

1 HOUSE OF REPRESENTATIVES
2 COMMONWEALTH OF PENNSYLVANIA

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4 Tax Modernization and Reform
5 Local Tax Assessment Reform

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8 House Finance Select Subcommittee

9
10 Main Capitol Building
11 60 East Wing
12 Harrisburg, Pennsylvania

13 Monday, June 18, 2018 - 9:30 a.m.

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17 COMMITTEE MEMBERS PRESENT:

18 Honorable Eli Evankovich, Majority Chairman
19 Honorable Stephen Bloom
20 Honorable Michael Corr
21 Honorable George Dunbar
22 Honorable Fred Keller
23 Honorable Mary Jo Daley, Minority Chairwoman

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12 SUBMITTED WRITTEN TESTIMONY

13 (See other submitted testimony and handouts
14 online.)

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1 MAJORITY CHAIRMAN EVANKOVICH: Welcome
2 to the House Finance Select Subcommittee on Tax
3 Modernization and Reform public hearing on local
4 tax assessment reform and hearing that will focus
5 on local taxes.

6 Just a brief editorializing here. The
7 purpose of this subcommittee is to analyze
8 Pennsylvania's existing tax system and make a
9 recommendation for how we can change that system
10 going forward to provide for the necessary revenue
11 for government, but also to stimulate economic
12 growth in our state the way that we would like for
13 it to expand.

14 We have a lineup of three testifiers.
15 For the -- For the testifiers, if you can, please
16 stay away from your script. We have your script.
17 We all can read. The better perspective is to
18 speak on the things that you're most passionate
19 about and leave time for questions, because it's in
20 the dialogue that we're going to learn the most.

21 We want to hear about your challenges.
22 We want to hear about the things that are broken,
23 and, hopefully, we will be able to garner some good
24 information from this hearing.

25 If I can just start over to my right and

1 each member can just introduce themselves.

2 REPRESENTATIVE BLOOM: Good morning.
3 State Representative Steve Bloom from the 199th
4 District in Cumberland County.

5 REPRESENTATIVE CORR: Good morning. I'm
6 Representative Michael Corr of the 150th
7 Legislative District in Montgomery County.

8 MAJORITY CHAIRMAN EVANKOVICH: Eli
9 Evankovich, Westmoreland and Allegheny County.

10 MINORITY CHAIRWOMAN DALEY: Good
11 morning. Mary Jo Daley, Montgomery County, and
12 Minority Co-Chair of the Select Subcommittee.
13 Thank you.

14 MAJORITY CHAIRMAN EVANKOVICH: Before we
15 get started, does my Democratic Co-Chair have any
16 comments?

17 MINORITY CHAIRWOMAN DALEY: No. Just
18 looking forward to the testimony today. Thanks.

19 MAJORITY CHAIRMAN EVANKOVICH: First up
20 in the hot seat is Rod Ruddock from Indiana County.
21 Rod, thanks for traveling all this way to be with
22 us this morning. I know you have an interesting
23 story to relate, and something that we, hopefully,
24 can all learn from.

25 MR. RUDDOCK: Thank you, Representative.

1 I do appreciate the opportunity to be here today.
2 I can tell you, we really need the opportunity to
3 speak to our legislative team about the issues that
4 we deal with in county government. And, certainly,
5 after my almost 15 years of service in the county,
6 I can tell you at the top of my list is trying to
7 resurrect the fair system of taxation for our
8 residents in our county.

9 I need to just sort of preference a
10 little bit, with my background, only because I need
11 to tell you how frustrated I have been. I spent
12 37 years in the military; made it to the rank of
13 Major General of the United States Army; had a
14 command of 22,000 soldiers; sent many of our
15 soldiers in the first Gulf War to fight for their
16 country. Some came back, some did not. Tough part
17 of my life was that experience as a commanding
18 general.

19 And then I spent 25 of 35 years in
20 education as a high school principal, and was part
21 of the school system when we went through the 9/11;
22 tough time in working with families, the unknown.
23 I thought I really had the experience with those
24 two assignments and with my years of experience as
25 a county commissioner that I could make a

1 difference when we got to that point in our career
2 in my life to do a tax reassessment in Indiana
3 County. I thought I had the leadership qualities,
4 the background to make it happen effectively and
5 efficiency. I was way off base; way off base. I
6 was not prepared for it. I certainly would like to
7 do it over again correctly.

8 If I would have been more knowledgeable
9 about some of the aspects of the tax reassessment
10 process, I think it would have been a lot easier
11 for me, but better for our citizens of our county.
12 And to them I owe my gratitude for being as patient
13 as they were through the process. But I can tell
14 you there were some bouts of concern that they had,
15 and that I had to at least hear them out and try to
16 respond as favorably as I can.

17 What I have brought from that experience
18 is that, the tax assessment process, as it leans
19 heavily on the property tax for counties, it's
20 looked upon as unjust and unfair. There's got to
21 be a better way in which we claim our revenues in
22 our county, and there seems to be a
23 misunderstanding, to some extent, that property tax
24 is just not a school district issue.

25 Property tax is used as our only true

1 revenue source at the level of county government,
2 at the township government level, and at the
3 borough government level. There seems to be, not a
4 misinformation, but the fact that school districts
5 gets so much attention is because they constitute
6 so much of the tax base.

7 If you look at the tax base in most
8 counties, and I'll try to -- Just bear with me. I
9 would guess that most counties are somewhere with
10 about 60 to 75 percent of the tax dollar going to
11 school districts, and about 25 to 40 percent of the
12 tax dollar actually going to the borough, township
13 and counties to be split among them. And so, we
14 have to find a better way, a fair way.

15 I know from my standpoint, Indiana
16 County has been blessed with a strong record of
17 success in many areas. I'd like to go back and
18 rewrap how we do taxation. I know that the
19 counties in Pennsylvania for years have favored a
20 change in the reliance on the property tax as the
21 sole means of revenue.

22 We would like to have the opportunity in
23 our counties to decide how we would use a revenue
24 mix that would better, I think, perform
25 satisfactory to be fairer with the public that we

1 deal with and with the properties owners that we
2 have. We're talking about an earned income tax.
3 We're talking about a personal income tax. We're
4 talking about a sales tax. Those are three
5 options, along with the property tax base, that
6 seem to be workable. But we would want to have the
7 counties to decide how they would want to apply
8 that as each one of the 67 counties decide how they
9 want to move forward.

10 Certainly, the opportunities to work
11 with the legislative team would help us, I think,
12 drive an understanding of how this works so that we
13 can move forward in the process.

14 But, if there's a message I'd like to
15 get across today it's, we would like to have the
16 option of addressing and reducing the property tax
17 effort by spreading the burden to a broader-based
18 alternative revenue option. I think that's
19 something that I would at least like to make as a
20 priority statement here today.

21 Not too long ago the state passed a
22 change to the property tax as it relates to
23 homestead exemption and farm exemption, and that
24 was based upon a median assessment value for those
25 particular properties. I think that there was an

1 amendment that was passed, I guess by a referendum,
2 recently that elevated the ability to authorize
3 local tax authorities to exclude from taxation up
4 to 100 percent of the median assessed value of
5 property tax through homestead jurisdiction. This
6 increased it from 50 percent.

7 But I know in Indiana County, the only
8 amount of money we were able to track that came
9 back from the revenue for the 50 percent was, we
10 got about 20 percent of that as a funding source.
11 So, in essence, we were 30 percent shy of the
12 50 percent expectation, and certainly raising it to
13 a hundred percent would be something that the
14 taxpayers would support. But, we have to have a
15 revenue base to fund it, and we need to go back and
16 relook at the constitutional requirements to make
17 that happen. I think that's a -- that's an
18 important piece, I think, of discussion here today.

19 I think you're in the right direction,
20 but we have to think about, counties don't have the
21 option of supplying any kind of opportunity to have
22 their own homestead exemption, because we don't
23 have the ability to raise millage in that
24 particular circumstance.

25 That could be an option. I'm not saying

1 it would be a used option. I know in some states I
2 think they have done that, but, obviously, that's
3 something we would have to work out. But I'm using
4 that as an example where we're trying to find
5 flexibility to work these new thresholds that we
6 have.

7 I also want to mention to you, in our
8 county, because we were 48 years in arrears in
9 getting a tax reassessment this last time, you can
10 imagine how the values of land particularly over
11 48 years have changed. In our particular county,
12 there was no -- Up until our reassessment, there
13 was no one enrolled in Clean and Green, no one,
14 because it was cheaper not to be in Clean and Green
15 than to be in Clean and Green.

16 When we introduced Clean and Green to
17 our constituents about, you need to get enrolled in
18 Clean and Green to take advantage of your support
19 of the agricultural community, the forest
20 community, they looked at us like, we don't
21 understand what this is all about. Why can't we
22 just operate like we have operated. We said, well,
23 the challenge you have is that properties that were
24 valued for \$200 an acre back in 1968 are probably
25 going to be higher than that in 2018, and they

1 were. And so, if your property went up, let's say
2 even \$500 an acre, and you had a thousand acres of
3 property, how are you going to pay the taxation on
4 that property that you owned for the last 48 years?
5 Big challenge. So, we suggested going into Clean
6 and Green.

7 The first thing that came out of that
8 suggestion was, you are trying to live up to an
9 expectation that's coming out of the United
10 Nations. Where they got this I have no idea,
11 called Agenda 21. Agenda 21, according to the
12 people of our county that were engaged in this
13 discussion say, this is just a means in your county
14 and across the nation to take ownership of all the
15 land that's available in your communities. Where
16 they got this I have no idea, but there are people
17 that are coming in talking to counties about this
18 Agenda 21 option.

19 We were able to turn the heads of many
20 of those who were not going to subscribe to Clean
21 and Green at the last moment, and decided to do so
22 because it would have cost them a fortunate of
23 money just to make ends meet; particularly those
24 who are in our farms and really need to make it
25 work for our agricultural community, which is

1 50 percent of our economic base.

2 Let me give you an example on the Clean
3 and Green issues we need to re-address. In Indiana
4 County, we are known to be the Christmas tree
5 capital of the world, so we have a lot of Christmas
6 tree growers in Indiana County; less today than we
7 did maybe 20 years ago, but we still have a large
8 number.

9 The question in Clean and Green, are
10 those Christmas tree farms to be treated as forest
11 land at \$51 an acre, or as an agricultural product
12 maybe at \$800 an acre? And so, there is some
13 discrepancy there and misunderstanding of how that
14 is applied.

15 I think we need to go back and look at
16 Clean and Green, because it is truly an exemption
17 process. It's a fairness process, but we want to
18 make sure it's fair to everyone because, once you
19 put someone in Clean and Green, the rest of the
20 taxpayers have to pick up the difference in the
21 taxation that is being gained through the reduction
22 through Clean and Green.

23 The only other thing I want to talk
24 about is the fact the process that we followed in
25 the assessment was really, really difficult for us

1 as county commissioners. We did not understand how
2 you contract. We did not understand the RFP
3 process. We had to solicit help from two different
4 attorneys to help us move in the right direction.

5 I think the agencies now that work
6 through the local government commission, which I
7 have sat on, by the way, and made some
8 recommendations, are working their way to coming up
9 with a good concept plan by which we can better
10 operate.

11 If you have done a reassessment as a
12 county commissioner, it's more likely you will
13 never face a tax reassessment in your career, and
14 let the other person pick up that lead who doesn't
15 know anything about it. I have voiced my concern
16 to my public and said --

17 And I thought I was a dead politician
18 walking, honestly, when I was going through the
19 reassessment and running for office. I had no idea
20 I would end up at least number two on the ticket
21 tab, but I did. And I said to them when I was
22 elected, I would do everything I can to stand up
23 for what's right in Pennsylvania and for the
24 taxpayers, particularly in those counties who have
25 not yet gone through the process we did.

1 And so, I am so excited to be here
2 today. I'm excited that I have been part of the
3 Local Government Commission. I believe we have to
4 do things uniquely different than we've ever done
5 before, but we cannot give up on the fact that the
6 taxing system we currently are using is unfair and
7 unjust.

8 MAJORITY CHAIRMAN EVANKOVICH: Thank
9 you, Mr. Ruddock. I think we could have an entire
10 hearing on, ah, not just your perspective on
11 government, but your history. I think we all have
12 a lot to learn.

13 Before I move on to members' questions,
14 I just wanted to ask a few things myself. You
15 didn't touch on the impact fee, the Marcella Shale
16 impact fee. Could you give us a 20- to 30-second
17 response on how the impact fee has affected your
18 county?

19 And also, in the revenue mix you had
20 mentioned earned income tax, personal income tax or
21 sales tax, and that would be a revenue mix between
22 property taxation and those options. And you had
23 also indicated that property tax exclusions for
24 homesteads is how you -- you would see the changes
25 to property taxes through that, the exclusions for

1 homesteads, making it predominately a business tax.

2 Have you considered the opposite, which
3 would be, exclude businesses and impose a different
4 tax on businesses instead, thereby, making property
5 taxes an issue the voters can focus on rather than
6 it being a shift?

7 MR. RUDDOCK: Let me go back and catch
8 on the three questions you have.

9 I will comment, the impact fee was
10 probably a needed fee coming into our county,
11 absolutely. We started out with about \$350,000 a
12 year on impact. Most recently, I think our last
13 impact fee drew about \$120,000 in our county. It's
14 significantly reduced itself, obviously, because of
15 the slowness of the gas industry.

16 But, we were able to apply those dollars
17 back into areas where we were impacted by gas and
18 made a difference in the safety and health of our
19 residents, and that's why I think it is a critical
20 piece of how we do business. We were able to
21 streamline that to get it into our -- the hands of
22 our EMA, in the hands of our hazardous response
23 teams which, otherwise, we would not have been able
24 to do.

25 We have used some of that money,

1 actually, to offset some of the burden of cost that
2 has come our way because of changes in our society
3 and human services needs. Our CYs office,
4 particularly, has been hit hard by what's happened,
5 just because of the nature of the societal changes,
6 and the fact we have an opioid problem out there
7 that we have to contend with.

8 So, yeah, it's been a blessing for us.
9 We'd like to see it continue. It's become part, I
10 think, of our culture now, and I do appreciate the
11 legislative team in continuing to support the
12 impact fee.

13 I think the other question you had had
14 to do with the mixing of the taxes. I would
15 applaud looking at all those options you described.
16 We have not surfaced some of those discussions in
17 some of the meetings we've had. I'd like for that
18 to happen. I know that I see the property taxes
19 influencing largely boroughs, townships and
20 counties because we are land-use managers. And so,
21 from that perspective, maybe there's a way to look
22 at how that mix could be best applied.

23 I don't know if I answered every one of
24 your questions, but --

25 MAJORITY CHAIRMAN EVANKOVICH: Perfect.

1 Recognize Representative Daley for questions.

2 MINORITY CHAIRWOMAN DALEY: Thank you,
3 Chairman.

4 Commissioner Ruddock, it's good to have
5 you here today. I was actually really pleased to
6 hear you refer to the work done by the Local
7 Government Commission on the property tax
8 assessment procedures and reform. I'm also a
9 member of that --

10 MR. RUDDOCK: I know you are.

11 MINORITY CHAIRWOMAN DALEY: -- tax
12 force.

13 So, just the way you talked about the
14 RP (sic) and the confusion, and just on having
15 experience in doing an assessment made me feel
16 really comfortable with the way that the Local
17 Government Commission approached this, because I
18 think it's really going to provide tools for
19 counties, which are so different.

20 So, my question for you is, can you just
21 -- I'm from Montgomery County. I don't really know
22 Indiana County. I'm sorry. I probably do get my
23 Christmas trees from you, but thank you.

24 Can you just describe your county a
25 little bit demographically, size-wise, population,

1 that kind of thing; just give a little picture of
2 it?

3 MR. RUDDOCK: We have 38 municipalities
4 in Indiana County. Population is around 87,941, or
5 something like that. We are largely a result of
6 the coal-mining industry for years. That's been
7 success in our county is coal. The Rochester and
8 Pittsburgh Coal Company was headquartered in
9 Indiana County.

10 Of course, coal lost its footprint, so
11 to speak. It did end up on a lot of strip jobs,
12 and the strip jobs ended up in Christmas trees.
13 So, there was an advantage economically to move in
14 that direction.

15 And then, of course, we have three power
16 plants in Indiana County. Dependence is still high
17 on coal. Yet, there was a sudden shift to the gas
18 industry, obviously. Now there's a slowdown in the
19 gas industry. There's a slowdown in the coal
20 industry. So, we are trying to diversify how we do
21 our economic base in Indiana County.

22 In fact, the county commissioners, with
23 the help of county Commissioner Sherene Hess, we
24 put together sustainability economic task force to
25 see where we need to be in the future of Indiana

1 County and look at better ways to do business.

2 I hope that helps in answering your
3 question.

4 MINORITY CHAIRWOMAN DALEY: It actually
5 does. Do you have -- Do your municipalities, your
6 38 municipalities have their own municipal police
7 departments?

8 MR. RUDDOCK: We have in Indiana. We
9 have in Blairsville and we have in Clymer. Those
10 are the only three that have police. State police
11 do a magnificent job in picking up the rest of
12 Indiana County and security and safety.

13 IUP has its own police force. I might
14 say that IUP -- When you start looking at economic
15 drivers, which I've described for you, IUP is our
16 stand tall. It's the one that makes us who we are,
17 what we are, and how we move forward. It really is
18 the, I think, the standard by which we gear where
19 our students, our skilled force should be following
20 the lead, and I'm excited to tell you that we're
21 making some changes in Indiana County on that
22 basis.

23 We're bringing the Challenger Program to
24 Indiana County. It's the only one licensed in
25 Pennsylvania, and it's out of NASA, N-A-S-A. We're

1 anxious to see that happen. And we're bringing
2 together our community college, our university IUP,
3 and our technology center together in one footprint
4 to demonstrate to students we've got to do
5 something uniquely different as we move forward.

6 MINORITY CHAIRWOMAN DALEY: That's
7 great. Thank you. Actually, Representative
8 Evankovich asked my other question, so I will just
9 thank you for being here and for your testimony.

10 MR. RUDDOCK: Thank you very much.

11 MAJORITY CHAIRMAN EVANKOVICH: Thank
12 you, Representative Daley.

13 Just a brief editorial. It's funny you
14 mentioned strip-mined Christmas tree farms, because
15 I spent a large chunk of my childhood on a strip-
16 mined Christmas tree farm in Rayne Township. And
17 so, it was everywhere, and your description of it
18 is very accurate.

19 Representative Bloom for questions.

20 REPRESENTATIVE BLOOM: Thank you, Mr.
21 Chairman.

22 Thank you, General, for being here and
23 for your very honest and blunt testimony today.

24 I guess it's sort of partially been
25 answered, but I wondered if you could drill down a

1 little bit into the actual specifics of the
2 reassessment process that was the problem you
3 encountered when you took on this unexpectedly
4 difficult challenge or, perhaps, was the problem
5 that you encountered really more just about the
6 fact that people are so hostile toward the property
7 tax, in general? I couldn't quite discern if it
8 was the assessment, reassessment process, or the
9 property tax itself that was driving the hostility.

10 MR. RUDDOCK: Two things. That's a
11 great question, by the way.

12 The frustration I had was, we had -- Our
13 team, most commissioners have never gone through
14 reassessment. We depended so highly upon the
15 contracting agency to set the standard for how the
16 property tax assessment should be conducted. So,
17 in essence, you hand off the lead to them, because
18 we think they know what they're doing because
19 they've done it before.

20 At the same time, I'm not so sure that I
21 wouldn't have made adjustments in that process if I
22 would have been more knowledgeable and informed.
23 For instance, I think the education piece of
24 getting your appeal boards properly educated and
25 trained as to what they are to do would have

1 lessened about 30 percent of our grief right from
2 the beginning.

3 People did not trust what we were doing,
4 because they looked at these appeal boards of
5 people you draw from the community that know
6 nothing about real estate. They know nothing about
7 deciding what the values of property would be.
8 They have no idea what a commercial product is. We
9 tried to train them in two days.

10 Now, think about that. If you're out
11 there and your assessment goes up by \$8,000, you're
12 gonna start questioning, well, the people on my
13 appeal board didn't know what they were doing. So,
14 we have done that as part of the Local Government
15 Commission, Representative.

16 In fact, I raised that as an issue;
17 trying to get the proper training not only for
18 them, but for also, I think those who participate
19 in the tax assessment process, including county
20 commissioners. I don't know that you can come into
21 the office today without knowing exactly what that
22 means, so you're a better informed decision maker
23 whatever happens.

24 The other issue we ran into -- wouldn't
25 expect this. We had people challenging us about

1 taking photographs of their property. Because of
2 the outbuildings in many of our rural community
3 areas, you have to go back and maybe get a
4 photograph of those properties so you can get a
5 good tax value of that property. The question is,
6 are you allowed to do that? We still don't have
7 that answer today. We're not sure you can go on
8 property, except take the photograph from the
9 address in front on the street in which that's
10 located. We had people take us to court because we
11 got photographs of things that were on their porch
12 that they didn't think we should have photographs.

13 I hate to think the next tax
14 reassessment and what's going to happen, we have
15 drones flying overhead. You know, where do you
16 draw the line on that particular information piece?
17 That was frustrating to me.

18 The frustration, of course, I talked
19 about Clean and Green which really took a lot of
20 our time. If I said I got 20 calls a day during my
21 -- during that assessment period, that would be an
22 understatement; the amount of shouldering of
23 responsibility that commissioners take on that is
24 very, very high if you do it right, and you have to
25 listen.

1 The other thing that -- you try to
2 balance out how much money can you afford to spend
3 on the tax reassessment, because it does take
4 money. We had to hire some additional individuals
5 in our office because of the technology piece
6 that's built into making sure you have this plate
7 going forward. We weren't ready for that. If I
8 had to do it over again, I would be ready for that
9 now, certainly.

10 There were a few other things, but I
11 don't want to overwhelm. I hope I addressed your
12 question.

13 REPRESENTATIVE BLOOM: Yes. Thank you
14 very much. Excellent testimony. Thank you.

15 MAJORITY CHAIRMAN EVANKOVICH: Thank
16 you, Representative Bloom.

17 We only have about one minute left, Mr.
18 Ruddock. I just have one follow-up question, and
19 that is, in your testimony -- written testimony,
20 you had mentioned mandated services. And then, we
21 talked about revenue mix.

22 Now, obviously, county governments get a
23 large portion of their funding from the state.
24 What would be your initial reaction if the state
25 would reduce some of the subsidy it provides to

1 county government and empower you to raise that
2 money locally?

3 MR. RUDDOCK: It would be very, very
4 difficult. Right now, about -- It's the unfunded
5 mandates, Representative, that are really hurting
6 us.

7 Look at county government. I mean, you
8 know exactly all the things we do in county
9 government. Everything is going up in the burden
10 of cost. Our domestic side is just really moving
11 at a clip that we can't keep pace with. As you
12 know, we lost about 10 percent of reduction a
13 number of years ago. We haven't replenished that.
14 We're still holding on.

15 This year we had to relocate our CYS
16 office because we could not handle the clients that
17 were coming into our existing office, so we had to
18 relocate that to another building. That comes out
19 of our pocket.

20 We only have so much money to spend, and
21 anything that you give to us that requires us to do
22 something better, we want to serve you as best we
23 can. We just want to have a dialogue on how that
24 funding should happen. That's all we would ask.
25 Let's have the dialogue.

1 MAJORITY CHAIRMAN EVANKOVICH: Thank you
2 so much for your testimony. I'm sure if you stick
3 around, people will want to ask you questions after
4 we're all said and done, but thank you.

5 MR. RUDDOCK: Thank you so much. Thank
6 you for what you do, all of you.

7 MAJORITY CHAIRMAN EVANKOVICH: Next I
8 would like to call up Dave Massaro from Massaro
9 Construction Company, I guess. It's listed as
10 Massaro Properties on the agenda. But, Mr.
11 Massaro, when you're ready, proceed.

12 MR. MASSARO: Thank you for having me
13 here today. My name is David Massaro, and I am
14 president of Massaro Properties. We're a
15 commercial real estate firm located in western
16 Pennsylvania. We also have a general construction
17 firm that does business throughout the State of
18 Pennsylvania. We also do business in Ohio and West
19 Virginia. I'll just get right to it.

20 By no means am I a tax expert at all.
21 You know, we have people that do that within our
22 organization. But, what I'll talk about today, I
23 think a little bit, is just the 133 or so
24 municipalities we have in Allegheny County in the
25 -- and trying to keep track of each different

1 municipality and whether it's a wage tax or the
2 real estate tax. The cost to do business of those
3 is very confusing for not only us as a business,
4 but also for the folks within our organization to
5 keep track of all those different tax rates. You
6 can be working one mile over in Robinson Township
7 and move over to Moon Township and there's a
8 different tax rate for your people working there.
9 There's a different tax rate for your permitting
10 process, for your school taxes. So, it becomes
11 very confusing.

12 I think if they could simplify the whole
13 process of what, you know, across those -- You
14 know, most of our work is done in Allegheny County;
15 if they could really simplify those taxes and what
16 they charge businesses.

17 You know, we're in there to get a job
18 done and, you know, pay our fair share of whatever
19 that tax might be. And when you're putting
20 together estimates for different clients on the
21 construction side, some of your time is spent
22 figuring out what the heck I need to charge for my
23 people when they're working in the different
24 municipalities. It just becomes a burden to the
25 business in trying to figure that out.

1 From a commercial real estate
2 perspective, I'll touch briefly on the property
3 taxes. As a commercial real estate owner in
4 Allegheny County, the largest line item we have in
5 our operating expenses is property taxes. I don't
6 believe that we don't want to pay our fair share,
7 but as we see the inequity maybe, when it comes to
8 the school taxes and what we pay in relation to
9 other taxes, that becomes somewhat of a burden on
10 our business, and what we might be able to pass
11 along to our tenants that are in our buildings.

12 They touched on the reassessment
13 process. We had one in Allegheny County about five
14 years ago. It was a complete debacle. It was, you
15 know, the values of the properties were completely
16 off. You know, it cost us, as building owners,
17 probably about a hundred thousand dollars having to
18 go in and appeal the assessments with attorneys and
19 other folks. It just became an unnecessary burden
20 cost to us as a taxpayer who paid their fair share
21 of taxes.

22 Now they did a reassessment. They're
23 saying your building's now worth 13 million, and
24 they want to tax you on that when you know your
25 building is only worth 8 million. Certainly, if

1 the assessor wanted to pay us 13 million, we'd sell
2 it to him in a heart beat. They're just coming up
3 with a value that's creating more headaches, work
4 and burden for us as a business owner.

5 So, I think just from a business
6 standpoint -- Again, I'm not a tax expert. But, I
7 think, you know, just simplifying the process for
8 business owners. I mean, mostly, we're trying to
9 make a fair dollar, and anything that helps us
10 simplify that process and get the work done in a
11 more efficient manner.

12 You know, just another thing. When we
13 get hit with these different taxes in different
14 municipalities, it usually gets passed on to the
15 end user. We're not paying those. It just --
16 Whatever those taxes are, we pass them along to our
17 clients and they, ultimately, end up paying for
18 those taxes.

19 So it's just -- It's a pass-through
20 that, you know, if it was a little bit more
21 equitable and even, it would make, I think, our
22 lives a little bit easier. We're trying to
23 estimate and figure out what the cost of work is,
24 and it may save end users some money in the end
25 with a flatter less tax burden on them that we just

1 pass along.

2 MAJORITY CHAIRMAN EVANKOVICH: David, if
3 you can, in your testimony you had touched on the
4 fact that you do business in other states.

5 MR. MASSARO: Right.

6 MAJORITY CHAIRMAN EVANKOVICH: Can you
7 provide a short narrative of the difference between
8 what you experience in states like West Virginia
9 and Ohio versus your experience in western
10 Pennsylvania?

11 MR. MASSARO: So I sat down with our CFO
12 and talked about West Virginia. We do a lot of
13 work in West Virginia. His comment to me was, West
14 Virginia is just as bad as Pennsylvania. So it's
15 not as easy to do in West Virginia as it is in
16 Pennsylvania.

17 Ohio, honestly, I couldn't comment on
18 what the cost burden is. I work mostly on our real
19 estate side; not so much on the construction side.
20 And we only develop here in western Pennsylvania.

21 But I could tell you, though, we deal
22 with out-of-town developers that come into
23 Pennsylvania from, say, Atlanta, Dallas, New York.
24 They're astounded at the complexity of our tax --
25 real estate tax situation here in Pennsylvania. A,

1 they can't believe -- you know, they can't
2 calculate it, first of all. It's very difficult
3 sometimes to calculate for out-of-state developers.

4 Then, B, they're surprised at how high
5 our tax properties are. I just met with a few
6 investors here from New York, and we were talking
7 about the property taxes here in Pennsylvania.
8 They were shocked at how high our tax burden is
9 compared to what they pay in the New York Metro
10 area.

11 MAJORITY CHAIRMAN EVANKOVICH: Thank you
12 for that.

13 Before we go onto other members'
14 questions, in your last comment, you know,
15 oftentimes we hear people trying to make
16 comparisons between Pennsylvania and other states.
17 When you just isolate and say --

18 People are astounded at the property tax
19 burden. Are they then relieved whenever they see
20 the other tax rates; for instance, the personal tax
21 rate that's applied through a pass-through entity
22 at 3.07 percent or a lower sales tax number than
23 you might see in New York? Do you see the offset,
24 or is it -- Are they just as astounded at the
25 overall tax burden across the board?

1 MR. MASSARO: Yeah. From a development
2 perspective, when you're talking about -- When
3 you're developing here in Pennsylvania, your tax --
4 Mostly the burden is on property taxes. Most of
5 the people we do work for from out of state that
6 come in here are developing large properties, so
7 they're really focused, really, on the property tax
8 side and not so much on the other taxes you
9 mentioned. When they start seeing --

10 You know, when you're doing a
11 development for 70 million bucks -- \$70 million,
12 and you see what that property tax will be, or can
13 be once that property is fully assessed, that's the
14 number they're focused on because that's going to
15 be a number that they have to pay year in and year
16 out as long as they own -- someone owns that piece
17 of property.

18 MAJORITY CHAIRMAN EVANKOVICH: Thank
19 you. Representative Corr.

20 REPRESENTATIVE CORR: Thank you, Mr.
21 Chairman.

22 Thank you for your testimony today.
23 And, General, thank you for yours preceding it.

24 I want to pick up, you made a comment
25 about the line items on your P and L, I think you

1 mentioned, property tax. I'm assuming next to
2 labor, your highest expense is what you're
3 communicating to us?

4 MR. MASSARO: A commercial office
5 building, it's mostly utilities and --

6 REPRESENTATIVE CORR: And taxation.

7 MR. MASSARO: -- taxation.

8 REPRESENTATIVE CORR: Okay. I'm not
9 looking for actual numbers. But could you comment
10 on the impact on your profitability if the
11 simplicity that you talked about were implemented?

12 MR. MASSARO: Um, you know, from a
13 commercial real estate standpoint, pretty much
14 30 percent of your expenses are dedicated to
15 property taxes. Certainly, you know, any lower
16 number than that would, you know, flow to your
17 tenants in lower rent cost or would flow to you as
18 a developer as a, you know, a bigger, a larger
19 profit.

20 As far as the other taxes go, um, I
21 really can't comment on, you know -- I just can
22 comment from a real estate perspective.

23 REPRESENTATIVE CORR: I mean, would it
24 reduce the number of FTEs that you have and --
25 that's full-time employees that you have, the

1 amount of expenses that you're -- the amount of
2 hours these people are spending? Is that what
3 you're thinking about when you --

4 MR. MASSARO: Yes. Certainly, if you
5 had a flat tax, from an employee perspective, that
6 would certainly help our folks in our accounting
7 and -- accounting department; you know, figure
8 things out and, you know, have an easier time to
9 devote to other things as opposed to just
10 calculating where someone is working, the tax
11 associated with that. When you're working in all
12 the municipalities, it becomes hard to track all
13 that. I think it would help definitely in the
14 overall production of the business.

15 REPRESENTATIVE CORR: I would just offer
16 a comment. I think when we first got together to
17 form this group, this Select Subcommittee, we kind
18 of did a roundtable where we all kind of put out
19 ideas of what we would look for from this group;
20 what we would hope to accomplish.

21 I think some of those themes have been
22 coming through. Again, in today's testimony we
23 heard in prior meetings, which are themes of
24 uniformity, simplicity and fairness. I think we
25 knew that going in. But hearing these real-life

1 examples from you and General Ruddock and other
2 testifiers we've had in previous hearings,
3 certainly help flesh this out and given us great
4 guidance. So I appreciate your testimony.

5 Thanks so much.

6 MR. MASSARO: Thank you.

7 MAJORITY CHAIRMAN EVANKOVICH: Thank
8 you, Representative Corr. Representative Daley.

9 MINORITY CHAIRWOMAN DALEY: Thank you.

10 So, the personal income tax and the
11 state sales tax are being the same percentage.
12 They're not graduated. They're a flat tax in some
13 way.

14 So, one of the issues that I see is
15 that, if we were to increase those taxes and put
16 more money into education, which is, as you said,
17 the largest driver of the property tax, that
18 should, in effect, have the effect of lowering --
19 allowing the school districts to lower the property
20 tax. So, is that something that you would see as a
21 reasonable approach?

22 MR. MASSARO: Um, well, I mean, you're
23 now hitting the consumer. It's -- There's not an
24 easy answer to it, I don't think. So you raise the
25 sales tax and that's a burden on individuals now as

1 opposed to commercial property owners.

2 So, I don't know what the answer is; how
3 to lower those -- the property taxes and still fill
4 that revenue gap that, you know, you're going to
5 now -- school districts are now not going to have.

6 But, you know, I don't know the answer
7 to that. I mean it's -- You know, that's a tough,
8 I think, to do it on the backs of individuals as
9 opposed to -- It's easier maybe from a corporation
10 or property owner's standpoint to absorb that tax
11 than an individual.

12 MINORITY CHAIRWOMAN DALEY: Property
13 owners are people also.

14 MR. MASSARO: Right.

15 MINORITY CHAIRWOMAN DALEY: And are
16 paying those property taxes.

17 So, I was just curious, because that
18 balance to me seems like, increasing the personal
19 income tax would affect all taxpayers who are --
20 have personal income, so it would relieve seniors
21 --

22 MR. MASSARO: Okay.

23 MINORITY CHAIRWOMAN DALEY: -- because,
24 generally, they're not paying it unless they have a
25 job and they're, you know, paying it. Whereas, the

1 property tax does affect anyone who owns property
2 and also anyone in a rental property, because I'm
3 sure, as you said, you pass that on.

4 MR. MASSARO: Right.

5 MINORITY CHAIRWOMAN DALEY: I had
6 another question. Oh.

7 And I think one of the differences you
8 see in Pennsylvania is, I always call Pennsylvania
9 the land of local government. We have 67 counties,
10 500 school districts. I think it's over 2000--it
11 may be even more than that--local governments.

12 So, practically speaking, we have local
13 governments and school districts of all different
14 sizes. And so, I don't see Pennsylvania going to a
15 flat property tax, so it does seem like we would
16 have to pay attention to other taxes and other ways
17 that we're taxing to be able to allow school
18 districts to lower their reliance on the property
19 tax.

20 Does that make sense to you?

21 MR. MASSARO: Yeah. I mean, one thing
22 I'm thinking about is, we do a lot of work for
23 school districts. We have a construction
24 management group that does a lot of work.

25 I think you could probably streamline

1 the process of how they go about building new
2 schools and doing things in their arenas. You
3 know, they -- It's a very inefficient process. A
4 lot of money is wasted that we see in that whole
5 building process, when you're a school district,
6 because, you know, there's a separations act and a
7 few other things.

8 I think maybe focusing on the school
9 districts and seeing how they can become a little
10 bit more efficiently and get that rate down.
11 Again, that's probably a taboo subject, I think.
12 But, you know, it's a large -- You know, from a
13 building owner's --

14 When you see the money going out there
15 to the school districts, it just makes you scratch
16 your head doing -- we're one of how many, you know,
17 giving money to the school districts and what are
18 they doing with all -- from our perspective, all
19 this money that we're giving them from a tax
20 standpoint.

21 MINORITY CHAIRWOMAN DALEY: We hear that
22 from the school districts, but then we also hear
23 from unions and subcontractors that they need -- it
24 ensures that they actually get paid for the work
25 that they do, so that's obviously a concern. I'm

1 not saying we shouldn't look at it in some way, but
2 I think, clearly, there are a lot of opinions about
3 how we should do that. That's why this
4 subcommittee has been a very interesting
5 experience, so thank you for being here.

6 MR. MASSARO: You're welcome.

7 MAJORITY CHAIRMAN EVANKOVICH: Thank
8 you, Representative Daley.

9 We couldn't have one meeting without
10 talking about the Separations Act, right? Very,
11 very popular subject around here. It's been
12 working since like 1913 in a negative way, in my
13 opinion. Representative Bloom for questions.

14 REPRESENTATIVE BLOOM: Thank you, Mr.
15 Chairman.

16 And thank you, Mr. Massaro. Question
17 for you. You talk in your testimony about the fact
18 you have to do cost estimating, obviously.

19 MR. MASSARO: Um-hm.

20 REPRESENTATIVE BLOOM: And you have to
21 -- Your internal staff is taking time and money to
22 figure out exactly what taxes are going to be due
23 on this particular property that you're developing.

24 How do you obtain that info? What's
25 your research process, and is there any kind of

1 public data base you can refer to, or do we have to
2 kind of go piecemeal, municipality by municipality?
3 And do you have any assurance that the data that
4 you've gotten is actually correct? Is there
5 transparency, in other words, in these tax rates,
6 and how can you get a handle on all of that?

7 MR. MASSARO: Right. There's certainly
8 transparency. I mean, you go to each -- You know
9 each different municipality has it published on
10 their website their different rates and what they
11 charge.

12 As far as the employee, you know,
13 employees working in different areas, I don't know
14 how that's honestly calculated. I know from a
15 development standpoint, you go to the municipal
16 website. They have the millage rates on there for
17 the local municipality and the school district, so
18 that stuff is very transparent.

19 But, you know, you need to calculate it
20 and make sure that, depending on where you're
21 working, that you have that number correct because,
22 as I said, it's a large number when it comes to
23 commercial real estate.

24 REPRESENTATIVE BLOOM: Okay. Thank you.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN EVANKOVICH: Thank
2 you, Representative Bloom.

3 I just have, I believe, one last
4 question. You mentioned that Allegheny County had
5 gone through a reassessment, it was probably about,
6 what, eight years ago maybe?

7 MR. MASSARO: Um-hm.

8 MAJORITY CHAIRMAN EVANKOVICH: After it
9 was all said and done, did your overall tax burden
10 change by much? In other words, you went through
11 this assessment. You paid \$100,000 to appeal --

12 MR. MASSARO: Right.

13 MAJORITY CHAIRMAN EVANKOVICH: -- and
14 set things correct as far as you saw. Did your tax
15 burden change, or was it kind of an even
16 proposition?

17 MR. MASSARO: It was -- For the most
18 part, it was an even -- even exchange, because we
19 knew the assessments that we got were not correct,
20 and we knew what we had before the assessment was,
21 in our opinion, fair. So, in most of the cases we
22 were able to hire -- we spent the money to hire an
23 attorney and got that value down to where it was
24 prior to the assessment.

25 To me it was kind of a -- You know,

1 there's probably increases some places and
2 decreases in other places, so at the end of the day
3 for us is probably a zero; you know, zero sum gain
4 for us.

5 MAJORITY CHAIRMAN EVANKOVICH: I think
6 that's important to note. We spend -- We have all
7 these discussions about property tax assessments.
8 At the end of the day, if you're raising the
9 assessed value of a property and lowering the
10 millage rate, it's kind of an even proposition,
11 which I think is the way it's supposed to work,
12 anyways.

13 So, with no other questions --
14 Representative Daley.

15 MINORITY CHAIRWOMAN DALEY: I'm just
16 curious listening to some of your responses.

17 Are the -- that you have to go to
18 individual municipalities and counties, is there
19 state -- I think DCED makes all the millage rates
20 available for every municipality. I'm not sure
21 about school districts, although somebody in the
22 back is nodding to me yes.

23 I'm just thinking, would that be an
24 easier resource for you, because it seems like
25 there it is in one spot.

1 MR. MASSARO: You mean to have it
2 published by the DCED?

3 MINORITY CHAIRWOMAN DALEY: It is
4 published by DCED.

5 MR. MASSARO: Right. Yeah. I mean,
6 that -- you know, one place to go and find it, yes,
7 that would definitely be an easier way to do it
8 rather than try to hunt and gather.

9 MINORITY CHAIRWOMAN DALEY: Yeah,
10 searching all over --

11 MR. MASSARO: Right.

12 MINORITY CHAIRWOMAN DALEY: -- because
13 my understanding is that not every municipality in
14 Pennsylvania has a web presence which would, even
15 though the ones that do have it, have it listed.
16 So, you may want to take a look at DCED just to --
17 as a way to ease that burden.

18 Of course, school districts are on a
19 different fiscal year than municipalities are.
20 But, there you go.

21 MR. MASSARO: Thank you.

22 MAJORITY CHAIRMAN EVANKOVICH: Thank
23 you, Representative Daley.

24 David, thank you for your testimony. If
25 you want to hang around, feel free to. I'm sure we

1 could find some folks that would have further
2 questions for you off-line. Thank you for your
3 testimony.

4 MR. MASSARO: Well, thank you for the
5 opportunity to testify, everybody.

6 MAJORITY CHAIRMAN EVANKOVICH: Next up
7 we have the team from Keystone Collections Group,
8 Amanda Mulhren and Joe Lazzaro; when you're ready.

9 MS. MULHREN: Chairman Evankovich and
10 members of the House Finance Committee on Tax
11 Modernization and Reform: Good morning. Thank you
12 for the invitation to testify today before the
13 committee concerning local tax reform. My name is
14 Amanda Mulhren. I'm an attorney with Keystone
15 Collections Group. I'm joined by Joseph Lazzaro,
16 Keystone's general counsel.

17 Keystone Collections Group has over
18 30 years of experience as a local tax administrator
19 serving some 900 school districts, cities,
20 townships and boroughs in 37 counties throughout
21 Pennsylvania. They are the Act 32 earned income
22 tax officer for 17 county-wide tax collection
23 districts.

24 As you are all aware, Act 32 of 2008
25 consolidated the collection of local earned income

1 tax across the state by reducing the number of tax
2 collections zones from 560 to 69. By all accounts,
3 Act 32 has been a success and even with the most
4 optimistic revenue projections being exceeded.

5 Local collections increased 20 percent
6 in the first two years, and in the ensuing years
7 we've seen increases as high as 40 percent. Act
8 32's success, however, has been largely dependent
9 on the technological advancements and innovations
10 in automation built in the private sector.

11 Local tax does have substantial
12 complexities driven by the needs of each community.
13 Local income tax do vary by jurisdiction. Some
14 communities impose higher rates based on their
15 status as Act 47 stressed communities; others to
16 fund public pensions and to preserve open space.

17 Tax administrators must also account
18 for the complexities involving the workplace or
19 commuter tax rates. The key, I think, to achieving
20 efficiency with these complexities, however, is
21 information technology. Building tech-driven
22 systems to ensure accuracy, compliance and
23 transparency has made the difference in the
24 consolidation success.

25 Keystone invested heavily in its

1 technology software and experts to develop
2 proprietary tax collection systems and applications
3 that allow local governments to receive their
4 revenue distributions immediately. Data extraction
5 and processing automation expedites the
6 distribution of tax revenues to local communities
7 often within hours after receipt. The revenues are
8 electronically deposited directly into the schools
9 and communities' bank accounts by ACH. This
10 process provides a reliable, steady stream of
11 revenue that is vital to our local communities.

12 Act 32 also made tax compliance easier
13 for the individual taxpayer. Technology again is
14 at the forefront of the benefits to the taxpayer.
15 Most taxpayers may now E-File their annual tax
16 returns online instantaneously. The refund process
17 is expedited so that during peak seasons they can
18 expect their refund within nine days. Taxpayers
19 are also provided 24/7 online access to taxpayer
20 resources and forms.

21 MR. LAZZARO: Even with the superior
22 service that came about with Act 32, with that
23 consolidation model, we can't forget that the cost
24 of doing this entire process while we build all
25 this technology, the cost has actually come down.

1 It's been dramatically reduced under consolidation.
2 Local governments, therefore, have more money out
3 of that tax for local services without burdening
4 their residents with increases on that tax.

5 We're pleased that the legislature is
6 considering expanding upon those efficiencies by,
7 likewise, consolidating other local taxes. You did
8 a great job in fixing one local tax, earned income
9 tax, and we hope that future changes down the road
10 can retain the benefits of that good model.

11 Another aspect of tax collection greatly
12 enhanced by Act 32 is independent auditing of tax
13 officers. In addition to the Yellow Book financial
14 audit, which confirms the accuracy and the proper
15 handling of public funds, Keystone voluntarily
16 submits to annual independent SOC-1 Type 2 auditing
17 of technology and controls. The SOC, the service
18 organization controls audit, ensures reliability
19 and integrity of the tax officer's automated
20 systems, its technology, its data security.

21 We strongly recommend that all tax
22 officers in Pennsylvania undergo this type of
23 scrutiny annually in order to provide assurance to
24 communities and to taxpayers that their
25 confidential information, income, Social Security,

1 personal data remains confidential and that the
2 revenue is safe and secure.

3 Municipalities and school districts
4 benefit from the private sector's competition for
5 business. Not only does competition drive down the
6 cost, but it ensures that they're equipped with the
7 resources they need to thrive. Keystone's data
8 analysts develop specialized reports that enable
9 local governments and school districts to check and
10 monitor cash flow and cash projections for internal
11 budgeting and operations.

12 Advance reporting technology gives
13 school districts and communities instant 24/7
14 access to their tax collection data that they can
15 then customize to suit their particular needs in
16 their borough, in their township, in their school.
17 These efficiencies create regularity and
18 reliability for local governments in a manner
19 unseen before Act 32. Bureaucracy and waste have
20 been replaced with accountability and transparency
21 on that tax. This efficiency, along with the
22 technological advancements of earned income tax
23 under Act 32, can be utilized to streamline many
24 other areas of local taxation.

25 Consolidation of taxes such as the local

1 services tax, the per capita tax, the occupation
2 assessment tax would bring similar taxpayer
3 advantages both in ease of administration and in
4 higher revenue. We've seen how that revenue
5 climbed with the earned income tax under
6 consolidation. The same positive effect could
7 occur and address a lot of the things you're
8 dealing with here today.

9 Consolidation of the other Act 511 taxes
10 will also lift the confusion caused by the
11 multitude of taxing bodies with their mired of
12 collectors all in a single jurisdiction. The
13 current system irritates taxpayers and the business
14 community. Consolidation of some of the other Act
15 511 taxes would relieve that confusion.

16 Local control of funds remains a
17 priority, so that the school districts, communities
18 and elected leaders can remain confident that they
19 have a say in the selection and in the monitoring,
20 the oversight, of their tax collector under the
21 consolidation model. The tax collection committee
22 model that you created for earned income tax works
23 and works well.

24 We cannot stress enough that the key to
25 achieving efficiency is and will continue to be in

1 I.T. Every year competition in that area, the best
2 practices that the DCED and the statute you put on
3 the books demand, push us to new levels of
4 automation, improving services, lowering costs for
5 the taxpayer.

6 We thank you very much and would like to
7 open up for questions.

8 MAJORITY CHAIRMAN EVANKOVICH: Thank
9 you. That was good opening testimony. I imagine
10 you're going to have a lot of questions on
11 compliance.

12 MR. LAZZARO: Super.

13 MAJORITY CHAIRMAN EVANKOVICH: Just to
14 start things off, can we get a list of all taxes,
15 local, county, school district, city, municipality?
16 What is the total breadth of different taxes that
17 Keystone would collect or could be responsible for
18 collecting?

19 MR. LAZZARO: We really collect anything
20 that local government --

21 MAJORITY CHAIRMAN EVANKOVICH: List them
22 off.

23 MR. LAZZARO: Earned income tax, the
24 local services tax, the real estate tax, the per
25 capita tax, the occupation assessment tax,

1 stormwater management. Some municipalities have
2 fire hydrant taxes, streetlight taxes. Um -- Yes,
3 sir.

4 MAJORITY CHAIRMAN EVANKOVICH: I'm just
5 writing. Fire hydrant, streetlight. Please don't
6 let me slow you down.

7 MR. LAZZARO: Okay. Business, business
8 privilege, mercantile tax. Important in all of
9 these areas because we have a large legal team,
10 compliance, delinquent recovery; so, delinquent
11 real estate, delinquent earned income tax,
12 delinquent --

13 We want to see that employers are
14 compliant. We want to see that taxpayers are
15 compliant. Keep the playing field level, because
16 the best way not to have to raise taxes on the
17 99 percent of people who pay on time is to make
18 sure the rest are paying too.

19 MAJORITY CHAIRMAN EVANKOVICH: Are there
20 any recreational taxes, like a park tax or a
21 library tax?

22 MR. LAZZARO: There are. We are not
23 really involved in that.

24 MAJORITY CHAIRMAN EVANKOVICH: It seems
25 to me that you have a few different types of per

1 capita taxes, right? You can have a local per
2 capita and a school district per capita?

3 MR. LAZZARO: That is correct.

4 MAJORITY CHAIRMAN EVANKOVICH: So that's
5 going to be two different types.

6 MR. LAZZARO: Similar along that line is
7 the occupation assessment.

8 MAJORITY CHAIRMAN EVANKOVICH: So that
9 was 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, maybe 12
10 different taxes.

11 MR. LAZZARO: That's right.

12 MAJORITY CHAIRMAN EVANKOVICH: You guys,
13 I mean, I know that your business is just
14 collecting these, and you're offering, you know,
15 that one of the things that Keystone can bring to
16 the table is ease in the collection, efficiency in
17 the collection using technology to do that better.

18 MR. LAZZARO: Yes.

19 MAJORITY CHAIRMAN EVANKOVICH: Do you
20 think there's a role for state government to
21 streamline the number of taxes?

22 MR. LAZZARO: Certainly. Some of the
23 taxes, I think you mentioned the per capita, can be
24 a 5-dollar tax. It can be costly to bill and
25 process that tax.

1 Now, we've reduced that cost to pennies
2 because of automation, scanning, data technology.
3 When you have single-tax collectors out there
4 trying to collect a 5-dollar tax, it becomes cost
5 prohibitive. Municipalities want to receive that.
6 But, is there a better way to incorporate that into
7 one of the other taxes that they're already doing
8 and replacing?

9 Again, we're administrators. We work
10 for you. We work for the municipal governments,
11 the elected officials, the school districts. We're
12 not policy makers. But we can tell you practically
13 what we run into, and you tell us when you're ready
14 to make changes and we make them.

15 MAJORITY CHAIRMAN EVANKOVICH: Thank
16 you. Representative Daley for questions?

17 MINORITY CHAIRWOMAN DALEY: Thank you so
18 much.

19 I just wrote down what my tax collector
20 in my municipality collects for, and she collects
21 county, municipal, school, sewer tax and solid
22 waste tax.

23 MR. LAZZARO: Yes.

24 MINORITY CHAIRWOMAN DALEY: So I get two
25 bills a year. They go to my mortgage company and

1 they're paid within the discount period, which is
2 always a good thing.

3 MR. LAZZARO: Great.

4 MINORITY CHAIRWOMAN DALEY: The other
5 thing -- So, there was a group of elected tax
6 collectors here in the Capitol last week, and they
7 were visiting offices. Their comments were -- Most
8 of them were from Montgomery County and Bucks
9 County. And they said, you know, it's working
10 really well in Montgomery County and Bucks County.
11 We've got a system, we're collecting the taxes.
12 Maybe other areas in the state aren't.

13 But, is there some way that you can give
14 -- provide municipalities and counties with the
15 ability to have their own systems or different
16 systems that they can opt into? What do you think
17 of that?

18 MR. LAZZARO: Well, I think the
19 advantages, again, that we've seen in the model
20 that you create under Act 32 is bringing in
21 technology and automation. Costs go down with
22 scale as long as you keep the competition and the
23 incentive to build better systems; the
24 transparency.

25 It may be working well; do you know?

1 Are you doing it at the best cost right now? Are
2 you getting the biggest bang for the buck under the
3 different models? That's kind of what you can tell
4 from auditing; what you can tell from having some
5 sort of competition in the marketplace to drive
6 costs.

7 You want to see -- Real estate tax can
8 be very, very high revenue, high volume. A lot of
9 money is going through there. You want to make
10 sure -- I mentioned the SOC audit. You want to
11 make sure there are controls in place that that
12 money at all times is safe, and it's getting to
13 where it's supposed to go as quickly as possible.
14 And those are the kinds of things that need to be
15 studied, looked at, measured, and it's something
16 that this subcommittee, it's the perfect place to
17 look at those issues.

18 Are there better models? When we come
19 in to do real estate, we do it where they come and
20 ask us. We're not out trying to build our real
21 estate business or real estate practice, but there
22 are places where nobody is running for real estate
23 tax collector where they just need -- they just
24 can't afford the system that was in place, and they
25 want to print it. They want to print those bills

1 and process those bills with an automated system
2 that's already been built because it's just so
3 cheap. It's so easy to run.

4 To have it done in an area where there
5 are not those kinds of resources available, where
6 the systems aren't the speed systems and the
7 distribution systems aren't already in place, it's
8 costly for the schools. It's costly for some of
9 the communities, and they say give us another way,
10 and that's where we come on board.

11 MINORITY CHAIRWOMAN DALEY: No, and I
12 understand that, because that's my understanding,
13 is that, some of the discussion is coming about
14 because it's a small municipality. There's --
15 Nobody runs, and all a variety of reasons.

16 Actually, CCAP provided us with comments
17 on local tax reforms. One of the things that they
18 talked about was recognizing the diversity of 67
19 counties, that they're recommending legislation to
20 offer options to all of our local governments, and
21 that's under the property tax collection section of
22 there. I've got --

23 MR. LAZZARO: Yes.

24 MINORITY CHAIRWOMAN DALEY: -- to read
25 this really carefully.

1 The other thing I wanted to ask is, I
2 wasn't here in 2008, but apparently that's when Act
3 32 passed. I got elected in 2012, and that's
4 apparently when Act 32 went into effect.

5 MR. LAZZARO: That's correct.

6 MINORITY CHAIRWOMAN DALEY: That's four
7 years.

8 MR. LAZZARO: Yes.

9 MINORITY CHAIRWOMAN DALEY: Can you just
10 talk about what -- Did that -- Was that time
11 anticipated and planned for that it would take that
12 long to implement Act 32?

13 MR. LAZZARO: Representative Daley, I
14 believe it had a dual purpose. One, there were a
15 lot of people who were doing that work in these
16 hundreds and hundreds of jurisdictions that really
17 needed an opportunity to go replace that work if
18 they were not going to be doing it, because there
19 was one collector was going to be selected for each
20 county. I think they wanted to provide a
21 transition period.

22 But the overriding, the overwhelming
23 purpose was, there was no good system in place in
24 those little tax collector offices.

25 When we went in under consolidation,

1 you'd be shocked at the number of tax collectors
2 who used a billing system in a shoe box on their
3 porch with Post-it notes, will pay in February;
4 hold this one. There was no accountability. No
5 one was looking. No one was sure the numbers were
6 right.

7 The act that you wrote put in strong
8 rules. It put in best practices. It demanded
9 financial audits regularly to be reported back to
10 DCED to be examined by the Auditor General. The
11 things that made sure a system would be built; it
12 would work; it would deliver money; it would
13 deliver it rapidly to the right place, those are
14 the kinds of things that are checked.

15 These audits aren't just, did you add up
16 right? Did you deliver the money to the right
17 place, and did you do it timely? And do you have a
18 bond in place? Most of them didn't. There was
19 nothing to protect this money.

20 That was a transition, and our company
21 was actually doing a consolidated county-wide
22 system that was kind of put together by the
23 communities of one county. It was Lebanon County
24 at the time. So we had built a lot of the tools;
25 really, all the tools in place, but they,

1 nonetheless, improved.

2 Technology improves constantly, and they
3 improve every month. Every six months we bring on
4 board new and better ways. That's the model you
5 built to drive, and I think they wanted a
6 transition period so that everybody could catch up.

7 MINORITY CHAIRWOMAN DALEY: Do you think
8 that same kind of transition period would be needed
9 for consolidation of other tax collections?

10 MR. LAZZARO: Not necessarily, because a
11 lot were built under your first model. And they're
12 there. They're ready to go, and I think a lot of
13 these are in place. I think there does have to be
14 a transition period for the other side.

15 Communities are used to doing it one
16 way, and they need to change. Change can be
17 painful. Change can be slow. The word has to get
18 out to everybody.

19 I think one of the toughest things under
20 Act 32 was the business community. The Chambers of
21 Commerce, the business community demanded a better
22 way. When it came out, no one really taught them
23 how to do proper withholding; how to use public --
24 subdivision codes to recognize where do their
25 employees live, where do their employees work so we

1 can distribute the tax to the right place.

2 Those codes have to be in place. No one
3 told them how to do that, so we went around all
4 over the state. We had education teams. We
5 produced videos and training centers to show them
6 -- the chambers brought these groups together. All
7 worked really nicely and got them on board. The
8 national payroll companies, ADP, Paychex, they came
9 in and they learned how to do this, because they
10 had to because you wrote rules. There's a new way;
11 get on board. We had a transition and time to do
12 that.

13 I think we're a lot further ahead now
14 than we were back then. But as you conduct these
15 studies, I think you'll find an appropriate time.

16 MINORITY CHAIRWOMAN DALEY: Thank you so
17 much.

18 MAJORITY CHAIRMAN EVANKOVICH: Thank
19 you, Representative Daley.

20 Representative Bloom.

21 REPRESENTATIVE BLOOM: Thank you, Mr.
22 Chairman. Thank you both for testifying.

23 So we're the Select Subcommittee on Tax
24 Moderation and Reform. I, as a strong believer in
25 free-market solutions, that the competitive

1 marketplace is going to generate better ideas more
2 quickly than government ever will.

3 And you guys are uniquely positioned in
4 that world right now, trying to figure out how
5 you're going to compete with others who are in
6 trying to steal your business, basically, in the
7 free market. Steal may not be the right word, but
8 earn your business. So you've got to keep doing
9 that same thing.

10 So looking at -- looking at these -- the
11 whole array of taxes in Pennsylvania, and some of
12 the ones you guys mentioned that you currently deal
13 with or are kind of pitching the idea that you
14 could deal with more efficiently, everyone -- you
15 know, nobody likes taxes, but one thing everyone
16 can agree on is, whatever taxes we do have should
17 be applied fairly and collected efficiently.

18 So, when you look at the menu of
19 possible taxes, in your opinion, based on your
20 experience, which taxes are most subject to evasion
21 and abuse? Which taxes are most efficient to
22 collect fairly, quickly, inexpensively, so that, as
23 we look at the big picture and make
24 recommendations, that our recommendations aren't
25 just in a vacuum, but are actually in a vacuum of

1 the real world -- or in a model of the real world
2 where we can hopefully shift emphasis towards those
3 taxes that make the most sense to collect
4 efficiently and fairly?

5 MR. LAZZARO: Sure. Thank you,
6 Representative Bloom.

7 I would definitely look first at the
8 payroll taxes, the earned income tax and the local
9 services tax. Where enforcement compliance is not
10 strong, the most money is at risk.

11 If a business withholds from their
12 employees and decides, you know what, I need a
13 loan; I need some money to do something, and does
14 not turn that over, it could take a long time until
15 the Department of Revenue releases the PA-40 data
16 on those taxpayers, so the local collector knows
17 what should have been reported because, what we do
18 is a comparison. Every time we have the tax data
19 from revenue in the jurisdictions we're working, we
20 do a comparison person by person, would you report
21 your earned income to the state; how did you report
22 it locally?

23 But, if revenue takes a long time to get
24 that information out, which often happens, we're
25 not going to see that quarter that could have been

1 withheld. So we developed in our systems what we
2 call employer compliance centers. It's developed
3 by attorneys and I.T. professionals, where we are
4 watching every quarter what has happened the last
5 quarter, what their history, and any fluctuations
6 will let us hone in and see if there have been
7 discrepancies on a particular business or income of
8 money.

9 We can also then compare, in that same
10 business -- Realize, the local services tax is a
11 payroll tax, but those funds stay in the
12 municipality where the business is located;
13 whereas, the earned income tax is distributed to
14 resident's tax primarily to where those individuals
15 live. They are oftentimes different places.
16 People don't live in the same town where they work.

17 So we're comparing those two, and
18 again, you need technologies to do this. But
19 you're looking at that business, did they withhold
20 the proper amount for their number of employees in
21 that business in that municipality? You're doing
22 the same time, the same check that you're doing on
23 the earned income tax for the residents'
24 communities.

25 Those kinds of things we built, but we

1 know it's extremely unlike that kind of check and
2 system with it is occurring all over. Again,
3 that's why we strongly want to see the auditing
4 systems pushed up in some of the other places,
5 because they can't be looking at that and a lot of
6 money could be missing for a while. Eventually,
7 two years, three years out, they're going to find
8 it and go back and see if they can find these
9 people and collect what they didn't turn over. We
10 want to see it the quarter it happened so we can be
11 right on it. That's your best recovery. That's
12 compliance.

13 MAJORITY CHAIRMAN EVANKOVICH: Thank
14 you, Representative Bloom. Representative Core.

15 REPRESENTATIVE CORR: Thank you, Mr.
16 Chairman.

17 In your recommendation for the
18 consolidation of the other Act 511 taxes --

19 MR. LAZZARO: Yes.

20 REPRESENTATIVE CORR: -- you mentioned
21 the advantages would be easier administration and
22 higher revenues. Presuming those higher revenues
23 are a product of cost savings, accurate?

24 MR. LAZZARO: Cost savings and bringing
25 compliance up from 60 percent, 65 percent to a

1 hundred percent.

2 REPRESENTATIVE CORR: Okay.

3 MR. LAZZARO: So you want to collect
4 evenly from everybody; again, level the playing
5 field. Everybody is in the game fairly and
6 equally. We're not going to know that until we're
7 looking. That's what the systems do.

8 REPRESENTATIVE CORR: On the issue of
9 cost, what are the primary cost drivers?

10 MR. LAZZARO: Scale, automation --
11 automation. When you are doing it without
12 consolidation, everybody's out there doing it on
13 their own. They're repeating the steps. They're
14 opening envelopes. They're taking notes. They're
15 writing down and adding, entering things in the
16 system.

17 As soon as you have scale -- As soon as
18 you have scaling technology, data extraction,
19 taking this information and running it through a
20 machine -- As I said, the ADP transaction, we
21 received -- I think the last one we received
22 withholding for all 17 counties we handle in
23 Pennsylvania was \$80 million in one payment was
24 distributed within 24 hours. That could not be
25 done with --

1 And the number of people you have to
2 employ to do that now, systems, computers can read
3 this stuff. Still a lot of people working on it
4 because a lot has to be checked manually, but the
5 volume of it, the scale; doing it by the
6 technologies that are in place just drives that
7 cost down. You don't have to duplicate.

8 REPRESENTATIVE CORR: Have you made any
9 effort to quantify those cost savings?

10 MR. LAZZARO: We actually do it all the
11 time. I mean, we have to look in -- it changes in
12 different taxes in different areas in different
13 resources. And constantly, more and more are
14 reporting to us electronically that used to send in
15 papers. That's helping too.

16 We're probably, in most counties now,
17 98 percent of the businesses file electronically.
18 Individuals have moved from historic 20 percent,
19 about 40 percent file electronically on our E-File
20 system rather than fill out paper.

21 REPRESENTATIVE CORR: All right. Thank
22 you.

23 MR. LAZZARO: Yes.

24 MAJORITY CHAIRMAN EVANKOVICH: Thank
25 you, Representative Corr.

1 Just a few follow-up questions; perhaps,
2 a little editorializing. Representative Bloom had
3 brought up kind of the free-market approach that
4 you guys are taking. Your sole source of revenue
5 is from collection of taxes, correct?

6 MR. LAZZARO: That's correct.

7 MAJORITY CHAIRMAN EVANKOVICH: So,
8 although you are competing with other third parties
9 for that business, government's the sole payer; is
10 that correct?

11 MR. LAZZARO: I would say so. I think
12 that would be the case, although not in the
13 compliance; not in the delinquent recovery. Those
14 costs are passed on to --

15 MAJORITY CHAIRMAN EVANKOVICH: The --

16 MR. LAZZARO: -- if it's shown they did
17 improperly keep it and tried to get away from it.

18 MAJORITY CHAIRMAN EVANKOVICH: Right.

19 MR. LAZZARO: Then they bare the burden,
20 because that shouldn't be shared by all the
21 taxpayers who pay on time.

22 MAJORITY CHAIRMAN EVANKOVICH: So, one
23 of the problems, frankly, we have in the
24 administration of government is latching onto this
25 concept that the private sector just does it

1 better, because they might.

2 But, we also have the conclusion that if
3 your sole source of revenue is from the government,
4 sometimes you lose those efficiencies because
5 things -- sometimes bad government management
6 allows it to happen. I'm not casting dispersions.
7 I'm just setting up a question. That question is
8 this:

9 You had made the argument that we should
10 have more collection by private third-party
11 companies and less by elected tax collectors
12 because of the reasons of scaling and the ability
13 to catch problems through efficient auditing
14 systems, and I agree with you. I'm a recovering
15 accountant myself. Although I was never a tax
16 accountant, I certainly had enough interaction with
17 the tax side to know my way around things.

18 What, in your opinion, should the
19 metrics be for evaluating these for-profit
20 third-party collection agencies? What metric
21 should we be looking at if we are considering that
22 more shifting towards more third-party collection
23 agencies for other taxes, maybe consolidating other
24 taxes; reevaluating the way that businesses issued
25 to third-party collectors?

1 What would your recommendations be for
2 what metrics we should set up to evaluate these
3 companies to ensure that they're doing the things
4 that we want them to do; collecting taxes more
5 efficiently, reducing the overall burden of
6 collection; administrating the program under the
7 statute, and also collecting the amount remaining
8 the amount owed?

9 MR. LAZZARO: Sure. I think probably
10 the best pieces of the design you created were the
11 tax collection committee models. There's
12 oversight, and there are many of them. So, it's
13 not as though we are out there working for a
14 particular government.

15 Every one of these committees, and they
16 change all the time, have representatives from
17 every school district in that county, every city in
18 that county, every borough in that county, every
19 township in that county, and oversight is real.
20 They want to see the report and they want to know
21 how we're doing. They want to know what we're
22 making. They want to know if all -- It's all open.
23 It's all transparent.

24 The cost that we impose under a contract
25 -- a negotiated contract with the committee, with

1 all those municipalities and schools, is checked in
2 the audit and the auditor reports back. Did they
3 do it accurately? Did you get all of your money,
4 communities, schools, townships, timely, and was
5 Keystone fair, first?

6 And remember, that's in one tax
7 collection committee. These are set up all over
8 the Commonwealth. So the competition is constant.
9 It's very, very -- at a very high level.

10 MAJORITY CHAIRMAN EVANKOVICH: I guess
11 my question is perhaps slightly different. Maybe I
12 didn't verbalize it correctly.

13 MR. LAZZARO: Okay.

14 MAJORITY CHAIRMAN EVANKOVICH: When I
15 was in the steel business, you had varying
16 operation lines, and each one of those lines had
17 their own metrics for what does good operation look
18 like; for instance, man hours per ton, utility
19 usage per ton, fuel cost, oil cost, grease cost per
20 ton. Everything is standardized; yield times,
21 yield losses. I can keep going on forever, right?

22 In your line of business, what would
23 those standards be? Probably the same standards
24 that you evaluate yourselves internally, you know,
25 per transaction time, you know, things of that

1 nature.

2 If we are going to lay -- If we were
3 going to lay out statutory language to try to do
4 some of the things that you say -- that you've
5 suggested --

6 MR. LAZZARO: Yes.

7 MAJORITY CHAIRMAN EVANKOVICH: -- I
8 think part of that should be, how do we -- how do
9 we create -- what would the standards look like by
10 which we should really be evaluating the efficiency
11 of these third-party collection agencies?

12 I mean, tax committees sounds great,
13 but --

14 MR. LAZZARO: Sure. I think some of the
15 things -- I didn't mean to gloss over in the
16 original statement testimony the service
17 organization controls audit, but that audit
18 describes a lot of the things that you should be
19 looking at because -- and those are the things that
20 somebody outside, independent, is looking at and
21 telling us, as well as our clients, our
22 communities, our schools, that's what improves us.

23 Do we have the tools in place to make
24 sure the money is safe all the time; to make sure
25 the systems are running the same way with every

1 taxpayer no matter how you're registered? Nobody
2 can touch that money. Nobody can change anything.
3 Nobody can do anything with that. It's safe, it's
4 reliable, and it's correct every single time. If
5 those tools aren't in place, that company isn't
6 providing what it should be providing in the public
7 sector.

8 MAJORITY CHAIRMAN EVANKOVICH: My
9 apologies for interrupting. I just want to move
10 through this. This SOC-1 Type 2 audit, I had the
11 unfortunate experience of having to do SOC's
12 compliance; not SOC, but Sarbanes-Oxley with
13 compliance. I used to do auditing, technical
14 specification auditing.

15 MR. LAZZARO: Right.

16 MAJORITY CHAIRMAN EVANKOVICH: My
17 experience is that largely these types of audits
18 are slightly prophylactic in terms of, you have to
19 document what you're doing. You have to say that
20 you're -- You have to do what your document you're
21 doing. You have to get the document that you're
22 documenting.

23 What is SOC-1 Type 2? Is it a private
24 organization?

25 MR. LAZZARO: No.

1 MAJORITY CHAIRMAN EVANKOVICH: Is it a
2 licensing? Is it statutory driven?

3 MR. LAZZARO: They are the -- the
4 controls auditing steps written for the auditors by
5 the CPA organization, the national CPA organization
6 and in Pennsylvania PICPA. Honestly, they would
7 provide great advice to you, I think, to answer
8 your question, what should we be looking at when we
9 tell tax officers, here are your rules, you must
10 follow.

11 They'd be probably the best place to go
12 to to direct how should this be done properly and
13 efficiently so we know, our public entities know
14 they're getting what they should be getting each
15 and every time, and they're paying a fair price for
16 it each and every time.

17 MAJORITY CHAIRMAN EVANKOVICH: I
18 appreciate your answers. Just, if we can add,
19 maybe for the record, one or two or three specific
20 items; whether it's transaction time, minimizing
21 transaction time; whether it's -- what would they
22 be?

23 MR. LAZZARO: Absolutely. Transaction
24 time is absolutely crucial. The funds should not
25 be held for any extended time in any other place

1 than the taxing authority where it belongs.

2 These funds are withheld. They should
3 be processed and turned over immediately. Whether
4 it's earned income tax or real estate tax or any
5 other tax, the fact that funds sit in the wrong
6 place for too long is extremely problematic. It
7 should be with the taxing authority.

8 MAJORITY CHAIRMAN EVANKOVICH: Why would
9 a collection agency do that? Are they investing
10 that money? Are they just holding it in an account
11 because they are not efficient? What's the purpose
12 of holding those funds back?

13 MR. LAZZARO: Yeah. I honestly -- We
14 don't know. I have a real incentive to not hold
15 those funds because, if I hold funds for any
16 extended period of time, my bonding costs are going
17 to go up. I don't want to accumulate money. I
18 don't want to accumulate somebody else's money.
19 I'm not a bank. I'm there to process that money
20 and get it out.

21 Certainly, holding money can have a
22 revenue incentive of interest of -- you know, we're
23 -- In some other areas, they're not all collection
24 companies. There are others involved in this
25 business across the state, and they may have

1 different reasons for keeping money a little bit
2 too long.

3 MAJORITY CHAIRMAN EVANKOVICH: And
4 you're referring to what? A third-party payroll
5 collection, something along those lines?

6 MR. LAZZARO: I'm referring to the list
7 of bureaus, things like that, that exists trying to
8 do this business.

9 MAJORITY CHAIRMAN EVANKOVICH: So that
10 was transaction time?

11 MR. LAZZARO: Transaction time,
12 absolutely. Capabilities. Do you have the
13 technologies in place to accurately take the
14 information, handle it, process it, store it,
15 preserve it so you can always go back to it?

16 Basically, you've got to have in place a
17 system at least as good than any national banking
18 institution because, if you really are going to say
19 you're transparent and you're accurate, we should
20 be able to look at that any time we want to. We
21 should be able to pull up a tax return that was
22 filed two years ago. We should be able to look at
23 the numbers. We should be able to always have that
24 information.

25 Are those resources in place before you

1 begin? And if you're going to take over, you're
2 going to step into this business, be ready for it
3 at go. I think you have to have the capability of
4 reporting.

5 I think Amanda touched on that a little
6 in her statement. Different boroughs and townships
7 and schools need to know, what can I project for
8 next year? Is there a change going on in my
9 community? Is business coming in and picking up?
10 Are people retiring? Can you help us figure out
11 what's going on based on tax data, and we can do
12 that. We have data teams in our I.T. department
13 that look at those things.

14 Sometimes there's a big fluctuation in a
15 community outside of Philadelphia or outside of
16 Pittsburgh, and we see a big drop in revenue. We
17 say, what happened? Well, one of the major
18 athletes just moved, and we can pinpoint that. We
19 don't go into revealing any individual, but we can
20 tell them, we know what's going on here and we can
21 see why the change occurred. To be able to do
22 that, you have to know how to use and read data and
23 you have to have the data. Unfortunately, there
24 are still places that don't, and they don't do it
25 well.

1 MAJORITY CHAIRMAN EVANKOVICH: Well,
2 thank you, both of you. I appreciate your
3 testimony and your candor and, obviously a
4 world-class organization. And I appreciate you
5 coming here today. Thank you.

6 MR. LAZZARO: Thank you. Thank you for
7 your work.

8 MAJORITY CHAIRMAN EVANKOVICH: With
9 that, the hearing is adjourned. Thank you.

10 (At 11:03 a.m., the hearing adjourned).

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C E R T I F I C A T E

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