

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 711 Session of
2007

INTRODUCED BY YUDICHAK, DePASQUALE, KOTIK, CARROLL, ARGALL,
BOYD, BUXTON, CALTAGIRONE, CAPPELLI, CREIGHTON, CURRY,
EVERETT, FAIRCHILD, FRANKEL, GIBBONS, GOODMAN, GRUCELA,
HENNESSEY, W. KELLER, LEVDANSKY, MACKERETH, MANN, McILHATTAN,
MYERS, PETRARCA, PETRONE, RAYMOND, RUBLEY, SANTONI, SAYLOR,
McILVAINE SMITH, SOLOBAY, WALKO, WHEATLEY, YOUNGBLOOD AND
FREEMAN, MARCH 9, 2007

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MARCH 9, 2007

AN ACT

1 Establishing the Regional Efficiency Aid Program; providing for
2 powers and duties of the Department of Community and Economic
3 Development and the Department of Revenue; and establishing
4 the Regional Efficiency Aid Program Fund.

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 Regional
9 Efficiency Aid Program Act.

10 Section 2. Declaration of policy.

11 The General Assembly finds and declares as follows:

12 (1) One of the most effective ways to reduce property
13 taxes is through the regionalization, consolidation or
14 sharing of services by political subdivisions.

15 (2) Because of institutional and financial limitations
16 on political subdivisions, regionalized, consolidated and

shared alternatives have not been widely adopted, resulting in duplication of services and excess costs for taxpayers.

(3) A program of providing State aid to political subdivisions that successfully implement strategies to regionalize, consolidate and share services is an innovative and important means of providing a financial incentive to overcome the institutional limitations on political subdivisions.

(4) To overcome these institutional limitations and to ensure property tax relief, the Commonwealth should provide State aid to political subdivisions that realize budgetary savings from shared, regionalized or consolidated services and pass these savings on to taxpayers through a reduction in property tax obligations.

(5) Combining State-funded property tax relief with fiscal assistance for the planning and start-up costs associated with entering into new shared, regionalized or consolidated service agreements will serve as additional incentives for political subdivisions to take advantage of potential savings provided by way of such agreements.

Section 3. Definitions.

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

"Department." The Department of Community and Economic Development of the Commonwealth.

"Political subdivision." A county, city, borough, incorporated town, township, school district, vocational school district and county institution district.

"Program" or "REAP." The Regional Efficiency Aid Program

1 established under section 4.

2 "REAP aid." State aid provided to political subdivisions
3 under the Regional Efficiency Aid Program established in section
4 4.

5 "Regional service agreement." An agreement entered into by a
6 political subdivision in accordance with 53 Pa.C.S. Pt. III
7 Subpt. D (relating to area government and intergovernmental
8 cooperation) or any other agreement between political
9 subdivisions that is permitted by law.

10 "Residential property." A "homestead" as defined in 53
11 Pa.C.S. § 8401 (relating to definitions).

12 "Secretary." The Secretary of Community and Economic
13 Development of the Commonwealth.

14 Section 4. Regional Efficiency Aid Program.

15 The Regional Efficiency Aid Program is established in the
16 department. A political subdivision that enters into a regional
17 service agreement, either as a provider or receiver of services,
18 may apply for State aid for the purpose of providing tax
19 exclusions for residential property within the political
20 subdivision. State aid shall be granted for each calendar year
21 during which a regional service agreement is in effect.

22 Section 5. Formula for calculation of REAP aid.

23 (a) General rule.--The annual amount of State aid a
24 political subdivision is eligible to receive under the program
25 shall be the total of the number of points accumulated for the
26 regional service agreements of the political subdivision
27 multiplied by \$1 per point, multiplied by the latest population
28 of the political subdivision using the most recent State
29 population estimates provided by the United States Bureau of the
30 Census and multiplied by the weighting factor of fiscal stress

1 of the political subdivision.

2 (b) Determination of variables.--A system for determining
3 the number of points and weighting of fiscal stress used in the
4 formula for allocating State aid shall be determined by the
5 department within six months of the effective date of this
6 section. The system shall include:

7 (1) A schedule of the number of points for each type of
8 regional service agreement.

9 (2) The assignment of the number of points based on the
10 percentage of the cost of the regional service in the current
11 budget of the political subdivision, a relative value scale
12 of the importance of the regional service, a combination of
13 the two or such other criteria as designated by the
14 department to provide incentives deemed necessary or
15 appropriate.

16 (3) An increase in the number of points by an amount not
17 to exceed 25% of the number provided to the recipient, to be
18 granted to the provider of the regional service.

19 (4) A formula for weighting points based on a political
20 subdivision's degree of fiscal stress.

21 (c) Program administration.--The secretary shall consult
22 with the Secretary of Education with regard to school districts
23 and vocational school districts in the administration of the
24 program.

25 Section 6. Application and award process.

26 (a) General rule.--The department shall establish procedures
27 for the administration of REAP aid and provide for an
28 application and award process that:

29 (1) Is consistent with the timetable and process of
30 fixing property tax rates.

1 (2) Ensures that a political subdivision provides or
2 receives bona fide regional services.

3 (3) Ensures that to qualify for the receipt of REAP aid
4 a regional service agreement results in:

5 (i) savings of the cost of services, including any
6 new capital expenditures, reflected as current or future
7 budget reductions;

8 (ii) limits on future costs increases;

9 (iii) minimizing the costs of a new service; or

10 (iv) other criteria as the department may deem
11 relevant.

12 (4) Provides for monitoring, oversight and enforcement.

13 (b) Department review.--Each year the department shall
14 review applications and determine the amount of REAP aid for
15 which each political subdivision is eligible. The department
16 shall allocate aid to ensure that school districts and
17 vocational school districts receive their share of aid based on
18 proportion of taxes or other appropriate measure.

19 Section 7. Exemption from certain limitations.

20 Political subdivision appropriations for regional services
21 for which REAP aid is provided shall be exempt from the
22 limitations on appropriations under any law limiting political
23 subdivision expenditures.

24 Section 8. Duties of county tax assessment offices.

25 (a) General rule.--The county assessment office in which a
26 political subdivision or subdivisions have applied to receive
27 REAP aid shall identify property that qualifies as residential
28 property.

29 (b) Information and certification provided by taxpayers.--

30 (1) As a condition of eligibility under the program,

1 taxpayers may be required to provide information and certify
2 that the property for which an exclusion is sought is
3 residential property. The information and certification shall
4 be in a form to be adopted by the Department of Revenue.

5 (2) County assessment offices may use any other
6 informational resources to determine whether a parcel
7 qualifies as residential property.

8 (3) The determination of the county assessment office as
9 to whether a parcel qualifies as residential property may be
10 appealed to a court of common pleas.

11 (c) Explanation.--Each county assessment office shall
12 provide to political subdivisions within the county an
13 explanation of the manner in which residential properties shall
14 be identified. The explanation shall be included in the
15 application.

16 (d) List to department.--By March 31 of each year, the
17 county assessment office shall provide to the department a list
18 of those properties identified as residential property, together
19 with a certification that the county assessment office has made
20 a good faith effort in identifying the properties.

21 Section 9. Exclusion from taxation.

22 (a) General rule.--A political subdivision shall exclude
23 from taxation a portion of the assessed value of residential
24 property identified under section 8 as follows:

25 (1) The department shall certify to each board of county
26 commissioners, the Local Government Commission, the
27 Department of Revenue, the Majority Leader and the Minority
28 Leader of the Senate and the Majority Leader and the Minority
29 Leader of the House of Representatives, by April 30 of each
30 year, the amount of REAP aid due to each political

subdivision for that tax year.

(2) The department shall calculate a tax exclusion rate by dividing total REAP aid by the total taxable value of residential property in qualifying political subdivisions.

(3) The tax exclusion rate shall be multiplied by the taxable value for each residential property, the product of which shall be deducted from the total taxes due, before deductions, on each residential property for the tax year.

The tax exclusion rate and amount of the exclusion shall be displayed on a taxpayer's tax bill.

(b) Limitations.--The tax exclusions provided under subsection (a) shall not exceed one-half of the median assessed value of all homestead property within a local taxing jurisdiction. A local taxing authority may not increase the millage rate of its tax on real property to pay for these exclusions.

Section 10. Payment of REAP aid.

The total amount of REAP aid shall be paid by the State Treasurer as State aid to each political subdivision in two equal installments payable on August 1 and November 1 of each year.

Section 11. Administration.

The department shall establish a procedure for providing information to taxpayers about the REAP aid program and the amount of REAP aid for which each taxing district is eligible.

Section 12. Duties of Department of Revenue.

(a) General rule.--The Department of Revenue shall assist in identifying residential properties and may make any additions to notices of assessments or to other forms or notices as the Department of Revenue deems appropriate.

1 (b) Sharing of information.--Notwithstanding any other
2 provision of law to the contrary, the Department of Revenue may
3 provide such information as it deems necessary to the department
4 or to the county assessment offices in order to implement this
5 act.

6 (c) Regulations.--The Department of Revenue may promulgate
7 rules to effectuate the purposes of this act, including
8 regulations for the identification of residential property and a
9 requirement that taxpayers timely complete certifications or
10 applications in order to be eligible for a tax exclusion under
11 this act.

12 Section 13. Regional Efficiency Aid Program Fund.

13 (a) Establishment.--The Regional Efficiency Aid Program Fund
14 is established within the State Treasury and shall be a
15 nonlapsing revolving account. The fund shall receive
16 appropriations and repayments of loans as may be determined
17 necessary by the State Treasurer.

18 (b) Administration.--Upon request of the Governor, the
19 General Assembly shall appropriate the necessary funds to the
20 fund for purposes of the program. The fund shall be administered
21 by the department.

22 Section 14. Effective date.

23 This act shall take effect in 60 days.