Opportunities for Innovation in Local Government
A summary of Findings from Recent Research

Prepared by 10,000 Friends of Pennsylvania

A body of recent research on local government finances and service delivery points to opportunities for cities, townships, boroughs and counties to improve the quality of basic services such as police, fire protection and public works, and to reduce costs over the long term. Fiscal stress has led increasing numbers of communities to explore options for inter-jurisdictional cooperation to increase efficiency and maintain high-quality services. But outdated and unnecessary laws and restrictions on local governments are an obstacle to innovation. New policies are needed to help local governments deliver and pay for shared services.

Fiscal problems threaten the provision of basic services.
- Since 1970, Pennsylvania’s municipalities have experienced serious fiscal decline. Despite some pockets of improving fiscal health, no region of the state has been untouched by municipal fiscal distress, and fiscal decline has affected municipalities of all types, including townships, cities and boroughs. This decline is linked to local governments’ reliance on property taxes, the revenues from which have failed to keep pace with increasing costs (4).

- Cities and larger boroughs are especially vulnerable to fiscal decline owing to rising costs and decreasing tax base. A 2009 study of municipal fiscal health in five cities (Reading, Lancaster, Bethlehem, York and Easton) found that, in all but Bethlehem, total taxes collected each year were insufficient to pay for police and fire services, let alone other basic functions of government. These cities increasingly resorted to non-tax sources of revenue (fees, debt and sale of assets) to cover basic operations, but such stop-gap measures are unsustainable (3).

Inter-municipal collaborative service arrangements present realistic opportunities for innovations that can save costs and help maintain high-quality services.
- Inter-municipal collaboration in service delivery is widespread in Pennsylvania, because it allows taxpayers to get better service at a better cost. Examples include regional police and fire departments serving multiple communities, inter-municipal contracting for police and fire services, sharing of heavy highway equipment, joint bidding of road construction, and snow plowing agreements. Pennsylvania law provides far-reaching authority for local governments to enter into inter-governmental cooperation agreements, and many communities collaborate with one another on an informal basis (1).

- Collaborative service delivery can result in lower costs and greater efficiency. Police services constitute the largest budget item for most local governments. Per capita costs for the state’s 33 consolidated regional departments averaged $120.50 in 2006, 17% less than the per capita costs of $146.00 for stand-alone municipal police departments. These savings likely resulted from more efficient use of personnel. Regional departments use fewer full-time equivalent personnel (FTE) than stand-
alone municipal departments. Less constrained by municipal boundaries, regional police forces can employ more rational patrol zones, thus allowing more efficient use of officers. Further efficiencies result from specialized functions for investigation and administration (1).

![Per Capita Police Costs in Selected Counties and Statewide](chart)

- Inter-municipal collaboration also improves the quality of services delivered. For example, in an effort to maintain police services in the face of mounting fiscal challenges, local governments often rely increasingly on part-time officers, many of whom are compelled to take more than one job, are overworked, and have limited familiarity with the communities they serve. The 33 regional police departments in Pennsylvania are able to employ a larger percentage of full-time officers (87%) than their single-municipality counterparts (76%) (1).

- New collaborative arrangements can be expensive to create, especially when they involve combining existing departments. In consolidating two or more police forces, for example, collective bargaining agreements generally raise compensation for the new department to the level of the best paid of the original departments. Moreover, state policy requires that all full-time officers employed by the original departments should be offered employment in the new entity. Some cost savings made possible by the new regional department will take time to realize, since the size of the combined force can only be reduced through attrition (1). Consequently, a collaborative arrangement may require start-up capital over a period of several years to arrive at the ultimate cost saving. Such funding would properly be evaluated as an investment in long-term efficient and effective government services. (1).
Counties serve important coordinating functions, but are limited in their ability to deliver traditional local government services and raise revenues.

- County government is constrained in what services it delivers, creating an inefficient and often counter-productive situation for taxpayers receiving services from local governments acting separately. For example:
  - Counties provide little in the way of traditional public safety services such as police and fire protection, but they do assume responsibility for such activities as 911 operations, terrorism preparedness, incident information systems and coordination with federal public safety agencies.
  - In the area of public works, counties typically conduct such activities as bridge inspections, vehicle inspection services, and some road maintenance and repair; but in general they perform little on-the-ground construction work.
  - Some counties play an important role in library operations and in parks and recreation, which are generally experienced by taxpayers as part of their municipality.
  - Counties typically perform important functions related to planning and land use management, including community and economic development activities, brownfields programs and GIS services. Pennsylvania law requires counties to prepare comprehensive plans (1).

- County professional staff are an important source of expertise and technical assistance for municipalities. County professionals often help municipal staff deal with problems caused by arbitrary municipal boundaries, and they serve as intermediaries between municipalities and state and federal agencies. In short, counties often become centers of regional service activity because no other unit of government has the capacity or expertise to deliver the required services (1).

- But counties lack reliable, consistent funding to support regional services. County general funds are not nearly adequate to cover the full costs of these services. Counties typically rely heavily on grant funding and other intergovernmental transfers to support their operations. When such supplementary sources of revenue are lost, service provision must be curtailed (1). Recent cutbacks in many state funding sources will therefore have a direct, negative impact on county service delivery.

The merging of local governments to increase efficiencies is often unrealistic because of overwhelming political and practical obstacles.

- The small size and fragmented nature of Pennsylvania’s local governments contribute to fiscal distress and service delivery challenges. Of the state’s 2,563 municipalities, fewer than 10% have a population of more than 10,000, according to the 2000 census. Several states, including neighboring New Jersey, use 10,000 as a baseline for defining the minimum size of a viable unit of local government (2).

- In some cases, the merger or consolidation of municipalities to create larger units of government can save costs by eliminating redundancies and achieving efficiencies of scale in service delivery. In Cameron County, for example, a proposal to dissolve the seven existing municipalities to create a single municipal/county government would

---

2 Technically, a “merger” is a combination of two or more municipalities in which one assumes jurisdiction over the others; a “consolidation” is a combination that results in a new municipality. For present purposes, we are using “merger” to refer to both sorts of boundary change.
have maintained existing service levels while yielding savings for residents of 16% (5).

- However, attempting to merge municipalities is complex and difficult, with a high probability of failure. Any boundary change proposal must be accepted by a majority vote in each affected municipality. A merger generally redistributes the costs and benefits of government, and creates on-going net increases in costs to taxpayers in at least one of the smaller municipalities. That municipality, no matter how small a proportion of the total population in the region, will have veto power over the proposal (2).

- Consequently, municipal mergers are relatively rare and small in scale. Between 1990 and 2007, there were 11 municipal mergers in Pennsylvania, but voters rejected another 14 proposed mergers. Still other proposals never made it to the ballot (5).

- Successful mergers seldom, if ever, involve more than two or three municipalities. Merging a variety of local governments into a single municipality – for example, merging a city with its surrounding suburbs – is not a politically feasible option. Municipal merger is thus not a realistic way to advance large-scale regionalization (2).

- Unlike municipal mergers, collaborative service arrangements can be negotiated by the governing bodies of municipalities and do not require approval by voters. This increases the possibilities for innovation, and reduces the likelihood of net losses to any of the participants, thus reducing local opposition (2).

Policy changes are needed to remove barriers that stand in the way of more widespread countywide and inter-municipal service delivery.

- As noted, lack of start-up capital to cover the up-front costs of creating a consolidated service delivery system can be a significant barrier for fiscally strapped municipalities. In many cases, outside subsidies may be needed for a period of several years (1). The state is an obvious source of such subsidies. An alternative is to create a “collaborative services fund” using revenues from an optional sales tax levied at the county level.

- Collaborative service delivery requires equitable and sustainable ways of paying for those services, yet Pennsylvania’s municipalities lack clear authority for tax revenue and tax base sharing. Revenue sharing is authorized by the Municipalities Planning Code, but only for municipalities that are already working together as part of a multi-municipal plan. In addition to broader authority for revenue sharing, local governments need guidance from the state on how to implement such arrangements (6).

- A larger role for counties in delivering basic services is hampered by the County Code, which restricts the range of services for which counties can assume responsibility. Legislation would be needed to enable counties to work more closely with municipalities to provide police protection and other traditional local government services (6).

---

3 The County Code permits counties to assume responsibility only for health and human services, county courts and corrections, elections, record keeping, emergency management, and real estate valuation. Only Allegheny County is authorized to provide police services.
• Because state law restricts the kinds of taxes counties can impose and forces them to rely mainly on property taxes, an increased role for counties in service provision would have to be accompanied by more flexible options for raising revenue (1).

Research Reports Cited
The information presented here is based on a series of recent reports by the Pennsylvania Economy League 10,000 Friends of Pennsylvania and the State Planning Board:

(1) The Economic Impact of Shared Services in Pennsylvania and an Examination of Shared Service Delivery in Selected Counties, Pennsylvania Economy League, 2009.