

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

LOCAL GOVERNMENT
COMMITTEE HEARING

MAIN CAPITOL
ROOM 140
HARRISBURG, PENNSYLVANIA

TUESDAY, AUGUST 17, 2010
1:00 P.M.

PRESENTATION ON
STATE PLANNING BOARD RECOMMENDATIONS FOR
MUNICIPAL BOUNDARY CHANGES,
MERGERS, AND CONSOLIDATION

BEFORE:

HONORABLE ROBERT L. FREEMAN, MAJORITY CHAIRMAN
HONORABLE DAVID R. KESSLER
HONORABLE MATTHEW D. BRADFORD
HONORABLE FRANK BURNS
HONORABLE BARBARA McILVAINE SMITH
HONORABLE ANTHONY J. MELIO
HONORABLE STEVE SAMUELSON
HONORABLE TOM C. CREIGHTON, MINORITY CHAIRMAN
HONORABLE JERRY KNOWLES
HONORABLE DAVID S. HICKERNELL
HONORABLE BRYAN CUTLER
HONORABLE MAUREE GINGRICH
HONORABLE TIM HENNESSEY
HONORABLE JOHN D. PAYNE

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ALSO PRESENT:

APRIL BRINTON
RESEARCH ANALYST

JOHN FULTON
EXECUTIVE DIRECTOR

DON GRELL
EXECUTIVE DIRECTOR

BETH ANN
RESEARCH ANALYST

KELSEY J. DUGO,
COURT REPORTER
NOTARY PUBLIC

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1 P R O C E E D I N G S

2 * * *

3 CHAIRMAN FREEMAN: Good morning, everyone. I'm
4 Chairman Robert Freeman, Chairman of the House Local Government
5 Committee and I call this hearing to order. Before we get into
6 our testimony, I and Chairman Creighton have some opening
7 remarks, but before we get to that phase of the hearing, I
8 would like all of the members who are present today to please
9 introduce themselves to the audience. We'll start over here to
10 my left.

11 REP. KESSLER: Dave Kessler, Berks County.

12 REP. GINGRICH: Rep. Mauree Gingrich, Lebanon
13 County.

14 REP. McILVAINE SMITH: Barb McIlvaine Smith,
15 Chester County.

16 REP. CUTLER: Good afternoon. Brian Cutler, 100th
17 District, Southern Lancaster County.

18 CHAIRMAN FREEMAN: Rep. Bob Freeman, Northampton
19 County.

20 CHAIRMAN CREIGHTON: Tom Creighton, Lancaster
21 County.

22 REP. MELIO: Tony Melio, Bucks County.

23 REP. PAYNE: John Payne, 106th District,
24 Southeastern Dauphin County.

25 REP. KNOWLES: Jerry Knowles, Berks and Schuylkill

1 Counties.

2 REP. HICKERNELL: Dave Hickernell, Lancaster and
3 Dauphin Counties.

4 CHAIRMAN FREEMAN: Thank you. I thank the members
5 for their presence here today. There are other members that
6 wish to be here, but everyone in the summertime they have
7 pressing schedules and sometimes they aren't able to make all
8 the meetings. So we're very fortunate to have the members we
9 have here today with us.

10 Today's hearing will focus on the State Planning Board
11 Recommendations for Municipal Boundary Changes, Mergers, and
12 Consolidation. These proposals have been introduced in the
13 General Assembly as Senate Bill 1429 and Senate Bill 1357 and
14 will be discussed in detail today.

15 Senate Bill 1429 looks to streamline the merger and
16 consolidation process. Senate Bill 1357 would create a
17 Boundary Review Commission that would make recommendations to
18 the General Assembly on redrawing municipal boundaries to
19 effect consolidation and merger.

20 With over 2500 units of local government, PA's
21 structure of local government is somewhat unique. Indeed, PA
22 has more units of local government than all but one or two
23 other states. Although these local governments have served
24 their communities well in the past and the vast majority of
25 them continue to fulfill their municipal mission, increasing

1 numbers of them are in crisis or on the verge of having to
2 address major municipal needs with limited resources available
3 to them to do so.

4 An increasing number of municipalities have fallen into
5 Act 47 distressed status or are on the early intervention watch
6 list. In the vast majority of cases this distressed status has
7 occurred through no fault of the municipal government. It is
8 the result of the limitations they are confronted with and
9 economic factors beyond their control.

10 The rise of sprawling suburbanization in the post World
11 War Two era, often fostered by government policies that
12 subsidized infrastructure expansion of roads, water, and sewer
13 systems, coupled with the negative results of misguided Federal
14 Urban Renewal policies implemented in our urban communities in
15 the 1960s and 1970s, has caused some municipalities of
16 experience growth while others have atrophied.

17 Cities and boroughs experienced a loss of commerce,
18 industry, and population that resulted in a shrunken tax base
19 while leaving them with a higher percentage of most
20 municipalities of tax exempt institutions such as colleges,
21 medical facilities, and county government centers. These
22 institutions are significant regional assets -- there's no
23 denying that-- that do not pay property taxes to the host
24 municipality. Property taxes remain the major source of local
25 government revenues.

1 In addition to these problems, many smaller communities
2 find it increasingly difficult to deliver municipal services
3 and function effectively in a 21st Century world with its 21st
4 Century demands and needs. These communities have continued to
5 lose population at an alarming rate and are often unable to
6 fill all of the municipal offices in their community.

7 Still, there is a long tradition of the kind of local
8 government that exists in PA and while units of local
9 government are not sovereign like states, they command a
10 certain loyalty and identity that provides a community with its
11 sense of place and we, as a legislature, must be sensitive to
12 those local sentiments.

13 It has always been my approach as Chairman of the Local
14 Government Committee, to openly discuss all issues related to
15 Local Government. This committee has an obligation to function
16 as a forum for issues and ideas that can facilitate a healthy
17 civic dialogue on local government matters and, hopefully,
18 through that dialogue, advance good public policy initiatives
19 that better serve the citizens of our Commonwealth.

20 Sometimes these issues and ideas are embraced with open
21 arms by all interested parties. However, many times hearings,
22 such as today's hearing, serve as an initial step toward
23 discussing all options and approaches in order to address
24 specific issues and challenges faced by local governments and
25 their taxpayers. By airing these viewpoints, we, as a

1 policy-making arm of the legislature, gain a better
2 understanding of the landscape we must traverse in order to
3 effectively deal with these issues and concerns.

4 While the bills being discussed today are not currently
5 before this Committee, the issues they address are important
6 and it is the purpose of this hearing to examine and discuss
7 these proposals in detail in order to better inform the members
8 of this committee and to engage in the deliberative process
9 that is one of the most important functions and charges of any
10 legislative body.

11 I look forward to today's testimony. Now I would like
12 to call upon my counterpart, Chairman Creighton, to see if he
13 has any remarks that he would wish to deliver before the
14 hearing commences.

15 CHAIRMAN CREIGHTON: Good afternoon. I look
16 forward to this debate. I expect a vigorous debate and it's
17 going to be a learning process for me. The few issues that I'm
18 concerned about is, how big is this problem. I need to
19 understand what the problem totally is and get a handle on
20 that.

21 Also, I would like to see how education in schools and
22 school districts fit in with the same -- is it part of the
23 process, would it be included. And also local control, I've
24 gotten a lot of comments from my local municipalities and
25 they're not real happy about some of these ideas. I think

1 there has to be incentives to take care of local issues.

2 We talk about local government task force and some of
3 the verbiage. I would like to understand how that interacts
4 with the whole process. So I'm looking forward to this and I
5 thank you all for coming. It should be a great debate. Thank
6 you.

7 CHAIRMAN FREEMAN: I thank Chairman Creighton for
8 his comments. At this time I would like to call our first
9 panel. We have a number of panels that will be testifying
10 before the Committee today. Our first panel consists of the
11 members of the State Planning Board, as well as other officials
12 who are connected to the Department of Community & Economic
13 Development. If they would please come forward, Frederick
14 Reddig, Executive Director of the Governor's Center for Local
15 Government Services and DCED, Gerald Cross, Executive Director
16 of the PA economy League, Ron Bailey, Executive Director of the
17 Chester County Planning Commission -- Ron, I believe you are a
18 member of the State Planning Board too, right?

19 EXECUTIVE DIRECTOR BAILEY: Yes.

20 CHAIRMAN FREEMAN: And, of course, Joanne
21 Denworth, Senior Policy Manager of the Office of the Governor
22 and founder and head of the 10,000 Friends of PA. Welcome.
23 It's a pleasure to have you here. I understand that Mr. Reddig
24 and Mr. Cross will be offering testimony, but all four of you
25 will be willing to stand for questions afterwards. Joanne, did

1 you have testimony or were you going to submit it?

2 SENIOR POLICY MANAGER DENSWORTH: Yes, I do.

3 CHAIRMAN FREEMAN: Okay. We'll be happy to hear
4 all of your testimony.

5 EXECUTIVE DIRECTOR REDDIG: Thank you very much.
6 Good afternoon, Chairman Freeman, Chairman Creighton, and other
7 Members of the House Local Government Committee. We appreciate
8 the opportunity to be present today and to provide you with
9 testimony on what we feel are two very important pieces of
10 legislation, Senate Bill 1357 and Senate Bill 1429.

11 My name is -- as Chairman Freeman indicated -- Fred
12 Reddig. I am the Executive Director of the Governor's Center
13 for Local Government Services in the PA Department of Community
14 and Economic Development. As the Executive Director, I am
15 responsible for the administration of a full array of programs
16 that serve the needs of PA's local governments.

17 The Center provides information, training, technical
18 and financial assistance to assist local officials in the
19 performance of their responsibilities. Among other
20 responsibilities, the Center administers the Municipalities
21 Financial Recovery Program, otherwise known as the Act 47 or
22 Distressed Municipalities Program, and also the Shared
23 Municipal Services Program, which provides incentives for
24 intergovernmental service delivery arrangements around the
25 state.

1 This center also addresses policy issues on governance
2 related matters that impact on local governments and also
3 providing technical assistance on municipal finance and
4 administrative matters, including Boundary Change and Home
5 Rule. The Center also provides professional and administrative
6 support to the State Planning Board and its committees.

7 Also with me today is Ron Bailey, who is the Executive
8 Director of the Chester County Planning Commission, as well as
9 a member of the PA State Planning Board and is the Chairman of
10 the State Planning Board's Governance Committee. As Chair of
11 the Governance Committee, Mr. Bailey was intricately involved
12 with the development of the two bills before the Committee
13 today.

14 Joanne Denworth, Senior Policy Manager from the Office
15 of the Governor, also joins me today and will also provide
16 testimony in support of the two bills. Ms. Denworth has vast
17 experience as a land use and environmental lawyer who works on
18 state agency policy issues relating to land use, community
19 development, environmental protection, conservation and
20 recreation, transportation, water and sewer infrastructure,
21 agriculture, and historic preservation.

22 And, finally, with me today is Gerald Cross, Executive
23 Director of the PA Economy League Central Division and author
24 of the report "Structuring Healthy Communities" will be
25 providing the Committee with a brief overview of the fiscal

1 status of municipalities across the Commonwealth. The Economy
2 League has worked closely with the State Planning Board on
3 Governance related matters.

4 Governor Rendell reactivated the PA State Planning
5 Board in 2004. The Board, first established in 1929, was
6 reauthorized by Act 42 of 1989, amending the Administrative
7 Code to establish it as an advisory board within the Governor's
8 office. Governor Rendell directed the Board to use its broadly
9 described powers to develop recommendations for state policies
10 and actions, including possible legislation that would address
11 development, conservation, and land use issues vital to the
12 "present and future welfare of the Commonwealth."

13 The Governor's initial charge to the Board was to
14 develop consensus recommendations in three areas: Conflicts
15 among development, municipal, and conservation interests and
16 needs on open space and infrastructure issues; specific
17 policies, such as criteria for state investments, incentives
18 for more multi-municipal planning and implementation,
19 attracting private investment, and tax and revenue sharing that
20 will achieve smart growth goals for revitalization of our
21 cities and towns and sound economic development in rural
22 communities; and thirdly, proposed options for improved
23 governance measures that will enable PA to compete more
24 effectively for economic growth while improving the quality of
25 life in PA's diverse communities.

1 Following this charge, the Board formed a Governance
2 Committee to address issues related to local government
3 structure and governance. After considering many issues and
4 challenges, the Governance Committee identified the following
5 priority areas for needed action by the Governor and the
6 Legislature: Right-sizing the provision of services;
7 consistency of planning and implementation; providing clearer
8 authority and incentives for tax base and revenue sharing;
9 removing legal impediments to voluntary consolidations, mergers
10 and dissolutions. Senate Bill 1357 and Senate Bill 1429
11 address two of these areas: Right-sizing the provision of
12 services and removing legal impediments to voluntary
13 consolidations and mergers.

14 PA municipalities face increasing financial challenges
15 to deliver vital and efficient public services in today's
16 recessionary environment. New and more innovative approaches
17 are needed to provide additional tools to assist municipalities
18 to avert financial disaster.

19 Recognizing the significant impact the proposed
20 recommendations will have on local governments early in its
21 process, the Governance Committee reached out to the local
22 government associations to have each of them appoint a
23 representative to the Committee to assist in developing reform
24 legislation to meet its charge. The Committee and the entire
25 Board have worked on this issue for the last several years with

1 the result being the recently introduced Senate Bills.

2 Before the Committee today is Senate Bill 1429, which
3 would amend Act 90, the Merger and Consolidation Act, to
4 provide additional options and flexibility to municipalities
5 that are voluntarily going through a boundary change process.
6 It would provide clarity to the current process for
7 merger/consolidation in Act 90, as amended, and integrate it
8 with the home rule process for those municipalities seeking to
9 restructure and reform their governments by combining them
10 while, at the same time, providing for the approval of a home
11 rule charter or optional plan. It would also allow the use of
12 a joint agreement in one municipality and a citizen petition in
13 another so long as they were materially consistent.

14 Currently, the PA Constitution, in Article 9, Section
15 2, provides authority for municipalities to engage in a Home
16 Rule process. It further provides in Article 9, Section 8 for
17 a boundary change process that allows municipalities to be
18 established, merged, or consolidated. However, the current
19 Boundary Change law governing mergers and consolidations is
20 unclear and cumbersome, and does not, in some instances,
21 provide sufficient guidance to integrate a new form of
22 government at the same time that the boundary change process is
23 occurring.

24 As an example, the consolidation vote to join the
25 municipalities of Farrell, which was an Act 47 municipality,

1 Hermitage, Sharon, Sharpsville and Wheatland in Mercer County
2 revealed significant problems in the merger and consolidation
3 process. Others surfaced in the consideration of combining the
4 municipalities of Franklin -- again, an Act 47 municipality --
5 Diasytown, East Conemaugh, and East Taylor, along with
6 Conemaugh Township in Cambria County. In both cases, the
7 principal difficulty was that some of the governments were
8 unwilling to use the joint agreement means in the law to craft
9 a new home rule charter prior to the vote.

10 Providing the option to utilize a combination of the
11 joint agreement and citizen initiative would remove an
12 impediment to the boundary change process, while still keeping
13 the process voluntary.

14 The bill also provides that the governing bodies of the
15 municipalities, as part of a joint agreement process, may
16 appoint a transitional planning committee composed of residents
17 of the respective municipalities to study and make
18 recommendations to the governing bodies regarding transitional
19 plans, schedules, common administration and uniform enforcement
20 of ordinances, consolidation and merger of departments and
21 staff. This committee would continue for six months after the
22 merger or consolidation to further assist in the transition
23 process.

24 Senate Bill 1429 requires the governing bodies of the
25 municipalities to be consolidated or merged to prepare and

1 adopt and joint agreement within one year after the
2 certification of the favorable vote and further requires full
3 implementation of the boundary change to occur within no more
4 than four years.

5 The bill would also create the Commonwealth
6 Municipalities Consolidation and Merger Program within DCED to
7 provide loans and grants to municipalities going through the
8 process. The funds would be used to help defray the costs of
9 the study and implementation of consolidations and mergers;
10 costs associated with home rule optional plan of government
11 study commissions; costs to transition to the merged or
12 consolidated municipalities; and provide financial support for
13 economic and community development assistance in the merged or
14 consolidated municipalities.

15 Finally, a consolidated or merged municipality would
16 receive priority for economic and community development
17 assistance under existing Commonwealth programs. This is a
18 critical element to a successful boundary change, as one of the
19 practical impediments to the process is, what I like to refer
20 to as "leveling the playing field" or bringing the condition of
21 one municipality's infrastructure up to the same level as the
22 other municipalities so that one is not a burden on the others.

23 Senate Bill 1357 creates an additional form of boundary
24 change through the establishment of a Boundary Review
25 Commission. However, since the introduction of Senate Bill

1 1357 and in light of further discussions with stakeholders, we
2 have identified several additional recommendations, which will
3 be offered in an amendment to that bill. I will be providing
4 the highlights of Senate Bill 1357 along with the additional
5 recommendations that will be offered.

6 As an alternative or addition to the options for
7 consolidating and merging municipalities and/or services to
8 assure the ability of a municipality to provide an adequate tax
9 base and adequate municipal services, the Planning Board is
10 recommending the creation of a Boundary Review Commission. The
11 Commission will be made up of eleven members, five appointed by
12 the Governor from lists submitted by each of the major local
13 government associations, two members at large and four
14 legislative appointees, two from each house and each party.
15 The term of office for members would be four years.

16 The Commission will have the power to conduct studies
17 regarding changes to municipal boundaries or reorganization or
18 consolidation of municipal governments. The Commission will
19 initiate a study only in three situations: Upon receipt of a
20 petition signed by at least five percent of registered voters
21 in the affected municipalities; upon receipt of a resolution
22 enacted by each of the involved local governments; or thirdly,
23 upon receipt of a petition from the Secretary of DCED on behalf
24 of an Act 47 municipality where the Coordinator has made a
25 finding of non-viability as provided for in Section 241 of the

1 Act.

2 The study, once commenced, must be completed within 18
3 months of receipt of the petitions or resolutions. Only when
4 at least three of more than seven indicia of non-viability and
5 fiscal distress are met, can the Commission propose a plan of
6 reorganization.

7 The study will provide the municipalities with valuable
8 tools, including a cost and benefit analysis of the proposed
9 changes on all affected municipalities and counties involved.
10 Additionally, the study will provide an enlightening analysis
11 on the pros and cons of a prospective consolidation/merger.
12 The Commission will act as an objective and neutral
13 their-party.

14 The Commission may appoint a local government task
15 force consisting of representatives of the affected
16 municipalities and counties, as well as each municipality
17 adjacent to assist the Commission in developing a plan of
18 reorganization. The Commission shall hold at least one public
19 hearing prior to the issuance of its recommendations.

20 If a study results in a recommendation for a plan of
21 reorganization, the plan is submitted to the General Assembly
22 and published in the PA Bulletin within 30 days, as well as on
23 the General Assembly and DCED's website for a 60-day comment
24 period. The General Asseblly must either approve or reject the
25 plan without amendment within nine months of publication of the

1 public comments in the PA Bulletin.

2 The Commissions is also authorized to conduct studies
3 and to make recommendations to the General Assembly and to
4 affected municipalities or counties regarding the consolidation
5 of municipal services provided by two or more municipalities or
6 counties, which would, otherwise, continue to exist.

7 The Boundary Commission Process is not a "shoot from
8 the hip" process. There are many steps and requirements before
9 the Commission may begin the process of conducting a study and
10 submission of the plan to the General Assembly. The
11 legislation is written to enable those municipalities that are
12 ready to embrace sustainable futures the ability to build
13 stronger, united communities by removing legal impediments.

14 The Board has focused on voluntary options and
15 incentives to achieve these goals, not on mandates. The
16 Board's intent from the start has been to develop its
17 recommendations, and then to facilitate broad discussion --
18 much like today's hearing -- and solicit input from specific,
19 as well as general audiences.

20 The two pieces of legislation before the Committee
21 today are the result of several years of deliberation over
22 legal, practical and political concerns among the variety of
23 participants. Outreach activities spanned the Commonwealth
24 over the last several years and the local government
25 associations played an active role in these discussions.

1 These bills represent a common sense approach to
2 eliminating barriers and providing new tools for municipalities
3 to run efficiently in difficult economic times, as well as in
4 flourishing times. They are not sweeping reforms; however,
5 they represent steps in the right direction to begin tackling
6 the issues confronting our local municipalities today.

7 Thank you, Chairman.

8 CHAIRMAN FREEMAN: Thank you, Mr. Reddig, for your
9 testimony. Before we get to the next testifier, I would like
10 to recognize the presence of few members of the committee who
11 have joined us. Rep. Steve Samuelson, Northampton County, Rep.
12 Frank Burns, Cambria County, Rep. Tim Hennessey from Chester
13 County, and Rep. Matt Bradford from Montgomery County. Thank
14 you for joining us. We'll move on to our next testifier, Ms
15 Denworth.

16 SENIOR POLICY MANAGER DENWORTH: Thank you. Good
17 afternoon, Chairman Freeman and Chairman Creighton and
18 Committee members. I appreciate the opportunity to appear
19 before the Committee today to talk about the two bills the
20 State Planning Board has developed, SB 1429 and SB 1357 --
21 introduced by Senator Eichelberger and Senator Musto as the
22 lead sponsors -- to implement the Governance Committee's
23 recommendations to help address the needs of
24 non-viable/fiscally distressed municipalities.

25 My remarks will focus particularly on the SB 1357, the

1 proposed Boundary Review Commission legislation; on the
2 constitutional authority for the legislature to act to provide
3 additional methods for municipal boundary change; and on the
4 need for the legislature to take action -- especially in this
5 harsh economic time -- to assist those municipalities that are
6 struggling and have become operationally non-viable or fiscally
7 insolvent, and, with the law as it is in many cases, have no
8 way out of their predicament.

9 The bill aims to enable them to become functioning,
10 viable units of local government able to provide for the
11 health, safety and welfare of their residents -- as every unit
12 of local government needs to be able to do -- and to provide
13 adequate municipal services to residents and businesses, either
14 on their own or by consolidation or merger or with other
15 municipalities or by functional consolidation of services with
16 those of other municipalities.

17 Turning to the Constitutional Authority for such action
18 by the legislature, the 1968 amendments to the PA Constitution
19 included new sections in Article 9 dealing with local
20 government and boundary change: Section 5, Intergovernmental
21 Cooperation; Section 6, Area Government; Section 7, Area-Wide
22 Powers; and Section 8, Consolidation, Merger or Boundary
23 Change. Section 5, Intergovernmental Cooperation, has been
24 implemented with legislation and well-used and relied upon by
25 our municipalities in many cooperative initiatives; Sections 6

1 and 7 have not been used or interpreted, but do raise
2 interesting possibilities.

3 Section 8 speaks directly to consolidation, merger and
4 boundary change. The first paragraph, Uniform Legislation,
5 directed the General Assembly within two years of the date of
6 adoption -- which was in 1960 -- to enact uniform legislation
7 establishing the procedure for consolidation, merger or change
8 of boundaries.

9 Twenty-some years later, Section 8 was partially
10 implemented by adoption of the Merger and Consolidation Act of
11 1994, as amended in 2003, to deal only with the process of
12 voluntary consolidation or merger by a process that would
13 guarantee the right of citizens, by initiative and referendum
14 to consolidate, merge and change boundaries by a majority vote
15 of those voting thereon in each municipality without the
16 approval of the governing body. And that was the thing that
17 was clearly established in the Constitution at that time.

18 The amendments proposed in SB 1429 would give clearer
19 direction and timelines to the process and make it less
20 cumbersome -- sometimes taking four election cycles to
21 accomplish if citizens and the involved municipalities have the
22 energy, stamina, and commitment to sustain the effort that
23 long.

24 The last and most powerful paragraph of Section 8 has
25 never been acted on. And that says: Nothing herein shall

1 prohibit or prevent the General Assembly from providing
2 additional methods for consolidation, merger or change of
3 boundaries. Clearly, the General Assembly can make other rules
4 for boundary change, and it is the only branch of government
5 that has this power. The Governor can recommend action and the
6 Judiciary can interpret the rules made, but the legislature is
7 the only body that can act to address the needs of struggling
8 municipalities.

9 If enacted, SB 1537 (sic) would provide another method
10 for the legislature to consider particular consolidations,
11 mergers or functional consolidations of services in the three
12 instances that Fred Reddig described: Upon a petition form of
13 local governments; upon a petition of citizens representing
14 five percent of the electorate at the last election; or upon a
15 petition of the Secretary of DCED where a municipality has been
16 found non-viable in the context of an Act 47 process.

17 The Commission would essentially be an advisory body to
18 the legislature making recommendations for plans of
19 reorganization for consolidation or merger with one or more
20 municipalities or functional consolidation of services if the
21 would solve the fiscal and/or operational issues. The
22 recommendation would have to be based on a finding of
23 non-viability and include a thorough cost benefit analysis of
24 the impacts on all the affected and involved municipalities.
25 The Legislature would have nine months to act on the

1 recommendation.

2 I want to turn now to local government involvement.
3 Contrary to the assertion that this is grab to creat big
4 government, it should be noted that this proposal involved
5 county and local governments in the process and the development
6 of recommendations. Five of the seven commission members
7 appointed by the Governor would be elected officials chosen
8 from lists provided by the five local government associations,
9 in addition to two at large citizen members and four
10 legislative members, two from each house and each party.

11 Additionally, the commission would have the power to
12 appoint a task force consisting of the county, the affected
13 municipality or municipalities, and the adjacent municipalities
14 to work with the commission in developing a recommended
15 solution for the municipalities being considered under the
16 petition study. Local government representatives would be part
17 of crafting a solution for these municipalities.

18 I want to comment lastly -- well, maybe not lastly, but
19 on mischaracterization. It is most unfortunate that this bill
20 has been characterized by some in the newspapers as attempting
21 to do away with local government. That is anything but the
22 intent or the case. In fact, the Board's proposal is aimed at
23 making local government stronger. The Committee and the Board
24 worked with the municipal associations in developing the
25 proposal and tried to respond to their concerns. For example,

1 the Board accepted their emphasis on consolidation or merger
2 being the goal for non-viable/fiscally distressed
3 municipalities, as opposed to the creations for a new
4 municipality.

5 Also, initially the Board considered providing for the
6 ability to dissolve, which some municipalities in PA have
7 wanted to do, but dissolution is not authorized under PA law.
8 The Board also bowed to the municipal associations' objections
9 to dissolution: The counties opposed as creating possible
10 responsibility without assured funding for them, decidedly an
11 issue that would have to be addressed; and the municipalities
12 opposed dissolution as creating a new class of municipalities,
13 unincorporated municipalities.

14 State Planning Board members and staff have great
15 respect for local governments and believe them to be an
16 essential part of PA's history, strength and character. The
17 Board's membership includes seven members representing
18 counties, cities, and townships and other organizations
19 representing development and conservation interests that work
20 primarily with county and local governments.

21 SB 1357 is not aimed at any particular class of
22 government: Cities, boroughs or townships, but rather troubled
23 and non-viable municipalities, whatever they may be. SB 1357
24 -- the variety of our urban, suburban and rural municipalities
25 offer a wealth of living choices for Pennsylvanians, but in the

1 interest of our citizens, which should be the state's and the
2 legislature's concern, they need to be fiscally healthy and
3 viable and able to provide services to their citizens or able
4 to become so if they are not.

5 We have many municipalities within and without Act 47
6 that have not been able to consolidate or merge because no
7 willing partners can be found, and the process under the Merger
8 and Consolidation Act often fails along the way because the
9 "haves" do not want the "have nots". The General Assembly has
10 the power to address this problem in various ways: By radical
11 reorganization as proposed by Rep. Caltagirone's Joint
12 Committee Resolution, HB 2431, or by a process like the one
13 proposed in SB 1537 (sic), which aims to take the hard cases
14 and find a solution for them working with the counties and
15 local governments on a case by case basis and making a
16 recommendation to the legislature for actions.

17 There may be other ways that we -- that none of us have
18 turned to, though. I must say, at the State Planning Board,
19 we've given a lot of thought to all sorts of possibilities and
20 this is the one that we came up with as possibly working with
21 everybody.

22 I urge the Committee to support SB 1537 (sic) as
23 offering a reasonable, well-considered proposal for assisting
24 the Commonwealth's troubled municipalities of all classes:
25 Cities, boroughs and townships.

1 I thank you very much.

2 CHAIRMAN FREEMAN: Thank you for your testimony.
3 I would ask the members to hold their questions until we have
4 finished with the panels opening remarks. Our last testifier
5 of the panel is Mr. Cross.

6 EXECUTIVE DIRECTOR CROSS: Thank you, Chairman
7 Freeman, Chairman Creighton and Members of the Committee. My
8 name is Gerald Cross. I am the Executive Director of the
9 Central Division of the PA Economy League. My Division is
10 widely involved in local government matters ranging from merger
11 and consolidation studies and assisting in municipal
12 cooperation efforts all the way to serving as an Act 47
13 coordinator in three municipalities.

14 In addition to those efforts, PEL also has researched,
15 for the State Planning Board and local government associations,
16 the fiscal health of local government, the status of municipal
17 consolidation efforts and their reasons for success or failure,
18 an examination of municipal shared services and the necessary
19 tools to enable that sharing; as well as the day-to-day
20 circumstances that all local officials struggle with to provide
21 more efficient and effective government.

22 The Economy League had a study in 2007 -- titled
23 "Structure in Healthy Communities" -- of municipal fiscal
24 health in PA that outlined the different stages of fiscal
25 decline. That study has been well publicized. In fact, I took

1 the liberty of adding some of those to the appendix. There's
2 some information back in the appendix, including the five
3 stages of decline.

4 The study concluded that the relative fiscal health of
5 a municipality was as much related to how constrained that
6 municipality was in its revenue options to pay for services as
7 to how much services were provided to citizens. A recent PEL
8 update to that study comparing local tax revenue generation
9 from 1970 to 2006 shows that municipalities that must rely on
10 tax revenue from within their own boundaries will not produce
11 sufficient revenue to provide necessary service.

12 In brief, the traditional model of financing our local
13 governments involves reliance on a tax base that is maintained
14 only within a municipality's borders. Public service
15 expenditures paid for with those tax dollars -- often called
16 "clean and safe" services -- have increased in cost and demand
17 beyond the ability to pay from boundary limited revenue
18 sources.

19 As an example, in 1970, across the Commonwealth -- we
20 excluded Philadelphia and Pittsburgh because of their size --
21 that study showed that local taxes produced 58 percent of total
22 revenues. In 2006, that share fell to 39 percent. These
23 expenses tell another side of the problem, when adjusted for
24 inflation, spending in the cities and boroughs nearly doubled
25 since 1970, expenses in the townships of the second class rose

1 nearly over 330 percent.

2 Other data in that study indicates that even prosperous
3 municipalities that have relied on seemingly unlimited growth
4 in earned income taxes and real estate transfer taxes will
5 begin to have to rely more and more on raising real estate
6 taxes to keep up with their service costs. It appears to PEL
7 that the structure of financing and controlling our
8 expenditures in local governments in PA has become inadequate
9 and in need of new approaches to both service delivery and
10 municipal taxation.

11 In 2008, our division also studied the recent history
12 -- since 1990 -- of efforts to merge or consolidate
13 municipalities. In that study, we found that under current
14 law, structural consolidation/merger is a complex and time
15 consuming process, with a high probability of failure based on
16 the historical record. These failures were often not related
17 to the purposes that drove the idea or merger in the first
18 place, such as more realistic and significant opportunities to
19 expand services and reduce costs. Instead, the mergers often
20 failed on the need to discontinue one form of government and
21 its structure and political representation for another type
22 that was unfamiliar to one of the partners.

23 There is a need to allow for an alternative form of
24 government that would address these local concerns and create
25 an acceptable form of post-merger government; the increased

1 flexibility of a home rule option under the consolidation and
2 merger law would accomplish that.

3 One other relevant PEL study looked at the status of
4 shared service arrangements in six counties. We found that
5 there is much successful sharing activity of municipal
6 services, both among municipalities and also their respective
7 county governments. The study showed that the barrier to
8 widespread sharing of services was not the supposed
9 fragmentation and turf concerns of local leaders, but rather
10 the inherent obstacles that prevent the ready flow of services
11 across borders, such as making revenues available and
12 jurisdictional limitations on capable professional staff.

13 Furthermore, grant funding was seen as critical to the
14 startup and maintenance of these arrangements due to the
15 inability or failure of the local tax bases to provide
16 continuing support for these services. The study concluded
17 that the use of a regional tax dedicated to funding shared
18 services, such as a special purpose real estate levy or a local
19 sales tax on a regional level, could provide the stable funding
20 needed to permanently establish the existing partnerships and
21 provide expertise to local governments that is not available
22 solely with project specific grant funding.

23 In closing, our recent research shows that the current
24 system of local government funding is proving inadequate to
25 finance the service demands of our municipalities. There is a

1 need for creation of new tools that both the Commonwealth and
2 its municipal subdivisions could use to foster services
3 consolidation.

4 From a citizen's point of view, there may not be too
5 many local governments in PA, but there are too many service
6 providers. These new tools, under consideration, that help
7 remove barriers to successful service consolidation -- across
8 municipal borders and its concurrent funding of those services
9 -- will find much utility in the hands of our local officials.

10 Thank you.

11 CHAIRMAN FREEMAN: This concludes the testimony
12 that is be presented by this panel. We'll now be open to any
13 questions from the members of the committee. If not, I'll
14 start off with a few. And I suppose that this question is best
15 directed to Mr. Reddig or Mr. Cross. What are the number of
16 Act 47 distressed communities are those communities that are on
17 the early intervention watch list at this time?

18 EXECUTIVE DIRECTOR REDDIG: Chairman Freeman,
19 there are currently 19 municipalities that are in an Act 47
20 status. There have been a total of 25 all told since the act.
21 Six have had their determinations rescinded. There are
22 approximately 52, 53 municipalities that are in our early
23 intervention program. It's a combination of counties, cities,
24 boroughs and townships.

25 CHAIRMAN FREEMAN: So there's over 77 communities?

1 EXECUTIVE DIRECT REDDIG: Correct.

2 CHAIRMAN FREEMAN: And I don't know if you know
3 this statistic or if it's available at your fingertips, if not,
4 feel free to send it into the committee at a later time. Can
5 you tell us the number of municipalities that are in a certain
6 state where they can't fulfill basic municipal functions, are
7 unable to even fill municipal positions, not just elected
8 positions, such as Member of Council, Board of Supervisors, but
9 the various boards, commissions and authorities that are
10 oftentimes part of the local government unit?

11 EXECUTIVE DIRECTOR REDDIG: Just anecdotally, we
12 encounter situations on an ongoing basis where there are
13 vacancies, especially in the many of the smaller municipalities
14 with difficulty fulfilling those positions. I can't give you a
15 very specific number, but I'll go back and check our database
16 and see if we can identify a specific number in terms of the
17 vacancies of the at least key elected and key appointed
18 positions.

19 CHAIRMAN FREEMAN: And in the 2500-some municipal
20 units and government that we have in PA, do you know roughly,
21 offhand how many of them have populations of below 500?

22 EXECUTIVE DIRECTOR REDDIG: Our municipal fax
23 sheet has a breakdown -- at which I can provide of the
24 committees of the population status -- I can tell you that
25 approximately 80 percent of the municipalities have populations

1 less than 5,000 in population. I can -- I'll have to do a
2 numeric sort to give you the number below 500, but I can
3 provide that information to the committee.

4 CHAIRMAN FREEMAN: Thank you. You may be helpful
5 to breakdown how many have below 1,000 and how many have below
6 500 just to give you a better picture --

7 EXECUTIVE DIRECTOR REDDIG: We can do that. I
8 would add that I have a listing of both the Act 47 and early
9 intervention communities that is on the table and I believe
10 that it was distributed to the committee members. So that
11 listing is available.

12 CHAIRMAN FREEMAN: Thank you. If you could, what
13 kind of conditions would have to exist under the proposed
14 legislation for the secretary to see if a community is being
15 not liable?

16 EXECUTIVE DIRECTOR REDDIG: The legislation 1357
17 provides that the secretary would make that determination or
18 submit that to the petition -- to the Boundary Review
19 Commission upon receiving a notification from the Act 47
20 coordinator, only in a situation were a municipality was
21 designated as distressed as non-viable.

22 We have had two situations where that has occurred to
23 date out of the 25 municipalities that I have mentioned, City
24 of Farrell in Mercer County. The coordinator made such a
25 recommendation and the city engaged in a very deliberative

1 boundary change process with four adjacent municipalities, City
2 of Sharon, Hermitage, Sharpsville and Wheatland Boroughs. All
3 participated in a multiyear process that ultimately resulted in
4 a ballot question, being placed on the ballot. And I should
5 add that municipal officials in all five municipalities were
6 very committed to going through a feasibility process and did
7 agree to put the question on the ballot.

8 The electorate approved the ballot question in the City
9 of Ferrell, the distressed community, and in the City of Sharon
10 and it was defeated. However, the other three municipalities,
11 in order for it to be successful, it would have been successful
12 in all five municipalities.

13 In the Borough of Franklin in Cambria County, a similar
14 finding of non-viability was made by the coordinator and
15 efforts to engage in multiple boundary change processes there,
16 never to be able to reach a consensus to place the question on
17 the ballot. There were efforts involving five communities that
18 comprised the Conemaugh Valley School District and smaller
19 efforts involving the Borough of Franklin and two adjacent
20 municipalities, but, again, there was not a willing partner to
21 allow it to go to a ballot question.

22 CHAIRMAN FREEMAN: In terms of the legislation
23 that has be proposed, are there other conditions besides Act 47
24 status that would kick in to allow the secretary to recommend
25 boundary changes over the commission to recommend boundary

1 changes?

2 EXECUTIVE DIRECTOR REDDIG: The other conditions
3 that would allow the commission to recommend would be upon
4 receipt of a citizen initiative, a referendum, a question by
5 all affected municipalities or by action of the governing
6 bodies of all affected municipalities. So there are three
7 conditions that would allow the boundary commission to engage
8 in the process.

9 Again, the initiative process by the electorate action
10 by the governing bodies or the finding of non-viability by a
11 coordinator to the secretary of DCED.

12 CHAIRMAN FREEMAN: But there's nothing where the
13 commission can take the action on their own. You have to have
14 one of these three conditions in order for the to --

15 EXECUTIVE DIRECTOR REDDIG: Correct.

16 SENIOR POLICY MANAGER DENWORTH: Well, in order
17 for them to initiate the study, but I think he maybe asking --
18 the commission, too, is charge to make a founding of
19 non-viability and there are seven or eight.

20 EXECUTIVE DIRECTOR REDDIG: Seven.

21 SENIOR POLICY MANAGER DENWORTH: Seven. We could
22 read them to you, but it doesn't seem like I have a complete
23 bill here, if you're interested in that.

24 EXECUTIVE DIRECTOR REDDIG: Inability to pay debt,
25 obligations, inability to meet creditor obligations, inability

1 to provide for sound financial management practices -- I'm
2 paraphrasing -- inability to provide adequately for the health
3 safety and welfare of residents and businesses, stagnant or
4 declining property values and tax base other factors rendering
5 the municipality, incapable of providing municipal services and
6 meeting its debts and occurred expenses at the municipal
7 corporation.

8 The population of the municipality is less than 400
9 persons or the population has declined over the most recent
10 ten-year period by 25 percent or more based on biannual census
11 state of an inability to appoint Board's commissions and
12 municipal employees for needed functions or to elect
13 representatives to the governing body.

14 CHAIRMAN FREEMAN: Those are the conditions that
15 have to exist, but, again, just for clarity sake for the
16 members' knowledge, and it can only be initiated as far as the
17 setting, which is the precondition to an actual recommendation,
18 has to come out from the Act 47 coordinator, from the municipal
19 governments themselves or from the citizens initiating a
20 potential process.

21 EXECUTIVE DIRECTOR BAILEY: That's correct. And
22 the other control on this is that the study commission cannot
23 propose a plan of reorganization unless it finds three of those
24 eight indices, not just one, but three out of the eight before
25 they can propose a plan for reorganization.

1 CHAIRMAN FREEMAN: So you mean if a citizen
2 petition, well intention, but uninformed would have said, we
3 feel that you have to consider us for the possibility of
4 boundary change. In fact, if the three conditions did not
5 exist, they would not be able to proceed.

6 EXECUTIVE DIRECTOR BAILEY: That's correct.

7 CHAIRMAN FREEMAN: Final question, and then I'll
8 turn to the committee members if they have any questions. In
9 Mr. Cross' testimony, you seemed to judge mostly on the fiscal
10 side, the current problems -- and I've seen the PEL study, and
11 it's an excellent study. It really gets to the point about
12 limited resources that many municipal governments have at their
13 disposal.

14 Would this problem be solved, short a boundary change,
15 if there was some sort of statewide revenue sharing for
16 communities to draw upon or would there still be a need to look
17 at the possibility of mergers, consolidations and boundary
18 change based upon service delivery or a duplication of the
19 service?

20 EXECUTIVE DIRECTOR CROSS: The regional provision
21 of services relies on a regional tax base is one of our
22 conclusions for our study. You're not able to pay for the
23 regional provision of services through these limited tax bases.
24 It doesn't seem to work that way in our experience.

25 A statewide regional tax base that was, perhaps,

1 administered on a county level and with appropriate limitations
2 on spending -- so that it just doesn't go into the
3 inefficiencies in small units -- would work and it wouldn't
4 make these laws unusable, but it would prevent, perhaps, more
5 Act 47's more early interventions.

6 CHAIRMAN FREEMAN: Forgive me. I didn't express
7 it clearly. The problem that's before us that we're talking
8 about, it is today in part with whether the current structure
9 of some municipal governments is appropriate or adequate to
10 fulfilling municipal services, municipal needs. In part, it's
11 a funding issue, which has come to you very clearly from your
12 testimony, but also by the realities of some of these
13 communities.

14 Does most of the problem go away if we provide some
15 needs of revenue sharing, whether at the regional level or at
16 the statewide level or are there still issues that have to be
17 addressed, in terms of duplication of services, delivery of
18 services, that are better efficiencies?

19 EXECUTIVE DIRECTOR CROSS: It is to funding spurs.
20 The regional provision of services, I think a lot of those
21 problems do go away over time. And perhaps the necessity to
22 maintain other than a basic administrative unit of local
23 government goes away also. The citizens will notice increased
24 services, probably decreased taxes, but they won't notice a
25 loss of the local identity. That seems to be critical in all

1 of the work we've done, for as financing is not tied to local
2 identity.

3 Local identity is its own goal in itself by citizens.
4 Service provision becomes really important. As long as you can
5 foster that through regional tax base, I think one problem sort
6 of eliminates the other.

7 SENIOR POLICY MANAGER DENWORTH: May I say
8 something on that point?

9 CHAIRMAN FREEMAN: Sure.

10 SENIOR POLICY MANAGER DENWORTH: Well, I think
11 that there's not question that we need some significant
12 funding, whatever is going to happen here to help level the
13 playing field or perhaps provide services on a more regional
14 basis, but that doesn't mean that every one of our existing
15 municipality should be doing this, providing this.

16 I think there are great economies of scale that can be
17 achieved by doing the delivery of services on a more regional
18 basis for more municipalities, fire police and how that should
19 be -- what scale that should be done. I'm not sure on that.
20 That would have to be seriously looked at. But I don't think
21 -- just providing a bucket of money that we give to every
22 single municipality, whether or not they're really capable of
23 administering it or not. Some of them surely are of all
24 classes of government, but some of them are not.

25 CHAIRMAN FREEMAN: So there's two remains of

1 viability issue and a delivery of services issue as well.

2 SENIOR POLICY MANAGER DENWORTH: Right.

3 CHAIRMAN FREEMAN: Thank you. That concludes my
4 questions. Are there any questions from the members? Rep.
5 Samuelson.

6 REP. SAMUELSON: A question for Mr. Reddig. Your
7 testimony talked about Senate Bill 1429, which includes the
8 creation of a financial assistance program, loans and grants to
9 help with studies, to help with the expenses of the commissions
10 and so forth.

11 In that Senate Bill, I don't see that Senator
12 Eichelberger included funding for that line that he proposes.
13 What would be your estimate of what the need would be for such
14 a line item for financial assistance for the process?

15 EXECUTIVE DIRECTOR REDDIG: I would submit that
16 the two items there, Rep., one the additional language that is
17 right after that section that provides a priority status for
18 state funding of boundary change efforts, we think is a very
19 critical element that goes hand in hand with establishing that
20 program. I would go to my point about levelling the playing
21 field and having the infrastructure of all municipalities being
22 on the same level, so that one municipality is not burden to
23 the other.

24 We currently have the shared municipal services program
25 in the Department of Community and Economic Development. It

1 had been funded at a level of about \$2.4 million up until the
2 most recent budgetary difficulties that the state has
3 encountered has dropped down to 500,000 a year ago and just a
4 bit under that in the current fiscal year. To date, we have
5 used that program to support the current boundary change
6 efforts, as well as a host of other areas intergovernmental
7 service delivery initiatives.

8 I would submit that in terms of the cost of a study to
9 a feasibility study, we're probably looking at anywhere from
10 \$25,000 on the low end to probably \$150,000 on the high end to
11 -- depending upon the number of municipalities that would be
12 involved in the study, the size of those municipalities, the
13 complexion of their operations.

14 So you have the study component, you then would have,
15 what I would define as transitional cost, things that are
16 necessary to be done as part of moving from two or more
17 municipalities to a new combined municipality that would
18 include things like of codification of ordinances so that
19 everyone has one ordinance book -- that's a significant item --
20 quite possibly new uniforms, new insignia, etcetera, those
21 items would probably be somewhere -- again, depending upon the
22 number of municipalities -- in the range of maybe 10 or 50
23 thousand dollars in cost.

24 And then you have the largest element, and that is,
25 whatever infrastructure deficiencies exist and we would hope

1 that the use of existing state programs, being PennDOT, DEP,
2 DCNR, DCED would be able, through that priority designation, to
3 provide the funding necessary to level that playing field. But
4 there maybe some gaps that would exist in that area, too.

5 I would hope that that, on an individual consolidation
6 basis, would give you the numbers that you're looking for.

7 REP. SAMUELSON: And you certainly don't see this
8 new grant program supplanting the existing shared municipal
9 services line item --

10 EXECUTIVE DIRECTOR REDDIG: No, I do not.

11 REP. SAMUELSON: -- because we would seek to try
12 to restore that in future budgets and not cut that further.

13 EXECUTIVE DIRECTOR REDDIG: That's correct.

14 REP. SAMUELSON: Thank you.

15 CHAIRMAN FREEMAN: Rep. Knowles.

16 REP. KNOWLES: Thank you, Mr. Chairman, and thank
17 you to the testifiers. I'm trying my best to give this a fair
18 shot, but I have to tell you that my district is a very rural
19 district. Most of the communities -- all of the communities
20 within my district are small communities, are small
21 populations. A good number of them provide themselves on the
22 fact that they live within their means, that they have very
23 small budgets and it seems to me that the citizens within their
24 community are very happy with the way things are. They are
25 happy with the services that they're getting, they are happy

1 with the budget.

2 What is to protect those communities from the state?
3 And, boy, I'll tell you, we can learn a lot from a lot of these
4 communities in terms of living and not only spending what they
5 have. But at least tell me, what is to protect a community
6 like this?

7 SENIOR POLICY MANAGER DENWORTH: Well, anyone who
8 is in that health shape and doing just fine, there would be no
9 petition.

10 REP. KNOWLES: What if one of their neighbors was
11 in bad shape? One of their neighbors is struggling, one of
12 their neighbors wants to take advantage of the fact that
13 they've done very well in living within that budget and maybe
14 the neighbor hasn't done as well. Maybe they haven't been
15 living within the means, maybe they're spending more. So now
16 they're looking for help.

17 SENIOR POLICY MANAGER DENWORTH: Well, I thought
18 you were suggesting that all of them were all in good shape.
19 If they had a petition, they would have to have a willing
20 partner to make a petition also. So if they don't, there's no
21 limit for the boundary commission to --

22 EXECUTIVE DIRECTOR REDDIG: We would take either,
23 again, the electorate and all of the municipalities, the
24 governing bodies and all of the municipalities or in a
25 distressed situation --

1 REP. KNOWLES: Well, the distressed situation is
2 the one that scares me because most of the determination then,
3 that the state is going to step in and we're going to do what's
4 best for them because they don't know any better.

5 EXECUTIVE DIRECTOR REDDIG: There is a defined
6 process in Act 47 -- which this body enacted back in 1987 --
7 that one establishes criteria for the designation of a
8 distressed situation. And in the policy statement of the act,
9 it talks about providing for the health, safety and welfare of
10 the residents in the municipality and that the inability to do
11 that not only impacts that particular municipality, but impacts
12 the broader Commonwealth as a whole. That goes to the policy
13 objective of the act.

14 If they're going through the process and to find in Act
15 47 and part of it wants a determination of the distresses
16 issued, involves the appointment of a coordinator and the
17 development of a very comprehensive recovery plan. If, in the
18 overall assessment of the municipality's fiscal viability, the
19 coordinator finds that that municipality is, in fact, nonviable
20 over the long term, that they are not able to fulfil those
21 policy objective of the act -- the ability to meet the health,
22 safety and welfare of residents -- then they would make such a
23 finding.

24 I referenced two findings that have been made to date,
25 the City of Farrell, the Borough of Franklin. At that point,

1 the coordinator would submit the request or his finding to the
2 department, to the secretary of DCED, who would then, in turn,
3 submit that by petition to the boundary commission. The
4 commission would then engage in the process that is outlined in
5 1357 to go through a study, to appoint a local tax force
6 comprised of representatives of adjacent municipalities, and
7 ultimately to make a recommendation.

8 REP. KNOWLES: If that recommendation is made,
9 does it then have to be accepted by all of the communities?

10 EXECUTIVE DIRECTOR REDDIG: No. That
11 recommendation would be -- the boundary commission would be
12 made to this body, to this legislature, and then that
13 legislature would then be empowered to act. There's a
14 nine-month time period for the legislature to do its due
15 diligence, to review the findings of the commission, their
16 recommendation to the legislature, to have whatever
17 participative process the legislature felt necessary and then
18 ultimately to accept or reject the recommendation.

19 REP. KNOWLES: So then that would give us power to
20 impose consolidation on communities?

21 EXECUTIVE DIRECTOR REDDIG: That would give you
22 the power to either accept or reject the recommendation of the
23 boundary communities.

24 REP. KNOWLES: Which would basically be imposing
25 the consolidation upon communities.

1 EXECUTIVE DIRECTOR REDDIG: If that was the
2 recommendation that was provided by the commission.

3 REP. KNOWLES: Thank you very much. Thank you,
4 Mr. Chairman.

5 CHAIRMAN FREEMAN: Thank you. Chairman Creighton.

6 CHAIRMAN CREIGHTON: Just to get a handle on the
7 infrastructure that we're talking about is fire, police,
8 emergency, roads, possibly schools, sewer water and in one case
9 in mind, electricity. So these are all infrastructures and
10 we're talking about geographic merging.

11 A lot of these in Lancaster County -- we're sort of a
12 maturing county, I guess -- we have 911 call center, which we
13 do fire, police and emergency countywide. So I guess my
14 question is, geographically, may not be the answer. It might
15 be more of a county coordination of a region that would bring
16 this economy of size, still allowing the small municipalities
17 to have their local say and input.

18 EXECUTIVE DIRECTOR BAILEY: Yes. That's part of
19 what the concept of creating a study commission is. Not only
20 would it look at potentially consolidation of jurisdictions,
21 but also would look at means by which functional services could
22 be consolidated. So the municipalities may continue in
23 existence, but certain services would be consolidated to
24 provide them on a larger geographic scale. So that might make
25 more sense. These are the options in there.

1 The one point, I guess, I would make in response to
2 Rep. Knowles is you need to keep in perspective that the
3 General Assembly already has the power to consolidate
4 municipalities, or whatever the General Assembly finds
5 necessary, this would simply establish a proces to provide the
6 General Assembly with information that might form a decision.
7 It creates no additional powers like any agency of the
8 Commonwealth.

9 CHAIRMAN CREIGHTON: So the legislative process
10 would be as it stands now, with committees and amendments
11 within the committee or whatever?

12 EXECUTIVE DIRECTOR BAILEY: Correct.

13 CHAIRMAN CREIGHTON: So that wouldn't change at
14 all?

15 EXECUTIVE DIRECTOR BAILEY: Correct. That
16 wouldn't change.

17 CHAIRMAN CREIGHTON: Thank you.

18 EXECUTIVE DIRECTOR REDDIG: I would just like
19 clarify just one point, Chairman Creighton. You've mentioned
20 school infrastructure. Schools would not be included in this
21 legislation. The school district -- although, it's certainly a
22 very important element in any community -- would not be
23 impacted, however, by this legislation. It would only apply to
24 municipal governments, county governments, but not to school
25 districts.

1 CHAIRMAN CREIGHTON: But the difficulty with
2 schools is, the knowledge keeps going up and that's the main
3 problem that people have, is paying their school taxes.
4 Municipal taxes are very small compared to the school. And so
5 it's all one package and you're separating it out and I think
6 you need to include it dramatically.

7 I have a district -- East and West Cocalico, Adamstown
8 and Denver have be pulled together a cordially meeting where
9 they all come together, all of the supervisors and the school
10 district comes together to tell us -- to talk and interface and
11 pull together issues that effect every part of them. So I
12 think that's good. I think we need to include the schools in
13 such a plan.

14 EXECUTIVE DIRECTOR REDDIG: I certainly would
15 support your comment about the school districts being involved
16 with the municipalities in terms of making fundamental policy
17 decisions and the need to have an interactive relationship
18 between the bodies. Statutorily, though, this legislation
19 would only apply to municipal governments and county
20 governments.

21 There is other legislation that is applicable to school
22 districts and there have been efforts throughout several parts
23 of the state to look at school district consolidation,
24 including one unsuccessful effort here in Dauphin County.
25 There was a successful effort within the last two years out in

1 Beaver County that emerged two school districts out there.

2 SENIOR POLICY MANAGER DENWORTH: Chairman,
3 Creighton, I think the State Planning Board has only focused
4 where municipalities are truly struggling and probably need to
5 be with another municipality in order to be viable or maybe, in
6 most cases, really need this provision of services on a
7 regional name basis because they really can't afford do it
8 themselves.

9 So we haven't looked at school districts and I do think
10 that's a whole other topic. I'm not sure that it's relevant to
11 the issue of municipalities because they will need to provide
12 services to its residents, even though -- in the MPC now, there
13 are provisions that school districts should be consulted and
14 participate in planning for -- and obviously that's critical
15 since schools, as you say, are the thing that's most expensive
16 in driving and nothing happens.

17 I think in this case we're looking at more at a rather
18 narrow situation, really. It's kind of modest proposal to deal
19 with maybe 50 to 100 municipalities that would truly struggle
20 and have no where to go and what can we do for them? Is that a
21 fair characterization? So I'm not sure that the schools in
22 that context are as important as they might be generally.

23 CHAIRMAN CREIGHTON: Thank you.

24 CHAIRMAN FREEMAN: Thank you. I see that there
25 are no other questions, so I want to thank the panel for their

1 testimony and their response to our questions.

2 Our next panel is an academic panel comprised of
3 Beverly Cigler, Professor of Public Policy and Administration
4 at Penn State Harrisburg, David Y. Miller, Associate Professor
5 for the Graduate School of Public and International Affairs at
6 the University of Pittsburgh, and Alan R. Kugler, President of
7 PA Futures.

8 We welcome the panel to the committee's hearing today
9 and you were free to begin whenever you are ready. Please
10 identify yourself to the stenographer when you start speaking.

11 PROFESSOR CIGLER: Hi, I'm Bev Cigler. I'm a
12 professor at Penn State Harrisburg and Public Policy
13 Administration and most of my research has been dedicated to
14 municipal relations, county municipal relations and state local
15 relations for decades.

16 And just so you know who's all here, Alan Kugler, who
17 is next to me, he's been in the swamp, as I say, with local
18 governments and state for years. In fact, I'm going to defer
19 to his expertise on some of the technicalities about what
20 should be changed on merger/consolidation and somewhat.

21 Then on the far right is David Miller, who's a
22 Professor at Pitt, who was formally with the Economy League in
23 the City of Pittsburgh and works for local governments a lot.
24 So that's our panel.

25 You have my testimony. I'm not going to read it

1 verbatim. What I've done is kind of highlighted in boldface to
2 make the main points that I want to make and I'll just go
3 through it that way. But I'm taking a broad picture, trying to
4 look at the academic research nationally and in Canada and
5 what's been done in PA. And also, I feel very comfortable on
6 what's going on in about 12 or 13 other state. I've read their
7 commissions and I've done research on them and I think a lot of
8 lessons can come from PA on that.

9 So I start with just some general assumptions and that
10 is that everybody in the room today has kind of got the same
11 goals. We understand that local viable governments makes
12 stronger state. We also understand or we should understand
13 that all of the states have the same playbook now. Everybody
14 is in trouble. So everybody is in on this game. Their
15 commissions are all over the place and I say that they're very
16 different looking than this one that's proposed here. But
17 there are study commissions everywhere, bills flying in
18 legislatures, everybody looking upon this as a time to
19 transform local government.

20 I'm interested in helping provide the best mix of
21 strategies with the greatest potential to deal with the two big
22 things that we always care about for local government and
23 that's efficient service delivery on the one hand and economic
24 development, strong planning and so on, on the other. And
25 today, since I'm talking to legislators, I think it's important

1 that the state gets a good turn on its investment, a great
2 return. And use quality data for decisions and there's not
3 enough money to go around for all of the things. So you need
4 to decide if you want to put your money into a boundary
5 commission or maybe some alternatives or some hybrid potentials
6 are out there that get you a bigger bang for the buck. And as
7 I said, I'm deferring to Alan on the specifics on the
8 consolidation legislation. My view is that, if you have
9 existing laws and people working with them find problems and
10 making an improvement, you ought to listen to them and try to
11 see if you can do that, so they're worthy of consideration.

12 Now, you turn to the State Planning Board
13 recommendations. Some of this has been said before. We always
14 say in PA that PA is unique. It's highly fragmented with a
15 preponderance of small governments. Surprise, every place is
16 fragmented. Our differences are degree, not kind. Everything
17 is fragmented, including the government associations in the
18 state and our lives, in general.

19 Second, local government fragmentation would be reduced
20 through structural change, especially mergers and
21 consolidations. And in the writings you see, there is
22 expectation of service delivery efficiency through
23 merger/consolidation and policy effectiveness in economic
24 development.

25 Third, the notion of shared services and all of these

1 other collaborative arrangements short of structural change are
2 recognized and encouraged that they are not placed at the
3 central level of importance in asking the state for how to use
4 your money right now. The plans on the table are for
5 comprising existing merger/consolidation law and, second,
6 creating this boundary review commission.

7 Some comments on PA's uniqueness. We are unique, but
8 not in the ways that we like to say. I've got a list on page
9 two, about in the middle of the page -- starting toward the
10 bottom of the page where it lists out, what I think, are about
11 where we really are unique. At the township-county government,
12 they're both regional in nature. All of our land is
13 incorporated. We have very low levels of professional
14 management, county government and municipal government and all
15 of the literature shows that professional managers, lead you
16 closer to collaborative things. They cross borders, they work
17 together, etcetera, etcetera. And I can go down on the list.
18 So we are unique.

19 We also, I think, are not dealing really with
20 fragmentation or size of government that. Those are not the
21 issues. The issue is in the middle of this page, capacity. I
22 can give you a formal definition that I use in articles and
23 books, but the simple thing is just to say that capacity is the
24 ability to do what you want and need to do. If you want
25 services, you need to pay for them. If you want economic

1 development, you need to have the means to get it. And it's
2 not just financial capacity, it's managerial capacity,
3 technical capacity, collaborative capacity.

4 We are not born with the skills to collaborate. That's
5 why we have such a divorce rate in the United States. That's a
6 learning behavior that people need help with. There's
7 financial capacity and then there's political will. We need
8 capacity in all of those areas. And what I'm trying to get at
9 here is a point that -- since I'm talking to legislators --
10 there are a ton of little changes that can make a big
11 difference if we get our act together and deal with that. We
12 don't need partisan elected tax payers -- collectors. We need
13 more professional managers, we need more skills training on how
14 to collaborate, and on and on.

15 Get on to page three. This gets specifically now into
16 the assumptions of the State Planning Board on service
17 efficiency and building economic development. The Board
18 exclusively assumes that cost efficiencies and service delivery
19 and improve economic competitiveness are rounded from
20 structural mergers and consolidations.

21 So here is the lesson from research and I wish I could
22 go over the research with you. In other states, they have
23 stacks like this (indicating) to read. They commission
24 academics to do studies. Ohio right now is closing in on one.
25 They have dozens of studies that they have commissioned from

1 all of the universities in the state. The best academics in
2 the country are doing the work for them and then they make
3 their conclusions.

4 Well, here is what the literature says in a nutshell --
5 and I'll be glad to share this with the committee and anyone
6 else -- in addition to moving other values and goals, you do
7 services, like, equity and democracy -- which I'm sure you have
8 heard from the associations. The big one is that when you want
9 to decide how you deliver the service, you look at the
10 characteristics of the service first. All services are
11 different. And that leads you to the tool that you need. I
12 know that in my classes, I give students matrices of over 30
13 types of alternative service delivery. Merger and
14 consolidation, certainly is one and makes sense for some
15 things, but not for many, many other things and so on.

16 So you look at the characteristics of the service and
17 assumption should not be made or promises to voters, the
18 economies of scale, for merging or consolidation will occur.
19 There is, in fact, a big literature on that.

20 The reason for failures -- and we know for sure that
21 city-county consolidations cover only one percent of counties
22 in the United States. I think Alan has the figures on PA and
23 Jerry Cross mentioned how difficult it is. But it is very,
24 very difficult. And I'm not so sure in most of our lifetimes
25 we'll see enough major consolidations to reduce fragmentation,

1 which everybody is screaming about. It just won't happen. But
2 more important, there's very, very little systematic evidence
3 that consolidated governments operate more efficiently than
4 other governments. We find some, but you have to do this on a
5 case by case basis.

6 Next, the most respected empirical research doesn't
7 conclude that consolidations improve efficiency of operations,
8 measured by growth and expenditures. Service consolidations
9 for functional areas -- as you have just talked about with the
10 last panel -- can occur independently from full consolidations
11 and usually, actually emerge when there's a strong tradition of
12 informal or formal activities.

13 And there's very little debate in the academia or
14 empirical research or by study of divisions elsewhere in the
15 United States based on empirical research that sharing services
16 promotes efficiency and service delivery. People agree on
17 that. And I can tell you that other states are going full
18 scale. They aren't cutting back the money for shared services.
19 They're adding things, many, many things, very innovated things
20 to help transform government.

21 So research, far more consistently supports service
22 consolidation than it does formal consolidation. And, as I
23 just said, the states are developing a ton of attention to
24 that.

25 What we note about collaboration at the local level is

1 that it occurs along the continuum. First, people started out
2 talking, doing informal things, building up the trust, getting
3 rid of the colloquialism they try something, it works, they
4 talk to their neighbors and they try something and then you
5 create a snowball effect. And only after a very long process
6 until you get into collaboration or "shared destiny", which
7 makes it impossible for a merger/consolidation process to even
8 work. So it's a very difficult business.

9 So if anybody is interested in a speed of change for
10 any of this stuff, it's going to be a very long wait. In fact,
11 there are all kinds of capacity building assistance that
12 states, foundations, associations, the transjurisdictional
13 chambers of commerce can do. So on service efficiencies,
14 doesn't happen very much.

15 Next one, consolidation and economic development,
16 there's some good news there. Over the years, the research has
17 been fixed on whether city consolidations show much
18 improvement; however, new research of, kind of endorsed by a
19 Nobel Peace prize winner that was just published in the last
20 month -- actually, less than a month, that was the most careful
21 and fearful work anyone has seen yet, shows that there is
22 consistent evidence in city consolidations performing more
23 effectively for economic development. But the problem is, we
24 do not have many of those to get to in the first place. And,
25 unfortunately, too many times the arguments made to voters that

1 this will do service efficiencies and help them with their
2 taxes. And the voters are smart to figure out that that's not
3 so, so they squash the whole thing.

4 Down in the middle of page five, capacity does -- it
5 should be does not, have to come solely from structural change.
6 The same people that do the research that find some
7 effectiveness on economic development from consolidation and
8 merger also say that it's not necessarily a necessary or
9 sufficient condition. There can be other ways to get it. They
10 can work collaboratively to many other things. I don't have
11 time for a lot of examples, but I can tell you that Oregon is
12 putting in place a state e-permitting system. That's what the
13 business community is thrilled about.

14 North Carolina's County Commissioners Association has a
15 shared information technology system that all counties and
16 local governments can opt into. The State of Massachusetts
17 just completed a study about this thick (indicating) on
18 regionalization opportunities in the state that will save tens
19 of millions of dollars in that state. And that's across nine
20 major policy areas. I'm not talking just buying road salt
21 together, I'm talking about really, really big things.

22 On page six, what do we know from research on
23 fragmentation and the size of government? These are
24 non-issues. There is simply no research that shows an optimal
25 size of government. So you can't say, well, governments of

1 100,000 are not viable, so we had to get rid of them.

2 Governments of 5,000 are not viable.

3 My husband and I used to live in North Carolina and
4 down there, there are some communities that have municipal
5 managers with only 5,000 residents. And just having that
6 profession manager working across lines brings in three or four
7 times the manager's salary every year just in savings and
8 grants.

9 So the number of local governments in the literature
10 doesn't appear correlated with per-capita expenditures. That's
11 the literature of, like, the local associations, municipal
12 associations, academics do not abide into the use of per-capita
13 expenditure to explain this. There's just too many other
14 factors out there, fiscal capacity, change in economic
15 circumstance, different services level preferences, and
16 variations in statutory requirements and on, and on, and on.

17 No research supports the notion that communities of
18 less than 10,000 aren't viable, which is something that New
19 Jersey has been saying in their -- since their study, even
20 though their consultant produced a big report saying, that's
21 not accurate. In other words, it was a political decision that
22 had been put together.

23 There's no silver bullet. Bigger isn't better.
24 Cookie-cutter approaches don't work. The decision on the best
25 way to deliver a service is basically based on the

1 characteristics of the service. Sometimes mergers and
2 consolidations are a great idea and if you can get it through,
3 then that's fine. But there are a ton of other alternatives.
4 The literature doesn't show that merger/consolidation yields
5 cost efficiencies for service delivery, but it does show
6 evidence of improved economic development.

7 The big point, though, is that there are alternative
8 paths to get to where you want to go. Major tax reform, that's
9 one, bundling, all of these creative transformative ideas
10 stealing them from all around the country and applying them
11 more in PA is another thing. It's managing relationships among
12 between governments rather than necessarily changing borders
13 that matters.

14 And then my final points are, what about these other
15 state commissions? If I can make some summary things, they are
16 doing a whole bunch of things at once. A couple states, like
17 New Jersey, does have one of these boundary review commissions.
18 It looks a little different from this one. New York has one,
19 but those states are doing much, much more beyond that in terms
20 of how they are spending their money. They are being more
21 careful about promising efficiency from merged governments. I
22 would just like to -- and also, states are also realigning
23 their own service districts to local districts. And municipal
24 associations are doing more than fighting legislation proposed.
25 They are actually part of the capacity building act across the

1 country and there are great examples of that.

2 But the thing that I wanted to leave you with is this:
3 Back in the mid 90s, I was asked by the State of Georgia to go
4 through with them their bipartisan commission on restructuring
5 local governments. It was the governor and both parties in the
6 legislature put this together and a big citizen civic new
7 ribbon commission. And what they ended up with is -- was the
8 Georgia's service delivery strategy. It worked terrifically
9 down there. They ended up with a hundred dissolutions, a
10 disincorporation law, even though it was never mentioned by the
11 commission as such.

12 What they did is this: The state requires -- and they
13 still do this now -- every county convene a conference with its
14 local governments. Now, they were heavy handed with one part
15 of it. They said, if you don't convene a conference, we'll
16 take away all of your grants. If you convene a conference,
17 it's just a talk, we're not going to tell you anything about
18 what to do.

19 And those local governments and counties sat down and
20 they built a matrix of what needs to be delivered, what needs
21 to get done to be more economically competitive and then how do
22 we do it now. And then they brought people like academics --
23 they brought me in -- to tell them what is going on elsewhere
24 in the county, what has worked based on research, what doesn't
25 worked, and what's the bundle of options that you can do.

1 It's a really proactive thing. You don't wait until
2 the government is getting into trouble. You help them now so
3 you don't keep them on that continuum that Jerry talks about,
4 about all going into fiscal stress someday. You just nip that
5 in the bud.

6 But, anyway, Ohio's commission now is looking at that
7 and they want to make some revisions to the Georgia thing.
8 Georgia does not like to tell a lot of people about it because
9 it's working for them. They don't want other states to have
10 those cost efficiencies and economic competitiveness. But the
11 reason why I'm so impressed with the Georgia thing is the
12 research that was done -- and this is the last page on what I
13 call, the preconditions for collaboration.

14 This research has been published all over the place.
15 It's been replicated by other scholars here and around the
16 world and it seems to be useful. It's also like a handbook for
17 my travels around the country for convincing people of
18 different ways of doing things.

19 There are -- collaboration doesn't just happen.
20 There's some preconditions. The preconditions, 4, 6, 8, and 9
21 are ripe for PA improvement. We have talked about those at
22 length. But, basically, once you get something started, you
23 can create a snowball effect and break down barriers. And I
24 have data for that.

25 I have published a book with a couple economists,

1 called "Fiscal Health for Local Governments" and in one of the
2 chapters, I used my PA data from interviews with 50 local
3 governments around the state and I found that it's not
4 colloquialism and inability to change and not wanting to change
5 and cooperate and all of that, it's a lack of information.
6 They had never heard of most of these options. I just gave a
7 speech to the Mayor's association two or three weeks ago and
8 gave them a handout of the options and I have deluged been with
9 people asking questions. The same thing happened with a
10 conference last year and it happens all of the time.

11 So I think that what the state needs to put its money
12 in is proactive, capacity building that shows people what the
13 alternatives are and let them at the local level convene and
14 figure out what they have to do and where they want to go. And
15 I'm just really a big fan of this idea of counties convening an
16 annual conference with their local governments to do that.

17 Thank you.

18 CHAIRMAN FREEMAN: Thank you very much for your
19 excellent testimony and good insight. Shame less book
20 promotion, though, I have to tell you.

21 PROFESSOR CIGLER: I have it electronically.

22 CHAIRMAN FREEMAN: We would like to obtain a copy
23 of that, if possible.

24 PROFESSOR CIGLER: It's interesting that
25 publishers won't allow the writers of a book to have it in an

1 electronic form because they think you'll give it away.

2 CHAIRMAN FREEMAN: Okay.

3 PROFESSOR CIGLER: So I have the unproofread copy
4 and I'll give it to everybody.

5 CHAIRMAN FREEMAN: Well, I would love to purchase
6 a copy. Before we open up to questions, I would all of the
7 panelists to be able to give their presentations and then we'll
8 turn to the members. Who wishes to be next? Okay. Please
9 identify yourself.

10 ASSOCIATE PROFESSOR MILLER: My name is David
11 Miller. I'm currently an Associate Professor and Director at
12 the Innovation Clinic in the University of Pittsburgh. I was
13 trying to think of how I would identify myself and I came up
14 with using too many formers. I'm former town manager. I am an
15 academic by training and a former managing director of the
16 Western Divisions of the PA Economy League. And I've authored
17 quite a few Act 47 cover plans in my career. I've already
18 taken early intervention studies on behalf of the Department.
19 I'm a former Director of the manageable and budget for the City
20 of Pittsburgh. I've worked in communities of 4,000 and I've
21 worked in communities of 300,000.

22 Currently, I'm doing an interesting project at the
23 University of Pittsburgh called "Connect", which is a commerce
24 of neighboring communities and it's an effort to get the City
25 of Pittsburgh and the 35 municipalities that share a common

1 boarder in the City of Pittsburgh to work together in a
2 cooperative fashion and then create an urban core conversation
3 between the 36 communities and 680,000 population in Allegheny.
4 And that gets to Bev's point, once we can get people talking,
5 it's an amazing what can happen. But I do want to read my
6 testimony if that's okay.

7 Good afternoon, Chairman Freeman, Chairman Creighton
8 and Members of the Committee. First, I want to thank you for
9 the opportunity to speak before the Committee on these two
10 important pieces of legislation.

11 As more Americans and Pennsylvanians live and work in
12 urban areas, the challenges and complexities of governing these
13 areas increase dramatically. In earlier times, most urban
14 Americans lived in the major city and most of the economic
15 activity of the area occurred within the city. Managing a city
16 was -- and is -- a complex task. However, times have changed
17 and our urban areas are now much more metropolitan.

18 A city is important to a region, both economically and
19 socially, but more people live, more jobs exist, and more
20 economic activity now occurs in multiple jurisdictions within
21 this metropolitan area. In a way, what we used to call a
22 "city", in a sociological sense, now spans an area that covers
23 many "cities and boroughs and townships". Some refer to this
24 expanded rea as a "metropolitan region".

25 Much of the current discussion about the number of

1 governments in a metropolitan region is misguided and
2 counter-productive. How many governments there should be is a
3 political discussion, not an economic one. Through history,
4 culture, and state laws and regulations, a number of regions
5 throughout the United States, including those in PA, have been
6 constituted with a relatively large number of local
7 governments. Competitiveness between communities can be
8 demonstrated as generally healthy for a region. Indeed, the
9 very nature of governance is based on a healthy spirit of
10 competition.

11 Additionally, the evidence on jurisdictional
12 fragmentation is inconclusive. Metropolitan regions like
13 Minneapolis, St. Paul and Boston have as many local governments
14 as PA's metropolitan areas, but boast strong and vibrant local
15 communities.

16 Deciding the purpose, structure, and nature of local
17 government is a function reserved to each state legislature.
18 Over the last two plus centuries, 50 different state
19 legislatures have designed 50 different ways to govern locally.
20 As a result, metropolitan regions in the United States are the
21 aggregation of those decisions. They come in all governmental
22 sizes and shapes. Some have many local governments, some have
23 relatively few.

24 Local governments in some states have more power than
25 local governments in other states. Some metropolitan regions

1 rely heavily on the use of special districts. Some have
2 devolved more power to county governments. Building local
3 government systems in the United States is a long-term legal
4 process that is based on local custom and culture. As such, it
5 should not and cannot be tampered with lightly. For PA, it has
6 led to a system highlighted by numerous local governments in
7 competition with each other.

8 That said, once a government has made a political
9 decision regarding its governmental structure, it also has a
10 responsibility to address the unintended and potentially
11 unhealthy consequences, primarily economic that might result
12 from that political decision. No governing structure is
13 perfect.

14 A decision to have relatively few local governments
15 might well have the consequences of minimizing citizen
16 participation and hampering the generation of innovative ideas
17 that may result from a more competitive environment. A
18 decision to have numerous local governments may well foster
19 participation and competition but will be less able to address
20 other desired outcomes.

21 It is not the decision to have a system built on many
22 local governments that is inherently the problem for PA.
23 Rather, it is our collective inability to deal with the
24 consequences of that system of governance that is at the root
25 of the issue. As a result, a more effective policy approach

1 would focus on minimizing the unintended consequences of our
2 governance structure.

3 In the research on local government in the United
4 States, the unintended consequences associated with systems
5 that have a relatively large number of local governments are as
6 follows: First, economic activity will tend to occur unevenly
7 throughout the region. Some areas will be more attractive to
8 capital investment and will grow while other areas will
9 stagnant or decline. Often, over time, slower developing areas
10 will experience growth and yesterday's boomtown will stagnate.
11 The more jurisdictions there are, the more this phenomenon will
12 be accentuated.

13 Second, and closely related to the first, is that the
14 economic gap between the rich communities and the poorer
15 communities will be high. The contrast between affluent and
16 non-affluent will be much more obvious and will be much more
17 likely to drive tension and conflict within the local
18 governmental structure then serve to create common ground and
19 shared understanding.

20 Third, because the economic stakes are so high, local
21 government tax policy is more apt to be dominated by unhealthy
22 competition or fiscal mercantilism. The fiscal mercantilism
23 occurs when each community uses its tax policy to attract only
24 net revenue producing activities. These activities may improve
25 the fiscal health of a particular jurisdiction but come at the

1 expense of other jurisdictions or impose significant costs on
2 those jurisdictions without corresponding revenues to offset
3 those costs. In addition, it is possible that such local
4 economic development could have little effect or an undesirable
5 effect on the overall economic health of a region.

6 Fourth, segregation by race and class is apt to be much
7 higher in regions that have larger numbers of local
8 governments. Local governments are one of the sorting
9 mechanisms used by citizens to group themselves into
10 communities in which they feel associated and comfortable with
11 their neighbors. The more local governments existing in a
12 metropolitan region, the more likely this sorting will create
13 communities that look very different from each other based on
14 race and class.

15 Fifth, the coordination of land-use planning and
16 economic development will be much more difficult and
17 complicated. One of the important functions of a local
18 governments in the United States is its ability to define the
19 nature of that community. Deciding the relationship between
20 residential, industrial, commercial, agricultural and open
21 space uses and how much to have of each of those uses is a
22 fundamental right of each community.

23 Comprehensive planning and zoning is virtually a
24 monopoly power of local government. Obviously, the more
25 jurisdictions in an area, the more these individual plans will

1 potentially conflict with each other without any corresponding
2 mechanism to arbitrate those inconsistencies.

3 Finally, the issue of boundaries will be much more
4 acute in systems with large numbers of governments. Mr.
5 Chairman, you said that we probably have more governments than
6 any other state. I would argue. We probably have more
7 boundaries than any other state. And if we think of the
8 problem in terms of boundaries, I think it helps focus on this
9 particular piece of legislation.

10 As such, managing those boundaries and allowing those
11 boundaries to breathe and adapt are critically important to a
12 healthy system of local governing. In this regard, PA's
13 current laws on managing those boundaries are woefully
14 inadequate and so inflexible that they seriously jeopardize our
15 long term economic competitiveness.

16 To that end, the legislation before you today is
17 designed to create a more flexible and informed system of
18 helping municipalities and the Commonwealth deal with boundary
19 issues, which, in turn, will allow us to more effectively deal
20 with the other litany of consequences associated with having a
21 lot of governments.

22 SB 1429 addresses the clunkiness of changing structure
23 and boundary simultaneously. Recent efforts by several regions
24 in the Commonwealth have dramatically demonstrated just how
25 antiquated our current system is. It is reasonable for those

1 leaders and citizens to deal with the form or their new
2 governments concurrently with the boundaries of that
3 government.

4 Indeed, form and boundary are two sides of the same
5 coin. They have discovered that PA law wasn't designed to
6 allow those communities to easily undertake those public
7 deliberations concurrently. It has resulted in efforts that
8 have become time-consuming, burdensome, and not easily
9 understood by citizen-voters. The impact of current law has
10 thwarted the very purpose of allowing citizens to make informed
11 choice.

12 SB 1357 addresses the need for a more formal means to
13 understand and assist in the dealing with boundary changes.
14 Sadly, it's as if we have relegated boundary change to a
15 four-letter word -- never uttered and never done. Supposedly,
16 boundary change is a right reserved to the people. But, is it?
17 I would argue that citizens do not have the ultimate say in
18 their form of government -- a right guaranteed under our laws.

19 For example, Community A votes 90 percent in favor of
20 merger with Community B, who votes 51 percent against. As a
21 result of this vote, the merger does not happen, nor am I
22 suggesting it should. That said, is it not the voters of
23 community B that dictate the nature and structure of community
24 A for Community A? Why should Community B be singled out for
25 having to assume some responsibility for Community A? If

1 Community A does not or cannot continue to engage in
2 self-government, what options does it have?

3 It's not that there are easy answers to these questions
4 and the formation of the commission at least creates a forum
5 for these discussions to occur. We cannot deal intelligently
6 with boundary change if we continue to pretend it doesn't or
7 shouldn't exist.

8 SB 1429 and 1357 are not revolutionary pieces of
9 legislation. They are designed, not to change our system of
10 local government, but to allow it to breath so that our
11 political interests of having such a system can serve our
12 long-term interests of having a healthy economic environment.

13 Thank you.

14 CHAIRMAN FREEMAN: Thank you very much for your
15 excellent testimony. I know that some of your points of CHA
16 and also the Brookings Institute study that came out a number
17 of years ago called "Back to Prosperity". I remember that that
18 was presented to the legislature.

19 ASSOCIATE PROFESSOR MILLER: Yes.

20 CHAIRMAN FREEMAN: We will now turn to our third
21 testifier of the panel, Alan Kugler. Professor, welcome.

22 PRESIDENT KUGLER: Well, gang, with that being
23 said, I'm the guy who's in the tranches. And here's what I
24 tell groups and communities, I'm the guy who goes all around
25 the state trying to get people to do things in communities that

1 they don't want to do. So I made a career out of this in some
2 form here and you know where it goes.

3 Good afternoon and thank you for this opportunity to
4 address the Committee.

5 I am Alan Kugler, and I am the Principal at the PA
6 Futures, which is a statewide civic and governmental affairs
7 consulting organization that I established in 2002. In that
8 capacity, I assist citizens, public officials, and civic and
9 business leaders to improve community vitality and quality of
10 life, through civic and governmental cross jurisdictional
11 collaboration and coordination.

12 PA Futures provides goal direct research, analysis,
13 facilitation, coordination, consultation, and technical
14 assistance on a wide range of policy questions in communities.
15 This follow for me 14 years of working at the PA Economy
16 League, where I was the Executive Director of the PEL Northwest
17 Division, based in Erie.

18 At the Economy League and PA Futures, I have had
19 extensive experience managing and consulting for many
20 significant projects in the realm of intergovernmental
21 cooperation and municipal mergers and consolidations. For
22 example, among many others, I have helped form councils of
23 governments and intergovernmental organizations in Erie,
24 Warren, Bradford, and Meadville areas, and also the Forest
25 Hills School District portion of Cambria County. That's the

1 Forest Hills Regional Alliance.

2 I am also currently the intergovernmental consultant to
3 the Mid Mon Valley Smart Government Initiative through the Mon
4 Valley Progress Council; and also the consultant to the PA
5 Association of Councils of Governments (PACOG) for their
6 strategic plan development and implementation. I have also
7 been the consultant to the voter approved consolidations in St.
8 Marys in Elk County, Fiarview in Erie County, and Northern
9 Cambria in Cambria County.

10 I have also been the consultant to a number of merger
11 and consolidation efforts that were not approved by the boters,
12 such as the Portage, Rochester, Centre Region, BuBois, Shenango
13 municipality for Cameron County, which did not make it to vote.
14 I also assisted with the multi-municipal government study vote
15 under the consolidation law in Edinboro and Washington Township
16 in Erie County in 2004, and the multi-municipal government
17 study vote that is expected to take place this fall in Slippery
18 Rock Borough and Township in Butler County. Finally, I helped
19 write the Municipal Consolidation or Merger Act adopted in 1994
20 and its amending through Act 29 of 2003.

21 As best as I can determine, there have been 12
22 approved, and 17 rejected, municipal consolidation and merger
23 votes in PA since 1990, which is really the modern era for
24 these types of activities. A listing of these votes is
25 included in my written testimony -- and I am not going to read

1 them. So you have them there.

2 I am here today to talk specifically and technically
3 about SB 1429, which, as you are well aware, would amend the
4 municipal consolidation or merger statute. I will only make
5 general comments about the other bill, SB 1357, establishing a
6 Boundary Review Commission.

7 Working to improve the merger/consolidation law is just
8 like the annual adjustments to the college football Bowl
9 Championship Series. Difficulties only become apparent after
10 the problem has arisen, and so we are always trying to play
11 catch-up. So here we go again.

12 The experiences with the law that the General Assembly
13 may address with SB 1429 are a product of the experiences many
14 people have had with the current law. For example, the
15 correction in the bill to bring most counties under the purview
16 of Section 735.1 for multi-municipal government study is a
17 direct result of the inability to include Cameron County and
18 the seven municipalities in the County under a multi-municipal
19 government study vote a few years ago.

20 The permitting of the mixing of government joint
21 agreement in some of the governmental areas and citizen
22 initiatives in others is another difficulty experienced in
23 several locations where this option would have been used if it
24 were available. The Conemaugh vote that Fred Reddig spoke
25 about is an example of that.

1 The authorization for a transition planning committee
2 created to assist with the joint agreement process would likely
3 have been used in several localities. An example of that would
4 be the West Middlesex-Shenango Township vote. We would have
5 used it in a second if it would have been available in the law.
6 So I strongly concur with all of these changes.

7 The provision of the bill dealing with home rule
8 charter adoption at the same vote as the consolidation is
9 confusing to me because I believe this is already available
10 under the joint agreement route. In fact, we set up to use
11 that in Cameron County and had everything lined up legally to
12 do that, but did not make it to vote because all seven
13 municipalities did not tie the mutual agreement.

14 I suggest that if the legislature is going to authorize
15 concurrent approval, that it must also give the citizens,
16 through the citizen initiative procedure, the authority to
17 craft a new home rule charter in Section 735 (C-5). Without
18 this, the former provision is not effective as no one will ever
19 be able to get to it because they would never be able to
20 understand it. Let me be clear about this.

21 The citizen initiative procedure in Section 735 of the
22 current law does not permit citizen crafting of a new home rule
23 charter for inclusion in a consolidation vote. SB 1429 does
24 not correct this, but it would do so. That's something that's
25 lacking in SB 1429.

1 I have some additional suggestions as well. Amendments
2 to the Municipal Consolidation or Merger Act should: As I have
3 already said, allow a citizen-initiated petition to directly
4 include a proposed home rule charter as part of the vote. It
5 should also -- I believe from my experiences -- expressly
6 permit votes to include portions of existing municipalities,
7 rather than only entire municipalities. This would enable the
8 urbanized area of a municipality -- such as in a township -- to
9 join a newly consolidated government, leaving the remaining
10 area of the former township in existence. In fact, I know for
11 sure that that would have been used in the Centre Region vote
12 with Ferguson Township. That is not included in the vote
13 because it wasn't appropriate to include the whole township in
14 the vote.

15 Also, the law should permit consolidation to take place
16 among the approving municipalities included in a vote, even if
17 one or more of the participating jurisdictions disapproves the
18 combination. In this way, disapproval in one municipality
19 would not necessarily defeat consolidation for all the others
20 at the same election. The petition or ordinance that
21 establishes the ballot question would need to specify the
22 allowable combinations. Those jurisdictions that do not
23 approve the vote would, of course, not be compelled to be part
24 of the new entity. If this provision would have been in
25 effect, we may have used it in the Shenango Valley vote.

1 Also, the law should better address how election
2 schedules and terms for officers are to be established for a
3 consolidated municipality. No one really knows how to do this
4 right now. For example, the setup for the West
5 Middlesex-Shenango Township vote, we were simply making that
6 stuff up. I'm trying to do that in some rational way.

7 CHAIRMAN FREEMAN: Don't tell us that, please.

8 PRESIDENT KUGLER: Also, it should fix the
9 confusion created in Act 29 of 2003 regarding votes of the
10 whole or the individual municipalities for creation of a
11 multi-municipal government study commission. We've explained
12 that here now.

13 Without getting overly technical here on this last
14 point, I would like to tell you a little about the
15 multi-municipal government study vote that took place between
16 Edinboro Borough and Washington Township in Erie County in
17 2004.

18 In 2003, the Commonwealth enacted Act 29 to create and
19 an additional procedure for citizen use to help overcome the
20 legal obstacle preventing citizen initiative of a new home rule
21 charter. The change -- which at the time was in HB 77 of 2003
22 -- amended Section 735 of the PA Municipal Consolidation or
23 Merger Act to add Section 735.1, permitting the citizens of
24 multiple adjacent municipalities to conduct a referendum for
25 the election of a joint Government Study Commission that would

1 be empowered to recommend consolidation of the governments
2 under a new home rule charter developed by the commission.
3 That's the new law that was amended in 2003.

4 This procedure was attempted in Edinboro Borough and
5 Washington Township, where, prior to the vote, the Erie County
6 Board of Elections announced that its read of the law was that
7 election of the joint study commission would be based on an
8 approved vote of the whole area of the two municipalities --
9 remember the new amendment. When the vote actually came, it
10 passed overwhelming in Edinboro Borough, was defeated in
11 Washington Township, but overall, the "yes" was the majority
12 and the Board of Elections first announced approval.

13 However, in the coming days, the Board revised its
14 interpretation of the law and now said that an approved vote
15 for the study commission was required in each municipality.
16 Therefore, they never certified an approved vote.
17 Interestingly, when the next county executive administration
18 came into office, a new solicitor for the Board of Elections
19 announced that the prior Board had been in error and that the
20 Edinboro-Washington vote had actually passed, but it was too
21 late. This is an interesting story and shows that the
22 legislature should make its intent about this more clear.

23 The present law -- that's in Section 735.1 -- is not
24 clear, about whether the intent is voted a whole or voted in
25 individual municipalities for a multi-municipal government

1 study. That's not consolidation, that's the study process.

2 It is note worthy that another multi-municipal
3 government study vote is expected to take place this fall in
4 Slippery Rock Borough and Township in Butler County -- and I
5 doubt that no one knows that that's happening. In this case,
6 the petitioners bringing the vote to the ballot are taking the
7 position that the vote will need to be approved in each
8 jurisdiction. If the Board of Elections also takes this
9 position, it will likely avoid a very divisive situation.

10 Let me go back here a little bit. As the consult to
11 the citizens bringing about the law abiding municipal
12 government study vote, I pointed out to them that the problem
13 in the need of the law and, if you can't tell, whether it's a
14 voter whole or individual municipalities. You can look at it
15 and see it one way or you can look at it and see it the other
16 way.

17 So I told the citizens that, in their petition to bring
18 about the study vote, that they should make a statement of what
19 they believe is the correct meaning of the law. And their
20 belief was that it needed to pass in each municipality separate
21 of the others. And so as long as the Board of Elections takes
22 that same interpretation, everybody should get along fine and
23 that they should at least get through the vote without killing
24 themselves. But that is something for the legislature that
25 needs to be dealt with.

1 Edinboro and Slippery Rock are the only two places that
2 I know of where this procedure has been attempted. It was also
3 considered -- it's not in my testimony, but it was also
4 considered for Millcreek Township in the City of Erie, Erie
5 County. They got the petitions together, but it never made it
6 to the vote because of improper things that were done on the
7 petitions. So it never made it to the vote.

8 Lastly, regarding SB 1357 establishing a Boundary
9 Review Commission, I believe it is a good idea to establish a
10 statewide commission that can do research and analysis and make
11 recommendations to the legislature. For example, there are
12 major gaps in existing statutes that impede more substantive
13 and widespread administrative, functional, and structural
14 adjustments in the Commonwealth.

15 Some of those gaps are: The Intergovernmental
16 Cooperation Law enable significant intergovernmental
17 cooperation, but fails to address key issues raised by that
18 cooperation. One such correction is SB 284, which has passed
19 the Senate and is currently, actually, before this committee,
20 the House Local Government Committee. This bill would bring
21 municipal authorities into the fold of the intergovernmental
22 cooperation law and would be a very good thing. So I urge you
23 to move forward on SB 284, even though that's not the purpose
24 of today's meeting.

25 The General Assembly has also -- the General Assembly

1 -- and Joanne talked about this -- has failed to provide a
2 reasonable means for "area government" and "area-wide powers"
3 as envisioned in the Constitution. Many options exist in this
4 regard that could be recommended by a Boundary Review
5 Commission. It could be brought forth in some reasonable way.
6 And I could get into that, but we're not going to do that now.

7 No authority exists for tax base sharing, although the
8 Municipalities Planning Code clearly envisions it. Enabling
9 legislation for this needs to be envisioned. So the Boundary
10 Review Commission could be the point that could really work at
11 that issue and bring ideas to the legislature.

12 No procedure for "disincorporating" municipalities
13 exists, although the Constitution mandates that one be created.
14 If you read the state Constitution, in Article 9, it says that
15 the legislature shall establish a meaningful method for
16 disincorporation. As far as I know, the legislature has never
17 done anything with that.

18 It would be a very good thing if the Commission would
19 address these and other topic. I do believe, however, that
20 significant municipal boundary changes should continue to be
21 done based on local citizen referendum votes and approval in
22 each of the participating jurisdictions, without being mandated
23 by the Commonwealth. The Commonwealth's role should be broad,
24 proactive, and positively enabling of local decision making.
25 And that conversation that took place in the earlier Q. and A.

1 talked to that idea and when I read -- this is not in my
2 testimony -- SB 1357, it's not clear to me what it's intending
3 to give the legislature the authority to change boundaries
4 without local vote. That is not clear to me in that law.

5 I think it talks about adoption by resolution, which
6 was -- it seemed to me -- to not implement actual boundary
7 change, but it is simply adopting or accepting the report. So
8 I think that needs to be thought thought about.

9 I thank you for this opportunity, and we will try to
10 answer questions that you may have for me.

11 CHAIRMAN FREEMAN: Mr. Kugler, I thank you for
12 your testimony and for your expertise in this field as well.
13 You're obviously one of the most knowledgeable folks when it
14 comes to boundary changes and merges.

15 At this point, I'll turn to the members if they have
16 any questions. Seeing that I just have a quick one and then
17 we'll move on with the rest of our testifiers. Professor
18 Cigler, you mentioned the positive effects of having the
19 counties convene local government conferences, and I agree with
20 you. It's a great idea. In fact, then Rep. Argal, Senator
21 Argall now, has been a proponent of that idea for many years
22 and has had legislation to advance that concept. And I think
23 that there's --

24 PROFESSOR CIGLER: I went to DCED nine years ago
25 -- seven years ago and they agreed to do it and even picked

1 three counties and then I never heard from them again and the
2 person that had said moved on.

3 CHAIRMAN FREEMAN: The concept is a good one and
4 I'm a big believer in dialogue. I think often times we fall
5 short of being able to prove local deliver of services because
6 we have these artificial motions that were in different
7 municipalities and we shouldn't be talking as if they have to
8 send ambassadors or something in order to make negotiations.

9 I guess the one concern that I have -- and I think Dr.
10 Miller touched on this to some extent -- is that given our
11 structure of government, the fragment of structure, given the
12 findings of the Brookings Institute report, you're still going
13 to have situations because some communities are poor and some
14 are affluent and while you can achieve many great advances and
15 cooperation of services and save some costs in delivering
16 services. You're still going to have those who don't have and
17 those who do in terms of resources. And those that do don't
18 seem to have an inclination and necessarily give up some of
19 those resources than all of those who don't.

20 I guess, how do we get to that point, where not only do
21 we have talking and cooperating where they can, but recognizing
22 that we can't allow any of the communities that are reaching to
23 fail because if one goes down and starts to fall, the other is
24 down with it.

25 If Johnstown fails, if Allantown fails, that's going to

1 have devastating effects on all of the communities in that
2 region, not just the effected community. And yet, we don't
3 seem to be able to have a mechanism to get to the point where
4 we can address their systemic problems that continue in large,
5 but not because of any fault of their own, but because of an
6 atrophied tax base because they have a less highly assessed
7 housing stock, they don't have the resources to deal with more
8 severe problems, whether they be urban blight or crime or fire
9 and police protection and, yet, they have a demand for those
10 services. How do we get up to that point? And I open up to
11 all members of the panel. I don't think that it's just asking
12 --

13 PROFESSOR CIGLER: One, I wasn't, obviously,
14 speaking against merger/consolidation.

15 CHAIRMAN FREEMAN: I understand.

16 PROFESSOR CIGLER: But I think through a different
17 way of dialogue and talking a lot of communities will see the
18 light. They are just not going to be able to make it. And
19 they way that they're operating now, they'll move into other
20 options in a different way.

21 But beyond that, the reason of the cookie-cutter
22 approach so -- like third-class cities have problems with not
23 as much land that's taxable. So you have to deal with that
24 through legislation. You have to have tax reform. So it's
25 just that the hybrid approaches, multiple strategies, tax

1 reform is one route.

2 I hate to say it to you, but if you have one of the
3 lowest income taxes in the nation and it's across the board,
4 you can increase the state income tax transfer functions to the
5 state. There are -- among these 13 states that I have listed
6 there, some are transferring functions like crazy to the county
7 level, to the state level. The state is picking up all costs
8 for this and that and the other thing, especially education in
9 some states. So I guess committee structures and fragments,
10 that's just the way we think about things, but we need the
11 whole picture approach.

12 CHAIRMAN FREEMAN: Anybody else?

13 PRESIDENT KUGLER: If I could, I eluded earlier to
14 the commerce of neighboring communities, which is an effort
15 that involves the City of Pittsburgh and 35 municipalities that
16 share a common boarder with the city. One of the interesting
17 factoids that I would like to pass out is that there are
18 actually real people that live in 35 communities that share
19 common boarders that live int the city, 380,000 people in those
20 35 communities, 685,000 in the combined urban court.

21 I think to your point, Mr. Chairman -- and those of you
22 are who are familiar with some of the landmarks in western
23 PA -- there are representatives from Mt. Lebanon, which is one
24 of those great affluent communities next to Wilkinsburg, which
25 is not one of the not so affluent Act 47 communities in the

1 City of Pittsburgh, talking about urban blight issues and
2 issues that are calling to the urban court. Until we could
3 create that dialogue between those communities.

4 The urban divide between city and suburb was huge. I
5 think the reality that Bev talked about earlier, that we're all
6 in a sinking boat, has created new partners. The legislature,
7 I think, has to be able to take those initiatives, like the
8 city working with the -- its immediate neighbors and in other
9 third-class cities around the Commonwealth and really nurture
10 these efforts to try to create an urban dialogue, which has
11 never really existed in the past.

12 I'm confident that we can actually begin to deal with
13 some of those redistributive issues overtime. It was a great
14 couple of weeks ago that a manager at Fox Chapel, which is a
15 very affluent community in Pittsburgh, was Fox Chapel's
16 interest to help rebuild the infrastructures in Aspen Wall,
17 which is one of those not so very affluent communities. So I
18 think there is a new dialogue emerging that just needs to have
19 some push. On the emphasis on the part of the legislature is
20 to try to figure out those innovative and creative ways to push
21 that along.

22 PRESIDENT KUGLER: There was a question before
23 that Rep. Creighton had asked about school districts and it
24 wasn't in my testimony, but I now realize that I would be
25 remiss if I stood up here and didn't say this. The issue with

1 school districts relative to merger and consolidations is very
2 real. And hear's how it playes out. In the Shengo Valley,
3 there was a vote to consolidate five municipalities, the cities
4 of Farrell, Sharon, Hermitage, and the boroughs of Wheatland in
5 Sharpsville, that vote came about to citizen initiative.

6 Fred talked about it a little bit, the committee that
7 the governments have created did not recommend consolidation,
8 but in our report, we showed the citizens how to do it, so it
9 came to vote. In the Shengo Valley, where these five
10 municipalities are, there are multiple school districts -- I
11 can't think of the number -- I think there's four school
12 districts that constitute these five municipalities.

13 In the event, the citizens had a vote to approve
14 consolidation to create a single municipality. There would
15 have been four school districts within it. People would have
16 been making decisions about where they're located within this
17 one municipality based on school district boundaries, and that
18 would have been a very bad situation.

19 So I think that school district issues come into this.
20 How we bring them together, I'm not so sure, other than we know
21 that school districts are really the administrative arms of the
22 state and maybe some of this begins with that idea.

23 CHAIRMAN FREEMAN: That's a very good point. Any
24 other questions from the members? I want to thank this panel
25 for their testimony. I appreciate your time today.

1 We are going to jump around just a bit. I noticed the
2 presence of Mayor Panto, who has arrived from the City of
3 Easton, my home town. He's my mayor. And I'm going to
4 exercise my prerogative as chairman as to allow him to testify
5 before the gentleman from the Township Association and the
6 Borough's Association only because I know he has to return to
7 Easton today and I want to give him the opportunity to testify
8 because I know that we're a little behind.

9 I should note, too, that we are very proud of the
10 accomplishments of Mayor Panto in Easton. He has done an
11 excellent job as mayor of the city, dedicated his times and
12 efforts to revitalize the city and we are very fortunate to
13 have him as our chief executive. And he's also been very
14 active in the league of municipalities over many, many years
15 and has maintained that relationship with that organization.
16 So we're happy to have you here to testify.

17 MAYOR PANTO: Thank you, Mr. Chairman.

18 Good afternoon, Chairman Freeman and Chairman Creighton
19 and Members of the House Local Government Committee.
20 Representative Samuelson, it is very nice to see you from the
21 valley.

22 I am Sal Panto the Mayor of Easton. I am a past
23 president of The Pennsylvania League of Cities and
24 Municipalities and a current member of the Board of Directors.
25 I did serve as the Mayor from 1948 to

1 1992 and then took a hiatus for 16 years before I came back in
2 2008. Just to give you a little bit of background because
3 that's what some of my term is going to be about.

4 Thank you for the invitation to participate in today's
5 hearing. PLCM represents 80 urban municipalities. Our members
6 are not classified by form of government, we have boroughs,
7 townships, home rule charters, and also cities. But by common
8 interests and challenges of Pennsylvania's urban communities.
9 Collectively, our local elected officials represent one-quarter
10 of Pennsylvanians statewide.

11 I will begin our testimony today with comments on
12 Senate Bill 1357. We support Senate Bill 1357
13 establishing Boundary Review Commission to study the
14 feasibility of reorganizing specific local governments. This
15 proposal puts a public process in place for the stated purpose
16 of regionalizing local government in order to promote fiscally
17 healthy municipalities, sound growth and development, and
18 efficient delivery of much needed services. For these reasons
19 alone this bill deserves our consideration.

20 Additionally, however, this bill is addressing the
21 requirements placed on the General Assembly by the electorate
22 in 1968 when it adopted Article 9 of the constitution. The
23 requirements to establish Area Government and a uniform method
24 for consolidation, merger and boundary change.

25 You are probably asking yourself, why is a municipal

1 association advocating for the reorganization of
2 municipalities? The answer is simple - the structure of the
3 1800's no longer fosters prosperity in the
4 21st century.

5 Everyone will agree that we have gone and become very
6 much more technically advanced and we would be like a fortune
7 of 100 other companies still trying to do business the way they
8 did 200 years ago. A farmer who refuses to get automated
9 equipment or a person who still thinks that they can
10 manufacture A-track tapes. It just isn't going to work.

11 In today's world, the boundary lines between
12 municipalities have faded with the reality of daily living.

13 Very few people live, work, shop, and go to school in a
14 single municipality. We cross municipal
15 boundaries several times a day and use the services in each and
16 every one. We have become a regional
17 society at the local level. The boundary lines of the past are
18 far less important today than fair taxes,
19 good schools, safe neighborhoods, modern infrastructure, and
20 most importantly, in my mind, cost effective services and
21 communities that can attract business and retain residents.

22 The effects of crime, blight, under-funded pensions,
23 healthcare costs, budget constraints, and service costs do not
24 differentiate between municipal boundaries. PLCM believes that
25 rural and suburban

1 townships will eventually face the fiscal crisis prevalent in
2 so many of our boroughs and cities. As the
3 PS Economy League concluded in its 2007 report, *Structure*
4 *Healthy Communities*, all 2,562
5 municipalities are on a continuum moving toward inevitable
6 fiscal distress, and I know Jerry testified to that.

7 And I would also mention that later in 2008, we did the
8 five cities study at which Easton, Bethlehem, Lancaster,
9 Reading and York were studied intently and basically, the
10 report showed that it wasn't personalities, it wasn't
11 political, or was it the nonmanagerial skills of professionals
12 in a municipal place. It was sincerely the structure. And
13 that is an independent third party and I do tend to
14 respectfully disagree with the professors, professional
15 managers, are more effective.

16 Our mayors, elected officials, most are college
17 graduates and have post graduate degrees. Myself, I have a
18 Masters Degree in administration from Lehigh University. I'm a
19 student of local government. I learn more and more everyday,
20 but I like to think that I have some expertise.

21 We just went -- Mr. Freeman headed up our charter
22 review commission. We went to home rule charter. We now do
23 have a city administrator, but we do have a full-time mayor.
24 That person reports to me and I can honestly say that it's not
25 the city administrator as much as every single director in our

1 city is professionally trained, secondary degrees in their
2 field.

3 And I think it is true that municipal government today
4 is complex and complicated. It requires -- whether it's a
5 plane director or a police chief -- to be the best qualified of
6 their own. It's no longer, if you look at municipalities
7 throughout the Commonwealth, it's who you know to get a job.
8 It doesn't exist. I'm sure it does exist in some places. But
9 the cities that I work with on a day-to-day basis, it doesn't
10 exist because if you do that, you're just destined to fail.
11 This fact is what leads us to consider the prospect of changing
12 government to meet today's regional
13 society needs.

14 As Pennsylvanian's, we must move away from the fear
15 that a larger local government structure cannot
16 serve us as well as a smaller unit. This bill presents us with
17 a public process and an opportunity to begin
18 changing that belief. It allows an 11-member Commission to
19 study each municipality that comes before it to decide the best
20 course to recommend. At the same time, which is equally as
21 important, the Commission is working. A local task force is
22 also involved in the decision-making process.

23 The process is not a random one; it is initiated by
24 registered voters, the local elected governing body, or, in the
25 case of fiscal distress, by the Secretary of DCED. We do

1 question whether five percent of the registered voters of a
2 municipality is a sufficient threshold for the petition
3 process? But we certainly believe in it. In all cases, the
4 municipality must meet three of eight distress criteria before
5 the Commission may propose a plan for reorganization. Only one
6 of the criteria is subjective and arguably is the result of any
7 one of the other seven.

8 The legislation requires a quick time period for a
9 report to be completed - just 18 months. This will
10 keep the Commission and stakeholders moving toward completion
11 of the task at hand. If a plan is
12 approved by a majority of the commission members, it will then
13 receive 60 days of public comment. The
14 legislature then has the task of reviewing and approving within
15 a specified period of time.

16 Finally, the timeframe for implementation of an
17 approved reorganization plan is at least two years. This is an
18 important addition to the bill given the scope and detail
19 needed for a true, successful reorganization.

20 PLCM acknowledges the fact that one or more of our core
21 communities could be under review by the Commission. We view
22 this not as a threat to our existence, but rather as an
23 opportunity to create stronger, more fiscally stable regional
24 communities. Yes, some local autonomy will be ceded in this
25 process, but it is a small price to pay for the opportunity to

1 re-design our local government structure for the better.

2 It is important to add to this debate that reorganized
3 local government is not the last step to fiscal stability.
4 There are a number of other reforms measures that must be
5 tackled and you knew them,
6 pension reform Act 111 reform, revenue enhancement reform --
7 just to name the top three. These are
8 all topics for another day, but they are part of the bigger
9 picture and cannot be ignored. Just putting
10 more municipalities together doesn't eliminate those three
11 items.

12 We appreciate the work of the State Planning Board and
13 its staff in developing this bill and look forward to many more
14 discussions in the future concerning the proposal and why it is
15 so important to reform local government now for a prosperous
16 future. I say now -- and I put my emphasis on now -- because,
17 as I
18 told you, I took office in 1984 originally. I was here
19 probably in 1987 testifying to the same types of things and we
20 haven't changed.

21 Jerry Cross made a comment to me -- sorry, Jerry, but
22 I'm going to embarrass you a little bit -- he said to the five
23 majors of the cities that we were talking about, you guys make
24 it look good and you make it look easy and that's not the case.
25 I'm looking at a bill -- we had no tax increase this year.

1 First time probably in 12 years. Why do we have a tax
2 increase? Because our millage rate is at 24.95. Why would I
3 raise property five hundredths of a point. It wouldn't make
4 sense to suffer a property tax increase and bring in roughly
5 \$12.

6 The point being that next year, we will be facing a gap
7 of \$2.5 million, which is equivalent to nine mils of taxes in
8 the City of Easton. Now, we have a pledge not to raise taxes
9 so we have to cut and cut. Well, we cut pretty three years of
10 our term and I don't know where we're going to cut the rest.
11 But those types of things are important. We're making it look,
12 but we're not making it look easy. I can tell you that for
13 sure.

14 Moving on to Senate Bill 1429, also an initiative of
15 the State Planning Board; Senate Bill 1429 amends the voluntary
16 Merger and Consolidation Act of 1994. The legislation allows
17 the combination or merger process with the home rule charter
18 study commission process. Which our city -- just as I told you
19 -- went through and Rep. Freeman was our Chairman. Both
20 processes would be able to take place at the same time and be
21 presented to the electorate on the ballot in the same election.

22 We support the measure based on a number of reasons.
23 Public policy should encourage the most efficient and cost
24 saving avenue to achieve consolidation or merger. At the same
25 time, Home Rule is an option that should be considered by many

1 municipalities, especially those combining to form a new
2 municipality. It takes away township versus borough versus
3 third-class city versus -- it becomes a home rule charter, and,
4 therefore, it's no longer a city, township or borough.

5 The Bill provides an additional public process with the
6 authorization of a transitional planning committee made up of
7 residents to assist with the transition to the consolidated
8 municipality. This is an
9 important addition to the Act as public involvement and support
10 play a pivotal role in educating and gaining the support of the
11 electorate to combine local governments.

12 Finally, the legislation's financial assistance to the
13 communities both studying consolidation or merger
14 or home rule, as well as financial assistance with the
15 transition is paramount to encouraging municipalities to even
16 consider the process, as is giving priority status to the
17 consolidated or merger municipalities for economic development
18 assistance . As a Commonwealth, we must reward communities that
19 are forward thinking and willing to take on and succeed in the
20 process of combining themselves or their responsibilities to
21 serve their constituents more effectively.

22 In conclusion, PLCM supports both of these measures.
23 We thank the State Planning Board and its staff for the
24 important work they have put forth in both these bills. We
25 appreciate the opportunity to express our positions at this

1 public hearing today and look forward to participating in
2 future discussions.

3 And I may also add that consolidation and mergers, if
4 nothing else, shared services, mergers and consolidations.
5 Some people said it's not going to save money and there's
6 economies of scale -- I was an economist, an economics major in
7 college -- we all know where it is.

8 I can tell you in the City of Easton and the
9 surrounding three townships and three municipalities, there's
10 about 75,000 people and we have the most expensive fire piece
11 of equipment. It's a ladder truck. They cost roughly \$1
12 million each. We have one in Easton at 6th Street, Wilson
13 Borough has one at 21st Street and Palmer Township has one at
14 25th Street. That's \$3 million of taxpayer's money that just
15 seems to me is -- forget about how many chiefs and lieutenants
16 and captains you have -- just in equipment -- we probably have
17 more equipment in the Lehigh Valley per-capita than Los Angeles
18 County, which has the best fire department in the world. So
19 there are things, I think, that I look at in addition to this
20 bill.

21 I've become a student of local government in PA and it
22 embarrasses me at times. It embarrasses me that no one is
23 willing to step forward and I appreciate your committee doing
24 the, Representative Creighton, because you have tackled the
25 tough issues. If we can get the rest of the legislature to do

1 that as well, we would really be in a better place financially,
2 economically and from a jobs point of view.

3 Our city is doing well. My goal is to make city
4 government respectable. If I become respectable for Easton,
5 Wilson may want to talk to me. But talking is great. We have
6 a great COG. Bob attends a number of our COG meetings. We
7 have a great COG. But the townships are still sceptical of the
8 boroughs and the city. They don't want to take on their debit.

9 I, looking at one of the boroughs, don't want want to
10 take on their debit either because they are a community of -- I
11 hate to say it because Rep. Freeman represents them, so I have
12 to be careful -- I would love to see Glendon become a part of
13 Easton, but I can tell you on our ledger sheet, they would be a
14 viability, not an asset. But because I believe so much in
15 consolidation and mergers, I would do that. If I were the
16 mayor, I would encourage that because that is the future of PA.

17 When I look at the duplicity and triplicity that
18 exists, whether it's in school districts that you asked about
19 -- I was a former schoolteacher for 12 years. And I'll never
20 forget when we went to 1500 to 500. But there was one that
21 went only to the state supreme court and that was the Wilson
22 School District in Easton and they all the way to state supreme
23 court and now you have 501 school districts in the state.

24 Now, I think there have been some consolidations for
25 the better, so we do have a few. But when I look at teachers,

1 educators so important to our communities, getting laid off,
2 getting really whipped publicly in the news media about their
3 salaries and their benefits and then I see the structure of the
4 school district management it's the same as municipalities. We
5 are so overinflated with managers because of our size and
6 that's where I think the economies of scale comes in, not in
7 the delivery of services. People will probably see their
8 services go up.

9 But I would like to say thank you on behalf of PLCM and
10 at least you're approaching the subject again. That is
11 important to at least talk about what the future of the
12 Commonwealth is going to be and our municipalities because
13 local government is where rubber meets the road. And you have
14 all been to your local governments and you know that you are
15 there and they can touch, feel and talk to you. And we're in
16 the same realm everyday.

17 So I ask and thank you for your consideration and
18 support of these two bills and I look forward to future
19 discussions in the future. Thank you.

20 CHAIRMAN FREEMAN: Mayor, thank you for your
21 testimony and also for your public service. It's very much
22 appreciated. Are there any questions from the members of the
23 committee?

24 Just one observation. I think your point was well
25 taken about our own situation back home. We have three ladder

1 trucks in an area roughly of 70,000, 75,000 people, so the
2 economies of scale can make a difference in terms of delivery
3 of services. Given our experience with home rule charter, and
4 one of the objectives we have achieved with that in Easton was
5 to have some of our council seats, district seats, to represent
6 neighborhoods. Do you see that option in the case of any
7 potential mergers where you can guarantee -- within the
8 population considerations, of course -- a seat on a council for
9 a community that gets merged into another community as a way of
10 ameliorating some of the concerns that might be out there, that
11 we're going to be swallowed up by a larger community?

12 MAYOR PANTO: I think the most important thing
13 about this bill is exactly that, the finality. What happens if
14 I vote for this merger? Many times in our own situation with
15 Mayor Ashton back in 1970, when he said, okay, you want our
16 sewer plant, you want us to take care of your sewage, then you
17 have to join the city. And he put merger on -- I don't know,
18 all the way down to lower Mt. Bethel. I mean, it was
19 ridiculous, the area, but he was making a point.

20 I mean, you don't want to spend the money to create
21 you're own sewage plant, so he would have sent it to the city,
22 well, then you should join the city. Well, what happened was,
23 no one voted for it because they didn't know what the outcome
24 was. What is the outcome? Do I have local representation from
25 Palmer Township? How many districts are in Palmer versus how

1 many are in Easton?

2 I think you have to make it balanced. I think the city
3 cannot have more representation than the surrounding
4 municipalities. Everyone has to be equal. Like the
5 consolidation of the school districts in 1970 -- 1961. When
6 you did that with the joint school districts -- and the Easton
7 School Board had 21 Board members. Imagine that. And over
8 time, it reduced it down to nine, but there was a pattern,
9 there was a plan and everyone knew that going into it. So
10 Palmer Township was represented, Forbes Township, they were all
11 represented on the School Board at one point and then it
12 gradually got down to nine members that it is today. So I
13 think you're absolutely right.

14 CHAIRMAN FREEMAN: Thank you very much. Any other
15 questions? Okay. Thank you for being here and your testimony,
16 Mayor, and have a safe trip home.

17 MAYOR PANTO: Thank you.

18 CHAIRMAN FREEMAN: Our next testifier will be
19 David Sanko, Executive Director for the PA State Association of
20 Township Supervisor. David, good to see you. Thank you for
21 coming today. My apologies for leapfrogging, but I did want to
22 give the Mayor the opportunity to get home to his meeting. And
23 I see that you have Elam Herr with you today.

24 EXECUTIVE DIRECTOR SANKO: I do. Thank you, Mr.
25 Chairman. Good afternoon. My name is David M. Sanko. I am

1 the Executive Director or the PA State Association of Township
2 Supervisors. As you indicated, with me today is Elam Herr, the
3 Assistant Executive Director. Thank you for the opportunity to
4 appear before you today on behalf of the 1,455 townships in PA
5 represented by our Association.

6 I would say I'm a little at a disadvantage and a little
7 confused. As we were came here, it was to -- we were offered
8 testimony on Senate Bill 1357 and I initially asked, well, how
9 can we do that because the bill isn't before the House. And I
10 said, well, it's okay, it's been introduced and we're going to
11 talk about that. And I've never known the committee processed
12 to be used as a place to watch trial blooms for the
13 administration and I guess that being said --

14 CHAIRMAN FREEMAN: Point of order, this isn't a
15 trial bloom. I believe in informing my members of my committee
16 and issues the are an importance to the committee.

17 And, although, you're correct, that typically a hearing
18 is held for the bill in the possession of the committee. This
19 is a proposal that was put forth by the State Planning Board, a
20 respective body in the planning process. And I think by
21 getting the dialogue now is important so that if this issue
22 does come over to us, we better be able to deal with it and we
23 are better informed.

24 EXECUTIVE DIRECTOR SANKO: And I couldn't agree
25 more and I appreciate that. What I'm confused by -- because we

1 are prepared to testify on bills 1357 and 1429, and we'll do
2 that -- but I'm at a disadvantage because some of the testimony
3 that we've heard to date is not in 1357. So I'm either left to
4 reflect upon a proposal on the fly, which we can attempt to do,
5 but some of the things that we've heard aren't there.
6 Specifically, there is not a local government task force that's
7 involved with the State Planning Board -- with the State
8 Boundary Commission.

9 Specifically, the Boundary Commission, as PA Senate
10 Bill 1357 is introduced by Senator Musto as documented in the
11 Senate, does afford the Boundary Commission, the unilateral
12 authority, to initiate an action on its own and that's on page
13 9, line 2.

14 CHAIRMAN FREEMAN: Okay. Well, continue with your
15 testimony, please.

16 EXECUTIVE DIRECTOR SANKO: But I'm just trying to
17 offer a couple of clarifications.

18 CHAIRMAN FREEMAN: Sure. I understand. This is
19 meant to be an informational meeting just to get our arms
20 around it.

21 EXECUTIVE DIRECTOR SANKO: I understand. I'm just
22 trying to clear some stuff up and offer a clearer perspective
23 from what we've heard earlier.

24 CHAIRMAN FREEMAN: And we welcome your testimony.

25 EXECUTIVE DIRECTOR SANKO: And finally, as it

1 relates to the boundary -- I kind of argue -- I argue that the
2 Boundary Commission is a solution in search of a problem. And
3 as we look at those 11 all-knowing people who will have the
4 Wisdom of Solomon, not only will they be telling local
5 communities what is best for them, but they will be, in fact,
6 telling the legislature what is best because the proposal of
7 the resolution that is presented, it's presented to the
8 legislature on page 12, line 16 through 20 as unamendable and
9 undebatable. It is an up or down vote.

10 There is not a legislative process. You can have a
11 hearing, but you can't change it. You can say yes to what the
12 Boundary Commission has proposed or no. But you do not get to
13 substitute your judgement or wisdom for theirs. So as 1357 is
14 introduced, those are the words that are on the pages today,
15 unlike -- and perhaps it's being amended, perhaps there are
16 things on fly and we certainly look forward to that dialogue.

17 You referenced earlier a healthy civic dialogue and we
18 are certainly pleased to be part of that and I'm here to
19 present testimony today as we were with the State Planning
20 Board and participate in their dialogue. I'm a little
21 disappointed to learn that the participation equals tax and
22 consent to the outcome, but we will move forward nonetheless.

23 CHAIRMAN FREEMAN: The presentation does not mean
24 tax and consent by any means.

25 EXECUTIVE DIRECTOR SANKO: I understand, but in

1 the case of the Planning Board, I've heard earlier today that
2 all of the local governments have participated and here's the
3 product that we are presenting to you.

4 CHAIRMAN FREEMAN: Well, I didn't take that away
5 from your testimony.

6 EXECUTIVE DIRECTOR SANKO: Well, I'm just trying
7 to offer clarification to anyone who may have thought that.

8 CHAIRMAN FREEMAN: I came with a notion that you
9 were consulted, not necessarily going into the final process.

10 EXECUTIVE DIRECTOR SANKO: Okay. I just wanted to
11 make that clear for anyone who may have thought that.

12 Good afternoon. My name is David M. Sanko, and I am
13 the executive director for the PA State Association of Township
14 Supervisors. Thank you for the opportunity to appear before
15 you today on behalf of the 1,455 townships in PA represented by
16 the Association.

17 Townships comprise 95 percent of the Commonwealth's
18 land area and are home to more than 5.4 million Pennsylvanians.
19 These townships are very diverse, ranging from rural,
20 agricultural communities with fewer than 200 residents to more
21 suburban communities with populations approaching 70,000
22 residents.

23 We want to be clear at the outset that the Association
24 does not oppose voluntary mergers and consolidations -- and I
25 can't state that enough. We do not oppose mergers and

1 consolidations. However, we contend that the justification for
2 any boundary change must be based on a demonstration of valid
3 community interest in all participating communities. While a
4 legitimate state role may be to provide technical assistance to
5 those communities that are pursuing a merger or consolidation,
6 the state should not take a lead role in seeking out
7 opportunities for local government boundary change, and, at no
8 time, should any local government be forced to merge,
9 consolidate, or face annexation without approval of its
10 citizens.

11 Since no bill has been introduced in the House, we are
12 talking about the Senate Bills.

13 Senate Bill 1357 would create a state commission to
14 review, study, and recommend changes to local government
15 borders, including merger, consolidation, annexation, and area
16 government. The committee's recommendations would be sent to
17 the General Assembly and, if approved by resolution, would take
18 effect immediately without a vote by the residents in the
19 affected communities. PSATS is strongly opposed to this
20 proposal because it would seriously erode our system of local
21 democracy by taking away resident's input and preferences into
22 the process and placing it into the hands of an unelected
23 commission.

24 Township officials are overwhelmingly opposed to this
25 proposal. As of today, more than 750 townships in 66 counties

1 have passed resolution opposing Senate Bill 1357. We believe
2 that these actions speak volumes.

3 Under Senate Bill 1357, the commission would be given
4 broad authority to undertake studies that it deems viable and
5 to make recommendations for the future boundaries of local
6 governments. While the commission would be required to hold
7 one public hearing before issuing recommendations, the primary
8 opportunity for input would be after the commission issued its
9 recommendations and would not be limited to residents from the
10 affected municipalities. So it's not locally, but it could be
11 by input statewide.

12 The commission would be given the authority to deem a
13 municipality as "nonviable" based on a number of subjective
14 criteria, including the "inability to provide adequately for
15 the health, safety, and welfare" of its residents, and
16 objective criteria, such as a population of less than 400 or
17 declining population. In addition, the bill would authorize
18 the Secretary of the Department of Community and Economic
19 Development to declare a municipality Act, and as part of this
20 determination, the commission could be charged with planning
21 the elimination of the "unviable" municipality.

22 Again, we must emphasize our strong belief in local
23 democracy, specifically that the residents of all affected
24 municipalities must make the ultimate determination on the type
25 of government in which they choose to live. Senate Bill 1357

1 would severely erode our system of local democracy in PA and
2 centralize this decision-making authority in the hands of a few
3 appointed individuals, without any recourse by those who live,
4 work, and own business in those communities. As such, we must
5 strongly oppose this proposal.

6 Numerous studies have shown that forced consolidation
7 is not the solution. Rather, providing incentives for
8 cooperation is the better way to achieve the desired result of
9 economical service without losing local control.

10 Senate Bill 1357 contains several additional troubling
11 provisions. As noted at the outset, the commission would have
12 the authority to recommend annexations to the General Assembly.
13 Since the legislation emphasized "sufficient tax base" and
14 "sound prospect for fiscal health" as reasons for boundary
15 change, we fear that those municipalities who have been good
16 fiscal stewards will see parcels of valuable revenues. We
17 strongly oppose such a concept.

18 Finally, Senate Bill 1357 would authorize the creation
19 of "area government" to perform some or all of the functions of
20 a group of municipalities that would be governed by an elected
21 area government board. This appears to be a steppingstone to a
22 centralized, regional form of government similar to House Bill
23 2431, which we will discuss tomorrow. This bigger-is-better
24 plan is a house of cards built on whimsy, not fact, by those
25 who claim to know what is best for Pennsylvania. However, we

1 contend that it is the elected municipal officials that truly
2 know their resident's wants and needs and work tirelessly to
3 serve them.

4 PSATS opposes the mandatory regionalization of services
5 against the will of the elected officials and their
6 constituents. Whether services should be provided by
7 individual municipalities or combined through voluntary
8 inter-municipal cooperation is a decision that must remain with
9 each local government and its citizens. Townships are creative
10 in their delivery of services and should retain the ability to
11 decide how best to serve their residents.

12 Intergovernmental cooperation is alive and well in the
13 commonwealth. The flexibility of our system of local
14 government provides local officials with the opportunities to
15 determine the best way to provide a service to their residents.
16 In many cases, local officials have determined that cooperative
17 ventures are the best way to go.

18 In fact, 83 percent of townships that responded to a
19 recent PSATS survey reported that they are currently involved
20 in projects with another municipality, county, school district,
21 or joint authority and these collaborations range from code
22 inspections to recycling and from land use to snow removal.
23 However, multi-municipal arrangements are not always the
24 solution and local officials need to retain the ability to make
25 these decisions on behalf of the residents who elected them.

1 PSATS does not believe that a centralized commission is
2 needed to undertake boundary change studies, even if it is at
3 the request of the communities themselves. The Shared
4 Municipal Services Program within the state Department of
5 Community and Economic Development already exists to assist
6 with the provision of shared services, or even boundary changes
7 desired by the affected communities.

8 However, this very popular program has seen its funding
9 slashed from nearly \$2.4 million in the 2008-2009 state budget,
10 to less than \$500,000 today. Instead of funding the creation
11 of a new agency, legislative efforts should be made to restore,
12 and even increase, funding to the Shared Municipal Services
13 program.

14 While we must oppose Senate Bill 1357, we agree that
15 there are reasonable changes that can be made to the Merger and
16 Consolidation Law to remove some of the legal and technical
17 barriers to voluntary merger and consolidation. However, it is
18 absolutely essential that there be a valid community interest
19 and that movements towards any municipal boundary change
20 originate and be based upon, the interest of the residents of
21 the communities involved. In any case, the final vote for any
22 boundary change must be based upon the majority of voters in
23 each participating municipality.

24 We've heard earlier that 1357 would be a vehicle for
25 folks who have no other way out. Essentially, what that means

1 is that you would be affording -- with the creation of boundary
2 commission -- a community that lost the election. Essentially,
3 the ability to overturn that election, overturn the will of the
4 people for the will of the people.

5 Now, I suspect sometime in your respective lives you've
6 all faced an election that you didn't agree with the outcome of
7 and would have like to have changed, but our system doesn't
8 allow for that right now. This boundary commission -- by
9 creating the boundary commission, you will be, in fact,
10 creating a vehicle to overturn the will of the people and the
11 outcome of the election.

12 Senate Bill 1429 contains a number of reasonable
13 provisions to improve the merger and consolidation process.
14 For example, Senate Bill 1429 would authorize a merger or
15 consolidation referendum question to be placed on the ballot by
16 a combination of one or more municipalities using a joint
17 agreement adopted by the municipality and one or more
18 municipalities using a petition by the residents. Under
19 current law, all participating municipalities must use either a
20 joint agreement or a resident petition. We believe that this
21 is an acceptable alternative because the initiative petition
22 and municipal joint agreement must be materially consistent and
23 both methods demonstrate a valid community interest in a
24 proposed merger and consolidation.

25 Senate Bill 1429 would expressly define time frames by

1 which newly consolidated municipalities are certified and
2 recognized as new municipalities. We believe these time frames
3 are reasonable and would add clarity to the existing statute
4 and we can support these provisions. In addition, the bill
5 would authorize the creation of a transitional planning
6 committee by the governing bodies of the approved merging
7 municipalities to assist with the merger process. This is a
8 voluntary provision that we can support.

9 In addition, Senate Bill 1429 would authorize currently
10 separate referendum questions on merger or consolidation and
11 the adoption of a home rule charter to be combined into one
12 referendum question on both issues. While on its face, this
13 provision may appear to be reasonable. It raises a number of
14 disconcerting questions, such as, who is going to write the
15 home rule charter and who will pay for its development? Who
16 will review the charter to ensure that it is consistent with
17 state law and not a tool to prohibit a certain type of
18 unpopular commercial activity? Finally, will the charter be
19 created through a public process or be the product of a single
20 citizen's group? We feel these issues have to be addressed and
21 thoroughly thought out before such a provision moves forward.

22 We recognize sometimes that there's a desire to do
23 things fast, but it is safer to do things right as opposed to
24 fast.

25 Finally, Senate Bill 1429 would create loans and grants

1 for municipalities to consolidate, merge, and form home rule
2 study commissions, including implementation and transition
3 costs. In addition, the bill would establish funding priority
4 for municipalities that have merged or consolidated in all
5 existing state programs.

6 As I stated earlier, we must oppose the state taking a
7 lead role in seeking out and promoting local government
8 boundary changes and establishing such action as a priority for
9 future state funds. This concept does nothing to benefit
10 efficient, well-run municipalities, but rather establishes a
11 program based on theory and ideological hopes. In addition,
12 merger status should not be the number one determining factor
13 for state funding. Instead, as we stated earlier, legislative
14 efforts should be made to fund the Shared Municipal Services
15 program.

16 In closing, PSATS does not oppose voluntary mergers and
17 consolidation, but must stand against proposals such as Senate
18 Bill 1357 which would usurp grassroots democracy and give an
19 unelected commission in Harrisburg the authority to redraw
20 municipal border with no accountability to the affected
21 communities. However, we can support reasonable changes to
22 remove unnecessary hurdles to merger and consolidation,
23 including Senate Bill 1429 that we discussed today.

24 We look forward to being partners with the Commonwealth
25 in public safety and infrastructure development and economic

1 development, but mostly common sense.

2 Thank you for the opportunity to testify before you
3 today. We will now attempt to answer any questions you may
4 have.

5 CHAIRMAN FREEMAN: Mr. Sanko, thank you for your
6 testimony. Are there any questions from the members of the
7 committee? Rep. Melio.

8 REP. MELIO: David, the difference between the
9 first-class township and the second-class township, the
10 criteria, is that population?

11 EXECUTIVE DIRECTOR SANKO: The population is one
12 of the criterias. Basically, what the law says to become a
13 first-class township, you need to have 300 people per square
14 mile. Although, you have 300 people per square mile, you don't
15 have to become a first-class township.

16 REP. MELIO: But now some of the second-class
17 townships, you need that criteria, right?

18 EXECUTIVE DIRECTOR SANKO: A lot of our townships
19 of second class do meet that criteria. I live in one, in East
20 Hempfield Township, Lancaster County. We have about 24,000
21 people. If you put it in, we are way over 300 people per
22 square mile. There's no necessary reason for us to go first
23 class and we have not gone first class. We are satisfied in
24 staying the way we are.

25 REP. MELIO: Is there any reason why people would

1 not want to be first class?

2 EXECUTIVE DIRECTOR SANKO: As a citizen?

3 REP. MELIO: Yes.

4 EXECUTIVE DIRECTOR SANKO: One reason is tax
5 mileage. Townships and second class, our mileage is only 14
6 mils. We could get 5 if you go to court. If you're in a
7 first-class township, it's 30 mils and 5 if you go to court.

8 After that, from a citizens point of view, you can have
9 nine councilmen -- up to nine. The way the township will be
10 set up in a first class, you can only have five.

11 Once you get past that, things are pretty much the same
12 of what a municipality can do. What a first-class township can
13 do compared to a second-class township.

14 Townships became first class up until 1968 and the
15 reason was due to annexation. Prior to 1968, any city or
16 borough could annex land from a township -- township of the
17 second class just by taking it. And I'll give you a good
18 example. In Lancaster County also, where Park City Mall is,
19 prior to 1968, in 1967 time period, the supervisors of Manheim
20 Township approved Park City Mall. Once the mall was approved
21 and developed and started, the City of Lancaster went out and
22 just took it.

23 The City of Lancaster had taken, prior to that, land
24 from Manheim Township that was part of where Armstrong World
25 Industry. The supervisors at that time decided enough was

1 enough and they got a petition up to go to become a first-class
2 township in 1968. Right prior to the Constitution, they became
3 a first-class township.

4 The '68 constitutional convention was held. The
5 Article 9 was changed and basically said that if you want an
6 annex, you must have a vote on both sides before you could
7 annex. So in that case, there was no benefit from going to be
8 first class.

9 REP. MELIO: Didn't the boroughs have that power?

10 EXECUTIVE DIRECTOR SANKO: The boroughs could
11 annex land also from townships, but that, again, was changed in
12 the '68 constitutional convention.

13 REP. MELIO: Thank you, Mr. Chairman.

14 CHAIRMAN FREEMAN: I think the provision, too, is
15 that first-class townships can allow a reelection of
16 commissioners by ward.

17 EXECUTIVE DIRECTOR SANKO: Correct.

18 CHAIRMAN FREEMAN: Rep. Knowles.

19 REP. KNOWLES: Thank you, Mr. Chairman. I'll be
20 very brief. Gentlemen, thank you for coming in today and thank
21 you for your testimony. The Mayor of Easton, who just
22 testified and stated that he supported this legislation. If
23 the Mayor wanted to merge with the surrounding -- was it Wilson
24 Borough, Mr. Chairman and two other townships? If he wanted to
25 merge today, is there anything in current law that prevents him

1 from doing that?

2 EXECUTIVE DIRECTOR SANKO: No. In fact, I thought
3 he said that if he was the mayor, he would merge. I thought he
4 said that he was the mayor. But, yes, he could do it today
5 through a process.

6 REP. KNOWLES: So then what would this new
7 commission do then? What would this new commission actually
8 do? Would this commission actually be able to step in and
9 require a merger? If any of those entities was not interested
10 in the merger, could --

11 EXECUTIVE DIRECTOR SANKO: That's correct. This
12 would also -- they would be able to take it directly to pass
13 the vote of the municipalities. He may not even know what they
14 do or don't want to merge. It could be after a vote there's a
15 vote and one of the communities rejects it. But it would be
16 presented to a vote of the General Assembly.

17 CHAIRMAN FREEMAN: Depending on the General
18 Assembly.

19 EXECUTIVE DIRECTOR SANKO: I meant approval by the
20 General Assembly. So it's a yes, we concur and no, we don't.
21 And I think we have six months to do that.

22 REP. KNOWLES: Thank you for your perspective.
23 Thank you, Mr. Chairman.

24 CHAIRMAN FREEMAN: Any further questions from the
25 members? Okay, gentlemen, thank you for your testimony and we

1 look forward to seeing you tomorrow.

2 Our next testify is Ron Grutza, Assistant Director of
3 Governmental Affairs at the PA State Association of Boroughs.
4 Again, I want to apologize for leapfrogging over you and the
5 township folks, but I did want to give the Mayor the
6 opportunity to get back for his meeting.

7 ASSISTANT DIRECTOR GRUTZA: Not a problem, Mr.
8 Chairman. Thank you for having us. I'm going to have Ed
9 Troxell, Director of government affairs at the Boroughs
10 Association, sit in.

11 Good afternoon, Chairman Freeman, Chairman Creighton,
12 members of the Committee. My name is Ron Grutza. I serve as
13 the Assistant Director of Government Affairs at the PA State
14 Association of Boroughs. Since 1911, PSAB has represented the
15 interests of boroughs and helped to shape the laws that have
16 laid the foundation for 958 boroughs. With more than 2.6
17 million residents, borough government officials deliver quality
18 leadership and service to their residents across the
19 Commonwealth.

20 It is a pleasure to be with you today to present our
21 perspectives with the House Local Government Committee on
22 municipal consolidations and mergers. Specifically, two pieces
23 of legislation developed by the State Planning Board: Senate
24 Bill 1429 and Senate Bill 1357.

25 PA has a long and rich tradition of local governance.

1 In an organic manner, our Commonwealth's system of local
2 government has developed to accommodate the needs and desires
3 of its citizens. While some critics complain PA has too many
4 local governments and blame them for a lack of growth, we
5 believe local governments are the backbone of this state. We
6 believe citizens want effective, smaller governments that are
7 closer and more responsive to their constituents. And that is
8 what you get with local government in PA. Local officials
9 serve a smaller group of citizens and can't hide from their
10 constituents since they are most likely neighbors. Therefore,
11 it only makes sense that they act in a more responsive way to
12 their needs of the citizens that they serve.

13 Even though we oppose the notion that PA has too many
14 local governments, PSAB does not oppose the idea of locally
15 initiated and locally validated municipal mergers and
16 consolidations. Local community leaders and their residents do
17 not want boundary changes forced down their throats by
18 Harrisburg. All decisions should start local and finish local.
19 Our communities deserve the right to determine their future.

20 Now, I turn my attention to the specific legislation --
21 not really before the committee -- but the committee here at
22 the hearing this afternoon. Senate Bill 1357, sponsored by
23 Senator Ray Musto, would create the Boundary Review Commission
24 to study and make recommendations to the General Assembly on
25 municipal mergers, consolidations, annexation,

1 disincorporation, area government and shared municipal
2 services.

3 Let me start out my comments on this bill by state PSAB
4 opposes this legislation in its current form. As stated
5 earlier, we oppose any legislation that would force municipal
6 mergers, consolidations or disincorporation. We believe this
7 legislation would deprive our citizens of making one of the
8 most important decisions an electorate can make.

9 To illustrate the fact this bill is nothing more than a
10 way to force municipal consolidations, I'd like to share a
11 quote from David Kleppinger, board member of Team PA, an
12 organization that supports this legislation. The quote can be
13 found on their website. Mr. Kleppinger quotes, "A substantive
14 legislative fix is needed that includes imposing consolidation
15 in the right settings because voters will typically vote this
16 down."

17 The word "imposing" stands out like a sore thumb and
18 displays a flagrant willingness to usurp power from the people
19 when a desired outcome is not achieved locally. Clearly,
20 supporters of this legislation want to move power to Harrisburg
21 and away from the people that live and work in our communities.
22 The way I see it this is a hijacking of our local democracy.

23 Supporters of this bill may claim it will fulfill the
24 1968 constitutional mandate for boundary agency. We disagree.
25 Specifically on the fact this bill would deprive our citizens

1 of the "final say" on what works best for their community. SB
2 1357 would place that decision with the 253 members of the
3 General Assembly and not the citizens of the communities
4 affected. Instead of having your neighbors decide the future
5 of their community, Senators and Representatives who live
6 hundreds of miles away will be deciding for them.

7 The delegates to the Constitutional Convention that
8 drafted our current constitution did not share that vision of a
9 boundary commission, one that could force mergers and
10 consolidations. In fact, the record reveals quite the
11 opposite. Delegate Frank J. Pasquerilla, Co-Chair of the
12 Constitutional Convention Committee on Local Government, stated
13 in a floor debate, "Nothing in this Constitution should, by
14 implication, say that you must consolidate, you must merge,
15 without the approval of the voters."

16 The Constitution did call for the boundary agency to
17 have the power to initiate referendum. However, SB 1357 is a
18 far departure from the Constitutional mandate. Not one mention
19 of local referendum is found in SB 1357 -- not one. Why?
20 Well, let's go back to the aforementioned quote from Mr.
21 Kleppinger to find the answer. "A substantive legislative fix
22 is needed that includes imposing consolidation in the right
23 settings because voters will typically vote this down."

24 That's the answer: Ignore the Constitution, deprive
25 the citizens of their power to determine their future all

1 because the voters just can't get it right. Just ram it down
2 their throats because they don't know any better. This is the
3 real meaning behind SB 1357.

4 Another issue of our opposition to this bill is the
5 ambiguity of how the Boundary Review Commission could act. The
6 bill lays out a process of petition for study by a percentage
7 of the electorate in each community, or the elected governing
8 bodies, or the Secretary of DCED in certain circumstances, but
9 the commission would retain the power to propose a
10 reorganization plan without any local initiative. I think that
11 is questionable -- at least from the draft that's in current
12 form -- whether they could act on their own in court without
13 any petition at all, and that concerns our membership.

14 The commission could act on its own authority to
15 propose a reorganization plan or deem a municipality
16 "nonviable" Now, the General Assembly would still have the
17 final say, however, when they meet certain criteria of
18 "nonviability." The General Assembly would still need to
19 ratify the plan; however, this is a very powerful and dangerous
20 provision that PSAB believes is not in the best interest of
21 this Commonwealth.

22 The issue of annexation is addressed in SB 1357 and
23 PSAB traditionally supported this boundary change option. If
24 citizens in a particular neighborhood are not receiving the
25 municipal services they need, they should enjoy the right to

1 seek annexation. Once again, we strongly believe this should
2 not be forced on any community by a nebulous bureaucracy in
3 Harrisburg. This should be a local process where majority vote
4 by both communities are achieved.

5 Boroughs across the Commonwealth, through resolutions
6 passed locally during the past few months, strongly urge the
7 members of this Committee and this General Assembly to reject
8 Senate Bill 1357. If you wish to establish an agency pursuant
9 to the PA Constitution, please stick to the mandate and the
10 intent behind it. Any boundary change recommendations by a
11 boundary agency must be ratified by the local electorate.

12 Let me turn my attention to the other bill before the
13 committee for consideration. SB 1429, sponsored by Senator
14 Eichelberger, would amend the Municipal Consolidation or Merger
15 Act to provide for a streamlined process. The difference
16 between this bill and SB 1357 are night and day. The
17 difference boils down to one key point, the merger or
18 consolidation is voluntary. Therefore, PSAB is willing to
19 accept the changes in SB 1429, which are initiated locally and
20 validated locally instead of forced on the community by
21 Harrisburg.

22 Since the enactment of Act 90 in 1994, several
23 municipalities have either used merger or consolidation when
24 the communities agreed it was in their best interest. The
25 State Planning Board identified several obstacles in the

1 current law that make the process cumbersome and drawn out.

2 SB1429 makes several key improvements to the voluntary
3 process of municipal merger and consolidation, such as giving
4 communities more options on how to merge or consolidate,
5 speeding up the process by allowing votes at the same time to
6 consolidate and use a home rule charter, setting firm timelines
7 for implementing the change, and, most importantly, I think,
8 for our members is creating some type of financial fund to look
9 at merger and consolidation plans and not allow funding to be
10 an obstacle.

11 PSAB believes this bill is a step in the right
12 direction as opposed to SB 1357. The bill clearly gives more
13 choices to municipal leaders and citizens to decide for
14 themselves the size and type of their own local government.

15 In closing, let me stress to the members of the
16 Committee that local democracy is key to the history of our
17 great Commonwealth, and I suggest that we keep that great
18 tradition. Having the borough hall right down the street with
19 local employees providing municipal services is important to
20 the citizens we serve. I believe our system of mergers and
21 consolidations need some fixes, but not an amputation. That is
22 why we urge you to reject SB 1357 and consider the changes in
23 SB 1429.

24 Thank you for the opportunity to share our positions
25 and perspectives on the legislation. And I will answer any

1 questions that the Committee may have.

2 CHAIRMAN FREEMAN: Thank you very much for your
3 testimony. Just as a point of clarification. Under the
4 current provisions of the State Constitution, the legislature
5 retains the ability to alter boundaries and do mergers and the
6 consolidations. So that is not affected by this legislation
7 one way or the other. The reality is that it's never been
8 exercised since the changes in 1968, but it is a provision of
9 the constitution.

10 ASSISTANT DIRECTOR GRUTZA: That's correct.

11 CHAIRMAN FREEMAN: Are there any questions from
12 the members? Seeing that, we thank you for your testimony.

13 And that leads us to our last testifier and panel. I
14 would like to call before the committee Dennis Yablonsky, Chief
15 Executive Officer of the Allegheny Conference on Community
16 Development, who will be speaking on behalf of the panel, which
17 would include Gene Barr, Vice President of Government and
18 Public Affairs at the PA Chamber of Business and Industry;
19 David Black, President and Chief Executive Officer of the
20 Harrisburg Regional Chamber of Commerce and Capital Regional
21 Economic Development Corporation; Michelle Griffin-Young,
22 Executive Vice President of Public Policy at the Greater Lehigh
23 Valley Chamber of Commerce; and David Pattie, President and
24 Chief Executive Officer at the PA Business Council.

25 Thank you for attending today's hearing and for your

1 testimony. You may begin whenever you choose.

2 CHIEF EXECUTIVE OFFICER YABLONSKY: Mr. Chairman,
3 thank you very much. It's good to be back in this chair. For
4 those of you who might remember me as DCED's secretary for six
5 years.

6 CHAIRMAN FREEMAN: And a very good secretary for
7 DCED.

8 CHIEF EXECUTIVE OFFICER YABLONSKY: Thank you for
9 saying that, Mr. Chairman. I appreciate you saying that.

10 It's good to be back and having the opportunity to
11 interact with all of you. My role now is the CEO of a regional
12 economic development and civic policy called the Allegheny
13 Conference on Community Development. It also includes our
14 affiliates, the Pittsburgh Chamber, the Pittsburgh Regional
15 Alliance and the PA Economy League of Southwestern PA and we
16 represent the ten county southwestern PA region.

17 I'm here along with my colleagues today representing
18 the business community from across the state in support of
19 these two bills. I will not read my testimony. It's there for
20 your perusal. I will provide a summary, particularly given the
21 late hours, so that you have an opportunity to ask any
22 questions that you might like to.

23 The risk of repeating a couple of things, local
24 government in PA is facing severe financial and service
25 challenges that are only going to be exacerbated by the ongoing

1 issue of dealing with legacy pension health care costs. If
2 they are not being affected by it now, they're going to be
3 affected by it and not to do this in the future. And based on
4 some research that the Economy League has done over 40 percent
5 of our municipalities are already in some stage of financial
6 distress and we believe that service consolidation or boundary
7 change needs to be on the table as an option for these people,
8 these municipalities to be able to address these issues.

9 Now, Senate Bill 1429 does some simple things. It adds
10 clarity and flexibility to the consolidation or merger process.
11 It clarifies the authority municipalities have to vote on the
12 adoption of a home rule and merger process at the same time on
13 one ballot. All of this is voluntary. There is nothing in
14 1429 that you service local decision making or local authority.

15 SB 1429 also grants greater freedom in how to initiate
16 consolidation or merger processes. It replaces relatively
17 vague timeframe descriptions and makes it more specific so you
18 know what the process involves and it provides a much cleaner
19 transition process as you go through this.

20 You might be wondering why business is involved and
21 business supports this. Well, basically, these two bills. And
22 1429 in particular promotes efficiency and effectiveness in
23 local government. This will typically result in holding down
24 taxes and fees and it, frankly, promotes a better business
25 climate all across the state.

1 Since I left public service and have been back in
2 Pittsburgh working for the Allegheny Conference, I hear
3 virtually every month, I get questions about our local
4 government structure. Those questions come from existing PA
5 businesses and they come from businesses that are not in PA,
6 but are considering this. And they, generally, find our local
7 government structure to be curious and ask me lots of questions
8 about it, which I do my best to explain. And our competition,
9 regularly, uses this against us. I don't think it's all fair.
10 I think some of it is misinterpreted, but I do have to respond
11 on a regular basis to other states that we're competing with
12 who use our local government structure as a reason why people
13 shouldn't be in expanding in PA, they should be expanding
14 elsewhere.

15 We need to begin to address these issues now. As far
16 as going forward, our summary recommendation is very simple.
17 We think that SB 1429 is a simple, but important step forward
18 that should be taken now. There's a relative census, as you
19 have heard from all of the groups today, on that particular
20 bill.

21 And given all of that, we would encourage the General
22 Assembly to move forward on 1429 immediately while we, in
23 parallel, continue to discuss and debate some of the more
24 significant proposals, such as 1357, as well as anything else.

25 That's basically our testimony. My colleagues may have

1 some different perspectives that they want to offer. I want to
2 thank you for giving that opportunity and I will conclude and
3 open it up to questions from any member of the committee.

4 CHAIRMAN FREEMAN: The committee thanks you and
5 thank you for your testimony. Are there any questions?

6 I did have one, just for a follow-up and this is in
7 line with the testimony that Professor Cigler had given, too.
8 She pointed out that one of the areas where there seemed to be
9 some research to support the merger concept is in its benefits
10 for economic development and your testimony eluded to that as
11 well, in what ways do you see that as being contiguous to a
12 better economic opportunity?

13 CHIEF EXECUTIVE OFFICER YABLONSKY: I'll start and
14 then I think the rest can add. One of the most important thing
15 that businesses want to be able to do is have a single point of
16 contact when they're looking at expansion plans and they don't
17 want to have to deal with multiple municipalities or multiple
18 counties. So we kind of put in place in Pittsburgh and other
19 places, ways to try and deal with that.

20 The requirement to have to interact from a permitting
21 and a regulatory and a tax environment with multiple
22 municipalities is an overwhelming thing for business. For
23 example, the earned income tax reform, which you all voted into
24 law, that was an example of a process that forced business to
25 interact with literally dozens of different tax collectors and

1 you all addressed that in a meaningful way and that's now being
2 implemented successfully. This is another opportunity like
3 that to address these kinds of issues.

4 CHAIRMAN FREEMAN: Any other thoughts from the
5 members of the panel? Please identify yourself to the
6 stenographer.

7 VICE PRESIDENT BARR: I'm Gene Barr, PA Chamber of
8 Business and Industry.

9 First, let me just state that it's been interesting to
10 hear the comments today. I've come from a perspective where
11 I've also served as local elected official for nine, plus,
12 years in Delaware County. I've seen what local governments can
13 do. I've seen how affected they are. Having said that, I
14 would like to tie in to what Dennis had said.

15 Clearly, we have all seen the concerns. For example,
16 it's antidotal, but I think that all of us up here, all of my
17 colleagues from the business community get this from time to
18 time, one company -- who shall remain nameless -- said they
19 were going to do an expansion in PA until they came to realize
20 that the expansion would take them over three different
21 municipalities. Unfortunately, they couldn't get their act
22 together and they wound up cancelling that expansion. Because
23 as unfortunate as it is in a state as great as PA, we do have
24 those.

25 And as Dennis said, we do hear from people going,

1 what's the deal with municipalities and what's the deal with
2 this? We do have to get our arms rapped around this. We do
3 have to recognize and the taxpayer has to recognize that there
4 are downsides to the plunder of local governments out there.

5 One of the things, again, speaking antidotally, that
6 concerns me as I hear about where we're going in the future
7 with municipal government is that for years, PA has been well
8 severed by these people who have donated their time from a
9 volunteer fire perspective. One of the things that you hear
10 today, that you hear daily now is that they're just not getting
11 those out.

12 As we move forward, do we have the right tools to make
13 sure that fire protection is being offered? Do we have to go
14 to a paid service and how will the municipal government handle
15 that in the future? I mean, these are all questions that we
16 need to keep in mind as we move forward on the bills that we've
17 discussed here today. Thank you.

18 CHAIRMAN FREEMAN: Anyone else?

19 PRESIDENT BLACK: Thank you, Mr. Chairman. David
20 Black, Harrisburg Regional Chamber. Like Gene, I have some
21 local government backgrounds. I was the county commissioner in
22 Cambria County for a number of years. I won't go into detail.

23 Just one quick example on the economic development
24 question. There's a project in Adams County right down 15, the
25 Pella windows project that was done late in the administration.

1 The company came in from Iowa and a colleague of mine who's
2 actually in a similar role in Maryland made a comparison.
3 Fortunately, PA got the project, but when we were asked to
4 bring all of the parties around the table, there were 35 people
5 around the table, a few municipalities, municipal authorities,
6 school districts, 35 people. And had they gone to Maryland,
7 which was a competitor state, there would have been six people
8 around the table representing the same interest.

9 PRESIDENT PATTI: Dave Patti from PA Business
10 Council. In addition to working here in Harrisburg, Mr.
11 Chairman, I spent 18 years as a board member in an industrial
12 development authority and spent five years as a chairman. I
13 can tell you that when those firms come in that we're trying to
14 attract, we use those big cardboard checks to lure them in
15 here, they wouldn't be in construction six to nine months down
16 the road. And we just can't deliver that in PA. Part of it is
17 plethora of governments.

18 Let me also be clear that while we -- any of us at this
19 table will tell you that 2500 units of local governments
20 committee -- we have 5,000 entities in the state that call
21 themselves economic development industries. We have way too
22 many of them as well.

23 But then, add to that the levels of government, the
24 complexity that gets from a township to the county to maybe a
25 regional group, like the Chesapeake Bay and the Delaware River

1 Commissions that you might have to deal with and then to the
2 state with a highway occupancy permit, DEP, Labor and Industry.
3 It is just too much government to move for the sense to be able
4 to deliver them quickly.

5 I do think, too, while I applaud everybody who gives up
6 their time to be a local government official, I would have to
7 concur with Professor Cigler that capacity building is very,
8 very important because the other difficulty in dealing with
9 local governments and the numbers of local governments is that
10 we don't have full-time professional staff there and many of
11 them, particularly if you're dealing with Greenville site.

12 So there is no township manager to go work with.
13 You're waiting for that person to get off work that night and
14 pull together a couple of supervisors and deal with them
15 separately and then the fact that you're going to obey the law,
16 you can't get too many supervisors together because then there
17 would be a Sunshine Act problem.

18 So I mean, we get into, for the best of reasons and
19 best intensions of public policy, a real difficulty in trying
20 to move quickly with a project.

21 EXECUTIVE VICE PRESIDENT GRIFFIN-YOUNG: I would
22 just like to add -- Michelle Griffin-Young with the Lehigh
23 Valley Chamber -- coming here today, I was actually in New
24 Jersey way on the other side of the river from the Chairman's
25 district and it was a bistate cooperation congressional

1 luncheon. So we had a hundred business people sitting in the
2 room talking about how can we better work together across state
3 lines. So it's somewhat ironic that we're still trying to
4 figure out how to better across municipal lines when people are
5 talking state lines.

6 But from the economic development perspective, the
7 questions being raised there make you you think about this.
8 For an example, why is it that New Jersey and PA fight so hard
9 to get a company and then end up hurting each other by losing
10 it to South Carolina? So it's time that we just start working
11 together instead of against each other. I just think that's an
12 interesting perspective for you to know where your constituents
13 are coming from.

14 CHAIRMAN FREEMAN: Thank you for your testimony
15 and your perspectives. I believe we did have one question.
16 Rep. Hennessey.

17 REP. HENNESSEY: Thank you all for being here.
18 Mr. Yablonsky, Former Secretary Yablonsky -- I don't know what
19 the proper way to address you is, but I was struck by your
20 rather generous description of the corroboration of the local
21 municipal governments we have in PA. I'm just curious and I
22 thought that that was a rather generous way to describe it.
23 Nonetheless, it still is the closest and most responsive level
24 of government that I've ever seen.

25 Generally, the supervisors, commissioners -- generally,

1 the supervisors, I've always analyzed the supervisors sit about
2 ten feet away from the crowd. Commissioners, it seems to me,
3 that, because of the way that they lay out the rooms, sit about
4 20, 25 feet from the crowd. County commissioners are a whole
5 lot farther removed. And school board directors, whenever I go
6 to school board meetings the agendas are so controlled that it
7 is almost impossible to ask direct questions.

8 In terms of whether or not I'd opt for the larger
9 government, that's less responsive or a smaller government
10 that's really as responsive as can be. I think I would opt for
11 the latter.

12 Nonetheless, as a group you all seem to agree with Ron
13 Grutza on 1429, but you couldn't disagree more, I think, in
14 terms of 1357. He just testified and, at least by his
15 constitution interpretation, the constitution requires the
16 voters to have the say in terms of the final say, I guess by
17 vote of referendum process. Either you disagree with his
18 interpretation of the constitution or in the interest of
19 expediency, we haven't considered that because if he is right
20 and the voters have to -- if the constitution does require a
21 referendum, then it seems to me that 1357 falls, unless we
22 amend the constitution. That's not likely to happen anytime
23 soon. It's just a time-consuming process.

24 So specifically, since that's the contrast that I see,
25 at least in the testimony that he's given and that you're

1 giving, can you just, each of you, address that, if you will.

2 CHAIRMAN FREEMAN: Just a point of
3 clarification -- and I think I touched on this when asking a
4 question to Mr. Gretza -- the state Constitution never took
5 away the power of the legislature to be able to deal with
6 consolidation, mergers, and boundary changes. That's been
7 retained.

8 We've never acted since the changes in '68, which took
9 away annexation, which outlined a process by which the local
10 communities can decide on their own to merge through a
11 referendum process. But we have retained that power, as do, I
12 believe, just about every state.

13 Given the fact that the state -- and no offense to the
14 local government entities here, but this is how the textbook
15 refers to it -- the local governments are creatures of the
16 state in terms of their creation, organization and structure.
17 So we retain that power, we just simply never acted upon it.

18 And as I understand it, 1357 is just trying to put
19 forward a mechanism to be able to utilize that process, one
20 that we understand the townships association is opposed, the
21 boroughs association is opposed to, but it would be within
22 constitutional prerogative. Feel free to comment on that.

23 CHIEF EXECUTIVE OFFICER YABLONSKY: Mr. Chairman,
24 I think you answered it a lot better than I could have. My
25 understanding is that this was reviewed by people who

1 understand the constitution. I believe earlier testimony from
2 the Governor's Office confirmed that and it is our
3 understanding that this is consistent with the state
4 constitution.

5 PRESIDENT BLACK: Mr. Chairman, if I could
6 elaborate on your point. You used the operative phrase, that
7 municipalities are creatures of the state. That comes from a
8 court case from the 1850s. Dillon's Rule that has been held by
9 the U.S. Supreme Court for 160 years. I mean, we have lots of
10 precedent. That's a national precedent for the entire United
11 States. That's not just PA. So the testimony of PSTATS and
12 the testimony of Boroughs is absolutely wrong on the legal
13 parts.

14 CHAIRMAN FREEMAN: I think it's not so much that
15 it's wrong. I think they just had a different interpretation.

16 PRESIDENT BLACK: Well, being generous, let me
17 mention that, looking around the room, I maybe the only one in
18 here who has a pen from Governor Casey from the signing of Act
19 47.

20 When we debated 47 in 1987, there was a discussion then
21 that, what do we do with a municipality that is distressed?
22 Nobody is going to voluntarily sign up to take them over, to
23 take them under the wing to help them out. So there was a
24 policy discussion.

25 Then, in 1987, for the expediency -- again, this was

1 being done particularly getting done for Clairton at the time,
2 which was in deep trouble -- we moved forward with the
3 legislation, but there was a major debate in the General
4 Assembly in 1987. Along the same lines of this legislation,
5 that maybe we should form some kind of mechanism to just say,
6 well, look, we understand why you wouldn't want to, but we're
7 going to put it together. So that was discussed. That's not
8 something new. That goes back 25 years.

9 REP. HENNESSEY: Thank you.

10 CHAIRMAN FREEMAN: Rep. McIlvaine-Smith.

11 REP. McILVAINE SMITH: Thank you, Mr. Chairman and
12 thank you all for your comments. I wanted to ask, because I
13 was in business for 28 years and I had a very small business.
14 We only had six employees. And we worked around the county and
15 because we worked in water condition, we did have to follow
16 rules of different municipalities. But for business, would the
17 consolidation and merges really help you out? Wouldn't it be
18 more, the point of contact of being able to go through those
19 layers with one point of contact because, what I see from this
20 level and having been on local government -- I was vice
21 president of West Chester Borough Council -- that it's -- as
22 you were saying about the DEP and you have to talk to the
23 Department of State and the Department of Revenue. We have so
24 many points of contact. So that's what really makes it
25 difficult. Do really think it's the consolidation and merger

1 or the boundary changes? Would that really help?

2 VICE PRESIDENT BARR: I'll be happy to try that.
3 I think that it would. Again, a lot of this is hearing from my
4 members. Again, Rep., you have been in business, so you
5 understand that many times there are multiple points of
6 contact. You might have a facility, particularly a larger
7 facility that falls -- I worked at one -- that fell over three
8 different municipalities.

9 When you have to make a change at that facility, you
10 are contacting in addition to numerous state agencies, federal
11 agencies, authorities, commissions, you're contacting three
12 different municipalities, each with different potentially
13 different local permitting requirements and so forth. So that
14 does become problematic.

15 The other thing -- and I think that this summarizes it
16 and part of this goes back to Rep. Hennessey's question and I
17 think Dennis said it very well -- we believe that we ought to
18 move forward on the one in which is a universal agreement and
19 start looking in great detail at the other because I think
20 Rep. Hennessey hit on the dilemma that we're all focused on
21 here. You've got government that is a bit larger, that is
22 arguably a bit more removed from the people, versus one that is
23 closer to the people where their council person lives down the
24 street.

25 The problem is, there's a cost to that, as there is to

1 everything else. So balancing that cost, the direct cost, in
2 terms of higher taxes -- as we've heard earlier from the Mayor
3 of Easton -- about the three different municipalities over the
4 million dollar piece of fire equipment.

5 The indirect cost of business opportunities and these
6 are the things that we have to balance versus that more direct
7 representation.

8 REP. McILVAINE SMITH: I thank you, Gene, but I
9 guess I didn't ask the question correctly. I'm talking about
10 streamlining the process of getting the approvals. I guess
11 coming at it from an entirely different direction.

12 And I'm not saying that we shouldn't move forward with
13 1429 and 1357, but if there were some way that we could come up
14 with figuring out all of those approvals, the DEP, the planning
15 commission at the county level, at the local level, that there
16 is some central point of contact to make it very easy.

17 Say, you just go on the website and it's the Department
18 of Revenue -- I'm just making all of this up as I go along --
19 you push a button and everything from where you're going to
20 be -- if you're going to have to display over three different
21 municipalities -- that everything pops up so that you have this
22 one point of contact to be able to get all of your approvals as
23 you sit there. To just go through it click, click, click, so
24 that you're not -- so that somehow we make it more uniformed
25 instead of allowing each municipality -- and, believe me, we

1 are 1.2 square miles in the middle of lots of large
2 municipalities that had a lot of money because they can expand
3 and we're all bunched in in that little square mile.

4 But I think that we should probably be looking into
5 it another way to easily facilitate business in our
6 Commonwealth. Instead of having all of these little people to
7 deal with, there should be some overarching way to allow
8 business to come in contact without having to go in front of
9 three supervisors or seven council members. Every little
10 thing.

11 VICE PRESIDENT BARR: And I agree with you. I
12 think there is a couple of people here that could answer this
13 much better than I can, but the problem is that because you've
14 environmental requirements, transportation requirements, you've
15 got, literally, billing permit requirements.

16 Now, you have all of these, particularly the billing
17 permit at the local level, that becomes another layer of that
18 the business, whether it's an existing business or a new and
19 relocating business, must address. But many other states are
20 attempting to do exactly as you say, develop that point liaison
21 for all of those, particularly the state level. But I'm sure
22 those others have some answers for you on that.

23 PRESIDENT PATTI: I was just going to add, your
24 vision is wonderful, particularly with the use of technology.
25 Part of the challenge comes in with the consistency of local

1 government regulations. And that would require some
2 consistency across the Commonwealth and that's something that
3 probably could be addressed, as you said, without
4 consolidation. But consistency is some of the planning
5 requirements that each municipality, each county, and given the
6 diversity of PA, makes it very, very challenging. That could
7 clearly be a goal that could be worked for.

8 But, again, the bottom line that would make PA more
9 competitive when it comes to permitting for businesses. You
10 fill out one application online and, boom, it's done and if
11 there has to be a hearing, it's one hearing on one issue and
12 you have the municipality, county, and state and then -- God
13 forbid -- even the feds in the same room.

14 PRESIDENT BLACK: One, that is not the only reason
15 that the business community is interested in this legislation
16 overall. Now, this gets to the academic panel's testimony on
17 the empirical research, but there is a belief within our
18 community, I think, generally speaking, that we're looking for
19 efficiencies and economies of scale because we are also
20 taxpayers at the local government level.

21 So if we can reduce the cost of local government, make
22 local government more efficient, that would also will improve
23 the competitive climate of PA. So that's a little bit
24 different. That definitely goes to the testimony that we've
25 heard from a number of people, that merger and consolidation is

1 not the only way to get there. The right sizing service by
2 service is a way to get there. We would encourage that and do
3 everything that we can. And so we're always using COGs and
4 other forms to get there now. That's great and we would like
5 to see that happen.

6 But we have tried, in this state, to crash the system.
7 The action team part of DCED goes back to the Thornberg
8 Administration. Then team PA, you have sitting here,
9 literally, in a row by coincidence, three successive chief
10 operating officers of team of PA. I don't know how they made
11 out. I can't say that I've had a whole lot of success trying
12 to get that stuff done.

13 But that was the idea, that you would have a point of
14 contact who would then know people and then would use their
15 role to get something done and it was still tough in part, not
16 entirely, but in part because of the plethora of governments in
17 the process and the rules of the game in PA.

18 REP. McILVAINE SMITH: Thank you, Mr. Chairman.

19 CHAIRMAN FREEMAN: Just one final follow up
20 question on my part and I guess it's for Mr. Yablonsky, who is
21 the former secretary for DCED.

22 I recall that one of the findings of the Brookings
23 Institute study, "Back to Prosperity", was that, we, as a
24 state, don't tend to utilize our economic development dollars
25 as effectively as we should. Part of that -- and it was their

1 finding and I'm just asking for your opinion on this -- was
2 that perhaps we feel like we have to spread the pie out
3 everywhere, so it doesn't necessarily get directed into those
4 places, we're going to have the biggest bank for its buck,
5 where it's addressing an area of need that's maybe distressed,
6 who might need the most in the way of dollars.

7 Part of that maybe the fragmentation of local
8 government. Part of it maybe our process up here. I don't
9 think this comes as a shock to anyone in the room, but
10 sometimes the process up here seems awfully dysfunctional in
11 terms of how we deal with the legislative process policy
12 setting and come to consensus, if you will, on certain
13 initiatives.

14 Was it your experience as secretary that, are we
15 misusing -- well, not misusing, but maybe misdirecting, that
16 the liberty of our economic dollars are not being as effective
17 as they could have been?

18 CHIEF EXECUTIVE OFFICER YABLONSKY: A recent study
19 that came out from, I think, the Keystone Institute. I may
20 have that wrong. Just studied what's gone on over the last
21 eight years in the terms of how state economic development
22 dollars have been allocated, which is not DCED. It basically
23 said that DCED and the other departments involving economic
24 development did a much better job in following the Brookings
25 report in terms of having merit-based selection and focussing

1 where the dollars would have a bigger impact and more of it
2 where it was needed. There's a bunch of statistics and ways to
3 analyze it.

4 CHAIRMAN FREEMAN: Well, also the point systems
5 used by the department.

6 CHIEF EXECUTIVE OFFICER YABLONSKY: Right. We had
7 an economic development cabinet made up of nine cabinet
8 members, which I chaired and we all agreed -- I think it was in
9 the third year of the Rendell Administration -- on a set of,
10 what we call, Keystone Principals. It was a set of twelve
11 principals that we all agreed we would use for evaluating
12 applications against economic development programs and we all
13 implement them. That's also referred to in this report. So I
14 think progress has been made throughout the administration
15 toward that goal.

16 CHAIRMAN FREEMAN: Thank you. Seeing that there
17 are no further questions, I want to thank the panel for their
18 testimony. I appreciate you coming here today and informing
19 the committee of your view on this timely issue.

20 I do want to note for the purpose of the members that
21 we also have some submitted testimony from the PA State
22 Association of Township Commissioners. That is in your
23 committee packets for you to go over.

24 This concludes our testimony for today's hearing.
25 Chairman Creighton and I have a sense of mercy to the audience

1 that sat through this long hearing and have decided not to have
2 closing remarks. However, I do want to thank all of those who
3 have testified today and for their willingness to stand for
4 questions before the committee. I also want to thank our
5 stenographer, who did not taking a single break in the course
6 of this long hearing.

7 I want to remind those who are interested that our
8 committee is convening tomorrow at 10:00 in this room to
9 conduct a hearing on Rep. Caltagirone's legislation and many of
10 those who have testified today will be weighing in on that
11 legislation as well.

12 So with that, I thank you for your attendance and this
13 concludes today's hearing.

14 (The hearing concluded at 4:40 p.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Kelsey J. Dugo
Notary Public