



Testimony to the Senate Finance Committee

Chairman Brubaker, Chairman Blake and members of the Senate Finance Committee, my name is Rich Fitzgerald and I am the Allegheny County Chief Executive. I am sorry that I was unable to join you personally, but thank you for the opportunity to provide this written testimony.

I understand that today's public hearing is on Senate Bill 76 (SB 76) and recent sales and use tax collections. I was not asked to testify to SB 76 and so my remarks will not discuss the bill, its provisions or an opinion on the legislation. That being said, I believe that the property tax is a regressive tax that can be punitive in its own application. I also believe that local governments and county governments have very few options available to them to be able to operate their government and allowing those officials a full menu of revenue options would allow communities to make decisions that work for them.

I have been asked to provide you with information on the Allegheny County 1% sales tax, as well as some information on its history and performance since it was first enacted in 1994. To present this as a 1% sales tax is a bit misleading as the original intent of Act 77, the legislation which authorized the additional 1%, was considered a tax sharing.

In the early 1990s, the City of Pittsburgh was suffering from economic decline, a short population loss and tight budgets. The support it provided to assets like the Pittsburgh Zoo, the Phipps Conservatory, and the National Aviary (to name just a few) was shrinking. Civic leaders recognized that these assets attracted a majority of their visitors from outside of the city, and even from the region, and so a conversation began about how to provide a fairer financial model to provide support to these entities. It was that conversation, a request from the Mayor of Pittsburgh, and the action and support of the Allegheny Conference on Community Development that led to the establishment of the Allegheny Regional Asset District.

Act 77 of 1993 provided for a county taxing district – named the Allegheny Regional Asset District - through an additional 1% tax on sales within Allegheny County. The funds from that levy would then be divided between the county (25%), participating municipalities in the county (25%) and regional assets (50%). The funds provided to the county and participating municipalities were intended to provide tax relief and promote intergovernmental cooperation.

The funds to the district would supplement local assets and a list of specific (contractual asset) entities. The organizations that were guaranteed to receive initial funds were listed in Act 77 and included the Allegheny County Library Association, the Allegheny County regional parks, the Carnegie Library of Pittsburgh, the Carnegie Museums of Pittsburgh, the City of McKeesport regional park, the City of

OFFICE OF THE COUNTY EXECUTIVE

Pittsburgh regional parks, the National Aviary in Pittsburgh, Phipps Conservatory and Botanical Gardens, and the Pittsburgh Zoo and PPG Aquarium. The District also supports multi-year assets and provides annual grants. A 7-member Regional Asset District Board, appointed by the Mayor of the City of Pittsburgh and the Allegheny County Executive, makes the decisions about which entities receive funds and how much is provided. Additionally, the Board is supported by a 27-person Advisory Board that provides public input and comment on policies and procedures of the District.

Act 77 was passed on December 14, 1993. The Allegheny County Board of Commissioners adopted an ordinance to establish the 1% local option sales tax on March 31, 1994. The County began to collect that tax on July 1, 1994 and the first remittance of revenues occurred that September. In the transition year (four months), the County received \$6,722,931. In its first full year of collection, the County's share totaled \$26.4 million. This past year, the County received \$44.2 million.

The following table reflects the revenues received by Allegheny County from its portion of the 1% tax each year since its inception:

County of Allegheny, Pennsylvania			
Additional 1% Sales Tax Receipts			
Year	Sales Tax Receipts		Percent Increase
1994	6,722,931	*	
1995	26,385,147		
1996	29,913,499		13.37%
1997	31,422,264		5.04%
1998	32,974,932		4.94%
1999	34,179,058		3.65%
2000	36,773,490		7.59%
2001	35,947,981		-2.24%
2002	36,278,983		0.92%
2003	35,882,855		-1.09%
2004	36,271,615		1.08%
2005	37,635,131		3.76%
2006	38,767,213		3.01%
2007	39,946,822		3.04%
2008	40,446,620		1.25%
2009	39,383,574		-2.63%
2010	40,505,651		2.85%
2011	41,828,239		3.27%
2012	43,721,846		4.53%
2013	44,240,492		1.19%
	709,228,342		
* These receipts represent only 4 months of collections. The tax went into effect July 1, 1994 and the first remittance was sent September 8, 1994.			

As noted, between 1994 and 2013, the County received \$709.2 million in revenues from the 1% sales tax. To better put that into perspective, the \$44.2 million in revenues received from the sales tax in 2013 accounts for 5.53% of our 2013 operating budget of \$799.4 million. And although there obviously are a number of considerations that could alter this figured, based on the County's current millage rate and current year real estate tax collections, the \$709.2 million represents 12.79 mills of real estate tax that did not have to be paid by property owners.

By the end of 2014, the local sales tax, paid by both residents and visitors to Allegheny County, will have generated nearly \$3 billion which has been invested in the region's assets, as well as in local municipal services. As you can see, some years have been better than others when it comes to revenues, but the Board and its leadership has budgeted wisely to be able to weather those fluctuations. Because of the County's portion, we have been able to provide property tax relief to our residents and fund the assets that contribute to our economy, without relying upon taxpayer funds derived through the governments.

Thank you for allowing me to offer this testimony. Should you have any questions or require anything further from me, please do not hesitate to contact me.