



Putting the Pieces Together

Five Case Studies of Regional Cooperation in Pennsylvania

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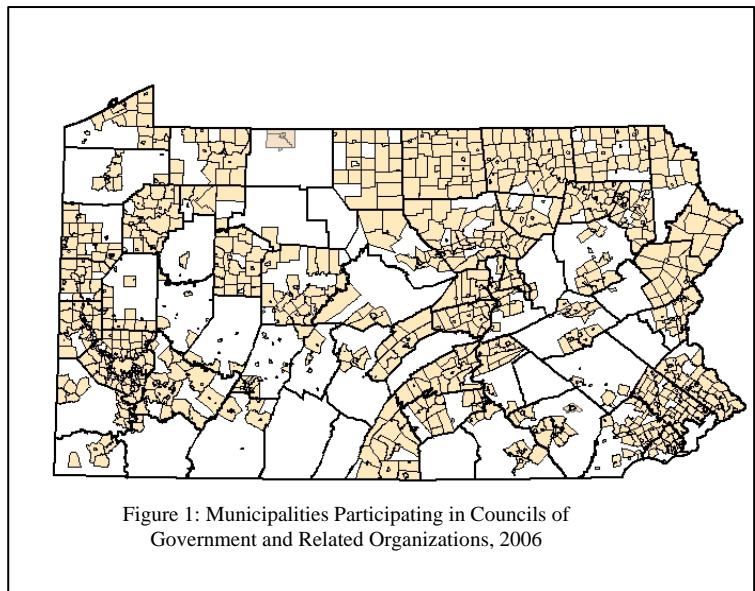
Edward W. Wilson, Campaign to Renew Pennsylvania
Kerry Moyer, Pennsylvania Economy League
LeeAnne Clayberger, Pennsylvania Economy League

There was a time when a typical Pennsylvanian lived, worked, went to school, shopped and played in a single municipality, but that time has passed. Today, most of us drive through half a dozen or more municipalities to do all these basic tasks. Our daily activities are not constrained by municipal boundaries; neither are storm water, crime, or our regional economies. There is a fundamental mismatch between the fluid movement of resources within an economic and geographic region and the structure of municipal boundaries that govern revenue generation and municipal governance.

Pennsylvanians long have debated the issues associated with the many municipalities, municipal authorities, school districts, and other entities that constitute local government in the Commonwealth. Reasonable people disagree over whether our state's pattern of local governance is a strength or a weakness. Some say we are fortunate to have small local governments that are easily accessible, responsive, and close to the people. Others bemoan the governmental fragmentation that inhibits regional planning and economic development and divides communities based on boundaries that have become increasingly arbitrary as our lifestyles and populations have grown, contracted, or shifted. Many leaders believe that our local governments are not organized in a way that helps us compete in the global marketplace.

Throughout the state there is growing interest in intergovernmental arrangements – including service sharing, revenue sharing, and mergers and consolidations – that help municipalities work together across boundaries and, in some cases, eliminate boundaries altogether.

Among the most common forms of intergovernmental cooperation is participation in councils of governments and related organizations, of which there are nearly 100 in Pennsylvania (Figure 1).¹

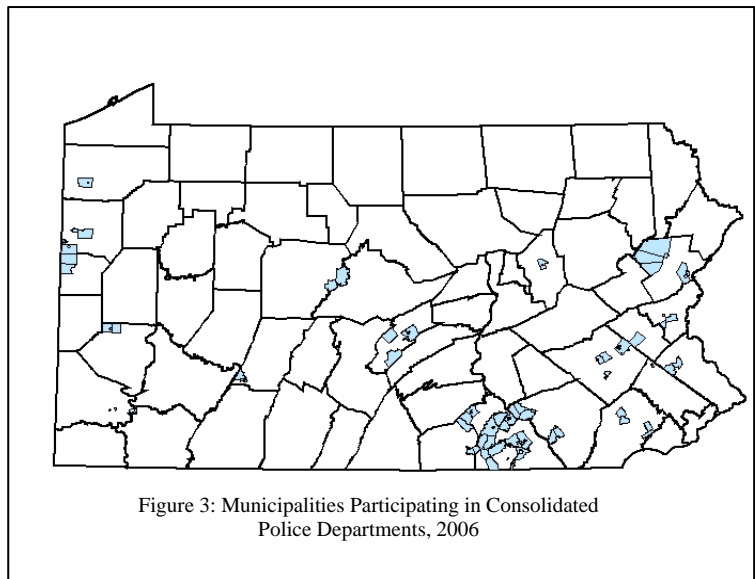
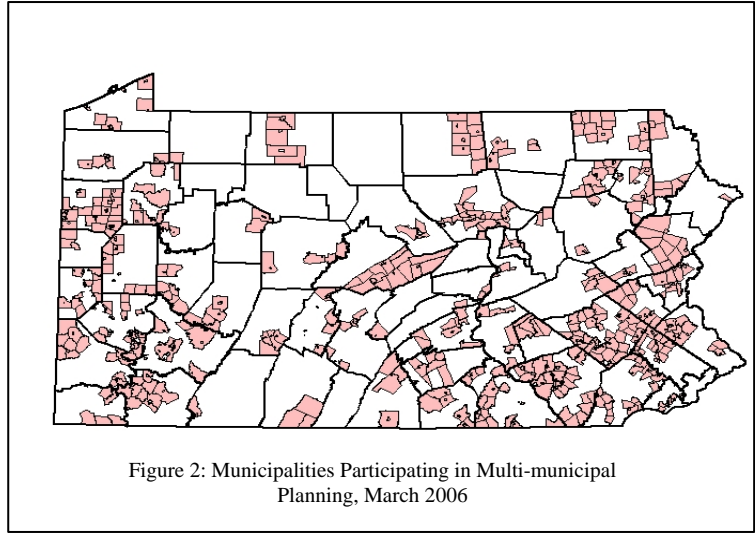


¹ Pennsylvania Department of Community and Economic Development, *2006 Directory of Pennsylvania Council of Governments*, 12th Edition, September 2006.

Since the reform of the Municipalities Planning Code in 2000 (Acts 67 and 68), more than 700 municipalities have utilized the new multi-municipal planning provisions to join with neighboring jurisdictions to prepare comprehensive land use plans (Figure 2).²

As of 2006, more than 100 municipalities were participating in 33 consolidated police agencies, and many more were sharing police services through contractual arrangements (Figure 3).³

The above are examples of *functional* consolidation or cooperation – arrangements whereby municipalities work together to provide region-wide services while keeping existing boundaries and governing bodies intact. Communities have also shown increased interest in *structural* mergers and consolidations, in which adjacent municipalities join together to create a single local government.⁴ But structural boundary changes remain relatively rare in Pennsylvania, despite passage of the Municipal Consolidation or Merger Act of 1994. Since 1990, there have been 11 municipal mergers and consolidations, but voters rejected proposed municipal combinations in another 14 communities (Figure 4).⁵ Other proposals have not made it to the ballot.



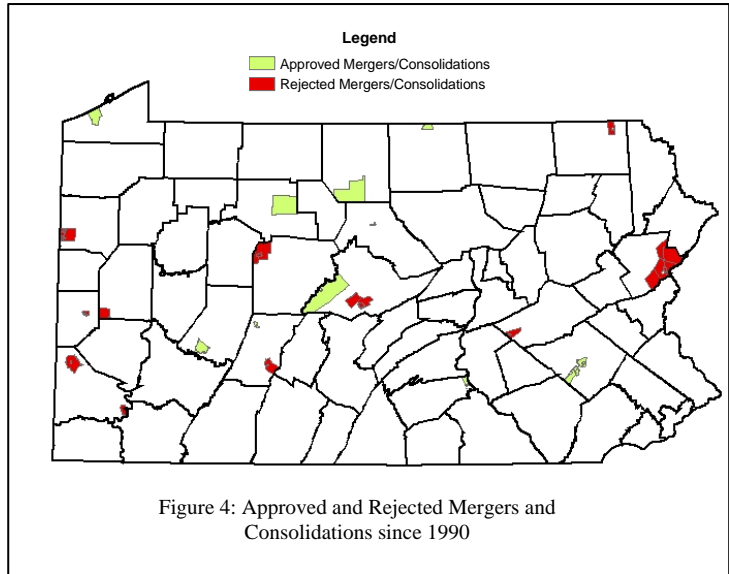
² Based on data compiled by Center for Local Government Services, Pennsylvania Department of Community and Economic Development, March 2007.

³ Pennsylvania Department of Community and Economic Development, *Regional Police Services in Pennsylvania: A Manual for Local Government*. 7th Edition, January 2006.

⁴ In technical terminology, municipal “consolidation” refers to the combination of two or more municipalities resulting in the termination of the original municipalities and the creation a new municipality. “Merger” refers to the combination of two or more municipalities resulting in the termination of all but one, with the surviving municipality assuming jurisdiction over those that have been terminated. For purposes of this report, we are using “merger” and “consolidation” more or less interchangeably.

⁵ Alan Kugler, PA Futures, personal communication.

Despite the recent upsurge in regional and intergovernmental activity, “Pennsylvania’s county and local governments often lack the necessary legal tools to provide efficient, cost effective services locally and regionally and to achieve the development and conservation goals they have for their communities.”⁶ Local governments need more tools to adapt as the marketplace and social factors in their communities change. Local officials find themselves constrained by arbitrary municipal boundaries and unable to apply common-sense solutions to their



problems. These issues are being studied by the State Planning Board, reactivated by Governor Rendell in 2004. In its May 2006 report, the board’s Governance Committee set forth a number of recommendations aimed at facilitating regional cooperation, including:

- *Right-sizing services:* Eliminating legal barriers and providing assistance to enhance the ability of local governments to deliver services in ways that make practical and financial sense for their regions.
- *Tax base and revenue sharing:* Enabling means through which tax base and tax revenues can be shared among local governments to reduce fiscal disparities and assure that regional services and assets can be paid for in an equitable and sustainable manner.
- *Barriers to boundary changes:* Streamlining the procedures for merging and consolidating municipalities.

This report takes a focused look at five Pennsylvania communities where local leaders have been working to promote regional cooperation through structural or functional governance reforms, including boundary changes, service sharing arrangements, tax base or revenue sharing, or some combination of these. The case studies presented here describe local initiatives to enhance regional competitiveness, discuss the motivations and desired outcomes as well as strategies for such efforts, identify challenges and obstacles, and highlight lessons learned. These case studies illustrate many of the problems and opportunities identified by the State Planning Board.

The cases are diverse in terms of geography, demography, and economic characteristics and also represent different stages in the process of regional cooperation. They include:

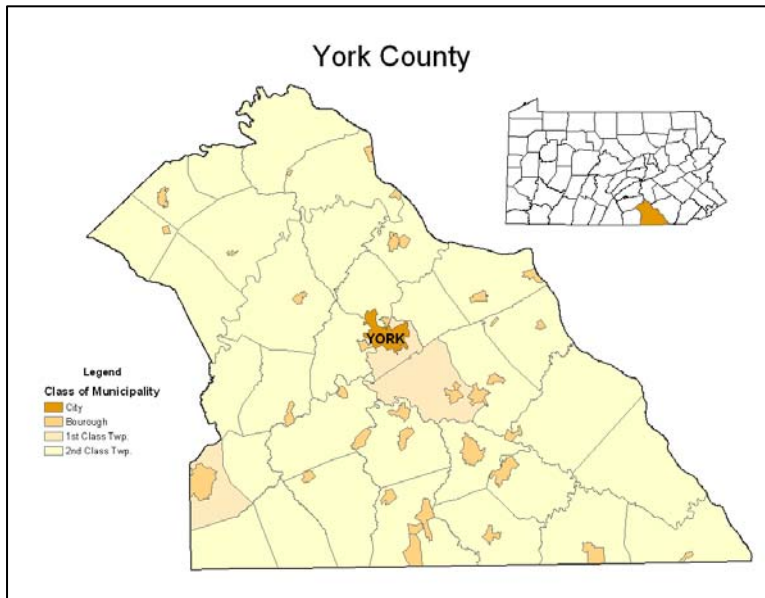
- Greater York, where a new organization has recently gone public with a set of recommendations to promote regional cooperation and stabilize the city of York.

⁶ Pennsylvania State Planning Board, *2006 Report*. May 1, 2006, p. 9.

- The Lehigh Valley, where local leaders have explored a variety of options for strengthening the region and its core cities.
- St. Marys in Elk County, which completed a consolidation with a neighboring township more than a decade ago.
- Cameron County, where citizens are currently debating a proposal to dissolve existing municipalities to create a single county/municipal government.
- Clearfield Borough in Clearfield County, which is in the early stages of exploring cooperative arrangements and possible consolidation with a neighboring township.

In the sections that follow, we describe each of the five regional efforts and outline conclusions and lessons learned. These case studies demonstrate that while many local leaders are interested in modernizing how their local governments function, they face formidable obstacles in doing what the private sector does each day – adapt.

Metro-York: Promoting Regional Solutions to Urban Problems



Recognizing that problems of the urban core are expanding to affect the entire county, a coalition of business and civic leaders from York County has developed a set of ambitious regional proposals.

Background

York, a city of roughly 40,000 people, is the hub of a county and metropolitan region of more than 400,000 people. With a diverse manufacturing-based economy, York County is one of the more prosperous regions of Pennsylvania and is among the state's fastest growing. Thanks mainly to migration from the Harrisburg metro to the north and the Baltimore metro to the south, the county's population expanded nearly 9 percent between 2000 and 2006.

But the city of York, confined to just five square miles in the heart of the county, has not shared in that growth. It has lost 2 percent of its population since 2000, continuing a downward trajectory that began at least four decades ago. Beleguered by concentrated poverty and high crime, York's city government is facing the possibility of fiscal distress designation under Act 47.⁷

For residents of York County, the pivotal event in the city's decline was the racially motivated shooting of a young African-American woman in 1969, which triggered urban riots and a rapid exodus of white middle-class families from the city. A clear reminder of that episode resurfaced six years ago, when York's former mayor, a police officer at the time of

⁷ Act 47, the Municipal Financial Recovery Act, established a state program providing loan and grant funds to financially distressed local governments as well as technical assistance to develop financial recovery plans.

the shooting, was charged with murder for his alleged role in the decades-old crime. As the community was forced to relive one its darkest moments, local leaders strengthened their resolve to confront the city's problems.

The Metro-York Project

In 1996, the business roundtable known as Better York brought in urban expert David Rusk to recommend strategies for strengthening the city. Rusk's report, published by a local newspaper, forcefully argued that the city could not solve its problems on its own. York's decline, he maintained, was linked to rampant sprawl in the suburbs, and only by overcoming the local government fragmentation that separated urban and suburban communities could the city hope to reverse its fortunes.

The dialogue stimulated by Rusk's report helped lead to the creation of York Counts, an organization that tracked the region's progress as measured by a set of indicators of community well-being. After issuing its first report in 2001, York Counts sponsored a planning process that resulted in the development of 30 "Ready Solutions," specific measures to improve the community's quality of life. Included were such items as developing a community-wide economic development strategy and cleaning up urban centers – actions that did not face formidable obstacles or require fundamental reform.

Several community leaders associated with York Counts quickly concluded that it was not enough to focus on measures that were relatively easy to accomplish; even if all 30 Ready Solutions were achieved, they would do little to address deep-seated problems such as those identified by Rusk. Convinced that a bolder approach was needed, they launched a second initiative, Metro-York, which would tackle the region's toughest problems.

Metro-York convened two working groups – a municipal task force, focusing on improving local government services and revenue, and an educational task force, seeking to strengthen the region's schools, especially those in the city of York. Recommendations developed by the two task forces were released in November 2007 and are summarized below.

Municipal Recommendations

The leading proposal of the municipal task force is to create a consolidated police department for central York County, including the city of York. York County already leads the state in the number of regional police forces, but none yet involve the city. Metro-York's idea is to establish a broader, region-wide department based on a model more permanent than contracts between municipalities and with its own dedicated funding source. Not only would this arrangement help the city deal with its mounting crime problem; proponents believe it would also improve police protection in suburban communities, which are also experiencing rising crime. As a recent editorial in a local newspaper noted, "Criminals don't respect - or probably even know - where the municipal boundaries lie. They've already 'regionalized' - in that sense, they're more progressive than our municipal systems."⁸

⁸ "Urge Police to Merge," *York Sunday News*, September 16, 2007.

Metro-York also proposes the creation of a tax study commission to develop recommendations for reducing reliance on local property taxes and creating a stable and equitable alternative tax system. One example is a tax base sharing arrangement like the one in Minneapolis/St. Paul, where a portion of the tax base growth from new commercial development is distributed regionally. Another possible approach is a Regional Asset District similar to the one in Pittsburgh/Allegheny County, where a county sales tax is distributed to support region-wide assets.

Other municipal task force recommendations include:

- A multi-municipal comprehensive plan for the entire metro region, addressing not only land use, infrastructure and transportation, but also affordable housing and tax consequences for participating local governments.
- A process to study options for modernizing York County's form of government.

Educational Recommendations

Among the main problems identified by the educational task force is the concentration of poverty in the York City School District. Convinced that the poor performance of city schools compared to their suburban counterparts is not simply a matter of funding, Metro-York participants have focused instead on challenges faced by students who attend schools where nearly everyone is poor, positive role models are few, and aspirations are limited by what children see in their immediate environment.

Task force members agreed on several strategies for de-concentrating poverty in schools, including:

- A student exchange program allowing city students to spend time in suburban schools, and vice versa.
- A centrally located magnet school attracting students from throughout the region.
- A public charter school located in the city, but attracting both city and suburban students.
- A public school choice program giving city kindergarten students the option to attend suburban districts and remain there if they choose.
- A college scholarship program for graduates of city schools, giving middle-class families an incentive to return to the city.

Other recommendations of the educational task force included:

- A permanent, well-funded Metro-York Schools Consortium to research, develop, and implement new approaches to improve public schools.
- An "intensive-care" program for at-risk students aimed at reducing dropout rates.
- An education and training program for chronically underemployed, low-income adults associated with the county's soon-to-be-created Office of Workforce Development.

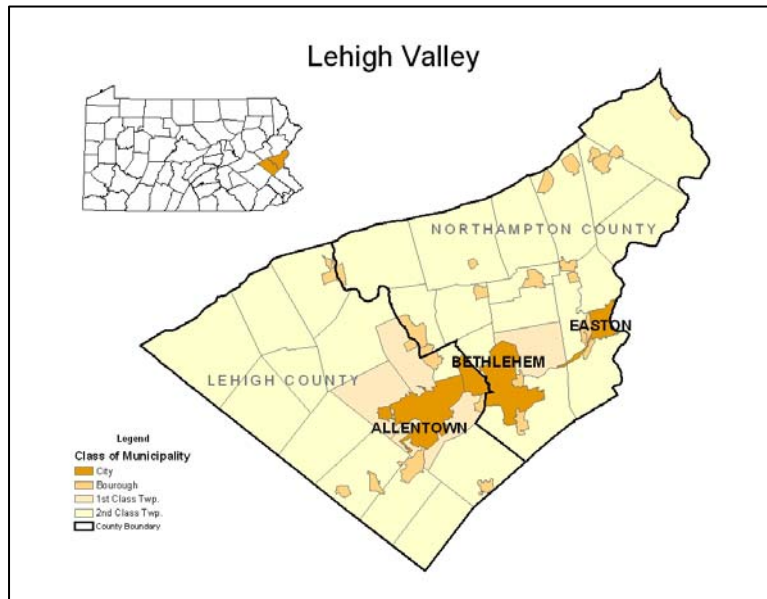
Challenges Ahead

The police consolidation proposal, the first of Metro-York's recommendations to be made public, has received favorable coverage in local newspapers and is supported by several police chiefs in the area who believe a consolidated regional department would serve the city and its suburbs more effectively. As with other consolidations, negotiating salaries and benefits will be a challenge. Particularly problematic will be finding an equitable way to deal with the York City Police Department's large pension obligation; state assistance may be the only solution. The proposal is likely to encounter resistance from some local elected officials who may be reluctant to cede control of their individual departments to a regional entity, especially one that includes the city. Many details remain to be worked out, including which municipalities should be involved in the new police department – a potentially controversial question. A thorough feasibility study will be needed before action can be taken on the recommendation.

Even more controversy will surround the proposals addressing both tax reform and education. Central to the debates will be questions of why suburban communities should collaborate with city schools and government entities and thus increase their exposure to urban problems and associated costs. Skeptics will view Metro-York's recommendations as efforts to bail out the city. In a highly segregated community where memories of racial violence remain vivid, inter-ethnic tensions are bound to complicate the discussions.

For the business and civic leaders who constitute Metro-York's participants, there is no question that suburban communities must work more cooperatively with the city. While some of them see regional collaboration as a moral imperative, they understand that appeals to altruism will not be enough to win over skeptics. They are convinced that a region whose core city is failing cannot thrive, and believe that all residents of the county share an interest in strengthening the city of York.

The Lehigh Valley: Exploring Options for Regional Cooperation



Two related organizations – the Lehigh Valley Partnership and Renew Lehigh Valley – are advancing ideas for regional cooperation, especially in providing public health services and water and wastewater treatment.

Background

The Lehigh Valley – or the Allentown-Bethlehem-Easton metropolitan area – is Pennsylvania’s third largest urban region, with a 2005 population of 680,000 people. Despite the decline of the region’s historically powerful manufacturing sector and the demise of Bethlehem Steel in 1993, the Lehigh Valley is one of the state’s fastest growing regions. Between 2000 and 2005, the metro area’s population grew by 6.6 percent, mainly as result of migration from other areas, especially New Jersey and New York.

Nearly all this growth has taken place in suburban areas. While the cities of Allentown, Bethlehem and Easton together grew by a modest 1.2 percent, the region’s townships grew by 12.5 percent. One township, Lower Macungie in Lehigh County, grew by more than 35 percent in just five years, surpassing the city of Easton to become the region’s third most populous municipality. Despite its growing population, Lower Macungie has chosen not to develop its own police department and, like many townships in Pennsylvania, relies on State Police. Meanwhile, the three cities struggle with a mounting crime problem, crumbling infrastructure, and other problems associated with urban distress.

The Lehigh Valley has a strong tradition of regional cooperation, in part because its urban core spans two counties. Regional cooperation has been supported by a strong coalition of business leadership, which was instrumental in the creation of two regional organizations –

the United Way of the Greater Lehigh Valley and the Greater Lehigh Valley Chamber of Commerce, now the state's largest regional chamber organization. Another important example of regional cooperation is the Lehigh Valley Planning Commission, which serves both Lehigh and Northampton counties and dates back to 1961.

Despite a strong regional identity among community and business leaders, local government remains deeply fragmented, and disparities between the prosperous, rapidly growing suburbs and the three aging cities continue to widen. The fragmentation and decline of the urban core, according to business and community leaders, hampers the region's ability to compete in the global economy.

Recent Regionalization Efforts

Renew Lehigh Valley, a new organization working toward greater regional cooperation, has a leadership council composed of business people, economic development experts, county and municipal government officials, professionals, and other community leaders. Current initiatives of Renew Lehigh Valley include advocating for creation of a bi-county public health center and a feasibility study on consolidating water and wastewater systems. These efforts are designed to show how regional cooperation can improve the delivery of government services. A consolidated water system could take advantage of economies of scale and excess capacity in older urban areas, reducing costs and enhancing service delivery to all of the region's communities.

Future efforts likely will include the development of a regional crime center, an investigation into transit and rail service for the region, and land use and planning initiatives. Participants in Renew Lehigh Valley recognize that the health of the urban core is vital to the health of the region. They understand, however, that regional initiatives will not be successful unless they benefit the entire Lehigh Valley, not just the core cities.

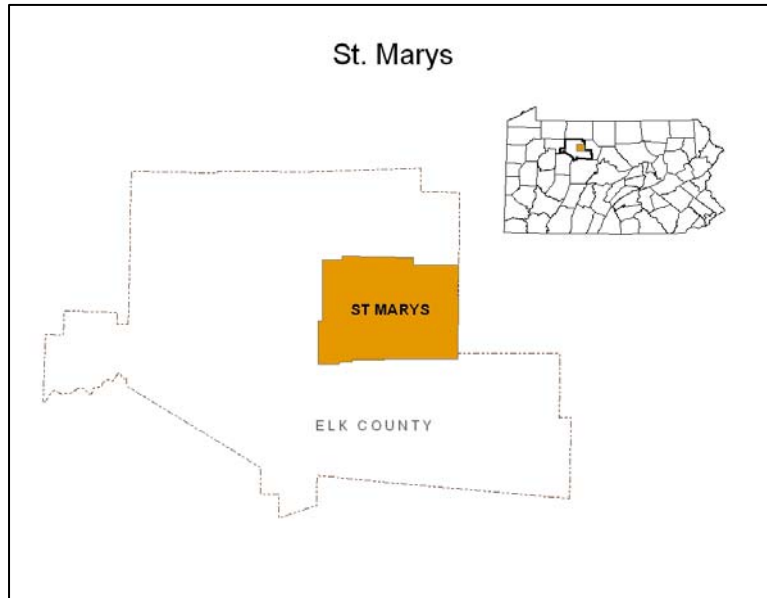
Another strong voice is the Lehigh Valley Partnership, a group of business and civic leaders that came together in 1985 to address the region's economic problems. The Partnership's first major initiative was to coordinate the region's disjointed and mutually competing economic development entities, a project that took nearly a decade and culminated in creation of Lehigh Valley Economic Development Corporation.

More recently, the Partnership has been working with other organizations to study regional governmental cooperation. The Partnership has hosted speakers from across the country to discuss strategies for regionalization. Among the options considered was consolidation of the Lehigh and Northampton county governments. Similar governmental structures and a shared sense of community make this an attractive option, but a county-level consolidation likely would do little to reduce municipal fragmentation and urban decline. Another option that was considered was a merger of city and county governments, a model that has become popular nationally thanks to the well-publicized success of a city-county merger in Louisville. However, the Louisville model would be difficult to apply in Pennsylvania under current law.

Now under consideration is regional revenue sharing similar to the Pittsburgh/Allegheny County Regional Asset District (RAD), involving implementation of a county-based sales tax. The revenue from the tax would provide property tax relief, help protect regional assets, and pay for shared services such as a regional crime center. Though a formal proposal does not yet exist, the Pennsylvania Economy League – Central Division has prepared a fiscal analysis and conducted public opinion surveys to identify quality-of-life issues and gauge support for tax sharing. In addition, key leadership in the region is discussing the feasibility of a regional tax sharing plan for the Greater Lehigh Valley.

Having regionalized civic and community organizations, the challenge ahead is to leverage that success to consolidate local government functions. Revenue sharing is an approach that addresses the region's growing needs by drawing on the Lehigh Valley's strengths – its proven ability to work across boundaries on economic and community development initiatives, its growing population, and its vibrant regional economy.

St. Marys: Consolidation of a Borough and a Township to Create a New City



In 1994, the borough of St. Marys, in Elk County, consolidated with neighboring Benzinger Township to become Pennsylvania's newest city.

Background

With about 14,500 people in 2000, St. Marys covers nearly 100 square miles and is, next to Philadelphia, Pennsylvania's second largest city in land area. Located in largely rural Elk County, nearly half of St. Marys' workforce is employed in manufacturing, and the city is home to powdered metal, metal fabricating, and electrical equipment plants, as well as Straub Brewery.

Before the consolidation, St. Marys was, like many of Pennsylvania's boroughs, completely surrounded by a single township. Rural and largely forested, Benzinger Township was experiencing increasing development as former residents of St. Marys chose to build homes outside of the borough. People of the two municipalities were closely identified, in part because of a shared school district, and tended to view themselves as a single community. Many township residents were concerned when the borough started showing symptoms of decline.

The sense of shared community helped foster intergovernmental cooperation between the two municipalities. While they maintained separate police departments, they shared other services, such as a library and water. Disputes over authority and financial responsibility for

the shared services, along with concerns about the costs of maintaining separate staffs and facilities for local government operations, encouraged some residents to start discussing the possibility of structural consolidation. In addition, advocates of consolidation argued that the new, larger municipality would be better positioned to attract and retain businesses and industry to the area and would more easily qualify for state grants and assistance.

The Consolidation Process

Efforts to consolidate date back to the mid-1980s, when the local Chamber of Commerce went public with the first consolidation proposal. The proposal had been developed with little public input and was met with negative reactions in both the borough and the township. Unsubstantiated rumors abounded, such as the ideas that taxes for borough residents would increase or that hunting on former township lands would be banned. When the issue came to a vote, township residents approved the proposal, but borough residents (who probably had more to gain from consolidation) voted against it.

Five years later, when the concept reemerged, consolidation advocates were determined not to repeat the mistakes of the first round. Recognizing that the process needed to be deliberate and transparent, elected officials from the two municipalities appointed a neutral committee to collect information and develop recommendations. They also hired the Pennsylvania Economy League to conduct financial analyses and act as consultants. A tax projection showed that the millage rate would be lower for borough residents but higher for residents of the township, though higher taxes in the township would be offset by lower fees for sewer service. The local newspaper was supportive and published a series of articles that addressed public concerns about the consolidation. Efforts to keep the public informed also included a public meeting televised on cable TV in which members of a panel responded to called-in questions.

In November 1991, following the committee's recommendation, voters overwhelmingly approved consolidation of St. Marys Borough and Benzinger Township to create the City of St. Marys. But details remained to be worked out, and a government study commission was formed to develop operational plans and recommendations. The committee recommended that the new city be governed by a home rule charter⁹ with a council-manager form of government. The home rule charter was approved in November 1992 and took effect in January of 1994.

Post-Consolidation Experiences

According to a 2007 Pennsylvania Economy League study on municipal fiscal health, 55 of Pennsylvania's 56 cities registered a decline in relative fiscal health between 1970 and 2003. St. Marys was the sole exception.¹⁰ St. Marys' improving fiscal health is partly explained by

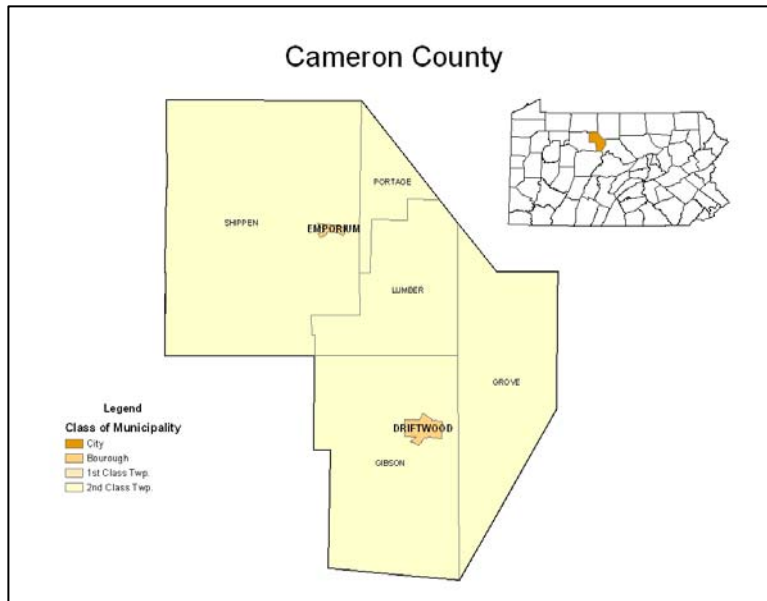
⁹ An article to the Pennsylvania Constitution adopted in 1968 guarantees the right of local governments to adopt home rule charters. Home rule transfers basic authority to act in municipal affairs from state law to a local charter approved by the voters.

¹⁰ Pennsylvania Economy League, *Structuring Healthy Communities Part I, 2007*. Data from the City of St. Marys in 2003 was compared to combined data from St. Marys Borough and Benzinger Township in 1970.

the fact that the city was able to benefit from development and tax base growth in outlying areas that were formerly in Benzinger Township. In addition, its new status as a 3rd class city qualified St. Marys for state entitlements that would have been out of reach for the former borough and township.

Though largely successful, the post-consolidation period has not been free of challenges. The appointment of the city manager and the chief of the combined police department led to controversies, and there have been ongoing tensions between those who favor old ways of running the government and those favoring new approaches. Expenses have been somewhat higher than projected, partly because of the construction of a new municipal building, and tax rates have risen. Nevertheless, it appears that most residents are comfortable with the new form of government, and the consolidation is credited with attracting new businesses to the area.

Cameron County: An Effort to Create a Single Local Government for an Entire County



Cameron County commissioners have developed a plan for dissolving existing municipal boundaries to create a single county-municipal government, but the proposal has encountered strong resistance, especially from local government officials.

Background

Located in Pennsylvania's north-central mountains, Cameron County had a population of 5,974 people in 2000 and, according to U.S. census estimates, has lost more than 8 percent of its population since then. The county seat is Emporium, a borough of some 2,500 people. Emporium and neighboring Shippen Township contain 84 percent of the county's population. The other five municipalities (one borough and four townships), locally known as the "down county" communities, have a combined population of less than 1,000. About half of the county consists of uninhabited state forest and state game lands.

Manufacturing, principally powdered metal and machine shops, dominates the local economy, though lumber and forest product operations remain significant. Two decades ago, following the closure of a major employer, the county suffered from one of the nation's highest unemployment rates, and unemployment remains high compared to most other Pennsylvania counties. There is ongoing out-migration of youth after high school graduation, and about 56 percent of the county population is now over the age of 65. Taxing of oil and mineral rights no longer provides significant revenue. The boroughs especially continue to rely on property taxes while more and more properties become vacant. The tax base, along with the population, is eroding. Some proponents of consolidation look nearby to St. Marys and the economic development opportunities provided by their consolidation.

Initial attention to local government consolidation stemmed primarily from the county's fiscal difficulties. The county's tax base has declined at a time when costs have been increasing, in part because of state and federal mandates that expanded the county's role in criminal justice and human services. This challenge is common among counties losing population, but additional factors particular to Cameron County have contributed to a looming fiscal crisis. In the 1990s the county incurred substantial debt by renovating and expanding its courthouse. At that time, the county was receiving significant revenue – more than sufficient to cover its debt service – by expeditiously processing thousands of divorce cases from other counties. This projected income stream was severely curtailed when a local judge refused to continue these cases. Cameron County began working with Department of Community and Economic Development's Early Intervention Program¹¹ and obtained funds to identify strategies to prevent further fiscal distress. One such strategy was local government consolidation to achieve greater efficiencies, reduce costs, and avoid steep property tax hikes.

The Consolidation Proposal

With funding from several state and private sources to hire a consultant, Cameron County commissioners developed a plan to dissolve the seven existing municipalities and create a single local government that would possess the functions and powers of a county of the 8th class as well as a township of the 2nd class.

This arrangement would be unprecedented in Pennsylvania and would require a home rule charter. Home rule is the only avenue available to preserve the taxing authority of both the county and the seven municipalities. The proposed governing body would consist of nine elected members and an appointed manager. Seven of these nine members would be elected from designated voting districts, and two would be elected at large. The positions of all county commissioners, township supervisors, borough council members and mayors would be eliminated.

According to financial estimates, the consolidation would result in a municipal/county property tax reduction of 24 percent and total tax savings of nearly 16 percent for county residents. Non-tax revenues would increase by about 6 percent, primarily because residents of special service districts would cover the costs of existing police and street lighting services. This would free other county residents from having to support services that do not benefit them directly. Emporium is the only municipality with its own police force.

Reactions to the Proposal

In July 2007, in a joint meeting of the seven local municipalities and the county supervisors, six of the eight governing bodies voted not to place the consolidation referendum on the November ballot. Positions voiced in the public debate were clear and forceful. Some spoke in favor of consolidation, arguing that the status quo in Cameron County did not reflect contemporary economic, social and political realities and would not meet the county's future

¹¹ The state's Early Intervention Program provides matching grant funds to assist municipalities experiencing fiscal difficulties to develop comprehensive, multi-year financial plans and to establish short- and long-term financial objectives.

needs. But the prevailing opinion, particularly among local government officials charged with deciding the initiatives fate, was against the proposal.

Many expressed concern that municipal consolidation would take power from existing municipalities, centralize services with a resulting loss of local control, move decisions and services further from the people, and generally threaten the self-determination enjoyed by small communities:

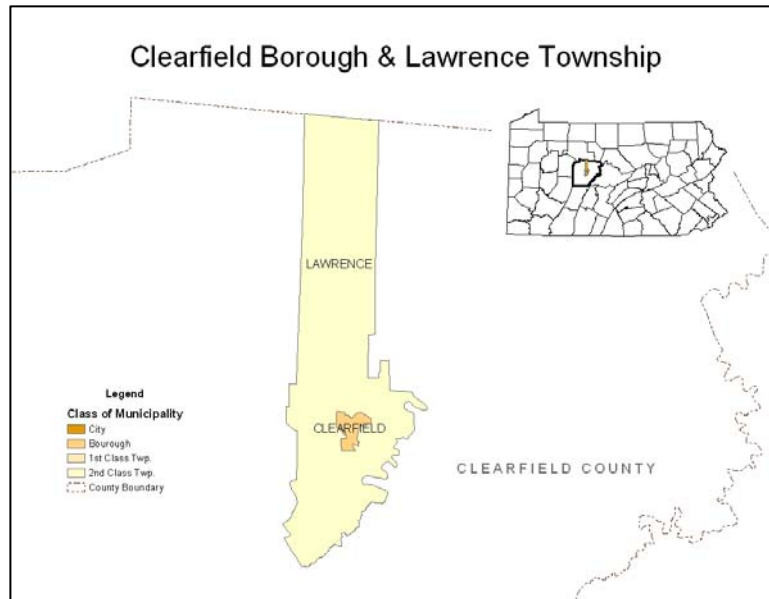
- Elected officials from the boroughs and townships maintained they were fiscally in “good shape,” and some feared that the county was using consolidation to avoid responsibility for its own fiscal problems. They saw little, if any, connection between the county’s fiscal well-being and their own.
- Many local officials also complained they did not fully understand the consolidation plan and were not given sufficient opportunity to participate in its development, though county officials and others maintain that such input was solicited in a series of meetings which many elected leaders chose not to attend.
- Social and cultural factors also contributed to the negative decision. Residents of the “down county” municipalities, who have long felt neglected and dominated by the Emporium community, were suspicious of the proposal and fearful that they might be underrepresented in the new governance structure. Lingering resentment from a school consolidation several decades ago contributed to this suspicion.
- The main objections stemmed not from the barriers put forth by laws and codes or the content of the home rule charter. The primary reason spoken in public was an overriding concern that local representation would be lost. This theme of local representation was articulated by existing office holders and opponents of the proposal. Some connected the proposal with political agendas that included bailing out the county or doing what the Commonwealth wanted them to do.

Next Steps

Despite the vote of elected officials in July *not* to put the question of consolidation on the November ballot, discussions continue. The Municipal Consolidation or Merger Act provides for two ways to place a consolidation question on the ballot. The first is by action of the governing bodies of the affected municipalities. Since this approach proved unsuccessful, consolidation proponents are now moving forward with the alternative – a citizen petition. The petition must contain signatures from each municipality equal to 5 percent of the number of people who voted in the last gubernatorial election. In some Cameron County municipalities, that equates to only one or two signatures.

Many elected and community leaders believe the consolidation discussions will continue. In addition to the county-municipal merger, other discussions include less controversial options such as municipal mergers. Officials also point out that progress is being made through shared services such as a shared sewer maintenance program, regional planning, and a shared transportation board.

Clearfield Borough and Lawrence Township: Progress Toward Intergovernmental Cooperation



Spurred by a recent early intervention study, Clearfield Borough and neighboring Lawrence Township are exploring opportunities for consolidating local government functions.

Background

Clearfield Borough, with a population of about 6,600 in 2000, is surrounded by Lawrence Township, with about 7,700 people. Located in Clearfield County in north central Pennsylvania, the area has a diversified economy dominated by services, construction, and mining. Although Lawrence Township extends almost 12 miles north of Clearfield, most of its population is concentrated around the borough, and residents of the two municipalities tend to view themselves as members of a single community.

The relationship between municipal health and the local economy is well understood by the residents and officials of Clearfield Borough and Lawrence Township. Recently the parties have developed and are implementing a business plan, Clearfield has hired a borough manager, and municipal cost-cutting measures have been identified. Still, the major challenge remains generating sufficient revenue to cover rising costs.

Economic development can help expand revenue sources for the municipalities. The community has come together to support the location of a new ethanol plant (a \$275 million project) in Clearfield Borough, which has positive implications for the entire area. This effort was successful because the borough, township and school district structured a final agreement that benefits each entity. However, opportunities to expand the economy are few in Clearfield

Borough, where space for new development is limited. There is ample land available in Lawrence Township in the immediate vicinity of the borough.

Leveraging the natural beauty and resources of this area also provides development opportunities, and residents are considering ways to engage in the state's Pennsylvania Wilds program to attract visitors to the area. This would be a shared effort by the municipalities.

Growing Interest in Consolidation

Service provision in greater Clearfield is unusually fragmented. Sewer lines are owned by three different entities – the two municipalities and a municipal authority. The borough and the township maintain separate police departments with headquarters less than two miles apart. And, until recently, there were six volunteer fire companies, four in Clearfield Borough (within less than two square miles) and two in Lawrence Township.

However, the concept of service sharing is not new to these municipalities. Municipalities share animal control, recycling systems, and sewer systems. Serious consideration of further opportunities for functional or structural consolidation began around 2000, when residents and officials first discussed a merged police force. This proposal met firm opposition, especially from employees who feared losing their jobs. But local leaders say public opinion has changed since then, and both residents and employees are much more open to service-sharing proposals.

More recently, local community leaders have launched a strategic planning process for the region called Vision 2020, involving businesses, the Chamber of Commerce, local governments, school districts, and Lock Haven University, Clearfield Campus. Focusing on building quality communities and a first-rate educational system, this group is studying ways that consolidation – of schools, municipalities or municipal services – can contribute to community and economic development.

Also contributing to the growing interest in consolidation is a recent financial study supported by the state's Early Intervention Program. Although this analysis found Clearfield Borough in no imminent danger of severe fiscal distress, municipal costs are steadily increasing while revenues remain flat. The borough, with a heavy reliance on property tax, could soon incur a burdensome debt.

Recent Steps Toward Functional Consolidation

For several years, Clearfield Borough has worked to merge its four fire companies into a single operation. The reasons for doing this include a steady decline in the number of volunteer firefighters, a desire to avoid duplication of equipment and facilities, and realization that competition for finite resources among four companies was counterproductive. To date, the four companies have adopted a single charter (while keeping their own charters), and two firehouses have been sold. This merger effort has not included Lawrence Township's two fire companies, but discussions regarding merger with them have been initiated.

In September 2007, officials from Clearfield Borough and Lawrence Township held the first of a series of meetings to consider options for sharing services. In addition to discussing a possible merger of the Clearfield and Lawrence fire departments, participants in the meeting revisited the idea of merging the two police departments. The two groups agreed that this merger was worth pursuing as long as officers would not lose their jobs and their compensation would not be reduced. Also discussed were opportunities for combining other services, including street paving, road maintenance, composting, leaf removal, and snow removal. Officials also considered ways to consolidate governance structures, planning and zoning.

Likelihood of Structural Consolidation

The option of structural consolidation – combining the two municipalities to create a single local government – remains at the discussion stage. Unresolved challenges include current tax rate disparities between the borough and the township. Nevertheless, as of summer 2007, a local poll showed a support for studying a consolidation.

Residents are aware of the successful consolidation in St. Marys and understand it serves as a positive example. But they also are aware of the failed consolidation efforts in nearby DuBois, where proposals to combine the city with a neighboring township have been rejected by township voters.

There are up to eight additional municipalities in the area where functional consolidation with Clearfield Borough and Lawrence Township may be feasible, though discussions have not yet extended to these additional communities. The county commissioners are supportive of consolidation efforts, and local business leaders believe further sharing of resources would help stimulate increased economic development activity in the region.

Lessons and Conclusions

Leaders in the five communities in this study are trying to overcome problems associated with Pennsylvania's local governance and tax structure, but for different reasons. Given Pennsylvania's diversity, it comes as no surprise that motivations for intergovernmental cooperation and consolidation vary from one region to the next. In slow- or no-growth areas, such as St. Marys, Cameron County and Clearfield, consolidation is a response to a stagnant or declining tax base and fiscal distress. Consolidation, either functional or structural, is seen as a way to make better use of limited local government resources. In both Cameron County and Clearfield, consultants provided by the state's Early Intervention Program recommended service sharing or consolidation to help avoid fiscal problems.

Leaders in these regions understand that the current system of governance and service delivery is unnecessarily duplicative and inefficient. A typical example cited in all three communities is a snow removal vehicle that lifts its plow as it crosses a small corner of a neighboring municipality. When municipalities are struggling to keep their roads clear and provide other basic services, consolidation or service sharing seems like a common-sense solution.

Another important consideration in slow-growth regions is the expectation that consolidation will improve prospects for receiving state or federal financial assistance. In St. Marys, the creation of a new third class city resulted in increased state entitlements. In both Clearfield Borough and Cameron County, many believe consolidation would help the community gain access to grant money and economic development opportunities.

In York and the Lehigh Valley, where the problem is not lack of growth but highly uneven growth, the reasons for exploring consolidation and service sharing options are different. Both these regions contain older, declining cities surrounded by rapidly growing suburbs. Cooperative arrangements are being considered as ways to help stabilize core cities, and also to help strengthen suburban areas that increasingly experience the same problems as their urban neighbors. In York, for example, a proposed metro-area police department is seen as a way to improve the effectiveness of crime fighting throughout the region, not just in the city. A regional crime center is being considered in the Lehigh Valley for similar reasons.

Cooperative arrangements benefiting the urban areas also are promoted as ways to foster future economic development. For example, York business leaders are concerned that the continued decline of the city will undermine future economic growth and inhibit the attraction of young professionals seeking urban lifestyles.

Structural consolidation is a complex, time-consuming process. To many observers of local government in Pennsylvania, structural merger or consolidation – erasing boundaries by combining municipalities – seems the most obvious way to eliminate fragmentation and advance regional cooperation. As these case studies suggest, however, structural consolidation is a complicated, time-consuming process with a high likelihood of failure. Consolidation was successful in St. Marys thanks in part to a shared sense of community and

relatively little tension between the municipalities. But even there a first consolidation proposal was rejected by voters. Prospects for Cameron County's much more ambitious proposal to create a single county-municipal government now appear uncertain.

Among the challenges associated with structural consolidation is a complex legal process. Because the St. Marys consolidation predated the Municipal Consolidation or Merger Act of 1994, local leaders had little guidance besides the State Constitution and had to develop a process more or less on their own. The procedure they devised included three separate ballot questions over three separate elections: the first on whether or not to move forward with consolidation, a second on creating a Government Study Commission, and the third on approving the home rule charter.

The Cameron County consolidation has been guided by the Municipal Consolidation or Merger Act, but nevertheless has involved numerous legal uncertainties because the Act does not specifically address the creation of a single county-municipal government. Further complicating the Cameron County case is the fact that separate codes for three different kinds of local governments – townships, boroughs, and counties – all need to be consulted. These legal complexities, combined with uncertainties over budgets and taxes, have contributed to the negative public reception. Local officials and the citizens they represent are being asked to deal with issues that even the experts find confusing.

Consolidation is likely to create perceived winners and losers, and each perceived loser has veto power. A fundamental obstacle to structural consolidation is the fact that it inevitably redistributes the costs and benefits of government, raising fears that some citizens will lose out in terms of taxes, access to services, or political power. And in Pennsylvania, a boundary change proposal must be accepted by majority vote in each affected municipality. This means that any municipality, no matter how small, has the ability to veto consolidation. For example, in Cameron County, a negative vote in a municipality of 100 people – less than one percent of the county's voters – would be enough to defeat the proposed consolidation.

Any consolidation proposal must be carefully crafted to ensure each municipality has something to gain from the proposal. In St. Marys, for example, a tax analysis prior to the referendum showed that the consolidation would result in savings for borough residents but higher rates for township taxpayers. However, savings from lower sewer bills in the township would be enough to offset the higher taxes. If that had not been the case, the consolidation might well have been rejected by township voters.

In Cameron County, tax projections show across-the-board savings for residents of all the current municipalities. Another key concern is representation in the new governing body. To address the fear that down-county residents would lose political influence, consolidation planners have proposed dividing the districts in such a way that down-county communities would be well represented in the new government. As the Cameron County example shows, however, concerted efforts to balance the interests of all municipalities may not be sufficient to carry a proposal.

Citizens have strong attachments to municipal governments and municipal identities.

Besides the tangible costs and benefits of consolidation – issues such as taxes, fees, and quality of services – citizens are likely to bring other concerns to the table. Among the most important of these is the fear of losing the local identity associated with their municipality. In St. Marys, this factor was mitigated by the sense that the borough and the township comprised a single community. In Cameron County, however, the reluctance of down-county communities to give up their separate identities has fueled resistance to consolidation. In Cameron County, consolidation opponents believe preservation of local governments also is important for political and ideological reasons. They see their townships and boroughs as bulwarks against big government and believe that eliminating a layer of government would threaten their local autonomy. The strong interest and support expressed by state agencies and statewide policy groups has reinforced this idea and raised suspicions that consolidation is being promoted by Harrisburg-based interests trying to strengthen the role of big government.

Functional consolidation offers great opportunity – and often more realistic – alternative to structural consolidation. The requirement that boundary changes must be approved by all affected municipalities renders large-scale municipal merger or consolidation extremely difficult. In relatively large metro areas, consolidating scores of local governments to create a single municipality large enough to encompass the city and its suburbs would not be politically feasible.

For that reason, municipal consolidation is not a viable option for those wishing to promote regional cooperation in places like York or the Lehigh Valley. Advocates of regionalism, therefore, are focusing on functional rather than structural consolidation. Instead of trying to dissolve municipal boundaries, they want to reduce the restrictions imposed by those boundaries by encouraging municipalities to work together through service and revenue sharing arrangements.

This approach has several advantages:

- It allows municipalities interested in intergovernmental cooperation to proceed incrementally. They may not be willing to erase boundaries and eliminate governing bodies, but they may be interested in cooperating in other ways. The 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 processes involved in structural consolidation. Service sharing arrangements generally can be accomplished by actions of the governing bodies and do not require multiple public referenda, as do structural mergers and consolidations.
- It allows for greater flexibility. Currently, a single, small municipality can easily “veto” a structural consolidation proposal and effectively send planners back to the drawing board. While functional consolidation is likely to involve complex negotiations among local governments, the defection of a single municipality will not necessarily scuttle the effort for other parties in the negotiation. In addition, functional consolidation allows for flexible planning and timely adjustments to changing situations.

- It maintains local identities. Because functional consolidation proposals leave existing municipalities intact, they are less likely to be resisted by those concerned about losing their sense of community.

However, functional consolidation also entails significant challenges:

- As with structural consolidation, there will always be perceived winners and losers. Any proposal must balance the needs of all participating communities.
- Barriers in existing state law make functional consolidation challenging. Municipalities of different classes – cities of the first, second and third class; boroughs; townships of the first and second class; and even counties – are governed by different state codes that determine the taxes they can levy and the services they can provide. These codes may be difficult to reconcile when municipalities of different classes are involved.
- Public support for functional consolidations remains important, even though a vote is not involved. If those most directly affected by consolidation do not support the effort, they may wage a campaign against it and undermine public support.
- Functional consolidation does not always result in cost savings – particularly in the short term. Though functional consolidation may be undertaken to eliminate redundancies and improve economies of scale, in practice it often is difficult to eliminate staff positions or furlough employees. In addition, negotiations over contracts and pensions may result in cost increases in the short run, because the most generous contracts usually are adopted.

Uniquely Pennsylvania problems require Pennsylvania solutions. In the York and Lehigh Valley examples, communities have looked outside the state for solutions, only to find that what works in other places cannot work within Pennsylvania’s unique local government structures. While it is useful to look outside the state for ideas and possible solutions, the reality is that Pennsylvania is unique in its governance structures and state laws. For example, county government has limited powers in Pennsylvania compared to many other states. In addition, while other states have used annexation of unincorporated land to achieve regional government, the absence of unincorporated land in the Commonwealth makes annexation difficult.

Within the state, Pennsylvania’s *regions* are also unique. Demography, economy, and geography vary greatly from region to region. For example, some regions are experiencing high growth, while others are losing population. Parts of the state are highly urbanized, while others are very rural. State solutions must be flexible enough to accommodate varying regional needs.

State financial and technical assistance has been important in encouraging regional cooperation. State funding and support have played an important role in advancing structural and functional consolidation. In Cameron County and Clearfield Borough, for example, Early Intervention studies encouraged local leaders to consider consolidation options as ways to reduce costs and avoid fiscal problems. In York County, state assistance was instrumental in providing startup funds for the development of existing regional police departments.

Communities need additional help to overcome the many obstacles to service sharing and consolidation. The state can do more to encourage structural and functional consolidation. Since local governments are creatures of the state, it is up to the state to remove legal barriers and clarify processes for functional and structural consolidation. The state also has an important role in providing technical and financial assistance. For example:

- These case studies confirm the importance of several policy changes recommended by the State Planning Board, including:
 - Amending the Intergovernmental Cooperation Law to enable municipalities to reconcile conflicts among governing codes of cooperating municipalities.
 - Adopting a Regional Police Services Act to provide a clearer path for creating regional police agencies.
 - Amending the County Code to provide legal authority for counties to provide basic municipal services, including police services.
 - Identifying means by which local governments can implement revenue sharing and tax base sharing arrangements.
 - Amending the Municipal Consolidation or Merger Act to remove barriers and simplify the processes required for combining municipalities.

- Increases in financial support from the state may be necessary for many mergers and consolidations to occur. For example, in a merger between two police department – one with a large pension obligation and one without – state financial assistance may be required to equalize the disparity so the two departments can reach a mutually beneficial agreement. Other potential deal-breakers that could be overcome with state financial assistance include differences in municipal debt and contracts with municipal employees.

- Incentives can be important tools to encourage regional cooperation. Examples include:
 - Tying state grant eligibility to regional cooperation efforts.
 - Allowing greater flexibility in taxation for communities engaged in regional cooperation.
 - Broadening access to the state’s Early Intervention Program and other sources of technical assistance specific to consolidation efforts.

Regional cooperation depends on an inclusive, transparent process and well-organized communications. Given the complexities inherent in consolidation and the negative reactions it is likely to provoke, the process of developing a consolidation plan and educating the public about it is as important as the details of the plan itself. Leaders in St. Marys learned this lesson in the mid-1980s after the failure of the first consolidation proposal. Public misunderstanding of the plan gave rise to unfounded rumors that helped turn voters against the idea. Five years later, consolidation advocates realized that the process of developing the proposal needed to be open to residents and free of any perceived bias. They also focused on communications, working with local media to convey their messages effectively.

Cameron County's consolidation advocates have not neglected public communications. For example, they have worked with Penn State Cooperative Extension, a neutral party, to develop information pamphlets and organize two public meetings. But because their first effort to get the referendum on the ballot depended on approval by the governing bodies of the municipalities, much of their attention has focused on elected officials. Now that they have chosen to use the citizen petition option, they are redoubling their public communications efforts. So are opponents of the plan. Members of the Emporium Borough Council, who oppose consolidation, at least as currently planned, have recently begun distributing a newsletter articulating their points of view.

Metro-York participants also understand that progress toward implementing their proposals for stronger regional cooperation will depend on a concerted communications campaign. Until recently, the organization has been concentrating on developing the proposals, but now that the ideas have been made public, Metro-York will seek the help of professional communications consultants.

Leaders throughout Pennsylvania are willing to confront daunting challenges to pursue needed reforms. Consolidation is a challenging undertaking; that comes as no surprise. What is remarkable is that local leaders are increasingly willing to confront these challenges to do what is best for their regions. Leaders in places like York, the Lehigh Valley, Clearfield and Cameron County are seriously considering proposals that would have been outside the realm of possibility a decade or so ago.

Business men and women have been leading the charge. Leaders from the business community have been instrumental in such efforts as Metro-York, Clearfield's Vision 2020, and the Lehigh Valley Partnership because they recognize that regional cooperation is essential for economic competitiveness in today's global marketplace. Business people are well-positioned to lead regionalization efforts because, unlike public sector officials, they are unrestricted by political boundaries and tend to view regions as integrated wholes, not as collections of disconnected local governments.

10,000 Friends of Pennsylvania/Campaign to Renew Pennsylvania

208 North Third Street, Suite 410

Harrisburg, PA 17101-1513

717-234-6070

info@10000friends.org

www.10000friends.org

The Pennsylvania Economy League, Inc./IssuesPA

116 Pine Street, #203

Harrisburg, PA 17101

717-234-3151

pel@pelcapital.org

www.IssuesPA.net