

## BACKGROUND INFORMATION

### Municipal #3: Reforming local taxation through a local tax study commission.

#### **Why is this a recommendation?**

It's about economic development and prosperity for the Metro-York region. People and jobs go where economic frameworks are strong. But the city of York and *all* of the townships and boroughs surrounding it are experiencing declines in fiscal health.<sup>1</sup> Moreover, it's not as if any local taxpayers are at an advantage due to the current conditions – because Pennsylvania's property tax system is deeply flawed. Growing townships don't have the revenue to meet public safety demands and manage development. Growing school districts can't keep up with their basic building and instructional needs, much less meet unfunded state and federal mandates without raising property taxes every year. And older, more established communities must bank on property taxes to keep up aging infrastructures.

New communities or old, townships or school districts – no single locality can prosper in York County if all of the other ones are struggling to meet obligations and are overtaxing their citizens – and those conditions, ultimately, are the future for the whole area unless drastic action is taken. Conversely, if municipalities and school districts work together, each of them can benefit.

If Metro-York's municipalities and school districts could really agree on a better regional plan, it would be hard for the state legislature to resist enabling it.

#### **How did Metro-York reach the decision to include it?**

Although the preferred specifics of any tax plan may vary from individual to individual, participants in the Municipal Workgroup were emphatic about the need to address taxation in these recommendations. Without fundamental tax reform, neither the consolidation of services (such as police protection) nor more careful regional planning will be enough to “fix” what's ailing the heart of York County in fiscal terms.

The group decided to recommend the formation of a tax study commission because every municipality and school district whose citizens could be affected by changes should be represented in any formal discussions about reform.

#### **What else can you tell us about it?**

State law appears to be somewhat more limiting with taxes than with land use planning in terms of allowing local flexibility. However, the 1994 authorization of a Regional Asset District (RAD) in Allegheny County stands out as an example of the legislature's willingness to accommodate the interests of local communities.

#### **Where else is it being tried?**

The Twin Cities model – known in some quarters as the “Minnesota Miracle” – might be the most written-about example of regional revenue sharing.<sup>2</sup> A portion of the real estate tax revenue from commercial/industrial developments built since 1971 is shared across the region. This way, for example, it's not just one small town that benefits from the presence of the Mall of America – it's the whole area.

#### **What happens next?**

The champions of this recommendation will seek participation from each Metro-York municipality and school district in a local tax study commission.

#### **What are, realistically, some obstacles this idea faces?**

The obstacles associated with actually changing taxation are self-evident. But the obstacles related to forming a study commission – having the *discussion* about taxation – are fewer. It will be important to bring each municipality and school district to the table. Limited participation would defeat the purpose.

1. *Structuring Healthy Communities*. Issues PA/Pennsylvania Economy League. March 2007. See page 21 specifically.

Available at <http://www.yorkcounts.org/learn/resources/20070301%20Pa%20Economy%20League%20Structuring%20Healthy%20Communities.pdf>.

2. *Minnesota's Fiscal Disparities Programs*. Minnesota House of Representatives. 1995. <http://www.house.leg.state.mn.us/hrd/pubs/fiscaldis.pdf> and available via [www.yorkcounts.org/metro](http://www.yorkcounts.org/metro).