

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 343 Session of
2003

INTRODUCED BY YUDICHAK, COSTA, FRANKEL, HENNESSEY, BELFANTI,
BUXTON, CORRIGAN, CRUZ, FREEMAN, HORSEY, KOTIK, LEACH,
McCALL, MELIO, SANTONI, SURRA, TIGUE, YOUNGBLOOD, BROWNE,
CAPPELLI, CREIGHTON, FAIRCHILD, GRUCELA, KELLER, LAUGHLIN,
MANN, McILHATTAN, PETRONE, SOLOBAY, THOMAS, WANSACZ, ROBERTS
AND HARPER, FEBRUARY 18, 2003

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 18, 2003

AN ACT

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

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Regional
9 Efficiency Aid Program Act.

10 Section 2. Declaration of policy.

11 The General Assembly finds and declares as follows:

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

15 (2) Because of institutional and financial limitations
16 on political subdivisions, regionalized, consolidated and
17 shared alternatives have not been widely adopted, resulting

1 in duplication of services and excess costs for taxpayers.

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

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

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

20 Section 3. Definitions.

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

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

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

29 "Program." The Regional Efficiency Aid Program (REAP)
30 established under section 4.

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

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

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

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

13 Section 4. Regional Efficiency Aid Program established.

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

22 Section 5. Formula for calculation of REAP aid.

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

1 the political subdivision.

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

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

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

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

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

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

24 Section 6. Application and award process.

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

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

30 (2) Ensures that a political subdivision is providing or

1 receiving bona fide regional services.

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

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

7 (ii) limits on future costs increases;

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

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

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

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

18 Section 7. Exemption from certain limitations.

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

23 Section 8. Duties of county tax assessment offices.

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

28 (b) Information and certification provided by taxpayers.--As
29 a condition of eligibility under the program, taxpayers may be
30 required to provide information and certify that the property

1 for which an exclusion is sought is residential property. The
2 information and certification shall be in a form to be adopted
3 by the Department of Revenue. County assessment offices may use
4 any other informational resources to determine whether a parcel
5 qualifies as residential property. The determination of the
6 county assessment office as to whether a parcel qualifies as
7 residential property may be appealed to a court of common pleas.

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

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

18 Section 9. Exclusion from taxation.

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

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

29 (2) The department shall calculate a tax exclusion rate
30 by dividing total REAP aid by the total taxable value of

1 residential property in qualifying political subdivisions.

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

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

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

14 Section 10. Payment of REAP aid.

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

19 Section 11. Administration.

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

23 Section 12. Duties of Department of Revenue.

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

28 (b) Sharing of information.--Notwithstanding any other
29 provision of law to the contrary, the Department of Revenue may
30 provide such information as it deems necessary to the department

1 or to the county assessment offices in order to implement this
2 act.

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

9 Section 13. Regional Efficiency Aid Program Fund.

10 (a) Fund created.--There is created the Regional Efficiency
11 Aid Program Fund within the State Treasury which shall be a
12 nonlapsing revolving account. The fund shall receive
13 appropriations and repayments of loans as may be determined
14 necessary by the State Treasurer.

15 (b) Administration.--Upon request of the Governor, the
16 General Assembly shall appropriate the necessary funds to the
17 Regional Efficiency Aid Program Fund for purposes of the
18 program. The fund shall be administered by the department.

19 Section 14. Effective date.

20 This act shall take effect in 60 days.