

Testimony for Joint Hearing on Multi-Municipal Planning and Shared Services
Senate Local Government Committee/Senate Urban Affairs Committee
By Brian K. Jensen, Ph.D.
Thursday, April 10, 2008

Thank you for this opportunity to speak this morning regarding shared services. My name is Brian Jensen. I am a senior vice president with the Pennsylvania Economy League of Southwestern Pennsylvania where I manage the Local Government Function and Structure Program. The goal of that program is to make Pennsylvania local government, particularly that of southwestern Pennsylvania, Allegheny County and the City of Pittsburgh, less costly, more efficient, more effective, better focused, more coherently led, and more competitive economically.

The Economy League has publicly promoted the value of shared services for many years. From the early 1950s, when our organization staffed the Metropolitan Study Commission of Allegheny County that recommended a full rationalization of functions and service delivery among the various levels and units of local government in Allegheny to address post-war suburban sprawl to the City/County Cooperative Services Program of the early 1990s that was intended to promote extensive functional consolidation between Allegheny County and the City of Pittsburgh, the Economy League has been actively involved in trying to foster intergovernmental cooperation to enhance effectiveness and cost efficiency.

Beyond such functional consolidation efforts, I have been involved in a number of structural consolidation proposals, working with such pairings as Wall and Wilmerding, Cranberry Township and Seven Fields, Rochester, East Rochester and Rochester Township, Franklin and East Conemaugh, and Barnesboro and Spangler

to develop structural consolidation proposals. Not for a lack of countless hours of discussions at evening town hall meetings and behind the scenes crunching number, the vast majority of such efforts have come to naught. Only a small handful of the dozens of municipal merger or consolidation proposals that have gone to referendum have been approved. Similarly, few proposed service sharing arrangements are actually implemented.

Why such a relatively low rate of success despite the best efforts of many? I believe the problem is due largely to the lack of flexibility that Pennsylvania law offers to local government to act in the best interest of its constituents.

For example, a key obstacle to consolidation is that Pennsylvania law does not provide for service districts with differential tax rates within a given municipality. We have a law that allows a built out, landlocked borough to consolidate with its surrounding rural township, but the law requires that the tax rates be uniform throughout the new municipality, even though the rural area does not need the higher level of services, such as street lighting, greater police presence, and refuse and recycling collection, that the built up area of the former borough needs. That same law allows a distressed former industrial town to merge into its wealthier neighboring municipality, but its legacy costs – the debt, unfunded pension liability, and deferred capital maintenance – must be borne by the entire community. What financially stable municipality wants to take on the high cost burdens of its poorer neighbor? What rural farmer wants to pay higher taxes to pay for street lighting that does not benefit his farm? Permitting municipalities to establish service districts to provide an appropriate level of service paid by a

correspondingly appropriate tax rate would give local governments a modicum of flexibility they need to address changing and differentiated needs.

Widely varying municipal employee retirement packages also impede service sharing and consolidation. Numerous proposed joint police forces have been thwarted by the complications that arise from trying to resolve differing pension provisions. Pennsylvania's local governments and special districts account for one in four of the nation's public employee pension plans. Two-thirds of our state's public pension plans have ten or fewer members and nearly half have five or fewer members. Many of these plans are inadequately funded, and that too stands in the way of merging services.

As you can see from the map, the incidence of underfunded pension plans is distressingly widespread in Pennsylvania. Consolidation of pension plans would make it easier to rationalize local government. Fewer, better funded, better outfitted and better staffed police departments and healthier pension plans would be a happy consequence of a unified municipal pension system.

The Commonwealth could also promote shared services by removing barriers to counties performing municipal functions. Many municipalities are too small to provide services efficiently, and the state may be too large and remote to do the job effectively. The county as a level of government offers the benefits of being large enough to capture economies of scale but small enough to be responsive to the voters. Yet counties are hindered from doing very much by their statutory code and by their limited array of taxes. Granting counties greater flexibility in their

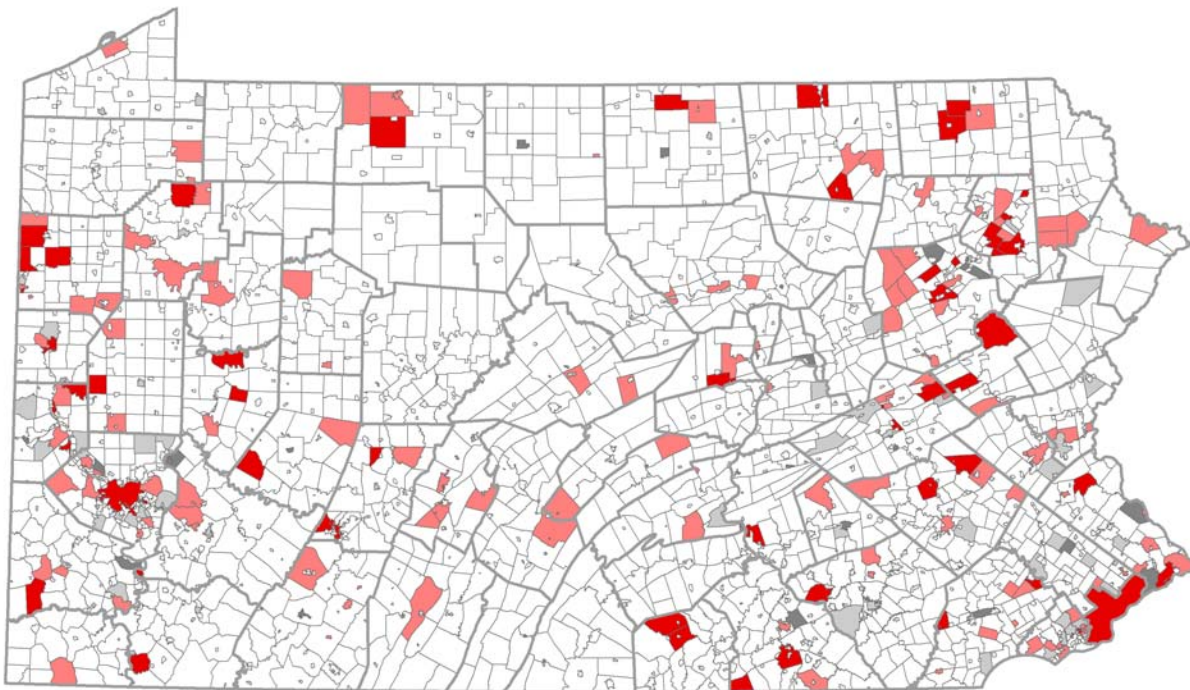
code and tax package would allow them to be more useful partners in the delivery of local services.

While on the subject of taxes, I want to mention briefly that dependence on property taxes makes municipalities competitors for business relocation and expansion. The compulsion to enlarge their property tax bases forces too many municipalities to sacrifice too much in an effort to compete rather than partnering with neighbors to expand the overall economic health of their regions.

Clarification of the rules for tax base sharing would help municipalities make more rational and mutually-beneficial choices in the development of regional economies.

One final element of greater flexibility that the Commonwealth could impart to municipalities to improve local government service delivery and finances is to allow municipalities that can no longer function effectively or efficiently to voluntarily go out of business. State law makes it relatively easy to create a new municipality but once created, that municipality will exist in perpetuity unless it can find a willing partner to merge into or consolidate with. We have boroughs and townships in this Commonwealth with tiny populations that have long since ceased to add governmental value, yet we force these hollow shells, these empty husks, to linger like ghosts. The Economy League thinks that voluntary disincorporation should be a fundamental right of every municipality.

Thank you again, Mr. Chairman, for the opportunity to express the Pennsylvania Economy League of Southwestern Pennsylvania's views on this issue. I would be happy to try to address any questions you may have.



Municipal Pension Distress Indicator (2005)

- Either no pension plans or no pension plans in distress
- Either Fund Ratio less than 70% or UAL/Payroll ratio exceeds 100% for at least one plan
- Both Fund Ratio less than 70% and UAL/Payroll ratio exceeds 100% for at least one plan
- Either Fund Ratio less than 70% or UAL/Payroll ratio exceeds 100% for all plans treated as a single unit
- Both Fund Ratio less than 70% and UAL/Payroll ratio exceeds 100% for all plans treated as a single unit

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