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**Testimony of Vinny Cannizzaro, PhD, MPP**

**On behalf of** the Pennsylvania Economy League, Central Division, LLC

**Before the** Pennsylvania House Local Government Committee

Chairman Freeman, Minority Chair Lee, and members of the Local Government Committee thank you for inviting me today and for your leadership and initiative in supporting local governments throughout the Commonwealth of Pennsylvania. My name is Vinny Cannizzaro, PhD, MPP and I am honored to provide testimony today on behalf of the Pennsylvania Economy League as the Executive Director. The Pennsylvania Economy League is an over 85-year-old nonprofit, nonpartisan public policy research organization dedicated to supporting local governments, school districts, and nonprofit organizations throughout the Commonwealth. Through independent and data-driven information and insights, PEL supports good government and positive policy action by providing technical assistance, independent research, and civic education.

I have been asked here today to provide testimony and discuss the implications of HB 678 sponsored by Representative Sturla, Representative Siegel, Representative Sanchez, Representative Williams, and Representative Neilson.

As you all are well aware, local and municipal governments are at the heart of many policy challenges facing the Commonwealth, as well as the potential solutions. In *It's Not 1965 Anymore: State Tax Laws Fail to Meet Municipal Revenue Needs*, a previous report published by the Pennsylvania Economy League and sponsored by our good friends at the Pennsylvania Municipal League, our

team delved into the intricacies of the revenue limitations local governments must work under in acquiring and sustaining reliable revenue streams. Through our in-depth and rigorous technical assistance provided to municipalities of all sizes and types throughout the Commonwealth, PEL continuously sees a stagnation of revenue, while expenses and the cost of delivering reliable, consistent, and necessary services continue to rise. Many municipalities throughout Pennsylvania have maxed out their revenue streams. They are tethered to a variety of tax limitations, creating environments that can lead to economic and financial distress. While negatively impacting governments and governmental structures, it also creates barriers in the ability of residents to have their needs adequately met.

In short, municipal governments throughout the Commonwealth need assistance and need alternative pathways to provide for more tax flexibility. HB 678 is one pathway to a new revenue stream. By creating an optional sales tax levied by and codified by County governments, and providing direct revenue to those relevant municipalities, HB 678 has the potential of not only relieving some of the stress placed on local governments but can also relieve the property tax burden placed on residents. For many municipal governments, and certainly County governments, property taxes remain the largest source of income. However, assessments for property tax purposes are executed on a piecemeal, County-by-County basis and remain an inconsistent stream of revenue. More importantly, as the cost of goods and services provided by municipalities rise, property taxes do not mirror the natural state of growth, leading to further stagnation. Other taxes, including the earned income tax, have the ability to grow and expand as economic conditions change. While PEL cannot provide definite results, it is our assumption based on data from the Pennsylvania Department of Revenue that an optional sales tax would generally reflect market conditions and follow economic growth as well.

Without increased tax flexibility, or diversified revenue streams, some municipalities cannot sustain the totality of their services. The quality and overall degree of services currently provided will in short order be negatively impacted by an inconsistent revenue stream. When considering core services, I would like to focus on one in particular: public safety through the provision of police and fire services.

In conversations with elected officials, policymakers, residents, and regarded community members throughout Pennsylvania, police and fire are often at the core of what residents expect from local governments. When an emergency arises, they expect someone to answer the phone, and they expect relevant personnel to respond accordingly. However, many departments are already at capacity. Some police departments have entered into agreements with neighboring municipalities to provide services. Conversely, volunteer fire and EMS services are on the decline putting additional stresses on an already strained system. Nevertheless, when a call is received, regardless of agreements, if there is a need that will be unmet, municipalities will actively participate in mutual aid and provide those services to affected parties and residents. In these cases, the lack of services provided by neighboring municipalities creates unsustainable budgetary environments that perpetuates inequities between municipalities and perpetuates a continued overreliance on property tax revenue. In Appendix A of my written testimony, you will find specific examples of municipalities providing mutual aid to their neighbors. When overnight patrols are not available, and an emergency occurs in the middle of the night, someone must respond, and sometimes those responses are not covered by an individual police department's or fire company's budget. This fragmentation of services is partially due to budgetary limitations facing municipalities.

With this in mind, I would like to offer a recommendation for HB 678. For many years, the Pennsylvania Economy League has been an advocate for increased regionalization efforts. By placing an explicit focus on regionalization, the State, individual Counties, and municipalities can

actively ensure that core public safety services are fully funded, are at full capacity, and can meet the totality of residential and community needs. Through HB 678 and the codification of an optional sales tax, the decline of municipal services can potentially be reversed, and can fund and grow opportunities within municipalities. By sharing talent, resources, and collective efforts through regional cooperation, long-term costs may decrease, and the overall quality of services may increase.

Moreover, the use of an optional sales tax to create a steady, reliable, and annual source of income for regionalization efforts has the potential to decrease alternative tax burdens for all of those involved. Less Allegheny County and Philadelphia, it is estimated that in fiscal year 2022-2023, a 1% sales tax would create over \$1 billion in additional revenue for Counties to distribute. As such, a County-initiated 1% optional sales tax has the potential to sow the seeds of municipal prosperity and create the conditions for local jurisdictions to grow.

Thank you for your time and I will gladly answer any questions.

# Appendix A

## Examples of Mutual Aid in Police and Fire Assistance As found through Strategic Management Planning Program research Conducted by the Pennsylvania Economy League, Central PA, LLC

### Borough of Waynesboro - Conducted STMP in 2020

The Waynesboro Police Department, due to its geographic location and lack of other populated areas, is an island when it comes to outside agency support. Most police mutual-aid support comes from Washington Township, which is a ten-officer police department. Washington Township does not provide overnight shift coverage, opting instead for free coverage from the Pennsylvania State Police. In case of emergencies, the Waynesboro Police Department is often dispatched to Washington Township as the closest unit. This is particularly true for Township calls just east of the Borough's border along State Route 16, which is home to several strip-mall style shopping areas. After Washington Township, the next-closest municipal or regional forces are Greencastle Borough (Franklin County) and Carroll Valley (Adams County).

The Borough of Waynesboro faces challenges ahead as projections indicate that its General Fund expenditures will outpace General Fund revenues starting in 2021, resulting in increasing annual deficits. The Borough needs to examine appropriate expenditure reductions and potential revenue increases to mitigate these anticipated deficits. In addition, the Borough faces challenges in the provision of public safety services to its residents and the surrounding region. Given the amount of mutual aid provided to other communities, the Borough should explore shared services, contracting, and other agreements with its neighbors to ensure that the Borough is properly reimbursed for its services.

The Borough is projected to experience growing annual deficits starting in 2021. The Borough's largest cost center is public safety, with the Borough also providing a considerable amount of unreimbursed aid to surrounding municipalities that either do not provide these services or do not provide them on a 24/7 basis.

The Borough already has formal agreements to provide fire services to Quincy Township and Washington Township. Talks have also been ongoing with Washington Township regarding regionalizing police services.

The Borough should pursue a study that assesses how public safety services (paid and volunteer) are currently provided by the Borough. The study should look at staffing, facilities, and equipment for both fire and police, as well as recommendations for providing public safety within the Borough and on a regional basis with other municipalities.

The Borough should structure public safety so that it is receiving proper compensation for any services provided outside of the Borough. Given its financial situation, the Borough is not in a position to subsidize its neighbors for these services. Concerning fire services, the Borough should not undertake any expansion of its paid fire apparatus drivers unless the expansion is part of a regional effort.

### The City of Warren – Conducted STMP in 2018

The City of Warren faces challenges ahead as projections indicate that its General Fund expenditures will outpace General Fund revenues, resulting in annual deficits.

The Fire Department is one major cost center that the City should thoroughly review to achieve consensus on the Fire Department's appropriate mission. Currently, the Fire Department has the largest personnel expenditures of any City department at over \$2.1 million or 38 percent of total 2019 personnel costs. One issue is the large amount of EMS responses by the Fire Department that are in surrounding municipalities.

It is unclear if the City made a deliberative decision to pursue this extensive level of EMS activity. Regardless, given projected General Fund deficits and the fact that the Fire Department has the highest overall personnel expenditures in the City, the City should review the current level of departmental activities and decide on the amount of fire protection and EMS services that it wants to provide. Once that determination is made, the City should align the Fire Department accordingly. In particular, the City should ensure that it is being properly reimbursed for EMS services and that it is not subsidizing the service to the benefit of other municipalities.

In 2015, the City purchased a second ambulance because of the increasing volume of medical responses in the City and surrounding areas. The higher response rate in surrounding municipalities was due in large part to the lack of volunteer services responding to calls in those areas. Since adding the second ambulance, the number of medical calls has grown from 1,278 to 1,563, an increase of 285 or 22.3 percent. In 2017, medical calls were 85.7 percent of total calls compared to 1.2 percent for fire calls and 13.2 percent for other calls.

The volunteer crisis has contributed to the volume of emergency medical responses for the City's Fire Department ambulances. This issue, which is outside of the City's control, has the potential to severely limit the ability of the Fire Department to provide an effective firefighting response because of the amount of resources dedicated to EMS.

### The City of Corry – Conducted STMP in 2020

The only other law enforcement agency with jurisdiction in the city of Corry is the Pennsylvania State Police. State police have a barracks nearby (7 miles west of Corry) and are responsible for patrolling the area outside the city. The state police generally have two to four one-man cars during the day and a single two-man car on overnights.

The nearest full-time back-up local police agencies to the city of Corry are the City of Warren (30 miles), Mill Creek Township (40 miles) and City of Erie (40 miles). Union City borough to the west of Corry also has local police but does not provide full-time police coverage.

Although not specifically tracked, Corry police reportedly spend more time providing service to the area covered by the state troopers near the city than they receive aid from the state police inside the city.

## The City of Meadville – Conducted STMP in 2020

The Meadville Police Department is the city's largest cost center. It is one of only four full-time police departments in Crawford County and the biggest municipal police department. Currently, the department provides mutual aid at no cost to two neighboring departments, and that back-up aid demand has been increasing. The department and city residents should not be responsible for subsidizing police services to their neighbors. Moreover, the department is an asset that the city can and should use to its benefit by contracting services to neighboring municipalities to increase revenue or regionalizing to reduce overall expenses.

Both Vernon and West Mead townships have part-time departments with mutual aid agreements with Meadville. Vernon has four full-time officers, while West Mead has two full-time and four part-time officers. Both communities have populations of approximately 5,000 people.

Leadership reports that they are backing up West Mead more frequently lately, typically when state police are not available. West Mead will at times staff only one officer on duty and the policing standard is to have a minimum of two officers respond to certain potentially volatile situations, such as domestic disputes. For such calls, Meadville police will provide backup on request.

There is no formal agreement for mutual aid between Meadville and its neighbors. These requests constitute a substantial demand for services from Meadville, particularly to West Mead. In 2019, there were 83 assists to West Mead Township (backing up township officers) and 31 full calls to West Mead Township when state police were unavailable. (These are cases where City officers are first responders and can include arrest, filing of charges, and following up in court and final adjudication). Through the end of October 2020, those volumes are up to 75 assists and 38 full calls.

The city of Meadville is projected to experience growing annual deficits that could be made worse by the current COVID-19 pandemic. Prior to the pandemic, revenues were expected to grow by only 1 percent while expenditures were anticipated to rise by 8.5 percent. Historically, city tax revenues have stagnated or declined, in part because the city is unable to capture growth in market values through its outdated Crawford County assessment.