

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2253 Session of
1986

INTRODUCED BY TRELLO, STABACK, PETRARCA, AFFLERBACH, DOMBROWSKI,
NAHILL, COLE, KUKOVICH, RAYMOND, GALLAGHER, LETTERMAN,
STUBAN, CIVERA, CORNELL, PRESTON, McCALL, DALEY, PRESSMANN,
CORDISCO, MAYERNIK, DeWEESE, COLAFELLA, OLASZ, VEON, FOX,
HALUSKA, SEVENTY, FISCHER, RICHARDSON AND PETRONE, MARCH 17,
1986

REFERRED TO COMMITTEE ON FINANCE, MARCH 17, 1986

AN ACT

1 Providing for the establishment of a local municipal government
2 revenue-sharing program; imposing powers and duties on the
3 Department of Revenue; and allocating certain revenues
4 received by the 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 Local Municipal Government Revenue-Sharing Act.

10 Section 2. Declaration of policy.

11 (a) Providers of services.--Local municipal government in
12 Pennsylvania is the principal supplier of taxpayer services in
13 such areas as public safety, water and sewer facilities, solid
14 waste collection disposal and street construction and
15 maintenance. While the cost of providing basic governmental
16 services continues to rise, the revenue sources for local
17 municipal government remain fixed.

1 (b) Termination of Federal revenue sharing.--The Federal
2 Government has expressed its intention to end the General
3 Revenue Sharing Entitlements to local municipal governments,
4 thus forcing a shortfall in their revenues. Therefore, it is
5 necessary that local municipal governments in Pennsylvania have
6 access to additional revenues to meet their needs. With the
7 Commonwealth reporting surplus revenues, it is apparent that the
8 time has come for the establishment of a direct plan for
9 Commonwealth revenue sharing with local municipal governments.
10 The premise of such a revenue-sharing plan shall be the return
11 to municipalities of a pro rata share of State revenue which was
12 generated by the municipalities.

13 Section 3. Definitions.

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

17 "Account." The restricted receipts account established in
18 section 5.

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

21 "County." All counties except counties of the first class.

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

23 "General tax effort." The net amount of local taxes
24 collected by the county during a calendar year, divided by the
25 total income of all individuals residing in the county during
26 that same calendar year.

27 "Municipality." Any city, borough, incorporated town,
28 township or home rule municipality.

29 "Population." The population of each county as finally
30 determined by the Federal Census Bureau in the latest decennial

1 census.

2 "Relative income factor." A fraction in which the numerator
3 is the per capita income of the Commonwealth and the denominator
4 is the per capita income of each county.

5 Section 4. Revenue-sharing program.

6 (a) Establishment.--There is established the Commonwealth
7 Local Municipal Government Revenue-Sharing Program which shall
8 provide an annual distribution of certain Commonwealth revenues
9 to municipalities and counties for any use authorized by the
10 incorporated powers of the municipalities and counties.

11 (b) Payments.--The annual distribution shall be in the form
12 of three payments to each municipality and county. The first
13 payment shall be made on April 1 and shall consist of 25% of the
14 total allotment. The second payment shall be made on July 1 and
15 shall consist of 50% of the total allotment. The third payment
16 shall be made on October 1 and shall consist of the remaining
17 25% of the allotment. The initial distribution shall occur on
18 April 1, 1987.

19 (c) Administration.--Subject to the limitations set forth in
20 section 7, the department, in cooperation with the Department of
21 Commerce and the Department of Community Affairs, shall
22 administer this program.

23 Section 5. Restricted receipts account.

24 (a) Establishment.--There is established in the State
25 Treasury a restricted receipts account to be known as the Local
26 Municipal Government Revenue-Sharing Account.

27 (b) Deposits.--At least 30 days prior to the April 1
28 distribution, the following funds shall be deposited into the
29 account:

30 (1) That part of the annual revenues raised under

Article XI-A of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, which is not distributed under section 1107-A of the Tax Reform Code of 1971.

(2) That portion of the annual revenues raised under Article III of the Tax Reform Code of 1971, which is equal to 0.1% of the taxable income under that article.

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

Section 6. Calculation of annual distribution.

(a) General rule.--Except as provided in subsection (b), the funds generated and deposited into the restricted receipts account under section 5 shall be distributed as follows:

(1) Each county allocation shall be the amount bearing the same ratio to 35% of the funds generated under section 5 as the population of that county, multiplied by the general tax effort factor of that county, multiplied by the relative income factor of that county, bears to the sum of all such factors determined for all counties.

(2) Each municipal allocation shall be the amount bearing the same ratio to 65% of the funds generated under section 5 as those funds generated from the taxpayers of that municipality from the personal income tax collections under Article III of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, bears to the total tax collection from within the Commonwealth under Article III of the Tax Reform Code of 1971, added to the amount bearing the same ratio to 65% of the funds generated under section 5 as the population of the municipality bears to the total

1 population of the Commonwealth, with the sum derived
2 therefrom divided by two.

3 (b) Limitation.--No one municipality or county shall receive
4 more than 15% of the total amount of money available for
5 distribution.

6 Section 7. Administration.

7 (a) Department of Revenue.--The Department of Revenue shall
8 be responsible for administering the provisions of this act,
9 including calculations, distributions, determinations and other
10 factors used for this act.

11 (b) Department of Commerce and Department of Community
12 Affairs.--The Department of Commerce and the Department of
13 Community Affairs shall, in a timely fashion, furnish
14 information on populations and incomes to the Department of
15 Revenue.

16 (c) Auditor General.--The Department of the Auditor General
17 shall audit, on a biennial schedule, each municipality and
18 county receiving any distribution. The Auditor General may, in
19 the initial audit, examine up to one-half of the municipalities
20 and counties on an annual basis and thereafter audit all
21 municipalities and counties on the biennial basis.

22 Section 8. Rules and regulations.

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

25 Section 9. Appeals.

26 Any municipality or county aggrieved by a decision or
27 determination of the department may appeal that decision or
28 determination in accordance with Title 2 of the Pennsylvania
29 Consolidated Statutes (relating to administrative law and
30 procedure).

1 Section 10. Applicability.

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

5 (b) Phased-in application.--If the Federal Government
6 chooses to eliminate the Federal revenue-sharing program by
7 gradually reducing the amounts available to municipalities, then
8 the provisions of this act shall become applicable to the same
9 extent that the Federal provisions are withdrawn.

10 Section 11. Effective date.

11 This act shall take effect January 1, 1987.