

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 497

**PRINTER'S NO.** 1293

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

February 13, 2013

**PRIME SPONSOR**

Senator Eichelberger

**HISTORY OF BILL**

- Referred to LOCAL GOVERNMENT, Feb. 13, 2013
- Reported as amended, June 26, 2013
- First consideration, June 26, 2013
- Laid on the table, July 3, 2013
- Removed from table, Sept. 23, 2013
- Second consideration, Sept. 24, 2013
- Re-referred to APPROPRIATIONS, Sept. 24, 2013
- Re-reported as committed, Oct. 15, 2013

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 497 modernizes and recodifies the Third Class City Code (Act 317 of 1931). The legislation was drafted with the assistance of the Local Government Commission, in concert with the Pennsylvania Municipal League, working with the House Urban Affairs Committee and the Senate Local Government Committee.

The Third Class City Code ("Code") is modernized by removing obsolete sections, incorporating pertinent and updated language, consolidating common subjects, and adding language that had been part of the last significant recodifications pertaining to the Second Class Township Code, enacted in 1995, and the Borough Code, reenacted in 2012.

The Local Government Commission has prepared an executive summary that encapsulates the intent of the major changes being made to the Code. In addition, the commission prepared a more thorough section-by-section commentary of the bill's provisions. The summaries are available on the commission's website at [www.lgc.state.pa.us](http://www.lgc.state.pa.us).

The act shall take effect in 60 days.

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### **FISCAL IMPACT:**

Senate Bill 497 will have no fiscal impact on Commonwealth funds.

### **Local Taxes and Fees:**

With regard to local funds, Senate Bill 497 contains no overall tax rate increases. However, the legislation does repeal an existing special dedicated tax of up to 10 mills for charitable purposes and reallocates this millage to an allowable five mill increase for general purposes and a new five mill special tax levy for street lighting.

The Local Government Commission has indicated that it is unaware of any third class city that levies a charitable tax. As a result of this reallocation, the overall millage limit change is neutral. The general millage limit is increased from 25 mills to 30 mills, which is consistent with the millage limits established for boroughs and first class townships. The general millage limit has not been increased since 1967.

Senate Bill 497 provides that for third class cities conducting their own property tax assessments, the procedures are simplified and the cities may utilize the assessment practices of the county assessment office, which may provide some cost savings. The Local Government Commission is aware of two cities that currently conduct their own assessments.

The bill amends provisions regarding licenses and license fees by removing a reference to a license tax for general purposes by retitling it a general license fee, which is the proper terminology. Transient retail merchants would continue to be licensed by the city; however, the cost of a license is increased from \$200 for each month or fraction thereof during which sales are conducted to up to \$250 per month or fraction thereof. This increase is expected to generate a minimal amount of new revenue.

### **Potential Cost Increases:**

The legislation adds a new provision that allows cities of the third class to increase their membership on city council from five to seven (one of whom shall be the mayor) and to return to five from seven, if desired. This provision could increase the compensation amounts paid to city council members.

Article XVII of the Code is revised to bifurcate the responsibilities of the city controller by transferring the controller's current auditing and financial reporting duties to an appointed independent auditor. The controller, as a public office, will not be eliminated. As a result, the amount a city expends for its yearly financial reporting may be increased.

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### Potential Cost Savings:

Senate Bill 497 abolishes the fire civil service commission and places all uniformed employees under one civil service commission. Civil service will apply to police officers and firefighters, other than the chief of police and fire chief, and non-uniformed employees now covered under civil service will be grandfathered. Non-uniformed employees who are not grandfathered will be considered employees at-will unless they are covered by collective bargaining agreements.

The legislation adds a procedure for the selling of city real estate similar to that found in the other municipal codes. If city real estate is valued at more than \$1,500, it must be sold to the highest bidder after advertising and bidding.

The net effect of the potential costs and savings should mostly offset and result in a minimal fiscal impact overall.

The Local Government Commission was instrumental in the preparation of the fiscal impact of Senate Bill 497.