

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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House Bill 2018
Tax-Exempt Property Municipal Assistance Fund

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House Local Government Committee

Gettysburg Borough Office Building
59 East High Street
Gettysburg, Pennsylvania

Thursday, February 28, 2008 - 10:15 a.m.

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BEFORE:

Honorable Robert Freeman, Majority Chairman
Honorable Lawrence Curry
Honorable Richard Grucela
Honorable Mark Longietti
Honorable Steve Samuelson
Honorable John Siptroth
Honorable Stanley Saylor, Minority Chairman
Honorable C. Adam Harris

IN ATTENDANCE:

Honorable Dan Moul

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1 ALSO PRESENT:

2

John Fulton

3 Majority Executive Director

4

Amy Brinton

5 Majority Research Analyst

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Beth Ann Hargraves

7 Minority Research Analyst

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1 CHAIRMAN FREEMAN: If we can, I would
2 like to get started and call this meeting of the
3 House Local Government Committee to order. I am
4 State Representative Bob Freeman, Chairman of
5 the Local Government Committee, and I want to
6 extend my thanks to the folks here at the
7 Borough of Gettysburg for allowing us to use
8 council chambers, and your hospitality here
9 today.

10 Before I make a few brief remarks, I
11 would like to ask all of the members to please
12 introduce themselves and where they are from.
13 We will start down here with Representative
14 Grucela.

15 REPRESENTATIVE GRUCELA: Thank you,
16 Mr. Chairman. I am Representative Rich Grucela
17 from Northampton County, the 137th District, and
18 I taught Bob Freeman in high school.

19 REPRESENTATIVE SAYLOR: A standing
20 joke.

21 REPRESENTATIVE SIPTROTH:
22 Representative John Siptroth, 189th District,
23 Monroe and Pike counties, and we certainly have
24 a number of acres of property that are -- belong
25 to either the state or the federal government,

1 REPRESENTATIVE SAYLOR: I am
2 Representative Stan Saylor from York County. I
3 am the Republican Chairman of the committee,

4 CHAIRMAN FREEMAN: Again I am State
5 Representative Bob Freeman, the Chairman of the
6 committee, from Northampton County, 136th
7 District, and a former pupil of Representative
8 Grucela.

9 REPRESENTATIVE MOUL: And I am
10 Representative Dan Moul, and I represent this
11 beautiful district right here around Gettysburg,
12 the southern part of Adams County and a part of
13 Franklin County, and I am proud to say that I
14 represent the most beautiful district in
15 Pennsylvania.

16 REPRESENTATIVE CURRY: I am
17 Representative Lawrence Curry, and I am from
18 Montgomery County.

19 REPRESENTATIVE LONGIETTI: Hello,
20 Representative Mark Longietti from Mercer
21 County, the 7th District.

22 REPRESENTATIVE HARRIS:
23 Representative Adam Harris. I reside in Juniata
24 and represent Juniata, Mifflin and Snyder
25 counties, the 82nd District.

1 CHAIRMAN FREEMAN: Okay. Again, good
2 morning, and my thanks again to the borough for
3 allowing us to use their facilities today.

4 Today's hearing of the House Local
5 Government Committee is on House Bill 2018,
6 legislation that I have introduced, along with
7 Representative Dan Moul and over forty other
8 bipartisan House members, to establish a
9 Tax-exempt Property and Municipal Assistance
10 Fund.

11 This proposal would provide state
12 funding to those municipalities in Pennsylvania
13 that have a significantly higher proportion of
14 tax-exempt properties within their borders.

15 Across our Commonwealth, communities
16 both large and small, urban and rural, city,
17 borough and township, contain a considerable
18 percentage of tax-exempt properties. While
19 these tax-exempt properties represent the
20 presence of important governmental institutions,
21 the institutions of higher learning and
22 not-for-profit medical facilities that all
23 contribute to the quality of life of the
24 community, they do not contribute to the tax
25 base of their host community where they are

1 located due to their tax-exempt status.

2 Practically all of our cities, our
3 county seats, college towns and communities with
4 not-for-profit medical facilities have a higher
5 percentage of tax-exempt properties than other
6 communities and as a result they are deprived of
7 tax rateables. The vast majority of these
8 tax-exempt properties are regional assets. It
9 is the host community that is left with the
10 reduced tax base and strain on local services as
11 a result of their presence.

12 The fiscal distress that many of our
13 cities and boroughs find themselves in is not
14 the result of poor fiscal management or lack of
15 effort on their part to try and lure new
16 development to their communities. Reports by
17 both the Brookings Institute and the
18 Pennsylvania Economy League all point to
19 increasing fiscal distress in our communities,
20 particularly our cities, our boroughs and our
21 inner-ring suburbs.

22 The presence of significant numbers
23 of tax-exempt properties within their borders
24 can greatly contribute to this fiscal distress
25 due to the limited tax base it creates. One has

1 only to look at those communities that are under
2 the Act 47 Financially Distressed Municipalities
3 Program here in Pennsylvania to
4 Realize the truth of this.

5 Most of the Act 47 communities
6 contain tax-exempt property levels of anywhere
7 between 20 to 30 percent. No wonder these
8 communities are failing when they have to try
9 and provide essential services on such an eroded
10 tax base.

11 House Bill 2018 seeks to remedy this
12 situation by providing state funding to
13 compensate those communities that have 17
14 percent or more of their total assessed value of
15 properties classified as tax-exempt.

16 Under my legislation, the revenue
17 from this program would come from the dedication
18 of the 18-percent Johnstown Flood Tax that is
19 levied on the sale of all liquor and wine in
20 Pennsylvania and generates approximately two
21 hundred and forty million in annual revenue.

22 It should be noted that no single
23 municipality will be able to receive more than
24 10 percent of the funds allocated in this fund.

25 Communities across our Commonwealth,

1 both large and small, are impacted by the
2 presence of large amounts of tax-exempt
3 properties. In my hometown of Easton, in
4 Northampton County, roughly 27 percent of the
5 assessed value of all property is tax exempt, in
6 the City of Harrisburg the figure is 48 percent,
7 and here in the Borough of Gettysburg, it's
8 almost 80 percent of the total assessed value of
9 property is tax exempt.

10 No community can hope to provide an
11 ongoing adequate level of municipal services
12 with such a limited tax base without unduly
13 burdening those limited number of property
14 owners who remain subject to the real estate
15 tax.

16 My legislation offers a lifeline to
17 these financially struggling communities by
18 providing revenue through a Tax-Exempt Property
19 Municipal Assistance Fund that will compensate
20 them for the high levels of tax-exempt property
21 that are located within their borders.

22 Without this infusion of much needed
23 funds, many of our state's high tax-exempt
24 property communities face the very real prospect
25 of failing as they fall deeper and deeper into

1 financial distress due to an eroded tax base.

2 In 1936 the Legislature enacted the
3 18-percent Johnstown Flood Tax to provide much
4 needed relief and revitalization to a community
5 devastated by a natural disaster. The revenues
6 from that tax are now needed to come to the
7 assistance of communities across Pennsylvania
8 overwhelmed by the flood of tax-exempt
9 properties within their borders.

10 With this legislation, we can
11 stabilize hundreds of needy communities across
12 our Commonwealth and ensure their success for
13 many, many years to come.

14 With that, I would like to turn to
15 Representative Moul for a few opening remarks,
16 and our thanks to him for hosting today's
17 meeting.

18 REPRESENTATIVE MOUL: Thank you,
19 Representative Freeman. I would like to thank
20 everyone that showed up today, all of the
21 representatives. It's very important to me and
22 I am sure Representative Freeman that we have a
23 lot of representatives behind this, I know this
24 bill could help a lot of communities such as
25 Gettysburg, and I was delighted to see that

1 Representative Freeman introduced this bill and
2 that I would join on to him with it.

3 There is a little story that goes
4 with this. I was fairly new. This is my first
5 term, as most of you know. And I read every
6 piece of paper that came across my desk. And
7 when the day came that I read the co-sponsorship
8 sheet for this bill, I marched straight upstairs
9 to Representative Freeman's office and I went in
10 and introduced myself. I said, you don't know
11 me yet, but you are now my new best friend. So.

12 And we have had a good relationship
13 ever since. And anything I can do to help a
14 piece of legislation like this along, I will
15 certainly do. And I just want to say, thank you
16 for doing this.

17 I know in my heart of hearts that
18 when the framer of this tax put this bill
19 together to help Johnstown, he didn't intend it
20 to be absorbed later on into the general fund.
21 The initial thoughts were, let's use this money
22 to revitalize Johnstown.

23 Johnstown has been revitalized for
24 50, 60 years, and it's time to put this money
25 back to it's intended use: to revitalize towns

1 that are basically cash strapped due to lack of
2 taxable property within their borders. So the
3 whole idea behind this is right, this is the
4 right reason to use this money, and I will stand
5 behind it.

6 I just want to make a couple general
7 housecleaning statements quickly. The Police
8 Department has notified me that anyone who would
9 happen to receive a ticket due to the length of
10 this meeting, a parking ticket, get them to me
11 and I will turn them over to them and they will
12 take care of it. That is, the parking was a bit
13 of a problem today. And we do have coffee,
14 donuts and water, so anybody during the meeting
15 feel free to help yourself. Thank you again.

16 CHAIRMAN FREEMAN: Thank you,
17 Representative Moul, and thank you for your
18 hospitality, and also for your willingness to
19 serve as the second name on my bill. Your
20 strong support for this measure will help us to
21 hopefully move through the legislative process
22 quickly.

23 REPRESENTATIVE MOUL: It's my
24 pleasure.

25 CHAIRMAN FREEMAN: I would like to

1 call our first witness to testify today,
2 representative -- or former Representative
3 Stephen Stetler--sorry, it came off my tongue
4 too quickly--Executive Director of the
5 Pennsylvania Economy League.

6 REPRESENTATIVE SAYLOR: From the
7 great County of York.

8 CHAIRMAN FREEMAN: From the great
9 County of York, as my co-chair reminds me.
10 Steve, welcome, and thank you for your testimony
11 at the Easton hearing a week ago. We appreciate
12 you coming to Gettysburg to also testify before
13 us.

14 MR. STETLER: Thank you and good
15 morning. Chairman Saylor, I don't think I have
16 had the opportunity to ever say that to you
17 before, so.

18 As Chairman Freeman said, I testified
19 at the Easton hearing--I see some familiar faces
20 from that--so I won't go back and deal
21 specifically with that and read the testimony I
22 gave back in Easton.

23 But what I would like to do is just
24 kind of walk through a couple of things about
25 the bill and some positions that the

1 Pennsylvania Economy League has taken so that
2 maybe then we can have a little dialogue, if you
3 want, following that.

4 First and foremost, and I just--
5 Representative Freeman and I have had some
6 discussions about this--I just want to make it
7 perfectly clear that the Pennsylvania Economy
8 League does not endorse, support specific pieces
9 of legislation.

10 You know, what we will do is review
11 legislation, we will look at it and we will make
12 comments about what is -- what should be in
13 legislation, you know, what issues should be
14 dealt with around an area of our topic of a
15 bill, but we will not comment, you know, we will
16 not actively support or not support legislation.

17 Our first comment about House Bill
18 2018 is, one is, to commend all of those who
19 have put this bill forward. We think that it's
20 a great vehicle to open discussion about an
21 issue that's very important in the Commonwealth.

22 We think that it raises, to a new
23 level, the concerns that need to be addressed
24 and what -- And it kind of deals, we feel,
25 with -- starts to deal with some issues that,

1 for those of us who have spent time in the
2 legislature or who at local government trying to
3 balance budgets, you know, it really does start
4 to deal with some of the issues that need to be
5 resolved.

6 We feel, as an organization, that
7 legislation going forward, this legislation
8 should deal specifically with some issues like
9 with tax-exempt organizations. You know, my --

10 Looking at this legislation, it
11 basically is to -- It provides income to local
12 communities through the Johnstown Flood Tax
13 money, but basically does not deal with the
14 issue of the tax-exempt properties themselves
15 and whether or not they are contributing to the
16 basic care and services of that local
17 municipality; and so we kind of look at this as
18 not -- trying to make sure that it's not a get
19 out of jail for free card for all of the
20 nonprofits and not -- and tax-exempt properties
21 in the community.

22 You know, we feel that this
23 legislation should consider removing some of the
24 dependence from local municipalities on property
25 taxes. You know, that you just cannot continue

1 to expect local municipalities who raise their
2 property taxes to continue to provide the same
3 level of services that the residents expect on a
4 daily basis.

5 And a third part that we think needs
6 to be considered as part of this legislation
7 would be to ensure that municipalities across --
8 cross boundaries, learn how to fairly distribute
9 the costs of services.

10 You know, there are mutual services,
11 a lot in -- I cannot speak for Gettysburg, but
12 for those of us like in York County, the City of
13 York provides a lot of services to the entire
14 county. How does that county reimburse the host
15 municipality for some of the services that they
16 are providing? And I think that that is
17 something that needs to be resolved and maybe
18 could be considered as part of this legislation.

19 As PEL looks at this legislation, we
20 see, with distribution from the Johnstown Flood
21 Tax, one solution to the problem. You know.
22 And it's -- And while we think that that's a
23 great initial first step, what we feel might be
24 absent and needs to be addressed in the
25 legislation is some of the causes of the

1 problem.

2 I mean, why do all of the nonprofits,
3 why do all of the tax-exempt properties end up
4 in one location? How do you better move those
5 and set them up in areas, not just concentrating
6 them in one geographic area in a county or in
7 one -- just one part of a county? And it's --
8 We think that that's something that needs to be
9 discussed.

10 The other thing that -- And I want to
11 reference three reports that the Economy League
12 has done over the last several years. Chairman
13 Freeman represented -- or talked about one of
14 them and that was the Healthy Communities Report
15 that we put out last year.

16 That report dealt with twenty-five
17 hundred and sixty-five municipalities across
18 Pennsylvania. It did not deal with just urban
19 issues. It dealt with every municipality in
20 Pennsylvania, an attractive fiscal health
21 beginning in 1970 through 2003.

22 And what that study clearly showed
23 was that distress is not an urban problem.
24 Distress is an issue that has to be looked at in
25 a holistic fashion, and it has to be viewed as

1 not -- as something that boroughs --

2 First class townships and townships
3 of the second class, there are some out there
4 who are starting to begin to feel the same
5 stress of fiscal problems that what we think of
6 as third class cities, second and first class
7 cities. I mean, it's not just an urban problem.
8 And I think that this legislation attempts to
9 deal with that by dealing with some of the -- by
10 using the 17-percent level.

11 But it's just something that I think
12 every -- this committee and the legislature has
13 to be aware of. It's not just an urban issue.

14 Another study, and it's referenced in
15 the legislation, is the study that our central
16 office did in Williamsport dealing -- It's a
17 specific study dealing with their tax base,
18 looking at the impact of the colleges in
19 Williamsport and the hospitals, how such a large
20 percentage of the property in Williamsport is
21 tax-exempt, and that they were shouldering the
22 burden of all of the services being offered in
23 Lycoming County.

24 And I strongly recommend that if you
25 have the opportunity to look at that

1 information -- Or if you would like that
2 information, you can contact my office and I
3 will provide it to you.

4 The third study that the central
5 office also did was a statewide study and that
6 was what we referred to as the Town and Gown
7 study.

8 Basically what that study looked at
9 and kind of came to conclusions that we were not
10 expecting as we began that study about three
11 years ago, in that, the Town and Gown study
12 basically shows that the municipalities that
13 host the universities certainly enjoy the
14 increase in expense and that the surrounding
15 municipalities enjoy the benefit of the economic
16 development, and that's one of the really clear
17 things that comes forth in those studies.

18 And we looked at Millersville--now I
19 will forget all of them--Kutztown and five
20 universities, five state SHES system
21 universities as part of that study, but the
22 results were very clear.

23 One part of this bill that, you know,
24 it would be unique if the Economy League didn't
25 point out the one part of the bill that causes

1 us some concern as we look at it in going
2 forward, and, that is, if you take two hundred
3 and fifty million dollars out of the general
4 fund to give needed relief to the municipalities
5 for their tax-exempt properties, what happens to
6 the hole that exists in the budget as a result
7 of that move?

8 The effect is, you know, that
9 that's -- You know, there's nothing in the bill
10 that kind of says, well, we are going to reduce
11 spending in this area, we are going to
12 streamline spending in that area, and we believe
13 that that has to be part of the discussion going
14 forward on how -- I mean, while you have --
15 technically have a way to pay for it, you don't
16 address the issue of the resulting shortfall
17 going forward.

18 I think, Mr. Chairman, that we -- You
19 know, I would kind of conclude with those
20 thoughts and be willing to take questions about
21 the studies or about anything that was in my
22 written testimony from Easton that you would
23 like to address further. But at that point, I
24 just would like to conclude my remarks for the
25 moment.

1 CHAIRMAN FREEMAN: Okay. We thank
2 you for your testimony. Are there any questions
3 from the members? Representative Siptroth.

4 REPRESENTATIVE SIPTROTH: Thank you,
5 Mr. Chairman. Mr. Stetler, good to see you
6 again, as always. Was there any specific reason
7 why just those five state system of higher
8 education universities were targeted and the
9 rest of the -- the rest of the other nine were
10 not factored in? Any special reason for that?
11 Or is it that the other nine did not qualify
12 under the 17-percent rule?

13 MR. STETLER: No. Actually the
14 boroughs approached us about -- You know, the
15 West Chester, Millersville and the others, the
16 five boroughs approached us about the
17 universities and asking us to conduct a study as
18 to the economic impact of the other colleges and
19 universities on host municipalities. It was
20 just a -- It was --

21 REPRESENTATIVE SIPTROTH: It was
22 random then more so than it was --

23 MR. STETLER: Yes.

24 REPRESENTATIVE SIPTROTH: Okay.
25 Thank you very much. Thank you, Mr. Chairman.

1 CHAIRMAN FREEMAN: Chairman Saylor.

2 REPRESENTATIVE SAYLOR: Steve, you
3 posed your question there with the two hundred
4 and fifty million dollars out of the state
5 budget. And I am supportive of this bill. I do
6 like it. I didn't -- I thought I was actually a
7 co-sponsor until I got here today and looked and
8 my name's not on it. So.

9 CHAIRMAN FREEMAN: We added it.

10 MR. STETLER: You can always file
11 that for him. You can always file it for him.

12 REPRESENTATIVE SAYLOR: I guess the
13 question I have--and it comes back to and you
14 have heard me talk about this before--as I look
15 at the chart and I look at, you know, Pittsburgh
16 getting \$24 million, and Philadelphia is not on
17 there, but I know there's a chunk there, and
18 what I am concerned about --

19 MR. STETLER: I am shocked.

20 REPRESENTATIVE SAYLOR: I am shocked,
21 yeah.

22 -- and what I am concerned about is,
23 I think it's a great bill, but, you know, a lot
24 of our larger boroughs or our -- like the
25 Gettysburgs, the third class cities like York

1 and the Lancasters and the Allentowns and the
2 Eastons and so on and so forth, I guess the
3 concern I have, Philadelphia has the Sterling
4 Act where they have an income tax on people who
5 work in town and, you know, drive out and use
6 services in town. They have an income tax on
7 those people that they pay, but these other
8 municipalities do not have.

9 And I guess the question I have to
10 you in the Economy League, whether you can give
11 me a perspective. It says, 10 percent, in the
12 bill, is the max. And I guess, and then maybe
13 Chairman Freeman can ask you this too a little
14 bit, is there a way to maybe -- and how it
15 affects all of the other municipalities as well
16 if that were to be reduced, or was a cap, that
17 dollar amount?

18 Because I am really concerned that a
19 lot of this money and support in the
20 legislature, because of what goes to Pittsburgh
21 and Philadelphia, will be a hard sell in
22 Harrisburg. Plus the fact that some of these
23 cities, Pittsburgh and Philly, have some other
24 alternatives to -- with their income --

25 Well, I don't know about Pittsburgh,

1 but Philly has an income tax that they have for
2 all nonresidents that work in the city. That we
3 can drive more money into the Yorks and the
4 Gettysburgs and so on and so forth, is there an
5 angle or a way of doing that, either lowering
6 the 10-percent cap, or some other way of doing
7 it? Any suggestions?

8 MR. STETLER: Well, it's -- And we
9 have not looked at the formula, Representative
10 Saylor, but we have -- You know. And so, I am
11 sure that number could always be adjusted in
12 terms of the maximum. You know.

13 The other thing you might consider on
14 that, is that -- You know, the one thing that I
15 have seen specifically in York, but I would
16 assume in other municipalities, is that, when
17 annual assessments are done or whatever the
18 period of time passes and an assessment is done,
19 that everybody in the world goes in and
20 challenges their home assessment, their
21 businesses assessment, and that, but the one
22 group of assessments that don't get challenged
23 are the nonprofits. I mean.

24 And so, you know, in the City of
25 York, you have churches evaluated at a very high

1 figure, and then when they are sold, you know,
2 two years later to one church to another, it's
3 for, you know, 10 percent of the assessed value.

4 You know, maybe requiring a more
5 realistic assessment of nonprofit buildings in
6 terms of those communities might be one thing to
7 include in the legislation. They have -- You
8 know. I mean, you know. I mean, let's face it,
9 the value on certain -- some of these buildings
10 are very, very limited. You know.

11 You know, I mean, what -- Maybe
12 there's a future use for a prison, I am not
13 sure. I mean, they are trying to sell it in the
14 City of York. You know, it's been up for sale
15 for a couple of years or something like that.
16 But, I mean, I'd think that would be one way,
17 because I think some of these are overassessed,
18 the nonprofit buildings are overassessed, and
19 that kind of --

20 REPRESENTATIVE SAYLOR: Are
21 under-assessed?

22 MR. STETLER: (No response.)

23 CHAIRMAN FREEMAN: You mean
24 under-assessed?

25 MR. STETLER: Overassessed nonprofit

1 buildings. I am going to say that, you know,
2 some --

3 CHAIRMAN FREEMAN: They are not
4 assessed at the levels they should be?

5 MR. STETLER: Yeah. I mean, you
6 know, that they are a higher value. If the
7 church --

8 CHAIRMAN FREEMAN: Right.

9 MR. STETLER: If there was a reason
10 for, you know, the Methodist Church on the
11 corner of, you know, East Market Street to come
12 in, you know, if there is a reason for them to
13 have that reassessed, then that value would
14 probably come down as a result of that. But
15 people don't challenge them because they don't
16 have to worry about paying the tax on it.

17 REPRESENTATIVE SAYLOR: In looking at
18 the bill -- And then I am glad that, I guess,
19 Representative Freeman, you had that data
20 graphic brought over?

21 CHAIRMAN FREEMAN: Yes, that's our
22 graphics.

23 MR. STETLER: I don't see Red Lion on
24 there.

25 REPRESENTATIVE SAYLOR: I don't see

1 Red Lion on there either, but, you know, oh
2 well. But we will work on that some other way.

3 But, you know, I am concerned because
4 I know the City of York -- And we have talked
5 about this many times, you and I and others have
6 talked about the City of York. But, you know.
7 And I know here in Gettysburg, you know, when I
8 look at the percentage of exemptions here, and
9 so I know it's more than just cities, it's also
10 some of our boroughs and hosts and universities
11 and other government operations.

12 I am just trying to get around to the
13 point of making this: one, budget-wise, more
14 palatable because I -- What I worry about is
15 that it gets stuck because of the two hundred
16 and fifty million dollars you talked about;
17 and number two is to make it more palatable for
18 those who, in parts the state, we say, well,
19 what's really the benefit? Philadelphia and
20 Pittsburgh is going to walk away with all of the
21 money, why am I going to do this?

22 So any suggestions you would have in
23 the future on anything, I would appreciate from
24 you.

25 MR. STETLER: Sure.

1 REPRESENTATIVE SAYLOR: Because I
2 really would like to. I mean, this -- Bob, I
3 think you have had this around for a while or
4 talked about it?

5 CHAIRMAN FREEMAN: Sure.

6 REPRESENTATIVE SAYLOR: And it always
7 seems to get stagnated and never get out of
8 either chamber, I think, and it would be nice to
9 try and get something like this to move forward
10 because these municipalities really are hurting.

11 MR. STETLER: Well. And I don't even
12 know what percentage of -- in like the City of
13 Pittsburgh, the City of Philadelphia is
14 tax-exempt.

15 CHAIRMAN FREEMAN: It's actually
16 about 28 percent in the City of Philadelphia and
17 34 percent in the City of Pittsburgh. You know,
18 so it's a concern to the other --

19 MR. STETLER: I mean, when you look
20 at -- Well, look at Pittsburgh. I can't speak
21 for Philly. But Pittsburgh, with all of the
22 universities and all of the hospitals, it's a
23 huge percentage of theirs.

24 CHAIRMAN FREEMAN: Yeah.

25 MR. STETLER: Thirty-four percent, I

1 mean, that's probably larger than even York, I
2 think. York's in that neighborhood, but not --
3 So it's -- it's --

4 And so, to make things relative to
5 that, you know, total value, that assessed
6 value, it's not -- Well, 24 million looks like a
7 lot of money, but in terms of relativity, it's
8 not.

9 CHAIRMAN FREEMAN: I should note,
10 too, I mean, one of the reasons I put the
11 10-percent cap in, is that, we didn't want to
12 see this just become a cash cow for billing in
13 Pittsburgh. That was the whole intent behind
14 the 10-percent cap.

15 And when you stop and think of the
16 magnitude of problems that exist in Philadelphia
17 and in Pittsburgh in terms of their economic
18 stability --

19 MR. STETLER: Exactly.

20 CHAIRMAN FREEMAN: -- they also have
21 means that we have to look at as a state.

22 I think 10 percent as a cap is fair
23 because it's still the guaranteed -- some
24 measure of funding under this system, this fund,
25 to address their problems based on some taxes

1 and properties.

2 But when you stop and think that 80
3 percent of the funding under this bill will be
4 reserved for communities outside of Pittsburgh
5 and Philadelphia, I think that's considerable,
6 that's substantial, and I think it gets to the
7 heart of the bill which is to recognize that the
8 tax-exempt issue really is one that touches
9 every kind of community as your remarks mention
10 as well.

11 MR. STETLER: And the other thing,
12 maybe you might want to target it to a
13 specific--you know, like with the fifty-two
14 dollar one--or to turn it into a specific
15 service in the city, and maybe the other way of
16 dealing with that might be to target that?

17 CHAIRMAN FREEMAN: I would resist
18 that only because I think one of the problems
19 that we are seeing in municipalities is, we, in
20 Harrisburg, keep putting strings on how you can
21 use the money.

22 MR. STETLER: Um-hum.

23 CHAIRMAN FREEMAN: And I think those
24 local folks know best where those resources have
25 to be placed.

1 You know, the Governor has been
2 extremely beneficial to a lot of older
3 communities in terms of capital projects, and he
4 continues to emphasize how he wants to see more
5 capital funding going to cities for its older
6 communities. That's great and hopefully that
7 will start to re-establish a tax base in many of
8 these communities, it would seem, that have
9 eroded.

10 The downside of that is, you can't
11 pay for a police force with capital, you can't
12 pay for fire protection with capital money, you
13 can't pay for code enforcement with capital
14 money.

15 And what I am encountering in
16 conversations with local officials around the
17 state with this legislation, is that, there is a
18 real need to provide a stream of funding that
19 allows them to maintain their basic services of
20 stuff that capital funding won't cover.

21 And that's the real crux of the
22 problem, I think, for most of them. You know,
23 that they welcome those big-ticket capital
24 projects, long term. Hopefully that rebuilds
25 the base.

1 But in terms of general operating,
2 the crisis now is, really, how do I get the
3 money to keep enough officers on the beat,
4 enough fire departments functioning, and our
5 code enforcement people out there to make sure
6 that the properties are in decent shape to
7 revitalize the community?

8 REPRESENTATIVE SAYLOR: You know, and
9 I want to clarify, too, it's not that I don't
10 want to see Philadelphia continue to get better.
11 I think they have got a great new mayor, and I
12 look forward to working with him. But it always
13 is -- And it's easy for a lot of us, and they
14 make it easy, Pittsburgh and Philadelphia,
15 sometimes with certain things that are happening
16 in those two cities, to pick on.

17 But I do think it's important for all
18 of -- You know, it's just like in Adams County
19 here. You know, when you look at Gettysburg,
20 Gettysburg is an important part of the Adams
21 County, and if something happens and Gettysburg
22 fails financially, or whatever, the whole Adams
23 County fails. So it's no different for York.
24 If York City fails, York County fails, and it's
25 a financial stress on all of us. So.

1 You know, I just wanted to -- I mean,
2 though, that I am not just picking on Philly or
3 Pittsburgh because, but I am just wanting to try
4 and make sure. Because I really have believed
5 for years that I have been in the legislature
6 that our third class cities and our major
7 boroughs throughout the state sometimes are
8 ignored for the two bigger entities at each end
9 of the state, and I think it's time that we make
10 sure that all of our cities and all of our
11 boroughs are getting the same financial
12 assistance that they require, just as
13 Philadelphia and Pittsburgh tend to get.

14 Thank you, Mr. Chairman.

15 CHAIRMAN FREEMAN: Sure. I should
16 note, too, for the gentleman's concern, Red Lion
17 is included under the one section. They just
18 made the mark, as a matter of fact.

19 Representative Longietti.

20 REPRESENTATIVE LONGIETTI: Thank you,
21 Mr. Chairman, and thank you, Mr. Stetler. I
22 read an article recently in one of the
23 newspapers that talked about and actually
24 compared some of the Northern cities to the
25 Southern cities; for example, the City of

1 Pittsburgh versus the City of Charlotte, North
2 Carolina, where my brother happens to live.
3 And it talked about the square mile of land
4 mass, and basically talked about how, in the
5 Southern cities, they were able to annex
6 territory.

7 Because when you think about and you
8 talked about, well, what is the cause of, you
9 know, all of these nonprofits locating in a
10 certain area, at least in my mind, without
11 studying it, one of the causes is that that's
12 where the historical population base was and so
13 hospitals and universities naturally sprung up.
14 And now those cities are becoming older, but
15 they, unlike the Southern cities, they were not
16 able to annex territory and expand where the
17 folks moved to the suburbs to live.

18 And that happened in my own district,
19 Sharon and Farrell --

20 MR. STETLER: Right.

21 REPRESENTATIVE LONGIETTI: -- which
22 are both cities, third class cities, that would
23 benefit from this legislation.

24 In Hermitage, which is now a third
25 class city, but not long ago was a second class

1 township, and Sharon and Farrell actually may
2 have had opportunities in years past to annex
3 some of that property and they missed that
4 opportunity, and Hermitage realized, as they
5 started to grow, that they wanted to protect
6 themselves and so they became a third class
7 city.

8 But I just thought, you know, maybe
9 you could comment. I don't -- I guess maybe we
10 have missed the boat, I don't know if there is a
11 way to annex that property, but if there isn't,
12 you know, what your thoughts are on that
13 subject, the comparison of the Southern cities
14 to the Northern cities. And what, if anything,
15 can be done, other than what we have in front of
16 us, to deal with the problem of folks move to
17 the suburbs --

18 MR. STETLER: Yeah.

19 REPRESENTATIVE LONGIETTI: -- and yet
20 the core of those services were located in the
21 cities because of a historical nature. So any
22 comments that you might have on that.

23 MR. STETLER: Well, let me preface
24 all of my comments by saying that I am not an
25 attorney, especially a constitutional attorney.

1 But. I mean, that said, I mean, I believe that
2 a lot of issues you raise came about in the late
3 '60s when the Constitutional Convention met and
4 the Constitution was rewritten. There were some
5 things included intentionally, unintentionally,
6 I am not quite sure, which kind of made the
7 issue of annexation much more difficult, I
8 believe, and that, you know, and certainly
9 consolidation very much more difficult.

10 You know, the PEL has taken a very --
11 You know, it's trying to do more and more
12 studies, or encourage discussions among
13 municipalities on shared services and things of
14 that nature, realizing that -- You know, here in
15 York County, there was discussions about Mount
16 Wolf and East Manchester kind of trying to get
17 together in a merger. It's very, very difficult
18 to, one, get beyond the discussions and the
19 reports, I mean, once it just becomes so
20 personal and it's -- You know, it's kind of an
21 interesting dynamic in Pennsylvania. It's --
22 But.

23 And more and more, we're going to --
24 We are -- We have just begun, we will begin in
25 April, what we consider structuring Healthy

1 Communities Part Two, which will be that study.

2 Hopefully, it would be completed in the fall.

3 But we are going to deal with some of
4 the issues that we think are impediments to
5 regionalization or to shared services, we are
6 going to outline some of those things, and I
7 think that would be helpful to what you are
8 talking about, Representative, you know, the
9 going forward.

10 And actually I can't remember if one
11 of the communities that we are going to look at
12 is in your district or not. We have
13 identified -- The Department of Community and
14 Economic Development have identified three
15 communities in the southwest that they would
16 like to be part of the study. And I'm -- I
17 apologize, I'm drawing a blank, but if I -- If
18 they are one of those three, I will get back to
19 you.

20 REPRESENTATIVE LONGIETTI: I
21 appreciate that. And, you know, we actually, in
22 the Shenango Valley, had a ballot initiative to
23 consolidate five communities and unfortunately
24 that failed. It has to pass --

25 MR. STETLER: All five.

1 REPRESENTATIVE LONGIETTI: -- by
2 majority in all five, and a couple did pass.

3 But, you know, part of what I saw
4 was, Hermitage is the growth area and so the
5 folks that used to live in Sharon and Farrell
6 left and moved to Hermitage to escape all of
7 those problems and so they naturally weren't
8 real excited about being joined together.

9 You know, one thought may be that, in
10 my view, if we would have more incentives
11 perhaps at the state level that encourage
12 communities to look at consolidation. They
13 really need those incentives to get over that
14 hurdle and that fear, it seems to me. But I
15 know that's another topic --

16 MR. STETLER: Yeah.

17 REPRESENTATIVE LONGIETTI: -- and I
18 am getting a little bit beyond this bill, but it
19 does touch on the same type of problems.

20 MR. STETLER: I would not discourage
21 that discussion as part of this legislation
22 because I think that having spent 16 years in
23 the legislature, you know, a lot of times it --
24 You know, you -- A lot --

25 The more issues that are put up in

1 front of the people, in those terms of one bill,
2 we all know as it marches forward that some of
3 those get peeled away, but they become -- their
4 level of recognition increases and that the
5 discussion continues even after one bill is
6 passed and then there is an opportunity to go
7 forward with others. And so, I think that
8 should be a very active part of this whole
9 discussion.

10 REPRESENTATIVE LONGIETTI: Thank you,
11 Mr. Chairman.

12 CHAIRMAN FREEMAN: Thank you.
13 Representative Moul had a comment or a question.

14 REPRESENTATIVE MOUL: Well, this is
15 more of a comment. And I hope the mayor doesn't
16 mind me speaking about him a little bit, but
17 this was something that was brought to my
18 attention. And it's rather striking to look at
19 these numbers. And the numbers I am going to
20 give you on the borough tax millage that I have
21 are actually not quite up to date. These were
22 based on 12.38 mills and the borough is
23 currently at 14.38 mills.

24 But when you make this comparison
25 that I am about to tell you, it really grabs you

1 as to how some of these small towns, especially
2 this one, is feeling the wrath of not having a
3 proper tax base.

4 The mayor told me at one point, and I
5 won't tell you his actual number on his house,
6 but he actually pays more local property tax on
7 his home than what Wal-Mart pays on their
8 property that sits just outside the border of
9 Gettysburg.

10 We have the Wax Museum here in town,
11 and this one I will tell you. They pay \$10,219
12 a year, and it's a fairly small place in
13 comparison to Wal-Mart.

14 MR. STETLER: Um-hum.

15 REPRESENTATIVE MOUL: And I am sure
16 it doesn't do near the business Wal-Mart does.
17 Wal-Mart pays \$942 a year in local taxes on
18 their property.

19 So the difference is so drastic.
20 These small towns are being strangled, and that,
21 if that doesn't show you the need for
22 legislation like this, to help out these towns
23 with nontaxable property, they are footing the
24 bill for all of those people that live in
25 surrounding communities.

1 But I was wondering if you might want
2 to make a comment on that, now that I have
3 shared those numbers with you.

4 MR. STETLER: Well, I -- And I would
5 just comment that we have, historically at PEL,
6 kind of taken the position of trying to find
7 ways to share the tax base. I mean, you know,
8 the -- You know, whether it's in, um --

9 And an example, for Representative
10 Saylor and I share, would be Harley Davidson.
11 Harley Davidson in York is a huge employer, and
12 I don't remember the last numbers I have seen,
13 but I think it's in excess of 3,000 employees.
14 Springettsbury Township benefits a hundred
15 percent from Harley Davidson and yet the vast
16 majority of their employees don't live in
17 Springettsbury Township.

18 And the issue becomes, how do you
19 share the revenue source amongst all of the
20 municipalities?

21 I mean, you know, all of those people
22 at Harley use the two hospitals in York. One is
23 in Spring Garden Township and one is in York
24 City. York City's, you know, residents pay the
25 freight for all of the services at that hospital

1 and Spring Garden pays it for theirs. There has
2 to be a way to share the expense of maintaining
3 and servicing those nonprofits.

4 And, you know, working on a -- some
5 type of plan of shared revenues should certainly
6 be something the legislature should be trying to
7 figure out.

8 I mean, this isn't -- Don't
9 misunderstand me. This is a step, but it does
10 not -- it does not grow. You know. Unless
11 liquor sales grow dramatically, I guess, that's
12 the only way it grows and --

13 But it's still -- It's a nice source
14 of income, but it's not a flexible source. And
15 so, you need to figure that out moving forward,
16 and that's, you know, a much more regional tax
17 base, it's really the only way Gettysburg or
18 York City or Lancaster City stays healthy -- or
19 returns to health, I should say.

20 REPRESENTATIVE MOUL: Any ideas, I am
21 sure we would be open to look at. But.

22 MR. STETLER: I will send you a copy
23 of part two when it's completed in October.

24 CHAIRMAN FREEMAN: Actually we would
25 like copies of all of the reports, if possible.

1 We look forward to them.

2 MR. STETLER: Sure.

3 REPRESENTATIVE MOUL: Thank you.

4 CHAIRMAN FREEMAN: I think

5 Representative Moul's example there is a good
6 illustration of what's wrong with the tax base
7 and how it operates in surrounding communities.

8 One of the points I would like to
9 make regarding this legislation, too, you are
10 absolutely right, that we need to look at a
11 broader picture of sharing costs and revenues.
12 However, as you know, having served in the
13 legislature, that's a very tough battle to try
14 and win.

15 There is always a tremendous
16 resistance if you were to tell people in that
17 neighboring township where the Wal-Mart is that
18 you have got to start ponying up some money
19 because you are not footing the bill for all of
20 the things that are stuck in Gettysburg. That's
21 a tough one to win. On the other hand, I think
22 one of the things you --

23 MR. STETLER: Because that was a
24 conscious business decision that Wal-Mart made
25 to locate in that municipality as opposed to

1 anywhere else.

2 CHAIRMAN FREEMAN: Sure. Even though
3 one could make the point that a lot of tax
4 dollars went into the infrastructure system that
5 allowed them to locate there. If we didn't have
6 public money going for roads and sewers and
7 water, Wal-Mart not may have been able to locate
8 out there. But in a sense, those tax dollars
9 provided the foundation upon which Wal-Mart's
10 decision could be made.

11 But one of the things that I think
12 makes this bill very palatable and supportable
13 by the vast majority of members in our chamber,
14 and in the Senate, hopefully, is the fact that
15 it doesn't get into those battles of trying to
16 decide, you know, what amount should you pony up
17 as a neighboring township or even the battles of
18 how much should we extract from the nonprofits.

19 Not all nonprofits are created equal:
20 the Salvation Army has a different base of
21 funding than, say, a major not-for-profit
22 medical facility. So I think it avoids a lot of
23 those battles that are very contentious and very
24 difficult to come out of it with anyone being a
25 winner.

1 And it gets to the root of the
2 problem, which is, how can we drive more dollars
3 into those needy communities that are being
4 penalized simply because they happen to have all
5 of the assets located -- the regional assets
6 located in their borders, but they happen to be
7 assets that don't pay real estate taxes? That's
8 the real crux and philosophy of the bill.

9 I should note, too, I think you have
10 raised a very good point as far as the
11 assessment process. You mentioned that a lot of
12 these nonprofit organizations end up registering
13 a very small percentage of assessed value.

14 Mayor Panto, at the Easton hearing,
15 pointed out that we know for a fact that
16 Lafayette College, which is located in Easton,
17 expanded considerably over the last couple of
18 years with new buildings that were easily in the
19 30 or 60 -- I think it might have been the sixty
20 million dollar range of construction, but yet
21 the total assessed value of all of the buildings
22 on campus, the old ones and the new ones, it was
23 somewhere around twenty million dollars. So
24 their assessed value is terribly low.

25 And I think you raised a good point,

1 that we are going to have to try and find some
2 way to make sure that the counties, in their
3 assessment process, place a reasonable figure on
4 these nonprofit buildings as this legislation
5 moves forward. So.

6 MR. STETLER: When was the last time
7 reassessment was done in your county?

8 CHAIRMAN FREEMAN: I believe it was
9 1996.

10 REPRESENTATIVE GRUCELA: '96.

11 MR. STETLER: That's not too bad.

12 CHAIRMAN FREEMAN: No, it's not too
13 bad.

14 Well, one of the factors that comes
15 through, too, and this bill actually might be a
16 good impetus for counties to reassess, there are
17 a lot of communities that would benefit under
18 this legislation that don't realize as much as
19 they could simply because their counties haven't
20 reassessed in 30 or 40 years.

21 MR. STETLER: Or more.

22 CHAIRMAN FREEMAN: So, if anything,
23 this legislation could also provide a great and
24 tremendous support, or impetus, if you will, for
25 getting counties to reassess on a regular basis

1 because it will drive more dollars into those
2 communities that have an accurate assessment
3 process. So.

4 Thank you for your testimony. Are
5 there any other questions of Mr. Stetler? If
6 not, we thank you for your testimony today, as
7 well as out at Easton, and look forward to
8 working with you on these issues.

9 MR. STETLER: Thank you.

10 REPRESENTATIVE MOUL: Thank you.

11 CHAIRMAN FREEMAN: Next, we would
12 like to call to testify, Dick Peterson,
13 President of the Borough Council down here in
14 Gettysburg.

15 (Off-the-record discussion occurred.)

16 CHAIRMAN FREEMAN: Mr. Peterson.

17 MR. PETERSON: Good morning.

18 CHAIRMAN FREEMAN: Good morning. And
19 thank you for again, along with Dan Moul, being
20 our host today. We appreciate you letting us
21 use council chambers.

22 MR. PETERSON: Well, welcome to
23 Gettysburg to all of you, to Representative
24 Saylor and Freeman, and our own Dan Moul. We
25 are just pleased to have all of you here. And

1 be sure, if you have a chance, to bring your
2 families here the next time and take a look at
3 the city.

4 First, I would like to welcome all of
5 you to Gettysburg and to our council chambers.
6 And I had the pleasure of seeing Dan at a state
7 representative nominee debate held by the
8 Gettysburg Rotary Club here when he was running
9 for office, and it was obvious that he was going
10 to win the election, and then, indeed, he did.
11 So that was wonderful.

12 I met Dan formally when ex-counselor
13 John Murphy and Mayor Troxell and myself
14 attended a Town Hall meeting where it was hosted
15 by Senator Arlen Spector at Gettysburg College.
16 And Dan walked up to us and we introduced
17 ourselves and the first thing out of his mouth
18 was a remedy he was going to propose to help
19 solve some of our borough's financial ills.

20 Well, to say that our ears perked up
21 would be a lesson in underestimation. Dan
22 definitely got our attention. He then outlined
23 what would become a proposed bill 2018.

24 First let me give an accurate
25 assessment of the borough of Gettysburg. And

1 some of you have alluded to this, but I am going
2 to make it probably even worse. According to
3 the last census, we are a community of about
4 seventy-seven hundred people. Twenty-six
5 hundred of those people are college students,
6 because that's when they take the census. So we
7 are really more like fifty-one hundred people
8 with twenty-six hundred temporary residents,
9 who, unless they happen to live and work here,
10 pay no taxes to the borough.

11 The municipality is about a mile and
12 a half from one side to the other in any
13 direction, and I always say you can walk it in
14 about 20 minutes, that it takes you to get from
15 one end to the other. Now, for me? Maybe 30.
16 But anyway.

17 We are landlocked, almost no place to
18 expand, we have very little property left to
19 develop; yet we are deluged with, according to
20 the Convention and Visitors Bureau, about 3.7
21 million tourists annually. And the areas
22 outside of the borough impact greatly upon our
23 infrastructure, facilities and services because
24 they are just burgeoning, they are growing in
25 leaps and bounds; but we are still Gettysburg

1 and we are still in the middle and we are still
2 only a mile-and-a-half wide.

3 In other states, we would be able to
4 annex those surrounding areas that affect our
5 borough so heavily; but annexation in
6 Pennsylvania is all but impossible. And even if
7 we went about trying to do that, there's not
8 many people in the outlying areas that want our
9 taxes, 14.3, as somebody pointed out, mills.
10 As a result, our citizen's taxes are
11 inordinately high.

12 And to make matters worse a great
13 number of our borough's properties are
14 untaxable, we receive no tax revenue from the
15 National Park Service, Gettysburg College, the
16 Seminary and school, the churches, the public
17 schools, or the hospital, and all of them are
18 burgeoning, they are all growing within the
19 borough; as a result, we are understaffed, a
20 bunch of our maintenance equipment is obsolete.

21 As an aside, this very building, in
22 itself, is in great need of repair, and there
23 are other shortcomings we have had to live with
24 for years.

25 Okay, so -- And I am going to be

1 redundant here because I do this for the press,
2 if for no other reason. So if you will forgive
3 me for that.

4 CHAIRMAN FREEMAN: You don't have to
5 apologize for talking to the press. We are all
6 politicians.

7 MR. PETERSON: So what is House Bill
8 2018? It all started with the Johnstown Flood.
9 I am sure Dan will give you more details, as he
10 already has actually.

11 But briefly, soon after the
12 devastating flood hit Johnstown, the state
13 passed a bill called the Johnstown Flood Tax.
14 It was a temporary bill to help victims of the
15 flood. The key word here is temporary. But,
16 guess what? The bill was never canceled, the
17 temporary bill is now 72 years old and is still
18 on the books and generates about two hundred and
19 forty million dollars in revenue for the state.

20 House Bill 2018 is being proposed to
21 divide that revenue among the state's
22 overburdened municipalities where a large
23 percentage of their property is deemed
24 nontaxable.

25 In other words, if a municipality is

1 made up of having at least 17 percent of its
2 property defined as nontaxable, that
3 municipality will qualify to receive money from
4 this fund. It also states that no single
5 municipality could receive more than 10 percent
6 of the revenue, and city-owned buildings are not
7 included in that calculation.

8 Our non taxability would not only
9 qualify Gettysburg for this bill, but would rank
10 us as one of the very top candidates for
11 qualification. So bring it on. We are ready.

12 I want to applaud Representative Moul
13 for his diligence, his caring and his unwavering
14 enthusiasm to bring this bill to the forefront,
15 and to the others as well, Representative
16 Freeman included. Now all we need to do is
17 write to our legislators to support this bill.
18 It's not a sure thing, I understand. That's why
19 we must convey our excitement and show our need
20 for House Bill 2018. Write them, please.

21 And thank you, Dan, for fighting our
22 battle for us in Harrisburg. You may be sure
23 that you will have our support to the fullest
24 measure, as all of you will. And just let us
25 know what is expected of us and what you want us

1 to do, we'll do it.

2 So I'll be glad to answer any
3 questions you may have.

4 CHAIRMAN FREEMAN: Thank you for your
5 testimony and for your support of the
6 legislation. We appreciate that.

7 Are there questions from the members?
8 Representative Harris.

9 REPRESENTATIVE HARRIS: Good morning,
10 sir. Thank you for having us here today.

11 MR. PETERSON: You bet.

12 REPRESENTATIVE HARRIS: You
13 mentioned, you listed about your fourth
14 paragraph, the organizations that don't pay you
15 any tax revenue: Gettysburg College, public
16 schools, hospitals, et cetera. Do you get any
17 voluntary payments in lieu of these taxes?
18 Maybe a voluntary donation from the university
19 or --

20 MR. PETERSON: Yes.

21 REPRESENTATIVE HARRIS: So they -- Do
22 they try to help you out at all or --

23 MR. PETERSON: Some do. The college
24 gives us a generous amount of money every year,
25 it differs, I think, from year to year, but I

1 want to say it's around \$30,000. I could be
2 wrong there.

3 Of course, we would rather have their
4 property to assess than that --

5 REPRESENTATIVE HARRIS: Sure.

6 MR. PETERSON: -- but that's not
7 going to happen. Also, the hospital has given
8 us a police car --

9 REPRESENTATIVE HARRIS: Great.

10 MR. PETERSON: -- so they have
11 donated material. We do get donations from some
12 of the townships for our recreation park.

13 And it should be said that our
14 recreation park, which is a beautiful park: it
15 has like eight ball fields; and we have
16 football, soccer; we have all sorts of events
17 going on, wine festivals and so forth, that go
18 on in the recreation park. That's the good
19 news.

20 The bad news is that the people that
21 use the recreation park are people outside of
22 the borough. Almost 80 percent -- Or actually
23 over 80 percent of the people that use the
24 recreation park are from outside of the borough.
25 Only 20 percent of the borough people, you know,

1 use the park itself.

2 So those townships, on the outside,
3 have given us small amounts of money to help
4 with the recreation park. But, you know, we
5 are, I think, somewhere around a hundred and
6 forty thousand dollars a year in the hole every
7 year --

8 REPRESENTATIVE HARRIS: Yeah.

9 MR. PETERSON: -- and we are trying
10 to make up for that. And we don't want to --
11 You know, we don't want to deprive kids of
12 playing baseball. But we've -- You know, we
13 have tried to get more money from the townships,
14 and we are going to keep working at that.

15 REPRESENTATIVE HARRIS: Good. And we
16 have discussed this in other hearings that we
17 have had, that these payments are nice, but they
18 are a hundred-percent voluntary.

19 MR. PETERSON: Yeah.

20 REPRESENTATIVE HARRIS: So I don't
21 mean to say that that in any way makes this not
22 necessary.

23 MR. PETERSON: Right.

24 REPRESENTATIVE HARRIS: I just wanted
25 to give you an opportunity to speak a little bit

1 about how they help you out.

2 MR. PETERSON: Yeah.

3 REPRESENTATIVE HARRIS: Thank you.

4 CHAIRMAN FREEMAN: Thank you,
5 gentlemen. Representative Grucela.

6 REPRESENTATIVE GRUCELA: Thank you.
7 And thank you, Mr. Mayor, for your testimony
8 today. My questions are along kind of the same
9 lines as Representative Harris. Does the
10 county -- Pardon my naivete. Is this the county
11 seat?

12 CHAIRMAN FREEMAN: Yes.

13 MR. PETERSON: Yes.

14 REPRESENTATIVE GRUCELA: It is. Does
15 the county contribute in any way?

16 MR. PETERSON: No.

17 REPRESENTATIVE GRUCELA: Have you
18 asked them?

19 MR. PETERSON: Well, they --

20 REPRESENTATIVE GRUCELA: Well, I
21 mean, actually not -- Besides what
22 Representative Harris was, like in lieu of taxes
23 or voluntary services, but I mean actual cash
24 donation.

25 MR. PETERSON: Actually the county is

1 broke as well. I mean, they don't have a lot of
2 money here either. So, I mean, it's -- It would
3 be -- It's sort of -- You know, they are
4 strapped just like we are.

5 REPRESENTATIVE GRUCELA: I must be
6 missing something.

7 MR. PETERSON: Okay.

8 REPRESENTATIVE GRUCELA: Because with
9 all of the tourism --

10 MR. PETERSON: Um-hum.

11 REPRESENTATIVE GRUCELA: The hotel
12 taxes, usually it goes to a tourist --

13 REPRESENTATIVE HARRIS: You have to
14 be a third class.

15 REPRESENTATIVE GRUCELA: You have to
16 be a third class county, is that what it is?

17 CHAIRMAN FREEMAN: Adams County is
18 what? It's fourth class?

19 MR. PETERSON: I believe so.

20 CHAIRMAN FREEMAN: Yeah, we have --
21 We are a fourth class county, also.

22 REPRESENTATIVE GRUCELA: I am just
23 thinking, with all of the tourism that this
24 generates, I am just curious as really the
25 county --

1 I am trying to figure out whether
2 revenue could be -- That it must be missing. I
3 mean, 3.7 million tourists and all of the
4 students? I remember as a former teacher
5 bringing students down here, and I am just -- I
6 am trying to look for where else --

7 MR. PETERSON: Well, most of the
8 attractions, you know, the restaurants, the
9 hotels, everything is not in Gettysburg; it's
10 outside of Gettysburg.

11 REPRESENTATIVE GRUCELA: It's outside
12 of Gettysburg.

13 MR. PETERSON: Yes.

14 REPRESENTATIVE GRUCELA: But it's
15 within the county?

16 MR. PETERSON: It's within the
17 county, right. And there is a pillow tax. They
18 do have --

19 REPRESENTATIVE MOUL: The county
20 doesn't have --

21 MR. PETERSON: -- have a pillow tax.

22 REPRESENTATIVE MOUL: It goes to the
23 Convention and Visitors Bureau.

24 CHAIRMAN FREEMAN: That goes to
25 the --

1 REPRESENTATIVE GRUCELA: That goes to
2 Convention and Visitors Bureau.

3 CHAIRMAN FREEMAN: Economic
4 development.

5 COURT REPORTER: Excuse me. Wait a
6 minute, gentlemen. Holy cow. Okay.

7 REPRESENTATIVE GRUCELA: I didn't.
8 They started that, not me.

9 CHAIRMAN FREEMAN: You can list that
10 simply as, a discussion ensued.

11 COURT REPORTER: Well, may I please
12 have the --

13 CHAIRMAN FREEMAN: Sure.
14 Representative Grucela, continue please.

15 REPRESENTATIVE GRUCELA: And that's
16 pretty much what I was looking at. I am just --
17 I am sure you have explored every avenue as you
18 look for revenue, but I am just curious --

19 MR. PETERSON: I mean, yeah, we are
20 still looking. You know.

21 The pillow tax, we don't really get
22 our fair share out of the pillow tax. It was
23 legislated, but it goes through the county and
24 then it goes through the county into the
25 Convention and Visitors Bureau. And we get

1 about \$20,000 a year out of the pillow tax, of
2 which we thought, when the bill was enacted,
3 that we were going to get about a quarter of a
4 million dollars, but that didn't happen, so.

5 REPRESENTATIVE GRUCELA: And I am
6 very supportive. I am a co-sponsor, and very
7 supportive of this, and I think it would help
8 you a lot.

9 And again, I am sure you have looked
10 and your counsel people have looked at all ways
11 of revenue. But really, with the tourist
12 attraction that you have here that you -- You
13 know, or you should be. There is something
14 missing here. I think you some how, some way
15 -- You know, especially when tourists --

16 I mean, I remember this from back
17 home in Northampton County, and, you know, you
18 are basically -- you are not hurting the local
19 people, and it's the people coming in from
20 outside, so like an amusement tax has always
21 been a, you know, a thing you could sell to
22 local municipalities because again the revenue
23 comes from outside.

24 MR. PETERSON: Right. Well, then
25 there's --

1 REPRESENTATIVE GRUCELA: And then up
2 in the Poconos, Representative Siptroth and I
3 can tell you --

4 MR. PETERSON: Yeah.

5 REPRESENTATIVE GRUCELA: -- you know,
6 one of the things you look for is like the
7 out-of-staters coming in or the tourists coming
8 in, you know, that you don't have your locals
9 really footing that bill, but yet you do foot
10 the services.

11 MR. PETERSON: Yes.

12 REPRESENTATIVE GRUCELA: So. And
13 again, I am sure you have looked at all of those
14 revenues, but I was just curious whether the
15 county --

16 MR. PETERSON: Yeah.

17 REPRESENTATIVE GRUCELA: -- along the
18 lines of Representative Harris's --

19 MR. PETERSON: Well, you have to
20 remember as well that the National Park Service,
21 which is the main attraction, is out there --

22 REPRESENTATIVE GRUCELA: Right.

23 MR. PETERSON: -- and they bring in
24 about a million seven or a million eight
25 thousand people a year, that they can measure.

1 The Convention and Visitors Bureau
2 did their own measurement of the, I think, the
3 number of people that come in, and they came up
4 with 3.7, so I tend to believe them. Because
5 the park service mentions it, though, by the
6 people that go by the turnstile in the visitors
7 center.

8 But they pay. You know, they --
9 Obviously the National Park Service pays us a
10 hundred -- You know, literally nothing. Now,
11 they have purchased the building downtown, the
12 Will's House, where Abraham Lincoln came in.
13 And they own that building. And that will bring
14 more people into the downtown area.

15 REPRESENTATIVE GRUCELA: Yeah.

16 MR. PETERSON: And we have been
17 working at that. We have restored our theater.
18 It's a magnificent theater, a Broadway-quality
19 theater. And that seems to be working very
20 well. And we are looking forward to getting
21 some taxes.

22 We gave them a break the first
23 year -- three years they were in business, to
24 make sure that they were going to make it, by
25 giving them a free ride on the parking, that

1 garage that we have. That I am sure will come
2 up and we'll be able to do that.

3 Plus we will be able to get the
4 attendance tax that comes out, where we tax on
5 attendance at 10 percent a year: 5 percent goes
6 to the school district; 5 percent goes to the
7 borough. So that's another thing.

8 So we are hoping that things are
9 going to get better, or as you say, we are
10 looking at every avenue to see if we can do
11 this.

12 REPRESENTATIVE GRUCELA: I guess the
13 old history and government teacher in me shows,
14 but I just -- It just seems grossly unfair --

15 MR. PETERSON: It does.

16 REPRESENTATIVE GRUCELA: -- to the
17 Borough of Gettysburg, that you are such a
18 historical attraction that you should be hurting
19 for revenue. So this bill hopefully will pass
20 in the House and the Senate.

21 MR. PETERSON: Well, as the mayor
22 pointed out, he pays more taxes than does
23 Wal-Mart. I mean, there's a lot of unfairness
24 in situations like that.

25 REPRESENTATIVE GRUCELA: Oh, I am

1 sorry. You are the borough council president.

2 I called you the mayor.

3 MR. PETERSON: That's all right.

4 REPRESENTATIVE GRUCELA: I gave you a
5 promotion.

6 MR. PETERSON: Well, it depends what
7 you are talking about.

8 REPRESENTATIVE GRUCELA: Or a
9 demotion. It depends how you are looking at it,
10 right? Thank you, Mr. Chairman.

11 CHAIRMAN FREEMAN: I think the
12 conversation that ensued about the hotel tax
13 actually brings up a point that I am always
14 concerned about as a legislator and as Chairman
15 of this committee. Too oftentimes in
16 Harrisburg, I think we put certain guidelines or
17 restrictions on the various implements we give
18 to local government to deal with their needs.
19 That hotel tax has to be used for the visitors
20 bureau activity or economic development --

21 MR. PETERSON: That's right.

22 CHAIRMAN FREEMAN: -- and so you
23 don't see it filter down necessarily to a
24 community like Gettysburg which has some real
25 ongoing general fund needs that have to be met.

1 MR. PETERSON: That's right.

2 CHAIRMAN FREEMAN: So I think
3 that's -- We shall be mindful of that. Probably
4 that we would be better off trusting our local
5 officials, as opposed to telling them, no, you
6 can only use this for this set purpose.

7 MR. PETERSON: Right. Definitely.

8 CHAIRMAN FREEMAN: I had a question,
9 too. You mentioned a number of the -- in your
10 remarks, the number of nonprofits that were in
11 the borough.

12 MR. PETERSON: Um-hum.

13 CHAIRMAN FREEMAN: You have the
14 hospital, obviously. You have of the county
15 facilities. You have the Battlefield, which is
16 located within your borders.

17 MR. PETERSON: Um-hum.

18 CHAIRMAN FREEMAN: The college is
19 also located in Gettysburg, is it not?

20 MR. PETERSON: Yes.

21 CHAIRMAN FREEMAN: Yeah. So all of
22 that adds up.

23 MR. PETERSON: Um-hum.

24 CHAIRMAN FREEMAN: Have you noticed a
25 dramatic increase over the last, say, 10 or even

1 20 years, as these institutions expand their
2 physical plant, gobbling up more real estate,
3 which then comes off the tax roles?

4 MR. PETERSON: Well, yes. You know,
5 they have expanded the college.

6 CHAIRMAN FREEMAN: And they have
7 needs. They have needs, obviously.

8 MR. PETERSON: Yeah. The college has
9 owned a lot of property to begin with, and they
10 are using pretty much their own property to make
11 their expansions, but they are burgeoning
12 outside in terms of their student population.
13 They are building, constantly building more
14 dormitories and whatever to try and house them.

15 CHAIRMAN FREEMAN: Um-hum.

16 MR. PETERSON: But the college has
17 grown a great deal. The tourism hasn't grown
18 until the last couple of years and I think part
19 of it is because of our downtown area where we
20 are attracting more people.

21 If you came here when I did in 1979,
22 there was a lot of boarded-up buildings on -- in
23 the downtown area and coming downtown was a
24 pariah. I mean, it was just not a place you
25 wanted to go.

1 Everything was out on the strip. I
2 bought property out there. I was in the tourist
3 business at that time. And now with the new
4 growth downtown, why, that's the good news. The
5 bad news is that people are staying out at the
6 Wyndham Hotel and the various hotels outside of
7 Gettysburg and they impact on our
8 infrastructure.

9 And one other thing that hurts us is
10 the traffic that goes through the community. We
11 have worked, in the past, to try to get a bypass
12 around the city where we can open up the avenues
13 and make it more accessible to tourists. But we
14 have eighteen-wheelers coming through here all
15 day long, and they not only tear up our streets,
16 but they also hit our signs and our parking
17 meters and everything else. So it's -- it's --
18 That's always presented a problem to us as well.

19 CHAIRMAN FREEMAN: Well, it strikes
20 me that Gettysburg illustrates another point,
21 too, in that, based upon the types of taxing
22 implements that we've provided for local
23 governments through state legislation, you
24 really are dependent almost, or at least for the
25 vast majority, on the real estate tax.

1 MR. PETERSON: That's correct.

2 CHAIRMAN FREEMAN: Here you have a
3 community that has the benefit of having a
4 wonderful tourist attraction --

5 MR. PETERSON: Um-hum.

6 CHAIRMAN FREEMAN: -- and gets
7 tourists that come to that community, you have a
8 hospital facility which employs lots of people
9 who are in the community, and you have a
10 college, and you have a county government
11 center; all of which employ lots of people or at
12 least have lots of bodies walking around
13 Gettysburg.

14 MR. PETERSON: Yeah.

15 CHAIRMAN FREEMAN: Now, that might be
16 good for the downtown merchants, the restaurant
17 trade, people buying goods and services in the
18 borough; but based upon the limited number of
19 tax implements that a local borough has, you
20 don't realize any of that.

21 MR. PETERSON: No.

22 CHAIRMAN FREEMAN: You don't have any
23 sales tax benefit. You don't realize any of the
24 factors that come out of a vibrant downtown
25 business.

1 MR. PETERSON: That's right.

2 CHAIRMAN FREEMAN: And, of course,
3 you want that.

4 MR. PETERSON: Um-hum.

5 CHAIRMAN FREEMAN: And that's
6 probably why you want to keep those nonprofits
7 close by.

8 MR. PETERSON: Yeah. If we want to
9 raise our taxes, we have to come to you folks.

10 CHAIRMAN FREEMAN: Yeah.

11 MR. PETERSON: You know, if that's a
12 real problem. But you have to remember, this
13 town is -- I don't know of another town anywhere
14 in the country, like, you know, a town this
15 size, burgeoned with all of the visitors that we
16 have and being landlocked into a very little
17 area.

18 CHAIRMAN FREEMAN: Um-hum.

19 MR. PETERSON: It creates real
20 problems for us. I don't think there's -- I
21 think we are unique in the state compared to any
22 other.

23 CHAIRMAN FREEMAN: Yeah. Some of
24 your nonprofit problems are similar to other
25 communities --

1 MR. PETERSON: Yeah.

2 CHAIRMAN FREEMAN: -- any college
3 town, any courthouse seat.

4 MR. PETERSON: Yeah.

5 CHAIRMAN FREEMAN: But you are right,
6 as far as a lot of the other factors.

7 MR. PETERSON: Yeah. We have, you
8 know, 5,000 people, if you want to look at it
9 that way. We have a 13-man police force and
10 then we have about 13 or 14 part-timers that
11 work a lot.

12 CHAIRMAN FREEMAN: Yeah.

13 MR. PETERSON: And, you know, for a
14 town this size, that's an enormous police force.

15 CHAIRMAN FREEMAN: Yeah.

16 REPRESENTATIVE GRUCELA: I just
17 figured it out: put up a toll booth.

18 MR. PETERSON: That's it.

19 CHAIRMAN FREEMAN: Well, one last
20 question on my part and then I will see if any
21 of the other members have questions.

22 MR. PETERSON: But nobody will go
23 into town that way.

24 REPRESENTATIVE GRUCELA: One to get
25 in and one to get out.

1 MR. PETERSON: Yeah.

2 CHAIRMAN FREEMAN: Well, what's the
3 total generating operating fund budget for the
4 borough?

5 MR. PETERSON: About -- Let's see.
6 It's a million four, I think it is. Is that
7 right, John?

8 MR. BUTTERFIELD: Well, it's 4.5.

9 MR. PETERSON: Four point -- I am
10 sorry.

11 CHAIRMAN FREEMAN: 4.5 million.

12 MR. PETERSON: 4.5, I am sorry.

13 CHAIRMAN FREEMAN: So the \$700,000
14 that this bill would generate for Gettysburg
15 would come in handy?

16 MR. PETERSON: Oh, gosh, yes. Yeah,
17 it would defray a lot of costs.

18 CHAIRMAN FREEMAN: Okay. Thank you.
19 Representative Saylor had a follow-up question.

20 REPRESENTATIVE SAYLOR: Not really a
21 follow-up question, it is just a comment on what
22 we have done in York. Some people like it, some
23 don't out in the county.

24 But what just happened is that the
25 county commissioners in York a few years ago

1 started donating money to the City of York
2 because the county government buildings are
3 downtown. Something like in lieu of taxes, but
4 not really that type of a thing. More just to
5 help out with certain programs maybe within the
6 City of York.

7 And there are still ongoing
8 discussions today about some crime issues that
9 where the county may be feeling that, with the
10 county prison, you know, if you can help cut
11 crime. We are still looking at a crime
12 prevention program that the county would fund as
13 well. But they have been giving around anywhere
14 from a hundred thousand to two hundred thousand
15 dollars a year to the City of York.

16 So I don't want to put the county
17 commissioners in Adams County in any kind of
18 trouble, but. And, you know, it is something
19 that I think the county commissioners do need to
20 understand, that Gettysburg does benefit the
21 whole county and that all of the taxpayers need
22 to probably contribute to what is happening in
23 Gettysburg.

24 MR. PETERSON: Yeah.

25 REPRESENTATIVE SAYLOR: And I realize

1 all budgets--it doesn't matter whether it's
2 county budgets, city budgets, you know, and so
3 on and so forth, the school district
4 budgets--they are all tight. But there is
5 sometimes, you know, the services that are here
6 in Gettysburg, do benefit the whole county.

7 MR. PETERSON: They do.

8 REPRESENTATIVE SAYLOR: And that, I
9 am not going to suggest a figure, but I am
10 suggesting that county commissioners should take
11 a look at some -- well, some kind of an
12 appropriations to help assist Gettysburg deal
13 with things whether it's in additional police
14 officers or just giving you a grant from the
15 county to help with toward helping paying for
16 the police department or road repairs, whatever
17 it may be.

18 I don't know what, you know, you guys
19 would work out with the county commissions, but
20 I think it is something you can look at.

21 MR. PETERSON: We are trying to work
22 out sort of a cooperative situation where we can
23 look towards regionalization of some of the
24 problems that we have and they might have as
25 well. Because they are building houses

1 everywhere in this county, and they are coming
2 in from Baltimore, they are coming in from
3 Washington. You know, Frederick put a kibosh on
4 their building. And so, where are they coming?
5 To the next place north which is us.

6 And so, we are looking at
7 regionalization as an answer to some of our
8 problems and we are trying to work with them now
9 and they are going to cooperate with us.

10 You mention it to some of the
11 townships and they cringe and, you know, they
12 don't want a part of the borough. And so, we
13 are trying to put -- But we are trying to work
14 it because I think in the long run, it will save
15 everybody money.

16 REPRESENTATIVE SAYLOR: Well. And,
17 you know, it's also -- You know, that --

18 With churches, it's like in York, a
19 lot of people outside the City of York go into
20 the churches in downtown York. And as the
21 former-Representative Stetler said, is that, you
22 know, a lot of people use those government
23 buildings and the hospitals and everything else,
24 so it, you know, some kind of working together
25 with county government, to me, is something that

1 should be looked at today.

2 MR. PETERSON: Yeah.

3 REPRESENTATIVE SAYLOR: I have got to
4 be honest. I think it's a great idea. I had
5 never thought of that, the county contributing
6 to a city like Gettysburg or to a York city.

7 MR. PETERSON: Yeah.

8 REPRESENTATIVE SAYLOR: But I think
9 it was a great idea because at some point that
10 you can't be burdened with all of these
11 tax-exempt properties that benefit all the
12 taxpayers of Adams County or York County or
13 whatever the county it is without a little bit
14 of assistance from all of the other taxpayers
15 who are benefiting from it in the county.

16 MR. PETERSON: Yeah, right.

17 REPRESENTATIVE SAYLOR: Thank you.

18 CHAIRMAN FREEMAN: So with the influx
19 of folks from Maryland and points south, you are
20 experiencing your second invasion from the
21 South, is what you are telling me?

22 MR. PETERSON: That's right. Yeah.
23 The South, I think has won the Civil War there.

24 CHAIRMAN FREEMAN: If there is no
25 further questions -- Oh, I am sorry.

1 Representative Moul.

2 REPRESENTATIVE MOUL: Yeah. And, Mr.
3 President, I think I have that correct, your tax
4 base in the borough, if I did my math in my head
5 correctly, is 28 times higher than your
6 neighboring community to the right -- or, yeah,
7 to my right -- to the east, and to the west is
8 approximately 50 times higher, so raising taxes
9 is probably not in the mainstream --

10 MR. PETERSON: No.

11 REPRESENTATIVE MOUL: -- a very, very
12 unpopular thing to talk about. So what's left
13 for you to do, and this is a layman's, are you
14 guys considering cutting services, i.e., police?

15 MR. PETERSON: We have.

16 REPRESENTATIVE MOUL: And where are
17 you at with that now?

18 MR. PETERSON: Right now, we don't
19 have a historical officer upstairs, which we
20 should have for this community. We have had to
21 cut back. We have had no choice.

22 And we don't want to raise taxes.
23 And we haven't. The new budget is, no tax
24 increase. And we just can't levy any more on
25 our people. It's just too much.

1 REPRESENTATIVE MOUL: Yeah, I
2 understand that. So you are probably right when
3 you say this is a very unique situation and a
4 bill like this is -- would be a Godsend, so to
5 speak.

6 MR. PETERSON: Manna from heaven,
7 yes. Sure.

8 REPRESENTATIVE MOUL: I will do
9 whatever I can.

10 MR. PETERSON: Okay. Thank you.

11 REPRESENTATIVE MOUL: Thank you.

12 MR. PETERSON: I appreciate it.

13 CHAIRMAN FREEMAN: It does raise one
14 other good point that Representative Moul
15 alluded to, and that is the fact that as you try
16 and maintain your essential services, it forces
17 you to squeeze what limited tax base you have.

18 MR. PETERSON: Yep.

19 CHAIRMAN FREEMAN: And the more you
20 do that, the less desirable it becomes for
21 people that want to locate or start a business
22 in Gettysburg because they know they are going
23 to be hit with a higher real estate bill.

24 MR. PETERSON: That's true.

25 CHAIRMAN FREEMAN: So it becomes a

1 self-defeating process, as you try and provide
2 revenue to maintain your services --

3 MR. PETERSON: That's why they are
4 all going, you know, that way.

5 CHAIRMAN FREEMAN: Yeah. So you
6 can't -- And I think this is one of the parts of
7 the discussion that is often missed in
8 policymaking, is we can't expect communities
9 like a Gettysburg or like many of our third
10 class cities across the state --

11 MR. PETERSON: Yeah.

12 CHAIRMAN FREEMAN: -- to try and fix
13 this problem on their own. It's just not
14 conceivable.

15 MR. PETERSON: That's true.

16 CHAIRMAN FREEMAN: They don't have
17 the tax base in which to do it, and the more
18 they rely on that limited tax base the more they
19 shoo away investment --

20 MR. PETERSON: Exactly.

21 CHAIRMAN FREEMAN: -- and economic
22 opportunities as opposed to draw it in.

23 MR. PETERSON: Yep.

24 CHAIRMAN FREEMAN: Thank you so much
25 for your testimony --

1 MR. PETERSON: All right. Thank you.

2 CHAIRMAN FREEMAN: -- and for your
3 support on the legislation.

4 MR. PETERSON: I want to apologize
5 for Phil Murray, the fellow who was going to
6 follow me. Phil had an emergency at the very
7 last moment. He's a very reliable guy. He was
8 really anxious to come here. So if he said it
9 was an emergency, I am sure it's truly that, but
10 he won't be able to speak today.

11 CHAIRMAN FREEMAN: Thank you. We
12 were informed that Mr. Murray, who is the
13 general manager of the Gettysburg Hotel, won't
14 be able to attend.

15 MR. PETERSON: Yes, that's correct.

16 CHAIRMAN FREEMAN: So we appreciate
17 that.

18 MR. PETERSON: Thank you.

19 CHAIRMAN FREEMAN: At this time
20 I'd -- Would you like to take a quick break?

21 COURT REPORTER: Yes, please.

22 CHAIRMAN FREEMAN: Okay. Why don't
23 we take a quick break for the stenographer. We
24 can resume in about -- How many minutes would
25 you like?

1 COURT REPORTER: 15 minutes.

2 CHAIRMAN FREEMAN: Okay, in 15
3 minutes. So we will resume at 11:40.

4 (Recess taken.)

5 CHAIRMAN FREEMAN: All right. I
6 would like for us to reconvene and continue with
7 the hearing. Our next testifier is Patrick
8 Hopkins, who is Director of Administrative
9 Services with the City of Lancaster. Mr.
10 Hopkins, welcome.

11 MR. HOPKINS: Thank you, Mr.
12 Chairman.

13 CHAIRMAN FREEMAN: Feel free to
14 proceed.

15 MR. HOPKINS: Thank you, Mr.
16 Chairman, and thank you to all the members of
17 the House Local Government Committee who are
18 here today and to those who have signed on as
19 co-sponsors of House Bill 2018.

20 My name is Patrick Hopkins. I am the
21 Director of Administrative Services for the City
22 of Lancaster, and I appreciate the opportunity
23 you have provided to me and the other presenters
24 today to talk about our views on this important
25 piece of legislation.

1 I have served as the city's director
2 of administrative services since January of 2006
3 when I was appointed by Mayor Rick Gray and also
4 served in the same position for several years
5 during the 1990s. In the interim, I worked for
6 several years as a staff person in the House of
7 Representatives, first for Representative Sturla
8 and then as a financial analyst for the House
9 Democratic Education Committee under Nick
10 Colafella.

11 I give you this background to make it
12 clear that while I understand the great need at
13 the local government level for the funding
14 contemplated in this bill, I also understand the
15 legislative process enough to know that any bill
16 that would redirect more than \$200 million in
17 funding from the state coffers to local
18 governments is a pretty tough sell, you know,
19 around the state and certainly in both
20 legislative chambers. So we applaud you for
21 taking on the effort.

22 But despite the uphill battle you
23 will face in moving this bill forward, there is
24 no doubt that our local municipalities have long
25 been in need of a source of steady and

1 sustainable funding to offset the financial
2 burden caused by the concentration of tax-exempt
3 properties within our borders.

4 Today I will talk mostly about the
5 City of Lancaster and the impact of tax-exempt
6 organizations on our tax base, but I know that
7 other municipalities in Lancaster County--both
8 boroughs and townships--would also benefit from
9 this legislation. This is, as far as I am
10 concerned, one of the strengths of House Bill
11 2018 in that it does not single out urban,
12 suburban or rural municipalities, but recognizes
13 that all types of municipalities in Pennsylvania
14 suffer under the weight of large portions of our
15 tax base being tax exempt.

16 In my discussions with Mayor Gray
17 about this bill, he noted that the Pennsylvania
18 League of Cities and Municipalities has given
19 its strong support to House Bill 2018 as a
20 common sense approach to providing funding to as
21 many as 500 municipalities across the
22 Commonwealth.

23 For the members who are not familiar
24 with the City of Lancaster, it is a third class
25 city with a population of about 60,000 and is

1 the county seat of Lancaster County which has a
2 population of about 500,000 now.

3 Our annual general fund budget is
4 about \$45 million, with more than two-thirds of
5 our budget directed toward police and fire
6 services. Like the vast majority of local
7 governments, the City of Lancaster must run a
8 lean operation, balancing the need to provide
9 vital services with the need to maintain the
10 least possible tax burden on our residents.

11 This balancing act is a difficult one
12 because local government is a very
13 labor-intensive enterprise. The services we
14 provide--police and fire protection, water and
15 wastewater treatment, street maintenance and
16 cleaning, parks maintenance, and so many of our
17 other services--require people to do the work.

18 In fact, our operations are so labor
19 intensive that 81 percent of our general fund
20 budget goes toward paying salaries and benefits
21 of our employees, operating expenses represent
22 only 13 percent of our budget, and the remaining
23 6 percent is for debt service.

24 Lancaster also has many burdens
25 placed on it by both federal and state

1 governments that increase our costs or place
2 restrictions on our ability to raise the
3 revenues we need to provide basic services. We
4 are told, for instance, what types of services
5 we must provide, we are told how we must
6 structure our municipal pension plans, we are
7 told what sources of revenues we can and cannot
8 tap to fund our operations.

9 We also deal with the realities of an
10 aging infrastructure. Now, the City of
11 Lancaster was founded in 1742. We have been
12 around for a while. Sometimes it seems like
13 some of our streets were last paved during that
14 period of time. Many of which, by the way, are
15 PennDOT-controlled roads that we don't get to
16 pave. PennDOT makes those decisions for us.

17 We have a high concentration of
18 residents in poverty, an aging housing stock,
19 higher than average rates of unemployment, and
20 the resulting need to provide more social and
21 public safety services for our residents than
22 many of our surrounding suburban municipalities.

23 But all of the burdens we face, there
24 may not be a single, larger financial burden
25 than that caused by the concentration of

1 tax-exempt properties within our borders. The
2 City of Lancaster encompasses only 7.2 square
3 miles of land, yet contains nearly \$2.5 billion
4 in assessed property value based on the most
5 recent countywide assessment that was done in
6 2005.

7 However, of those \$2.5 billion in
8 assessed value, more than \$500 million is tax
9 exempt, not including properties owned by the
10 city. If we were to receive real estate taxes
11 from all of these tax-exempt properties, we
12 would collect an additional \$4.2 million of
13 revenue in 2008.

14 And just for comparative purposes, we
15 collect in total real estate taxes about \$18
16 million. So this would be a very significant
17 increase in real estate tax revenues, and it
18 would be the equivalent of about a 9-percent
19 increase in total annual city revenues for our
20 general fund.

21 Were we actually receiving tax
22 revenues from all of our tax-exempt properties,
23 we would be able to better provide the level of
24 services our residents expect from their city
25 government and at the same time reduce the real

1 estate tax burden on our property owners.

2 In part due to the fact that 23
3 percent of our properties are tax exempt,
4 Lancaster City has, by far, the highest real
5 estate tax rate of any municipality in Lancaster
6 County. The next highest real estate tax rate
7 is that of Columbia Borough which is 15-percent
8 lower than the city's rate. The third highest
9 tax rate is in Millersville Borough where
10 Millersville University is located. They have a
11 millage rate that's just over half what the
12 city's rate is. After that, the tax rates fall
13 off very quickly, and a few townships have no
14 municipal real estate tax whatsoever.

15 So we have the lowest average
16 household income of any municipality in the
17 county and yet these residents bear the greatest
18 tax burden of any county resident.

19 And while many of us who love living
20 and working in the City of Lancaster believe the
21 benefits of city living outweigh the higher
22 taxes we pay, there is no doubt that our higher
23 tax rates act as a disincentive for many
24 families to buy homes and for many businesses to
25 operate within the city limits.

1 One of the great benefits of living
2 in the city is the vast array of cultural
3 activities that we have available to us. We
4 have got great museums, we have the oldest
5 continuously operating theater in the nation in
6 the Fulton Opera House in downtown Lancaster, we
7 have a new minor league baseball stadium, the
8 almost-finished new home of the Pennsylvania
9 Academy of Music, and many more. Each one of
10 these cultural institutions is a regional asset,
11 providing benefits to many people who live far
12 beyond the borders of the city.

13 We are fortunate to have them in our
14 downtown and to have the vitality that they
15 bring. Unfortunately, while they are regional
16 assets, the burden of their tax-exempt status
17 falls only on the City of Lancaster and on our
18 taxpayers.

19 The same is true of the social
20 service organizations, houses of worship,
21 educational institutions and county government
22 offices located in the city. Each of these
23 entities can be considered a regional asset that
24 provides much needed services to residents from
25 inside and outside the city's borders.

1 The city, as the county seat, the
2 geographic center and the public transportation
3 hub of Lancaster County, is the logical place to
4 locate such services. But just like with the
5 cultural institutions, the burden of lost taxes
6 from these properties is not shared regionally,
7 it's borne only by city taxpayers.

8 House Bill 2018 recognizes the role
9 the Commonwealth should play in leveling the
10 playing field--to a certain extent, anyway--to
11 ensure that municipalities are not left to carry
12 the burden of hosting tax-exempt organizations
13 on their own.

14 I mentioned earlier the need for
15 stable and sustained funding to assist
16 municipalities in dealing with the burdens of
17 tax-exempt properties. In the City of
18 Lancaster, over several different
19 administrations, efforts have been made to
20 collect payments in lieu of taxes, or PILOTS,
21 from the owners of tax-exempt properties. This
22 effort has seen varying levels of success, but
23 has never produced anywhere near the level of
24 revenues that are lost each year.

25 In 2006, Lancaster General Hospital--

1 our largest health care provider and actually
2 now the only nonprofit hospital within the city
3 limits--took the exceptional step of increasing
4 its PILOT from about \$300,000 annually to \$1.2
5 million a year. The hospital now pays over
6 twice what it would pay in taxes if all of its
7 property were taxable.

8 As a caveat, they also made about \$98
9 million last year, so they do have the
10 wherewithal to make a large contribution.

11 Unfortunately, few other tax-exempt
12 property owners are able or willing to make a
13 similar contribution, commensurate with the
14 value of their property, to support the
15 provision of city services.

16 In fact, aside from Lancaster General
17 Hospital's contribution, the other 200
18 tax-exempt property owners in the City of
19 Lancaster contribute a total of only about
20 \$100,000 annually. Because these are all
21 voluntary contributions, PILOTS cannot be
22 considered either a stable or a sustainable
23 source of revenue for the city and the services
24 that we provide.

25 I can tell you from my experience as

1 the one charged with producing the city's annual
2 budget and with forecasting future revenue and
3 expense trends that one of the few things that
4 makes these jobs easier is a known source of
5 revenue the city can count on year in and year
6 out. We believe the Liquor Tax revenues
7 targeted in House Bill 2018 can be the steady
8 source of revenue and allow municipalities
9 across Pennsylvania to carry a lesser burden for
10 being the host to so many tax-exempt
11 organizations.

12 As a final thought, tapping the
13 Johnstown Flood Tax as a source for the
14 Tax-Exempt Property Municipal Assistance Fund
15 seems like a perfect fit. This tax was
16 instituted in 1936 to help Johnstown and the
17 surrounding area recover from the devastating
18 effects of the Johnstown Flood. Now, almost 75
19 years later, the temporary tax, you know, this
20 revenue can be used to deal with a completely
21 different and more silent devastation that is
22 happening in municipalities all across
23 Pennsylvania.

24 The slow erosion of our tax base as
25 more and more properties become tax exempt may

1 seem like a trickle, but I and my colleagues in
2 municipal finance can tell you that our local
3 financial burdens make it feel much more like a
4 flood.

5 Again, Mr. Chairman, I appreciate the
6 opportunity to speak with the committee today,
7 and I would be glad to answer any questions you
8 may have for me.

9 CHAIRMAN FREEMAN: Mr. Hopkins, thank
10 you for your testimony and for your support of
11 the legislation. Are there any questions from
12 the members? Representative Siptroth.

13 REPRESENTATIVE SIPTROTH: Thank you,
14 Mr. Chairman. Mr. Hopkins, thank you for
15 testifying today. And I want to start my
16 questioning off with a statement that I fully
17 support this piece of legislation.

18 I was curious, because you have a
19 number of attractions in the downtown, in the
20 city, that you probably produce a significant
21 amount of earned income tax. Would you, could
22 you, or do you have a comparison of the earned
23 income tax that you currently earned versus what
24 you don't get from property taxes?

25 And if you don't have that

1 information, if you could furnish it to
2 Representative Freeman?

3 MR. HOPKINS: These are all of those
4 budget numbers that I am supposed to keep off
5 the top of my head.

6 REPRESENTATIVE SIPTROTH: I was just
7 curious.

8 MR. HOPKINS: I believe our earned
9 income tax revenue is about \$3.2 million. We're
10 one of the municipalities that several years ago
11 took advantage of the ability to increase our
12 earned income tax by one-tenth of a percent, so
13 city residents pay 1.1 percent for earned income
14 taxes, the city receives .6 percent of that, the
15 school district .5.

16 And for comparison purposes, though,
17 the local services tax brings in about 2.2 or
18 2.3 million dollars. So if you think about the
19 dollars that come in for a \$52 head tax, brings
20 in 2.3 million, and the earned income tax only
21 brings in, you know, about 50 percent more than
22 that, you get an idea of the income level of our
23 residents.

24 I mean, we have the--definitely by
25 far--the lowest household income of any

1 municipality in the county, so we have got the
2 poorest residents paying the highest real estate
3 taxes.

4 REPRESENTATIVE SIPTROTH: Okay. I
5 think you testified that -- or in your written
6 that if you had the ability to collect the
7 tax-exempt properties, it would produce about
8 \$4.2 million?

9 MR. HOPKINS: Right.

10 REPRESENTATIVE SIPTROTH: Okay. And
11 again, you know, I would like, you know, to be
12 able to present at least a portion of that
13 taxable revenue to the city through this bill.

14 MR. HOPKINS: We would be happy to
15 have you come and present the check.

16 REPRESENTATIVE SIPTROTH: Thank you
17 very much. Thank you, Mr. Chairman.

18 CHAIRMAN FREEMAN: The Chair wishes
19 to recognize the presence of Representative
20 Samuelson from Northampton County who has also
21 joined us.

22 Representative Grucela, did you have
23 a question?

24 REPRESENTATIVE GRUCELA: Thank you,
25 Mr. Chairman. And I thank you, Mr. Hopkins.

1 My question is the same I had for Mr.
2 Peterson. You did mention some numbers that you
3 get in payment in lieu of taxes.

4 MR. HOPKINS: Right.

5 REPRESENTATIVE GRUCELA: Any of that
6 come from the county?

7 MR. HOPKINS: No. We have had -- You
8 know, over the years, the county has had various
9 grant programs where, you know, the city,
10 through competitive grant programs, has made
11 applications to the county and received money
12 that way.

13 We don't receive any direct payment
14 in lieu of taxes, any cash payments, as a result
15 of the county buildings within the city.

16 And that, the two largest ones are
17 the county courthouse itself and now the county
18 has actually purchased another building,
19 actually one of our largest office buildings,
20 taken that off the tax roles, and it used to be
21 the headquarters building of Armstrong World
22 Industries. The county bought it several years
23 ago. That came off the tax roles. We also have
24 the Lancaster County Prison that is located
25 within this -- actually practically downtown

1 Lancaster.

2 So that those two alone and the rest
3 of the county properties within the city are
4 about \$92 million of assessed value. If they
5 were taxed, it would be about \$845,000 of
6 revenue to the city.

7 REPRESENTATIVE GRUCELA: Have you
8 asked the county?

9 MR. HOPKINS: Yes, there have been --
10 In both times that I have served in this
11 position, there have been multiple conversations
12 between the city and the county.

13 What I have seen and I think this
14 plays itself out over across the state, is that,
15 both tax-exempt entities that are private--
16 hospitals, social service organizations--if
17 they -- when they have an interest in making a
18 contribution to the municipality, sometimes it
19 is a straight cash contribution like we get from
20 Lancaster General Hospital. More often, it is,
21 we'll give you money for X, and it's a very
22 targeted contribution that comes with strings
23 along with it.

24 What local governments need is
25 general operating revenue. We need money that

1 we can pay police officers, pay firefighters,
2 pay our public works folks to pave the streets
3 and clean our parks.

4 We do get, as Representative Freeman
5 had mentioned before -- I mean, there are a lot
6 of strings that come attached with most of the
7 sources of revenue that we have.

8 CHAIRMAN FREEMAN: Um-hum.

9 MR. HOPKINS: The real estate tax is
10 the one source of revenue that we have got
11 control over. Unfortunately, the control that
12 we have is to be able to increase it and that
13 really has diminishing returns over a period of
14 a year, so. And our real estate taxes only
15 bring in 40 percent of our general fund revenue,
16 so it's a small piece of a growing pie.

17 REPRESENTATIVE GRUCELA: Who owns the
18 ballpark? Is it a municipal owned?

19 MR. HOPKINS: It is a -- The County
20 Redevelopment Authority owns it. And they did,
21 actually last year, began making a payment in
22 lieu of taxes. The City of Lancaster does not
23 have an amusement tax, and that is, you know,
24 one possible tax out there.

25 You know, our difficulty is--just as

1 the gentleman from Gettysburg Borough--each time
2 we add on, whether it's adding a real estate tax
3 or adding a new tax, we have to balance how much
4 that's going to impact, you know, the view of
5 the city, and, you know, is this just a place
6 that likes to raise its taxes.

7 We also don't have a business
8 privilege tax, a gross receipts tax. That the
9 legislature took away that ability from us in
10 1988, I believe it was, in a--I have to put this
11 in quotes--in a tax reform effort.

12 If the municipality didn't have a
13 business privilege tax at the time, it couldn't
14 institute one after 1988.

15 REPRESENTATIVE GRUCELA: Um-hum. But
16 what class county is Lancaster?

17 REPRESENTATIVE SAYLOR: It's a third
18 class.

19 MR. HOPKINS: Lancaster County is a
20 third class county.

21 REPRESENTATIVE GRUCELA: That brings
22 me back to my question about that hotel tax.
23 Because I know in our county, we are using it
24 some of it for our ballpark, I think. Right?
25 If I am not mistaken.

1 CHAIRMAN FREEMAN: I think there was
2 some economic development money set aside.

3 REPRESENTATIVE GRUCELA: That goes to
4 it. Does any -- Does that work in Lancaster?

5 MR. HOPKINS: We are actually, in
6 downtown Lancaster, smack dab in the middle of
7 the city, we are building a hotel and convention
8 center. The Convention Center Authority is a
9 recipient of, I want to say, 3.3 percent or
10 something like that out of the 5-percent hotel
11 tax. The rest of it goes to the Lancaster
12 County Convention and Business Bureau for
13 tourism promotion efforts.

14 REPRESENTATIVE GRUCELA: And did I
15 hear you right that you -- Can you have an
16 amusement tax? Or is that one taken, you can't?

17 REPRESENTATIVE SAYLOR: (Nods
18 negatively.) You can't.

19 MR. HOPKINS: Representative Saylor
20 is saying -- shaking his head, so I'll --
21 I'll --

22 REPRESENTATIVE GRUCELA: That's the
23 one we took away?

24 REPRESENTATIVE SAYLOR: There is a
25 law that changed that says that you cannot -- If

1 you didn't already have it, you cannot have it
2 now.

3 CHAIRMAN FREEMAN: The business
4 privilege?

5 REPRESENTATIVE SAYLOR: Yeah, the
6 business privilege.

7 MR. HOPKINS: The business privilege.

8 REPRESENTATIVE GRUCELA: How about
9 the amusement, the amusement?

10 MR. HOPKINS: I think that's still --

11 CHAIRMAN FREEMAN: That's still --

12 MR. HOPKINS: -- available to us.

13 CHAIRMAN FREEMAN: Yes.

14 REPRESENTATIVE SAYLOR: It is.

15 MR. HOPKINS: You know, aside from
16 the ballpark and a few other places, the Fulton
17 Opera House being one of them, there aren't a
18 lot of--unlike here in Gettysburg maybe--there
19 aren't a lot of venues where that would come
20 into play. So it almost, to a certain extent,
21 it would be a tax on probably three or four
22 different operations.

23 REPRESENTATIVE GRUCELA: Um-hum.
24 There wouldn't be a whole lot of revenue either,
25 so.

1 MR. HOPKINS: Well, there is an
2 equity issue there, too. And, you know, do we
3 want to just throw on another tax to get
4 additional revenue? It's just a matter of
5 changing the mix of revenues that we have
6 available to us.

7 REPRESENTATIVE GRUCELA: Thank you.

8 CHAIRMAN FREEMAN: Representative
9 Samuelson.

10 REPRESENTATIVE SAMUELSON: Do you
11 know how many communities instituted a business
12 privilege tax before 1988, before the law
13 changed?

14 MR. HOPKINS: Well, I do know that
15 each year when I am putting the budget together,
16 I start looking around at our sort of sister
17 municipalities: the City of York, the City of
18 Harrisburg, the City of Reading. I believe
19 Harrisburg receives about three and a half
20 million dollars, or so, from the business
21 privilege tax; the City of York is two point
22 something million dollars; the City of Reading,
23 they're a home rule charter municipality, I
24 think they are in the three or four million
25 dollar range.

1 So that's one that I always sort of
2 looked wistfully upon, and think, you know, if
3 we had those dollars available to us, you know,
4 we would be in better shape financially.

5 You know, we can also crow about the
6 fact that we don't have a business tax.
7 Frankly, a lot of businesses call us, and say,
8 okay, we are relocating here. We have a large
9 shopping mall within the city limits, we are
10 relocating here, what's your business tax setup?
11 And we say, well, we don't have any. And
12 sometimes we get into arguments, to try to
13 explain that, no, we really don't have a
14 business tax in the City of Lancaster. Because
15 they don't believe us, so.

16 REPRESENTATIVE SAMUELSON: And what
17 is the amount of the payment in lieu of taxes
18 from the baseball stadium? Ballpark figure.

19 CHAIRMAN FREEMAN: No pun intended.
20 Oh, groan, groan. You knocked that one out of
21 the park, that's for sure.

22 MR. HOPKINS: I believe it's in the
23 neighborhood of around \$10,000. That the
24 ballpark opened up in two thousand -- We'll be
25 in our fourth season. 2005, I guess it was. We

1 didn't get, for the first year, payment in lieu
2 of taxes. Last year, we got one to cover 2006
3 and 2007, and I believe it was in the
4 neighborhood of \$20,000: \$10,000 for each of
5 the two years.

6 REPRESENTATIVE SAMUELSON: And
7 that's, an annual figure covers 40, 50, 60 home
8 games?

9 MR. HOPKINS: There are 72 home
10 games. That's a hundred and -- Yeah, a hundred
11 and -- About 71, a hundred and forty-two game
12 season.

13 REPRESENTATIVE SAMUELSON: And the
14 final question, how much would Lancaster get if
15 House Bill 2018 became law?

16 MR. HOPKINS: I believe the number,
17 as they are calculated now, was somewhere in the
18 neighborhood of \$4 million.

19 CHAIRMAN FREEMAN: Yeah, that's
20 correct.

21 MR. HOPKINS: But I think there are a
22 few counties with some large municipalities that
23 aren't included in the numbers yet, so I --

24 CHAIRMAN FREEMAN: Yeah, there -- We
25 had some problems getting figures out of

1 Lackawanna County. I think we have gotten some
2 of those since. So Scranton wasn't originally
3 in that compilation, but about \$4 million.

4 MR. HOPKINS: Even a slightly
5 diminished number from \$4.2 million would --
6 would -- really it would go very far in the City
7 of Lancaster.

8 CHAIRMAN FREEMAN: I had a follow-up
9 series of questions or thoughts based on some of
10 the questions Representative Siptroth was
11 following, too. You noted that your earned
12 income tax actually produces almost the same
13 amount as the municipal services tax --

14 MR. HOPKINS: Right.

15 CHAIRMAN FREEMAN: -- which I think
16 illustrates the point that, again, we as a
17 legislature, giving tax implements to
18 communities that don't necessarily generate as
19 much as it could because it's based on where
20 your base is from.

21 MR. HOPKINS: Right.

22 CHAIRMAN FREEMAN: As you mentioned,
23 you have a high level of people who are below
24 the poverty level or at least low to mid income.

25 MR. HOPKINS: Um-hum.

1 CHAIRMAN FREEMAN: So the earned
2 income tax only being levied on people who live
3 within the municipality doesn't generate as much
4 if it had been applied to people who necessarily
5 maybe worked in the municipality.

6 MR. HOPKINS: (Nods affirmatively.)

7 CHAIRMAN FREEMAN: And yet the \$52
8 emergency services tax ends up producing over \$2
9 million, because I assume a lot of the people
10 that work at the hospital, who work at the
11 college, who work for the county --

12 MR. HOPKINS: Right.

13 CHAIRMAN FREEMAN: -- actually live
14 outside the boundaries of Lancaster City.

15 MR. HOPKINS: Yeah, I think our -- I
16 think the numbers that our population increases
17 is about fifteen to seventeen thousand during
18 the day, you know, when workers are coming into
19 the city. At least those are sort of the
20 ballpark numbers that we get when we compare the
21 number of taxpayers who are paying the local
22 services tax versus the earned income tax.

23 CHAIRMAN FREEMAN: And again, you
24 don't have a business privilege tax --

25 MR. HOPKINS: Right.

1 CHAIRMAN FREEMAN: -- so you can't
2 utilize the activities that come out of any of
3 your commercial properties or -- You know, aside
4 from the real estate tax, obviously.

5 MR. HOPKINS: And we have -- We're
6 unusual to the, you know, the third class city
7 sense, to the extent that we have of the -- You
8 know, Lancaster County is sort of, other than
9 tourism, it's known for shopping.

10 CHAIRMAN FREEMAN: Um-hum.

11 MR. HOPKINS: Retail outlets, we have
12 two of the three largest shopping centers that
13 are in Lancaster County are actually within the
14 city limits: Park City Shopping Mall which is a
15 mall that dates back to the early '70s; and Red
16 Rose Commons which is a complex of 15 or so
17 shops. You know, the Home Depots, Weis, that
18 sort of thing. All we get is real estate tax
19 revenue --

20 CHAIRMAN FREEMAN: Yeah.

21 MR. HOPKINS: -- nothing from sales
22 taxes, nothing from business privilege. I think
23 a lot of our taxpayers think that they, you
24 know, those two places, produce oodles of money
25 and they really don't.

1 CHAIRMAN FREEMAN: And even in terms
2 of the earned income tax, again the employees
3 there, who, being in the service industry,
4 probably aren't earning a whole lot, if they
5 don't live in the city --

6 MR. HOPKINS: They are not paying
7 taxes.

8 CHAIRMAN FREEMAN: -- it goes back to
9 their home community which could be a
10 surrounding township or borough. So.

11 MR. HOPKINS: Right.

12 CHAIRMAN FREEMAN: Which illustrates,
13 I think, again, the need for this legislation
14 not only to compensate communities for a high
15 percentage of tax-exempt properties, but to
16 recognize the fact that we have given very
17 little in the way of effective tax implements to
18 meet budgets in a lot of communities because it
19 is still predominantly on the shoulders of the
20 real estate tax.

21 MR. HOPKINS: Yes.

22 CHAIRMAN FREEMAN: Other questions
23 from the members? Representative Moul.

24 REPRESENTATIVE MOUL: I have a
25 comment and a question. You did mention about a

1 lot of the citizens, residents of Lancaster
2 County, are living at or below the poverty
3 level, which I think if you would mirror that to
4 Gettysburg, I think that you would find out that
5 there is a quite a few people that live in
6 Gettysburg, also.

7 And it seems as though that's the
8 trend that with a lot of our city's and the
9 larger you get, the larger number of people at
10 that level or below. So to ask their landlords
11 to revitalize those residences where these
12 people live, or maybe they own their own, if
13 they are at that level, they are certainly, with
14 the taxation that these cities--Gettysburg,
15 Lancaster--has to put upon them, they aren't
16 going to have money left over for
17 revitalization, upkeep, which starts the
18 snowball rolling downhill until it crashes.

19 So I am glad you pointed that out,
20 and I wanted to make mention of that again.

21 MR. HOPKINS: Yeah, I think there's
22 often a -- People sort of disconnect cities and
23 boroughs when actually we have got more similar
24 problems than Lancaster to, you know, a city in
25 another state.

1 About 10 or 12 years ago, I had
2 looked at real estate tax rates and their rate
3 of increase over a period of years, comparing
4 the City of Lancaster to the boroughs in
5 Lancaster County. There are 16 boroughs in
6 Lancaster County. During about a 10-year period
7 in the 1990s, every borough but one actually had
8 a faster increase in the rate of real estate tax
9 increases than the city did.

10 They are in the same boat. They are
11 landlocked, overdependent on real estate taxes,
12 older infrastructure, older housing stock, more
13 rental properties. I mean, we are in the same
14 boat as far as all of those issues are
15 concerned.

16 REPRESENTATIVE MOUL: And another
17 reason why this money is so needed. You
18 mentioned one thing, that you have a for-profit
19 hospital in the borough of Lancaster --

20 MR. HOPKINS: Yes.

21 REPRESENTATIVE MOUL: -- in the City
22 of Lancaster that made roughly \$92 million.

23 MR. HOPKINS: Well, that's a -- It is
24 a not-for-profit hospital. Lancaster General
25 Hospital is a not-for-profit hospital.

1 REPRESENTATIVE MOUL: Oh, okay.

2 MR. HOPKINS: I believe it was last
3 year when they are somewhere in the neighborhood
4 of \$98 million. It's obviously a very
5 successful operation.

6 We also have what used to be St.
7 Joseph Hospital, is a Catholic hospital, about
8 six or seven years ago got purchased by, I think
9 it's Hospital Corporation of America. So it
10 went from being a tax-exempt hospital to a
11 for-profit hospital and now pays real estate
12 taxes.

13 REPRESENTATIVE MOUL: And it pays.
14 Okay. I just wanted to clarify, that once they
15 left that nonprofit status, they also became
16 taxable.

17 MR. HOPKINS: Yes, they are paying.
18 They are right across the street from me. So
19 they have been paying taxes for, I want to say
20 it's six or seven years now.

21 REPRESENTATIVE MOUL: Okay. Thank
22 you.

23 CHAIRMAN FREEMAN: Any other
24 questions from the members? Representative
25 Samuelson.

1 REPRESENTATIVE SAMUELSON: How many
2 employees does the college, Franklin and
3 Marshall College, have?

4 MR. HOPKINS: I am not entirely sure
5 what their employee base is. It's in the
6 hundreds, but I honestly don't know off the top
7 of my head what that number is.

8 REPRESENTATIVE SAMUELSON: And is
9 there any kind of payment in lieu of taxes
10 arrangement with the college?

11 MR. HOPKINS: The college has an
12 agreement with us right now. There is about a
13 20-acre park that is -- adjoins the college
14 campus that Franklin and Marshall College
15 maintains.

16 We don't get any cash contribution
17 out of Franklin and Marshall College. And
18 that's been--I was talking to Representative
19 Freeman during the break--the subject of a lot
20 of conversations back and forth between the city
21 and the college administration.

22 And, you know, the maintenance of
23 Buchanan Park is fantastic, but it doesn't pay
24 other bills. And that's where our needs really
25 lie, is being able to pay those other bills, the

1 police and fire salaries and all of the other
2 operations that we run for the city.

3 CHAIRMAN FREEMAN: Representative
4 Saylor.

5 REPRESENTATIVE SAYLOR: Patrick,
6 thank you for coming. Thaddeus Stevens is
7 within the city limits, if I recall, am I
8 correct?

9 MR. HOPKINS: Yes, it is. Yes.

10 REPRESENTATIVE SAYLOR: That's a
11 pretty large campus, am I correct?

12 MR. HOPKINS: Yes.

13 REPRESENTATIVE SAYLOR: I think I had
14 dinner there one night at one of their big
15 areas. I don't know where it was, but one of
16 their buildings. What is that -- How does that
17 compare with Franklin and Marshall size-wise for
18 anything?

19 MR. HOPKINS: They are -- I printed
20 out the -- Because I knew I would get at least a
21 couple of these questions about some of these
22 institutions, I printed out the top 15 of our
23 highest-assessed value.

24 The school district of Lancaster is
25 the top \$92 million. Lancaster County is just

1 below that at \$92 million. Franklin and
2 Marshall College is about \$52 million in
3 assessed value. Stevens is about \$9.3 million.

4 REPRESENTATIVE SAYLOR: Oh, so it's
5 smaller.

6 MR. HOPKINS: So it's quite a bit
7 smaller.

8 REPRESENTATIVE SAYLOR: Okay.

9 MR. HOPKINS: I will say that there
10 are, among some of these entities--Lancaster
11 General Hospital and Franklin and Marshall
12 included--they do voluntarily maintain some of
13 their properties on the tax roles.

14 Over a period of years, Franklin and
15 Marshall College has purchased properties
16 adjacent to the campus that, you know, at one
17 time had been single-family homes, changed them
18 into offices and have kept those on the tax
19 roles.

20 So the numbers I have read off are
21 purely the ones that they do not have on the tax
22 roles.

23 REPRESENTATIVE SAYLOR: Okay. Thank
24 you. And that would be a better looking rose if
25 it was white, by the way.

1 MR. HOPKINS: Well. But we will see
2 who wins the Battle of the Roses this year --

3 REPRESENTATIVE SAYLOR: That's right.

4 MR. HOPKINS: -- with the
5 Barnstormers and the Revolution.

6 CHAIRMAN FREEMAN: I was going to
7 say, we are not going to re-open the War of the
8 Roses. That's for sure.

9 Just one final comment. You made
10 reference to this in your testimony and I think
11 Mr. Peterson did, too, from the borough, that
12 the real crying need for a lot of these
13 municipalities with a high percentage of
14 tax-exempt property is for revenue that could be
15 used for general fund purposes --

16 MR. HOPKINS: Yes.

17 CHAIRMAN FREEMAN: -- for your
18 police, for your fire, for your code
19 enforcement. That's stuff that doesn't come
20 your way, either, in the form of a lot of state
21 grants. Those tend to be very specific, very
22 targeted.

23 MR. HOPKINS: Right.

24 CHAIRMAN FREEMAN: Or in the way of
25 the Governor's initiatives with capital

1 projects, which are welcomed in a community, but
2 once it's built, we don't give you money to help
3 with the maintaining and aligning of that
4 (phonetic).

5 MR. HOPKINS: Lancaster has been
6 quite successful and the Administration has been
7 quite good to Lancaster --

8 CHAIRMAN FREEMAN: Um-hum.

9 MR. HOPKINS: -- in terms of
10 redevelopment assistance dollars. One of these
11 large projects that those dollars went into is
12 the Pennsylvania Academy of Music.

13 CHAIRMAN FREEMAN: Okay.

14 MR. HOPKINS: It will be a -- You
15 know, it's a show-cased building, it will be 300
16 music students, it's run by
17 internationally-known musicians, but it's also a
18 tax-exempt entity.

19 CHAIRMAN FREEMAN: Yeah.

20 MR. HOPKINS: It will bring people
21 downtown, but it won't produce general operating
22 revenues for the city.

23 CHAIRMAN FREEMAN: Those things
24 enhance the quality of life --

25 MR. HOPKINS: Absolutely, absolutely.

1 CHAIRMAN FREEMAN: -- but they don't
2 necessarily give you the ongoing revenue you
3 need to maintain your services.

4 MR. HOPKINS: This conversation about
5 the tax-exempt entities gets difficult
6 sometimes. Because on the one hand we talk
7 about the burden but it's not a burden that is
8 necessarily their fault, it's just a burden that
9 is there.

10 So we don't like to frame it as a --
11 that the entities themselves are a burden
12 because they are not. In most cases, they are
13 great members of the community, they bring
14 vitality to the city. On the other hand, when I
15 am putting a budget together, it makes it very
16 tough.

17 CHAIRMAN FREEMAN: Yeah. I emphasize
18 the fact that one of the, I think, benefits of
19 my legislation is it really gets to the heart of
20 the issue of --

21 MR. HOPKINS: Yes.

22 CHAIRMAN FREEMAN: -- making sure the
23 communities that are already burdened by
24 tax-exempt properties do have the additional
25 revenue they need for the ongoing essential

1 services, for that fire protection, for that
2 police protection, for a code enforcement, the
3 things that you can't adequately fund off of
4 your eroded, limited tax base. So.

5 MR. HOPKINS: Agreed. Thank you very
6 much.

7 CHAIRMAN FREEMAN: Thank you for your
8 testimony and for your support of the
9 legislation.

10 That brings us to our final testifier
11 for today, Mr. Elam Herr, Assistant Executive
12 Director of the Pennsylvania State Association
13 of Township Supervisors. Elam, welcome.

14 MR. HERR: Good afternoon, Mr.
15 Chairman.

16 CHAIRMAN FREEMAN: Good afternoon.
17 You may begin your testimony at any time.

18 MR. HERR: You have a copy of my
19 written testimony and I will just highlight some
20 parts from it.

21 A couple of things that I want to
22 say. First of all, the association and
23 membership are very supportive of this
24 legislation. We think 2018 is one way to go,
25 but it is not the only answer to this problem.

1 You have heard from several other
2 people prior to me, and one of the things we
3 have got to keep in mind, is that all
4 municipalities are affected by this issue of
5 tax-exempt entities out there.

6 And as the previous gentleman ended
7 his testimony with, it's the general operating
8 revenues that affect all of the municipalities
9 out there. That is the big concern.

10 Too often what happens in the
11 legislature is that you see legislation being
12 introduced and passed. Again, as the previous
13 gentleman referenced, the tax reform of 1988
14 took away a major source of taxation.

15 To answer the question that was
16 raised: at the time, there were only several
17 hundred municipalities that used the business
18 privilege and mercantile tax, but that tax was
19 what those communities felt a viable tax.

20 That gets into the problem then: you
21 take that tax away, what do you do? You go back
22 onto the property tax, which is the only tax
23 that all the municipalities have that is a
24 reliable, viable tax.

25 That comes into another problem--and

1 you hear in the legislature, you are always
2 talking of--you are always talking about doing
3 away with the property tax.

4 If you think you have a problem now
5 with the tax exempts and you ever decide to do
6 away with the property tax completely, the
7 municipality officials that preceded me will be
8 up in arms because that is still a viable local
9 tax.

10 The problem is, as other taxes are
11 taken away, other situations come into play, the
12 property tax gets raised.

13 Back to the tax-exempt issue, what
14 comes into play there, that goes across the
15 board, also. Not only is it in the urban areas,
16 be it the cities and the boroughs, but it also
17 affects townships, suburban townships and even
18 at the rural townships throughout this
19 Commonwealth.

20 One of the things that people don't
21 realize is, rural Pennsylvania, there is a very
22 high also poverty level. So again, the tax,
23 that the property taxes that's coming in, are
24 these people are paying for their
25 municipalities, is basically in a situation

1 where fewer people are paying higher taxes to
2 provide the services that we need.

3 Again, tax-exempt properties, you
4 have to look at everything that is out there.
5 You look at -- Even this building, it's a
6 tax-exempt building, in which it rightly should
7 be, but it also affects, you know, the county,
8 it also affects the school districts. We go
9 through that whole situation.

10 You can almost say every municipality
11 in the Commonwealth has tax-exempt properties,
12 some it affects more than others. We believe
13 that the tax-exempt entity, if it is not
14 required to pay taxes or in lieu of payments,
15 then it is the state's responsibility to step in
16 for it because it's the state that gives these
17 entities their tax-exempt status.

18 CHAIRMAN FREEMAN: That's a good
19 point.

20 MR. HERR: And a few years ago, we
21 did have legislation where we addressed the
22 tax-exempt status and what that ended up doing
23 was putting -- theoretically -- actually not
24 theoretically -- more properties on the
25 tax-exempt roles.

1 And the way we looked at it, the
2 situation should be that even if they are
3 tax-exempt, potentially they should pay maybe
4 a -- their assessed valuation, a smaller
5 percentage, that they are paying something,
6 or they should pay some type of in lieu of tax
7 payment.

8 Again, the previous speaker spoke
9 about what they are getting. That's an
10 involuntary (phonetic) contribution, they don't
11 have to give it. And they are the ones who
12 decide how much they are going to give, you can
13 have some negotiations.

14 But even those municipalities that
15 are doing well--and I will give you an example
16 based on the figures that I have seen--East
17 Hempfield Township in Lancaster County, neighbor
18 to the City of Lancaster, I live there, we have
19 a hundred and eighty-seven million dollars of
20 tax-exempt property in my township. I would
21 have never thought that. That's what it is
22 there.

23 Now, granted, we also have a total
24 assessment of \$2 billion so our percentage rate
25 is still low, but it's still a hundred and

1 eighty-seven million dollars of tax-exempt
2 property.

3 That property being off the tax roles
4 means, I do pay more money, not only to the
5 municipality, but also to the county and the
6 school district. And guess which taxes are the
7 highest? The school district.

8 Now, I realize this piece of
9 legislation only addresses municipalities and
10 really that's all I care for, but when you look
11 at the whole picture, tax-exempt properties have
12 a big issue when it comes to all political
13 subdivisions.

14 Back again to the legislation. As I
15 said, we support that, we feel that this would
16 help municipalities that are out there.

17 We do have a technical comment that
18 we think should be brought at this time that
19 should be looked at. It says in here, in the
20 legislation, that the municipalities must report
21 payment in lieu of tax payments that they
22 receive from any governmental entity.

23 What this does is, that says that a
24 municipality that receives some funding from
25 another governmental entity will be either

1 ineligible or they will have to reimburse that
2 amount which they get.

3 What we are saying is what happens if
4 a municipality receives a PILOT payment from a
5 private entity such as an institution of purely
6 public charity, is that going to affect the
7 balance?

8 CHAIRMAN FREEMAN: (Nods negatively.)

9 MR. HERR: I am not -- You know, I
10 saw the Chairman shaking his head, but I am not
11 sure of that.

12 Does the effect, the way the bill is
13 written, say that, Lancaster General Hospital
14 gives an in lieu of tax payment, would that
15 affect the balance?

16 If that's not the intent, I think it
17 has to be clear so that they don't do that.

18 CHAIRMAN FREEMAN: And just to
19 clarify, and I appreciate your thought on that,
20 we specifically mentioned that if you receive
21 government-funded PILOTS, that that should be
22 deducted because the source of the revenue is
23 government, it's coming from the Johnstown Flood
24 Tax. So we didn't think it was appropriate
25 for -- to be able to receive government money on

1 one hand from another government entity, on the
2 other hand also get it from the state.

3 We do not deduct any PILOTS that come
4 from a private entity. And the reason for that
5 is two-fold: one, we feel that those are the
6 results of the community's efforts to negotiate
7 with that private entity and to try and impress
8 upon them the stake they have in the community;
9 and two, the fact that oftentimes those PILOTS
10 really are geared much more--not always--but
11 oftentimes more towards infrastructure needs,
12 not ongoing revenue needs.

13 A college will be happy to give you
14 money to help improve that corridor leading to
15 the college because it's the gateway that the
16 visiting parents see, they will be happy to help
17 you improve a park that borders on the college,
18 but not necessarily give you money for your fire
19 department.

20 I am sorry. I didn't mean to
21 interrupt.

22 MR. HERR: No, that's fine. And I
23 agree with what you are saying. I think that it
24 has to be clear that if the city -- Or if the
25 Lancaster General Hospital gives that, it

1 doesn't affect the amount of money that the city
2 potentially would get.

3 The second thing is, since
4 everything, all of the tax-exempt assessments
5 are being considered, be it both public and
6 private, does this bill also potentially give
7 the incentive to those that are already paying a
8 PILOT to say, oh, they are getting money from
9 the Commonwealth, we don't need to give the
10 PILOT anymore?

11 And if that's the case, that's
12 something that has to also be looked at because
13 you don't want to give the purely public
14 charities, as they are called, an escape to stop
15 paying PILOT contributions.

16 The other thing which goes again a
17 little bit beyond, and the Chairman did mention
18 this earlier, that it would be very difficult.
19 We support this bill and we think the bill
20 should go forward, but we also think that the
21 legislature should look at what is fair and
22 equitable when it comes to tax-exempt
23 properties.

24 Based on what has happened in the
25 past, we feel that the legislature should

1 re-examine the number of tax-exempt entities
2 that qualify under the umbrella of institution
3 of purely public charity. That's going to be a
4 very difficult subject because of the purely
5 public charities out there.

6 But again when you look at some of
7 the institutions that are out there, you take
8 the volunteer fire companies, you take public
9 libraries, public parks, they are providing a
10 true public service. But then when you look at
11 some of these other institutions, you take a
12 university, yes, they are providing some service
13 to the community, but really are they purely
14 public charities. Those are the types of things
15 that should be looked at and taken one step
16 further.

17 The other side of the issue, and
18 again this raises a lot of concern, we believe
19 that tax-exempt properties should be kept to a
20 minimum and include only those that are truly of
21 a purely public purpose because of what it does
22 to the communities.

23 Nobody likes to pay taxes. I have
24 said years ago that the fairest tax that you can
25 levy is, you pay everything, I pay nothing.

1 And, you know, if, when you are talking about
2 legislation, if you can get that in there for my
3 exemption, I would appreciate that.

4 But the idea is, we have to pay taxes
5 and why should a certain part of the population
6 pay a higher percentage because it allows
7 another part of the population off.

8 With that, Mr. Chairman, I just want
9 to bring up one other issue. Sitting here,
10 listening today, some of the figures that have
11 been used today, I think one of the concerns
12 that we may have is that different figures are
13 thrown out. When Mr. Stetler was here earlier,
14 he was saying -- references Williamsport, the
15 City of Williamsport, where their figures show
16 that they would have a 44 percent tax-exempt
17 assessment.

18 When you use the figures that the
19 committee is using, Williamsport is at 31
20 percent. And also, his shows that Clinton
21 Township has a 5 percent, yet the figures that
22 the committee is using has a 27 percent.

23 So what we have to do in this type of
24 legislation, too, is make sure that the counties
25 do a fair and equitable assessment of these

1 tax-exempt properties so that we get a true
2 figure that's out there.

3 With that, I will try to answer any
4 questions that you may have.

5 CHAIRMAN FREEMAN: Thank you for your
6 testimony and support of the bill by the
7 association. Just to note, you raise a very
8 good point as far as the calculating of the
9 assessed value.

10 A lot of counties typically have been
11 very loose in how they assess tax-exempt
12 properties to date, in large part because they
13 are tax exempt, they don't actually have any
14 liability as far as paying tax revenue.

15 I think that attitude and that mind
16 set will change when this legislation becomes
17 law because obviously it will carry a much more
18 need for authenticity to assess it.

19 And one of the things that has come
20 up in the course of our hearings, particularly
21 the hearings that we held in my hometown of
22 Easton, is that, a lot of nonprofits, like a
23 college or a university, typically have been
24 assessed rather low in terms of the actual value
25 of their physical plant, their buildings.

1 So, if anything, getting a more
2 realistic picture of that is a good point, that
3 will help to decide where those dollars need to
4 be driven.

5 MR. HERR: Again, the previous
6 speaker, if you take what the gentleman said
7 about Lancaster General Hospital--and I don't
8 want to pick on Lancaster General, but those are
9 the numbers that were used--probably the
10 assessed value of that hospital complex in that
11 city is not true so that even the amount that
12 they are paying that's an in lieu really is not
13 realistic to what could be out there --

14 CHAIRMAN FREEMAN: Um-hum.

15 MR. HERR: -- and again in comparison
16 to what that hospital is. But that goes for all
17 of the tax exempts that are in that category.

18 CHAIRMAN FREEMAN: Yeah. And we do
19 charge the counties in this legislation with
20 making accurate figures --

21 MR. HERR: Right.

22 CHAIRMAN FREEMAN: -- to bring back
23 to the state for analysis. And having spoken
24 with Doug Hill (phonetic) from the county
25 association, they accept that charge, they

1 recognize that they are supposed to be doing it
2 anyway, that's part of their mission, so they
3 don't see any problem with trying to fulfill
4 that part of the bill.

5 One thing I wanted to note, too, and
6 thank you for is bringing home the point that
7 this isn't an issue that just affects cities and
8 boroughs, while they may feel it most acutely
9 because of the concentration of tax-exempt
10 properties.

11 MR. HERR: Right.

12 CHAIRMAN FREEMAN: There are a lot of
13 townships across this Commonwealth that also
14 have sizable percentages of tax-exempt property.
15 Mahoning Township in Montour is a classic
16 example, headquarters to Geisinger Medical
17 facility, a major, major medical facility that's
18 tax exempt, and so the folks of that community
19 don't receive any taxable benefit from its
20 presence there.

21 If you look at places like
22 Millersville, although a good portion of that
23 campus, I guess, is within the borough, there is
24 also a considerable number of buildings that are
25 in the neighboring township.

1 MR. HERR: Yeah, it's probably --
2 Millersville is probably almost half and half.

3 CHAIRMAN FREEMAN: Yeah. And that's
4 one of the reasons Representative Boyd, who
5 represents that area, was happy to put his name
6 on the bill because he recognized it would help
7 the township as well.

8 MR. HERR: Excuse me, Mr. Chairman.
9 Even in Adams County, there is five townships,
10 based on the criteria and the figures here, that
11 would benefit from this legislation based on the
12 figures we have --

13 CHAIRMAN FREEMAN: Um-hum.

14 MR. HERR: -- whether they are
15 accurate or not, but they are over the 17
16 percent.

17 CHAIRMAN FREEMAN: Yeah.

18 MR. HERR: So it is something that
19 goes across the board and it's one reason why we
20 feel that this revenue should come back to --
21 again go into the general operating revenues of
22 the municipalities so that they can provide the
23 services that that community --

24 CHAIRMAN FREEMAN: Um-hum.

25 MR. HERR: -- feels that are needed.

1 CHAIRMAN FREEMAN: A good point.

2 MR. HERR: And we appreciate that.

3 CHAIRMAN FREEMAN: Any questions from
4 the members? Representative Grucela.

5 REPRESENTATIVE GRUCELA: Just a
6 comment, Elam. And thank you for your
7 testimony. But when you said mercantile tax, my
8 ears perked up because I represent a small
9 borough and that borough council has been after
10 me to pass a law to give them the power to have
11 a mercantile tax again. I told them I had a
12 better chance of finding bin Laden. But when
13 you said --

14 MR. HERR: And capturing.

15 REPRESENTATIVE GRUCELA: Yeah. When
16 you said that, I couldn't help but understand
17 that. So thank you.

18 CHAIRMAN FREEMAN: Any further
19 questions from the members? If not we -- I am
20 sorry. Representative Siptroth.

21 REPRESENTATIVE SIPTROTH: This would
22 be a question directed to you or your staff. I
23 was just curious as to what our surrounding
24 states do to make whole municipalities regarding
25 uncollected tax. Do you have anything on that

1 at all? Anyone have that?

2 And if not, --

3 CHAIRMAN FREEMAN: We'll get it.

4 REPRESENTATIVE GRUCELA: We'll look
5 into it.

6 REPRESENTATIVE SIPTROTH: All right.
7 I understood the sign language from Mr. Fulton
8 that he will get that information to me. Thank
9 you.

10 MR. HERR: Mr. Chairman?

11 REPRESENTATIVE SIPTROTH: Maybe Elam
12 has something.

13 MR. HERR: Yeah. If I could respond
14 to that? We haven't looked at this in several
15 years, from the standpoint of what neighboring
16 states have done. And again, it goes across the
17 board of the way they address the issue of
18 tax-exempt properties.

19 Again, as I said, it was several
20 years ago, but Pennsylvania was more liberal in
21 giving tax-exempt status to entities than what
22 the neighboring states were and as such they
23 also have certain programs--like Pennsylvania
24 has a program for forest lands and game lands--
25 but it's not at something that's generally, it

1 goes across the board.

2 So there are programs out there, but
3 each state again addresses this issue a little
4 different than some of the other ones.

5 CHAIRMAN FREEMAN: I think one of the
6 other factors that probably comes into play
7 here, too, is that we do have more numbers of
8 local municipal governments than any other
9 state, I think except for Illinois perhaps.

10 MR. HERR: There is two other states.

11 CHAIRMAN FREEMAN: Oh, I missed some?

12 MR. HERR: General purpose
13 governments.

14 CHAIRMAN FREEMAN: General purpose.

15 MR. HERR: If you go into special
16 purpose, we fall down the line pretty far.

17 CHAIRMAN FREEMAN: Yeah. But, I
18 mean, given the fact that we do have a small --
19 or a large number of municipal entities, whereas
20 in the south and the southwest the basic unit of
21 local government is county.

22 MR. HERR: They're a county.

23 CHAIRMAN FREEMAN: So that, the
24 presence of tax-exempt properties is diminished
25 because it's countywide that the impact is,

1 whereas if you are a city or a borough or a
2 township with a college, for instance, that's a
3 major impact; and so I think our extensive
4 number of small municipalities makes this a more
5 acute problem for us probably than it does for a
6 number of neighboring states.

7 MR. HERR: But, and some of the other
8 states also provide the cities and the counties
9 with other tax means, i.e., the sales tax.

10 CHAIRMAN FREEMAN: True.

11 MR. HERR: Maryland has some of their
12 cities and I think some of the counties have a
13 local sales tax --

14 CHAIRMAN FREEMAN: Um-hum.

15 MR. HERR: -- which then brings in
16 more money into their coffers for general
17 purposes. Pennsylvania does not have that
18 except for Philadelphia and Pittsburgh.

19 CHAIRMAN FREEMAN: Yeah.

20 MR. HERR: So in some aspects the tax
21 exempts may be the same problem we have, but
22 they have the different revenue sources bringing
23 it in.

24 CHAIRMAN FREEMAN: Um-hum.

25 MR. HERR: A question earlier was on

1 the amusement tax. We still can levy the
2 amusement tax, but there is legislation in now
3 to do away with it. Again, I think there is
4 only a hundred and fifty some, a hundred and
5 sixty some municipalities that have the
6 amusement tax, but for those municipalities
7 that's a revenue source.

8 CHAIRMAN FREEMAN: Um-hum.

9 MR. HERR: I'll give you a good
10 example. Middletown Township, Bucks County, has
11 an amusement tax and I haven't done the --
12 looked at it in the last couple of years, but
13 they have Sesame Street Place down there, or
14 Sesame Place, whatever it's called, with its
15 Sesame Street characters. That township brings
16 in from their amusement tax, the majority from
17 Sesame Place, a million dollars; the school
18 district brings in a million dollars.

19 Now, Anheuser-Busch, which owns
20 Sesame Place, says, you are killing us. You
21 know, \$2 million out of our pockets, we can't
22 make it.

23 Yet if you ever take your children or
24 grandchildren there, and I did at the time they
25 were pushing this a few years back, had my son,

1 and stood in line for over an hour with a six
2 year old. As I said to the Anheuser-Busch
3 representative, next time, you take my son.
4 Because when we got to the top of the line to go
5 on the ride, he says, I don't want to do it now.
6 So to that municipality, that was a viable tax.

7 CHAIRMAN FREEMAN: Um-hum.

8 MR. HERR: If you take a million
9 dollars away from them, they are either going to
10 have to raise another tax, the property tax, or
11 they are going to cut services, and which I
12 think you just heard from the Borough of
13 Gettysburg and the City of Lancaster.

14 So it goes across the board that way,
15 we have got to be very careful when you look at,
16 as the legislature, when you look at taxation
17 and how it's going to affect the municipalities.
18 And in reality, it's not the municipalities,
19 it's our taxpayers --

20 CHAIRMAN FREEMAN: Um-hum.

21 MR. HERR: -- who have to foot the
22 bill to provide the services, and we got to keep
23 it so that the municipalities can tailor their
24 taxes for the services that the people are
25 asking for.

1 CHAIRMAN FREEMAN: Point well taken.

2 Representative Moul.

3 REPRESENTATIVE MOUL: Thank you,
4 Elam. Did I understand you correctly? Does
5 PSATS feel that colleges and universities should
6 be taxed or shouldn't be tax exempt?

7 MR. HERR: Should be taxed or
8 shouldn't be tax exempt, what we are saying is
9 they should have to truly prove that they are a
10 institution of purely public charity; and if
11 they are, then they should get the benefit.

12 But there is the probability that
13 they should pay either in lieu of tax payment or
14 something back because they are using services
15 and putting demands on that community.

16 Whether it's in Millersville which is
17 a state institution or it's Franklin and
18 Marshall College that sits in the City of
19 Lancaster or Gettysburg College here, they
20 bring -- And they will argue that they bring in
21 X amount of dollars to the community. That X
22 amount of dollars goes to the businesses that
23 are here, it does not bring anything into
24 Gettysburg borough -- proper.

25 Yet Gettysburg Borough will send out

1 the police if they are needed. Even if they
2 have campus security, the police will go out
3 there. If there is a fire--I presume Gettysburg
4 has a volunteer fire company, which they
5 probably support--they will respond.

6 And that's what they are there for
7 and that's why we provide the services, but the
8 idea is, does the citizens of -- the residents
9 of Gettysburg Borough, are they truly benefiting
10 from the college? I can't answer that question,
11 but the end result is this bill would help that
12 situation because it would bring some money back
13 into the community for that.

14 REPRESENTATIVE MOUL: Sure. Okay.
15 So it's a piece of ice I don't want to go too
16 far out on, so I am going to end it right there.

17 MR. HERR: You are right, it's a
18 slippery slope. Not just a piece of ice, it's a
19 slippery slope. And as I said, this bill
20 addresses only part of the problem. The other
21 part of the problem is to look at the purely
22 public charity issue. If you tie them both
23 together at this point, this bill is dead.

24 CHAIRMAN FREEMAN: Yeah.

25 MR. HERR: And I have been around

1 long enough to know that. But it is something,
2 though, that the legislature should really look
3 at, at another time in another place.

4 CHAIRMAN FREEMAN: Yeah, I appreciate
5 your comments on that. And that was my feeling
6 in introducing the legislation, that we have to
7 address the problem. And the problem is that
8 you have a lot of municipalities, 500, according
9 to our list, out of twenty-five hundred, that
10 are in dire need of assistance, to compensate
11 them for the high percentage of the tax-exempt
12 property.

13 Rather than get bogged down in an
14 ongoing debate and battle over whether we should
15 redefine what constitutes a tax exempt, it was
16 my feeling we needed to provide the assistance
17 those communities need now.

18 MR. HERR: Right, I agree.

19 CHAIRMAN FREEMAN: So I appreciate
20 your comments on that. And you do raise a very
21 good point. There is a world of difference
22 between the public library, the volunteer fire
23 company versus say a major medical facility or a
24 major university. And at some point, we, as a
25 legislature, should be engaged in that dialogue

1 and that debate.

2 But hopefully, we can move this
3 forward first and see if we can help to solve
4 some of the problem.

5 MR. HERR: Right. And we would
6 appreciate.

7 CHAIRMAN FREEMAN: Thank you. Any
8 other questions or comments from the members?
9 If not, we thank you again --

10 MR. HERR: Thank you.

11 CHAIRMAN FREEMAN: -- for your
12 testimony and for the support for the
13 legislation.

14 This concludes the last of our
15 testifiers. I want to thank all of the members
16 who were in attendance here today, our staff for
17 their help and support, the audience, our hosts
18 here at the borough, and, of course,
19 Representative Moul for being a co-sponsor and
20 our host today, and also the stenographer for
21 her ability to cipher through about three
22 conversations at the same time, so.

23 But my thanks to everyone. And it is
24 our intention to continue to hold public
25 hearings on this. We have one more scheduled,

1 coming up in March. March 7th, we'll be in
2 Pittsburgh where we will hear from the western
3 part of our state. And then it's the intention
4 to bring this bill up for consideration in the
5 committee in the very near future.

6 With that, I would like to turn to
7 Representative Moul for any closing comments he
8 may have.

9 REPRESENTATIVE MOUL: Thank you,
10 Representative Freeman. I would like to just
11 say thank you to everyone for making the trek in
12 here today, I know it's cold and windy out
13 there. And I really do appreciate you coming to
14 my district, again the most beautiful district
15 in Pennsylvania.

16 I think what the testimony has proven
17 today, is that, this is a piece of legislation
18 that is needed, and in my opinion we should have
19 never even had to go this far. If they were
20 going to keep the Johnstown Flood Tax money on
21 alcohol for revitalization, it should have
22 always stayed in the communities for
23 revitalization and to help out the communities.
24 It should have never been allowed to be absorbed
25 into the general fund to just be spent on

1 willy-nilly, we'll say.

2 There is going to leave a hole of
3 \$240 million, but that just means that the
4 legislature is going to have to tighten down
5 their belt, get rid of the -- some of our
6 frivolous spending, cut the fat, and do what's
7 right. But what would be right is to spend this
8 money where it belongs and that's with House
9 Bill 2018.

10 So with that, thank you very much. I
11 appreciate you bringing this hearing to my
12 district.

13 CHAIRMAN FREEMAN: Thank you. I
14 should note, too, that the state, as it has in
15 the last couple of years, is showing a surplus.
16 So when we talk about the need to fill a hole,
17 we do have a surplus. And I think it comes down
18 to being a matter of where we put our
19 priorities. And I think shoring up our
20 communities that are suffering from the burden
21 of high tax-exempt properties is a good priority
22 to try and address.

23 With that, I thank everyone again and
24 this concludes this hearing of the House Local
25 Government Committee. We stand adjourned.

1 (At or about 12:35 p.m., the hearing
2 was adjourned.)

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1 C E R T I F I C A T E

2 I, Roxy C. Cressler, Reporter, Notary
3 Public, duly commissioned and qualified in and
4 for the County of York, Commonwealth of
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