

Broken in the Box: A Case for Local Government Reform in Pennsylvania

By Gerald Cross

Like an eagerly awaited gift that turns out to be in pieces when the wrapping is torn away, Pennsylvania's inadequate method of raising revenue for local government services is broken in the box.

The result: Many municipalities are either teetering at the edge of a fiscal cliff as they struggle to pay for a comprehensive range of services for their residents or they remain in the black by shortchanging citizens on vital but costly services that boost quality of life.

The state's municipalities require both retooled ways of generating revenue and a fresh vision for service delivery that adequately provides for the health, safety and welfare of all citizens regardless of where they live and work.

The Pennsylvania Economy League, based on its extensive research and work with distressed municipalities, instead proposes a local government reform model in which services are delivered and funded on a regional basis that uses existing municipal wealth while maintaining current municipal boundaries.

Pennsylvania's 2,563 municipalities – only 249 of which have a population of 10,000 or above – already have a dizzying array of taxes available to generate revenue including real estate, earned income, local services, business privilege and mercantile taxes.

Despite those options, cities and many suburban boroughs are reeling from skyrocketing personnel and legacy costs, tax base erosion, outdated assessments, millage rate restrictions and more that makes it difficult if not impossible to keep up with escalating expenses. Many are turning to one-time strategies including selling an asset, borrowing money or another creative financial bridge to make ends meet.

Booming townships and rural boroughs are not immune. While many benefited from residential and business development that escaped the densely packed urban areas for the wide open green spaces of nearby towns, growth appears to be slowing.

Meanwhile, many Pennsylvania communities fail to provide sufficient services, even though all are general purpose, incorporated units with the authority to both offer the full range of services and to raise revenue to pay for them. Whether or not residents receive comprehensive services including police protection, code enforcement, fire, planning, garbage collection and public works depends on where they live. And the lack of services makes Pennsylvania less competitive in attracting businesses when compared to other states.

Consolidation and merger of the state's multitude of municipalities is often held out as a solution, but the complex and politically charged merger process has a high degree of failure. Obstacles range from a

community's attachment to municipal identity and the fear of losing power by municipal officials to technical and legal issues like the need to reconcile different pension plans and collective bargaining agreements.

Municipal borders not only define a community and its identity, they also limit tax base potential and set the boundaries for public service delivery. Municipalities can share payment and provide joint services but do not have a flexible taxation method to cover the cost of the services.

One option is to dedicate a portion of a municipality's existing tax base to a regional body that would operate the designated regional service with oversight from member municipalities. Local governments would benefit from no longer paying the cost of the service out of the general fund, and citizens would benefit from better services at no additional costs.

The concept of shared taxes is not new. It already exists for counties and school districts. The Commonwealth should explore legislation that would promote and give municipalities the flexibility to do the same in order to ensure that all of Pennsylvania's citizens enjoy an equal level of local government services.

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