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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 39

Session of  
1987

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INTRODUCED BY DALEY, TRELLO, COLAFELLA, CALTAGIRONE, KASUNIC,  
DeLUCA, SWEET, STABACK, BELFANTI, MAIALE, SALOOM, FOX,  
HALUSKA, LINTON, RAYMOND, BALDWIN, RICHARDSON, TELEK AND  
PETRARCA, JANUARY 28, 1987

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REFERRED TO COMMITTEE ON FINANCE, JANUARY 28, 1987

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AN ACT

1 Providing for the establishment of a municipal revenue sharing  
2 program; imposing powers and duties on the Department of  
3 Revenue; and allocating certain revenues received by the  
4 Commonwealth.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Commonwealth  
9 Municipal Revenue Sharing Act.

10 Section 2. Declaration of policy.

11 Municipalities in Pennsylvania are the principal suppliers of  
12 taxpayer services in such areas as public safety, water and  
13 sewer facilities, solid waste collection disposal, and street  
14 construction and maintenance. While the cost of providing basic  
15 municipal services continue to rise, the revenue sources for  
16 municipalities remain fixed. The time has come to implement a  
17 revenue source that will not increase the existing local tax  
18 burden to the public but will add to the flow of tax dollars to

1 municipalities. This can be achieved through a sharing of tax  
2 revenues, particularly the remaining portion of the tax revenues  
3 collected by the Commonwealth from privately owned utilities  
4 under the Public Utility Realty Tax presently retained by the  
5 Commonwealth, and a sharing of the equitable State personal  
6 income tax revenues.

7 Section 3. Definitions.

8 The following words and phrases when used in this act shall  
9 have the meanings given to them in this section unless the  
10 context clearly indicates otherwise:

11 "Account." The restricted receipts account established in  
12 section 5.

13 "Annual." Each one-year period beginning on July 1 of the  
14 current year and ending on June 30 of the succeeding year.

15 "Department." The Department of Revenue of the Commonwealth.

16 "General tax effort." The net amount of local taxes  
17 collected by the municipality during a calendar year, divided by  
18 the total income of all individuals residing in the municipality  
19 during that same calendar year.

20 "Municipality." Any county, city, borough, incorporated  
21 town, township or home rule municipality.

22 "Population." The population of each municipality as finally  
23 determined by the Federal Census Bureau in the latest decennial  
24 census.

25 "Relative income factor." A fraction in which the numerator  
26 is the per capita income of the Commonwealth and the denominator  
27 is the per capita income of each municipality.

28 Section 4. Revenue sharing program.

29 (a) Establishment.--There is established the Commonwealth  
30 Municipal Revenue Sharing Program which shall provide an annual

1 distribution of certain Commonwealth revenues to municipalities  
2 for any use authorized by the corporated powers of the  
3 municipalities. The total amount of revenue sharing for any one  
4 year shall not exceed \$125,000,000.

5 (b) Payments.--The annual distribution shall be in the form  
6 of two semiannual payments to each municipality. The first  
7 payment shall be made on April 1 and shall consist of 75% of the  
8 total municipal allotment. The second payment shall be made on  
9 October 1 and shall consist of the remaining balance of each  
10 municipal allotment. The initial distribution shall occur on  
11 April 1, 1988.

12 (c) Administration.--Subject to the limitations set forth in  
13 section 7, the department, in cooperation with the Department of  
14 Commerce and the Department of Community Affairs, shall  
15 administer this program.

16 Section 5. Restricted receipts account.

17 (a) Establishment.--There is established in the State  
18 Treasury a restricted receipts account to be known as the  
19 Municipal Revenue Sharing Account.

20 (b) Deposits.--At least 30 days prior to the April 1  
21 distribution the following funds shall be deposited into the  
22 account:

23 (1) That part of the annual revenues raised under  
24 Article XI-A of the act of March 4, 1971 (P.L.6, No.2), known  
25 as the Tax Reform Code of 1971, which is not distributed to  
26 municipalities under section 1107-A of the Tax Reform Code of  
27 1971.

28 (2) A portion of the annual revenues raised under  
29 Article III of the Tax Reform Code of 1971 sufficient to  
30 obtain the sum of \$125,000,000, but under no circumstances

1 shall such allocation exceed 2% of the annual revenues raised  
2 under Article III.

3 (3) Any interest earned on investment of the moneys in  
4 the account prior to distribution.

5 (c) Limitation on carryover balance.--After the annual  
6 distribution, the balance then remaining in the account shall  
7 not exceed \$5,000,000. Any excess balance shall be transferred  
8 to the General Fund.

9 Section 6. Calculation of annual distribution.

10 (a) General rule.--Except as provided in subsection (b),  
11 each municipal allocation shall be the amount bearing the same  
12 ratio to \$125,000,000 as the population of that municipality,  
13 multiplied by the general tax effort factor of that  
14 municipality, multiplied by the relative income factor of that  
15 municipality, bears to the sum of all such factors determined  
16 for all municipalities.

17 (b) Limitation.--No one municipality shall receive more than  
18 15% of the total amount of money available for distribution.

19 Section 7. Administration.

20 (a) Department of Revenue.--The department shall be  
21 responsible for administering the provisions of this act,  
22 including calculations, distributions, determinations and other  
23 factors used for this act.

24 (b) Department of Commerce and Department of Community  
25 Affairs.--The Department of Commerce and the Department of  
26 Community Affairs shall, in a timely fashion, furnish  
27 information on populations and incomes to the Department of  
28 Revenue.

29 (c) Auditor General.--The Auditor General shall audit, on a  
30 biennial schedule, each municipality receiving any distribution.

1 The Auditor General may, in the initial audit, examine up to  
2 one-half of the municipalities on an annual basis and thereafter  
3 audit all municipalities on the biennial basis.

4 Section 8. Rules and regulations.

5 The department shall promulgate appropriate rules and  
6 regulations necessary to carry out the provisions of this act.

7 Section 9. Appeals.

8 Any municipality aggrieved by a decision or determination of  
9 the department may appeal that decision or determination in  
10 accordance with Title 2 of the Pennsylvania Consolidated  
11 Statutes (relating to administrative law and procedure).

12 Section 10. Applicability.

13 (a) General rule.--Except as provided in subsection (b),  
14 this act shall not be applicable until the Federal revenue  
15 sharing program is abolished or phased out.

16 (b) Phased-in application.--If the Federal Government  
17 chooses to eliminate the Federal revenue sharing program by  
18 gradually reducing the amounts available to municipalities, then  
19 the provisions of this act shall become applicable in the same  
20 extent that the Federal provisions are withdrawn.

21 Section 11. Effective date.

22 This act shall take effect January 1, 1988.