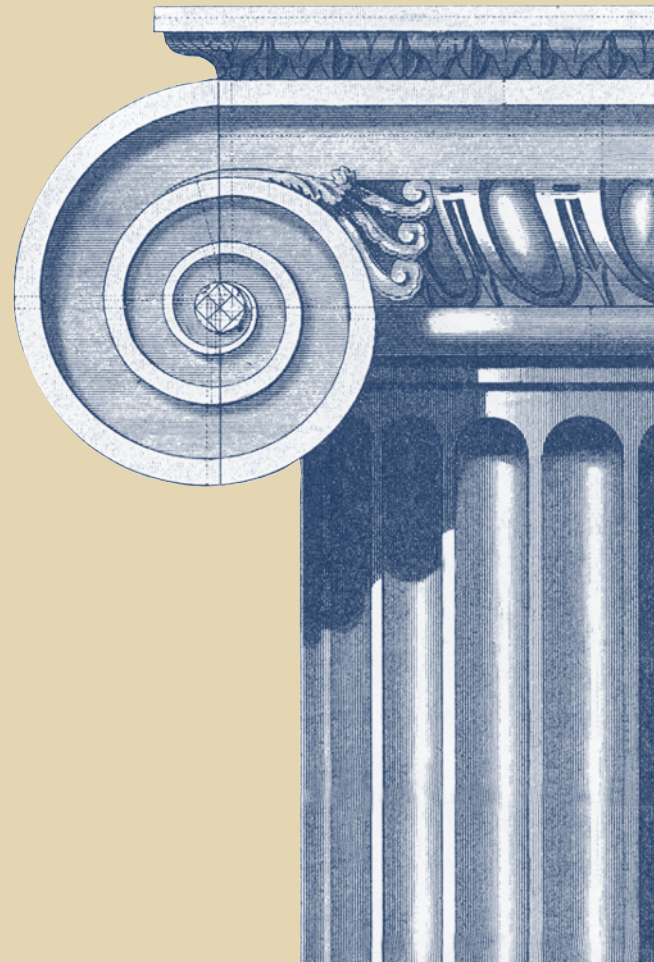


UNIVERSITY OF PITTSBURGH
INSTITUTE OF POLITICS

fiscal policy and governance committee

Key Challenges and
Strategies for Local
Government

By Bill Schlachter
with assistance from
Morton Coleman
and Nicholas Anway



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Executive Summary

Defining the Problem

The economic downturn, broadly characterized by high rates of unemployment and foreclosure, leading in some cases to increased service demands, has contributed to a growing fiscal crisis for many of our nation's governmental entities.

With limited revenue options and the inability to deficit-spend, this crisis has significantly impacted local entities. These fiscal constraints, coupled with decreases in state funding and primary revenue sources (income, sales and real estate taxes), and increases in pension costs and service expenditures, have created enormous challenges for local governments.

Purpose and Composition of Committee

In order to further understand the current fiscal crisis and its affect on local government, the Fiscal Policy and Governance Committee of the University of Pittsburgh Institute of Politics agreed to produce a study that would define key challenges for local government and the available policy tools to meet these challenges. The committee, cochaired by PA State Representative Dan Frankel and Frederick Thieman, president of the Buhl Foundation, met on numerous occasions throughout 2010 and 2011 to define these challenges and the associated strategies. Members of the committee at the time of publication include:

Committee list is accurate at time of print

Heather Arnet, Chief Executive Officer, The Women and Girls Foundation of SWPA

Morton Coleman, Professor Emeritus, University of Pittsburgh

Jay Costa, Member, Pennsylvania Senate

Aradhna Dhandra, President & CEO, Leadership Pittsburgh, Inc.

Richard Dunlap, Board Member, Hampton-Shaler Water Authority

Mark Patrick Flaherty, County Controller, Allegheny County

Dan Frankel, Member, PA House of Representatives

William "Pat" Getty, President, Claude Worthington Benedum Foundation

Joseph Giles, Member, Erie County Council

Court Gould, Executive Director, Sustainable Pittsburgh

Dick Hadley, Executive Director, Allegheny League of Municipalities

Susan Hockenberry, Executive Director, Local Government Academy

Brian Jensen, Executive Director, PA Economy League of Southwestern PA

Maxwell King, Senior Fellow, Fred Rogers Center

Scott Kunka, Director of Finance, City of Pittsburgh

An Lewis, Executive Director, Steel Valley Council of Governments

Kathleen McKenzie, Vice President of Community & Civic Affairs, West Penn Allegheny Health System

David Miller, Director, Center for Metropolitan Studies, University of Pittsburgh

Kerry O'Donnell, President, Falk Foundation

Dan Onorato, Chief Executive, Allegheny County

William Robinson, Member, Allegheny County Council

Jim Roddey, Senior Consultant, ParenteBeard

Doug Shields, Member, Pittsburgh City Council

Matt Smith, Member, PA House of Representatives
Frederick Thieman, President, The Buhl Foundation
Michael Turzai, Member, PA House of Representatives
Sala Udin, President & CEO, CORO Center for Civic Leadership
John Verbanac, CEO, Summa Development, LLC

Methodology and Scope

Through interviews with leaders from local government associations, intergovernmental organizations, government entities, and academia, and through a review of local and national public policy literature, the committee highlighted key challenges and possible tools local governments in Pennsylvania could use to respond to those challenges.

Constraints to Study

The public policy tools for this study are defined by the analysis of interviews, existing literature, data and historical trends. The inability to produce specific, time-based tools reflects our inability to predict the length and severity of the current fiscal crisis.

An additional constraint is the lack of centralized, readily accessible data regarding an annual, measurable index of the fiscal health of local governmental entities in Pennsylvania. This constraint correlates to an additional problem that many local governments share while attempting to combine services: determining compatibility with another local government. This search for compatibility requires a detailed analysis of characteristics that include, but are not limited to, the composition of infrastructure and compensation systems (i.e. information technology systems, salaries, pensions), as well as the demographic, physical and political makeup of a community.

Key Committee Findings

Five key challenges for local government relating directly and indirectly to the fiscal crisis are defined. These include: 1) managing the budgetary demands of decreased revenues, increased service demands and the costs of unfunded state and federal mandates, 2) meeting the demands of infrastructure and its associated costs, 3) understanding and addressing barriers for shared service agreements or voluntary mergers, 4) the ongoing fiscal problems related to pensions, and 5) balancing economic opportunities with environmental risks.

The associated policy toolkit to address these challenges includes policy tools that: 1) can be easily implemented by local governments, 2) require changes to current laws/administration options but are achievable, and 3) require changes to current laws/administration options but are controversial. Many of these policy options provide increased efficiency, stability, safety, transparency, predictability and equity for local government. It should also be noted that strategies utilized for a specific challenge are sometimes utilized for other challenges.

Introduction

The Fiscal Crisis and Its Impact on Local Government

From townships to counties, the current recession has contributed to a fiscal crisis for many of our nation's local governmental entities. An economic status survey by the National Association of Counties revealed that 86 percent of our nation's counties anticipated a revenue shortfall during FY 2010.¹ A survey of city finance officers by the National League of Cities estimated that from 2010 to 2012, the municipal sector will likely experience a shortfall between \$56 billion and \$83 billion.² At the state level, the Center on Budget and Policy Priorities estimated total state budget gaps throughout our country of \$190 billion in 2010, \$180 billion in 2011 and \$118 billion in 2012.³

While these statistics highlight general fiscal stress across our nation, many of Pennsylvania's local governmental entities, which include 67 counties, 56 cities, 958 boroughs, 1,547 townships, and 1 town,⁴ have also experienced decreased revenues, increased service demands, and general budgetary constraints. Income, sales and property taxes have decreased significantly in many cases due in part to the increase in unemployment and the decrease in consumer purchasing demand.⁵ Additionally, increased numbers of foreclosures contribute to a decrease in the assessed value of properties, which would reduce property tax collections.⁶ Local governments have also experienced an increase in budgetary expenditures due to depletions from self-funded local unemployment funds.⁷ Coupled together, these factors force local governments to increase taxes, decrease expenditures, or both increase taxes and decrease spending.

In addition to these factors, the budgets of local governments are directly and indirectly affected by fiscal issues at the federal and state level. More specifically, as budget cuts have occurred on the state level, state expenditures for local government programs and initiatives have decreased. One example is the 53 percent decrease in the PA Department of Community and Economic Development (DCED) grant expenditures from 2008 to 2009.⁸ This funding stream has historically provided support for affordable housing projects, the development of community assets, provisions for social and supportive services, and subsidies for private sector projects.⁹

Both state and local governmental entities have also experienced a decrease in federal assistance with the depletion of ARRA stimulus funds (\$7,247,165,277 of ARRA funds were spent in Pennsylvania and \$678,699,483 of ARRA funds were spent specifically in Allegheny County). The purpose of these funds was to provide a temporary revenue stream for projects throughout the Commonwealth. The policy areas for those projects included education, energy,

¹ Byers, Jacqueline. "How Are Counties Doing? An Economic Status Survey." National Association of Counties. July 2009.

² Hoene, Christopher W. "City Budget Shortfalls and Responses: Projections for 2010-2012." National League of Cities. December 2009.

³ Ibid.

⁴ *The Pennsylvania Local Government Fact Sheet*. PA DCED. Retrieved October 2009.

⁵ Hoene, Christopher W. and Muro, Mark. "Fiscal Challenges Facing Cities: Implications for Recovery." National League of Cities. November 2009.

⁶ Miller, Gerald J and Svors, James H. "Navigating the Fiscal Crisis: Tested Strategies for Local Leaders." January 2009.

⁷ Interview with Pennsylvania Boroughs Association. November 5, 2010.

⁸ Gardner, Dave. "DCED sustains 53 percent cut," *Northeast Pennsylvania Business Journal*. January 5, 2010. <http://biz570.com/economy/economy/dced-sustains-53-cut-1.527272>

⁹ <http://www.newpa.com/index.aspx>. PA DCED. August, 2010.

environment, infrastructure, housing improvement, public safety, transportation, and workforce development initiatives.¹⁰ It remains uncertain if the depletion of ARRA stimulus funds will have a significant impact on all local governmental budgets, particularly budgets that are fiscally strong.

Key Challenges and Associated Strategies

As the fiscal crisis continues to impact local government, challenges for local government that are directly and indirectly linked to the fiscal crisis can be identified. Two direct challenges include: 1) the difficulty of balancing local budget realities with decreased revenues, increased service demands and the costs of unfunded state and federal mandates and 2) the dramatic cost of infrastructure and associated costs. In addition to these direct issues, three additional challenges exist for local municipalities that are indirectly related to fiscal conditions: 3) barriers to creating voluntary governmental mergers and shared service agreements, 4) ongoing structural fiscal problems related to pensions, and 5) balancing emerging economic opportunities with environmental risks.

The broad policy tools that local governments have traditionally utilized to manage periods of economic crisis primarily involve conventional budget options – tax increases, service cuts, and the combination of tax increases and cuts. However, the use of these conventional options during a fiscal crisis, particularly for a financially distressed community, may result in a four stage cycle of downward spiral:

- 1) As demand for services increase, tax rates and service fees often increase. This results in a slower rate of new development and revenue growth.
- 2) These slower rates of growth are followed by reductions in non-core services since tax base increases are minimal, yet demand for services continues to grow.
- 3) A mismatch between revenues and expenditures eventually leads to a reduction in core services.
- 4) Lack of services, combined with high taxes, means residents “vote with their feet” and move out of the stressed community, leading to further loss of tax base, and greater decline in revenues and property base.¹¹

Because of this, local governments often work with intergovernmental organizations like councils of governments (COGs) and the Congress of Neighboring Communities (CONNECT) to create shared service agreements and to take advantage of educational tools for governmental leaders. In addition to utilizing these intergovernmental organizations, local governments have also independently created shared service agreements.¹² The legislation that enables intergovernmental cooperation between municipalities is Act 177 of 1996, which includes the following broad language regarding municipal cooperation: “A municipality...may...cooperate or agree in the exercise of any function, power or responsibility with...one or more...municipalities.”

¹⁰ <http://www.recovery.gov/Pages/default.aspx>. May 2010.

¹¹ “Structuring Healthy Communities. Part I: Revenue Generation and Fiscal Health.” The Pennsylvania Economy League. March 2007.

¹² Interview with PSATS. November 12, 2010.

An additional policy option that municipalities have used during previous financial crises includes Act 47 of 1987, which empowers DCED to declare municipalities as financially distressed. More specifically, this Act allows distressed municipalities to restructure their debt, to limit the ability to obtain governmental funding, to participate in federal debt adjustment and bankruptcy actions and to consolidate or merge with contiguous municipalities in order to relieve financial distress.¹³

Through an assessment of the above traditional tools, an analysis of the fiscal crisis, documentation of existing challenges for local government, review of existing national and local public policy literature, and interviews with local trade associations, intergovernmental organizations, local governments, and academia, key policy tools have been assembled for local government. This policy toolkit includes policy options that: 1) can be implemented easily by local governments, 2) require changes to current laws/administration options but are achievable, 3) require changes to current laws/administration options but are controversial. Many of these policy options provide increased efficiency, stability, safety, transparency, predictability and equity for local government. As a whole, when municipalities are able to operate more efficiently, economic development within their borders is increased through offering high levels of service coupled with a comparatively low tax burden. However, the gains of efficiency and effectiveness vary by municipality, as each municipality possesses unique service and structure characteristics and complexities. It should also be noted that policy options utilized for a specific challenge are sometimes utilized for other challenges.

Five Key Challenges for Local Government and Associated Strategies

Challenge 1: Managing Budgetary Demands: Realities of Revenue Decreases, Increased Service Demands, Costs of Unfunded State and Federal Mandates

Local revenue decreases caused by decreases in sales, income and real estate tax revenue have strained local government budgets. In turn, local governments have been forced to closely examine how they spend money on programs and services in order to best meet constituent needs and interests. In Allegheny County, for example, demands for human services have increased, while property tax revenues have remained stagnant and funding from the state for these services has decreased.¹⁴

In addition to decreases in revenue and increases in service demands, local governments must adhere to numerous state and federal requirements that are not necessarily accompanied by funds from the state or the federal government. Examples include mandates by Pennsylvania's Department of Environmental Protection and the U.S. Environmental Protection Agency related to water and sewage issues, provisions in the Prevailing Wage Act, and state requirements to advertise open government positions in newspapers.¹⁵ Numerous local governmental entities have argued for regulatory flexibility and a re-evaluation of funding formulas regarding these mandates.

Key Policy Tools for Managing Budgetary Demands:

¹³ Act 47 of 1986.

¹⁴ Allegheny County, 2010 CAFR, <http://www.county.allegheny.pa.us/control/cafr2010.pdf>.

¹⁵ Interview with PSATS. November 12, 2010.

I. Policy tools that can be implemented easily by local governments

- 1) *Utilize joint purchasing.* Joint purchasing programs allow two or more local governmental entities to purchase equipment or supplies, which in turn can result in increased cost savings due to the creation of economies of scale.¹⁶ An example of joint purchasing is the acquisition of a bulldozer, an expensive capital investment that each municipality would use only on a limited basis. However, when shared between municipalities, this vehicle becomes a more affordable investment.¹⁷ This concept can also be applied to the acquisition of fire trucks, police cruisers, buildings or to the use of shared personnel. An example of shared personnel is demonstrated in the inter-COG agreement that exists between the Turtle Creek Valley COG (TCVCOG) and the Steel Valley COG (SVCOG). TCVCOG offers their vector program to municipalities in the SVCOG, who in turn offer their street sweeping services to municipalities in the TCVCOG. This sharing of services includes not only equipment, but also the staff responsible for operating the equipment.¹⁸ Joint acquisitions are sometimes challenging due to the political and cultural barriers that exist between municipalities. The acquisition of more common items like pool chemicals can also be achieved through a shared service agreement; in some instances those items can be purchased more cheaply through PA's Department of General Services.
- 2) *Participate in joint contract agreements.* Joint contract agreements often provide municipalities with cost savings through bargaining power and economies of scale. The Franchising Authority Arena, a cable television rate service provision contract administered by the South Hills Area COG (SHACOG), is an example of such a contract agreement.¹⁹ This program currently grosses more than \$2 million per year, which is in turn redistributed to the participating municipal governments.
- 3) *Participate in grant programs that encourage regional cooperation.* Many COGs manage and administer grants that provide incentives for regional cooperation. An example includes the North Park Composition site, a multi-municipal leaf compositing site funded by an Allegheny County grant and established by the North Hills COG.²⁰ The utilization of this regional site

¹⁶ Anway, Nicholas. "Municipal Consolidation in Southwestern Pennsylvania." Working Paper. August 12, 2010.

¹⁷ Interview with PA Boroughs Association. November 5, 2010.

¹⁸ Interview with An Lewis, Executive Director of Steel Valley Council of Governments. August 10, 2011.

¹⁹ Anway, Nicholas. "Municipal Consolidation in Southwestern Pennsylvania." Working Paper. August 12, 2010.

²⁰ Ibid.

results in cost savings for participating municipalities and promotes regional cooperation and communication.

- 4) *Participate in cooperative emergency response programs (fire and police).* Cooperative emergency response programs allow neighboring municipalities to combine resources for a more efficient and cost effective emergency response system. An example of this is the SHACOG Critical Incident Response Team (CIRT). Emergency Services throughout SHACOG municipalities combine resources and personnel to equip both a Technical Rescue Team (TRT) and CIRT. These teams are formed to deal with out-of-the-ordinary emergency situations and to act as first responders. Another unique example of a successful cooperative agreement is the North Hills Regional Police Department, which serves Pine, Marshall, Bradford Woods and Richland Township. The success of this department could be attributed to the similarities that exist in the geographic size, demographics, and level of affluence of the governmental entities engaged in the agreement.²¹
- 5) *Appropriately employ human resource strategies.* Human resource strategies include combining reduced employee work hours with subsequent reductions in pay, avoiding across-the-board cuts that could harm productive programs, utilizing volunteers, freezing employee pay, providing incentives for early retirement and implementing a hiring freeze.²² The implementation of appropriate human resource strategies can result in cost savings, which may help local governments to more effectively balance budgets.
- 6) *Avoid excessive commitments to fixed expenses such as debt services and unfunded post-employment liabilities.*²³ The avoidance of excessive commitments to fixed expenses is a long-term strategy that helps local governments to maintain fiscal discipline. A suggested debt service rate is 10 percent or lower.²⁴
- 7) *Educate the public about the decisions that elected officials encounter during a fiscal crisis.* An example of a positive public education initiative was the Allegheny Forum, which promoted public discussion and feedback about municipal services in Allegheny County.²⁵ Investment in public education can increase citizens' understanding of complex public policy issues, which in turn can lead to more efficient and productive discussions and decisions.

²¹ Interview with An Lewis, Executive Director, Steel Valley Council of Governments. August 10, 2011.

²² Miller, Gerald J and Svors, James H. "Navigating the Fiscal Crisis: Tested Strategies for Local Leaders." January 2009

²³ Ibid.

²⁴ Reddig, Fred, Executive Director, Governor's Center for Local Government Services, PA DCED. December 3, 2010.

²⁵ Downing, Jane. "Issues in Local Government: Community and Legislative Perspectives" Forum. December 2, 2010.

- 8) *Implement energy-efficient programs to produce cost savings.* Examples of energy-efficient programs include retrofitting and upgrading street lighting in municipalities, utilizing green vehicles, installing solar panels and constructing buildings with energy-efficient materials. An example of a cost-saving energy program, which resulted from a grant from the Pennsylvania Energy Development Authority, was the installation of exterior LED lighting in 10 Pittsburgh public school locations. The new lighting is expected to result in annual savings of \$40,881.²⁶ However, the extent of savings varies from program to program.

II. Policy tools that require changes to current law/administration options but are achievable

- 1) *Institute property tax assessment reform that utilizes technology to make assessment more accurate and cost effective.* A uniform property tax assessment system that utilizes modern technology will allow assessments to be more accurate and cost effective,²⁷ as many municipalities do not utilize advanced technologies like GIS.²⁸ There is also demand for a property tax assessment that occurs every one to three years, as many municipalities have not recently performed tax assessments.²⁹ These reforms may produce assessed values that more closely match the free market rate.
- 2) *Modify the Prevailing Wage Act.* The Prevailing Wage Act mandates certain wages for any public works construction contract over \$25,000. These wages, however, often exceed the comparable wages that are paid in the locality for the same type of work, resulting in additional costs for infrastructure/public works projects.³⁰ A modification of the Prevailing Wage Act may enable municipalities to pay wages that are comparable to what other entities in the area pay for the same type of work.
- 3) *Modify rules pertaining to legal advertisement.* Local governments in the state currently are required to print legal notices, such as bid offers, job openings, and public meeting announcements in local newspapers.³¹ An expansion of advertising opportunities, including the ability to post on the Web, may decrease advertising costs for local governments.

²⁶ Chute, Eleanor. "More Schools Reap Benefits By Going Green." Pittsburgh Post Gazette. November 8, 2010.

²⁷ IOP Fiscal and Governance Policy Committee. January 25, 2011.

²⁸ Interview with PA Boroughs Association. November 5, 2010.

²⁹ Turzai, Mike, PA State Representative, "Issues in Local Government: Community and Legislative Perspectives," Forum. December 2, 2010.

³⁰ Interview with PA Boroughs Association. November 5, 2010.

³¹ Interview with An Lewis, Executive Director of Steel Valley Council of Governments. August 10, 2011.

- 4) *Utilize alternative financing mechanisms such as grants, user fees or public-private partnerships to expand or accelerate local capital projects.*³² The identification of costs related to specialized services and the equation of fees to these costs can help to finance capital projects that contribute to a local government's long-term growth. Capital projects with low long-term operating costs can contribute to economic recovery and should be given particular consideration.³³ In addition to specialized fees, successful financing of public facilities through lease arrangements, the selling of a public facility's naming rights, joint developments between local governments and for-profit entities, and developer-financed infrastructure, have historically provided relief.³⁴
- 5) *Mandate multi-year budgets and rainy day funds.* A multi-year budget, as opposed to an annual budget, requires policymakers to more efficiently assess future revenues and expenditures and the stability or instability related to these budget items. This type of budget also helps to deter unsustainable expenditure increases. The use of rainy-day funds also addresses future budget dilemmas through the development of a fiscal cushion. An example of a mandated rainy-day fund is to require the allotment of .5 percent of the total preceding fiscal year's revenues to a stabilization fund.³⁵
- 6) *Increase incentives for economic development programs that attract residents and businesses.* The use of economic development incentives on a local level, which can include subsidies, can generate jobs and tax revenue during a recession more efficiently than on a state wide level.³⁶ These incentives can also influence a developer to move to a particular region, which in turn may create a sustainable industry within the municipality.

III. Policy tools that require changes to current laws/administration options but are controversial

- 1) *Expand local governmental taxing power.* An expansion of taxing power that allows local governments to decide how and how much to tax provides local governments with greater ability to best match their community's

³² "Alternative Revenue Sources for Cities." National League of Cities. Winter 2009.

³³ Miller, Gerald J and Svars, James H. "Navigating the Fiscal Crisis: Tested Strategies for Local Leaders." January 2009.

³⁴ Ibid.

³⁵ "Ensuring State and Municipal Solvency." Financial Innovations Lab Report. Milken Institute. October 2010.

³⁶ Miller, Gerald J and Svars, James H. "Navigating the Fiscal Crisis: Tested Strategies for Local Leaders." January 2009.

demographics, budget and political realities.³⁷ An example of an enhanced revenue option is to allow townships to levy a hotel occupancy tax.³⁸

- 2) *Eliminate the occupational assessment tax as an option for municipalities and replace it with an increase in the earned income tax.*³⁹ The occupational assessment tax is a tax levied on a millage rate that is applied against the assessed value of an individual's occupations.⁴⁰ Since this tax does not reflect an individual's income, but rather the taxpayer's job title, the value assessed may be viewed as inequitable. A change in this taxing authority that is accompanied by an increase in the earned income tax may result in a broader, more equitable taxing system.
- 3) *Sell and/or privatize unnecessary local government assets.* The selling of unnecessary assets and/or the privatization of assets often provides local governments with a one-time infusion to balance the budget within a particular year. Privatization of a local government asset, such as a water authority, may contribute to enhanced efficiencies, which can in turn lower costs for the consumer.⁴¹ However, it should be noted that the privatization of government assets should be reviewed on a case-by-case basis, as some services may be best maintained by local governments.
- 4) *Examine nonprofit impact fees.* Local governments should consider implementing service fees on local tax-exempt properties that utilize local government services like street cleaning, sidewalk cleaning, snow plowing, street lighting, etc.⁴² The collection of these fees will allow local governments to obtain revenue for service expenditures that are not currently reimbursed.
- 5) *Reform Act 111.* Act 111 authorizes collective bargaining between policemen and firemen and their public employers, provides arbitration in order to settle disputes, and requires compliance with collective bargaining agreements and findings of an arbitrator.⁴³ The Pennsylvania League of Counties and Municipalities report "Core Communities in Crisis" cited various issues with this Act: municipalities must pay the cost of arbitration, the list of potential arbitrators is limited to three individuals, the outcomes awarded during arbitration do not necessarily consider the community's financial situation,

³⁷ "Structuring Healthy Communities. Part I: Revenue Generation and Fiscal Health." The Pennsylvania Economy League. March 2007.

³⁸ "PSATS 2009-2010 Policy Statement." Pennsylvania State Association of Township Supervisors.

³⁹ Ibid.

⁴⁰ PA Department of Community and Economic Development, Governor's Center for Local Government Services. Taxation Manual. Section XIII.

⁴¹ Representative Turzai. Institute of Politics and Pittsburgh Foundation Forum. "Issues in Local Government: Community and Legislative Perspectives." December 2, 2010.

⁴² "Core Communities in Crisis Task Force Report." Pennsylvania League of Cities and Municipalities. 2010.

⁴³ Act 111. <http://www.portal.state.pa.us/portal/server.pt?open=514&objID=552988&mode=2>

and lastly, the municipality's ability to appeal an arbitration award is limited.⁴⁴

Challenge 2: Meeting the Demands of Infrastructure and Its Associated Costs

As revenues decrease at the state and local levels, the quality and sustainability of infrastructure, such as roads, bridges, water, and sewage systems are at stake.

Within the 10 counties of Southwestern PA, there are approximately 300 miles of interstate, 8,000 miles of PennDOT-maintained roads and 5,300 PennDOT-maintained bridges to sustain. Due to the depletion of ARRA funding and the federal government's focus on the national deficit and debt, it has become increasingly possible that states will bear more responsibility in the future for highway and bridge infrastructure maintenance. On a micro level, the ability to maintain local roads may be drastically impacted due to a decrease in local revenues. Local public works maintenance initiatives that could be impacted include, but are not limited to, paving, resurfacing, and snow removal.

In addition to roads and bridges, there is also substantial concern about water and sewage issues, as the region currently has the nation's largest concentration of combined sewer overflows, abandoned mine drainage, overloaded sewage systems, and bacterial contamination of rivers and streams. PENNVEST notes that water infrastructure agencies are often capable of designing and operating new assets, but many fall short in maintaining older assets. Most infrastructure is also underground and out of sight and suffers from deferred maintenance that is coupled with public distaste for rate increases.⁴⁵

Key Policy Tools for Meeting Infrastructure Costs and Demands:

I. Policy tools that can be implemented easily by local governments

- 1) *Utilize joint storm water management communities.* More affluent COGs have the ability to provide joint storm water management communities for their members. The North Hills COG offers a joint storm water management planning program that is comprised of 15-16 municipalities—all of which have adopted the same ordinances for the management of storm water during flooding scenarios.⁴⁶ While joint storm water management communities increase cooperation and communication amongst municipalities, less affluent local governments may not have the resources to effectively manage this type of complex community.
- 2) *Utilize joint salt, asphalt and gravel purchasing programs.* Numerous COGs assist municipalities with the joint acquisition of salt, asphalt and gravel, which may result in increased cost savings due to the creation of economies of

⁴⁴ "Core Communities in Crisis Task Force Report." Pennsylvania League of Cities and Municipalities. 2010.

⁴⁵ Infrastructure Status and Needs in Southwestern Pennsylvania. University of Pittsburgh Institute of Politics. June 2010.

⁴⁶ Anway, Nicholas. "Municipal Consolidation in Southwestern Pennsylvania." Working Paper. August 12, 2010.

scale. North Hills COG is an example of a cooperative agency that actively acquires these types of supplies in order to allow participating COG members to gain competitive contracts.⁴⁷

- 3) *Participate in sewer vactor and camera programs.* COGs can purchase expensive capital equipment such as vactor and camera trucks that can be shared with participating members. TCVCOG is embarking on its second year of an opt-in program for the vactor.⁴⁸ However, finding the funding to purchase new equipment and maintain older equipment can be a challenge.

II. Policy tools that require changes to current laws/administration options but are achievable

- 1) *Increase the maximum road bonding amounts.* Road bonding provides municipalities with additional leverage to protect infrastructure from damage caused by overweight vehicles. An increase in the road bonding maximum has become an important consideration since more and more roads are being damaged due to the increased truck traffic associated with the Marcellus Shale.⁴⁹
- 2) *Implement creative solutions at the local level to collect revenues for the infrastructure costs associated with the drilling of the Marcellus Shale.* An example of a creative policy solution is the joint purchasing of a truck scale in order to weigh trucks travelling on local roadways.⁵⁰
- 3) *Create or task a regional planning commission like the Southwestern Pennsylvania Commission with the obligation to determine the full range of infrastructure responsibilities.* It is often unclear in a metropolitan setting who is in charge of the entire range of infrastructure issues – bridges, roads, public transportation, water and sewage, locks and dams. The creation of an infrastructure task force will help to more precisely define infrastructure responsibilities and in turn help to create a comprehensive, regional infrastructure plan.
- 4) *Coordinate a task force on behalf of local municipalities that consists of local government associations, such as PSATS, PLCM, PSAB, etc. to address key infrastructure and other local government issues in meaningful ways.* Key issues to be addressed may include coordinated advocacy around

⁴⁷ Ibid.

⁴⁸ “The Past, Present & Future of Intergovernmental Cooperation.” TCVCOG Profile 2011.

⁴⁹ Boni, Andrew. “Issues in Local Government: Community and Legislative Perspectives,” Forum. December 2, 2010.

⁵⁰ McKenzie, Kathy, former deputy manager, Allegheny County. October 2010.

transportation issues, Act 111, and/or the impact of the Marcellus Shale. This body could also serve as a technical resource to local governments.

III. Policy tools that require changes to current laws/administration options but are controversial

- 1) *Expand the PENNVEST assistance to help municipalities meet state and federal water quality standards.* The expansion of PENNVEST assistance would allow local governments to meet more basic budgetary demands during an era of fiscal crisis.

Challenge 3: Understanding and Addressing Barriers for Creating Voluntary Governmental Mergers and Shared Service Agreements

As economic conditions continue to strain the budgets of many local governments, discussions about mergers (functional and structural) and shared services agreements have occurred. Many local governments cite the improvement of municipal service delivery as a primary goal during a fiscal crisis, which often leads to a discussion about equity, democracy, quality, and local control. While a determination to merge municipalities assumes that economies of scale will occur, this may not occur in practice.⁵¹ Often, an overall U-shaped curve relationship exists between population size and costs per capita – per capita costs generally fall with increasing size for municipalities with populations up to 25,000, remain fairly constant for those up to 250,000, but then rise significantly.⁵²

Voluntary mergers and shared service agreements present numerous challenges for municipalities. Two specific challenges include determining fit (in terms of demographics, size, administrative and technical alignments, excess capacity, and geographical location,⁵³) and the financial ability to cover the time consuming transition costs.⁵⁴

Strong leadership is also often required to facilitate consolidation of services. At the state level, the passage of Senate Bill 1429, now Act 102 of 2010, demonstrated how bipartisan leadership can produce positive change. Act 102 of 2010 enables municipalities to utilize various consolidation/merger processes, allows municipalities to approve a home rule charter during a consolidation/merger, and permits municipalities to convene a transition committee to guide the merger process.

Additional transition/transaction costs during a merger or shared service agreement could include outside consultant fees and the free rider issue of municipal debt incurred prior to the merger.

⁵¹ Fry, John and Holzer, Marc. "Shared Services and Municipal Consolidation: Pursuing Careful Assumptions and Grounded Studies. Friends of Local Government Policy Paper Series. Vol. 2, No. 1.

⁵² Charbonneau, Holzer, Marc, etc. "Literature Review and Analysis Related to Municipal Government Consolidation." May 6, 2009.

⁵³ Ibid.

⁵⁴ Ibid.

Key Policy Tools for Addressing and Understanding Barriers for Creating Voluntary Governmental Mergers and Shared Service Agreements

I. Policy tools that can be implemented easily by local governments

- 1) *Enhance education at the COG level to provide municipal officials with information regarding cooperation barriers and available remedial tools.* COGs like SVCOG provide municipalities with research and serve in a community development role.⁵⁵ COGs can operate as information gatherers, idea generators, and distributors of valuable information to their member municipalities. One example is the geographic information system that SVCOG maintains for its member municipalities. This system gives the COG and its membership the visual information necessary to look at problems, such as abandoned and vacant property. After investigating these properties, SVCOG released a report to its membership, discussing potential ideas for use of these lands.⁵⁶ Additionally, COGs are able to evaluate issues from a regional perspective and identify opportunities for cooperation amongst their membership. The more municipalities become aware of areas for cooperation and collaboration, the better they will understand the work it takes to achieve intergovernmental cooperation. Through participation in COGs, municipalities also gain a greater understanding about their compatibility with other municipalities.
- 2) *Implement Act 93 of 2008 mutual aid agreements.* The passage of Act 93 of 2008 has made it easier for fire departments and other emergency responders to cooperate on emergency issues that cross municipal borders. More specifically, Act 93 of 2008 provides mutual assistance to participating municipalities in the prevention of, response to, and recovery from threats to public health and safety that are beyond the capability of an affected community to respond.⁵⁷ Participation in this type of voluntary agreement promotes regional cooperation and more efficient communication, which in turn may encourage local communities to pursue additional sharing opportunities.

II. Policy tools that require changes to current laws/administration options but are achievable

- 1) *Create a statewide planning commission that addresses the need for more useful and municipal friendly boundary change legislation.* Senate Bill 1357

⁵⁵ Anway, Nicholas. "Municipal Consolidation in Southwestern Pennsylvania." Working Paper. August 12, 2010.

⁵⁶ Interview with An Lewis, Executive Director, Steel Valley Council of Governments. August 10, 2011.

⁵⁷ Act 93 of 2008, Commonwealth of PA.

of 2010 proposed a Boundary Review Commission “to study and recommend boundary changes to the General Assembly and affected local governments that promote orderly development, encourage sound economic growth, conservation of resources, and effective delivery of government services. Boundary change recommendations shall be developed for the purpose of creating and maintaining municipal corporations that have sufficient tax base and sound prospects for fiscal health.”⁵⁸ Pennsylvania’s State Planning Board recommended the establishment of such a commission in 2006. Additionally, in its Core Communities in Crisis report, the PA League of Cities and Municipalities (PLCM) noted that such a commission “is necessary to develop a clear pathway for municipalities and their citizens.”⁵⁹

- 2) *When state funding streams are reduced, ensure that state funding and grants are available to incentivize municipalities that engage in voluntary cooperation.* Examples could include providing incentives for municipalities that share particular services including, but not limited to, public safety, fire and EMS. Incentives should also be considered for municipalities that enter into agreements with Act 47 communities.⁶⁰
- 3) *Create a central database about municipal characteristics that enables municipalities to efficiently determine compatibility about the sharing or consolidating of services with another municipality.* The centralization of municipal information, such as demographics, municipal size, administrative and technical alignments, excess capacity, and geographical location, may help municipalities to efficiently determine what services can be shared or consolidated with another municipality and identify opportunities that would yield the highest cost savings.⁶¹
- 4) *Enable local governmental entities to disincorporate as an intermediate step to merger or consolidation.*⁶² The 2006 PA State Planning Board noted that numerous municipalities have difficulty with or are incapable of providing basic services. However, current legislation does not enable struggling municipalities to dissolve, but instead requires them to continue providing services regardless of their ability to reasonably perform this task.⁶³
- 5) *Consider the provision of technical assistance to COGs that lack the technical capacity to assist with shared service agreements.* In this section and

⁵⁸ PA Senate Bill 1357. 2010.

⁵⁹ “Core Communities in Crisis Task Force Report.” Pennsylvania League of Cities and Municipalities. 2010.

⁶⁰ Fiscal and Governance Policy Committee meeting. January 21, 2011.

⁶¹ Abrams, Karen. Allegheny County Economic Development. December, 2010.

⁶² PA State Planning Board. 2006 Report.

⁶³ Ibid.

elsewhere in the report, COGs are held up as a solution to or source of assistance for the voluntary shared service agreement process. However, as noted previously, not all COGs are alike; they vary widely depending on the participating municipalities. Some COGs lack technical capacity (as do the member municipalities), or they are limited in their effectiveness due to state legislative requirements (i.e. required to operate according to principles of unanimity). The provision of technical assistance to COGs that lack resources may enable them to assist with shared service agreements and in turn produce cost savings and revenue generation for participating municipalities.

- 6) *Utilize and expand upon existing templates and legal source documents to lower barriers for municipal cooperation agreements.* The current Intergovernmental Cooperation Handbook offered by DCED extensively outlines many forms of cooperation and enumerates the potential contents of an intergovernmental cooperation agreement.⁶⁴ Additions to this handbook may include legal source documents for common cooperation agreements and a list of cooperation barriers and their associated strategies.

Challenge 4: Addressing the Ongoing Structural Fiscal Problems Related to Pensions

Local governments continue to struggle to meet pension funding obligations. According to the Pennsylvania Economy League, the total unfunded accrued liabilities of PA public pensions in 2010 were \$30.4 billion.⁶⁵ By 2021, the costs of these liabilities are projected to reach \$71.7 billion – more than double the current unfunded liabilities rate. Of the \$71.7 billion in unfunded liabilities, the state share will be \$43.4 billion, or 61 percent of the total, and the local share will be \$28.3 billion, or 39 percent of the total.⁶⁶ The local portion of the liabilities is predominately from local school districts. However, municipalities also have rising unfunded accrued liabilities and may also be indirectly affected if school districts raise taxes to meet obligations, as this may constrain municipal revenue options.

In addition to these funding obligations, the sheer number of local government pension plans in PA leads to costly inefficiencies and a lack of portability. In 2007, there were over 3,100 local pension plans. Of these, 2,536 were operated by municipalities, 491 by authorities, 72 by counties, and 61 by councils of governments.⁶⁷ This total number represents more than 25 percent of public employee plans nationwide.

Two additional problems are the experience and abilities of some fund administrators. Inexperienced or ill-equipped managers may pursue riskier and potentially costlier policies and begin to rely on state funding, decreasing a municipality's incentive to control costs.

⁶⁴ Redding, Fred. Executive Director, Governor's Center for Local Government Services, DCED. December 3, 2010.

⁶⁵ Pennsylvania Economy League. "Pennsylvania Local Government Pension Distress." January 2011.

⁶⁶ Ibid.

⁶⁷ Pensions Subcommittee Report: What to Do about Municipal Pensions. University of Pittsburgh Institute of Politics. April 2009.

Key Policy Tools for Pension Reform:

The University of Pittsburgh Institute of Politics Pensions Subcommittee released a detailed report regarding municipal pension reform in April 2009. Below are key recommendations from that report. It should be noted that the report's original recommendation regarding the need for fiduciary responsibility legislation is not listed here, as that recommendation was incorporated into Act 44 of 2009. For an in-depth analysis of municipal pension reform, please refer to this report, entitled "What to Do about Municipal Pensions."

I. Policy tools that require changes to current laws but are achievable

- 1) *Continue education for investment officers.*
- 2) *Consolidate pension plan administration within PMRS.*
- 3) *Revise the state aid formula to freeze the unit cost reimbursement at its current rate, require all plans to pay a portion of pension costs, and place leftover revenues in a pool for merit-based distribution to distressed municipal plans.*
- 4) *Prohibit underfunded pension plans from increasing benefits.*

Challenge 5: Balancing Economic Opportunities with Environmental Risks

Economic opportunity is often accompanied by potential environmental costs, and balancing the two can be difficult. For instance, some concerns that have surfaced in relation to Marcellus Shale drilling include potential pollution of the water table supply, the drainage of local water supplies, and the storage of water after it is removed.⁶⁸ The high volume of industry trucks has led to concerns about damage to local roads, since many of the roads were not initially designed for that level of use.⁶⁹ Rules relating to local land use and eminent domain have also become challenges for local government. More specifically, drilling leases are an issue at both the national and state levels, yet municipalities are left to address the majority of infrastructure, surface damages and emergencies. The current gas leases can also limit surface activities in perpetuity, which poses a possible problem for municipalities if economic development is desired on the land after or during the drilling of the natural gas. All of these challenges must be balanced with benefits from economic development, such as increased employment and collaboration between industries.

Key Policy Tools for Balancing Economic Opportunities with Environmental Risks:

I. Policy tools that can be implemented easily by local governments

- 1) *Utilize legal services offered through COGs.* Historically, some COGs have provided municipalities with legal defense for class action lawsuits. This has

⁶⁸ Institute of Politics and Pittsburgh Foundation Forum. "Issues in Local Government: Community and Legislative Perspectives." December 2, 2010.

⁶⁹ Ibid.

been utilized by the Capital Region COG with regards to the Chesapeake Bay Watershed.⁷⁰ This same concept can be applied to environmental cases.

- 2) *Implement joint contract agreements such as integrating energy purchases.* While COGs have helped create joint contract cable agreements, this concept can be applied to energy as well. The greater the number of municipalities that integrate energy purchases, the greater the cost savings that may be achieved through economies of scale.⁷¹ An example of this is the City of Pittsburgh, which took the lead in the spring of 2010 by facilitating the purchase of electricity and natural gas for municipalities and authorities in Allegheny County, including SVCOC. The City worked with a private firm that was able to bundle service delivery and produced great cost savings for those entities that took part in the agreement. Over a 35 month agreement, SVCOC estimated savings of \$13,500.⁷²

II. Policy tools that require changes to current laws/administration options but are achievable

- 1) *Create possible Marcellus Shale revenue options at the state level.* As local governments address real and potential infrastructure and emergency response costs related to Marcellus Shale activities, revenue options at the state level could provide cost relief for local governments. This type of revenue may take the form of a well head fee or fee on natural gas production.⁷³ At the time of publication, two pieces of legislation dealing with a potential Marcellus Shale impact fee had been introduced at the state level and were in the process of reconciliation between the two chambers.
- 2) *Perform solid waste collection bids.* By creating economies of scale, COGs can help municipalities expand waste collection options while achieving cost savings. SHACOG, for example, is currently in its third year of a five year waste disposal bid contract.⁷⁴ The five-year savings total for the participating municipalities is approximately \$1 million.⁷⁵
- 3) *Provide technical assistance to local governmental officials in order to gain a greater understanding about the regulations surrounding Marcellus Shale.* Many local governmental officials lack a technical understanding of the options available to local municipalities with regards to Marcellus Shale.

⁷⁰ Interview with PA Boroughs Association. November 5, 2010.

⁷¹ Ibid.

⁷² Interview with An Lewis, Executive Director, Steel Valley Council of Governments. August 10, 2011.

⁷³ Institute of Politics and Pittsburgh Foundation Forum. "Issues in Local Government: Community and Legislative Perspectives." December 2, 2010.

⁷⁴ Anway, Nicholas. "Municipal Consolidation in Southwestern Pennsylvania." Working Paper. August 12, 2010.

⁷⁵ SHACOG. www.shacog.com. December 22, 2010.

These options include the creation of revenues or ordinances to balance the local impacts that stem from the Marcellus Shale. A greater understanding about these issues may, in turn, result in the passage of fewer illegal municipal ordinances that could ultimately result in substantial court costs.

III. Policy tools that require changes to current laws/administration options but are controversial

- 1) *Implement tax base sharing.* Tax base sharing programs have been used throughout the country to help communities share in a region's growth, to promote regional cooperation, to encourage environmental protection and to make resources available for early development and redevelopment.⁷⁶ An example of a tax base sharing program is Minnesota's fiscal disparity law, which requires each participating taxing jurisdiction to contribute a percentage of its growth from its Commercial and Industrial property tax to a regional pool.⁷⁷ This program has resulted in an increased share in the commercial and industrial tax base between jurisdictions, and has reduced tax rate disparities across the region.⁷⁸ An application of this concept may help Pennsylvanian communities offset the regional infrastructure and environmental costs related to the development of the Marcellus Shale. It may also spur investments in regional infrastructure that can lead to a more sustainable economy.

Survey of Local Government Organizations

Once the above toolkit was established, the Fiscal Policy and Governance Committee decided to survey the membership of several local government organizations to determine if the recommendations in the toolkit would be useful to their members.

A survey was distributed to the leadership of four local government associations, who then distributed the survey to their membership. The survey collection period ran from May 2011 until June 2011. During that time, a total of 118 responses were collected, with approximately 90 individuals responding to each question. While all survey results were kept anonymous, the survey asked respondents to indicate what area of local government they represented: 1) township, 2) borough, 3) city, 4) county, 5) COG, 6) municipal authority, or 7) other. Of all of the responses collected, the largest number of respondents (29.6 percent) represented boroughs, while respondents from the county level were a close second (27.8 percent). The smallest number of respondents came from municipal authorities (2.6 percent). While the survey sample is quite small and cannot be considered statistically significant, the responses provide anecdotal insight into policy recommendations that may be useful to officials from various levels of local government.

⁷⁶ <http://www.metrocouncil.org/metroarea/FiscalDisparities/Purpose.pdf>. Metropolitan Council. July 2010.

⁷⁷ <http://www.house.leg.state.mn.us/hrd/pubs/fiscaldis.pdf>. January 2, 2005.

⁷⁸ <http://www.metrocouncil.org/metroarea/FiscalDisparities/Impacts.pdf>. Metropolitan Council. July 2010

Respondents were also asked to classify the entity that they represented as 1) rural, 2) urban, or 3) suburban. Of the 118 respondents, 40.9 percent represented a suburban entity, 34.8 percent represented a rural entity, and 24.3 percent represented an urban entity. To put these numbers in context, according to the 2010 Census, 28 percent of Pennsylvania's population lives in a rural municipality, while 72 percent of the population lives in an urban municipality. Additionally, 48 of Pennsylvania's 67 counties are considered rural.⁷⁹

The survey questions asked respondents to rank the policy recommendations found in this toolkit in the following manner: 1) most useful, 2) useful, 3) least useful, 4) not applicable, or 5) not familiar with policy tool. In addition to the questions posed in the survey, there was an opportunity for respondents to comment on each of the challenges identified in the report, as well as the policy tools associated with those challenges.

Highlights of the results indicate a potential need and desire for additional educational opportunities for the public as well as for those who represent local government entities. Respondents at all levels of government ranked the policy tool, "educate the public about the decisions that elected officials encounter during a fiscal crisis" useful or most useful. The highest ranking for this tool came from city officials, with 64 percent ranking the option "most useful." These results are similar to those derived from the Temple Municipal Governance Survey, conducted in 2010, and the "Deliberative Democracy" poll conducted in September 2010 at Carnegie Mellon University. Respondents from all levels of government also favorably ranked the policy option to "enhance education at the COG level to provide municipal officials with information regarding cooperation barriers and available remedial tools." Eighty-two percent of respondents from cities found this option to be "useful," as did respondents from boroughs (74 percent), townships (63 percent), COGs (63 percent of which found this to be a "most useful" option), and counties (60 percent). Counties in particular indicated their support for continuing education for investment officers. Sixty-eight percent of respondents at this level found this option to be "useful," as did 53 percent of township respondents and 63 percent of COG respondents.

Survey results also highlight areas where further educational opportunities may exist for individuals representing local government entities, based on the number of respondents who selected "not familiar with policy tool" for the following three options:

- The option to "Implement Act 93 of 2008 mutual aid agreements" was unfamiliar to 25 percent of county respondents, which may not be surprising as the mutual aid agreements are designed primarily for municipal governments. However, 13 percent of township and COG respondents, 9 percent of city respondents and 5 percent of borough respondents were also unfamiliar with the policy tool.
- The option to "Enable local governmental entities to disincorporate as an intermediate step to merger or consolidation," was unfamiliar to 19 percent of township respondents, 13 percent of COG respondents, 12 percent of county respondents, and 9 percent of city respondents.
- The option to "Revise the state aid formula to freeze the unit cost reimbursement at its current rate, require all plans to pay a portion of pension costs, and place leftover

⁷⁹The Center for Rural Pennsylvania, http://www.rural.palegislature.us/demographics_rural_urban.html, Accessed August 2011.

revenues in a pool for merit-based distribution to distressed municipal plans,” was unfamiliar to 20 percent of city respondents, 13 percent of county and COG respondents, 6 percent of township respondents, and 5 percent of borough respondents.

As demonstrated above, respondents from different government entities were generally in agreement about the usefulness of the tools presented. However, in some instances, a distinct difference based on a respondent’s unit of government could be detected. Those policy options are listed below.

- Appropriately employ human resource strategies – While most levels of government found this option “useful,” a relatively large portion of borough respondents (45 percent) found it “least useful.”
- Selling and/or privatizing unnecessary local government assets – Found “useful” by respondents from most levels of government, township respondents seemed split on the usefulness of this option, with equal numbers responding that it was “useful” and “least useful” (41 percent each).
- Examining nonprofit impact fees – While all levels of government seemed to favor this option, city and county respondents were overwhelmingly supportive. 83 percent of city respondents found this option to be “most useful,” while a similar number of respondents from the county level found it to be “useful.”
- Reforming Act 111 – 83 percent of city respondents also found this option “most useful.” All other levels of government thought this option was either “most useful” or “useful.” Amending Act 111 was one of the primary recommendations that came from the November 2010 PLCM report, *Core Communities in Crisis Task Force Report*. PLCM recommended that Act 111 be amended to require both parties to share the cost of arbitration, increase the number of potential arbitrators, set standards for awards, and subject awards to judicial review.
- Creating or tasking a regional planning commission (SPC was one example) with the obligation to determine the full range of infrastructure responsibilities – This option was viewed far less favorably by respondents from townships and boroughs who found it to be “least useful” (59 and 37 percent, respectively), compared with respondents from cities and counties who found it to be “useful” (55 and 40 percent respectively).
- Consolidate pension plan administration within PMRS – The majority of respondents from all levels of government did not rank this option favorably. Fifty percent of respondents from both the township and borough level ranked this option as “least useful,” while a slightly smaller percentage (35 percent) of respondents from the county level also ranked the option as “least useful.” However, 50 percent of city government

respondents found this option to be “most useful,” while 50 percent of respondents from the COG level found the option to be “useful.”

- Implementation of tax base sharing – Boroughs seemed to be the most supportive of this option, with 60 percent of respondents from that level of government finding this option to be “useful.” Others who found this tool “useful,” included 41 percent of respondents from townships, 50 percent from cities and 46 percent from counties. David Miller, associate professor and director of the University of Pittsburgh’s Center for Metropolitan Studies, notes that this is probably one of the most favorable responses to the thought of tax base sharing in the fifteen years that this idea has been discussed.

Implementation Strategy

The challenges that exist for local governments are substantial. Introducing policy tools designed to improve the efficiency and effectiveness of local government will require strong leadership. While some of the policy tools listed in this paper can be easily implemented on a local level, some require changes to state laws/administration options. Many of these changes are achievable, but some that are considered controversial will be more difficult to implement. As the committee moves forward with this important endeavor, members will use this working paper as a basis for continued research and discussion.

Appendix A: Local Government Associations Interviewed

Allegheny League of Municipalities

Richard Dunlap, Former Executive Director

County Commissioners Association of Pennsylvania

Doug Hill, Executive Director

Brinda Penyak, Deputy Director

Pennsylvania Association of Council of Governments

Linda Costa, Executive Director

Pennsylvania Boroughs Association

Chris Cap, Deputy Executive Vice President

E.J. Knittel, Director of Events and Information Services

Pennsylvania League of Cities and Municipalities

Amy Sturges, Director of Government Relations

Richard Schuettler, Deputy Director

John Garner, Executive Director

Pennsylvania State Association of Township Supervisors

Holly Fishel, Director of Research and Policy Development








Elam Herr, Assistant Executive Director

David Sanko, Executive Director




Appendix B: Survey Results

Challenges Facing Local Government

1. What area of local government do you represent?

		Response Percent	Response Count
Township		15.7%	18
Borough		29.6%	34
City		12.2%	14
County		27.8%	32
COG		10.4%	12
Municipal Authority		2.6%	3
Other		3.5%	4
		answered question	115
		skipped question	3

2. Would you classify the entity that you represent as mainly:

		Response Percent	Response Count
Rural		34.8%	40
Urban		24.3%	28
Suburban		40.9%	47
		answered question	115
		skipped question	3

3. Challenge 1: What 'easily implemented' policy tools are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Utilize joint purchasing for supply or equipment purchases (i.e. bulldozers, police cruisers, fire trucks)	33.7% (31)	57.6% (53)	7.6% (7)	1.1% (1)	0.0% (0)	1.00	92
Participate in joint contract agreements	31.9% (29)	60.4% (55)	4.4% (4)	3.3% (3)	0.0% (0)	1.00	91
Participate in cooperative emergency response programs (fire and police)	28.9% (26)	55.6% (50)	3.3% (3)	11.1% (10)	1.1% (1)	1.00	90
Appropriately employ human resource strategies (examples include reducing employee works hours with subsequent reductions in pay, avoiding across the board cuts that take away from productive programs, utilizing volunteers, reducing or freezing employee pay, providing incentives for early retirement and freezing hiring)	17.6% (16)	45.1% (41)	27.5% (25)	6.6% (6)	3.3% (3)	1.00	91
Avoid excessive commitments to fixed expenses such as debt servics and unfunded post-employment liabilities	30.8% (28)	50.5% (46)	11.0% (10)	7.7% (7)	0.0% (0)	1.00	91
Educate the public about the decisions that elected officials encounter during a fiscal crisis	42.2% (38)	37.8% (34)	17.8% (16)	2.2% (2)	0.0% (0)	1.00	90
Implement energy-efficient programs to produce cost-savings	29.7% (27)	61.5% (56)	8.8% (8)	0.0% (0)	0.0% (0)	1.00	91
					answered question		92
					skipped question		26

4. Challenge 1: What 'achievable changes' to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Institute property tax assessment reform that utilizes technology to make assessment more accurate and cost effective	48.9% (44)	34.4% (31)	8.9% (8)	6.7% (6)	1.1% (1)	1.00	90
Modify the Prevailing Wage Act	54.4% (49)	30.0% (27)	12.2% (11)	2.2% (2)	1.1% (1)	1.00	90
Modify rules pertaining to the advertisement of openings in local governmental entities	37.8% (34)	38.9% (35)	16.7% (15)	4.4% (4)	2.2% (2)	1.00	90
Utilize alternative financing mechanisms such as grants, user fees, or public-private partnerships to expand or accelerate local capital projects	36.0% (32)	48.3% (43)	12.4% (11)	3.4% (3)	0.0% (0)	1.00	89
Mandate multi-year budgets and rainy day funds	13.2% (12)	49.5% (45)	33.0% (30)	2.2% (2)	2.2% (2)	1.00	91
Increase incentives for economic development programs that attract residents and businesses	32.6% (29)	44.9% (40)	18.0% (16)	4.5% (4)	0.0% (0)	1.00	89
					answered question		91
					skipped question		27

5. Challenge 1: What 'controversial' changes to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Expand local governmental taxing power	30.8% (28)	40.7% (37)	19.8% (18)	6.6% (6)	2.2% (2)	1.00	91
Eliminate the occupational assessment tax as an option for municipalities and replace it with an increase in the earned income tax	16.7% (15)	37.8% (34)	23.3% (21)	17.8% (16)	4.4% (4)	1.00	90
Sell and/or privatize unnecessary local government assets	18.7% (17)	38.5% (35)	30.8% (28)	8.8% (8)	3.3% (3)	1.00	91
Examine nonprofit impact fees	31.1% (28)	38.9% (35)	14.4% (13)	8.9% (8)	6.7% (6)	1.00	90
Reform Act 111	40.4% (36)	29.2% (26)	2.2% (2)	6.7% (6)	21.3% (19)	1.00	89
					answered question		91
					skipped question		27

7. Challenge 2: What 'easily implemented' policy tools are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Utilize joint storm water management communities	26.1% (23)	48.9% (43)	13.6% (12)	9.1% (8)	2.3% (2)	1.00	88
Utilize joint salt, asphalt and gravel programs	37.1% (33)	43.8% (39)	4.5% (4)	14.6% (13)	0.0% (0)	1.00	89
Participate in sewer vector and camera programs	21.8% (19)	39.1% (34)	13.8% (12)	24.1% (21)	1.1% (1)	1.00	87
					answered question		89
					skipped question		29

8. Challenge 2: What 'achievable changes' to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Increase the maximum road bonding amounts	20.7% (18)	43.7% (38)	13.8% (12)	16.1% (14)	5.7% (5)	1.00	87
Implement creative solutions at the local level to collect revenues for the infrastructure costs associated with the drilling of the Marcellus Shale (an example includes the joint acquisition of a truck scale in order to weigh trucks travelling on local roadways)	36.8% (32)	40.2% (35)	4.6% (4)	18.4% (16)	0.0% (0)	1.00	87
Create or task a regional planning commission like the Southwestern Pennsylvania Commission with the obligation to determine the full range of infrastructure responsibilities	22.5% (20)	37.1% (33)	31.5% (28)	2.2% (2)	6.7% (6)	1.00	89
Coordinate a task force on behalf of local municipalities that consists of local government associations, such as PSATS, PLCM, PSAB, etc. to address key infrastructure and other local government issues in meaningful ways	33.0% (29)	46.6% (41)	17.0% (15)	2.3% (2)	1.1% (1)	1.00	88
						answered question	89
						skipped question	29

9. Challenge 2: How useful is this 'controversial' change to current laws/administration options? Please rank this policy tool.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Expand the PENNVEST assistance to help municipalities meet state and federal water quality standards	33.0% (29)	46.6% (41)	10.2% (9)	8.0% (7)	2.3% (2)	1.00	88
answered question							88
skipped question							30

11. Challenge 3: What 'easily implemented' policy tools are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Enhance education at the COG level to provide municipal officials with information regarding cooperation barriers and available remedial tools	27.6% (24)	64.4% (56)	5.7% (5)	1.1% (1)	1.1% (1)	1.00	87
Implement Act 93 of 2008 mutual aid agreements	13.8% (11)	60.0% (48)	6.3% (5)	3.8% (3)	16.3% (13)	1.00	80
answered question							87
skipped question							31

12. Challenge 3: What 'achievable changes' to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Create a state-wide planning commission that addresses the need for more useful and municipal friendly boundary change legislation	20.5% (18)	27.3% (24)	46.6% (41)	5.7% (5)	0.0% (0)	1.00	88
When state funding streams are reduced, ensure that state funding and grants are available to incentive municipalities that engage in voluntary cooperation	36.4% (32)	51.1% (45)	9.1% (8)	3.4% (3)	0.0% (0)	1.00	88
Create a central database about municipal characteristics that enables municipalities to efficiently determine compatibility about the sharing or consolidating of services with another municipality	25.0% (22)	60.2% (53)	11.4% (10)	3.4% (3)	0.0% (0)	1.00	88
Enable local governmental entities to disincorporate as an intermediate step to merger or consolidation	24.1% (21)	42.5% (37)	17.2% (15)	6.9% (6)	9.2% (8)	1.00	87
Consider the provision of technical assistance to COGs that lack the technical capacity to assist with shared service agreements	27.6% (24)	49.4% (43)	18.4% (16)	2.3% (2)	2.3% (2)	1.00	87
Utilize and expand upon existing templates and legal source documents to lower barriers for municipal cooperation agreements	24.1% (21)	62.1% (54)	9.2% (8)	1.1% (1)	3.4% (3)	1.00	87
					answered question		88
					skipped question		30

14. Challenge 4: What 'achievable changes' to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Continue education for investment officers	16.1% (14)	50.6% (44)	21.8% (19)	8.0% (7)	3.4% (3)	1.00	87
Consolidate pension plans administration within PMRS (the Pennsylvania Municipal Retirement System)	23.5% (20)	29.4% (25)	36.5% (31)	8.2% (7)	2.4% (2)	1.00	85
Revise the state aid formula to freeze the unit cost reimbursement at its current rate, require all plans to pay a portion of pension costs, and place leftover revenues in a pool for merit-based distribution to distressed municipal plans	17.4% (15)	19.8% (17)	39.5% (34)	10.5% (9)	12.8% (11)	1.00	86
Prohibit underfunded pension plans from increasing benefits	60.5% (52)	25.6% (22)	5.8% (5)	5.8% (5)	2.3% (2)	1.00	86
					answered question		88
					skipped question		30

16. Challenge 5: What 'easily implemented' policy tools are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Utilize legal services offered through COGs	17.4% (15)	44.2% (38)	31.4% (27)	5.8% (5)	1.2% (1)	1.00	86
Implement joint contract agreements such as integrating energy purchases	36.9% (31)	57.1% (48)	3.6% (3)	1.2% (1)	1.2% (1)	1.00	84
answered question							87
skipped question							31

17. Challenge 5: What 'achievable changes' to current laws/administration options are the most useful? Please rank each option.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Create possible Marcellus Shale revenue options at the state level	54.5% (48)	25.0% (22)	9.1% (8)	9.1% (8)	2.3% (2)	1.00	88
Perform solid waste collection bids	22.4% (19)	50.6% (43)	17.6% (15)	8.2% (7)	1.2% (1)	1.00	85
Provide technical assistance to local governmental officials in order to gain a greater understanding about the regulations surrounding Marcellus Shale	29.5% (26)	44.3% (39)	15.9% (14)	9.1% (8)	1.1% (1)	1.00	88
						answered question	88
						skipped question	30

18. Challenge 5: How useful is this 'controversial' change to current laws/administration options? Please rank this policy tool.

	Most Useful	Useful	Least Useful	Not Applicable	Not Familiar With Policy Tool	Rating Average	Response Count
Implement tax base sharing	19.5% (17)	43.7% (38)	18.4% (16)	2.3% (2)	16.1% (14)	1.00	87
						answered question	87
						skipped question	31



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