

**Testimony provided by:**

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and  
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**Pennsylvania House of Representatives  
Finance Committee  
Hon. David K. Levdansky, Majority Chairman  
Hon. Steven R. Nickol, Minority Chairman**

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On behalf of the more than 41,000 law enforcement officers comprising the membership of the Pennsylvania Fraternal Order of Police, we thank Chairman Levdansky and Chairman Nickol, and all the members of the committee for your continued support of law enforcement officers in the Commonwealth.

We also thank you for this opportunity to discuss the myriad of issues raised by the most recent amendment of Senate Bill 961 presently under consideration by the Committee. As you know, municipal taxing structures are appropriately regulated by the General Assembly in the Commonwealth. With few exceptions, the General Assembly has wisely placed limitations on the tax rates applicable to individual earned income and property. One of those exceptions is where additional income and property tax rates may be increased above statutory maximums in order to ensure proper funding of municipal employee pension systems under what is commonly referred to as Act 205.

Act 205 was passed with the intention of ensuring that municipal pension plans are properly funded. It places limitations on both municipal employers and municipal employees as to pension funding decisions in order to avoid what has become anathema to all citizens of the Commonwealth – a bailout. Experience has shown that Act 205 has been uniquely successful in achieving this goal.

For those plans which are in distress, Act 205 permits a municipality to go above and beyond municipal taxing limits, as long as the proceeds from such additional taxation is devoted solely to pension funding. In doing to, the Act grants a municipality the option of raising additional revenue to fulfill its statutory pension obligations free of competing political influences on the expenditure of limited tax dollars.

As originally introduced, Senate Bill 961 would permit those municipalities which are authorized to exceed earned income tax limitations under Act 205 for the purpose of funding their pension obligations to “substitute” additional earned income taxes. Without any limitation on the expenditures of these tax proceeds, such monies will inevitably be diverted from pension funding by municipal officials to other items. A recent amendment resulting in the current version of Senate Bill 961 would limit the scope of coverage solely to the City of Hazelton.

The Fraternal Order of Police is neither in favor, nor opposed to this measure. Nevertheless, as its members are all municipal taxpayers in the Commonwealth, it would be remiss if it did not at least question the appropriateness of certain aspects of this proposed legislation.

The Fraternal Order of Police does not question the need of the City of Hazelton, or for that matter, any of the cities within our state to raise additional tax revenue. This being said, we must question why this necessity must be legislatively tied to a measure, which was designed solely to ensure the financial stability of municipal pension plans. Would it not be more intellectually honest and equitable to enact legislation that would allow the City of Hazelton and other deserving cities to exceed current statutory Earned Income Tax rate caps without concurrently depriving municipal pension plans of a dedicated funding source? We think it would, and would be proud to support such a legislative measure.

Also troubling are the constitutional implications of limiting the scope of this legislation solely to the City of Hazelton. It seems that the most recent amendment to the Bill dismisses the constitutional prohibition against special legislation with merely a nod and a wink. That is discomfoting to any taxpayer and no less so to the membership of the Fraternal Order of Police.

In these dire economic times, the Fraternal Order of Police will not stand against any reasonable measure that would allow municipalities in need, such as the City of Hazelton, to raise additional tax revenue to carry out its core functions. We do wonder, however, whether this measure, with all of the attendant issues it raises, is the appropriate vehicle with which to meet that need. The end, regardless of its value, does not always justify any and all means of achieving it.

We therefore ask the members of the Committee to examine these issues carefully before taking any action on this Senate Bill.

With that, let me thank you again for your leadership and the opportunity to submit this written testimony in support of Senate Bill 961.

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