

April 10, 2014

**Comments of Fraternal Order of Police, PA State Lodge, Pennsylvania Professional Fire Fighters Association and AFSCME Council 13**

Good morning. On behalf of over 75,000 police officers, firefighters and civilian municipal workers who serve Pennsylvania's municipalities, the Pennsylvania Fraternal Order of Police, the Pennsylvania Professional Fire Fighters Association and AFSCME Council 13 welcome this opportunity to provide input on Senate Bill 1157, PN 1560.

On behalf of the members of the Fraternal Order of Police, the Pennsylvania Professional Fire Fighters Association and AFSCME Council 13, and their families, we would like to thank the Committee Chairman, the Democratic Chairman and the other members of this Committee for inviting our participation in this discussion of the futures of Pennsylvania municipalities that participate in the Commonwealth's municipal distress program.

Senate Bill 1157 has been described by some as an attempt to "modernize" Pennsylvania's municipal recovery statute, the Municipalities Financial Recovery Act, commonly known as Act 47. While we agree that Act 47 is in need of reform, SB 1157 as currently constituted does very little to improve the fortunes of struggling municipalities other than providing a fast track to bankruptcy or mandating the outright dissolution of municipalities altogether. We are sure you will agree that neither of these "nuclear" options is advisable for our communities. And we ask that the Committee consider amendments that will instead address more substantive solutions that were submitted last year to the Local Government Commission but were disregarded.

Throughout 2013, our organizations and other stakeholders who share our concern for struggling municipalities participated in the Local Government Commission's comprehensive Act 47 Task Force. During this process we advocated that Act 47 be improved by adopting reforms that enjoyed broad support among labor and management representatives, including the need for an open, objective and timely exit process for Act 47 municipalities, the need to increase revenues in Act 47 communities (overall or local share), the need to foster regionalization, and the need to address challenges related to tax-exempt entities that utilize municipal services free of charge.

Notwithstanding our efforts, the Task Force's final report neglected to include meaningful reform on these issues. Because SB 1157 essentially represents a codification of the Task Force report, the bill also falls short of meaningful reform.

Among the many areas where SB 1157 needs improvement, we are perhaps most concerned by the failure to address the Act 47 exit process and the need for new revenues. Surprisingly, SB 1157 maintains the unbalanced Act 47 entry-and-exit process that has hampered the law and the communities it serves since its passage. Act 47 currently permits a wide range of stakeholders to petition for a municipality's

entry in the Act 47 program based on the applicability of objective financial criteria. On the “exit” issue, however, Act 47 limits petitions only to the Secretary of DCED or to the affected municipality itself, and even then the Secretary’s subjective determination whether to exit is virtually unreviewable. This lack of access and objectivity has led to the abuses of the Act 47 process by municipalities that would prefer to stay distressed forever regardless of their true fiscal condition. One need only look at the dismal Act 47 “graduation” rate to see that the longstanding exit process is broken. But SB 1157 as currently drafted does nothing to improve the exit process.

On the issues of new revenues or PILOT payments from tax-exempt organizations, SB 1157 also falls short. The bill permits but does not require a Plan Coordinator to consider tax-exempt contributions in developing a recovery plan. The Bill fails to provide struggling municipalities new tools to encourage or even require tax-exempt organizations to invest in the very communities that provide and fund their municipal services free of charge. This is unacceptable. And while SB 1157 attempts to provide limited new revenue flexibility, it does not address the revenue problem in a meaningful way. Simply put, our struggling communities cannot cut their way out of distress. They need revenue. SB 1157 provides very little in the way of new revenue, and far too little to make any appreciable improvement in the affected municipalities.

For these and other reasons, the Pennsylvania Fraternal Order of Police, the Pennsylvania Professional Fire Fighters Association and AFSCME Council 13 oppose Senate Bill 1157, PN 1560.

We are encouraged, however, by the recent amendments to companion bill House Bill 1773, amended earlier this month. Our organizations support the improvements represented by House Bill 1773, PN 3288, especially in the area of the Act 47 exit-process. We look forward to the development of similar and additional improvements in the Senate.

In closing, as stakeholders in the future of Pennsylvania’s municipalities, we can state from experience that Act 47 needs substantial improvement, and that Senate Bill 1157 does not satisfy that goal. House Bill 1773 as amended represents a major improvement to the law. It is our hope that we and our fellow stakeholders can work together in the Senate to secure additional improvements to Act 47 that do not punish the thousands of FOP, PPFFA and AFSCME members who live, work, pay taxes in Act 47 communities, but instead provide our members and the citizens they serve with tools to enable Act 47 communities to survive and thrive without state oversight. Thank you for your continued support.