

May 13, 2009

Ms. Judy Schwank
President and CEO
10,000 Friends of Pennsylvania
200 North Third Street, 4th Floor
Harrisburg, PA 17101-1513

Dear Ms. Schwank:

The Pennsylvania Economy League, Central PA Division, is pleased to submit the attached report of Merger/Consolidation Review Case Studies.

Municipal and school district officials and a variety of others contributed greatly to the preparation of the study, and their assistance is acknowledged and appreciated. However, the responsibility for any statement of fact or opinion rests solely with the Pennsylvania Economy League.

It is hoped that the findings of this report will be of assistance to TeamPA and 10,000 Friends of Pennsylvania.

Sincerely,

Gerald E. Cross
Executive Director

GEC/blc
Enclosures

**MUNICIPAL MERGER/CONSOLIDATION AND
SHARING OF SERVICES
2009**

**Prepared for Team Pennsylvania Foundation and
10,000 Friends of Pennsylvania**

Made Possible by a Grant from the Team Pennsylvania Foundation

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EXECUTIVE SUMMARY

In Pennsylvania, local government is a product of history and development in the Commonwealth and of the unique evolution of this governmental structure. The distinguishing feature of local government in Pennsylvania is that there is no unincorporated territory; that is, all land in the Commonwealth is organized under and is governed by a specific local government unit. These local government units are then classified as counties, cities, boroughs, and townships.

In the Commonwealth, according to the Department of Community and Economic Development (DCED), there are 67 counties, 56 cities, 959 boroughs, 92 first class townships, 1,455 townships of the second class, and one town. Excluding counties, only 249 of these municipalities have a population of 10,000 or above. In Pennsylvania, the historical trend in local government has been to encourage the creation of more units of local government rather than a reduction in number.

The relative occurrence, utility, and patterns of municipal boundary change have evolved over the years as Pennsylvania's local governments have responded to the social, economic, and demographic changes that have impacted the Commonwealth. Municipal boundary change is a function of the perceptions of citizens and practices of the local government system, and as these perceptions have changed so has the practice of boundary change.

Annexation in most states involves the incorporation of territory into an existing municipal entity, usually a city taking in unincorporated land within a county to contain and control growth and development. In Pennsylvania, because there is no unincorporated territory, annexation involves the taking of the incorporated territory of one municipality by another municipality.

Merger is the combination of two or more municipalities that results in the termination of all but one of the municipalities. The remaining municipality assumes jurisdiction over the municipalities which have been terminated.

Consolidation is a combination of two or more municipalities which results in the termination of each of the municipalities consolidated and the creation of a new municipality which assumes jurisdiction over all of the municipalities which have been terminated.

Boundary change, involving as it does the diverse activities of annexation, merger, and consolidation, has changed as patterns of growth have ebbed and flowed across the Commonwealth.

As Pennsylvania was settled, the township was historically the initial form of local government, established to provide minimal services (primarily roads, assessments, and tax collection) to a sparse and disbursed population. As suburban and exurban areas developed, particularly after the advent of the commuter train and the automobile, the townships where these developments frequently took place began to lose territory, population, and tax base to the cities and boroughs through annexation.

The issue of boundary change at the 1967 Constitutional Convention was discussed in the context of two dissimilar factors: in the continuing efforts of the townships to protect their interests from annexation, merger, or consolidation; and the then current trend of a national reform movement in local government that emphasized expanded governmental authority for regional, metropolitan, or county based governments with expanded jurisdictions and home rule authority. The General Assembly did not pass uniform boundary change legislation until 1994. The Municipal Consolidation or Merger Act is the general and uniform law controlling merger and consolidation. Annexation is not addressed in this legislation; initiative and referendum remain as the exclusive avenue for this type of boundary change and the Act contains the processes by which municipalities may merge or consolidate. The essential feature in the legislation is that neither merger nor consolidation can take place without an affirmative vote by all those voting in each municipality involved in a merger or consolidation.

School District Merger

During the school year 1958-59, Pennsylvania had 2,361 school districts. Of this number, 146 districts had fewer than 2,000 pupils enrolled; 1,599 districts had fewer than 1,000 children. A study of school organization in Pennsylvania was conducted by the Governor's Committee on Education and as a result of this study, the Commonwealth enacted Act 561 of 1961, which mandated the size and structure of Pennsylvania's school districts. After the consolidation of the school districts by the Commonwealth, further school consolidation and merger activity became nonexistent. By 2007, approximately 75 percent of Pennsylvania's 501 school districts enrolled fewer than 2,500 pupils. Unlike municipalities, there is no special

legislative act similar to the 1994 municipal boundary change legislation that applies to school districts. Several sections of the Public School Code establish basic procedures for a merger of school districts and the involvement of the State's Board of Education.

Case Studies of Municipal and School District Mergers

The case studies detailed in this report represent a sample of recent attempts at municipal and school district consolidation or merger that have taken place in the Commonwealth since the passage of the Municipal Consolidation or Merger Act. Most attempts at municipal merger and consolidation since the passage of the Act have not been successful, while some of those that have succeeded have done so on the second or third attempt. Given the interest and the predilection by economic development and business leaders to equate consolidation or merger with municipal reform, the observations gleaned from this study are particularly relevant to the continued discussions on the future of municipal government in the Commonwealth.

As detailed in the case studies, the impetus for consolidation or merger is often financial; one of the municipalities is usually experiencing significant fiscal issues or is not providing significant services to its residents. The municipal merger or consolidation process as currently required by the Act allows many opportunities for opponents to be able to prevent a municipal merger or consolidation. The joint ordinance effecting a merger or consolidation must be voted on and approved by the respective councils, commissioners, or supervisors at least 13 weeks before the election in order to be placed on the ballot. Defeat of the proposed ordinance by one municipality ends the process. Thirteen weeks following a many months long process of discussion and meetings is a long time to sustain support and enthusiasm for merger or consolidation and ample time for opponents to marshal significant opposition.

Municipal mergers or consolidations in Pennsylvania simply are not easy to accomplish. The process is laborious and there are many steps along the way where opponents can easily stop the effort. The Commonwealth, through its agencies, offers little in the way of assistance beyond encouragement and grants to pay for part of the process and nothing in the way of financial incentives to encourage municipalities to attempt the process. The Municipal Consolidation or Merger Act provided legislative reinforcement of the past practices that have effectively prevented mergers and consolidations from taking place.

The changing demographics and economics of Pennsylvania's school districts have recently brought increased attention to locally shared services, mergers or consolidations, especially under the 2009-10 Governor's Proposed Budget and its goal of reducing the number of school districts. Some sharing discussions are driven by a declining tax base or decreasing enrollments, others by a desire on the part of communities or school districts to maintain or expand municipal or academic programs.

The process to complete a merger of school districts differs from the municipal process because no public referendum is required to approve the merger. The merger of two districts is at its root a merger of the educational delivery of a state supported function of public education. School districts in Pennsylvania share much more in common with each other due to the common mandates and regulatory oversight of the Commonwealth's Department of Education (PDE). State funding and oversight has created common accounting and reporting requirements that do not exist in the municipal sector. The school district merger process contains four public votes by representative boards (school boards) and does not directly involve the public except through public meetings and hearings for public comment.

Sharing Services as Alternative to Merger

While incorporation boundaries define the municipal area and often its identity, incorporation boundaries also limit the tax base potential as well as define the service boundaries for citizens. Municipal service sharing in Pennsylvania occurs in all operations of government, from police and fire contracting among municipalities or regional departments serving multiple communities to the sharing of heavy highway equipment, joint bidding of road construction and pavement repairs and even free snow plowing by the larger municipality to the residents of the smaller municipality within its borders.

The Commonwealth can modify the same basic municipal merger/consolidation procedure to allow for the provision of shared municipal services through a special purpose service delivery area that provides services without regard to municipal boundaries but operates with a unified budget funded by special purpose taxes levied uniformly on member municipalities. Approval by public referendum to create such districts may not be necessary and could be adopted with mutual municipal board approval and state agency approval as surrogates for the public referendum as is the case in school district mergers. The use of special purpose

taxation is currently allowed under the Home Rule and Optional Plans Law and this use would need to be expanded legislatively to finance special purpose service districts without the prerequisite of a Home Rule Charter.

Structural consolidation/merger is a complex and time consuming process, with a high probability of failure based on the historical record. On the other hand, functional consolidation presents more realistic and significant opportunities to share services as opposed to structural consolidation. The requirements for boundary change are onerous and require majority consent in all municipalities affected by the proposed change. In relatively large metropolitan areas for example, consolidating or merging a wide variety of local governments into a single municipality is not a politically feasible solution. Multi-municipal consolidation/merger is thus not a viable alternative for promoting regional cooperation in the Commonwealth's major metropolitan areas.

Functional consolidation, like structural consolidation/merger, may not automatically result in cost savings. Although both functional consolidation and structural consolidation may eliminate redundant municipal services and eliminate certain staff, the immediate necessity of bringing all existing collective bargaining agreements up to the level of the highest paying entity; the practical necessity of merging pension plans and eliminating multiple plan administrators; the practical necessity of both maintaining a number of employees to provide existing service and to extend those employees to increase service activity into areas with no existing service often makes the initiation of shared services marginally less expensive. **However, over time, a shared service provision maintains or improves the service by providing a higher and broader level of service at a cost that is collectively reduced for the amount of services provided.**

Saving the service, or, perhaps more pointedly, providing and expanding the service to more citizens has been the experience of shared service activities in the Commonwealth. In regional police forces in such areas as Stroud Regional and Pocono Mountain Regional (Monroe County), and Berks/Lehigh Regional (Berks and Lehigh counties), the initial effort focused on providing efficient and effective policing in areas where the service was limited or non-existent. As the regional forces became operational, police service developed in quality and professionalism, and expanded to serve new municipalities. The costs to the original municipal members remained in line with what the expense of providing the separate police force would

have been over time. In most cases when new member municipalities join a regional police force, the overall initial expense was significantly less than the cost to start a new service from scratch in that municipality.

School District Merger Checklist

PEL has prepared a School District Consolidation Checklist for the Pennsylvania School Boards Association that provides, in extensive detail, a guide for any school district to use as the “due diligence” in evaluating a potential consolidation effort with another district(s).

This Consolidation Checklist was developed partially in response to the lack of available resources noted in the Center-Monaca school consolidation effort as outlined in the case study in Appendices. This checklist allows school districts time to do a thorough evaluation to examine their options with respect to consolidation. As with municipalities, school districts can merge or consolidate as a structural consolidation, or enter into functional consolidation efforts with other school districts. The use of the PEL developed checklist will enable a school district to assemble the necessary data to provide the basis for an informed decision on a potential structural or functional consolidation.

The processes developed by PEL for the school district consolidation/merger checklist can also be adapted to the municipal consolidation/merger process. The feasibility studies prepared for the municipal consolidation/merger efforts examined in the three municipal case studies in this study are examples of the “due diligence” effort that would result from the application of the processes detailed in the checklist.

Role of the Commonwealth

The Commonwealth should enact legislative changes and provide fiscal incentives to directly support regional cooperation and shared services among local governments. Commonwealth financial incentives and legislative authorization of tax base sharing can lead to greater functional consolidation and to increased structural consolidation.

As a start, the General Assembly should undertake a systematic review of municipal legislation, including the current county code and the municipal codes that govern the basic structure and function of local government in the Commonwealth. The county code and the

various municipal codes often cause financial impediments to regional cooperation and to the sharing of municipal services.

The General Assembly should consider amending county and municipal codes to establish procedures to permit “disincorporation” of municipal governments that cannot provide a basic level of public safety and public infrastructure services. The General Assembly would have to define what constitute the basic levels of public safety and public infrastructure service provision. At some point though, a local government that exists only to collect minimal taxes to support its governing board and a minimal level of administrative activity cannot be considered a service providing general purpose unit of government and would be dissolved as a government.

Pennsylvania has 2,563 units of municipal government, not including counties, school districts, and municipal authorities. All of these units of local government are general purpose units and are incorporated entities with the authority to provide the full range of local governmental services and to levy the taxes and raise the necessary revenue to support this service provision. The municipality is the local government tool to regulate the quality of life in its governing area. The municipality has the power of ordinance to promulgate safety and health regulations through ordinances to protect its citizens and to regulate the use of public and private property in its jurisdiction.

Of these 2,563 units of municipal government, only 249 or 9.7 percent, have a population of more than 10,000, according to the 2000 census. Several states, including neighboring New Jersey, have used the 10,000 population figure as a baseline for determining the minimum size of a viable unit of local government.

However, an arbitrary population figure for a unit size of government does not consider the wide range of geography, demographics, and cultural history that is reflected in Pennsylvania local government. While it may be argued that Pennsylvania has the proper amount of local government units as favored by its citizens, it may also be argued that there are too many providers of local government services to satisfy the requirements of those same citizens. Any attempt to revamp the provision of municipal services must recognize the validity of municipal boundaries but cannot be limited to the same municipal provider of services within those boundaries.

The most significant change that the General Assembly could institute with respect to multi-municipal service provision would be to significantly expand the powers and duties of

Pennsylvania counties as units of local government. Pennsylvania counties as currently structured reside in a “no man’s land” of powers, duties, and obligations as a municipal entity. Redefining the municipal services of the disincorporating nonviable municipalities, and providing incentives for area-wide provision of municipal services should be the goal for any consolidation of future municipal boundary change legislation.

CHAPTER 1

INTRODUCTION

Historical Background

Boundary change in Pennsylvania, whether that change takes the form of annexation, merger, or consolidation, is both the result of and the progenitor of the fragmented system of local government structure in the Commonwealth. In Pennsylvania, local government is a product of history and development in the Commonwealth and of the unique evolution of this governmental structure.

The distinguishing feature of local government in Pennsylvania is that there is no unincorporated territory; that is, all land in the Commonwealth is organized under and is governed by a specific local government unit. These local government units are then classified as counties, cities, boroughs, and townships. Each of these units, except for boroughs is further divided into “classes” according to population. Thus, in Pennsylvania, there are:

- eight classes of counties;
- cities of the first class, second class, second class A, and third class;
- boroughs; and
- townships of the first and second class.

According to the Department of Community and Economic Development (DCED), there are 67 counties, 56 cities, 959 boroughs, 92 first class townships, 1,455 townships of the second class, and one town in the Commonwealth. Excluding counties, only 249 of these municipalities have a population of 10,000 or above. In Pennsylvania, the historical trend in local government has been to encourage the creation of more units of local government rather than a reduction in number.

Boundary change: Annexation, Merger, and Consolidation

The relative occurrence, utility, and patterns of municipal boundary change have evolved over the years as Pennsylvania’s local governments have responded to the social, economic, and demographic changes that have impacted the Commonwealth. Municipal boundary change is a

function of the perceptions of citizens and practices of the local government system, and as these perceptions have changed so has the practice of boundary change.

Annexation in most states involves the incorporation of territory into an existing municipal entity, usually a city taking in unincorporated land within a county to contain and control growth and development. In Pennsylvania, because there is no unincorporated territory, annexation involves the taking of the incorporated territory of one municipality by another municipality.

Merger is the combination of two or more municipalities which results in the termination of all but one of the municipalities to be merged with the surviving municipality assuming jurisdiction over the municipalities which have been terminated. Consolidation is a combination of two or more municipalities which results in the termination of each of the municipalities to be consolidated and the creation of a new municipality which assumes jurisdiction over all of the municipalities which have been terminated.

Boundary change, involving as it does the diverse activities of annexation, merger, and consolidation, has changed as patterns of growth have ebbed and flowed across the Commonwealth. As Pennsylvania was settled, the township was historically the initial form of local government, established to provide minimal services to a sparse and disbursed population, primarily roads, assessments, and tax collection. As urban settlements developed, these areas required a different government structure to provide more diverse governmental services such as public safety, sanitary services, and land use regulation. These urban services were provided by “incorporated” cities and boroughs.

As suburban and exurban areas developed, particularly after the advent of the commuter train and the automobile, the townships where these developments frequently took place began to lose territory, population, and tax base to the cities and boroughs through annexation. First class townships were established to allow townships with relatively dense residential populations to provide the necessary municipal services to their residents. In effect, first class townships enabled those developing suburban communities to become general purpose municipalities, and to have the ability to legally resist annexation by neighboring cities and boroughs. With the continued rapid growth and dispersion of the population after World War II, townships of the second class became general purpose units of government as well and annexation gradually lost

its relevance as a tool of boundary change and merger and consolidation became the preferred means to combine municipal units.

1967 Constitutional Convention

The issue of boundary change at the 1967 Constitutional Convention was discussed in the context of two dissimilar factors: in the continuing efforts of the townships to protect their interests from annexation, merger, or consolidation; and the then current trend of a national reform movement in local government that emphasized expanded governmental authority for regional, metropolitan, or county based governments with expanded jurisdictions and home rule authority. Both of these trends ran as cross currents against the historical structure and self-interest of Pennsylvania's municipal governments.

The Commonwealth's larger cities and boroughs argued for modern annexation laws to allow them to provide urban services to the extended populations that were expanding beyond their borders into the new suburban areas. The rural townships, faced with losing area and tax base, resisted the attempts to "reattach" the disbursing populations into the older urban areas.

The local government reform trend was perceived by the townships as another vehicle to allow the urban government units to reach out and recapture the population and tax base that were migrating to the townships. Local government reform was viewed as another means of expanding the governing reach of the old cities and boroughs into township territory.

Boundary change conflicts at the Constitutional Convention were ultimately resolved in favor of the municipalities opposed to easy changes of boundary. The language of Article IX, Section 8 of the revised Constitution mandated that the General Assembly enact uniform legislation for boundary change within two years of approval of the Constitution. **This action also provided a guarantee that the voters of all local units of government shall have a voice in any boundary change, utilizing initiative and referendum as a process to begin and to approve or disapprove boundary change. The Department of Community and Economic Development was directed to provide assistance to municipalities seeking boundary change.**

Post 1968 Convention Implementation

The 1968 amended Constitution now required the General Assembly to adopt uniform boundary change legislation. This task resulted in the continuation of the “old” battles between the urban cities and boroughs, and the rural and suburban townships of the second class.

The urban cities and boroughs continued to endorse the ideas that annexation, merger, and/or consolidation were the wave of future reform and also the best practical way to provide government services to the changing population distribution. The townships of the second class, on the other hand, opposed any authorization for boundary change without the approval of all the voters in the entire municipality before any boundary change could be affected. The General Assembly failed to enact uniform boundary legislation by the constitutional deadline of 1970.

In 1973, the Commonwealth Court ruled that the language of Article IX, Section 8 of the 1968 Constitution was mandatory requiring that the General Assembly adopt uniform legislation within the original two year deadline. Failure of the General Assembly to enact uniform boundary change legislation abrogated all pre-existing non-uniform legislation. This failure meant that the constitutional provision for initiative and referendum was the sole procedure for any boundary change in the Commonwealth.

The General Assembly did not pass uniform boundary change legislation until 1994. That legislation, the Municipal Consolidation or Merger Act, is the general and uniform law controlling merger and consolidation. Annexation is not addressed in this legislation; initiative and referendum remain as the exclusive avenue for this type of boundary change and the Act contains the processes by which municipalities may merge or consolidate. The essential feature in the legislation is that neither merger nor consolidation can take place without an affirmative vote by all those voting in each municipality involved in a merger or consolidation.

School District Consolidation

Background

During the school year 1958-59, Pennsylvania had 2,361 school districts. Of this number, 146 districts had fewer than 2,000 pupils enrolled; 1,599 districts had fewer than 1,000 children. A study of school organization in Pennsylvania was conducted by the Governor’s Committee on Education during this period.

As a result of this study, the Commonwealth enacted Act 561 of 1961, which addressed the size and structure of Pennsylvania's school districts. Act 561 stated that school districts should have at least 4,000 pupils except where topography, transportation, and other factors require smaller districts. The act also prohibited the operation of districts with fewer than 2,500 pupils except in seventh and eighth class counties.

The governor's commission on education drew the conclusion that, except for areas with the sparse population such as the seventh and eighth class counties, school districts should not have fewer than 2,500 pupils enrolled. Act 299 of 1965 enacted the results of this study into operation and mandated the reduction in the number of the Commonwealth's school districts from 2,361 to 501.

After the consolidation of the school districts as mandated by the Commonwealth, school consolidation and merger activity became nonexistent. By 2007, approximately 75 percent of Pennsylvania's 501 school districts enrolled fewer than 2,500 pupils.

School districts in the Commonwealth are governed by the Pennsylvania Public School Code of 1949 as amended and other legislation, by regulations of the State Board of Education, and by standards of the State Department of Education. These laws, regulations, and standards impart a considerable amount of discretionary power to locally elected school boards and district superintendents. School districts in Pennsylvania represent a mixture of Commonwealth authority and local status as a school district, as well as status as a "government" entity with taxing powers similar to local municipalities in the Commonwealth. Indeed, school districts collect approximately 60 to 70 percent of all local real estate taxes levied in the Commonwealth.

Process for School District Merger or Consolidation

Unlike municipalities, there is no special legislative act similar to the 1994 municipal boundary change legislation that applies to school districts. Several sections of the Public School Code establish basic procedures for a merger of school districts and the involvement of the State's Board of Education. These procedures can be summarized as follows:

- A majority vote (5 of 9 members) of all boards involved is required;
- An application must be filed with the Secretary of Education;
- The State Board of Education must approve the application. Approval is to be granted by the State Board of Education as it deems appropriate and in the best interests of

- the education system of the Commonwealth. If the State Board of Education does not approve, the application must be referred to the applying districts for resubmission in accordance with the recommendations of the State Board of Education;
- The Secretary of Education issues a certificate creating the new school district. The certificate lists the district name, components, classification, and the effective date of operation.

Other sections of the Public School Code that affect mergers of school districts includes sections for the treatment of existing indebtedness of the merged school districts, provisions for the amicable adjustment and apportionment of debt and property, and provisions for the election of school directors in the merged district.

As part of the process of voting to approve a merger, the boards of the merging complement school districts must agree on at least six items:

- The name of the school district;
- The name of the superintendent, salary, and length of contract;
- The administrative structure of the district;
- The buildings to be operated by the district;
- Which area vocational technical school the new Districts' pupils will attend; and
- The timeframe for the merger.

As of the writing of this report, there have been two recent attempts at merging school districts; Center and Monaca in Beaver County and Halifax and Millersburg in Dauphin County. The merger of Center and Monaca was recently approved by both school boards and the State Board of Education; the boards of Halifax and Millersburg decided not to pursue additional steps to complete the merger but did decide to partner in educational and other relevant activities as much as practical.

CHAPTER 2

SCHOOL DISTRICT AND MUNICIPAL MERGER/CONSOLIDATION

The case studies detailed in this report represent a sample of recent attempts at municipal and school district consolidation or merger that have taken place in the Commonwealth since the passage of the Municipal Consolidation or Merger Act (53 Pa. C.S. Chapter 7). Most attempts at municipal merger and consolidation since the passage of the Act have not been successful, while some of those that have succeeded have done so on the second or third attempt. Given the interest and the predilection by economic development and business leaders to equate consolidation or merger with municipal reform, the observations gleaned from this study are particularly relevant to the continued discussions on the future of municipal government in the Commonwealth.

Municipal Studies

The case studies with regard to municipal merger or consolidation examine the most commonly seen combination of municipalities. The attempts at consolidation or merger usually involve a township (usually of the second class) and a borough, or two boroughs that are contiguous to each other. Seldom are cities and first class townships or more than two municipalities involved, although one of the case studies began with three participants.

As detailed in the case studies, the impetus for consolidation or merger is often financial; one of the municipalities is usually experiencing significant fiscal issues or is not providing significant services to its residents. Sometimes the process is started by a remark by a municipal official at a public meeting, a remark that is repeated in the press coverage leading to further examination of the issue; at other times, the initial discussions occur among municipal leaders at other informal local events. Often the initial inclination of the parties involved is to suggest a consolidation or merger.

In the case studies in this report, the Commonwealth and two of the home counties of the municipalities paid to have the feasibility studies and facilitation performed by PEL to examine the potential of the proposed mergers or consolidations. None of the case study municipalities paid any fees or contributed to the preparation of the fiscal feasibility studies, although some

other merger municipalities have had to pay up to fifty percent of the cost of the facilitation and study.

As detailed in the case studies, the feasibility reports for each proposed merger or consolidation were detailed and examined the potential fiscal impact of the proposed merger or consolidation. Participants in these case studies remarked that PEL's reports were objective, detailed, and informative without providing endorsement or dissent on the appropriateness of the actions; participants commented that PEL could have or should have been more aggressive in presenting the positive conclusions of the reports, particularly when those results demonstrated the fiscal benefits of the proposed merger or consolidation.

School District Study

School Districts merger or consolidation was essentially a non-issue in the Commonwealth after the conclusion of the mandated school districts mergers in the late 1960s and early 1970s. The Municipal Consolidation or Merger Act does not apply to school districts; the merger or consolidation procedure is contained in the Public School Code (Act of 1949, P.L. 30, No. 14 Revised December 1, 2006).

There had been sporadic activity in school districts related to mergers or consolidations, but little of this activity extended beyond the discussion stage or the preparation of a preliminary feasibility study. There was a "hangover" from the process of the 1960's when the Commonwealth mandated the merger or consolidation of over 2,000 school districts into the 501 districts that remained. The long hiatus in merger or consolidation in the school district environment was broken by the involvement in the Center Area and Monaca school districts and by similar activity in other school districts.

Process for Municipal Merger or Consolidation

The municipal merger or consolidation process as currently required by the Act allows many opportunities for opponents to be able to prevent a municipal merger or consolidation. The respective councils, commissioners, or supervisors must vote to authorize the joint commission to begin the merger or consolidation study process. The same respective councils, commissioners, or supervisors can vote at anytime during the study process to withdraw and end participation. At the conclusion of the study process, the same councils, commissioners, or

supervisors must each accept the findings of the commission and authorize their respective solicitors to prepare an identical ordinance to be approved prior to its placement on the ballot. The joint ordinance must be voted on and approved by the respective councils, commissioners, or supervisors at least 13 weeks before the election in order to be placed on the ballot. Defeat of the proposed ordinance by one municipality ends the process. **Thirteen weeks following a many months long process of discussion and meetings is a long time to sustain support and enthusiasm for merger or consolidation and ample time for opponents to marshal significant opposition.** (See Table 1.)

Table 1 Municipal Consolidation or Merger By Joint Committee Process and Required Public Votes			
Action	Public Votes Required	Results	
Two municipalities vote to prepare Joint agreement to effectuate merger or consolidation	Two	Proceed to form Joint Committee	If one No vote, end process
Joint Agreement Committee meets and prepares agreement	None	Reports to Municipalities for action on joint ordinance creation	
Municipalities vote to accept joint agreement and proceed to draft ordinance	Two	If two Yes votes proceed to authorize identical ordinances	If one No vote, end process
Solicitors prepare identical ordinances of agreement	None		
Vote to accept and advertise ordinances	Two	If two Yes votes proceed to ordinance vote	If one No vote, end process
Vote to approve ordinances	Two	If two Yes votes proceed to Referendum	If one No vote, end process
Referendum	Two	If two Yes votes proceed to Merger or Consolidation	If one No vote, end process
Total Public Votes required by governments		Eight	
Referendums		Two	
Total Voting Requirements for Two Municipalities		Ten	
Total Voting Requirements for Three Municipalities		Fifteen	

A citizen’s initiative petition can also be used to have the question of merger or consolidation placed on the ballot; under this process, electors totaling five percent or more of the voters in the most recent gubernatorial election sign a petition to place the ordinance outlining the merger or consolidation to a vote of referendum. This initiative takes less time than the joint committee process, but the same ordinance detailing the form and function of the merged or consolidated municipalities must be the basis of the public question. (See Table 2.)

Action	Public Votes Required	Results	
Circulate Petitions	None	Petitions for each municipality involved must be signed by 5% of voters in last gubernatorial election	Proceed to public referendum
Referendums	Two	If two majority Yes votes merge or consolidate	If one majority No vote, end process
Total Public Voting Requirements	Two		
Note: The form of the proposed government must still meet the requirements of the Municipal Consolidation or Merger Act.			

Commonwealth Financial Support

Once a decision to merge or consolidate is made, the lack of further substantial financial support from the Department of Community and Economic Development (DCED) or any other agency of the Commonwealth was identified as a critical shortcoming of the present consolidation or merger process. While DCED has often paid for part or all of some of the feasibility studies conducted for proposed mergers or consolidations; the Commonwealth has not contributed directly to offset the resultant costs of mergers or consolidations. These reported costs over time are significant, often totaling in excess of \$100,000, with most occurring within the first few years of the operation of the new municipality. In addition, neither DCED nor other agencies of the Commonwealth offer grants or other forms of financial incentives, particularly with regard to capital items, to the new municipalities. Although the initial motivation for the process itself often is the fiscal difficulty of one of the parties to the process, there are no financial incentives to merge or consolidate.

Municipal Identity

Loss of identity on the part of a merged or consolidated municipality was often mentioned by the case study participants as an obstacle to success. Loss of identity involved many factors, including the political impact on a municipality as it lost its own governing body and municipal officials. Loss of identity also involved in many respects the fear that the uniqueness of a particular community would be swallowed up in the merger or consolidation. This loss of identity was particularly evident in communities where a peculiar or particular institution such as the library, volunteer fire company, post office, athletic or sports team, or other civic identifier was perceived as crucial to the community.

Tax Considerations

It is often assumed that a merger or consolidation will result in the creation of efficiencies in the delivery of services based upon economies of scale. The studies reflect that in the financial review of the partners, service levels and tax rates are often not identical and therefore adjustments to tax rates and service delivery are necessary. In PEL's broader experience beyond the immediate case studies, if there is a requirement to raise millage rates in one partner of a merger or consolidation effort, there is little likelihood of the parties progressing past the initial review of finances to a public vote. Nonetheless, the increase or decrease in a tax rate can not always be assumed to be predictive of the ultimate success or failure of a merger or consolidation process. The record of the case studies on tax increases is that one of the successful mergers would have involved a tax increase on one partner – a school district merger that did not require a public referendum; of the municipal studies, two which had potential tax decreases were split (one as a success and one failed); and the municipal study that had a tax increase was offered to the voters at a public referendum at which it was defeated. (See Table 3.)

Partners	Municipal Type	Expected Outcome	Tax Impact	Public Referendum
Susquehanna /Oakland	Boroughs into new Borough	Consolidation	Taxes rise in one	Fail
Spring/West Lawn	Borough into Township	Merger	Taxes fall in one	Pass
Hopewell/Newburg	Borough into Township	Merger	Taxes fall in one	No public vote
Center Area/Monaca	School Districts	Merger	Taxes rise in one district	Accepted without public Referendum

Other Factors

Many legal and technical factors that are a function of municipal government in Pennsylvania that are beyond the equalization of taxes must also be considered in a merger or consolidation attempt. Combining separate pension plans and their associated funded or under funded status, separate collective bargaining agreements in the case of a merger or negotiating new agreements in the case of consolidation, loss of the elected tax collector position in the case of a merger or the disposition of the current tax collectors in a consolidated entity are all items that may not be seen as relevant or much understood by the public or local officials but must be addressed before any joint agreements are crafted. Other factors that work against the success of any merger or consolidation proposal are often unique to the particular circumstances and characteristics of the municipalities involved. These factors include:

- the personalities of the elected officials;
- the attitudes and support or nonsupport of the proposed merger or consolidation by the business community;
- the support or nonsupport of the process by influential non-elected officials such as a police chief or municipal manager;
- support or nonsupport of the process by the local news media; and,
- disparate factors which no legislative intent could anticipate as impacting a merger or consolidation.

Other Civic and Financial Involvement

As was evident from discussion with participants of the case studies, there must be a degree of civic involvement or education as to the effects of an attempt to merge or consolidate municipalities. The current enabling legislation provides an apparently straightforward approach, but an approach that provides many opportunities for the process to be terminated prior to a public referendum. The public transparency of the current process is a desired part of public deliberations. However, it is in the nature of local government in Pennsylvania that every municipality is sovereign and a merger or consolidation will result in a loss of local oversight as perceived by some group. Therefore, successful mergers have hinged not on the pursuit of increased efficiency or effectiveness in local government, but have relied upon common shared histories, demographics, cultural identity, or a common threat that required a unified response.

Commonwealth policy has been to encourage the merger or consolidation of municipalities to provide for efficient and effective government at the local level. It has not been Commonwealth policy to promote mergers financially beyond the initial grants to help pay for the study process. In PEL's experience, the funding from the Commonwealth for assistance to a municipality may total less than \$20,000 for a successful merger. Beyond that, PEL has not been able to identify direct incentives from the Commonwealth that have a large enough financial reward to overcome the perceived negatives of a local merger or consolidation.

Therefore, in any broad scale attempt to "incentivize" or even to outright mandate mergers or consolidations, serious consideration must be given to funding significant and ongoing investments in the merged community, from costs of consolidating ordinances, integrating public works facilities and equipment, disposition or adaptive reuse of public structures and facilities as well as the costs of reducing staff where possible or integrating staff into new responsibilities or higher pay employment contracts. As was seen in a case study, local delivery of public services e.g. snow plowing, can vary significantly even among closely knit neighbor communities and these differences must be addressed or paid for at some point.

Municipal mergers or consolidations in Pennsylvania simply are not easy to accomplish. The process is laborious and there are many steps along the way where opponents can easily stop the effort. The Commonwealth, through its agencies, offers little in the way of assistance beyond encouragement and grants to pay for part of the process and nothing in the way of financial incentives to encourage municipalities to attempt the process.

The Municipal Consolidation or Merger Act provided legislative enactment of the past practices that have effectively prevented mergers and consolidations from taking place.

Citizen's Attachment to Local Government

In 2005, PEL instituted a statewide series of public focus groups as part of the Structuring Healthy Communities project which focused on municipal fiscal health and citizen's perception of their local governments. A review of the results of that study and focus groups is useful to any discussion of consolidation or merger of local government as insight into the possible causes of failure or success from a citizen's viewpoint.

The Roots of Attachment: Representation and Responsiveness

Citizens' attachments to their local governments arise from their notions of governmental representation and responsiveness. Citizens equate local governments with the local elected officials that run them. Importantly, local officials can't get re-elected if people are angry about their policies or performance. It would seem that those who prefer local government are concerned about losing their representation and funds.

The local government is visible and its officials are part of the local community. Citizens often said that local officials are "people like us" who are always available. Local governments are a reflection of the people who live there. The sentiment seems to be, "the more local people are involved, the better it is."

Local governments represent community norms and standards in a way that the state government cannot. Each municipality reflects and nurtures the particular character of the local area in a way the state could not, citizens frequently said. Local government knows what is happening locally, is always nearby, and doesn't make decisions that are simply "by the book" as perhaps more distant officials might.

In listening to their comments, it appears that citizens cannot envision how the world would work without local governments. In fact, the groups' discussions suggest that local government exists prior to the state for most citizens, i.e., the

state functions to support local governments, not vice versa. **Citizens do not know a great deal about their local governments. In fact, they don't seem to spend much time at all thinking about their local governments.** They can identify some services they offer, and they understand they pay taxes to support those services, but many are not even sure what local governments do or how they can learn more about what they are doing. The protective services that local governments provide are most important to citizens.

Citizen's View: Helpful and Less Wasteful

There are some sentiments expressed in the focus groups that local governments are wasteful and may indeed be expensive to a degree, but further discussion suggested that the waste and expense is smaller in scale than at the state level. All levels of government are wasteful, according to citizens, but the waste increases in scale as the level of government becomes farther removed from the local level.

The focus groups identified a number of key issues that are important to understand as attempts are made to make a case for consolidating municipal government services. Perhaps the most important finding of this research relates to the source of citizens' attachments to their local governments: notions of representation and the concomitant benefits, especially responsiveness. At the moment, citizens feel positively about how they are represented locally and how that representation is translated into responsiveness. **They currently do not see much reason to change how things operate.**

The groups also expressed little concern about the cost of local government. There was some discussion of taxes, but no real concern about the cost of local governments. **Expensive is not a word that is frequently heard nor frequently used as a descriptor of local government.** In fact, when local taxes are discussed as expensive it is usually in the context of school taxes. On top of this, there is scant knowledge and concern about the level of distress facing local governments in the state outside of urban areas. Citizens do not seem to understand how distressed many municipalities are.

School District Merger/Consolidation

The changing demographics and economics of Pennsylvania’s school districts have recently brought increased attention to locally shared services, mergers or consolidations, especially under the 2009-10 Governor’s Proposed Budget and its goal of reducing the number of school districts. Even before the budget address, school districts were discussing options that range from increased shared services to physical consolidation. Some discussions are driven by a declining tax base or decreasing enrollments, others by a desire on the part of communities to maintain or expand academic programs.

The process to complete a merger of school districts differs from the municipal process principally because no public referendum is required to approve the merger. The merger of two districts is at its root a merger of the educational delivery of a state supported function of public education. School districts in Pennsylvania share much more in common with each other due to the common mandates and regulatory oversight of the Commonwealth’s Department of Education (PDE). State funding and oversight has created common accounting and reporting requirements that do not exist in the municipal sector. The corresponding merger process contains four public votes by representative boards (school boards) and does not directly involve the public except through public meetings and hearings for public comment. (See Table 4.)

Table 4 School District Consolidation or Merger and Required Public Votes			
Action	Public Votes Required	Results	
Districts Vote to Examine Merger or Consolidation	Two	Districts Study Merger and Outcomes	
Districts Study Merger or Consolidation	None	Reports to Districts on Merger or Consolidation	
Districts Vote to Merge or Consolidate	Two		
PDE Review		Favorable, proceed	Not favorable, revise and resubmit
PA Board of Education Approval		Favorable, proceed	Not favorable, revise and resubmit
Merger or Consolidation Implemented			
Total Public Votes Needed	Four		

Nonetheless, the prospect of school districts merging can require the examination of more variables than in a corresponding merger of municipalities. Foremost is the effect on increasing educational opportunities and the staff necessary to maintain educational quality, transportation of its population to schools, the effect of similar collective bargaining agreements that may differ in compensation, benefits, retirements, staffing requirements and other areas that do not have municipal counterparts. In addition, professional staff of school districts contain a depth of knowledge of operations as well as tenure within the educational system that is rarely encountered in a municipal merger partner.

Some of the same issues that are important in municipal merger planning are the same in school districts:

- the need to equalize millage rates across the new district, but likely producing a greater loss of revenue than seen by the merger of a smaller entity into a larger one;
- uniform collective bargaining agreements but with less complications than seen with municipalities due to the different laws governing municipal collective bargaining; and
- debt, often at levels not seen in municipalities especially in the context of a merger.

Since this report was undertaken, Center Area and Monaca School Districts have voted to merge; Halifax Area and Millersburg Area School Districts completed a study to review options for the districts from a complete merger to increased sharing of educational opportunities and facilities. The Halifax Area and Millersburg Area school boards voted not to merge but to pursue increased opportunities for sharing and use of common facilities. The Center-Monaca merger emphasized the declining enrollments and uncertain fiscal future for the districts; the Halifax-Millersburg proposal involved a search for the best fit among very similar districts but absent the necessity of fiscal problems or enrollment decreases. As such, the comments in the media from both pro and con school board members following the respective votes are very similar to the motivations seen in the municipal case studies.

The issues raised in school district mergers or consolidations are similar to the issues in municipal mergers or consolidations: namely financial, identity, and perceived loss of control. In the Center Area-Monaca merger, the fiscal stress of a declining tax base was a crucial element

in spurring the merger activity. The relative lack of financial support for the merger from PDE both in the feasibility study phase and when the school districts did initially agree to merge was reported as an impediment that significantly impacted the process.

Local identity has become as important to the school districts as it is to municipalities, and more so in many instances as this identity applies to sports teams and other school-related community groups. Schools provide a community identity in many areas of the Commonwealth and resistance to further merger or consolidation coalesces along the same lines as similar opposition in the municipal sector.

Loss of local control at the school district level is less apparent than at the municipal level. School service delivery and education policies are primarily mandated by PDE. School districts are much more “creatures of the state” than municipalities, at least in daily operations. Locally elected school boards do provide actual, as well as the perception of, local control and this perception can have a direct impact on a school board’s decisions in a merger or consolidation process.

CHAPTER 3

ALTERNATIVE AVENUES TO MUNICIPAL MERGER/CONSOLIDATION

Modification of Existing Boundary Change Act

While incorporation boundaries define the municipal area and often its identity, incorporation boundaries also limit the tax base potential as well as define the service boundaries for citizens. Municipal service sharing in Pennsylvania occurs in all operations of government, from police and fire contracting among municipalities or regional departments serving multiple communities to the sharing of heavy highway equipment, joint bidding of road construction and pavement and even free snow plowing by the larger municipality to the residents of the smaller municipality within or near its borders. **Municipalities can also agree to share expenses of joint provision of services by agreement; however, these agreements do not have the mandatory funding by taxes that merged municipalities have through their consolidation or merger.**

The Commonwealth can modify the existing merger/consolidation procedure to allow for shared municipal services through a special purpose service delivery area. The special service delivery area would provide services without regard to member municipal boundaries but would operate with a unified budget funded by special purpose taxes levied uniformly and jointly by member municipalities. Public referendum approval to create such municipal service districts may not be necessary and could be adopted with mutual municipal board approval and state agency approval as surrogates for the public referendum as is the model for school district mergers. The use of special area and purpose taxation is currently allowed under the Home Rule and Optional Plans Law and this use could be expanded legislatively to finance special purpose service districts without the prerequisite of a Home Rule Charter.

Financing of Shared Services

Tax Base Sharing

Incorporation boundaries significantly affect the revenues available for municipal taxation. Municipalities in Pennsylvania cannot reach beyond their borders to capture real estate taxes and only in limited circumstances or under special state legislation can municipalities reach beyond borders to tax earnings of non-resident individuals.

Tax based revenue sharing among groups of municipalities may allow the preservation of local civic identity while providing funds for the provision of adequate services and efficient delivery of services. While legislative action would be necessary to allow widespread tax base sharing, there is precedent in Pennsylvania in Allegheny County's use of a local one percent sales tax increase to be distributed among local governments, the county, and selected "regional assets." The municipal merger or consolidation model as applied to tax base sharing can then involve major sources of income for service delivery; the dedication of these tax revenues to pay for regional service delivery would accomplish much of the tax savings seen in the case studies after merger as well as provide revenue for the expected increase in service levels seen in the case studies after a merger.

Property Tax Base Sharing

Municipalities that form a "merged or consolidated" service delivery area could be allowed to provide assessed value to be taxed by a uniform dedicated millage that would be used to pay the costs of the shared service delivery. While this approach would result in a redirection of general fund income of each municipality, it must be assumed that through the savings in service delivery, the increase in service provided or the prevention of service reductions, the loss of general fund revenue will be offset by the savings or efficiencies gained from the regional service area. Under this tax base sharing model, municipalities would donate a percentage of their assessed valuation to be taxed regionally. Townships that have wide scale industrial or commercial developments would be donating a portion of that valuation and older municipalities (often the merging partner) could be expected to provide taxable value from their resident homes and businesses. While there is a level of tax disparity in the use of assessments, it does continue the Pennsylvania practice of property taxation as a fair and representative means to pay for services provided to all citizens regardless of the amount of taxes paid e.g., public safety or public works.

Other Tax Base Sharing

Earned income tax would be an easily accomplished shared source of revenue since the serviced municipalities can simply dedicate proportions of their EIT revenue. However, this approach is not likely to be more successful than the current record of total merger; the use of

EIT as a source of shared revenue would highlight the disparity in income and demographics of the “newer” or “older” municipal partners and could be too redistributive in relation to the services provided.

Sales taxes levied under possible local option legislation could be a source of revenue for merged or consolidation service areas. While Pennsylvania has limited experience in sharing local option sales tax (currently only Allegheny County levies a shared local option tax under special legislation), the legislature could grant a county level local option sales tax with a service delivery area as a required component of any local sales tax use for services.

Alternatives to Municipal Consolidation/Merger

Functional (Service Delivery) Consolidation

Given Pennsylvania’s diversity, motivations for intergovernmental cooperation and consolidation/merger vary from one area to the next. In slow or no growth areas, consolidation/merger is a response to a stagnant or declining tax base and fiscal distress. In growth areas, merger/consolidation is thought to be a means to meet increased demand for services or for services which often span across existing municipal boundaries. In either case, municipal consolidation/merger of the service providers is often offered as the sole solution to the problem of ineffective service delivery. That premise is flawed.

Private business leaders and opinion makers have often seen municipal consolidation (either functional or structural) as a way to make more efficient use of limited local government resources. At the same time, local elected government leaders in these varied regions of the Commonwealth describe the current system of governance and service delivery as ineffective. Municipalities that are struggling to continue to provide basic services view functional consolidation/merger or service sharing as a common sense solution, without the difficulties of actually merging or consolidating the municipalities.

Another important consideration in historically developed or slow growth regions is the expectation that municipal consolidation/merger will improve prospects for receiving additional state or federal financial assistance. This consideration is more ephemeral than realistic, since neither DCED nor other areas of state government have shown any inclination to assist in the basic merger/consolidation effort beyond financial support of the initial process, and very limited effort to assist after a municipal merger/consolidation is effected.

In regions where there is recent and continuing growth in population and development, the reasons for exploring municipal merger/consolidation and shared services options are different. These more prosperous regions typically contain older, declining municipalities surrounded by rapidly growing suburban and even exurban areas. Cooperative agreements designed to help the older core municipalities have not proved effective for providing services due to the cost differential of start-up of a service. Municipal boundary consolidation/merger in turn is viewed by surrounding municipalities as an attempt by the core cities to recapture the resources and the tax bases that have relocated to the suburban and exurban areas.

Structural municipal consolidation/merger is a complex and time consuming process, with a high probability of failure based on the historical record.

Efforts to use municipal consolidation/merger to provide service delivery to overcome the structural inefficiencies in local government create perceived winners and losers, and each of the perceived losers has veto power over the proposed merger/consolidation. The fundamental obstacle to structural merger/consolidation is that it inevitably redistributes the costs and benefits of government, and some fear that their municipalities will lose out in terms of taxes, access to services, and political power.

In Pennsylvania, as discussed above, structural merger/consolidation has a high degree of failure because each boundary change proposal, i.e. consolidation/merger, must be accepted by a majority vote in each affected municipality. Any municipality, no matter how small or how nonviable the government of that municipality may be, has the ability to veto any consolidation/merger.

Functional Consolidation and Shared Services Present a Significant Opportunity

Functional (service delivery) consolidation, as opposed to structural consolidation, is often proposed as a more realistic alternative to structural consolidations/merger. Multi-municipal consolidation/merger is not a viable alternative for promoting regional cooperation in the Commonwealth's major metropolitan areas. Functional consolidation of service delivery becomes a more realistic alternative.

Functional consolidation would have the following advantages:

- It would allow municipalities interested in intergovernmental cooperation to proceed incrementally. Municipalities may not be willing to erase boundaries and to

- eliminate governing bodies, but may be interested in cooperating in other ways. These cooperation options range from limited commitments such as joint purchasing to the consolidation of police services and other core local government functions.
- It avoids the complex and time consuming process involved in structural consolidation. Shared services agreements generally can be accomplished by the actions of the municipal governing bodies and do not require multiple public referenda.
 - It allows for greater flexibility. Currently, a single small municipality can easily veto a structural consolidation/merger proposal. While functional consolidation is likely to involve complex negotiations among local governments, the defection of a single municipality usually will not scuttle the efforts of other parties in the negotiations. Functional consolidation allows for functional planning and adjustments to changing situations.
 - It maintains local identities.

Functional consolidation, however, does provide significant challenges:

- As with structural consolidation/merger, there are always perceived winners and losers, based upon changes in service areas or a public misunderstanding of the true costs of service demands.
- Barriers in existing state law make functional consolidation between different types of municipalities difficult and challenging. Municipalities of different classes are covered by different state codes that determine taxes that these municipalities can levy and the services that they can provide. These municipal codes may be difficult to reconcile even when the Intergovernmental Cooperation Act is applied to the functional provision of shared services.
- Widespread public support for functional consolidation remains ambivalent, and is often viewed as another form of merger resulting in a loss of local identity.
- Functional consolidation, like structural consolidation/merger, may not automatically result in cost savings. Although both functional consolidation and structural consolidation may eliminate redundant municipal services and eliminate certain staff, the immediate necessity of bringing all existing collective bargaining agreements up

to the level of the highest paying entity; the practical necessity of merging pension plans and eliminating multiple plan administrators; the practical necessity of both maintaining a number of employees to provide existing service and to extend those employees to increase service activity into areas with no existing service often makes the initiation of shared services marginally less expensive. **However, over time, a shared service provision maintains or improves the service by providing a higher and broader level of service at a cost that is collectively reduced for the amount of services provided.**

- Saving the service, or, perhaps more pointedly, providing and expanding the service to more citizens has been the experience of shared service activities in the Commonwealth. In regional police forces in such growth areas as Stroud Regional and Pocono Mountain Regional (Monroe County), and Berks/Lehigh Regional (Berks and Lehigh counties), the initial effort focused on providing efficient and effective policing in areas where the service was limited or non-existent. As the regional forces became operational, police service developed in quality and professionalism, and expanded to serve new municipalities. The costs to the original municipal members remained in line with what the expense of providing the separate police force would have been over time. In the cases of new municipalities joining a regional police force, the overall initial expense of joining a regional service was significantly less than the cost to start a new service from scratch.

Some other challenges to functional or structural consolidation/merger in the Commonwealth include:

- Pennsylvania's unique structure of local government, especially county government, inhibits the ability of counties to become the broad-based local government service providers that exist in most other states.
- All territory in Pennsylvania is part of a local government. There is no unincorporated territory. Annexation as a tool is effectively eliminated and the issue of local referenda, as discussed above, makes structural consolidation/merger almost impossible to achieve.

CHAPTER 4

INGREDIENTS FOR THE MERGER OR CONSOLIDATION PROCESS

Based upon PEL research for this report as well as previous studies of municipal mergers and sharing of services, a few suggestions can be made regarding the common necessary items that must be recognized before a decision is made to start the municipal merger/consolidation process or the school district merger process. While this report is not designed to prepare a legislative framework for a revision of the Municipal Consolidation or Merger Act, any effort to encourage or even mandate the reduction in the number of municipalities and school districts must consider the following items.

Before the merger study begins:

- Advocacy by local leadership (can be elected; civic leaders; or other interested individuals).
- Support of those most *directly* affected by a change (police officers, fire fighters, municipal employees, teachers, administrators, tax collectors, etc.).
- Preservation of services assured to both municipal populations, both the larger and small population centers must be assured that there will not be a dilution of existing services after the merger.
- A common base to start with, or simply, a citizen's sense of "already being connected" or "one community" regardless of the current municipal boundaries.
- An understanding that no single municipality will be taking a financial or infrastructure "hit."

While the merger study or joint committee report is prepared:

- Patience with a process that is often difficult, tedious, and sometimes painful in the learning about each municipality. Partners must be aware of each other assets and liabilities to prevent future roadblocks.
- Assistance from local professionals or other interested groups to explain alternative or topics that are often not familiar for some local government leaders (it is easier to restructure snow plowing than to build new forms of government structures).

- Help citizen advocates to promote levels of information and understanding that will be needed by the public; do not operate in a vacuum but in a very transparent manner. It may be that no citizens attend the merger study meetings but that does not mean that the public is not interested.
- Work within the barriers of state legislation, especially when trying to merge communities under different sets of municipal codes.

Prepare to face both supporters and opponents with a clear reason and purpose for the merger:

- Proponents often feel a strong personal attachment to the outcome and may likely be current government leaders.
 - Tend to be very positive, stressing the good that can come from change; and
 - Tend to center arguments around the future and healthy change.
- Do not ignore the public's desire and need for information and do not assume that the facts speak for themselves.
- Do not assume that the general public has as much understanding of local government as if they have been through the process of preparing a consolidation/merger.
- Emphasize the changes that might occur after merger or consolidation or if there is no change: "What will happen to our communities and to our families if we do/don't change?"
- Opponents will often attach a great deal of emotion to the process and to the possible outcomes (emotion can be related to fear of the unknown, response to rumors, sympathy for locals that will be directly effected by the merger by loss of a job or change in status if merger occurs).
- Opponents may see the current state of affairs as good and would rather support the need to keep what is good and familiar.
- Citizens tend to talk about the past, preserving memories of past leadership, schools, churches, businesses and other nongovernmental things that they emotionally attach to their communities and these connections also form an identity with the existing local government structures.

- Opponents may resent “outsiders” telling them what to do, especially consultants and “people from the county.”
- Opponents can leverage great advantage by playing on the inability of residents to understand local government.
- Consolidation/merger arguments can be very abstract; most voters are used to local government being people centered and visible, any loss of that direct connection can lead to rejection.
- Communication and patience are key. There are crucial roles for *groups* to play in a merger effort; each one must be up to the challenge (elected leaders, employees, business, community organizations, school boards, etc.)

Guide to Merger or Consolidation Decisions

School Consolidation/Merger

PEL has prepared a School District Consolidation Checklist for the Pennsylvania School Boards Association that provides, in extensive detail, a guide for any school district to use as the “due diligence” in evaluating a potential consolidation effort with another district(s).

The Consolidation Checklist was developed partially in response to the lack of available resources noted in the Center-Monaca school consolidation effort as outlined in the case study in Appendices. The checklist allows school districts time to do a thorough evaluation to examine their options with respect to consolidation. As with municipalities, school districts can merge or consolidate as a structural consolidation, or enter into functional consolidation efforts with other school districts. The use of the PEL developed checklist will enable a school district to assemble the necessary data to provide the basis for an informed decision on a potential structural or functional consolidation.

Municipal Consolidation/Merger

The processes developed by PEL for the school district consolidation/merger checklist can also be adapted to the municipal consolidation/merger process. The feasibility studies prepared for the municipal consolidation/merger efforts examined in the three municipal case studies in this study are examples of the “due diligence” effort that would result from the application of the processes detailed in the checklist.

The basic outline of a checklist for examining a proposed municipal consolidation or merger would consist of the following elements:

Deliberation by Governmental Body and Citizens

- Decide whether structural or functional consolidation is the best way to achieve common goals.
- Analysis of the current environment and community awareness, discussion, and assessment of need or not for merger/consolidation.
- Review financial position of potential partners.
- Compare and contrast socio-economic indicators.
- Review municipal status of partners (class of municipality, type of municipality, etc.) and resultant entity if process completed.
- Develop adequate data and information to do analyses.
- Engage DCED or appropriate Commonwealth agency and ask for fiscal as well as consultative assistance.
- Study proposed alternative methods of merger/consolidation such as regional shared services, or COG. Perform a functional consolidation review to determine if shared services or contract services provide goal of merger or consolidation.
- Identify most practical option(s) if possible.

Identifying Potential Partners for Merger, Consolidation, or Sharing Services

While this task is partially completed in deliberations, here is where the partners examine in detail what each municipality expects to achieve from the merger/consolidation.

- Identify form of government the proposed municipality will take. The advantages of Home Rule should be considered here.
- Identify collective bargaining agreements, cost of existing pensions, and other key issues that will impact the proposed merger/consolidation/shared services.
- Inventory and evaluate all municipal assets, including personnel.
- Evaluate existing and projected service levels.
- Evaluate existing and potential sources of revenue.

- Equalization of taxation or fees for services is the most crucial element and must be developed in such a manner that the proposed merger/consolidation is not derailed on this issue alone.
- A municipal participant can “vote” at any time in this decision progression to stop participation in the process. A “no vote” can be as simple as the municipal representatives not coming to future meetings of the merger/consolidation committee.

Implementation of a Merger/Consolidation/Shared Services Plan

- Citizens must be educated and informed throughout the entire process.
- Governmental entities should form committees of citizens and public officials to generate participation in the process.
- Keep the local media involved and gain support for the process if possible.
- Ask DCED or other Commonwealth agency for financial assistance in the implementation process, especially after the proposed merger/consolidation.
- **Save the services should be the theme.** Most merger/consolidations are initiated because one (or more) of the partners is in fiscal difficulty and cannot provide or continue to provide adequate services. For sharing of services, convincing the public of the need to save the service, and/or provide the service where it might not otherwise be available will be critical if cost savings do provide a simple purpose for the sharing.

CHAPTER 5

ALTERNATIVES TO MERGER/CONSOLIDATION

As the recent history of merger and consolidation attempts and the case studies examinations suggest, the large scale adoption of merger and consolidation of municipalities is not to be expected in the near future. It is likely that, in lieu of Commonwealth mandated minimum size restrictions on the number of local governments units, the future results of merger and consolidation efforts will reflect the track record of the recent past.

What may be needed are alternatives to direct merger or consolidation that still provide efficient and effective government services while preserving municipal identity and citizen's involvement with their local government. As stated in the PEL 2006 study of *PEL Municipal Consolidation Focus Groups* the prospect of widespread adoption of merged municipalities will probably generate more citizen opposition than the prospect of sharing municipal services across municipal boundaries:

The focus groups identified a number of key issues that are important to understand as (proponents) attempt to make a case for consolidating municipal government services. Perhaps the most important finding of this research relates to the source of citizens' attachments to their local governments: notions of representation and the concomitant benefits, especially responsiveness. At the moment, citizens feel positively about how they are represented locally and how that representation is translated into responsiveness. They currently don't see much reason to change how things operate.

The groups also expressed little concern about the cost of local government. There was some discussion of taxes, but no real concern about the cost of local governments. Expensive is not a word that is frequently heard nor frequently used as a descriptor of local government. In fact, when local taxes are discussed as expensive it is usually in the context of school taxes. On top of this, there is scant knowledge and concern about the level of distress facing local governments in the state outside of urban areas. Citizens do not seem to understand how distressed many municipalities are.

And:

Considering the general satisfaction citizens get from the services they receive, their distrust of state government, the safety they feel in having their local officials making decisions about their local area and lack of concern about the costs of those services, (proponents) face a difficult task in advocating for change. In the short term, it seems wise to take on services that do not conflict with current notions of representation. That is, (proponents) need to pursue

consolidating those services that citizens likely would not see as being lost if they weren't delivered locally.

Based upon PEL research into the causes of municipal fiscal distress as well as the results of other examinations of local government fiscal conditions, mergers and consolidations may not eliminate the threat of diminishing utility of local taxes to pay for increasing expenses of local government services. A PEL review of statewide fiscal data from 1970 through 2005 showed that the ability to pay for services from existing tax revenue declines over time, as development related revenue gives way to revenue levied upon assessed value and earned income of residents. The merger case studies combined with the 2005 PEL focus groups study reinforces the conclusion that the attraction of lower local government taxes due to a merger or consolidation is not necessarily predictive of voter approval of a merger or consolidation.

A review of local boundaries and the population served and the nature of services provided could be logically expected to provide optimum sizes for a local government unit for the goal of efficiency and effectiveness. However, citizens express a knowledge of the **inefficiencies** (real or believed) in their local government form but seem to be willing to spend the perceived marginally extra tax dollars to maintain local representation as seen in their local governing bodies, regardless of the local unit's size. Given this hurdle of expectations and the ease of voting "no" when faced with the uncertain prospects of representation in a merged or consolidated community, a review of other forms of merger or consolidation to provide municipal services and to create more efficient and effective forms of local government service delivery may be beneficial.

The Commonwealth should enact legislative changes and provide fiscal incentives to directly support regional cooperation and shared services among local governments. Commonwealth financial incentives and legislative authorization of increased tax base sharing can lead to greater functional consolidation and ultimately to increased structural consolidation.

As a start, the General Assembly should undertake a systematic review of municipal legislation, including the current county code and the municipal codes that govern the basic structure and function of local government in the Commonwealth. The county code and the various municipal codes often cause financial impediments to regional cooperation and to the sharing of municipal services.

For example, an Act to promote regional police services can address the elements needed to provide incentives, encouragement, and clarification of the status of regional police forces. Multi-municipal provision of police services will cross municipal boundary lines, and require assistance in adjusting multi-municipal structures, powers and duties, budget and finance issues, ownership of assets, transfer of pension responsibilities and liabilities, collective bargaining issues, and other items that inhibit cooperation.

The same regional services legislation can also serve as a model for other types of functional consolidation legislation. The Intergovernmental Cooperation Act (Act 180) does provide a broad legislative grant of authority for inter-municipal cooperation, but does not provide enough detail or guidance to address the details of functional cooperation as might be addressed in a more specific regional services legislation.

The details of such issues as pension costs, distribution or sale of assets, allocation of debt obligations, and collective bargaining for example are often the rocks on which the ships of municipal cooperative efforts wreck. The General Assembly can adopt legislation that would encourage additional municipal functional consolidation.

The General Assembly should consider procedures to permit “disincorporation” of municipal governments that cannot provide a basic level of public safety and public infrastructure services. The General Assembly would have to define what are the basic levels of public safety and public infrastructure service provision. At some point though, a local government that exists only to collect minimal taxes to support its governing board and a minimal level of administrative activity cannot be considered a service providing general purpose unit of government and would be dissolved as a government.

Pennsylvania has 2,563 units of municipal government, not including counties, school districts, and municipal authorities. All of these units of local government are general purpose units and are incorporated entities with the authority to provide the full range of local governmental services and to levy the taxes and raise the necessary revenue to support this service provision. **The municipality is the local government tool to regulate the quality of life in its governing area. The municipality has the ordinance power to promulgate safety and health regulations through ordinances to protect its citizens and to regulate the use of public and private property in its jurisdiction.**

Of these 2,563 units of municipal government, only 249 or 9.7 percent, have a population of more than 10,000, according to the 2000 census. Several states, including neighboring New Jersey, have used the 10,000 population figure as a baseline for determining the minimum size of a viable unit of local government with the resource capacity necessary to provide the basic level of public safety and infrastructure services. A municipal unit without the capacity to provide for the regulation, protection, and enhancement of public safety, health, and quality of life may not be considered a service providing general purpose unit of government.

The Boundary Change Act of 1994 can be amended to include at least the following:

- A specific process, including timeframes, should be outlined for a consolidation/merger.
- A new home rule charter should be expressly permitted as part of any vote on the consolidations/merger.
- A consolidation/merger should be deemed to take place if a majority of all voters in the proposed new municipality approve the proposed consolidation/merger, as opposed to the now required individual municipal majorities.
- DCED or other Commonwealth agency should be designated to assist and to finance with grants or other direct state assistance proposed consolidation/merger activities.

The most significant change that the General Assembly could institute with respect to multi-municipal service provision would be to significantly expand the powers and duties of Pennsylvania counties as units of local government. Pennsylvania counties as currently structured reside in a “no man’s land” of powers, duties, and obligations as a municipal entity. Restructuring county government, disincorporating nonviable municipalities, and providing incentives for area-wide provision of municipal services should be the goal.

APPENDIX 1

APPENDIX 1

OAKLAND BOROUGH/SUSQUEHANNA DEPOT BOROUGH

Introduction and Project Description

Oakland Borough is located in the extreme northeastern portion of Susquehanna County. While it is bordered on the south by Susquehanna Depot Borough (at the Susquehanna River), it is otherwise surrounded by Oakland Township. Oakland Borough occupies 0.5 square mile. Susquehanna Depot Borough is bordered on the north by the Susquehanna River and Oakland Borough; it is bordered on the south and west by Oakland Township; and on the east, by Lanesboro Borough. Susquehanna Depot Borough occupies 0.7 square mile. Although the Susquehanna River separates Oakland Borough from Susquehanna Depot Borough, they are technically contiguous at the river and are connected by a single bridge.

During 1999 the governing bodies of Oakland Borough and Susquehanna Depot Borough formed study committees to examine the advisability and feasibility of the two municipalities merging or consolidating and charged the committees to make recommendations and, if appropriate, develop a plan regarding a consolidation or consolidation.

With the financial assistance of River Bounty and the Commonwealth of Pennsylvania, Oakland Borough and Susquehanna Depot Borough requested the Pennsylvania Economy League, Central Division, to provide technical assistance and facilitation services relative to addressing various financial and operational issues associated with a possible consolidation or consolidation of the two boroughs, and to develop an outline for a “Joint Agreement” for merging or consolidating in keeping with Act 90 of 1994. PEL was also asked to undertake an independent analysis of the fiscal impact of any consolidation or consolidation with a view to providing public officials and citizens with comprehensive and impartial data on the financial implications of a consolidation or consolidation of Oakland Borough and Susquehanna Depot Borough.

PEL’s analysis was designed to address the fiscal and, to a lesser extent, the operational effects of any proposed consolidation or consolidation, and it included a limited review of the present structure of government in each municipality, the services provided by each, the fiscal experience of the two boroughs, and estimates of the revenues, expenditures, and tax rates of the

merged/consolidated municipality as if it had existed in the year 2000 as a borough under Pennsylvania's Borough Code.

In its analysis PEL relied on budgets, financial reports, audits, pertinent contracts, and related documents provided by the boroughs of Oakland and Susquehanna Depot, as well as on interviews with the representatives of both boroughs and conversations with state and county officials and others whose input was deemed to be beneficial to the analysis.

Overview of Government Services and Staffing

Oakland Borough

The Borough of Oakland provided police service totaling approximately 216 man-hours per year utilizing one part-time chief and one part-time officer. This coverage was supplemented by Susquehanna Depot Borough under a mutual aid agreement and by the Pennsylvania State Police.

Street services in the Borough of Oakland consisted primarily of road maintenance and repair including snow plowing. Reconstruction of streets occurred as needed. Street lighting was also provided. The borough carried out these services utilizing one full-time street employee who also services the water department.

The Borough of Oakland provided water services to its residents under a self-sustaining water department. Two part-time technicians (on retainer), one part-time administrative person, and one part-time collector are involved with the water operation, as well as a portion of the time of the full-time street employee.

The administrative responsibilities of the Borough of Oakland were carried out by a part-time secretary-treasurer. The borough also had a code enforcement officer (who serves on an "as needed" basis) and a solicitor.

Refuse collection in the Borough of Oakland was provided by a private collector under a franchise agreement; the borough had no direct financial involvement—this was a matter between the residents and the collector.

The Borough of Oakland had a municipal building, a municipal garage, and several vehicles and other pieces of equipment. The borough also owned a dam/hydro electric generating facility which it leased to a private company.

The primary municipal officials in Oakland Borough consisted of a mayor, seven council members, a tax collector, and three auditors.

Susquehanna Depot Borough

The Borough of Susquehanna Depot provided police service totaling approximately 5,600 man-hours per year; it utilized two full-time and four part-time employees. Full “round the clock” coverage (24-hours per day/seven days per week) would have required a minimum of 8,760 hours per year.

Street services in the Borough of Susquehanna Depot consisted primarily of road maintenance and repair including snow plowing. Reconstruction of streets occurred as needed. Street lighting was also provided. The borough carried out these services utilizing two full-time street employees. The Borough of Susquehanna Depot also provided seasonal parks maintenance using two part-time employees.

The administrative responsibilities of the Borough of Susquehanna Depot were carried out by a part-time secretary-treasurer. The borough also had a solicitor, a code enforcement officer (who served on an “as needed basis”), and a CPA firm to conduct its annual audit.

Refuse collection in the Borough of Susquehanna Depot was provided by a private collector under a franchise agreement; the borough had no direct financial involvement—it was a matter between the residents and the collector.

Susquehanna Depot Borough had a municipal building, a municipal garage, refuse collection, and several vehicles and other pieces of equipment.

Primary elected officials in Susquehanna Depot Borough included a mayor, seven council members, and a tax collector.

Tax Burden

In order to provide a practical application of the current tax structure in the two municipalities and the impact of the proposed consolidation on the tax paying public, the current and proposed tax rates were translated into the tax burden on a hypothetical family. The family consisted of two adults (both of whom were employed within the boundaries of the municipality in which they reside) and two children under 18.

The family had a household income equal to the weighted average of the median household income in the two boroughs according to the 1990 Census (\$20,281) inflated by the growth in per capita personal income statewide. The family owned a home valued at the composite figure based on the weighted average of the median value of owner occupied housing in the two boroughs according to the 1990 U.S. Census. The assessed valuation of this property was a composite figure based on the total 2000 assessed value of residential property in the two boroughs (as provided by the county assessment office) divided by the combined number of residential parcels. The “typical” assessed valuation of residential parcels may differ slightly in the two boroughs.

The occupation values for the hypothetical family were based on two working adults—one assessed as “full-time, unskilled” (\$300—the most common occupational assessment in the two boroughs as provided by the county assessment office) and the other as “part-time, unskilled” (\$200).

The resulting calculations suggested that the current year 2000 tax burden to support municipal services in Oakland Borough was \$224.57 or 0.82 percent of estimated median household income. In Susquehanna Depot Borough the burden was \$404.98 or 1.48 percent of median household income.

If the consolidation had been effective January 1, 2000—based on the terms of the preliminary Joint Agreement and the various assumptions and judgments used to estimate the revenues and expenditures of the consolidated municipality—**real estate taxes in Oakland Borough for the hypothetical household would have had to rise by \$111.08 or 55.7 percent to \$310.65; the total resulting total tax burden would have been increased by the same dollar amount or by 49.5 percent to \$335.65.**

In Susquehanna Depot Borough the tax burden if the consolidation had occurred January 1, 2000, would have been the same as in Oakland Borough (\$335.65), **but in Susquehanna Depot this would have reflected a reduction of \$69.33 or 17.1 percent from the current level given the elimination of the Act 511 occupation tax of 100 mills and the drop in real estate tax rate resulting from the requirement in state law that all tax rates be uniform throughout the consolidated municipality.**

It should be noted that this scenario involved elimination of the 100 mill Act 511 Occupation Tax in Susquehanna Depot Borough and relied on the real estate tax as the

equalizing factor. While other scenarios would have likely relied on the real estate tax as the equalizer, a slightly different distribution of the tax burden would have resulted if, for example, the 100 mill Act 511 tax presently levied in Susquehanna Depot Borough were extended to Oakland Borough or if some other combination of tax sources were used.

The primary reason for the “shift” in tax burden when rates were made uniform was the present disparity in current services and tax rate between Oakland Borough and Susquehanna Depot Borough.

Future Service Levels

It was PEL’s understanding based on meetings with representatives of both boroughs that it was their intent that the consolidated borough maintain services at the same levels to all residents and that the service levels in Susquehanna Depot Borough in most cases would be the point of reference. At the time of the study Oakland Borough and Susquehanna Depot Borough had different levels of services. This was most pronounced with respect to police protection where Susquehanna provided approximately 5,600 man-hours per year while Oakland provided just 216. Therefore, Oakland Borough would have experienced a significant increase in its level of police protection and some other service levels may have been also higher in Oakland Borough than were in pre-consolidation.

General Issues

Several general issues also had been factored into the overall evaluation of the merits of consolidating Oakland Borough and Susquehanna Depot Borough. These included:

- Could Oakland Borough and Susquehanna Depot Borough sustain their present service levels into the future without increasing tax revenues?
- Could the two municipalities remain viable as separate entities (given their small size and limited resources)?
- Would Oakland Borough and Susquehanna Depot Borough be better able to control their destiny and be in a better position to provide quality services to their residents in a more cost-effective manner by joining with a larger group of municipalities in the immediate area?

- The cost of police protection was a factor with respect to the cost of government in Susquehanna Borough and, thus, in the consolidated municipality; it was largely the disparity in the levels of police protection between Susquehanna and Oakland that would have caused taxes to increase in the Oakland Borough portion of the consolidated municipalities which would have been an obstacle to consolidation. At the same time the stronger Susquehanna Depot Borough police capacity was used to provide services to Oakland Borough at no cost under a mutual aid agreement. This, in turn, exacerbated the disparity in taxes between the two jurisdictions. Given this, it may have been in the best interest of all parties in the Susquehanna/Oakland Area to consider a regional police department. It may have also been wise to investigate opportunities for the county to participate in this and other services.

Tax Collection

In Oakland Borough and Susquehanna Depot Borough the elected tax collectors collected all current municipal taxes—exclusive of the real estate transfer tax.

It may have been possible to reduce these costs for the boroughs individually and in a consolidated operation. If, for example, the budgeted aggregate compensation for the tax collector in the consolidated borough could be reduced by one-half to about 2.0 percent of taxes collected a savings of about \$5,000 would result, and the tax burden on the hypothetical household could be reduced by about \$6.00.

Conclusions

The elected leadership of both Susquehanna Depot and Oakland boroughs believed it was in their best interest to consolidate the two boroughs largely because they believed that by joining together they would be better able to address their current and future challenges. They felt that they were at a crossroad, and by joining together, they would have been able to significantly improve the outlook for the future. Therefore, this was a “vision” driven effort—it was not brought on by immediate financial difficulties or related considerations, and municipal officials were to be commended for addressing this issue in the absence of such a crisis.

Based on the terms of the “Joint Agreement” and the assumptions and judgments used by PEL, expenditures in the merged municipality could have been reduced by

\$20,180, and net tax revenues necessary to balance the budget could be reduced by \$19,530. However, because of the disparity in service levels between the two boroughs (primarily, police protection and to a lesser extent public works), and in spite of lower overall costs, the resulting tax burden in a consolidated budget with uniform tax rates would have produced a significant increase in taxes for the hypothetical household in Oakland Borough—by about \$111 or 49.5 percent (from \$225 to \$336). Susquehanna Depot Borough would have seen its taxes drop by about \$69 per household (from \$405 to \$336). But, it must be recognized that along with Oakland Borough’s tax increase there was an anticipated higher level of service—especially with respect to police protection. Clearly, the consolidation and resulting higher tax burden had to be evaluated in the context of service costs, and the fundamental question for Oakland Borough residents was whether about \$2 per week in increased taxes was a reasonable amount to pay for the significant increase in the level of police and other services and for the improved ability to provide for a stronger community in the future.

PEL indicated that there were other combinations of taxation which could have been used to balance the budget of a consolidated municipality which may have slightly altered the relative tax burdens in the Oakland and Susquehanna Depot portions of the consolidated borough. Similarly, other courses of action could have been taken to address the resulting tax structure.

PEL discussed its preliminary findings and conclusions with representatives of the Governor’s Center for Local Government Services (CLGS) of the Commonwealth’s Department of Community and Economic Development, and they were sympathetic to the sensitive situation involving the shift in tax burden. They suggested that officials of the two boroughs do everything they could to identify money that may have been available to aid in the transition including approaching CLGS for appropriate grants. However, PEL did not sense that the CLGS believed that an operating subsidy to offset the tax increase in Oakland Borough would have been appropriate. Thus, CLGS would have considered grants for transitional and related purposes, but not operating subsidies. As such, PEL encouraged municipal officials to develop a financial plan to aid in the transition to a single municipality with a view to soliciting state grants as warranted.

Follow-Up

The proposed consolidation of Oakland and Susquehanna Boroughs was submitted to the voters of both municipalities. The consolidation proposal was approved by the voters in Susquehanna Borough and was not approved by the voters in Oakland Borough. Therefore, the consolidation proposal failed.

As part of the review and analysis of the consolidation attempt, PEL conducted a series of interviews with individuals from Oakland Borough and Susquehanna Borough, and with the local newspaper reporter who covered the proposed consolidation process. PEL asked the participants a series of questions designed to elicit participants' views as to why the consolidation did not succeed and what may have been done differently.

The consensus of the interviews was that the potential consolidation faced difficulties from the beginning, particularly in Oakland Borough. Susquehanna Borough, Oakland Borough, and Lanesboro Borough were all part of the original consolidation discussion. Lanesboro Borough dropped out very early on in the discussions. Oakland Borough and Susquehanna Borough then continued to pursue the consolidation discussions. The major issues were police and the water system owned by Oakland Borough. The water system issue, while important to the residents of Oakland Borough, was not viewed by the interview participants as ultimately important to the defeat of the consolidation proposal.

The critical issue leading to the defeat of the consolidation issue was police. Susquehanna Borough at the time of the consolidation discussions had a perceived deficit in its police operations; Oakland had a one person police force. Oakland Borough residents did not wish, in their view, to take on the burdens of the Susquehanna police force and to see their taxes increase as a result of the consolidation. In addition, the Oakland police officer actively campaigned against the consolidation, and indeed went door to door in uniform on Election Day urging Oakland voters to vote against the proposed consolidation.

Other issues that impacted the consolidation included opposition by two of the three then sitting County Commissioners in Susquehanna County, who initially refused to put the consolidation question on the election ballot. The Commissioners had to be reminded by the news media that they did not have the discretion to prevent the measure from being placed on the election ballot. The Commissioners' opposition was based on political considerations, since a successful consolidation would have created the second largest municipality in the county and

perhaps establish a political center that would alter the current political environment in the county.

The interview participants also believed that opposition to the consolidation in Oakland was also related to the loss of identity by the residents of the borough. Oakland, as the smaller municipality, would lose its status as a municipality and would be assumed into the Greater Susquehanna community.

All of the interview participants commented that PEL's report and the active participation of PEL and DCED in the committee meetings was important and helpful to the process. However, DCED could offer no financial incentives that would assist the municipality in covering any costs that arose as a result of the consolidation. In addition, PEL's report did project that the residents of Oakland Borough would see an increase in the taxes paid to the newly consolidated municipality.

APPENDIX 2

APPENDIX 2

HOPEWELL TOWNSHIP AND NEWBURG BOROUGH

Introduction and Project Description

In the spring of 2005 the governing bodies of Hopewell Township and Newburg Borough convened a Joint Agreement Committee to examine the feasibility and advisability of merging the two municipalities.

With the financial assistance of Cumberland County, the Pennsylvania Economy League, Central PA, LLC (PEL), was engaged to provide technical assistance and facilitation services relative to the development of financial and operational elements pursuant to a possible merger of the two jurisdictions. PEL agreed to do so with a view to providing the Joint Agreement Committee, other officials, and the public with comprehensive and impartial factual data so that they can make an informed decision as to whether a merger will be financially beneficial.

As a starting point, PEL facilitated a number of meetings with the Joint Agreement Committee in order to develop a general consensus on the assumptions to be used in developing certain operational and fiscal effects of a merger (including the structure of government; the level of services provided; the personnel complement; taxes, fees, service charges, and other financial issues; etc.) and to update these assumptions as needed. The resulting terms and conditions were to serve as a base for PEL to combine the 2005 budgets of the two municipalities for all funds, and to determine the resulting revenues, expenditures, and tax and major fee burdens for the merged municipality based on potential revenue changes and expenditure increases/reductions due to changes in staffing, service levels, efficiencies, and/or economies of scale resulting from or made possible by the merger.

Both Hopewell Township and Newburg Borough recognized at the outset that if the question of merging Newburg Borough and Hopewell Township was to be placed on the ballot, the principles which would have served as the foundation for the merger would have needed to be made part of a Joint Agreement, and that Joint Agreement needed to be adopted by ordinance by both governing bodies and submitted to county election officials at least 13 weeks prior to an election.

Description of Hopewell Township and Newburg Borough

Overview of Government Services and Staffing – Hopewell Township

Hopewell Township is located in the northwest part of Cumberland County, west of the City of Harrisburg and the county seat of Carlisle. Newburg Borough is fully contained within the borders of Hopewell Township. Hopewell Township also borders the townships of Upper Mifflin, North Newton, and Shippensburg in Cumberland County. (The township also borders Perry and Franklin counties). Hopewell Township occupies 28.0 square miles and contains a mixture of residential, farmland, and open space.

Hopewell Township provided limited range of services to its residents including fire service through volunteers; sewage collection and treatment; various public works activities; planning and codes enforcement, and recreational contributions.

The Newburg-Hopewell Fire Department also provided fire protection services to Newburg Borough and at that time a new fire station building was under consideration.

Volunteer Fire Department Emergency Medical Services were privately provided by both the Newburg-Hopewell Fire Department and by the Shippensburg-Cumberland Valley Hose Company; there was no financial connection between the township and the service provider.

Sewage collection and treatment were provided to about 60 residents in the township. The collection system and a treatment plant were owned by the Newburg-Hopewell Joint Sewer Authority. Residential rates at that time were \$108.90 per quarter.

Refuse collection and disposal were provided by individual families contracting with private haulers or directly taking refuse to the landfill.

Water was provided independently by wells in the area.

No street lighting was provided in the township.

The township had a municipal building as well as a township garage.

Overview of Government Services and Staffing – Newburg Borough

Newburg Borough occupies 0.3 square mile and is almost exclusively a residential community. Except for some public works services Newburg Borough provided limited services. Fire service was provided through a volunteer system. Refuse collection was provided by families contracting with private haulers or by direct hauling to the landfill. Planning and code enforcement activities were provided minimally and through consulting entities. No

recreation and parks activities were provided except for some flower and flag decorations on the borough's green area.

Emergency Medical Services were privately provided by the Newburg-Hopewell Fire Department and by Shippensburg-Cumberland Valley Hose Company.

The sewer collection system was owned and operated by the Authority as was sewage treatment. Rates at that time were \$108.90 per quarter.

Water was provided independently by wells in the area.

Street lighting was provided throughout the borough and was financed by general tax revenues.

In order to deliver its services and fulfill its duties and responsibilities to its residents, Newburg had a part-time Borough Secretary. Other work, especially street maintenance, was performed on a contracted out basis.

Elected officials in Newburg Borough included a mayor, five council members, and a tax collector.

Newburg Borough had no municipal buildings.

Tax and Fee Burden

In order to provide a practical application of the current tax and fee structure in Hopewell Township and Newburg Borough, and of the impact of a possible merger on the taxpaying public, general purpose tax rates, special purpose tax rates, and fees for major government services had been translated into the tax and fee burden on hypothetical families in the two municipalities.

The families had a household income equal to the median household income in the municipality where they resided according to the 2000 Census (\$44,118 in Hopewell Township and \$38,000 in Newburg Borough) and inflated by the growth in the consumer price index between 2000 and 2005. The family owned a home valued at the year 2005 assessed value of residential property in the borough (as provided by the county assessment office) divided by the total number of residential parcels in the municipality.

General Purpose Tax Burden

The resulting calculations suggested that for the 2005 tax burden to support general municipal services in Hopewell Township was \$263.68 or 0.52 percent of estimated median household income. In Newburg Borough the burden was \$229.88 or 0.53 percent of median household income. Hopewell Township was slightly higher in absolute dollars because of the higher earned median income within the township offset somewhat by the minimal real estate tax paid in the Borough. (See Table 1.)

Table 1

Taxes on Hypothetical Household for 2005 at Present and if Merged
2005

	<u>Hopewell Twp. Taxes</u>		<u>Newburg Boro. Taxes</u>	
	<u>Present</u>	<u>If Merged</u>	<u>Present</u>	<u>If Merged</u>
Real Estates	\$ -	\$ -	\$11.38	\$ -
Earned Income	253.68	253.68	218.50	218.50
OPT	10.00	10.00	0	10.00
Total	263.68	263.68	229.88	228.50
Tax Reallocation	-	-	-	-10.00
Total After Reallocation	<u>\$263.68</u>	<u>\$263.68</u>	<u>\$229.88</u>	<u>\$218.50</u>

1/ Excludes expenditures for capital purchases.

If a merger had been effective January 1, 2005, based on the working assumptions of the merger study, the hypothetical households in both municipalities would not have paid real estate taxes. For the township this would have equated to no change in real estate tax but for the Borough the hypothetical household rate would have decreased by \$11.38.

With respect to the occupational privilege tax for a merged municipality the hypothetical household in the township would have continued to pay \$10. For the Borough household a \$10 occupational privilege tax would have been paid to the merged municipality. However, this cost would not have been an additional payment out of pocket. Rather, one-half paid by Borough residents to the Shippensburg School District would be reallocated to the merged municipality as was the case with the Township.

In summary if a merger had been effective January 1, 2005, the combined general purpose tax burden in Hopewell Township for the hypothetical household would have remained the same.

In the Newburg Borough portion of the merged municipality the combined general purpose tax burden would have been reduced by \$11.38 or 4.9 percent to \$218.50 if the merger had occurred January 1, 2005.

Additional Cost Controls and Revenues

Throughout its analyses, PEL has attempted to use conservative estimates of the savings made possible by the merger. PEL believed that if the operations of the two jurisdictions were integrated, additional economies of scale, efficiencies, and elimination of duplication and overlap may become apparent and would result in some savings beyond those estimated here. Various insurance premiums, fees, and other administrative areas, for example, have potential for additional continuing savings associated with economies of scale. On the other hand, there would have likely been one-time expenses which would occur during the first two years after the merger, including the required codification of municipal ordinances. These expenses could be offset by state grants.

It should also be noted that local governments often budget capital expenditures in a generic format without precise estimates, pending engineering or other determinations of actual dollars to be expended. It was not unusual to budget a generalized amount for capital uses with the intent of finalizing precise amounts as the planning process progresses. It was also not uncommon for planned capital expenditures to be postponed. For these reasons, there is often a variation between actual and budgeted capital expenditures.

In an effort to better understand “projected” capital expenditures, the municipal engineers or consulting firms from each municipality discussed capital issues at two of the Joint Agreement Committee’s meetings.

Non-Financial Issues

Much of the analysis dealt with financial implications of a possible merger. These types of issues can be measured with some accuracy, and PEL believed that it had provided a

reasonably accurate measure of the financial implications of a potential merger of Hopewell Township and Newburg Borough.

However, other issues may be as important as financial considerations. These issues were not as amenable to measurement but required a judgment which each voter would need to consider.

- **Size/Leverage.** Frequently municipalities consider merging in order to create a larger entity which will have more leverage or clout with a large political entity such as the County or State. The argument was that a larger entity will better be able to attract assistance or pro-local decisions than a smaller entity.
- **Economic Growth.** A consistent theme was that one large political entity is better able to attract jobs and economic growth than a number of smaller contiguous entities. This was particularly true if the smaller multiple jurisdictions require separate building permits, tax collecting, zoning, etc.
- **Control of Development.** Often in communities where there is growth of commercial or residential nature, it is believed one local municipal entity can better control potential sprawl and development, thereby avoiding problems of congestion, environmental pollution, etc.
- **Social Cultural Factors.** It may be that the individual communities have such close social and cultural ties that there is an inherent feeling of one community, and the municipal boundaries are really artificial constructs or “accidents” of history.
- **Complexity of Other Governmental Entities.** Sometimes there may be other governmental entities whose jurisdictions add to the complexity of the existing nonmerged municipalities. This could be the case if school district boundaries overlay the various municipalities or a variety of authorities overlay the potential merged area.
- **Governance.** With very small municipalities it is frequently difficult to find enough people to run for office and/or fulfill the administrative functions related to municipal government. Ultimately, an inability to generate a viable governmental mechanism could have detrimental effects on the neighboring municipality(ies). In essence, the self-interest of the neighboring municipality may best be served by precluding governance decline by incorporating the neighbor into itself by a merger.

PEL's Conclusions

Based on the working assumptions on operational issues developed by the Joint Agreement Committee of Hopewell Township and Newburg Borough, as well as other assumptions and judgments used by PEL, had a merger of Hopewell Township and Newburg Borough occurred on January 2005 the sum of the expenditures in the merged municipality compared with the sum of its revenues/receipts could have permitted a net decrease in general purpose tax revenues of \$1,571, and provided an additional \$9,078 to be used for governmental operations or projects. The resulting general purpose tax burden in a merged budget reflecting uniform general tax rates as required by law would have had no effect for the hypothetical family in Hopewell Township and a decrease by \$11.38 (4.9 percent) for the hypothetical family in Newburg Borough.

Follow-Up

The Hopewell-Newburg merger planning sessions were attended by representatives from both the township and the borough. A newspaper reporter was also present, as was a representative from the Cumberland County planning office. The Cumberland County Commissioners paid for the PEL feasibility study on the proposed merger.

The impetus for the merger came from the borough through the initiative of a Cumberland County commissioner. The borough was experiencing significant financial difficulty and the commissioner took the lead in starting the merger process between the township and the borough. Both the township supervisors and the mayor and council members from the borough felt that the merger process had moved too quickly and that there was not sufficient time for reflection by the borough and by the township. In addition, no public meetings on the proposed merger were held in either municipality.

The landfill that is sited in the township contributed revenue to both the township and the borough before and during the merger process. The revenue from the landfill to the borough was sufficient to alleviate the borough's immediate financial distress and once the fiscal pressure for the borough was minimized the borough did not see any reason to continue to aggressively pursue the merger. The township supervisors in turn, claimed that DCED had offered the township significant financial incentives to take over the borough. When these financial incentives did not materialize, the township supervisors lost interest in pursuing the merger. Both

the township supervisors and the borough's mayor and council members agreed that the borough stood to lose its identity in the merger, and this loss of identity would be a crucial objection if the merger had gone forward.

As PEL's feasibility study demonstrated, the borough provided almost no municipal services and the township provided only minimal services beyond road construction and maintenance. A merger would have had minimal or no impact on the service level to residents of either the township or the borough.

APPENDIX 3

APPENDIX 3
SPRING TOWNSHIP AND WEST LAWN BOROUGH

Introduction and Project Description

In the first quarter of 2003 the governing bodies of Spring Township and West Lawn Borough reconvened a Joint Agreement Committee to examine the feasibility and advisability of merging the two municipalities. Prior to this, an investigation into a merger of the two municipalities was conducted in 2001.

With the financial assistance of the Berks County Municipal Merger Assistance Program, Spring Township and West Lawn Borough requested the Pennsylvania Economy League, Central Division, to provide technical assistance and facilitation services relative to updating various financial and operational elements of its November 2001 analysis of a possible merger of the two jurisdictions. PEL agreed to do so with a view to providing the Joint Agreement Committee, other officials, and the public with comprehensive and impartial factual data so that they could make an informed decision as to whether a merger will have been financially beneficial.

As a starting point PEL and the Joint Agreement Committee agreed to utilize the consensus reached and assumptions used in 2001 relative to certain operational and fiscal effects of a merger (including the structure of government; the level of services provided; the personnel complement; taxes, fees, service charges, and other financial issues; etc.) and update them as needed. The resulting terms and conditions were to serve as a base for PEL to combine the 2003 budgets of the two municipalities for all funds and determine the resulting revenues, expenditures, and tax and major fee burdens for the merged municipality based on potential revenue changes and expenditure increases/reductions due to changes in staffing, service levels, efficiencies, and/or economies of scale resulting from or made possible by the merger.

Both Spring Township and West Lawn Borough recognized at the outset that if the question of merging West Lawn and Spring Township was to be placed on the ballot by virtue of a Joint Agreement adopted by the governing bodies of the two municipalities, the principles which would have served as the foundation for the merger would need to be made part of a Joint Agreement, and that Joint Agreement would need to be adopted by ordinance by both governing bodies and submitted to county election officials at least 13 weeks prior to the election.

Overview of Government Services and Staffing

Spring Township

Spring Township is located in the central part of Berks County, west of the City of Reading. West Lawn Borough is almost fully contained within its borders. Spring Township also borders the boroughs of Sinking Spring and Wyomissing and the townships of Bern, Brecknock, Cumru, Lower Heidelberg, and South Heidelberg in Berks County. (The township also borders Lancaster County). Spring Township occupies 18.2 square miles and contains a mixture of residential, commercial, light industrial, farmland, and open space. (See Map 4-1.)

Spring Township provided a wide range of services to its residents including police protection; fire service; sewage collection and treatment; refuse collection in a portion of the township; curbside recycling throughout the township; various public works activities; planning and codes enforcement; and a parks and recreation program.

Police protection was provided on a 24-hour per day, 7-days-a-week basis with a force of more than 20 sworn personnel. Spring provided this service to West Lawn on a contractual basis.

During 2002 the three volunteer fire departments in Spring along with the West Lawn Volunteer Fire Company merged to form the Township of Spring Volunteer Fire Department and at that time the township assumed responsibility providing full-time employees and much of the equipment. To support the fire service the township levied a 0.50 mill real estate tax throughout the municipality. The Township of Spring Volunteer Fire Department provided fire protection services to West Lawn Borough under a contractual arrangement.

Emergency Medical Services were privately provided by the Western Berks Ambulance Association; there was no financial connection between the township and this provider except for the payment by the township to the county government for dispatch/radio services and a contribution by the township of \$5,000 fuel to the association. Spring Township residents who choose to join the association paid a \$45 annual fee which entitled them to receive services at no additional cost.

Sewage collection and treatment were provided in about 75 percent of the township. The collection system and a treatment plant were owned by the township's authority; however, treatment was also provided by several other plants under contractual arrangements. The

collection system and treatment plant owned by Spring Township's authority were leased to the township which operates the plant and maintained the lines. Residential rates were \$60 per EDU per quarter.

Refuse collection and disposal were provided weekly by the township in the nonrural areas (covering about 75 percent of the township's population) under contract with a vendor. Curbside recycling services were provided throughout the township, also under contract with a vendor. Residents annually paid \$50 per adult for refuse collection and disposal and \$20 per household for recycling.

Water was provided independently by the Pennsylvania American Water Company.

Street lighting was provided to about 75 percent of the township's population and was financed by a special assessment of \$0.10 per front foot for developed lots and \$0.05 per front foot for undeveloped lots. The assessment was limited to those areas with lighting.

Fire hydrants were provided to about 75 percent of the township's population and were financed by a special real estate millage of 0.064 mill on those parcels within 700 feet of a hydrant.

To carry out its various responsibilities and functions and to deliver its services, Spring Township maintained a complement of 58 full-time and 11 regular part-time employees (exclusive of elected officials). In addition, the township utilized seasonal parks and recreation and street employees.

Spring Township employed five full-time administrative/office personnel including a township treasurer, a secretary, a payroll/utility administrator, an administrative assistant (who was assigned to the engineering office), and a clerical person. There was also a part-time janitor/custodial person.

The police department consisted of a chief, two sergeants, three corporals, 12 officers, three criminal investigators, and one trainee. In addition, there was one full-time administrative assistant/clerical employee and eight part-time crossing guards.

The recently formed Township of Spring Volunteer Fire Department consisted of a fire commissioner (who had some code enforcement duties) and three full-time fire drivers.

The parks recreation program included a director, a program coordinator, a secretary, a maintenance foreman, and three maintenance workers plus seasonal employees as needed.

The road crew consisted of a director of road services, two full-time crew leaders, and eight full-time road workers plus part-time seasonal employees as needed.

Full-time employees in the engineering department included a director of engineering services and a zoning officer/building inspector. There was also a part-time plumbing inspector and a part-time sewage enforcement officer.

Full-time employees at the sewer plant included a superintendent, a business manager, an operator, a lab technician, and two maintenance employees.

Elected officials in Spring Township consisted of five supervisors and a tax collector.

Spring Township maintained a municipal building, a municipal garage, numerous vehicles and other pieces of equipment, and a parks system.

West Lawn Borough

West Lawn Borough is contiguous with Spring Township on part of its northern border as well as to the west and south. The borough also borders Wyomissing. (The boroughs of Wyomissing and Wyomissing Hills merged in 2002.) West Lawn Borough occupies 0.2 square mile and is almost exclusively a residential community. West Lawn Borough provided police protection to its residents (under a contract with Spring Township), fire service (also under a contract with Spring Township), refuse collection and curbside recycling throughout the borough (under contract with a vendor), sewage collection and treatment throughout the borough, various public works functions, and planning and code enforcement activities. Summer recreation and parks activities were provided primarily through a contract with Spring Township.

Fire service was provided by the Township of Spring Volunteer Fire Department under a contractual arrangement. To finance this service the borough levied a special real estate tax of 0.51 mill throughout the borough.

Emergency Medical Services were privately provided by the Western Berks Ambulance Association. The borough levied a special real estate tax (0.35 mill), and the proceeds were utilized to make all borough residents members of the association. Therefore, unlike in Spring, West Lawn residents did not have to become individual members in order to receive services at no cost.

Sewage collection and treatment was provided throughout the borough. The collection system was owned and operated by the borough, and sewage treatment was provided under a

contractual agreement by the Wyomissing Valley Joint Municipal Authority. Rates were \$19 per quarter for up to 1,000 cubic feet of water consumed plus \$1.90 for each additional 100 cubic feet.

Water was provided independently by the Pennsylvania American Water Company.

Twice weekly refuse collection and disposal and curbside recycling services were provided throughout the borough under a contract with a vendor which terminated on December 31, 2003. Residents paid an annual fee of \$95 per adult which includes the cost of recycling.

Street lighting was provided throughout the borough and was financed by general tax revenues. Fire hydrants were also provided throughout the borough and they, too, were financed by general tax revenues.

In order to deliver its services and fulfill its duties and responsibilities to its residents West Lawn had one full-time employee (a streets superintendent) and six year-round part-time employees (two administrative personnel, a janitor/custodial employee, and three codes enforcement personnel). In addition, there was a part-time crossing guard, several employees who worked "as needed" to assist with various functions at the Borough Hall, and several volunteer who assisted with "public works" activities on an "as needed" basis.

Elected officials in West Lawn Borough included a mayor, seven council members, and a tax collector.

West Lawn Borough had a municipal building which housed the borough offices and meeting room, a library, rental space, and facilities for banquets and similar functions, and also served as a station for the Township of Spring Volunteer Fire Department. In addition, the borough had a municipal garage and several vehicles and other pieces of equipment.

Merged Services and Manpower

Based on the working assumptions of the Joint Agreement Committee, under a merged operation services would be maintained essentially at the level and in the manner presently provided in Spring Township. It was noted that this would likely result in a diminution of some services now provided to residents of West Lawn Borough and perhaps an expansion or improvement in other services.

Police coverage and fire projection throughout the merged township would be unchanged given that Spring Township currently provides both of these service to West Lawn under contract.

Emergency Medical Service would be unchanged, although the arrangement in West Lawn under which the borough taxes each parcel of real estate and then purchases memberships for all residents would be discontinued. The tax would be eliminated, and West Lawn residents—like Spring Township residents—would individually determine whether or not to purchase memberships in the Association.

Sewage collection and treatment would essentially continue as at present both with respect to the nature of the service and the rates. Management of the system and billing would be the responsibility of the Board of Supervisors.

Tax Rates and Fee Structure

The primary sources of revenues/receipts for Spring Township and West Lawn Borough for governmental operations were general purpose taxes, although special purpose taxes and fees for various services also played significant roles. Both Spring and West Lawn levied real estate taxes, earned income taxes, per capita taxes, occupational privilege taxes, real estate transfer taxes, and mercantile and/or business privilege taxes for general purposes. There was a modest difference in the general purpose real estate tax rates between the two jurisdictions—in Spring Township the general purpose tax rate was 1.50 mill; in West Lawn Borough the rate was 1.75 mills—0.25 mill or 16.7 percent higher. In addition, Spring Township levied 0.50 mill throughout the township to support fire protection services, and West Lawn levied 0.51 mill for the same purpose. Further, West Lawn levied a 0.35 mill tax to cover the cost of EMS; no similar tax was levied in Spring Township. Other tax rates were essentially identical.

However, as noted above, Spring Township had separate and additional special purpose. In order to equate the services and revenues, West Lawn Borough real estate taxes were made to match those of Spring Township. When the real estate millage equivalents of budgeted street lighting and fire hydrant expenditures in West Lawn Borough were removed, the West Lawn's general tax millage decreased from 1.75 mills to 1.36 mills.

The real estate tax was the critical equalizing factor which balances net nontax revenue/receipts and the savings in expenditure/disbursements. The net nontax revenue

decreased totaled \$169,100. Expenditures/disbursements were reduced by \$244,751. This produces \$75,651 in net resources from which aggregate real estate taxes could have been reduced for the merged municipality, of this figure about \$21,000 related to the elimination of the EMS tax in West Lawn; as such, the net savings in tax dollars throughout the merged municipality was about \$54,500. (It should be noted that for both revenues/receipts and EMS tax in West Lawn; as such, the net savings in tax dollars throughout the merged municipality was about \$54,500. (It should be noted that for both revenues/receipts and expenditures/disbursements the police and recreation components were included.) Therefore, the merged municipality would have required total current real estate tax revenue of \$2,355,140. This would have equated to a general purpose and municipal-wide special purpose millage of 1.947 for the merged municipality—a decrease of 0.053 mill (2.7 percent) in Spring Township and a decrease of 0.663 mill (25.4 percent) in West Lawn Borough.

Tax and Fee Burden

If a merger had been effective January 1, 2003—based on the terms of the working assumptions of the Joint Agreement Committee and the various other assumptions and judgments used to estimate the revenues and expenditures of the merged municipality—the combined general and special purpose tax burden and fees for major services in Spring Township for the hypothetical household would have dropped by \$5.48 or 0.6 percent to \$898.05.

In the West Lawn Borough portion of the merged municipality the combined general and special purpose tax burden and major fees for major services would have been reduced by \$43.89 or 5.6 percent to \$739.48 if the merger had occurred January 1, 2003.

Follow-Up

PEL conducted interviews with two supervisors from Spring Township and the Spring Township manager. Both supervisors had been involved in the merger process, and one supervisor had participated in both merger commissions. The Spring Township-West Lawn Borough merger actually took place in two installments, a commission in 2001 and a commission in 2003.

According to the interviews, the impetus for the merger started during a Spring Township meeting when a supervisor, referring to a recent merger of the Boroughs of Wyomissing and Wyomissing Hills, commented that the township should merge with the Borough of West Lawn. The Township already provided most municipal services to the borough and a merger would be the logical result. A newspaper reporter was present at the meeting and published the supervisor's remarks.

The original 2001 merger committee was formed as a result of these published comments. PEL was retained to provide the fiscal analysis of the proposed merger. The original 2001 commission, and PEL's report, did not result in the merger questions being placed on the ballot in Spring Township and in West Lawn Borough. In fact, the work of the 2001 merger commission was placed on the shelf until 2003, when the West Lawn mayoral candidate ran on a platform of reviving the merger of the two municipalities. By 2003, West Lawn's financial situation had deteriorated to the point where a substantial tax increase was necessary. At this point, merger into Spring Township became a more practical alternative.

There was little organized opposition to the merger question in West Lawn Borough. There was no opposition to the merger in Spring Township. According to the supervisors, the issue of merger in the township was almost a non-issue, as most voters were indifferent. Since Spring Township already provided most municipal services to West Lawn Borough, the fiscal impact on the Township was negligible.

The major obstacles to the merger, if they could be called obstacles, involved the level of street maintenance, snowplowing, and the ultimate structure of the West Lawn library. West Lawn Borough's sole employee provided street maintenance and snowplowing, and borough residents were concerned that the merger would result in diminished snowplowing. The borough's employee resigned before the merger was effective and street maintenance and snowplowing was provided at the same level that all township residents receive.

The library issue involved the retention of the name of the West Lawn library and of the status of the library trustees. These issues are impacted by state library assistance and by census designation of place names. The results of the 2010 census will influence the library's status. This issue was perhaps the sole identity issue that impacted Borough residents. In effect, the scope of the merger of the Borough into the Township could be characterized as the Township accepting a newly created subdivision.

The supervisors and the township manager all indicated that there were no savings that accrued to the Township because of the merger. The merger was estimated to have cost the Township approximately \$100,000 since the merger was effective in 2006. These costs result from the assimilation of various elements of the two municipalities, and range from codification of ordinances to standardization of signs and equipment. Merged municipalities do not receive any direct assistance from DCED to help defray the incidental and unanticipated expenses that will arise with any merger. The supervisors and the township manager also commented that DCED or any other Commonwealth agency did not promise, provide, nor offer any incentive for the merger.

The merger proposal passed successfully in both Spring Township and in West Lawn Borough and the merger became effective in 2006.

APPENDIX 4

APPENDIX 4

CENTER AREA SCHOOL DISTRICT – MONACA SCHOOL DISTRICT

Introduction and Project Description

The merger of the Center Area School District and the Monaca School District is scheduled to be effective on July 1, 2009. The Center Area-Monaca merger is the first voluntary merger of school districts since the merger and consolidation period of the 1960's. A review of the timeline and of the issues involved in this merger process is illustrative and informative, and can serve as a guide to future efforts in this area.

Background

The Center Area School District and the Monaca School District are both located in Beaver County. Indeed, the Center Area School District surrounds the Monaca School District and includes a small portion of Monaca Borough, the remainder of Monaca School District is coterminous with the Borough of Monaca. This geographic affinity reflects the common socio-economic and demographic factors shared by the districts. Many of the residents in the Center Area School District migrated from Monaca Area for housing; employment patterns, shopping patterns, and other community activities are intertwined between the districts.

The commonality of interests among the school districts is extensive. The districts share a common post office address (Monaca) and also share many public services such as a transit system, public library, and youth sports teams e.g., baseball and soccer.

Both districts have sporadically discussed merger since the 1980's, and in the early 1990's PEL's Western Division performed a merger feasibility study at the request of the districts. The path to the current merger represented the third time that the districts actually embarked on studies leading to a potential merger.

Merger Factors

Both districts have seen declining enrollments and these declines are projected to continue. Both districts also were experiencing increasing expenditure requirements of the local tax base and have had to raise real estate tax millages over the past few years. The physical plant

in the Monaca School District needs extensive renovation while the physical plant in the Center Area School District does not require immediate significant renovation.

Even with the proposed merger, the resultant school district's enrollment was projected at approximately 2,600 pupils for the 2008-09 school year, and at approximately 2,300 pupils by the 2015-16 school year. Financially, the future tax impact on the citizens of the merged school district was expected to be minimal beyond a slight millage increase, with most taxpayers experiencing little to no direct impact from the proposed merger.

Merger Timeline

Timeline for the Merger of Center Area and Monaca School District

October 2005	Center and Monaca School Boards approve action to conduct a feasibility study on a proposed merger between the districts.
November 2005	Superintendents pursue resources to assist districts with the actual feasibility study (PA Economy League, PDE, Tri-State, PA IU's).
December 2005	Create an Advisory Committee (Supt., Bus. Mgr., PDE, legislators, IU, three board members from each district).
January 2006	The Advisory Committee meets at the IU.
February 2006	Superintendents secured funding from local legislators (\$35,000). The Advisory Committee meets at the IU.
March 2006	Center and Monaca School Boards approved Ingraham Dancu Associates to conduct a feasibility study on a proposed merger between the districts (\$25,000). The Advisory Committee met at the IU.
April 2006	The superintendents secure additional funding from the Grable Foundation (\$5,000). First Key Communicators meeting held at CCBC. The Advisory Committee meets at the IU.
May 2006	Second Key Communications meeting at CCBC. The Advisory Committee meets at the IU.
June 2006	Public Meeting at the Monaca Turners. Dr. Dancu presented his proposal that included six scenarios and the use of existing educational facilities and programming. The public generated questions on governance and finances. The Advisory Committee meets at the IU.
August 2006	Officials travel to Harrisburg to meet with PDE. (Supt., Business Mgrs., Board Presidents, Solicitors, Dr. Dancu) Purpose: Get answers on governance and funding support. Result: Directed to select a scenario for a simulated merger.

October 2006	Districts began to gather data on scenario D1—all 9-12 students attend Center High School; all 7-8 students attend Monaca High Jr. School; all 3-6 students attend Todd Lane Elementary school; each district will house its own K-2 student population at Center Grange and CJ Mangin. The Advisory Committee meets at the IU. Third Key Communicators meeting held at Monaca High School.
November 2006	District began to work on curriculum/programming issues with a simulated merger.
December 2006	Superintendents could not find any help with the financial issues related to a simulated merger. Fourth Key Communicators meeting held at Center High School. The Advisory Committee meets at the IU.
January 2007	Superintendents contacted PDE for assistance. The Education Management Group was contacted. PDE agreed to pay one-half the cost of securing EMG as our financial consultants to complete the feasibility study. The cost totaled \$18,000 of which the districts paid \$9,000.
February 2007	Center and Monaca School Boards approve EMG to conduct a fiscal assessment on a proposed merger between the districts (\$18,000).
April 2007	State-approved study on school consolidations by Standard's and Poor was completed. It included references to the Center-Monaca proposal as an example of reasons for consolidating schools. The study will be released in June.
June 2007	EMG meets with both school boards jointly at the Hampton Inn to review first draft of their study.
July 2007	EMG meets with both school boards separately at CCBC to review the addendum.
August 9, 2007	EMG meets with both school boards separately to discuss any concerns with the study. Consensus was that PDE and our state legislators must return to the table to guide us from this point on.
August 23, 2007	Secretary of Education Dr. Gerald Zahorhach, his staff, Senator Lavalley, State Representative Vince Biancucci, Tom Zelesnik, the superintendents, business managers., and both school boards meet to discuss the road to the final decision regarding the merger.
September 2007	Public Meeting to share and receive final feedback on the merger study. Twenty-four months, a long and diligent process.

Note: The timeline does not include the meetings and/or telephone discussions, in varying degrees, with the superintendents, various consultants, administrators, solicitors, PDE officials, legislators, and board members from both districts.

Note: All Key Communicator meetings were advertised and covered by local newspapers.

Merger

As the merger timeline indicates, the process took nearly four years to complete. When the process began in the fall of 2005, the districts embarked on an effort that had no precedents. Even searching to find a firm to do a merger feasibility study represented a new effort. PEL, which had done a similar feasibility study for the districts in the early 1990's, responded by saying that their local office could not perform the study. The Pennsylvania Department of Education (PDE) responded by stating that PDE did not have the resources to do this work. Similar responses were received from other presumed sources of professional consulting.

The districts were able to locate a small firm to do the feasibility study and received funding support from their local legislative delegation for the feasibility study. The effort to merge the districts began primarily because the districts were committed to the process. There was little available assistance provided by the established education profession and by the private professional consulting community.

The districts continued to move forward with the merger activity. An Advisory Committee was established that included representation from the districts, the Intermediate Unit (IU), state legislative delegation, and others. The advisory committee, along with the extensive media coverage of the proposed merger, provided significant community education about the process and meetings were held at which members of the community could offer comments and input on the process.

The districts also retained a consulting firm to do a financial feasibility study of the proposed merger. This feasibility study undertook an in-depth look at the fiscal structure of both districts and of the proposed financial impact of the merged district. The financial feasibility study did determine that the proposed merger would be fiscally feasible and could indeed generate some savings.

All of these efforts towards the final preparations for the proposed merger were carried out by the two districts with little direct assistance from PDE. As the proposed merger moved closer to actual implementation, representatives from the two districts were able, through negotiation, to convince PDE to commit to a contribution of up to \$500,000 to cover one time costs resulting from the proposed merger. The districts have received \$350,000 of this PDE assistance as of January, 2009.

The merger of the Center Area School District and the Monaca School District will take effect on July 01, 2009.

Follow-Up

PEL conducted interviews with the Superintendents of the Center Area School District and the Monaca School District in January 2009. Dr. David Davare, Director of Research for the Pennsylvania School Boards Association (PSBA), also participated in the interviews. Both superintendents were candid and forthcoming in their discussions of the merger process as it began and as it has unfolded over the past four years.

The most consistent theme of the discussions throughout the interviews was that superintendents and the school districts had to find their own way throughout this process. Both superintendents commented that no one in the education community, including PDE, and no one in the professional community that works extensively in school matters was able to offer significant advice to the school districts. Because the last significant merger process for Pennsylvania school districts was concluded by the early 1970s, there was no one currently available in PDE with any background or experience to assist the districts with a voluntary merger project. PDE in effect had to learn the merger process with the districts as the effort moved forward.

Both superintendents also commented that the extensive media coverage and the attention that the merger process received served both as an educational function and as a factor in keeping the issue in the public domain. The media, particularly the local newspaper, provided extensive coverage of all aspects of the proposed merger as well as editorially supporting the merger. The extensive media coverage insured that all aspects of the proposed merger were fully discussed in the public domain.

The historic and current interaction between the Center Area School District and the Monaca School District certainly aided the merger process. The two communities were and are interconnected geographically, economically, and socially. There will be minimal disruption in the overall impact of the merger on the communities involved, and the merger will provide significant benefits to the community beyond the more immediate improvements in educational quality for the students.

Both superintendents did comment that the initial lack of financial incentives from PDE to assist the districts was a potentially difficult issue. Both superintendents recognized that PDE's initial reluctance to provide financial assistance was related to PDE's lack of experience in dealing with voluntary mergers. However, as the merger process moved forward, PDE was still somewhat hesitant to guarantee financial assistance or incentives. Both superintendents felt that more direct assistance from PDE, including financial assistance, would have shortened the merger process considerably.

APPENDIX 5

APPENDIX 5

SCHOOL DISTRICT CONSOLIDATION CHECKLIST

SCHOOL DISTRICT CONSOLIDATION CHECKLIST PENNSYLVANIA SCHOOL BOARDS ASSOCIATION November 2008

The changing demographics and economics of Pennsylvania are energizing discussions among school districts that span from sharing services to physical consolidation. Some discussions are driven by circumstance—such as a declining tax base or decreasing enrollments, others by a desire on the part of communities to maintain or expand strong academic and student support programs.

The time to consider options is before external events force the issue. This allows school districts the time to do a thorough self-evaluation and to examine their options with a maximum of local control. That is the purpose of this checklist: to help school districts *think through* their opportunities and options.

School districts have three primary options to consider: *functional* consolidation (existing districts sharing resources), mergers (one school district becomes part of another school district), or *physical* consolidation (two or more school districts become a new single entity). In each case, the consideration process is similar with three major steps:

- Deliberation,
- Identifying potential school district partners, and
- Finding allies.

The basic structure of the following checklist is divided into these three steps. Most activities can be simultaneously considered, and though there is a general order to the process, most activities will have overlap. A brief overview of each step follows.

Deliberation

Each school district should begin their considerations using the following five areas of self study:

- Analyze the district's current environment
- Generate predictive data (usually five years)
- Perform a academic self assessment
- Anticipate significant events or changes
- Identify advantageous shared resource opportunities for the school district.

Identifying Potential Partners

Finding potential partners will, most likely, begin with contiguous or nearby school districts.

Building upon the self-assessment performed under the first step, find matches that can provide maximum mutual benefits for sharing resources. Look for additional pluses such as a shared sense of community, history of shared services, complementary academic strengths, and varied programs/facilities that can be extended to all students in a consolidated district. Combining the best of existing districts can produce an even stronger school system.

Begin with the three foremost challenges when identifying partners:

- Can millage and other tax rates be standardized across communities?
- How soon and how easily can a combined collective bargaining agreement be negotiated and accepted?
- Are existing debt levels approximately the same with similar timeframes to retire debt?

Other information can be obtained from internet searches and public databases. Statewide organizations, including the School Boards Association and the Pennsylvania Department of Education, can provide for your review:

- District policies and procedures
- General operations and staff levels
- List of course offerings
- Grade configurations
- Facility capacity and use
- Enrollment patterns
- Achievement measures
- Planning documents and summaries
- Demographics of communities in the school district.

Finding Allies

The final step is to **ally** with one or more school districts for further study. Approach other districts strictly limiting discussion between administrations. Proceed by sharing information, and then combine the most recent financial, academic and staffing data into one consolidated school district. This clearly represents how a consolidated school district would have performed if it functioned during the preceding year. The “paper” consolidation may be developed in-house or by a research organization. The topics are:

- Academic programs
- Student services
- District governance
- Staffing levels and bargaining agreements
- Operations and facilities
- Finances/tax base
- Community involvement.

Determining Your Options

The final goal of using this checklist is to understand the viable options available to a school district or for a group of school districts. Generally, consolidation or sharing resources are built upon three pillars:

- Expanded student opportunities
- Cost savings or future cost avoidance

- Support of the community.

First and foremost is supporting/sustaining academic programs and student support. If the existing academic program is diminished or impaired, the responsible options should not be deemed viable. *Viable* options are based upon:

- Research, valid assumptions, predictions, and experience of current administrators and teachers
- A high probability of implementation
- Flexibility so that efforts can be adapted or tweaked as needed
- Avoidance of “winners” or “losers” in the consolidation or resource sharing process.

Board members need to know the impact of consolidation upon students, instruction, district governance, finances, and the community. Consolidation is not without risk, pitfalls, and controversy. It requires additional effort from administrators and teachers to ensure its success, and a commitment from the general community to support the goals of consolidation. Hence, options that cannot earn professional, community or taxpayer support may not be viable. Support of stakeholders will be dependent upon:

- Expanded student opportunities
- Potential long-term savings related to building renovation and shared construction
- Lower administrative costs
- Keeping the best of existing district instructional programs and teacher expertise
- Motivation to plan the district’s own destiny
- Finding lower costs and higher efficiencies.

Checklist Overview

The following checklist directs school districts and communities through data collection and analysis. It serves to provide information for ongoing discussions and provides a common reference point to guide those discussions. Please note that all data requirements set by the Pennsylvania Department of Education to date have been included in this checklist.

1.0 Deliberation	2.0 Identifying Potential Consolidation Partners	Ally With Districts: 3.0 Academic Programs
1.1 Describe Current School District Environment 1.2 Generate Predictive Data 1.3 Perform an Academic Self Assessment 1.4 Anticipate Significant Events or Changes 1.5 Identify Advantageous Shared Resource Opportunities	2.1 District Policies and Procedures 2.2 General Operations and Staff Levels 2.3 List of Course Offerings 2.4 Grade Configurations 2.5 Facility Capacity and Use 2.6 Enrollment Patterns 2.7 Achievement Measures 2.8 Demographic Characteristics and a Common Sense of Community	3.1 General Overview 3.2 Curriculum Development 3.3 Programs by Grade Level 3.4 Special Education 3.5 Cross-District Schools
Ally With Districts: 4.0 Student Services	Ally With Districts: 5.0 District Governance	Ally With Districts: 6.0 Staffing Patterns and Bargaining Agreements
4.1 Student Activities 4.2 Social Activities 4.3 Athletic Programs 4.4 Extracurricular and Community Programs	5.1 Administration 5.2 Strategic Planning and Curriculum Development 5.3 Education Partners 5.4 Special Circumstances	6.1 Existing Staffing 6.2 Collective Bargaining Agreements
Ally With Districts: 7.0 Operations and Facilities	Ally With Districts: 8.0 Finances/Tax Base	Ally With Districts: 9.0 Community Involvement
7.1 Facility Assessment 7.2 Facility Cost Estimates 7.3 Transportation Analysis 7.4 Merging Services and District Operations	8.1 District Revenues 8.2 Equalizing the Tax Base 8.3 Examining Expenditures	9.1 Identify Stakeholders 9.2 Setting Expectations 9.3 Role of the Community 9.4 Communications Plan

1.0 Deliberation

1.1 Current Environment Each district begins with a thorough understanding of its existing circumstances, its predicted situation, and its current strengths and weaknesses. This information serves as a benchmark for comparison with other school districts and provides a baseline to measure change/outcomes over time.

- 1.1.1 Analyze enrollment stability and patterns by:
 - Grade distribution
 - Distribution by socio-economic status, race, gender and categories of exceptionality
 - Characterization of affected student population in regard to program of studies, curricular racks or academic achievement
 - Number of nonpublic students
 - Access to community colleges, postsecondary or adult education programs
 - Number of students enrolled in approved vocational programs in the school district and the regional Vocational/Technical School.
 - 1.1.2 Review staffing patterns by academic discipline and by support services
 - Graph staffing by type, by grade and by building
 - Identify all the human resource categories and collective bargaining agreements
 - 1.1.4 Review type, location and purpose of all facilities
 - 1.1.5 Financial strength—Estimate the following for the next three to five school years:
 - Anticipated revenues
 - Estimated expenditures
 - Expected gaps between revenue and expenditures
 - 1.1.6 Community Characteristics—If possible, the following should be predicted for the next three to five years:
 - Low income pupils (AFDC)
 - Population
 - Square miles
 - Pending building permits
 - Population demographics (aging, household income, type of housing, etc.).
 - 1.1.7 Student Achievement—Review the districts academic standing using normative information, including measures such as SAT, NCLB, PSSA, etc.
- 1.2 Generate Predictive Data by determining:**
- Enrollment projections for at least the next five years
 - Community demographics (population growth, shift, birthrates, building permits, etc.)
 - Projected budget requirements
 - Expected changes to community characteristics, including economic conditions
 - Future tax capacity and effort
- 1.2 Perform an Academic Self Assessment, including recognition of the district's:**
- Most important academic goals and objectives
 - Strongest programs
 - Goals for the smallest class sizes possible
 - Ability to expand upon existing successful academic programs
 - Competitive needs, such as adding new programs or an internal charter school
 - Most valuable student support and extracurricular activities

- Commitment to community support and programs
- Plan for defining educational programs for the future

1.4 Anticipate Significant Events or Changes by

- Reviewing recent board actions and personnel changes
- Contacting statewide organizations to discuss possible changes in program mandates legislation, funding formulas, interest rates, need for additional debt service, etc.
- Analyzing facility space and configuration needed in future years
- Determining significant changes in instructional patterns, use of technology, curriculum materials, etc.
- Parental and community demands upon the school system
- Changes in the district's tax base, economy or ability to generate revenues

1.5 Identify the Most Advantageous Shared Resource Opportunities for your School District, including:

- Expanding or improving student academics and support services
- Ways to share or avoid future fixed costs
- Feasibility of sharing facilities, either existing or new construction
- Expanding the tax base and stability of revenues
- Re-adjusting enrollment size for greater efficiency and effectiveness

2.0 Identifying Potential Consolidation Partners

Identification of potential partners may occur through the assessment process that follows, or through school board or school administrator discussions. In most cases, this process will begin among contiguous or nearby districts where transportation and community culture challenges may be minimized. Understanding the following characteristics of other districts is only a start. The detailed study of regional taxes, separate collective bargaining agreements, and existing debt, to name a few, are included in the third step (choosing partners) when actual alliances come under study.

2.1 District Policies and Procedures—Identify school districts with similar:

- 2.1.1 Mission, vision and academic philosophy
- 2.1.2 Interest in resource sharing or consolidation
- 2.1.3 Levels of staffing and community support for resource sharing
- 2.1.4 Interests in supporting existing or expanding student opportunities

2.2 General Operations and Staff Levels—Identify school districts where the sharing of possible operations and staff seems particular feasible by analyzing:

- 2.2.1 Geographic conditions and opportunities for sharing of student transportation routes
- 2.2.2 Student/teacher ratios and availability of student support staff
- 2.2.3 General financial stability, tax structures and level of debt
- 2.2.4 Similar terms for collective bargaining agreements

2.3 Course Offerings—Always begin serious consolidation discussions with an analysis of academic opportunities, including the possibility to:

- 2.3.1 Increase the number and scheduled availability of courses offered
- 2.3.2 Take and preserve the strongest programs from each existing district
- 2.3.3 Provide programs no district could provide individually
- 2.3.4 Better meet district and mandated education goals

2.4 Facility Capacity, Condition and Use—A more detailed study of facilities can follow, but search for school district partners with:

- 2.4.1 Building capacity and potential configuration for additional or new uses
- 2.4.2 Similar maintenance, condition, age or size of buildings
- 2.4.3 A comparable need for new construction or major renovations

2.5 Enrollment Patterns and Goals—School districts should be initially sought with common goals for:

- 2.5.1 Grade configurations (middle school vs. junior high school, for instance)
- 2.5.2 Maximum total enrollment for new district (perhaps less than 2,500 students)
- 2.5.3 Targeted instructional expenditures per student

2.6 Achievement Measures—For each potential school district partner, review the most recent:

- 2.6.1 Academic standards, measures and score results
- 2.6.2 Scope of secondary programs and graduation requirements

2.7 Demographic Characteristics and a Common Sense of Community—Look for:

- 2.7.1 Same goals, academic philosophy
- 2.7.2 Similar emphasis and balance between academic, community, and athletic programs

Ally With Other School Districts

In this final collection of tasks information from each school district is listed side by side and directly compared and analyzed. The process begins with academic programs. At the end of these comparisons school districts will clearly understand their differences and similarities which, in turn, identify the challenges and opportunities that lie ahead. From this information school boards can determine the “tipping point” that might lead to further action, how to build upon common strengths, and how to present viable options for each school board.

3.0 Academic Programs

3.1 General Description—Document for each potential or participating school district:

- 3.1.1 Mission statement or vision statement
- 3.1.2 Academic standards, goals and objectives, mandates
- 3.1.3 Class schedules and scheduling/grade report programs
- 3.1.4 Academic planning and periodic review
- 3.1.5 Sequencing and use of standards by grade level

3.2 Curriculum Development—Document the specific effects of consolidation on the following:

- 3.2.1 Course and curricular offerings
- 3.2.2 Support and special services
- 3.2.3 Special needs students
- 3.2.4 Staff utilization
- 3.2.5 Present educational goals and objectives
- 3.2.6 Availability of educational resources
- 3.2.7 Vocational education
- 3.2.8 Gifted and talented programs

3.3 Programs by Grade Level—Compare among the districts the following:

- 3.3.1. Grade configurations by program and facility
- 3.3.2. Elementary programs
- 3.3.3. Middle school programs
- 3.3.4. High school programs
- 3.3.5. Graduation requirements

3.4 Special Education—Document any proposed changes on the following aspects of special education:

- 3.4.1. Total number of special education students (including transfers)
- 3.4.2. District or multi-district operated programs
- 3.4.3. Intermediate Unit operated programs
- 3.4.4. Projected budget of the IU component of the special education program
- 3.4.5. Provision of related and support services
- 3.4.6. Need to change reporting requirements under NCLB if total number of students i increases sufficiently

3.5 Cross-District Schools—Explore the possibility of sharing schools or programs, including:

- 3.5.1. New buildings and programs under the existing school boards
- 3.5.2. Cyber-schools
- 3.5.3. Charter schools within the existing school districts or consolidated district
- 3.5.4. Library and other technology reference services

4.0 Student Services

4.1 Student Activities—Clubs and student activities are an integral part of every high school.

For each building or grade level, compare the number and scope of:

- 4.1.1 Student clubs
- 4.1.2 Service organizations
- 4.1.3 School and community volunteer opportunities
- 4.1.4 Student leadership positions
- 4.1.5 Number of instructional and non-instructional staff involved and assigned to student organizations

4.2 Social Activities—Secondary school especially serves as the entrance to adulthood for most students. Compare among each existing school district the type and number of:

- 4.2.1 Extracurricular activities
- 4.2.2 Dances, concerts, musicals, etc.

4.3 Athletics—Especially at the secondary level, consolidation of athletic programs can prove to be the most difficult of all efforts. Varsity programs have histories, rivalries, mascots, school colors, and other traditions that invoke deep community pride and loyalty. However, athletic programs go beyond varsity teams and include:

- 4.3.1 Interscholastic opportunities and potential changes (PIAA, for instance)
- 4.3.2 Student wellness and physical training
- 4.3.3 Intramural activities

5.0 District Administration

The governance structure of each school district should be reviewed, evaluated, and analyzed for impact of a consolidation. Most important is documenting how administrators function as a team to plan and monitor educational programs, allocate resources, assign teachers to programs, support professional development, meet periodically to resolve problems, evaluate professionals, and work with the principals and faculty.

5.1 General Administration—Most school district consolidation studies will emphasize cost savings by combining existing administration offices. To document cost savings, say by moving from two or more superintendents, to one:

- 5.1.1 Describe existing administrative structures
- 5.1.2 Document number, type and cost of administrators using PSBA average salaries
- 5.1.3 Identify overlap or redundancies and calculate cost savings
- 5.1.4 Find opportunities to re-align administrative staff and add needed positions for a larger, consolidated school district (for instance, a curriculum director where none now exists)
- 5.1.5 Combine existing school calendars and class scheduling to a single entity
- 5.1.6 Determine the new governance structure of a consolidated school district, including organizational charts and staff listings

5.2 Strategic Planning and Curriculum Development—Compare:

- 5.2.1 Planning cycle by curriculum subject area
- 5.2.2 Curriculum sequencing by standards and by grade
- 5.2.3 The most recent academic programs and emphases

5.3 Education Partners—Compare existing partnerships, including financial obligations associated with each partnership, for each district with emphasis upon how students or staffing may be affected:

- 5.3.1 Vocational/technical school and other partners
- 5.3.2 Community college or other higher education institutions
- 5.3.3 Intermediate Unit(s)
- 5.3.4 Community groups and foundations
- 5.3.5 Other partnerships

5.4 Special Circumstances

- 5.4.1 Identify pending legislation, penalties, court orders, etc., that will be of interest to all existing districts (for instance, a desegregation order)

6.0 Staffing Patterns

Faculty and staff provide the primary instructional machine for school districts and are key to successful sharing of resources or consolidation effort. School boards have retained (at least outside of the professional accrediting process) a good deal of autonomy and opportunities for best assigning staff. However, individual collective bargaining agreements and multiple curriculum programs create a challenge to consolidation.

6.1 Existing Staffing—Document instructional and non-instructional staffing patterns for each existing district including:

- 6.1.1 Assignment of present academic staff by academic unit or building
- 6.1.2 Professional staffing by configuration of grades
- 6.1.3 A complete list of supervision and management positions

6.2 Collective Bargaining Agreements—Document commonalities and differences of current collective bargaining agreements by:

- 6.2.1 Lining up, side by side, each contractual item (health insurance co-pays, tuition reimbursements, etc.) by specific clause
- 6.2.2 Documenting the differences between agreements, then costing out the result of combining all staff under the most generous agreement clause (include salaries, benefits, pension payouts, vacation/sick time, personal/professional leaves, etc.)
- 6.2.3 Combining the salary levels and steps and place the combined professional staff into this grid with the highest for each one
- 6.2.4 Determining the financial impacts upon types of positions, wages and benefits

7.0 Operations and Facilities

School district operations and facilities should provide a safe, learner-centered, comfortable, accessible, and flexible environment for the academic program. This review should provide the information needed to evaluate the adequacy of the existing facilities to accommodate current and proposed instructional programs.

7.1 Building Assessment—For each facility document its:

- 7.1.1 Location and use

- 7.1.2 Condition and safety status)
 - 7.1.3 Size and capacity
 - 7.1.4 Grade configurations
 - 7.1.5 Code exceptions, safety or health issues
 - 7.1.6 Need for maintenance or scheduled renovation or replacement
- 7.2 Shared Use of Facilities—Document the ability to share:
- 7.2.1 Athletic and practice fields
 - 7.2.2 Maintenance and storage facilities
 - 7.2.3 School district administrative suites
 - 7.2.4 Energy performance reviews
 - 7.2.5 Waste reduction programs led by students and faculty
- 7.3 Student Transportation—Document existing transportation policy and the software tools for each district used to determine bus routes, then:
- 7.3.2 Document the combined number of students transported, public and nonpublic
 - 7.3.3 Determine changes needed to minimize time in transit for students in a consolidated district
 - 7.3.4 Identify any potential or expected changes in transportation costs in the near future (regular and special education, vocational, nonpublic, etc.)
 - 7.3.5 Reconcile existing transportation contracts for each district
 - 7.3.6 Estimate changes, if any, in state reimbursement for transportation
- 7.4 Merging Services and District Operations—Whether consolidating or sharing services, analyze potential savings by sharing:
- 7.4.1 Food service personnel, supply purchasing, and food preparation
 - 7.4.2 Equipment, vehicles, storage and supplies
 - 7.4.3 Maintenance, storage and service contracting
 - 7.4.4 Capital lease plans vs. purchase of facilities
 - 7.4.5 Contracting of energy sources
 - 7.4.6 Software licenses, networks, and technology support specialists
 - 7.4.7 Wireless technologies across all buildings in existing or consolidated school districts

8.0 Finances/Tax Base

As is true for any merger or consolidation, the parties need knowledge of the current fiscal status of a potential partner. Further, the current status of each district is needed to correctly combine their collective assets and liabilities, and to provide the basis for projected costs and/or savings after consolidation. One way to test the financial effects of consolidation without making difficult predictions or assumptions is to combine the latest year of financial data of the existing districts to determine the resulting revenues, expenditures, and tax burdens if that year had operated as a consolidated school district.

- 8.1. District Revenues—Estimate the following for each existing school district for the current school year, then combine into one district:
- 8.1.1 Real property valuation, assessed valuation, property tax rate, and property tax revenues
 - 8.1.2 Per capita taxes
 - 8.1.3 Wage taxes
 - 8.1.4 Applicable Act 511 taxes

- 8.1.5 Aid ratios
 - 8.1.6 Personal income valuation (certified by the Secretary of Revenue)
 - 8.1.7 Annual interest payments
 - 8.1.8 Annual rental payments
 - 8.1.9 Property Tax Base
 - 8.1.10 Property Tax Revenues
 - 8.1.11 State and Federal Programs
 - 8.1.12 Local/Community Foundations
 - 8.1.13 Potential Changes in State Subsidies
- 8.2. Equalizing the Financial Base for Communities Within a Consolidated District—The financial officers or a research group can provide analysis of:
- 8.2.1. Equalized Millage across all involved municipalities
 - 8.2.2 Requirements of the state’s Uniformity Law with adjustments across district/county lines
 - 8.2.3 For the most recent fiscal year, for each existing district, then combined for all districts:
 - Assessed valuation
 - Property tax revenues
 - Per capita taxes
 - Act 511 taxes
 - Real property valuation
 - Personal income valuation
 - Number and effect of low income pupils (AFDC)
 - 8.2.4 Projected change in revenue from state sources when districts consolidate
 - School subsidy
 - Aid ratio
 - Special funds
 - Grant funds
 - Other
 - 8.2.5 Projected change in revenue from federal sources when districts consolidate
 - Chapter I
 - Chapter II
 - Vocational education
 - Migrant Education
 - HeadStart
 - Other
 - 8.2.6 Projected change in revenue from local sources when districts consolidate
 - Local and school district foundations
 - Established business partnerships and support
 - Other
- 8.3 Expenditures—The district’s board members or financial officers can best determine the needed level of detail for comparing expenditures by category (such as vocational programs—code 1300 or pupil personnel—code 2100). Generally, expenditures for each existing district and for a consolidated district are prepared. At the very least, and most importantly, this analysis should include the following three items:
- Instructional expenditures per student
 - Outstanding general obligation bonds and authority rentals, leases, other debt
 - Recalculation of administrative, teacher and staff salaries based a combined salary scale that includes the maximum amount for each level and step

9.0 Community Involvement

Keeping the public informed and involved is essential to a successful school district consolidation effort. From the start, community and parent involvement is sought to contribute ideas, respond to suggestions, and serve as a sounding board.

9.1 Identify Stakeholders

- 9.1.1 List the individuals, organizations and state representatives, if any, to include in
- 9.1.2 Anticipate the contribution, political position, and of each participating person or organization

9.2 Setting Expectations

- 9.2.1. Create a brief report summarizing findings analysis of the shared services/consolidation that includes impacts upon:
 - Instruction and academics
 - Student services
 - District administration
 - Community benefits
 - Cost savings
 - Potential effect on future tax rates
- 9.2.2. Have an early rollout of consolidation benefits, assumptions, and challenges for public dissemination—include project goals and objectives

9.3 Public Role in the Consolidation Process—Individuals can participate in the consolidation study and planning by:

- 9.3.1 Serving on advisory groups
- 9.3.2 Joining focus groups or completing community surveys
- 9.3.3 Attending public hearings
- 9.3.4 Establishing community, corporate, or individual foundations to support a new school District

9.4 Communications Plan

- 9.4.1 Use the school district's existing communication sources (newsletters, letters to parents, web sites) to update the public
- 9.4.2 Use other media to reach those community members who may not have children attending the school districts
- 9.4.3 Include strategies in this plan to anticipate questions, challenges, specific points of view, and the need for more detailed information

Prepared for the Pennsylvania School Boards Association by the Pennsylvania Economy League, Inc.

Managing the Checklist process

Most districts will begin this checklist process with a work plan. In the short term district boards and administrators might consider the following:

- Setting timelines for completion of checklist tasks
- Anticipating barriers or expected challenges
- Identifying participants in this process from representative groups
- Assigning specific analyses to individuals or groups
- Defining the scope of the project, perhaps in incremental steps as you decide at each step to continue or not continue with research and analysis
- Working with a research organization to prepare the information and analysis
- Adding engineering and architectural activities to the facilities review
- Expanding budget and enrollment projections beyond five years.

A work plan might also include directions for:

- On-going communications with school personnel and the community
- Cost estimates for each part of the study and identification of a source of funds
- Direct assignment of roles and responsibilities (an example follows).

Activity	Person/Group Responsible	Needed Outcome	Due Date
6.1 Comparison of collective bargaining agreements	Financial Officer from each school district	Side by side comparison by contract clause; costing out of additional costs or expected savings of consolidating existing contracts	February 28, 2010

Finally, as the project progresses from the checklist stage, address the immediate and short-term challenges of moving into consolidation discussions, including:

- Public announcements, public meetings and ongoing input
- Schedule of board meeting discussions and requirements under the sunshine laws
- Re-allocation of existing resources to consolidation planning
- Consolidation of curriculum
- Re-structuring administration
- Implementing, if necessary, grade configurations and facility use
- Funding the up-front costs of a school district consolidation.