

**Analysis of the Impact of
Tax-Base Sharing Programs on
Municipalities in the Lehigh Valley**

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Table of Contents

		<u>Page</u>
SUMMARY	CREATION OF A REGIONAL ASSET DISTRICT FOR LEHIGH AND NORTHAMPTON COUNTIES	S-1
CHAPTER 1	INTRODUCTION	1-1
CHAPTER 2	TAX BASE SHARING	2-1
CHAPTER 3	APPLYING TAX BASE SHARING TO THE LEHIGH VALLEY.	3-1
CHAPTER 4	SUMMARY OF FISCAL IMPACT	4-1

SUMMARY
CREATION OF A REGIONAL ASSET DISTRICT FOR
LEHIGH AND NORTHAMPTON COUNTIES

Introduction

The Lehigh Valley Partnership Alliance Building Committee has asked PEL to examine the implications of the creation of a Regional Asset District (RAD) that would encompass Lehigh County and Northampton County. The proposed RAD would be funded by a portion of an additional one percent sales tax to be collected in these counties. PEL estimated the annual amount of RAD funding for this one percent sale tax would be nearly \$6,000,000, based upon a portion of the sales tax to the RAD. In addition, there would be \$21,000,000 available for direct municipal revenue sharing for each municipality in the Lehigh Valley, as well as \$21,000,000 available for direct reduction of municipal property taxes.

PEL was directed to examine the estimates of revenue to be derived from the collection of the one percent sales tax; which regional assets might be included in the Regional Asset District; and, how the proceeds of the one percent sales tax could be shared among municipalities, the two counties and the Regional Asset District. PEL participated in several meetings with the members of the Lehigh Valley Partnership in which discussion and debate were held over the types of regional assets to be assigned to the RAD. The consensus of these discussions and debates was that the RAD funded regional assets would be comprised initially of regional assets in two categories: public health and a bi-county crime center.

These regional assets were selected as the initial functional areas that could best be funded on a regional basis by the RAD, and would be functions that are not now adequately funded on a regional basis by the municipalities in the two counties. Public health services and a bi-county crime center are functions that contribute to the quality of life in the Lehigh Valley, the provision of these services is often dependent on the availability of resources on the county and municipal level, and these resources are often already consumed by the demands of other local functions such as public safety, streets and roads, and utility services. In the case of public health, the cities of Allentown, Bethlehem, and Easton, along with the counties of Lehigh and Northampton provide the bulk of services in this functional area, and most of the other municipalities in the two counties do not provide public health services in any consistent manner.

Regional Asset District Description

The Lehigh Valley RAD would be a special purpose, area wide unit of local government established specifically to support, finance, and coordinate the operation and development of regional assets. These regional assets, initially determined to be public health and a bi-county crime center, will be financed through the levy and collection of an additional one percent sales tax in Lehigh County and in Northampton County. The RAD will be governed by a board of directors selected from Lehigh County, Northampton County, and the cities of Allentown, Bethlehem, and Easton, and other representatives, both elected and appointed. The RAD has no direct taxation powers. The RAD will have the authority to receive and disburse the proceeds from the one percent sales tax.

The objectives of the RAD are:

- To stabilize the funding for identified regional assets: public health and the bi-county crime center;
- To provide additional fiscal relief through revenue sharing to the municipalities in the RAD; and
- To further establish a precedent for regional cooperation and municipal shared services.

The beneficiaries of the RAD are:

- Citizens and taxpayers of all the municipalities in the RAD, and
- The visitors, businesses, and other users of the services provided through the RAD.

Determination of Regional Assets

As described above, after considerable debate and discussion, public health and a bi-county crime center were selected as the two functional areas where the regional asset district would operate and fund regional initiatives. In addition, RAD money would be available to provide relief for the concentration of tax-exempt property in the three cities.

Public health as a regional asset will expand what is now a limited service area for these functions to the entire area covered by the RAD. These public health functions include those provided by the cities of Allentown, Bethlehem, and Easton. In addition, such public health

services as restaurant inspections, vector control, insect spraying, and other public health activities can be funded by the RAD in the Lehigh Valley.

The bi-county crime center would serve all of the Lehigh Valley as a regional information facility. The Center would gather and analyze crime data in “real time” and provide this information to local police departments. The bi-county crime center would focus on gang activity and on regional crimes such as drugs and robberies.

The tax relief for tax-exempt properties would provide funds to the three Lehigh Valley cities in relation to the burden placed upon their revenue sources by tax-exempt property.

Estimating the Fiscal Impact

Based on the preliminary 2005 estimated one percent sales tax collection of approximately \$48 million in the two county area, PEL estimated that the receipts from this tax would be allocated as follows: \$21 million to fund municipal property tax relief, \$6 million to the Regional Asset District; \$21 million each to revenue sharing to the municipalities in the two counties. Of the \$6 million allocated to the RAD, \$2 million would be earmarked for public health services, \$4 million would be earmarked for the bi-county crime center.

Based on PEL interviews in the Lehigh Valley, the proposed estimated \$2 million for public health services in the two counties is estimated to be sufficient to fund such services. However, there are currently ongoing discussions and negotiations to establish a regional public health program in the Lehigh Valley. The Commonwealth’s local health administration legislation provides for joint county health departments, and efforts are currently underway to establish such a department in the two counties. These efforts are continuing and a joint health department should be established before any RAD funding is approved.

The bi-county crime center would enhance the quality of life in the Lehigh Valley by supplying local police agencies with timely information on regional crime activity. This information gathered and disseminated on a “real time” basis, would help the Lehigh Valley’s police agencies in their efforts to deal with such criminal activities as drugs and gangs.

Tax Based Revenue Sharing

A sales tax based revenue sharing analysis has been developed based on the assumption that the program in the Lehigh Valley would closely parallel the Allegheny County model.

There is no requirement, however, that the Lehigh Valley model follow the exact distribution percentages of the Allegheny model. In addition, obtaining sales tax estimates by county has historically been a problem in Pennsylvania. Reports at the county level often reflect the mailing address of the business—not necessarily the location where the transactions occurred. For instance, a business with operations in 20 counties might list Lehigh or Northampton county as its mailing address. The subsequent state reports attribute tax revenues to the home county regardless of where the transaction occurred. If a sales tax program like Allegheny County were adopted, only the sales of that company that occurred within Lehigh or Northampton counties would be subject to the tax.

PEL has also examined the Minnesota Model of pooling yearly increases in commercial and industrial tax base growth and the applicability of that tax-sharing plan to the current fiscal environment in the Lehigh Valley. PEL believes that the Minnesota Model does not provide sufficient and timely tax-sharing relief necessary to the municipalities of the Lehigh Valley. See Appendix O for a more detailed discussion of the Minnesota Model.

Sales Tax Revenue

As reported by the Department of Revenue, the Commonwealth collected—at a six percent rate—\$282.5 million in sales taxes from Lehigh and Northampton counties in the 2005-06 fiscal year. As such, the annual sales that would be subject to the tax is slightly more than \$4.7 billion. An increase of 1.0 percent in the sales tax would generate almost \$48 million in new tax receipts. If a portion of these revenues were used to reduce municipal property taxes, the savings to taxpayers would be \$21,000,000. An additional \$21,000,000 would be available for distribution to the 62 municipalities in the two counties. These factors are outlined below:

Operating Assumptions

Taxable value of sales activity: \$4,708,200,000

Rate of taxation: 1%

Proceeds from the tax: \$ 47,082,000

Distribution of proceeds:

Municipal Property Tax Relief \$ 21,000,000

Regional Asset to Service District \$ 6,000,000

Municipal Revenue Sharing \$ 21,000,000

CHAPTER 1

INTRODUCTION

Regions across the United States are faced with the need to design governance systems that preserve and protect their communities while maintaining or developing a more competitive economic climate. In the face of the “globalizing” of the world economy, all regions are seeking to rationalize their local government structure. But, effectively adapting local government to the changing nature of the global economy has proved to be elusive for most regions. Regional commentator Neil Peirce, who popularized the term “citistates,” has identified two overarching issues that have been echoed in the Lehigh Valley. The first is physical sprawl, defined by Peirce as “the alarming environmental and social consequences of America’s inability or unwillingness to contain urban growth within reasonably compact geographic areas.” Indeed, the social and environmental impact of sprawl has resurfaced as an important regional, statewide, and national issue. Traffic congestion and crowded schools are leading to a renewed call for more rational strategies for growth that do not lead to that growth occurring in areas unable or unprepared to deal with its consequences. The second, Pierce argues, is “America’s hesitation, one might say their paralysis, in creating effective systems of coordinated governance for citistates.” America has one of the most fragmented, or decentralized, systems of government in the world.

It is within this context that the Lehigh Valley Partnership has asked the Pennsylvania Economy League to assess policy options that would assist the region in improving its economic competitiveness and quality of life. Of particular concern to the group are strategies that will help improve the quality of governance, aid the region’s fiscally strapped urban cores, and minimize intra-regional competition between governments.

Common Issues Across Regions in the United States

The Metropolitan Initiative, a partnership between national foundations and the Center for Neighborhood Technology, conducted a series of workshops in 12 regions across the United States with key leaders in each of those regions. The purpose of these workshops was to identify public policy problems associated with growth and regional competitiveness. These sessions identified eight common themes which every region shared with every other region; namely:

- ◆ Regions and communities within them cannot deal with transportation, housing, environment, and economic issues in isolation. It was also noted that most areas have initiated efforts to deal with these issues at a regional level.
- ◆ The large number of jurisdictions makes it very hard to work together. Indeed, most participants, regardless of the region they were from, argued that their fragmentation and fiscal disparities were the worst.
- ◆ Individual jurisdictions do not want to lose their identity, and this reality should be accounted for in solutions generated.
- ◆ Metropolitan approaches require support of state governments and legislators and that is often seriously lacking.
- ◆ This is a pivotal time for regional cooperation in each region, but most regions have experimented with regional cooperation in the past with only marginal results.
- ◆ Sprawl and its dysfunctional effects exist in every region and pose a serious threat to its quality of life.
- ◆ Any success a region is experiencing in metropolitan cooperation is in its early stages.
- ◆ Crisis seems to be the strongest motivator for regional cooperation.

Strategies of Cooperation

In response to the issues cited above, a number of cooperative strategies have emerged, and they represent a range of options from relatively modest to extensive, highly controversial changes. They are presented here in an effort to frame the options for the Lehigh Valley.

Public-Private Partnerships

The most common form of cooperation is the development of public-private partnerships primarily to spur economic development. These partnerships have been most effective in rationalizing and prioritizing the flow of state economic development dollars to the region. They are safe structures because they do not challenge the existing political boundaries or the power resident therein.

Consolidation and Annexation

Perhaps the most controversial of regional strategies involve municipal consolidation/merger and annexation. In annexation, one government unilaterally takes over part of the territory of another government. It was a heavily used process in the 19th century in Pennsylvania. Indeed, the growth of many Pennsylvania cities was a function of the annexation of parts (or all) of neighboring boroughs in the late 1800s and early 1990s. Today, it is a strategy used in metropolitan areas in the south and west United States. For instance, using this mechanism, Charlotte has grown from 30 square miles to 200 square miles since the end of World War II.

Consolidation/merger is a process by which a government actually goes out of business. One government can merge into another existing government, or two or more governments can consolidate to form a new government. Because of the implications associated with a government actually ceasing to exist, it is an infrequent event, although there has been some renewed interest in Pennsylvania in recent years particularly in the south central and eastern counties. Since World War II, voters have adopted only 20 out of 120 consolidation/merger efforts, yet there have been more than six successful mergers in Pennsylvania during the period 1990-2005.

Councils of Governments

Councils of Governments (COG's) are a more modest effort at regional cooperation. They are voluntary associations of local governments that work on issues of common interest to their members. Because they are voluntary, most COGs require unanimity before they can enter a policy area. As a result, they have most commonly focused on non-controversial and non-threatening issues. Joint purchasing and sharing of capital intensive equipment and services

represent primary areas of COG activity. Although every region should have a COG, its presence may have limited value in addressing the broader public problems facing the region.

Metropolitan Councils

A Metropolitan Council may or may not be a council of governments. Although deeply dependent on the support of the local governments in the region, some councils have moved into a broader role in their respective regions. In the Portland, Oregon, region, the council is directly elected and delivers services in areas; such as, growth management and transportation development. The Twin Cities Council (Minneapolis, St. Paul) has assumed responsibilities in the areas of wastewater and regional transit.

Cultural Asset Districts

Cultural Asset Districts have emerged in the last several years as a direct result of the deconcentration of population. Even after World War II, the majority of Americans lived and worked in the center city of our metropolitan areas. Cultural and civic activities were usually, and appropriately, financed by the center city. For instance, in 1948, 73 percent of business activity in Allegheny County took place within the City of Pittsburgh. The financing of a zoo by the City of Pittsburgh, as an example, was consistent with its economic base and its fiscal capacity. However, by the late 1980s, only 38 percent of business activity conducted within Allegheny County occurred within the City of Pittsburgh. As people and business dispersed to the suburbs, however, they continued to utilize the civic facilities financed by the center city. But the city no longer had the fiscal base to support those services, and non-city residents were becoming the primary users of those facilities. Cultural Asset Districts are a way to finance civic institutions by the regional public.

Denver and Kansas City are representative of regions that have adopted cultural Asset Districts. In 1988, the Denver region approved the "Scientific and Cultural Facilities District." It is an example of the first wave of this regional approach to public services. Approved with a 65 percent positive vote at a referendum, the District is financed by a one-tenth of one percent increase in the sales tax allowing over \$38 million annually to be distributed to institutions like the zoo, museums, performing arts, and a wide variety of local and regional arts organizations.

The Kansas City region enacted (again by referendum) a “Bi-State Cultural District” in 1997 to finance (by a one-eighth cent sales tax), the capital and operating costs associated with historic Union Station. Unlike Denver, this District went out of business after raising \$118 million for the renovations. In this respect, it represents the next generation of districts in that it is organized for a specific purpose and, when that purpose is served, the District ends.

Allegheny County, Pennsylvania, has developed an asset district based on the Denver model. The Allegheny County plan also has elements of another form of regional approaches, tax-base sharing. The Allegheny Regional Asset District will currently distribute over \$75 million of the Allegheny County sales tax. The concept of tax-base sharing and an overview of the Allegheny County model are provided in Chapter 2.

CHAPTER 2

TAX-BASE SHARING

Tax-base sharing has emerged as a potential fiscal mechanism for assisting local governments in an urbanized area. Although several examples exist in practice, more has been written about tax-base sharing than has been implemented. Its asserted benefits are its more effective and equitable impact on economic development and growth. To the degree that the fragmentation of government services and decision-making in an urban area prevent any rational approach to the distribution of the gains and benefits from development and growth policies, tax-base sharing can help mitigate the adverse effects of that fragmentation.

Arguments for Tax-Base Sharing

According to McQuaid, Bok, Miller and James (1992), the following represent issues that can be addressed with a tax-base sharing program:

- ◆ Regional strategies that create a metropolitan government with taxing authority appear or are perceived to lessen or eliminate local decision-making authority. As a result, the public or its representatives will not accept those strategies.
- ◆ There are no regional mechanisms or institutions that have the capacity or the authority to distribute benefits from economic growth or to develop growth policies that reflect the distribution of benefits.
- ◆ The reliance of local governments on property tax revenues requires those governments to engage in “competitive fiscal mercantilism.” These economic realities forced municipalities to encourage only the location of net revenue-producing developments within their boundaries. This also has the effect of exacerbating the difficulties associated with the location of un- or marginally-desirable land uses within a region.

- ◆ Costs for economic development are not always borne by the government within whose boundary the growth has occurred. Although every government would like to derive economic benefit without cost, the opportunity itself is dysfunctional because a government is rewarded for “free-riding.”
- ◆ No means exist whereby governments in an urban environment can share in the region’s growth, as the only determinant of benefits is location within a particular jurisdiction.
- ◆ Wealthier jurisdictions are able to provide services with lower tax rates than less affluent jurisdictions. This disparity results in a vicious circle of greater disparity as wealth gravitates to wealth, and the poorer jurisdictions become even less competitive. Over time, the gap between rich and poor communities in a region can only grow wider.

Forms of Tax-Base Sharing

There are a number of strategies for tax-base sharing to address many of the problems cited above. The most common form occurs when local jurisdictions with sites for future development agree to work together. They can develop a joint master plan and share in the tax proceeds. Westminster and Thornton, Colorado, have developed such a plan. Closer to the Lehigh Valley, three boroughs in Allegheny County have agreed to a tax-base sharing plan for the redevelopment of a former steel site. Specifically, they will share real estate tax proceeds based on the acreage each has contributed to the site being developed.

On a more formal level, jurisdictions in Montgomery County, Ohio, have agreed to pool a portion of future growth in exchange for revenues from an economic development fund. Unlike other revenue-sharing programs where some jurisdictions lose more than they contribute, the Ohio plan guarantees, through an economic development fund, that every jurisdiction will be a net beneficiary. If contributions to the tax-base sharing pool exceed distributions from the pool, the jurisdiction will receive more from the economic development fund to compensate.

Washington County, Ohio, represents a sharing program where the county has assumed the responsibility for enacting a sales tax increase that is made available to the municipalities for repairs to roads and bridges within the county.

Another form of tax-base sharing occurs when those with developable sites and those without such sites agree to work together. The Meadowlands Area in New Jersey and the Joint Economic Development District in Akron, Ohio, are examples of regions that have developed plans to target growth areas in a comprehensive fashion

The Minnesota Tax-Base Sharing Plan

The most well known tax-base sharing plan is in the Twin Cities of Minnesota. The Minnesota model of tax-base sharing has been in place for about 25 years. Today, the program covers 2.5 million people, seven counties, and 200 local jurisdictions, and involves \$200 million in tax proceeds. The Metropolitan Council administers the program. (See Appendix O.)

In its simplest form, 40 percent of a municipality's growth in commercial and industrial real estate valuation is diverted from the municipality's direct control to a "pool" shared by all municipalities in the region. A uniform millage is applied to this "pooled" value, and the proceeds are distributed back to the municipalities on a need-based formula. **The amount a government contributes to the pool has no relation to what it will receive in distributions—a participating government may receive much less than it contributes to the pool, and conversely, it may receive substantially more than it contributes.** In this fashion, tax-base sharing serves a redistributive function. Since its inception, the plan has reduced fiscal disparities between jurisdictions. For the period 1987 to 1995, measured inequality in total tax base per capita between jurisdictions was reduced by 20 percent. By some estimates, it has significantly reduced disparities from a ratio of 50:1 to a ratio of 12:1.

Most of the arguments used to develop the tax-base sharing program in Minnesota were included in the enabling legislation. Although reduction in fiscal disparities has become one of the major benefits of tax-base sharing as implemented in Minnesota, it was not mentioned in the legislation. The explanation for this omission centers around the difficulty associated with the "selling" of redistributive programs at the local level. The arguments that were used to develop the tax-base sharing program in Minnesota are identified below.

- ◆ As a means to allow local governments to share in the growth of the area without taking away any resources which local governments currently enjoy. By taking a percentage of future or new revenues, governments are not giving up resources that they are currently receiving.
- ◆ As a means to create more rational urban development by minimizing the fiscal impact of locational decisions.
- ◆ To create an incentive system that encourages all parts of the regions to work for the growth of the whole.
- ◆ To develop regional strategies that employ the existing structure of local governments and local decision-making.
- ◆ To assist those communities either in the early stages of development or those facing disinvestment by allocating additional resources to them.
- ◆ To minimize urban sprawl.
- ◆ To reduce fiscal disparities between local jurisdictions.

See Chart 1 and Appendix O for further detail on the Minnesota Model.

The Allegheny County Regional Asset District

A program that captures elements of the Denver and Minnesota plans has been developed and adopted in Allegheny County. Mirroring Denver, an Asset District has been created to help finance many of the region's cultural and civic institutions; mirroring Minnesota, a redistributive revenue-sharing plan has been adopted that assists in reducing fiscal disparity between rich and poor local governments.

There were a number of issues confronting Allegheny County and the City of Pittsburgh in the early 1990s. Initially, there was a need to correct inequities caused by the city of

Pittsburgh assuming an unfair financial burden for regional assets. For instance, less than 15 percent of attendees at Pittsburgh Pirate games were city residents, even though at the time the City was the sole public underwriter of the stadium. A second problem was the growing fiscal disparity between the county's richer and poorer communities. Research had demonstrated that the gap was accelerating, and this issue was in need of attention.

Third, the governments of the region believed, and the taxpayers agreed, that the region needed to address the issue of over-reliance on certain taxes; such as, amusement, property, and personal property. Fourth, given the deteriorating fiscal condition of the city, there was a need to improve funding for maintenance of existing assets. In addition, the region had no real mechanism for the funding or development of new assets. Lastly, given the highly fragmented governance structure of the region, it was necessary to establish precedent for future cooperative approaches to the resolution of public problems. The descriptions of the two pieces to the legislation adopting the Regional Asset District and tax-base sharing program presented below demonstrate how each of those objectives were addressed.

The Asset District Component of the Allegheny County Plan

Based on an underlying assumption that **a region has both an identity and a responsibility to finance the public portion of assets that serve this broader regional constituency**, the Allegheny County Regional Asset District was created. Through an additional 0.5 percent on the sales tax, more than \$75 million is available annually to publicly fund the region's shared assets. Facilities like the zoo, aviary, libraries, parks, and stadiums are now the responsibility of the region.

Two important funding issues were addressed through this district. First, approximately \$40 million is provided to the region's assets directly from the sales tax proceeds, replacing funding that had previously been provided to the assets by individual local governments. This transfer of funding responsibility, primarily away from the City of Pittsburgh (the estimated impact was \$18 million) and Allegheny County (the estimated impact was \$18 million), has helped to make those governments more fiscally sound and competitive than they would be otherwise.

Second, the asset district provides a more stable and elastic funding base for the region's assets. Initially, approximately \$13 million was available annually to increase funding to new or

existing assets. This discretionary portion of the program has grown to more than \$20 million in several years.

The Tax-Base Sharing Component of the Allegheny County Plan

One of the most significant advances in the development of the region has been the “other half” of the legislation. This less visible reform has created a tax-base sharing program second in size only to the Minnesota plan. Through an additional 0.5 percent on the sales tax, more than \$60 million is available annually to assist Allegheny County governments in shifting a portion of their funding requirements away from the property tax and other taxes. The distribution is as follows: 50 percent goes to the Allegheny County government, and 50 percent is shared among the participating municipalities in the county. Approximately one-half percent of the latter distribution to municipalities goes directly to the City of Pittsburgh. Between the relieved obligations under the asset district and the tax relief provisions cited above, the economic impact on Allegheny County government was close to \$45 million, and the impact on the city was close to \$30 million.

The other half of the municipal revenue-sharing program distributes proceeds to the municipalities outside the City of Pittsburgh. Although all municipalities in the county have a right to participate, the formula used for this distribution targets the less affluent. Per capita distribution under this program ranges from under \$10.00 in the county’s wealthier communities to over \$20.00 in the most fiscally distressed of the county’s communities.

It is important to note that in the first full calendar year in which the new tax revenues are distributed to the county and its municipalities, they had to use 75 percent of their proceeds to reduce or eliminate the real property, personal property, occupation, occupational privilege, per capita, or any other “nuisance” tax. In subsequent years 50 percent of the revenue must be used for the reduction or elimination of these taxes.

The dynamics of the Allegheny plan are presented in Chart 2.

Chart 1: The Tax Base Sharing Model

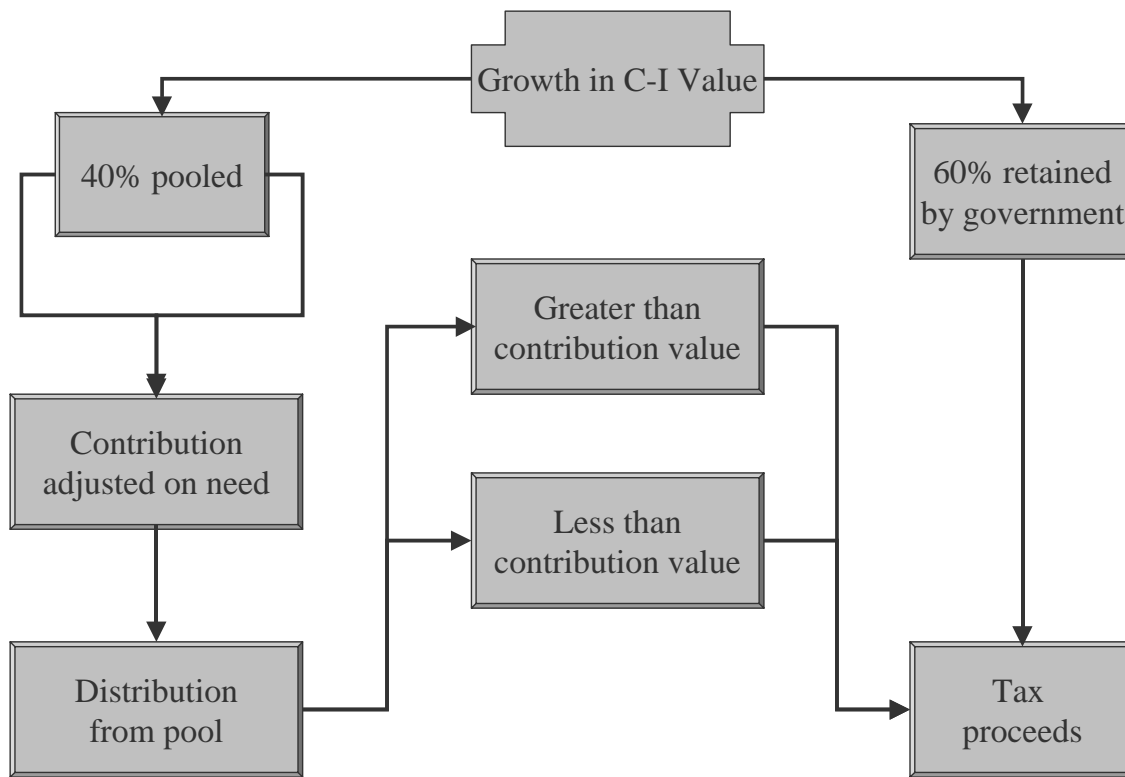
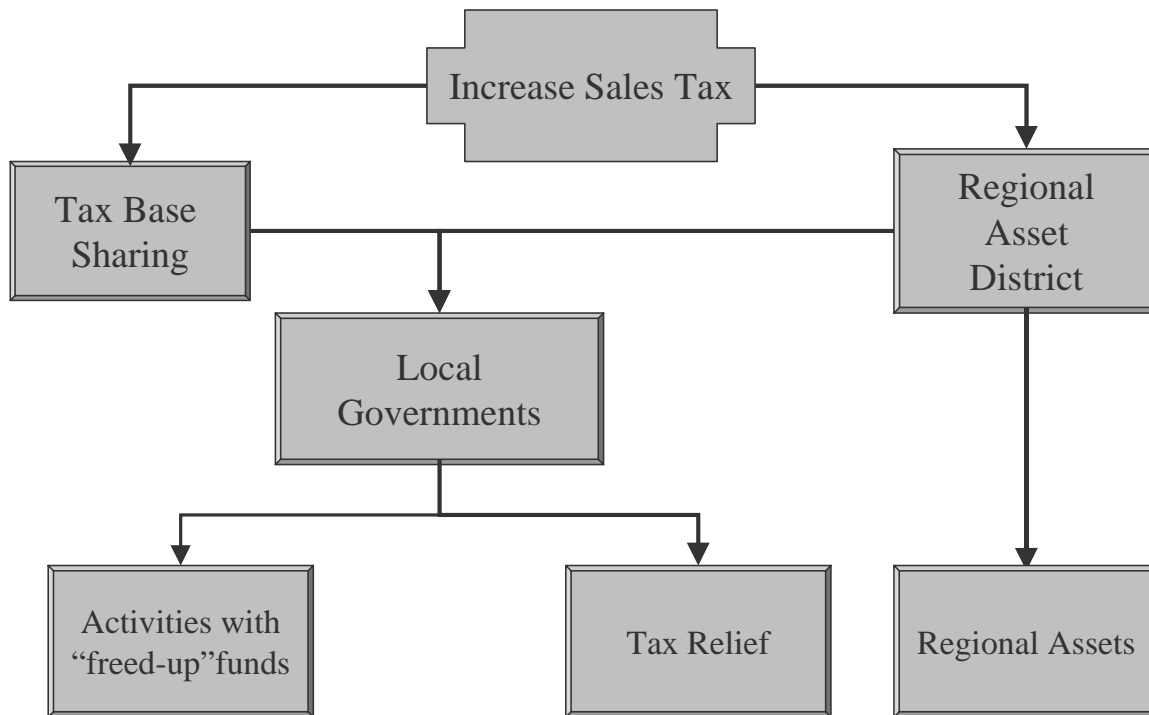


Chart 2: The Allegheny Model



CHAPTER 3

APPLYING TAX BASE SHARING TO THE LEHIGH VALLEY

The Lehigh Valley Partnership has asked PEL to examine the implications of the creation of a Regional Asset District (RAD) that would encompass Lehigh County and Northampton County. The proposed RAD would be funded by the imposition of an additional one percent sales tax to be collected in these counties and distributed based upon the Allegheny model for tax base sharing.

Computing the Allegheny County Revenue-Sharing Program

Computing distributions from the revenue-sharing program is far less complicated than the Minnesota tax-base sharing program. The methodology outlined below is similar to the methodology utilized in Allegheny County. Whereas the Minnesota program is anchored in population, the revenue-sharing program in Allegheny County is anchored in tax revenues. For Allegheny County, the municipality's tax revenues are adjusted by the ratio of the region's fiscal capacity to the municipality's fiscal capacity. As a result, higher revenue governments, like the City of Pittsburgh, receive more proceeds than they would if a factor like population were used.

Step 1: Determine each municipality's total tax revenue.

Using 2004 as a demonstration year, based on records assembled by the state Department of Community and Economic Development (DCED), each municipality's total tax revenues were computed.

Step 2: Determine the total of municipal tax revenues.

The sum of the individual tax revenues by municipality were added to create a total for the region.

Step 3: Determine the region's fiscal capacity.

The total taxable market values of property for each municipality in Lehigh and Northampton counties were added and that number was divided by the total population to arrive at the region's fiscal capacity.

Step 4: Determine each municipality's fiscal capacity.

For each municipality, the total taxable market value was divided by the population to arrive at a fiscal capacity for that municipality.

Step 5: Determine a distribution index for each municipality.

The Allegheny model adjusts tax revenues by the ratio of the region's fiscal capacity (computed in Step 3) to the municipality's fiscal capacity (computed in Step 4). The result gives more relative weight to municipalities whose fiscal capacity is below the region's fiscal capacity and gives less weight to those municipalities whose fiscal capacity exceeds the region's fiscal capacity. The above process was replicated for Lehigh and Northampton counties.

Step 6: Determine a distribution index for the region.

The distribution indexes for each municipality were added to create a total for the region.

Step 7: Determine the percentage of the shared revenue that will be assigned to each municipality for purposes of distribution.

The percentage which each municipality's distribution index (computed in Step 5) is of the total distribution index and is also the percentage of distribution assigned to that municipality. For instance, municipality A might be 6.0 percent of the region's tax revenues. However, because its fiscal capacity is half that of the region's, it will

be approximately 12.0 percent of the total distribution index (computed in Step 6).

Step 8: Determine the total proceeds available.

Either an estimate of total proceeds from the tax or actual receipts subject to sharing needs to be determined. For purposes of analysis, and based on 2005 and 2006 data provided by the Department of Revenue, it is estimated that a 1.0 percent increase in the sales tax would generate about \$48.0 million; the portion available for redistribution among the municipalities in Lehigh and Northampton counties would be one-third of one percent or about \$16.0 million.

Step 9: Determine each municipality's proceeds from the pool.

The percentage established in Step 7 for each municipality is then multiplied by the estimate generated in Step 8.

The Allegheny County Revenue-Sharing Program Applied to Lehigh Valley

The following analysis has been developed based on the assumption that the program in the Lehigh Valley would closely resemble the Allegheny County model. There is no requirement that the Lehigh Valley model follow the exact distribution percentages of the Allegheny model: PEL has applied the following distribution amounts: \$6,000,000 to the regional asset district, \$21,000,000 to the municipal property tax relief, and \$21,000,000 to the municipal revenue sharing portion.

Obtaining sales tax estimates by county has historically been a problem in Pennsylvania. Reports at the county level often reflect the mailing address of the business—not necessarily the location where the transactions occurred. For instance, a business with operations in 20 counties might list Lehigh or Northampton county as its mailing address. The subsequent state reports attribute tax revenues to the home county regardless of where the transaction occurred. If a sales tax program like Allegheny County were adopted, only the sales of that company that occurred within Lehigh or Northampton counties would be subject to the tax.

This situation has been improving, however, primarily in response to requests by Allegheny and Philadelphia counties for more precise information. As a result, a more accurate estimate of total sales in the two Counties is presented than could have been done several years ago. However, it must be recognized that a potential high margin of error might exist.

As reported by the Department of Revenue, the Commonwealth collected \$282.5 million in sales taxes from Lehigh and Northampton Counties in the 2005-06 fiscal year. As such, the annual sales that would be subject to the tax is slightly more than \$4.7 billion. An increase of 1.0 percent in the sales tax would generate almost \$48 million in new tax receipts. If a portion of the proceeds were made available to a regional asset district, that district would have \$16,000,000 in operating revenues. If a portion of these revenues were distributed to the all the municipalities in two county area, their combined proceeds would be \$21,000,000. The remaining \$21,000,000 would be available for property tax relief to taxpayers in the 62 municipalities in the two counties. These factors are outlined below:

Operating Assumptions

Taxable value of sales activity:		\$4,708,200,000
Rate of taxation:	1%	
Proceeds from the tax:		\$ 47,082,000
<i>Distribution of proceeds:</i>		
To a Regional Asset/Service District:		\$ 6,000,000
To Municipal Property Tax Relief:		\$ 21,000,000
To County and Municipal Revenue Sharing:		\$ 21,000,000

Applying the methodology for the municipal government distribution outlined earlier generates the allocations presented in Table 3-1—Lehigh County and Northampton County.

Table 3-1

Distribution of Revenue Sharing for Lehigh Valley Municipalities
 Based Upon Estimated \$16,000,000 Allocated to Municipal Revenue Sharing
 \$1,000,000 Per County and \$3,000,000 for Tax-exempt Property Relief
 No Requirements For Local Use of these Funds

	<u>2000 Population</u>	<u>Total Taxes Collected in 2004</u>	<u>Index</u>	<u>Percent of LV Taxes</u>	<u>Percent of LV Pool</u>	<u>Estimates Based Upon One Percent Sales Tax Levy</u>
Lehigh County						
City:						
Allentown	106,632	\$39,622,506	2.10	21.1	33.3	\$5,328,898
Boroughs:						
Alburtis	2,117	524,988	1.60	0.3	0.3	53,919
Catasauqua	6,588	1,512,966	1.91	0.8	1.2	185,842
Coopersburg	2,582	781,654	1.18	0.4	0.4	58,965
Coplay	3,387	702,820	1.64	0.4	0.5	73,943
Emmaus	11,313	3,863,037	1.23	2.1	1.9	305,005
Fountain Hill	4,614	1,366,058	1.81	0.7	1.0	159,060
Macungie	3,039	764,707	1.30	0.4	0.4	63,984
Slatington	4,434	971,697	2.32	0.5	0.9	144,394
Townships:						
Hanover	1,913	3,748,164	0.29	2.0	0.2	39,071
Heidelberg	3,279	9,184,406	1.24	4.9	0.3	51,339
Lower Macungie	19,220	10,280,472	0.61	5.5	1.2	189,638
Lower Milford	3,617	2,070,257	0.86	1.1	0.3	45,793
Lowhill	1,869	647,212	0.73	0.3	0.2	24,790
Lynn	3,849	4,871,061	1.09	2.6	0.3	49,843
North Whitehall	14,731	825,611	0.95	0.4	1.0	164,094
Salisbury	13,498	529,076	0.97	0.3	1.1	170,787
South Whitehall	18,028	711,354	0.69	0.4	2.5	404,512
Upper Macungie	13,895	2,688,788	0.19	1.4	0.3	54,961
Upper Milford	6,889	4,570,428	0.83	2.4	0.4	62,654
Upper Saucon	11,939	1,172,626	0.60	0.6	1.2	189,353
Washington	6,588	4,879,846	1.33	2.6	0.5	72,652
Weisenberg	4,144	852,121	0.70	0.5	0.3	50,659
Whitehall	24,896	1,124,749	1.01	0.6	4.2	667,629
Northampton County						
Cities:						
Bethlehem	71,329	24,105,726	1.60	12.8	15.5	2,479,650
Easton	26,263	7,871,730	2.44	4.2	7.7	1,234,178
Boroughs:						
Bangor	5,319	1,641,716	2.07	0.9	1.4	218,555
Bath	2,678	660,719	1.47	0.4	0.4	62,473

Table 3-1

Distribution of Revenue Sharing for Lehigh Valley Municipalities
 Based Upon Estimated \$16,000,000 Allocated to Municipal Revenue Sharing
 \$1,000,000 Per County and \$3,000,000 for Tax-exempt Property Relief
 No Requirements For Local Use of these Funds

	<u>2000 Population</u>	<u>Total Taxes Collected in 2004</u>	<u>Index</u>	<u>Percent of LV Taxes</u>	<u>Percent of LV Pool</u>	<u>Estimates Based Upon One Percent Sales Tax Levy</u>
Northampton County						
Boroughs (continued):						
Chapman	234	\$ 24,150	1.71	<0.1	<0.1	\$ 2,645
East Bangor	979	229,841	1.94	0.1	0.2	28,627
Freemansburg	1,897	613,325	1.37	0.3	0.3	54,040
Glendon	367	83,969	0.82	<0.1	<0.1	4,411
Hellertown	5,606	2,011,763	1.30	1.1	1.0	167,670
Nazareth	6,023	1,654,264	1.45	0.9	1.0	153,791
Northampton	9,405	724,432	1.51	0.4	1.4	228,912
North Catasauqua	2,814	2,367,208	1.63	1.3	0.5	75,766
Pen Argyl	3,615	777,548	1.82	0.4	0.6	90,870
Portland	579	162,431	1.21	0.1	0.1	12,609
Roseto	1,653	287,575	1.64	0.2	0.2	30,327
Stockertown	687	382,948	0.64	0.2	0.1	15,697
Tatamy	930	358,291	1.00	0.2	0.1	22,965
Walnutport	2,043	704,670	1.52	0.4	0.4	68,960
West Easton	1,152	256,510	1.66	0.1	0.2	27,337
Wilson	7,682	2,927,491	1.55	1.6	1.8	290,872
Wind Gap	2,812	697,459	1.33	0.4	0.4	59,373
Townships:						
Allen	2,630	7,874,072	0.80	4.2	0.3	47,646
Bethlehem	21,171	933,487	0.79	0.5	2.5	400,583
Bushkill	6,982	1,990,209	0.89	1.1	0.7	114,253
East Allen	4,903	907,294	0.89	0.5	0.3	52,100
Forks	8,419	4,412,687	0.56	2.4	1.0	159,615
Hanover	9,563	4,010,758	0.60	2.1	1.0	154,075
Lehigh	9,728	1,771,497	1.06	0.9	0.7	119,981
Lower Mt Bethel	3,228	707,093	1.41	0.4	0.4	63,872
Lower Nazareth	5,259	1,957,033	0.57	1.0	0.4	71,585
Lower Saucon	9,884	3,277,464	0.67	1.7	0.9	140,373
Moore	8,673	1,283,940	1.07	0.7	0.5	87,793
Palmer	16,809	6,637,743	0.80	3.5	2.1	342,012
Plainfield	5,668	919,319	0.95	0.5	0.4	56,273
Upper Mt Bethel	6,063	1,235,258	1.06	0.7	0.5	84,065
Upper Nazareth	4,426	991,095	0.97	0.5	0.4	61,478
Washington	4,152	763,739	1.01	0.4	0.3	49,617
Williams	4,470	1,198,106	0.69	0.6	0.3	53,168

CHAPTER 4
SUMMARY OF FISCAL IMPACT

Based on the preceding analysis, it appears that the tax-base sharing plan utilized in the revenue-sharing plan in place in Allegheny County would significantly impact local governments in the Lehigh Valley. This approach would redistribute revenues to local governments, and would produce a significant source of new funding that could be available to address regional issues, such as the financing of regional assets as in the Allegheny Model, meet various regional needs, or both. The impact of the tax-base sharing and revenue-sharing plans analyzed is summarized in Table 4-1.

Table 4-1
Fiscal Impact of Revenue Sharing Plan
Based on One Percent Sales Tax and the Allegheny Distribution Model

<u>Beneficiary</u>	<u>Distribution of Additional One Percent Sales and Use Tax</u>	
Municipal Property Tax Relief (27.6 percent)	\$21,000,000	
Lehigh County Taxpayers		\$9,464,703
Northampton County Taxpayers		11,535,297
 Municipal Revenue Sharing	 \$21,000,000	
Lehigh County Municipalities		\$8,611,782
Northampton County Municipalities		7,388,218
County Share (\$1,000,000 per county)		2,000,000
Tax-exempt Property Relief		3,000,000
 Regional Asset District Usage (subject to change)	 \$6,000,000	
Crime Center (estimate)		\$4,000,000
Regional Health Service (estimate)		2,000,000
Other Future Priorities		—
 Total	 \$48,000,000	 \$48,000,000

The summary assessment which follows restates the goals of tax sharing programs and assesses, based on the analysis performed by PEL, whether those goals would be served by creating these programs in the Lehigh Valley. On the surface, the assessment indicates the absence of compelling arguments against the revenue sharing program presented. **Indeed, the assessment suggests that the program could significantly and positively reduce fiscal disparity among jurisdictions, and foster programs that serve to unite the region economically and politically.**

Assessment of the Tax-Base Sharing and Revenue-Sharing Programs Against Desired Goals

Desired Goal	Allegheny Revenue Sharing Plan
<i>Allow local governments to share in the growth of the area without taking away any resources which local governments currently enjoy.</i>	Objective is met as the sales tax represents a new source of revenue.
<i>Create more rational urban development by minimizing the fiscal impact of locational decisions.</i>	Links municipalities and counties to common resource base and all share in its growth.
<i>Create an incentive system that encourages all parts of the regions to work for the growth of the whole.</i>	Municipalities will be less inclined to compete with each other as sharing of revenue occurs.
<i>Develop regional strategies that employ the existing structure of local government and local decision-making.</i>	Objective is met as the plan supports the existing local government structure
<i>Assist those municipalities either in the early stages of development or those facing disinvestment by allocating additional resources.</i>	Non-growth and declining growth areas share in growth; urban core proportionately benefits more.
<i>Reduce fiscal disparities between local jurisdictions.</i>	Redistributive method of allocation of proceeds addresses this goal.

Summary of Revenue and Tax Base Sharing in Lehigh Valley

PEL estimated a total of \$21,000,000 would be available for mandatory, direct property tax reductions for residential taxpayers in each city, borough, and township in the Lehigh Valley. The share of taxes paid to the counties and school districts in Lehigh Valley would not be subject to reduction from this fund and those municipal entities would not be mandated to reduce property taxes levied by them.

The **Real Estate Tax Relief** distribution amount is a result of a single formula; the total amount available for tax relief divided by the total amount of residential real estate taxes levied in the Lehigh Valley in 2005. The distribution percentage was calculated at 27.6 percent. The required real estate tax reduction for each municipality and taxpayers is set by this percentage.

PEL did not estimate the method for the following year's tax reduction. It will be necessary to prepare a formula that considers the local tax bill and the amount of mandatory reduction and carries those credits forward so that the real estate tax reduction is based upon current year municipal budgets. (See Table 4-2.)

The **Municipal Revenue Sharing Allocation** formula is as presented in Chapter 3. PEL estimates that \$16,000,000 will be available for the municipal "pool" distribution. In addition, PEL has allocated \$1,000,000 each per county and \$3,000,000 for tax-exempt property relief in each of the cities of the Lehigh Valley.

The distribution of \$3,000,000 in tax-exempt property relief is designed to lessen the fiscal burden of the Valley cities in their role as regional "hosts" for many of the buildings and organizations of tax-exempt entities that do not pay real estate taxes but nevertheless receive full services as a "resident" of the cities.

PEL devised a formula to distribute these funds that would balance the different sizes of the cities against the amount of tax-exempt land within each city. A distribution ratio for the funds was established, and based upon this distribution, Allentown City would receive \$1,440,000 per year, Bethlehem, \$870,000; and Easton \$690,000. (See Table 4-3.)

A summary table of the impact of the three proposed distributions is shown in Table 4-4. The table displays each distributed amount but does not add the mandatory municipal tax reduction as a new revenue source. The table also ranks municipal population and the amount of municipal assistance with the cities ranking as the top three, as expected, while the fourth

through tenth ranked beneficiaries receive from \$228,912 to \$667,629 on an annual basis from the proposed revenue sharing of the additional one percent sales tax. (See Table 4-4.)

Table 4-2 shows distribution in Lehigh and Northampton counties, respectively. In Lehigh County the estimated dollar-for-dollar real estate tax reduction would have amounted to \$9,464,703 in 2005, or 27.6 percent of the total \$34.3 million of real estate taxes levied in 2005 by the 24 county municipalities. The estimated tax reductions ranged from \$5,202,080 in Allentown City to no estimated reduction in Lower Macungie Township which did not levy real estate taxes.

In Northampton County, total real estate taxes levied in 2005 by the county's 38 municipalities amounted to \$41,778,384. The estimated dollar-for-dollar reduction provided by revenue from an additional one percent sales tax would have amounted to \$11,535,297 in these 38 municipalities. Dollar-for-dollar reductions would have ranged from \$3,680,163 in Bethlehem City and \$1,639,768 in Easton City to \$3,381 in Chapman Borough.

Table 4-2

Distribution of Tax Reduction Funding for Lehigh Valley Municipalities
 Based Upon Estimated \$21,000,000 Allocated to Residential Municipal Tax Reduction
 Requirements For Dollar for Dollar Real Estate Tax Reduction

	<u>2000 Population</u>	<u>Total Residential R.E. Taxes Levied in 2005</u>	<u>Estimated Dollar Reduction 1% Sales Tax Levy</u>
Lehigh County			
City:			
Allentown	106,632	\$18,840,824	\$5,202,080
Boroughs:			
Alburtis	2,117	303,817	83,886
Catasauqua	6,588	1,056,770	291,781
Coopersburg	2,582	456,565	126,061
Coplay	3,387	447,680	123,608
Emmaus	11,313	1,793,246	495,127
Fountain Hill	4,614	657,107	181,432
Macungie	3,039	294,610	81,344
Slatington	4,434	467,581	129,102
Townships:			
Hanover	1,913	4,672	1,290
Heidelberg	3,279	102,242	28,230
Lower Macungie	19,220	-	-
Lower Milford	3,617	194,503	53,704
Lowhill	1,869	114,097	31,503
Lynn	3,849	87,287	24,101
North Whitehall	14,731	346,325	95,623
Salisbury	13,498	1,290,613	356,347
South Whitehall	18,028	2,601,132	718,190
Upper Macungie	13,895	413,841	114,264
Upper Milford	6,889	47,796	13,197
Upper Saucon	11,939	1,646,300	454,555
Washington	6,588	80,264	22,161
Weisenberg	4,144	177,014	48,875
Whitehall	24,896	<u>2,854,850</u>	<u>788,244</u>
Lehigh County Total		<u>\$34,279,136</u>	<u>\$9,464,703</u>

Table 4-2

Distribution of Tax Reduction Funding for Lehigh Valley Municipalities
 Based Upon Estimated \$21,000,000 Allocated to Municipal Tax Reduction
 Requirements For Dollar for Dollar Real Estate Tax Reduction

	<u>2000 Population</u>	<u>Total Residential R.E. Taxes Collected in 2005</u>	<u>Estimated Dollar Reduction 1% Sales Tax Levy</u>
Northampton County			
Cities:			
Bethlehem	71,329	\$13,328,767	\$3,680,163
Easton	26,263	5,938,889	1,639,768
Boroughs:			
Bangor	5,319	953,651	263,310
Bath	2,678	459,065	126,751
Chapman	234	12,245	3,381
East Bangor	979	128,176	35,390
Freemansburg	1,897	410,749	113,411
Glendon	367	33,101	9,139
Hellertown	5,606	1,659,565	458,217
Nazareth	6,023	435,807	120,329
Northampton	9,405	519,000	143,300
North Catasauqua	2,814	1,195,520	330,091
Pen Argyl	3,615	462,301	127,645
Portland	579	97,173	26,830
Roseto	1,653	218,226	60,254
Stockertown	687	176,948	48,857
Tatamy	930	183,622	50,699
Walnutport	2,043	457,686	126,370
West Easton	1,152	173,241	47,833
Wilson	7,682	1,087,727	300,329
Wind Gap	2,812	348,101	96,113
Townships:			
Allen	2,630	338,596	93,489
Bethlehem	21,171	2,674,136	738,347
Bushkill	6,982	791,670	218,585
East Allen	4,903	444,596	122,756
Forks	8,419	1,424,966	393,443
Hanover	9,563	1,259,132	347,655
Lehigh	9,728	946,741	261,402
Lower Mt Bethel	3,228	238,934	65,971
Lower Nazareth	5,259	456,931	126,162
Lower Saucon	9,884	1,086,069	299,871
Moore	8,673	363,170	100,274
Palmer	16,809	2,179,692	601,828

Table 4-2

Distribution of Tax Reduction Funding for Lehigh Valley Municipalities
 Based Upon Estimated \$21,000,000 Allocated to Municipal Tax Reduction
 Requirements For Dollar for Dollar Real Estate Tax Reduction

	<u>2000 Population</u>	<u>Total Residential R.E. Taxes Collected in 2005</u>	<u>Estimated Dollar Reduction 1% Sales Tax Levy</u>
Northampton County			
Townships (cont'd):			
Plainfield	5,668	\$ 118,988	\$ 32,853
Upper Mt Bethel	6,063	326,312	90,097
Upper Nazareth	4,426	337,070	93,067
Washington	4,152	348,420	96,201
Williams	4,470	<u>153,414</u>	<u>42,359</u>
Northampton County Total		<u>\$41,778,384</u>	<u>\$11,532,540</u>

Note: Totals may not add due to rounding.

Table 4-3 depicts the amount of revenue designated for tax-exempt property relief that would have been payable to the three cities. As the “host” cities to a variety of institutions such as schools, hospitals, and colleges.

Table 4-3

Tax-exempt Property Relief
Based Upon Estimated \$3,000,000 Annual Allocation

<u>Cities</u>	<u>2005 Population</u>	<u>Taxable Assessed Valuation</u>	<u>Exempt Assessed Valuation</u>	<u>Adjusted Distribution Ratio</u>	<u>Distributed Funds Based on Ratio</u>
Allentown	106,992	\$1,687,383,150	\$412,497,600	0.48	\$1,440,000
Bethlehem	72,895	1,316,771,850	281,867,500	0.29	870,000
Easton	22,267	345,483,000	128,493,500	0.23	690,000

Note: Totals may not add due to rounding.

Table 4-4 depicts the overall impact of the revenue provided to the 62 municipalities in Lehigh and Northampton counties from the estimated \$48,000,000 generated by a 1 percent sales tax levy. The municipalities were ranked by the amount of dollar municipal assistance received and by population.

Table 4-4

Summary of Distribution of Funding for All Lehigh Valley Municipalities
Based Upon Estimated \$48,000,000 Allocated for Distribution

	<u>2000 Population</u>	<u>Mandatory Municipal Tax Reduction</u>	<u>Municipal Revenue Sharing</u>	<u>Municipal Tax Exempt Relief</u>	<u>Total New Municipal Assistance</u>	<u>Rank In Municipal Assistance</u>	<u>Rank In Municipal Population</u>
Lehigh County			\$1,000,000				
City:							
Allentown City	106,632	\$5,202,080	5,328,898	\$1,440,000	\$6,768,898	1	1
Boroughs:							
Alburtis	2,117	83,886	53,919	–	53,919	44	50
Catasauqua	6,588	291,781	185,842	–	185,842	14	23
Coopersburg	2,582	126,061	58,965	–	58,965	40	49
Coplay	3,387	123,608	73,943	–	73,943	30	41
Emmaus	11,313	495,127	305,005	–	305,005	8	13
Fountain Hill	4,614	181,432	159,060	–	159,060	19	32
Macungie	3,039	81,344	63,984	–	63,984	34	44
Slatington	4,434	129,102	144,394	–	144,394	22	34
Townships:							
Hanover	1,913	1,290	39,071	–	39,071	53	52
Heidelberg	3,279	28,230	51,339	–	51,339	47	42
Lower Macungie	19,220	–	189,638	–	189,638	12	6
Lower Milford	3,617	53,704	45,793	–	45,793	52	39
Lowhill	1,869	31,503	24,790	–	24,790	57	54
Lynn	3,849	24,101	49,843	–	49,843	49	38
North Whitehall	14,731	95,623	164,094	–	164,094	17	9
Salisbury	13,498	356,347	170,787	–	170,787	15	11
South Whitehall	18,028	718,190	404,512	–	404,512	5	7
Upper Macungie	13,895	114,264	54,961	–	54,961	42	10
Upper Milford	6,889	13,197	62,654	–	62,654	36	22
Upper Saucon	11,939	454,555	189,353	–	189,353	13	12
Washington	6,588	22,161	72,652	–	72,652	31	23
Weisenberg	4,144	48,875	50,659	–	50,659	48	37
Whitehall	24,896	788,244	667,629	–	667,629	4	4

Table 4-4

Summary of Distribution of Funding for All Lehigh Valley Municipalities
Based Upon Estimated \$48,000,000 Allocated for Distribution

	<u>2000 Population</u>	<u>Mandatory Municipal Tax Reduction</u>	<u>Municipal Revenue Sharing</u>	<u>Municipal Tax Exempt Relief</u>	<u>Total New Municipal Assistance</u>	<u>Rank In Municipal Assistance</u>	<u>Rank In Municipal Population</u>
Northampton Co.							
Cities:							
Bethlehem City	71,329	\$3,680,163	\$2,479,650	\$870,000	\$3,349,650	2	2
Easton City	26,263	1,639,768	1,234,178	690,000	1,924,178	3	3
Boroughs:							
Bangor	5,319	263,310	218,555	–	218,555	11	29
Bath	2,678	126,751	62,473	–	62,473	37	47
Chapman	234	3,381	2,645	–	2,645	62	62
East Bangor	979	35,390	28,627	–	28,627	55	57
Freemansburg	1,897	113,411	54,040	–	54,040	43	53
Glendon	367	9,139	4,411	–	4,411	61	61
Hellertown	5,606	458,217	167,670	–	167,670	16	28
Nazareth	6,023	120,329	153,791	–	153,791	21	26
Northampton	9,405	143,300	228,912	–	228,912	10	17
North Catasauqua	2,814	330,091	75,766	–	75,766	29	45
Pen Argyl	3,615	127,645	90,870	–	90,870	26	40
Portland	579	26,830	12,609	–	12,609	60	60
Roseto	1,653	60,254	30,327	–	30,327	54	55
Stockertown	687	48,857	15,697	–	15,697	59	59
Tatamy	930	50,699	22,965	–	22,965	58	58
Walnutport	2,043	126,370	68,960	–	68,960	33	51
West Easton	1,152	47,833	27,337	–	27,337	56	56
Wilson	7,682	300,329	290,872	–	290,872	9	20
Wind Gap	2,812	96,113	59,373	–	59,373	39	46
Townships:							
Allen	2,630	93,489	47,646	–	47,646	51	48
Bethlehem Twp.	21,171	738,347	400,583	–	400,583	6	5
Bushkill	6,982	218,585	114,253	–	114,253	25	21
East Allen	4,903	122,756	52,100	–	52,100	46	31
Forks	8,419	393,443	159,615	–	159,615	18	19
Hanover	9,563	347,655	154,075	–	154,075	20	16
Lehigh	9,728	261,402	119,981	–	119,981	24	15
Lower Mt Bethel	3,228	65,971	63,872	–	63,872	35	43
Lower Nazareth	5,259	126,162	71,585	–	71,585	32	30
Lower Saucon	9,884	299,871	140,373	–	140,373	23	14
Moore	8,673	100,274	87,793	–	87,793	27	18
Palmer	16,809	601,828	342,012	–	342,012	7	8

Table 4-4

Summary of Distribution of Funding for All Lehigh Valley Municipalities
Based Upon Estimated \$48,000,000 Allocated for Distribution

	<u>2000 Population</u>	<u>Mandatory Municipal Tax Reduction</u>	<u>Municipal Revenue Sharing</u>	<u>Municipal Tax Exempt Relief</u>	<u>Total New Municipal Assistance</u>	<u>Rank In Municipal Assistance</u>	<u>Rank In Municipal Population</u>
Northampton County Townships (cont'd):							
Plainfield	5,668	\$ 32,853	\$56,273	–	\$56,273	41	27
Upper Mt Bethel	6,063	90,097	84,065	–	84,065	28	25
Upper Nazareth	4,426	93,067	61,478	–	61,478	38	35
Washington	4,152	96,201	49,617	–	49,617	50	36
Williams	4,470	42,359	53,168	–	53,168	45	33

The three cities, Allentown, Bethlehem, and Easton, ranked at the top of the list in population and at the top of the list in the dollar amount of municipal assistance would have received. Allentown, with a 2000 U. S. Census population of 106,632, would have received \$6,768,898; Bethlehem, with a population of 71,329, would have received \$3,349,650; and Easton, with a population of 26,263, would have received \$1,924,178. The dollars received would have also included \$1,440,000 in Allentown, \$870,000 in Bethlehem, and \$690,000 in Easton in tax-exempt property relief for the three cities.

The effort to produce additional revenue for the three cities would appear to be successful under the municipal revenue sharing and tax-exempt property compensation formula. As the urban center and the “hosts” of the central assets of regional activity, the three cities still provide a range of municipal services that accrue benefits to all residents, employees, employers, and visitors to the overall region. In their roles as hosts, these cities incur expenditures for services not provided in many suburban and rural municipalities. Under this proposed fiscal program, the Cities would receive revenue to help offset the costs of providing these services.

Within the boroughs and the townships of the two counties, the relationship of municipal dollar assistance and population continued to hold for at least the next seven largest municipalities. These municipalities included three boroughs and four townships. The boroughs, Emmaus in Lehigh County, and Northampton and Wilson in Northampton County,

ranged in population from 11,313 in Emmaus to 9,405 in Northampton to 7,682 in Wilson. In the four townships, Bethlehem and Palmer in Northampton County, and South Whitehall and Whitehall in Lehigh County, population ranged from 24,896 in Whitehall to 18,028 in South Whitehall, to 21,171 in Bethlehem and 16,809 in Palmer.

Several townships in Lehigh County had 2000 U.S. Census populations greater than all three boroughs and in some instances also greater than South Whitehall and Palmer Townships. These townships, however, did not receive significant additional dollars in municipal revenue sharing assistance.

The revenue sharing formula structure of the fiscal impact program would provide benefits to the municipalities that exert the most expenditure efforts to provide municipal services. These costs of service provision were evident not just in the three cities, but in the “mature” boroughs and townships as well. Population and demographic changes have impacted the cities and the older, mature boroughs and townships, but these municipalities still provide the major portion of municipal services in the region. The revenue sharing programs would return substantial new revenues to these municipalities to help finance the costs of these services.

In Table 4-5, for example, the projected new revenues from the revenue sharing program and the tax-exempt reimbursement were compared to 2004 current sources of revenue and expenditures for the three cities.

Table 4-5

Comparison of the Projected New Revenue to
 Current City Sources Of Revenue
 Does Not Include Distributions from Regional Asset District
 2004

City of Allentown

	2004 Revenue/ Expenditure	Estimated New Revenue as a Percent of 2004 Revenue/ <u>Expenditure</u>
New Revenue Projected	\$ 6,768,898	
Revenue		
Real Estate Tax	24,310,495	27.8
Earned Income Tax	6,829,147	99.1
Realty Transfer Tax	1,765,198	383.5
Other 511 Taxes	6,717,666	100.8
Expenditures		
Police	22,800,558	29.7
General Administration	15,085,288	44.9
Other Expenditures	11,836,138	57.2
Fire	10,805,637	62.6
Streets and Roads	9,067,279	74.7
Sewer Expenditures	8,886,293	76.2
Solid Waste Expenditures	8,848,881	76.5
Debt Service	8,751,274	77.3
Water Expenditures	6,224,615	108.7
Planning and Development	5,502,977	123.0
Parks and Recreation	4,539,428	149.1
Public Health	3,401,768	199.0
Other Public Safety	2,153,401	314.3

SOURCE: DCED

Table 4-5

Comparison of the Projected New Revenue to
 Current City Sources Of Revenue
 Does Not Include Distributions from Regional Asset District
 2004

City Bethlehem

	2004 Revenue/ <u>Expenditure</u>	Estimated New Revenue as a Percent of 2004 Revenue/ <u>Expenditure</u>
New Revenue Projected	\$ 3,349,650	
Revenue		
Real Estate Tax	15,369,113	21.8
Earned Income Tax	6,146,676	54.5
Realty Transfer Tax	1,233,423	271.6
Other 511 Taxes	1,356,514	246.9
Expenditures		
Other Expenditures	27,619,812	12.1
Police	8,938,751	37.5
Debt Service	8,406,680	39.8
Fire	5,843,120	57.3
Parks and Recreation	5,588,760	59.9
Water Expenditures	5,552,386	60.3
Sewer Expenditures	5,043,773	66.4
Other Public Works	4,130,504	81.1
Streets and Roads	3,870,258	86.5
Other Public Safety	2,868,841	116.8
General Administration	2,669,299	125.5
Public Health	2,076,614	161.3
Solid Waste Expenditures	1,586,487	211.1
Planning and Development	1,566,859	213.8
Libraries	1,020,000	328.4

SOURCE: DCED

Table 4-5

Comparison of the Projected New Revenue to
 Current City Sources Of Revenue
 Does Not Include Distributions from Regional Asset District
 2004

City of Easton

	2004 Revenue/ <u>Expenditure</u>	Estimated New Revenue as a Percent of 2004 Revenue/ <u>Expenditure</u>
New Revenue Projected	\$ 1,924,178	
Revenue		
Real Estate Tax	5,064,525	38.0
Earned Income Tax	1,852,856	103.8
Realty Transfer Tax	398,437	482.9
Other 511 Taxes	555,912	346.1
Expenditures		
Debt Service	9,955,083	19.3
Other Expenditures	6,884,271	28.0
Sewer Expenditures	4,863,985	39.6
Police	4,429,977	43.4
General Administration	3,503,160	54.9
Fire	3,119,756	61.7
Water Expenditures	2,265,058	85.0
Streets and Roads	1,481,046	129.9
Solid Waste Expenditures	1,289,238	149.2
Parks and Recreation	677,008	284.2
Planning and Development	607,078	317.0
Other Public Works	244,758	786.2
Other Public Safety	191,019	1,007.3
Public Health	64,455	2,985.3

SOURCE: DCED

In Allentown, Bethlehem, and Easton, these new revenues would have amounted to 27.8 percent, 21.8 percent, and 38.0 percent respectively of 2004 real estate revenue. For the other major source of local municipal revenue, the earned income tax, this new revenue would have amounted to 99.1 percent, 54.5 percent, and 103.8 percent, respectively of this revenue in Allentown, Bethlehem, and Easton in 2004.

On the expenditure side, these new revenues could have paid for 29.7 percent, 37.5 percent, and 43.4 percent of police services, respectively in Allentown, Bethlehem, and Easton.

The effect of the mandatory tax reduction under the revenue sharing programs must also be examined within the total tax burden of the Lehigh Valley. All municipalities in Lehigh Valley are subject to taxation by other governmental entities; county government and the local school district levy real estate taxes in addition to any locally levied tax millage.

As a percentage of total tax relief, the estimated 27.6 percent reduction in municipal tax levies is reduced as a percentage of the total tax when included in the total tax levy for all three taxing entities.

In Lehigh County, the percentage of total tax relief based upon the revenue sharing program ranged from 0.1 percent in Hanover and Upper Milford townships to 7.4 percent in Allentown City. In Northampton County, the total tax relief ranged from 0.6 percent in Plainfield and Williams townships to 8.1 percent in Easton City. (See Table 4-6.)

**Table 4-6
Residential and Total Real Estate Tax Relief
County, School, Municipal
LEHIGH COUNTY 2005**

	2005 Millage			Municipal Tax Levy Residential	Estimated Tax Relief Relief	Total All Jurisdictions	
	Muni	County	SD			Residential Taxes Levied	% of Tax Relief
	MUNICIPALITY						
Allentown City	17.52	10.75	37.49	\$18,840,824	\$5,202,080	\$70,717,614	7.4
Alburtis Boro.	9.40	10.75	38.16	303,817	83,886	1,884,638	4.5
Catasauqua Boro.	12.80	10.75	35.67	1,056,770	291,781	4,889,212	6.0
Coopersburg Boro.	11.00	10.75	39.60	456,565	126,061	2,546,387	5.0
Coplay Boro.	9.30	10.75	34.52	447,680	123,608	2,626,872	4.7
Emmaus Boro.	9.83	10.75	38.16	1,793,246	495,127	10,715,694	4.6
Fountain Hill Boro.	11.25	10.75	35.58	657,107	181,432	3,363,222	5.4
Macungie Boro.	5.95	10.75	38.16	294,610	81,344	2,716,354	3.0
Slatington Boro.	10.63	10.75	56.82	467,581	129,102	3,439,779	3.8
Hanover Twp.	0.25	10.75	35.67	4,672	1,290	872,087	0.1
Heidelberg Twp.	1.80	10.75	40.72	102,242	28,230	3,025,781	0.9
Lower Macungie Twp.	0.0	10.75	38.16	NA	NA	33,017,571	NA
Lower Milford Twp.	2.00	10.75	39.60	194,503	53,704	5,091,119	1.1
Lowhill Twp.	2.00	10.75	40.72	114,097	31,503	3,050,375	1.0
Lynn Twp.	1.30	10.75	40.72	87,287	24,101	3,543,176	0.7
North Whitehall Twp.	1.00	10.75	33.86	346,325	95,623	15,795,881	0.6
Salisbury Twp.	3.76	10.75	38.72	1,290,613	356,347	18,271,099	2.0
South Whitehall Twp.	4.90	10.75	33.86	2,601,132	718,190	26,282,052	2.7
Upper Macungie Twp.	1.00	10.75	33.86	413,841	114,264	18,875,299	0.6
Upper Milford Twp.	0.25	10.75	38.16	47,796	13,197	9,398,569	0.1
Upper Saucon Twp.	4.20	10.75	39.60	1,646,300	454,555	21,382,304	2.1
Washington Twp.	0.70	10.75	56.82	80,264	22,161	7,827,985	0.3
Weisenberg Twp.	1.60	10.75	40.72	177,014	48,875	5,871,322	0.8
Whitehall Twp.	6.95	10.75	34.52	2,854,850	788,244	21,450,399	3.7

NA – Not Applicable

Table 4-6
Residential and Total Real Estate Tax Relief
County, School, Municipal
NORTHAMPTON COUNTY 2005

MUNICIPALITY	2005 Millage			Municipal Tax Levy Residential	Estimated Tax Relief At 27%	Total All Jurisdictions	
	Muni	County	SD			Residential Taxes Levied	% of Tax Relief
	Bethlehem City	14.10	10.30			35.580	\$13,328,767
Easton City	21.95	10.30	42.91	5,938,889	1,639,768	20,335,620	8.1
Bangor Boro.	13.00	10.30	41.95	953,651	263,310	4,786,596	5.5
Bath Boro.	11.00	10.30	37.25	459,065	126,751	2,443,479	5.2
Chapman Quarries Boro.	4.00	10.30	37.25	12,245	3,381	157,810	2.1
East Bangor Boro.	9.00	10.30	41.95	128,176	35,390	872,310	4.1
Freemansburg Boro.	12.26	10.30	35.58	410,749	113,411	1,947,876	5.8
Glendon Boro.	4.95	10.30	44.10	33,101	9,139	396,879	2.3
Hellertown Boro.	16.00	10.30	47.06	1,659,565	458,217	7,609,105	6.0
Nazareth Boro.	5.25	10.30	38.34	435,807	120,329	4,473,457	2.7
North Catasauqua Boro.	10.70	10.30	37.25	519,000	143,300	2,825,399	5.1
Northampton Boro.	7.60	10.30	35.71	1,195,520	330,091	8,433,132	3.9
Pen Argyl Boro.	8.45	10.30	35.29	462,301	127,645	2,956,539	4.3
Portland Boro.	11.82	10.30	41.95	97,173	26,830	526,726	5.1
Roseto Boro.	8.00	10.30	41.95	218,226	60,254	1,643,518	3.7
Stockertown Boro.	11.50	10.30	38.34	176,948	48,857	925,362	5.3
Tatamy Boro.	9.50	10.30	38.34	183,622	50,699	1,123,765	4.5
Walnutport Boro.	15.00	10.30	51.47	457,686	126,370	2,342,437	5.4
West Easton Boro.	9.00	10.30	44.10	173,241	47,833	1,220,387	3.9
Wilson Boro.	11.00	10.30	44.10	1,087,727	300,329	6,467,033	4.6
Wind Gap Boro.	9.00	10.30	35.29	348,101	96,113	2,111,427	4.6
Allen Twp.	5.00	10.30	37.25	338,596	93,489	3,558,644	2.6
Bethlehem Twp.	4.74	10.30	35.58	2,674,136	738,347	28,557,966	2.6
Bushkill Twp.	4.40	10.30	38.34	791,670	218,585	9,543,222	2.3
East Allen Twp.	4.00	10.30	37.25	444,596	122,756	5,729,731	2.1
Forks Twp.	4.60	10.30	42.91	1,424,966	393,443	17,908,104	2.2
Hanover Twp.	4.67	10.30	35.58	1,259,132	347,655	13,629,362	2.6
Lehigh Twp.	4.43	10.30	37.25	946,741	261,402	11,108,713	2.4
Lower Mt. Bethel Twp.	4.60	10.30	42.91	238,934	65,971	3,002,773	2.2
Lower Nazareth Twp.	3.15	10.30	38.34	456,931	126,162	7,512,528	1.7
Lower Saucon Twp.	3.14	10.30	47.06	1,086,069	299,871	20,925,861	1.4
Moore Twp.	2.00	10.30	37.25	363,170	100,274	8,997,537	1.1
Palmer Twp.	5.25	10.30	42.91	2,179,692	601,828	24,271,388	2.5
Plainfield Twp.	1.00	10.30	35.29	118,988	32,853	5,543,656	0.6
Upper Mt. Bethel Twp.	3.25	10.30	41.95	326,312	90,097	5,572,411	1.6
Upper Nazareth Twp.	3.50	10.30	38.34	337,070	93,067	5,021,384	1.9
Washington Twp.	4.50	10.30	41.95	348,420	96,201	4,393,965	2.2
Williams Twp.	1.25	10.30	44.1	153,414	42,359	6,830,002	0.6