

2017 REPORT

The Burden of Municipal Police Costs

The Highest Expense for Some; Free for Others

ADVANCE FINDINGS

From a PEL Statewide Municipal Distress Report:

THE TRUTH AND CONSEQUENCES
OF MUNICIPAL FISCAL DISTRESS
IN PENNSYLVANIA, 1970-2014

Funded by a Coalition of Community Foundations

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ECONOMY LEAGUE

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EXECUTIVE SUMMARY

Communities that have their own local police force have twice the municipal tax burden of those that rely on free Pennsylvania State Police coverage according to the Pennsylvania Economy League's latest statewide analysis of municipal distress. They also rated much lower on PEL's 2017 statewide stress index ranking than those communities that only use state police.

The findings should come as no surprise. Local police are generally one of the largest, if not the largest, expense for those municipalities that have them. For the most part, municipalities — even third class cities — are not required to have local police and can receive services for free from the state police if they choose. The provision of police services is an example of why the Commonwealth's patchwork quilt system of local government laws is broken, and in this case, results in creating financial inequity between those with local police and those without.

Municipalities that have local police spent over \$2 billion on those services in 2014 or an average of \$230 per person, according to an Associated Press analysis. That money primarily comes from local taxes, although municipalities do receive some state aid to defray pension costs. Approximately 10 million Commonwealth residents are served by local police.

Meanwhile, the state police estimated in 2017 that it cost \$600 million to provide state police services to the 2.5 million residents in municipalities without local police. That figure is about half of the state police annual budget of approximately \$1.2 billion.

The bulk of money for the state police budget comes from the state Motor License Fund. The fund, which is generated by drivers' license and registration fees and the state gasoline tax, is meant for the construction and repair of roads and bridges. In 2013, the gasoline tax was increased to provide more money for roads and bridges projects. Currently, state police receive approximately \$800 million from the fund that, according to the Pennsylvania Department of Transportation, generated \$4.05 billion in 2014-15.

As reported by Penn Live, PennDOT officials estimated the state police's share of Motor License Fund (MLF) dollars would grow at least 4 percent a year as more municipalities opt to reduce or eliminate their local police departments in order to save money. The size of the MLF itself was expected to grow by less than 1 percent a year.

A change under the fiscal code in 2016 will cap and reduce state police expenditures from the fund. Critics, however, worry the cap and reduction can be easily overturned. Meanwhile, Gov. Tom Wolf proposed charging \$25 per person for municipalities that use state police. Testimony to the House Democratic Policy Committee Hearing on the fee exposed the rift between those that pay for local police and those that do not. So-called “full service” municipalities charged those using state police have a greater economic advantage. Municipalities that rely on state police maintained a fee means they would pay twice, and they cannot afford the cost.

The question in Pennsylvania is not whether there are police services in a municipality but rather who foots the bill. Approximately half of communities in this report pay for some level of local police coverage. Police coverage in the other half of municipalities — some of them wealthy with thousands of residents — is paid for by all state residents, including those residents who are also paying for their own local police, raising the issue of fairness and equity.

Policy makers need to modernize the unfair, antiquated system for providing police in the Commonwealth. All citizens should be able to receive the appropriate level of critical public safety services at a rate that does not send some into municipal fiscal distress while leaving other communities unscathed and, indeed, being subsidized by their often less fiscally fortunate neighbors.

MEASURING MUNICIPAL FINANCIAL HEALTH

PEL's full analysis, which will be released later this year, looks at municipal health through the lens of a stress index that measures a community's wealth and how much of that wealth is being extracted from taxpayers to fund public services. Two factors are considered. The first is the available tax base per household ("tax base"), which is the size of a municipality's purse. The other factor is tax collections compared to the tax base ("tax burden"), which is how much municipalities are taking out of that purse to provide services and other mandated functions.



Tax base and tax burden were determined using formulas that consider market value, tax revenue, aggregated household income, and the number of households. Generally, a fiscally healthy community has a large purse (more tax base) and takes a small amount out of that purse to pay for services (less tax burden).

QUINTILES

Once tax base and tax burden were determined, PEL ranked each municipality across the state relative to the scores of every other municipality. The ranked municipalities were then divided into quintiles with 1 indicating the most tax base and lowest tax burden, and 5 indicating the least tax base and most tax burden.

The study compared data for 1970, 1990 and 2014 for 2,388 of the state's 2,561 municipalities for which information was available. Dollars have been standardized to 2014 values for all three years. Municipal fees, such as those paid for refuse collection, are not included in the calculations. Philadelphia and Pittsburgh are excluded from the stress index due to their size and separately legislated tax structure so as not to skew the results.

The Burden of Municipal Police Costs: The Highest Cost for Some; Free for Others

Communities that have their own local police force have twice the municipal tax burden of those that rely solely on Pennsylvania State Police coverage according to the Pennsylvania Economy League's latest statewide analysis of municipal fiscal distress. They also rated much lower in PEL's statewide stress index ranking than those communities that only use state police.

The findings should come as no surprise. Local police are generally one of the largest, if not the largest, expense for those municipalities that have them. The provision of police services is an example of why the Commonwealth's patchwork quilt system of local government laws is broken, and in this case, results in creating financial inequity between those with local police and those without.

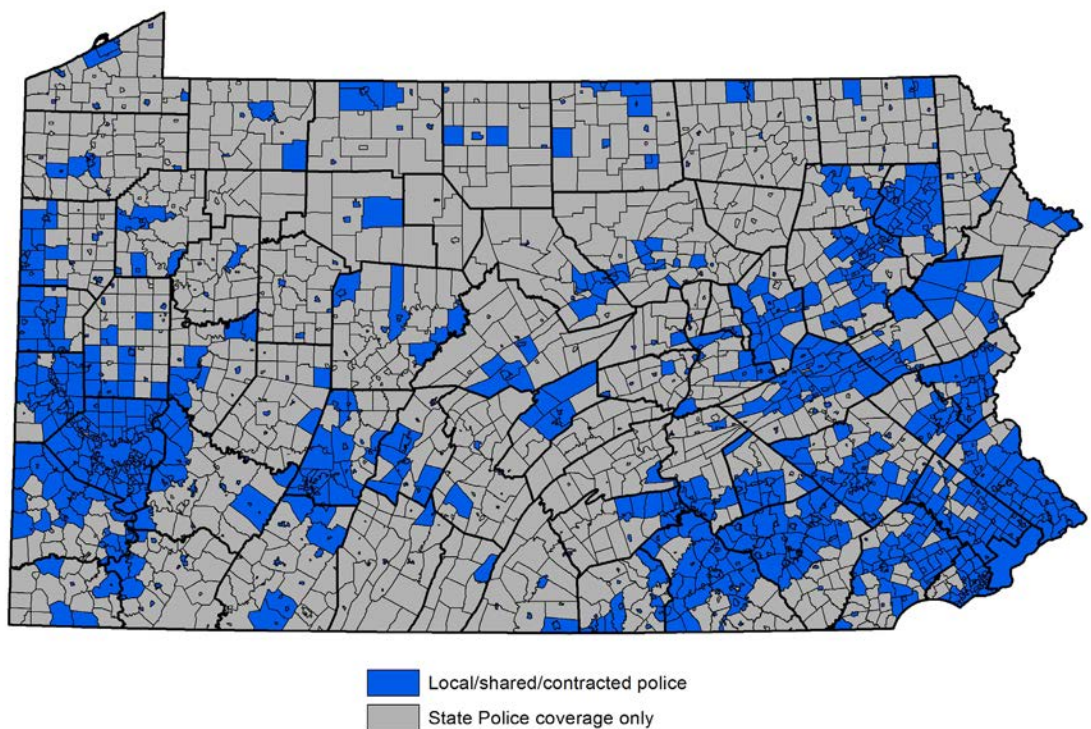
Money in the state Motor License Fund that is earmarked for road and bridge repairs across the Commonwealth is being eaten up by state police costs. The situation has resulted in calls by some – including Gov. Tom Wolf – to require that municipalities pay a fee to use the state police full time.

For the most part, Pennsylvania municipalities are not required to provide police services. The exceptions to that rule, according to a 2014 police consolidation report by the Legislative Budget and Finance Committee, are first class cities (Philadelphia), second class cities (Pittsburgh) and class 2A cities (Scranton). But while not a requirement, it is difficult to imagine an urbanized third class city without local police.

Municipalities that do not provide local police are able to use state police for free as the default service provider. And, if their population is below 3,000, they're entitled to 50 percent of the traffic fines generated by the state police within their borders.

According to a 2012 study by the Center for Rural Pennsylvania, 92 percent of rural municipalities and 22 percent of urban municipalities relied on full-time state police coverage. The state police provide full-time coverage to approximately 1,290 municipalities and part-time police protection to another 410 municipalities, according to testimony at a 2017 House Democratic Policy Committee Hearing.

PA Municipal Police Coverage 2016



Municipalities that have local police spent over \$2 billion on those services in 2014 or an average of \$230 per person, according to an Associated Press analysis. That money primarily came from local taxes, although municipalities do receive some state aid to defray pension costs. Approximately 10 million residents are served by local police.

In contrast, the Pennsylvania State Police estimated in 2017 that it costs \$600 million to provide state police services to the 2.5 million residents in municipalities without local police. That figure is about half of the state police annual budget of approximately \$1.2 billion, or roughly the same per capita cost as locally-funded police protection.

The two main sources of the state police budget are the Commonwealth's General Fund and the state Motor License Fund (MLF). The MLF, generated by drivers' license and registration fees and the state gasoline tax, is meant for the construction and repair of roads and bridges. In 2013, the gasoline tax was increased to provide more money for road and bridge projects, but those funds are being used at least in part to defray increasing state police costs.

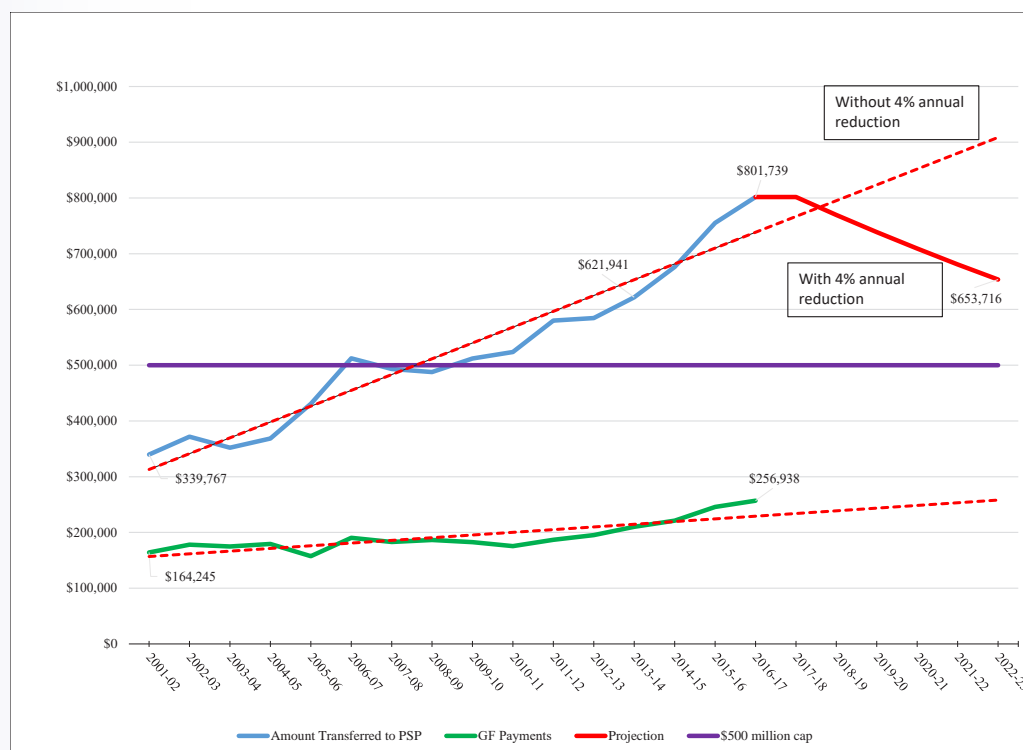
General fund support for the state police grew by 156 percent since 2001-02, from \$164 million to \$256 million. Meanwhile, money taken from the MLF to support the state police jumped by 236 percent, from \$340 million to \$802 million, during the same time period.

As reported by Penn Live, PennDOT officials estimated the state police's share of Motor License Fund dollars would grow at least 4 percent a year as more municipalities opt to reduce or eliminate their local police departments in order to save money. The size of the MLF itself is expected to grow by less than 1 percent a year.

In 2016 the situation led to a change in the fiscal code that will cap state police expenditures from the MLF at the current level and then reduce the amount by 4 percent annually, starting in 2018-19, until it reaches \$500 million. PennDOT estimates the change will produce an extra \$2.1 billion for highway and bridge construction over 10 years. (See Graph 4-1.)

GRAPH 4-1 PENNSYLVANIA STATE POLICE

Motor Vehicle License Fund Transfers, General Fund Payments, \$500M Cap, Funds Lost Due to No Cap, Projection of Motor Vehicle License Fund and General Fund Expenditures at Current Rate 2001-02 to 2022-23



Data compiled by the PA Highway Information Association (PHIA). Source: PennDOT and Enacted PA State Budgets

Leslie Richards, Secretary of the Pennsylvania Department of Transportation, testified at a 2017 House Democratic Policy Committee Hearing that any growth in transfers to the state police that occurred absent the cap “would affect rural and four-digit roadways most severely.” In other words, the most severe impact would be on the very municipalities that now benefit from free state police coverage.

Critics worry the cap and reduction for the state police could be easily overturned since a new fiscal code is adopted each year. “It’s still an annual fight,” said Jason Wagner of the Pennsylvania Highway Information Association. “The challenge is to convince the legislators not to alter it when they do a budget each year.”

The state police funding situation led Gov. Tom Wolf to propose a \$25 per capita fee for municipalities that rely on state police in his 2017-18 budget. Testimony to the House Democratic Policy Committee Hearing exposed the rift between those that pay for local police and those that get their services for free from the state police.

Ernie McNeely, Lower Merion Township Manager, testified that his township paid \$370 per resident or over \$21 million in 2016 to provide local police, a cost that was 40 percent of the township’s general fund expenses. He also provided a chart of 16 sample municipalities across the Commonwealth whose per capita local police costs ranged from \$156 to \$396 and percent of operating budget varied from 33 percent to 78 percent.

So-called full service communities are in a bind, he said. Raising taxes discourages homeownership, makes the municipalities less attractive, and burdens residents. Cutting services like public safety is a last resort.

“Communities utilizing the state police, however, need not worry about having enough revenue for services,” Mr. McNeely said. “Police coverage is free, there are minimal property taxes and far less of a burden on residents. Overall, this puts such communities and their residents at an overall greater economic advantage.”

Municipalities that depend on state police countered that their communities cannot afford the fee.

“This new state tax would force over 2.5 million residents to pay twice for the basic services that they currently receive from the state police,” said Supervisor Andrew J. Boni of Perry Township.

Regardless of his stance on the fee, Mr. Boni, who was representing the Pennsylvania State Association of Township Supervisors, noted “we need to discuss how we can adopt meaningful reform to reduce the financial burdens on the communities – and their residents – that provide local police protection.”

Quintile Ranking and Police Services

PEL’s stress index and quintile ranking system clearly show the impact of that burden. Communities that pay for local police protection on average performed worse than those that do not on those measurements. First, we will look at how local police services correlate with placement in the quintile rankings.

The majority of municipalities – 327 or almost 70 percent -- in the lowest or fifth quintile (those with the greatest fiscal stress) have their own local police force. Only 79 municipalities with their own police force, or 17 percent, are in the highest (least stressed) or first quintile. The situation is completely reversed for those with state police coverage only. In that case, the majority of municipalities in the first quintile, 354 or almost 75 percent, have no local police force. Only 88 municipalities that rely only on state police, or 18 percent, are in the fifth quintile. Municipalities that either contract police services from another municipality or are in a regional police department tend to be more evenly distributed amongst the quintiles, although more appear in the bottom two quintiles as opposed to the top two quintiles. (See Tables 4-1 and 4-2.)

TABLE 4-1
MUNICIPALITIES IN PENNSYLVANIA
 Number in Quintile Rank and Police Services, 2014

	Own municipal police force	Police contracted from another municipality	Regional police service	State Police coverage only
1	79	30	14	354
2	139	30	25	283
3	172	29	26	250
4	196	50	31	200
5	327	43	19	88
Total	913	182	115	1,175

TABLE 4-2
MUNICIPALITIES IN PENNSYLVANIA
 % in Quintile Rank and Police Services, 2014

	Own municipal police force	Police contracted from another municipality	Regional police service	State Police coverage only
1	16.6%	6.3%	2.9%	74.2%
2	29.1%	6.3%	5.2%	59.3%
3	36.1%	6.1%	5.5%	52.4%
4	41.1%	10.5%	6.5%	41.9%
5	68.6%	9.0%	4.0%	18.4%
	38.3%	7.6%	4.8%	49.3%

Tax Burden, Tax Base and Local Police Services

Municipalities with their own police force have twice the average tax burden (0.52) of municipalities with only state police coverage (0.26). The tax burden of municipalities that contract their local police services or belong to a regional police department is less than those with their own department but more than those with only state police coverage. Municipalities with state police coverage only have a slightly lower average tax base than those with their own municipal police force. (See Table 4-3.)

TABLE 4-3
MUNICIPALITIES IN PENNSYLVANIA
 Tax Burden, Tax Base and Police Services, 2014

Type	Count	Average 2014 tax burden	Average 2014 tax base
Own municipal police force	913	0.52	\$77,052
Police contracted from another municipality	182	0.37	\$75,321
Regional police service	115	0.40	\$78,979
State police coverage only	1,175	0.26	\$71,810
Total	2,385		

The Cost of Police

Police protection in a community is not really optional. There must be some level of police protection to secure the health, safety and welfare of citizens regardless of who provides it. The question in Pennsylvania is not whether there are police services in a municipality but rather who foots the bill. Approximately half of communities in this report pay for some level of local police coverage, whether it's provided by a municipal department, a regional department or a contract with a neighboring department. Police coverage in the other half of municipalities is paid for by all state residents, including those residents who are also paying for their own local police, raising the issue of fairness/equity.

One argument put forth by proponents of the current arrangement is that state police coverage is largely in rural, low density, low crime areas that do not need or desire a high level of police services. And indeed it is impractical, unnecessary and too costly for every municipality to have its own police department. Regional departments are difficult to form, and it's not possible to contract police services if your neighboring town doesn't have them either.

Cities and most densely populated urban areas do not have the luxury of this argument. Putting aside the idea of whether Reading, Scranton, Altoona or Johnstown could really function without local police, all have legacy costs such as pension and retiree health care that would continue regardless of whether these communities tried to eliminate local police for state police coverage.

Cities, with their lower average tax base per household and lower average median income compared to all other municipal classes, are the least able to afford local police but the most likely to need that greater coverage. This is true not only for their own residents but also for the many who make use of these centers of commerce that are home to businesses, universities, hospitals and courts.

Meanwhile, there are some densely populated communities that depend on free state police coverage regardless of their wealth. Hempfield Township in Westmoreland County with 16,855 households and Lower Macungie Township in Lehigh County with 11,894 households are examples. Hempfield's median household income is \$58,595 and is in the second quintile, while Lower Macungie's median household income is \$80,659 and is in the first quintile. Forty percent of communities among the top 20 ranked municipalities in the first quintile receive coverage for free from the state police. Most are in the so-called collar counties around Philadelphia. (See Table 4-4.)

TABLE 4-4**TOP 20 RANKED MUNICIPALITIES IN FIRST QUINTILE**

Households, Median Income and Use of Local Police, 2014

Municipality	Type	County	Households	Median income	Local police
Birmingham	2nd-class twp.	Chester	1,433	\$167,148	yes
Edgmont	2nd-class twp.	Delaware	1,691	\$109,688	no
Chadds Ford	2nd-class twp.	Delaware	1,526	\$110,357	no
Rose Valley	Borough	Delaware	343	\$176,406	no
Easttown	2nd-class twp.	Chester	3,830	\$130,577	yes
Lower Makefield	2nd-class twp.	Bucks	11,920	\$126,492	yes
Bethel	2nd-class twp.	Delaware	3,064	\$132,349	yes
Lower Merion	1st-class twp.	Montgomery	22,070	\$115,657	yes
Tredyffrin	2nd-class twp.	Chester	12,023	\$112,472	yes
Langhorne Manor	Borough	Bucks	322	\$95,000	yes
Radnor	1st-class twp.	Delaware	9,710	\$100,129	yes
East Marlborough	2nd-class twp.	Chester	2,628	\$105,122	yes
Newtown	2nd-class twp.	Delaware	4,697	\$86,054	yes
Concord	2nd-class twp.	Delaware	6,282	\$84,386	no
London Britain	2nd-class twp.	Chester	1,057	\$112,440	no
Middletown	2nd-class twp.	Delaware	5,867	\$86,082	no
Upper Providence	2nd-class twp.	Delaware	3,898	\$107,311	yes
Brown	2nd-class twp.	Lycoming	45	\$49,063	no
Yardley	Borough	Bucks	1,051	\$77,337	yes
Chester Heights	Borough	Delaware	1,095	\$79,349	no

Conclusion

The point is not that all 2,500 plus municipalities in Pennsylvania should be mandated to have and pay for their own local police departments. Instead, policy makers need to modernize the inequitable, antiquated system for providing police coverage in the Commonwealth. All citizens should be able to receive the appropriate level of critical public safety services at a rate that does not send some communities into municipal fiscal distress while leaving other communities not only unscathed – but indeed, subsidized by their often less fiscally fortunate neighbors.