may not be cognizant of options that are available to them. In Act 47 communities, there is already a difficult situation, including distrust within governing bodies. Mr. Davare suggested that Act 47 could be amended to expressly provide consideration of ICAs, or, alternatively, in the context of an early intervention program. Mr. Kaplan suggested that there is often a "cross cutting" dynamic to good intergovernmental policy; although intergovernmental cooperation may be a good option, the timing of when it occurs must be considered given a particular municipality's status.

Mr. Brosious discussed the practice of using municipal authorities for revenue streams for municipalities. Senator Blake discussed Senator Eichelberger's recent legislative proposals to restrict the use of authority funds, but acknowledged the existence of the practice and how municipalities, including Act 47 municipalities, have been using such funding to avoid tax increases. Mr. Kaplan added that there was discussion in the Subcommittee on Act 47 Procedure regarding the need for coordinators to have a better sense of the relationship between distressed municipalities and authorities. Mr. Brosious questioned why there was not more awareness of authority finances given the requirement for the disclosure of financial statements. Mr. Davare indicated that the financial statements only involve the general fund and may not disclose other special funds. Senator Blake stated that Senator Eichelberger's legislative proposal addresses some of these accounting issues. Mr. Kaplan noted that distressed municipalities often have substandard bookkeeping. Mr. Brosious mentioned that accountants that do financial reviews only "flag" or footnote inconsistencies. Senator Blake concluded that DCED is requiring greater compliance with reporting requirements and is working on manpower requirements to examine financial submissions.

Senator Blake summarized the recommendation of the Subcommittee that codification of the EIP program contain a reference to intergovernmental cooperation and to study or examine the prospect of ICAs. Training opportunities involving DCED and municipal associations should be promoted to educate local officials on intergovernmental cooperation and areawide or regional solutions.

b. Institute payroll tax for distressed municipalities.

Senator Blake then turned to the issue of a possible payroll tax option for distressed municipalities. He noted that it is difficult to discern the precise economic effects such a tax would have in a generic sense, and that conditions on the ground for specific municipalities would have to be examined. He noted that Fred Reddig has expressed the benefits of the tax, and that Pittsburgh is the most common example of a change in tax policy working effectively. Senator Blake questioned whether data existed for any municipality in Pennsylvania other than Pittsburgh. Mr. Kaplan noted that at the time of the implementation of the Pittsburgh payroll tax, there were only national models available for comparison, including St. Louis and San Francisco. Senator Blake said the position of DCED is that residents of a municipality must pay a higher tax than nonresidents, and the agency has recognized the payroll tax approach as a transitional measure.

Mr. Kaplan emphasized that municipalities should be given a range of possible tax strategies in order to choose the approach best suited to their situation. Mr. Davare discussed the possibility of increasing the Local Services Tax (LST) as another available alternative that is cheaper than a higher earned income tax, and how this tax in coordination with a payroll tax could provide a means by which existing taxes could be phased out. Mr. Kaplan noted that there were discussions about indexing the LST, but aside from that, you get an initial “bump” in revenue after which the amount is static. The payroll tax, albeit less popular, is going to increase as salaries increase. Mr. Davare acknowledged this, but suggested that additional options are beneficial.

Senator Blake emphasized that the Subcommittee should focus the tax discussion on Act 47 municipalities. The question is whether the statutory tax authority, under tight, qualified conditions, should be given to Act 47 municipalities. A tax shift, if considered, may be subject to initial revenue neutrality requirements. Also, the discussion must address the conditions under which the tax authority should exist, and the duration of that tax authority. Mr. Kaplan noted that revenue neutrality is a problem because there is an initial deficit that needs to be remedied, expenditure reforms take time, and thus it sets up a recurring situation involving court approval for tax authority. He suggested, perhaps in the context of only the LST, that some enhanced taxing authority be considered on a permanent basis. Mr. Davare stressed that there was discussion about increasing the exemption for an enhanced LST and that it be implemented in lieu of a nonresident EIT. Senator Blake said he conceptualize the nonresident EIT and the enhanced LST as being mutually exclusive. He was, however, not certain if Mr. Kaplan was suggesting that a payroll tax be implemented to the exclusion of both a LST and a nonresident EIT. Mr. Kaplan answered that he was thinking that a payroll tax would be in lieu of either of the other two, and endorsed Senator Blake’s idea that any existing business privilege/gross receipts (BP/GR) tax would have to be abolished in the municipality before a payroll tax could be implemented. The question would then be stabilizing the municipality through a permanent tax shift. He suggested that the tax shift could be incentivized if there were either the permanence or no requirement that court approval be obtained. The LST would be more politically palatable. Mr. Davare noted that an increase in the exemption could help sell an LST increase.

Senator Blake asked if the Subcommittee was suggesting that any tax shift require court approval. Mr. Kaplan acknowledged that it would be attractive if court approval was not necessary, but noted that any taxing authority should be sustainable. Mr. Kaplan emphasized that a growth tax is necessary to avoid the same trap that exists currently with the nonresident EIT, with the municipality becoming dependent on the enhanced taxing authority. Mr. Davare noted that this question may involve the court determining whether the taxing authority is transitional or permanent. Senator Blake then outlined the questions before the Subcommittee: (1) Should the authority for the payroll tax exist? (2) How should the authority be examined for the variety of Act 47 municipalities and should the authority be exercised only in lieu of other existing taxes? (3) Should court authorization be required? Mr. Brehouse noted that Pittsburgh obtained the payroll tax because it had a business privilege tax, and the change was determined to be more equitable. The dynamic would be different in municipalities that could not demonstrate any increase in equity. Mr. Kaplan said that all the EIP cities are only a few years of poor tax receipts away from Act 47. If policymakers are given a new tax with a stipulation that the tax must be phased out, they are implicitly saying that economic conditions will improve in the municipality to such a degree that the tax is no longer necessary to sustain the municipality. Senator Blake acknowledged Mr. Brehouse’s point, and suggested that those municipalities that have a BP/GR tax have more justification for implementation of the payroll tax. He reiterated that the nonresident EIT and the LST are more closely related and should be thought of together in terms of alternatives, and that the payroll tax and the BP/GR tax should similarly be linked as alternatives. He suggested that the authority for the payroll tax should even, perhaps, be considered only for those Act 47 communities that have BP/GR tax. Mr. Brehouse suggested that there could be more legislative resistance to proposals that are not tax shifts. Senator Blake agreed that more support could be gained for a tax shift that was more progressive and equitable, subject to appropriate analysis. He also recalled that, in the case of Scranton, the analysis was such that the revenue derived from a nonresident EIT was reasonably close to that which could be derived from an LST of

\$156.00 per year. He emphasized that this approach would not be mandatory, but only an additional option. Mr. Kaplan added that a waiver of any need for court approval could be used as an incentive for any permanent LST increase; this would provide the same sort of relief that has been seen with Act 47 municipalities being encouraged to adopt a home rule charter. Mr. Davare added that an increased LST too could be linked to ICA/tax-base sharing as an incentive. Mr. Kaplan acknowledged that the political analysis discussed thus far is correct, but that solutions that remove municipalities permanently from distress are needed. Mr. Davare noted that short-term infusions often help for major capital issues and equipment updates. Senator Blake discussed how he believed that in certain situations a precise “recipe” of taxing options generally, and the combination of a payroll tax and an enhanced LST specifically, could put a municipality on a trajectory out of Act 47.

Senator Blake also noted that another issue that has not been discussed is property tax. Additional options could alleviate future property tax increases, and a difficult analysis is to what degree a new payroll tax would prevent a substantial increase in property tax. Mr. Kaplan indicated that commercial and industrial employers are willing to litigate their property tax assessments. Ideally, noted Mr. Kaplan, the payroll tax could be revenue neutral or negative with a corresponding decrease in property tax for a period after the inception of the tax while using the LST to bridge the gap. He also noted that the discussion of tax options in a distressed municipality takes time, and that often stakeholders do not participate and offer alternatives unless faced with an impending tax strategy with which they disagree.

Senator Blake then asked if a recommendation could be submitted by the Subcommittee. He stressed that any recommendation would go to the Task Force for consideration, then back to the Subcommittee, and ultimately to the Commission for drafting, and that Commission legislative proposals are restricted to those that will receive maximum consensus in the House and Senate. He suggested that there may be resistance to giving municipalities too much autonomy in tax policy. He strongly urged that the Subcommittee draft a recommendation that incorporates an optional tax shift, subject to strict requirements and judicial review in a manner that promotes a more equitable, progressive array of taxes. Mr. Kelly asked if legislation could be crafted to tie the tax options to the demographics of the area surrounding the distressed municipality. Mr. Davare suggested that it possibly could be done, but he would have to give additional thought to precisely how. Senator Blake noted that although there is significant diversity between Act 47 communities, they are often the hub of the region and contain the population centers and centralization of other features such as medical care, education, and tax exempt property. Thus, to his thinking, this is a difficult consideration; taxing option decisions are made on the basis of the economic conditions that exist within the Act 47 community, not the character of the communities that surround it. Mr. Davare suggested that coordinators consider the demographics of surrounding communities and the potential adverse reaction to tax options.

Senator Blake then turned to the precise crafting of the recommendation. Mr. Greene and Mr. Klotz suggested that the recommendation need not set forth a precise recommendation on a mix of taxes. Mr. Davare noted that based on his discussion with legislators on the issue of revenue neutrality, revenue projections can be difficult. Consequently, consideration should be given to a possible mechanism to guarantee future property tax reductions if revenue projections are exceeded. Mr. Kaplan said the issue of a growth component should be addressed in the recommendation, and mentioned the difficult issue of tax exempt property. Specifically, he mentioned that radical changes to address tax exempt property could possibly be avoided if there was acceptance of a tax shifting proposal. Mr. Davare said that the taxing options available could be tied to the percentage of assessed value of tax exempt land. Mr. Klotz said that the value of tax exempt property has not historically been assessed in a consistent manner. Senator Blake also suggested that DCED be consulted on any recommendations of the Subcommittee. DCED personnel have a unique perspective and could best discern how the options would work in practice in the distinctive circumstances of Act 47 municipalities. He reiterated his advocacy of separating the prospect of a payroll tax from the possibility of an enhanced LST.

Discussion then turned to whether the tax options should be of a permanent nature. Mr. Kaplan suggested there has to be some permanent revenue enhancement. Mr. Greene suggested that the 5-year time frame for Act 47 participation could be used as a review point for a discussion of the continuing need for the tax. Senator Blake raised the question of whether such a review would be an administrative function or would require judicial review. Mr. Greene indicated that he was hesitant to vest an administrator with the power to determine the continuing taxing power of a municipality. Mr. Kaplan noted that there may be occasions where a judge may not be adequately familiar with the circumstances of the municipality to come to an informed decision of the need for the revenue source going forward, but that the issue of review is worthy of consideration and refinement.

Senator Blake then summarized the recommendation of the Subcommittee: The Subcommittee recommends that the Task Force explore additional taxing options for municipalities, including a possible payroll tax and an increased LST, as alternatives to existing taxes. The Task Force should consider offsets, studies, or conditions that must be satisfied in order to implement additional tax options, as well as the prospect of a permanent authorization for certain taxes to ensure the post-Act 47 fiscal health of the municipality. The Task Force should also consider a review mechanism, either judicial or administrative, for the justification for any continued enhanced revenue stream.

c. Optional 1% county sales tax.

Senator Blake then turned to the issue of a county sales tax. He indicated that he was less enthusiastic about any recommendation after the Subcommittee's previous discussions. He suggested that the idea may have a better chance of enjoying consensus if it were tied to a reduction in property tax. A more practical problem, he noted, was the corporate community dealing with the issue of certain counties having a sales tax and others not having it. He acknowledged that the tax would present complicated problems that would have to be reconciled. Mr. Kaplan also noted that this idea is beyond addressing Act 47 municipalities specifically. Mr. Davare stated that there are data indicating that sales tax realities drive consumer spending decisions. He also said perhaps the tax could be considered if it were an income source for a distressed county. Of course, he noted, if the tax required judicial approval, it may have to be moved to Commonwealth Court given the relationship between the courts of common pleas and the counties. Senator Blake suspected that, aside from in a very restricted scenario, he doubted any recommendation on this issue would gain consensus, but he would defer to the Subcommittee. Mr. Kaplan suggested that, in lieu of a recommendation, that we inform the Task Force that the Subcommittee discussed the issue. Mr. Davare reiterated a restriction to consideration of the tax for distressed counties. Senator Blake noted that there is significant support in the General Assembly for totally eliminating the property tax. Furthermore, a sales tax is very regressive, and is a matter of concern for the professional services community. That being said, he suggested that it may have more drawbacks than advantages. Mr. Brehouse indicated that it may be worth mentioning to the Task Force because it may prompt additional discussion, and it could possibly gain more support if it resulted in the reduction of property taxes.

No Subcommittee recommendation was framed on the issue of a countywide sales tax, although Senator Blake indicated that it was worthy of discussion by the Task Force. Scenarios for the tax included implementation only by distressed counties or implementation only to reduce property taxes.

d. Waive state mandates placed on distressed municipalities.

Senator Blake then turned to the issue of waiving mandates for distressed municipalities. He asked that Mr. Klotz present information related to mandate relief mechanisms in other states. Mr. Klotz discussed Wisconsin and Minnesota programs. He noted that the municipal associations in Wisconsin were of the opinion that the program did not provide significant relief to municipalities. In Minnesota, Mr. Klotz spoke with a few state agency administrators, who described agency waivers to regulatory requirements. Mr. Klotz then turned to Pennsylvania mandates as described in the SR 323 of 2010 Local Government Commission Mandate Study. In the study, Pennsylvania municipal associations'

memberships identified the most onerous mandates. Senator Blake noted that many of the most onerous mandates involve issues for which consensus would be very difficult to achieve. He noted that, as a threshold issue, Pennsylvania did not have a mechanism in place to provide a variance to regulatory or statutory requirements. Mr. Brosious said the current consent order process may go a long way towards providing some relief from mandates, but acknowledged this recently involved federal mandates.

Mr. Kaplan noted that the majority of noncounty municipal mandates are the type of regulatory requirement that impacts public health, safety, and welfare. Mr. Davare indicated that the prevailing wage threshold is something that could be considered. Mr. Brehouse suspected that although prevailing wage waivers could be more easily obtained, in theory, if restricted to Act 47 communities, it is still difficult to justify and represents an issue broader than distressed municipalities. He also observed, using Act 32 of 2008 (countywide EIT collection) as an example, that mandates that result in increased efficiencies or administrative savings are arguably not completely “unfunded.” He suggested that the issue may be worthy of discussion by the Task Force. Senator Blake suggested that this may be another situation in which the issue is best restricted to distressed counties. Mr. Kaplan reiterated that if you remove mandates on counties, and health, safety, and welfare mandates, those that are left for distressed municipalities are those mandates that do not amount to a significant amount of revenue for the municipality, such as newspaper advertising. Senator Blake mentioned recent legislative measures involving bidding limits that would reduce advertising costs. Mr. Kaplan noted that amendments to Act 47 authorized electronic publication of the recovery plan. Senator Blake summarized his observation that a waiver program would have a very limited benefit given the list of mandates. Mr. Klotz suggested that if a waiver mechanism were recommended, that it occur via a statutory provision that provided for a regulatory variance. Senator Blake indicated that local officials often do not know the difference between a statutory and a regulatory requirement. He acknowledged that every agency promulgates and enforces rules and regulations based on statutory guidelines, but he suspected that agencies encounter situations where they would like a bit more autonomy to waive strictly regulatory requirements under special circumstances. He was not sure that the Subcommittee could come up with a recommendation with sufficient specificity to address such a broad issue. Mr. Brehouse noted that regulations can only be as broad as was authorized by underlying statutes and that although “guidelines” could be modified, it may be more difficult to waive regulatory requirements. Mr. Davare suggested that it may be possible to draft language authorizing agencies to waive regulatory requirements for Act 47 communities based on a recommendation from the coordinator. Mr. Brosious mentioned the possibility of liability to third parties for waivers of regulatory requirements. He also noted that many regulations involve “paperwork penalties” that do not involve public health, safety and welfare.

Senator Blake summarized the recommendation: The Subcommittee recommends that the Task Force consider an amendment to Act 47 specifying that the coordinator, in conjunction with DCED, may petition an agency to waive an administrative or regulatory mandate on an Act 47 municipality, which may be granted except in those cases in which the waiver would endanger the public health, safety, and welfare.

- e. Permit the coordinator to petition the court of common pleas under Section 123 of Act 47 to increase the rate of Local Services Tax above \$52.*

Senator Blake noted that this issue was discussed in the context of issue “a.”

- f. Create overlay districts to provide municipal services pursuant to Section 7 of Article IX of the Pennsylvania Constitution.*

Senator Blake then addressed the overlay district issue. He acknowledged Commission Executive Director Mike Gasbarre discussed this issue at the last meeting. Mr. Klotz discussed the Environmental Improvement Compact Act within Title 53 of the Pennsylvania Consolidated Statutes. He went through a handout of potential amendments to the Act that could be threshold considerations for adaption to Act 47 municipalities. Senator Blake indicated that there were many features of this concept that would cause

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SUBCOMMITTEE ON ACT 47 PROCEDURE**

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unease among legislators, including him. He noted that this is different from intergovernmental cooperation in that it represents the creation of a new level of government. He also said this concept affected municipalities outside of Act 47 communities, which is contrary to the stated strategy of the Subcommittee. Mr. Klotz clarified that areawide government was proposed as an alternative for nonviable municipalities.

Mr. Brosious said the concept could be tied into the earlier intergovernmental cooperation discussion to provide for specific municipal services. Mr. Greene noted that the difference between intergovernmental cooperation and the environmental compact law is that under the latter there is an elected governmental body that has taxing power. Senator Blake indicated that the title of act could be changed, and it may be possible to utilize it when there was a logical nexus to provide service on an areawide basis. Mr. Brosious said that there already exists an areawide dynamic in emergencies, and it may be possible to expand that to other types of situations, for other functions. Senator Blake suggested that as a feature of a codified EIP program, the coordinator should be required to examine the prospect of a regional “compact.” There should be a way to facilitate overcoming the parochial and legal obstructions to informal, reasonable agreements as a function of the coordinator without resorting to additional levels of government or other concepts that are difficult to implement. Mr. Kaplan discussed the regional police forces in Berks County and noted that the City of Reading was excluded from potential regionalization, although eventually one could envision a time when the City is included. He suggested that shared services often develop organically and may include urban hubs, but they do not often start in such a manner.

Senator Blake summarized the recommendation: The Subcommittee recommends that the Environmental Improvement Compact Law should be reviewed by the Task Force for possible updating amendments that more accurately reflect modern realities and acknowledge Act 47 communities. The amendments should result in a law that could be used by a coordinator as an alternative means for areawide solutions for distressed municipalities. The Subcommittee also recommends that DCED be consulted on the success of regional efforts to share municipal services.

The meeting adjourned at 1:05 p.m.

Attested: _____
June 26, 2013