



POSITION STATEMENT ON ESTABLISHING A HOME RULE COMMISSION FOR THE CITY OF LANCASTER

BACKGROUND

Across Pennsylvania, communities face financial struggles as a result of the Commonwealth's antiquated local government structure. This is especially true for third-class cities – all cities in PA except for Philadelphia, Pittsburgh, and Scranton (collectively, "Cities"). These Cities are governed by the state's Third-Class City Code which specifically mandates services the Cities must provide and the rates of taxes they can collect in order to fund those services.

Currently, the structure of municipal finance forces Pennsylvania Cities to rely on the property tax as the main source of revenue, with little power to create new revenue sources or to impose different taxes to reduce the burden of property taxes on its residents. Currently, and unfortunately, the only meaningful avenue available to Cities to have flexibility in its taxing structure and to access other tools to ensure the health, safety and welfare of its residents is to enter into the Commonwealth's program for financially distressed municipalities (Act 47).

Due to outdated laws, policies, and mandates on the local government structure in Pennsylvania, the City, one of 53 Third-Class cities in the Commonwealth, continues to face an ongoing structural deficit. Annual revenue options are limited and mandated expenditures continue to increase. Currently, the result is deficits, service cuts, and property tax increases that still cannot keep up with the growing expenditures.

Structural deficits impede the City's ability to maintain essential public services; while property taxes account for 46% of the 2023 budget (\$33.4 million), the city's police and fire budgets together total to \$42.6 million, which well surpasses the funds available and doesn't account for other expenses. While property taxes have increased nine times since 2006, assessed property values have remained stagnant. In efforts to address this issue, the city has refinanced debt, advocated for legislative change, and worked to keep expenditures down to a modest four percent average annual growth.

In search of a sustainable solution, Lancaster City is exploring the potential of a Home Rule Charter. This would transfer authority to act in municipal affairs from state law, as set forth by the General Assembly, to a local charter, adopted and amended by City voters. Adopting a home rule charter in Lancaster would allow the city more independence in codifying taxes and raising revenue, with an interest in modifying the rate of the local earned income tax and the real estate transfer tax. Twenty-six cities throughout The Commonwealth have adopted a Home Rule charter.

The process for adopting a Home Rule Charter begins with the formation of a study commission and is **voter-focused** throughout. This commission is established by Lancaster City voters, who also elect nine commissioners tasked with "comprehensively reviewing, studying, and analyzing" the current government structure and alternatives. **If** changes are recommended by the commission, voters must approve them with a majority vote during a referendum, which would take place at the earliest in the 2024 General Election.

Historically, Lancaster City Alliance has supported allowing third-class cities and local decision makers the ability to reasonably, responsibly, and only as necessary, increase certain local taxes to reduce the burden of property taxes on city residents and property owners.



POSITION

The Lancaster City Alliance supports the establishment of a Home Rule Study Commission that will study any and all solutions that address the structural deficit and urge voters to vote “yes” to the following question on the May 16, 2023 primary ballot and to select nine residents of Lancaster City to serve on the commission.

“Shall a government study commission of nine members be elected to study the existing form of government of the municipality to consider the advisability of the adoption of a home rule charter, and if advisable, to draft and recommend a home rule charter?”

The Lancaster City Alliance supports the efforts to provide Lancaster City with tools to address their structural deficit before they are forced to reach Act 47 status. This is essential to limit, if not reduce, the burden on City residents, property owners and negatively affect the economic and community growth of Lancaster.

With that said, we urge the Commission to study multiple options and make recommendations with City residents and property owners, as well as, the business community and their employees in mind; particularly as the Commission analyzes the long-term impact of home rule on City stakeholders.

Approved by Lancaster City Alliance Advocacy ELT on 04.14.2023

Approved by Lancaster City Alliance Board of Directors on 04.28.2023