

Good Morning Chairman Ross, Chairwoman Earll and members attending this meeting. My name is Chris Doherty, Mayor of the City of Scranton since 2002. Thank you for allowing me to speak today about Scranton's experience of being in Act 47.

The City of Scranton entered Act 47 in 1992. In 2000 the State of Pennsylvania sanctioned the City of Scranton for violating its recovery plan. Those sanctions included withholding all state grants and liquid fuels money. When I became Mayor in 2002 the city passed a new recovery plan. The Police and Fire Unions asked for a referendum on the plan and 72% of the people of Scranton voted in favor of the new recovery plan. One month later Gov. Mark Schweiker removed the sanctions against Scranton, releasing the state grants and liquid fuels money.

Since 2003, the city's unions forced the city to state courts. In 2010, the Commonwealth Court ruled unanimously in favor of the city. In October 2011, the State Supreme Court overturned the Commonwealth Courts decision. The ruling by the State Supreme Court will cost the city in excess of \$20 million dollars. In 2014 an entry level firefighter in the City of Scranton will be paid \$71,000.00 a year. The average taxpayer in Scranton earns \$25, 000.00 a year.

However, the city's expenses are not just in salaries, they are also in healthcare and benefits. In 2011 the City of Scranton, which is self insured, will spend 15 million dollars on healthcare. Retirees will cost the city \$9.5 million dollars and active employees will cost \$5.5 million. As you can clearly see our legacy cost are great. This disparity between retired employees and active employees will last for decades. None of the Police and Fire Unions contributes to their healthcare plan.

With our expenses rising Scranton is forced to take extreme measures. On November 15, 2011, I released the 2012 operating budget. The budget includes a raise in property taxes of 29%, an increase in Business Privilege, a Mercantile Tax as well as an increase in Real Estate Transfer Tax. I have laid off 29 firemen and offered a buyout to 10 sanitation workers who are eligible to retire. Ironically, I have to hire back 6 police officers who were previously laid off. The State Supreme Court ruling forces the city to do so.

How can a city survive when an outside entity, in this case the Pennsylvania State Supreme Court raises the city's expenses and yet does not provide the city the tools to adequately balance its budget? The system is out of control and cities will need the help of the legislators to fix it.

The first challenge that the legislators should consider is changing Act 111. Arbitrators must be compelled to take into consideration cities ability to pay for the services that the arbitration is mandating. Presently there is no law in place that forces the neutral arbitration to consider cities ability to pay.

If a city enters into Act 47, it should be understood from the onset by the city and state, that the city duration in Act 47 should be 18 months. If at the end of 18 months, the municipality is unable to make the necessary decision to leave Act 47. The state shall have the power to make those decisions for the city and the city will be forced to abide by that decision.

The challenges cities face are daunting. During the last decade cities have resorted to one time revenues to get through each year. Along with that, cities have also raised taxes and reduced the number of employees that work for them. In the next 10 years cities will be more dependent on state government. The best course of action that the state government can take would be to pass new laws that allow cities to address legacy cost and revenue opportunity.

In the next decade more cities will enter Act 47 or early intervention programs. Smaller communities will give up on paid police departments and the state will assume that responsibility. Cities large and small are going to be faced with tremendous infrastructure needs. The roads and bridges throughout Pennsylvania are old and need repair. If we do not address these problems they are only going to get worse. These are problems that we are facing today.

In the future, the biggest challenges that cities of Pennsylvania are going to face are pensions. Most mid-size and larger cities are simply paying out more than they are putting in. At the end of the next decade pension funds will no longer be able to pay out benefits. This will happen for two reasons. First, the stock market has not seen any significant growth in pension funds. Second, cities have had to reduce the size of their workforce. While this reduction is good because we are reducing the size of government, the downside would be that there are less people who are paying into the pension fund.

If cities are going to survive and prosper they are going to need new revenue sources. Today cities fund their budgets through property taxes and wage taxes. We need more choices. I would like this panel to consider making the county wide sales tax available to every county in Pennsylvania not just the two largest. This tax would provide much needed revenue to all the cities and towns throughout Pennsylvania.

I would like to thank you for allowing me the opportunity to speak to you today. As the Mayor of a city that has spent 19 years in Act 47, I recommend that you change the act so that the city is in it for a shorter period of time and that the cities are given the tools that they can grow with.

Thank you.

Chris Doherty,
Mayor,
City of Scranton

December 8, 2011