

Testimony Before: The Pennsylvania House Finance Committee  
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In Support Of: House Bill No. 1877

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## ***Introduction and Background***

Good morning, Chairman Benninghoff, Chairwoman Mundy, and distinguished members of the House Finance Committee. Thank you for this opportunity to present comments today on behalf of the City of Easton, PA. My name is Chris Heagele, and I am the City's Director of Finance.

I have been the Director of Finance at the City of Easton since April 2008 - nearly four years. Prior to my time at the City, I was an employee of Plymouth Park Tax Services LLC - a servicer and purchaser of delinquent real estate tax liens in numerous states including Pennsylvania. I have a Master of Public Policy from Harvard University's John F. Kennedy School of Government in Cambridge, MA and a Bachelor's of Science in Economics from the University of Pennsylvania's Wharton School of Business in Philadelphia, PA.

I strongly support House Bill No. 1877, and I encourage the legislature to adopt its provisions as quickly as possible. My support for this measure can be summarized by three words - ***cost, efficiency, and choice.***

### ***Cost***

I believe that the City of Easton provides its residents with a good value for their tax dollar. Our core mission, established by Mayor Salvatore J. Panto, Jr., is to provide our residents with a Clean and Safe City. Everything that we do in Easton is about clean and safe. More police officers. More firefighters. More public services workers. More code enforcement officers. More economic development assistance programs. In Easton, it is all about Clean and Safe, and I buy into this mission because I am not only an employee; but I am also a City resident and taxpayer.

My department's mission at the City is to "Provide the Resources for a Clean and Safe City." When the Department of Finance provides resources in a cost effective manner, more money, more resources, and more tax dollars can be directed to the activities that really add value to our residents.

There are two real costs to excessive real estate tax delinquencies - the cost to collect the delinquency and the cost (in the form of an additional tax burden because of reduction in efficiency) to residents that play by the rules and actually pay their taxes timely. Our goal is to minimize both

The City of Easton uses the services of Portnoff Law Associates to collect delinquent real estate taxes. We use Portnoff because they have a proven track record that has been shown to reduce the cost of and improve the efficiency of delinquent real estate tax collection. Here are the facts:

- Portnoff does not charge the City of Easton's current property taxpayers for its services. All fees collected by Portnoff are paid by the delinquent taxpayer. Therefore, our current taxpayers do not subsidize delinquent taxpayer behavior and 100% of their tax dollars are used on value added activities.
- The Tax Claim Bureau commission is paid from collected delinquent real estate taxes. Only 95% of delinquent tax dollars are available for use on value added activities when the Tax Claim Bureau is used as the collection agent. Therefore, current taxpayers must subsidize delinquent taxpayers by picking up the difference by either the imposition of a higher tax, the reduction in City services, or both.
- State law currently requires municipalities to pay the Tax Claim Bureau's 5% commission even if the municipalities partner with another entity to collect delinquent real estate taxes. So, you can have a choice, but the City may be required to pay extra for that choice.

### *Efficiency*

So, why would a municipality engage a third party collector even if it is required to pay the Tax Claim Bureau? Again, a one word answer – Efficiency. And, in the case of Easton, there is a second answer- To the Tax Claim Bureau's credit, the Northampton County Tax Claim Bureau has agreed to waive its right to the 5% commission, but is considering a change to its position.

Efficient delinquent tax collection is defined by two metrics – speed and dollars collected. The use of a third party collector, such as Portnoff Law Associates, has allowed the City of Easton to collect more money faster than prior to its use of Portnoff's services. Here are the facts:

- The City's current tax collection rate is near 97%. This is an enviable result for any taxing jurisdiction – especially a Third Class City with dense urban centers. The presence of an efficient third party collector in addition to other tactics that have been employed since my arrival in 2008 have been responsible for this incredible collection rate even during the current “Great Recession.”
- The City budget is based on the amount of real estate taxes it predicts it can collect – not what it bills. Therefore, a higher collection rate allows for more resources for other value added activities – such as police, fire, and public services.

The City receives collected funds very quickly from its third party collector. In comparison, it may take as long as six months to receive funds from the Tax Claim Bureau following collection at a tax sale. In the meantime, taxpayers who are current on their accounts are required to either fund the difference or be subjected to a reduction in services.

### *Choice*

It is hard to argue – choice is always better than no choice. In the area of delinquent real estate tax collection, my City has a choice, but it is a choice with strings attached. It is not a fair choice because one entity, the Tax Claim Bureau, has been given an unfair advantage over all other choices. And, as outlined during this testimony, in the final analysis, that unfair advantage requires our City's already overburdened taxpayers to pay for higher out of pocket costs or a more inefficient process – or in the case of the City of Easton – both.

HB 1877 provides an avenue to allow the City of Easton with a fair and consistent choice. Collecting municipal revenues is a very hard job. No one wants to pay taxes. No one wants to pay fees. No one wants to pay more than they have to. This is human nature, and a problem I deal with on a daily basis. When a taxpayer raises one of these issues, I quickly discuss fairness and consistency because these are easy concepts that everyone can agree on and understand. Most people can agree that everyone, every organization should be treated the same. The taxes are what the taxes are. The fees are what the fees are. The deadline is what the deadline is. I do not make exceptions because that would be unfair and inconsistent.

The current state rules give County Tax Claim Bureaus an unfair exception. HB 1877 eliminates that exception. Therefore, I strongly support its adoption, and encourage the legislature to adopt its provisions as quickly as possible.

Again, I would like to thank you for this opportunity to present comments today, and would welcome any questions that you might have,