



PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS

## Key Issues Facing Townships

### Optional County Sales Tax

#### **Background:**

In his 2009-10 budget address, Gov. Ed Rendell called for legislators to give counties the option of imposing a 1 percent sales tax. Although the governor specified that the proceeds would benefit struggling cities, the state's local government associations have drafted a proposal that would help Pennsylvanians statewide bring their tax dollars back home and provide them with \$600 million in *guaranteed* property tax relief. It would also provide much-needed funds for local projects involving multiple municipalities.

Under this plan, counties could choose to implement a 1 percent sales tax on the same goods and services that are subject to the state sales tax. Half of the proceeds would go to the county, 40 percent would go to its municipalities, and 10 percent would help fund collaborative municipal efforts in the area.

The county and its municipalities would have to apply at least 60 percent of their proceeds to homestead and property tax reductions, with the rest going to their general funds. Counties and municipalities could also choose to allocate a portion of their share to collaborative municipal efforts.

#### **PSATS' position:**

- The optional county sales tax is a way for Pennsylvanians to take control of their tax bill. If a resident is facing tough financial times, he can't adjust his property taxes. He can, however, choose what he buys — and therefore pays in sales tax. And, with this plan in place, residents will have a significantly reduced property tax burden.
- This proposal provides a fair and equitable distribution of the tax proceeds. Based on recent sales tax figures, Pennsylvanians could expect to see a homestead and property tax reduction of 15.5 percent at the county level. Local reductions would add to that benefit.
- Municipalities have long recognized the benefits of working together. The funds for collaborative effort provided under this proposal would help municipalities embark on even more joint projects to increase efficiency and decrease costs.

### Bidding Thresholds and Advertising Costs

#### **Background:**

Municipalities are spending an increasing amount of time and money seeking bids on goods and services. Under state law, townships must seek written bids on purchases over \$10,000 and pay to advertise the process in local newspapers. They must also get telephone quotes for expenditures over \$4,000. As prices escalate, townships are finding that they must go through the process more often.

Legislators are starting to recognize that these bidding limits — last increased almost 20 years ago — are sorely outdated and create an unnecessary expense for municipalities and taxpayers. Senate Bill 319, for example, would increase the minimum bidding and advertising threshold to \$25,000 and provide for annual cost-of-living increases to keep pace with inflation. Lawmakers are also considering how legal advertising contributes to procurement costs. One plan, Senate Bill 419, would allow townships to place legal advertisements online as an affordable alternative.

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**PSATS’ position:**

- Inflation over the last 19 years has seriously eroded the value of the current bidding limits. The law no longer fulfills its original intent and is creating a financial burden for townships and, therefore, taxpayers.

- As the cost of goods and services increase, townships must seek bids more frequently and pay advertising costs to comply with state law. Permitting legal advertising online (*on a township’s own Web site or on a centralized Web site*) would save taxpayer money and make the information available to a wider audience.

**Transportation Funding**

**Background:**

At a time when gas and diesel prices are unpredictable and road material costs are escalating, local government needs a steady funding stream for road maintenance and construction.

The American Recovery and Reinvestment Act provided the state with more than \$1.02 billion to fund highway and bridge projects. While supporting important transportation initiatives, that money did not reach Pennsylvania’s local governments, which maintain 76,670 miles of local roads (*compared to the 44,000 miles of state roads*) and more than 4,000 bridges. In fact, the state Transportation and Funding Reform Commission has estimated the funding need for local roads and bridges at about \$1.5 billion.

Much of local government’s road funding comes from the state’s Liquid Fuels Fund, although the allocation has dipped over the years from 20 percent to about 14 percent. PSATS supports a return to municipalities’ traditional 20-percent “fair share” to help maintain its transportation infrastructure. In addition, the Association has urged legislators to distribute a portion of any discretionary federal transportation funds from the recent economic stimulus package to municipalities through the liquid fuels formula.

Local governments also face other road funding challenges. Under a recent state Supreme Court ruling, for example, they must now pay the artificially inflated “prevailing wage” to contractors for roadwork that was once considered exempt. They are also subject to 30-year-old road bonding amounts that limit what they can recoup when overweight vehicles damage local roads — an issue that is especially important as more rural roads serve as throughways for heavy natural gas drilling equipment.

**PSATS’ position:**

- Pennsylvania must maintain a predictable and reliable funding method for state and local road maintenance and construction.

- The Association supports a gas tax, which is truly a user fee, or some other equitable funding source. However, PSATS can only support transportation funding proposals that ensure that local government will receive its traditional fair share of 20 percent of any new or increased funding.

- In addition to providing new sources of transportation funding, the General Assembly can take several actions to decrease the financial burden on local governments to maintain their transportation infrastructure. These include providing relief from the Prevailing Wage Act, which inflates the labor costs for public works projects; increasing the required advertising and bidding amount from \$10,000 to at least \$25,000, with an annual cost-of-living increase; and requiring PennDOT to maintain all storm drainage facilities on state highways and prohibiting the department from forcing local governments to maintain a structure or facility that the state has chosen not to maintain.