

Office of City Controller

10 N 2nd Street, Suite 403
Harrisburg, Pennsylvania 17101

Linda D. Thompson, Mayor
City of Harrisburg
10 N 2nd St.
Harrisburg, PA 17101

July 25, 2011

Dear Mayor Thompson:


The best and most direct action to return Harrisburg to solvency now and long term is to increase the earned income tax from 1% to 2% beginning January 1, 2012. Per the attached calculation by the Act 47 Team, this increase would raise a total of \$22.6M. City residents would pay \$6M and non-residents would pay \$16.6M.

This additional revenue, along with the \$5M plus of net operating revenue generated by the incinerator would allow the city to pay 100% of the guaranteed payments on the incinerator debt and still allow for funds to payoff the amounts due to Dauphin County and AGM.

This tax increase is a burden but it is the best of only bad options. The average city resident wage earner would pay an additional \$301 annually or less than \$1 per day.

Successful implementation of this increase would allow Harrisburg to avoid both bankruptcy and the sale of revenue generating assets. This is a long-term solution that benefits Harrisburg residents now, and more importantly, in the future.

Best regards,



Daniel C. Miller

cc: William Leinberger

City of Harrisburg - Increase EIT Rate Authorized under Act 47 Projected

Assumes no change in EIT Rates Outside Harrisburg for 2012

# jobs in Hbg \$12k+ [a]	62,000	# City residents wkg [b]	19,771	Current City Rate: 0.5% Residents, 1.0% Non-residents				Total Current Rev. Computed		\$ 3,175	Projected	\$ 3,167				
Ave wage, Hbg res. [c]	\$ 594,233	\$ 30,056	Proj Rev at Current Rates ▶	City res wkg in Hbg: \$ 1,127		City res wkg outside Hbg:		\$ 1,844	Nonresidents:		\$ 204					
Ave wage, Non-residents \$904/week [d]	\$ 2,914,496	\$ 47,008	City EIT Rate Examples under Act 47 assuming approval of County Court (amounts shown in 000s)													
Residence [e]	# Wkg	% Wkg in Hbg	Annual Earnings 000s	Current Muni & SD EIT Rate	0.75% Res Non-Res	Increase of 0.25%	1.00% Res Non-Res	Increase of 0.50%	1.25% Res Non-Res	Increase of 0.75%	1.50% Res Non-Res	Increase of 1.00%	1.75% Res 2.25% NR	Increase of 1.25% 000s	2.00% Res 2.50% NR	Increase of 1.50% 000s
City--wkg outside Hbg [f]	12,269		\$ 368,754	1.00%	\$ 2,766	\$ 922	\$ 3,688	\$ 1,844	\$ 4,609	\$ 2,766	\$ 5,531	\$ 3,688	\$ 6,453	\$ 4,609	\$ 7,375	\$ 5,531
City--wkg in Hbg [g]	7,502	12.1%	\$ 225,478	1.00%	\$ 1,691	\$ 564	\$ 2,255	\$ 1,127	\$ 2,818	\$ 1,691	\$ 3,382	\$ 2,255	\$ 3,946	\$ 2,818	\$ 4,510	\$ 3,382
Commuters																
Lower Paxton Twp, Daup	5,208	8.4%	\$ 244,818	2.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 612	\$ 612	\$ 1,224	\$ 1,224
Susquehanna Twp, Daup	3,286	5.3%	\$ 154,468	1.00%	\$ 386	\$ 386	\$ 772	\$ 772	\$ 1,159	\$ 1,159	\$ 1,545	\$ 1,545	\$ 1,931	\$ 1,931	\$ 2,317	\$ 2,317
Swatara Twp, Dauphin Co	2,418	3.9%	\$ 113,665	2.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284	\$ 284	\$ 568	\$ 568
Derry Twp, Dauphin Co	930	1.5%	\$ 43,717	1.00%	\$ 109	\$ 109	\$ 219	\$ 219	\$ 328	\$ 328	\$ 437	\$ 437	\$ 546	\$ 546	\$ 656	\$ 656
Other, Dauphin Co. [h]	7,068	11.4%	\$ 332,253	1.11%	\$ 465	\$ 465	\$ 1,296	\$ 1,296	\$ 2,126	\$ 2,126	\$ 2,957	\$ 2,957	\$ 3,788	\$ 3,788	\$ 4,618	\$ 4,618
Hampden Twp, Cumb. Co	1,798	2.9%	\$ 84,520	1.60%	\$ -	\$ -	\$ -	\$ -	\$ 127	\$ 127	\$ 338	\$ 338	\$ 549	\$ 549	\$ 761	\$ 761
E Pennsboro Twp, Cumb.	1,736	2.8%	\$ 81,606	1.60%	\$ -	\$ -	\$ -	\$ -	\$ 122	\$ 122	\$ 326	\$ 326	\$ 530	\$ 530	\$ 734	\$ 734
Lower Allen Twp, Cumb.	1,054	1.7%	\$ 49,546	1.45%	\$ -	\$ -	\$ 25	\$ 25	\$ 149	\$ 149	\$ 273	\$ 273	\$ 396	\$ 396	\$ 520	\$ 520
Other, Cumberland Co. [i]	5,952	9.6%	\$ 279,792	1.62%	\$ -	\$ -	\$ -	\$ -	\$ 358	\$ 358	\$ 1,057	\$ 1,057	\$ 1,756	\$ 1,756	\$ 2,456	\$ 2,456
York Co. municipalities [j]	4,464	7.2%	\$ 209,844	1.09%	\$ 330	\$ 330	\$ 854	\$ 854	\$ 1,379	\$ 1,379	\$ 1,904	\$ 1,904	\$ 2,428	\$ 2,428	\$ 2,953	\$ 2,953
Lancaster Co. munis [k]	2,232	3.6%	\$ 104,922	1.00%	\$ 262	\$ 262	\$ 525	\$ 525	\$ 787	\$ 787	\$ 1,049	\$ 1,049	\$ 1,312	\$ 1,312	\$ 1,574	\$ 1,574
Perry Co. municipalities [l]	2,046	3.3%	\$ 96,178	1.71%	\$ -	\$ -	\$ -	\$ -	\$ 36	\$ 36	\$ 277	\$ 277	\$ 517	\$ 517	\$ 757	\$ 757
Lebanon Co. munis [m]	1,674	2.7%	\$ 78,691	1.10%	\$ 118	\$ 118	\$ 315	\$ 315	\$ 511	\$ 511	\$ 708	\$ 708	\$ 905	\$ 905	\$ 1,102	\$ 1,102
Other PA municipalities [n]	14,198	22.9%	\$ 667,420	1.16%	\$ 601	\$ 601	\$ 2,269	\$ 2,269	\$ 3,938	\$ 3,938	\$ 5,606	\$ 5,606	\$ 7,275	\$ 7,275	\$ 8,943	\$ 8,943
Out of State [o]	434	0.7%	\$ 20,401	1.00%	\$ 255	\$ 51	\$ 306	\$ 102	\$ 357	\$ 153	\$ 408	\$ 204	\$ 459	\$ 255	\$ 510	\$ 306
Commuters	54,498	87.9%	\$ 2,561,842		\$ 2,526	\$ 2,322	\$ 6,580	\$ 6,376	\$ 11,376	\$ 11,172	\$ 16,885	\$ 16,681	\$ 23,289	\$ 23,085	\$ 29,694	\$ 29,490
City Workers - New Revenue																
Total New Revenue from Residents & Non-residents																
Nonresidents Percentage of Total New Revenue																

Notes:
[a] Based on 2007 data from Capital Tax Collection Bureau (using Local Services Tax when last collected at beginning pay period @ \$47 for those earning >\$12k).
[b] Based on US Census Bureau: Worker Flow Files, 2000 (showing 10,520 City residents employed), Population (2000 = 48,950; 2006 = 47,164). Assumes 19,771 City residents employed in 2006 based on same proportion of employed res. to total pop., and no change currently.
[c] Based on Projected 2012 EIT (net of 2%Commission) of \$3,167k, less the estimate attributable to out-of-state workers (see note [e] of \$193k, divided by 0.5% (City's net EIT rate), divided by # City residents working (19,771--see note [b])).
[d] Ave weekly wage Dauphin Co, 2010-Q2, Bureau of Labor Statistics, US DOL. Increased by 6% for 2012 projection.
[e] Based on US Census Bureau, Local Empl. Dynamics, 2006-Q2, cited by Real Prop Res Group, *Residential Opportunity Assessment*, for Harristown Dev Corp, 10/08, Table 2.
[f] Total City workers less # working in City, per notes [b] and [e].
[g] City res. # working in City based on 2012 EIT Bdgt @ ave wage per note [b].
[h] Munis in 6 other Co school districts impose a total rate of 1%, 1 (Middletown Area) imposes 1.75% rate. Used blended rate = 1/7th @ 1.75% & 6/7th @ 1%.
[i] Used ave rate among 9 Co. school districts (which range from 1.4% to 2.0%).
[j] Used ave rate among 7 Co. SDs closest to Hbg (range from 1.0% to 1.4%).
[k] All but 2 of the 16 Co. school districts use 1.0%, so used 1.0%.
[l] Used ave rate among 4 Co. school districts (which range from 1.6% to 1.8%).
[m] Used ave rate among 4 Co. SD closest to Hbg (range from 1.0% to 1.4%).
[n] Used ave rate among 23 SDs in Adams, Juniata, Schuylkill & Franklin Cos.
[o] Out-of-state workers in City are subject to full 1.0% EIT (not shared with School District).