

Beyond Act 47: A Call to Action

As the state legislature grapples with revisions to Act 47 in order to better enable financially distressed communities to emerge from the program, one hard truth remains — a strengthened Act 47 fails to address the core issues that are sending an increasing number of municipalities tumbling over a fiscal cliff.

Across the Commonwealth, cities have been generating less revenue from the taxing sources that are available to them. As taxes fall short and costs for services rise, cities are increasingly relying on revenues from borrowing, asset sales and other non-traditional methods to fill the gap. Boroughs are facing similar challenges. Even townships are on the cusp of fiscal problems as once soaring tax revenues are trending flat or declining. **The situation endangers the provision of adequate public safety and public works services to Pennsylvania residents.**

To ensure that communities are able to provide for the health, safety and welfare of their citizens, municipalities need to have additional options for providing services so they can remain on sound financial footing and avoid a crisis situation that leads to Act 47. The fact that so many municipalities have failed to exit Act 47 is telling. Most cannot survive without the enhancements that are offered by the program.

Pennsylvania's municipalities are broken into thousands of little puzzle pieces with each one offering — and funding — its own distinct brand of public safety and public works services. Meanwhile, Pennsylvania's citizens exist regionally. They make their home in one community, work in another, shop in a third and travel back and forth through a multitude of others. **As a result, there is a mismatch between the current method of service delivery and the way residents live that represents a failure of local government.**

The current disconnect is costly not only to municipalities that increasingly cannot afford to offer and fund services within constrained boundaries. It also shortchanges residents who rightly deserve safe homes and safe communities with plowed and maintained streets regardless of where they live, work or play.

The fragmented system has another human cost as police officers, fire fighters, public works employees and other vital public sector workers become demoralized as they worry over the long-term viability of their careers and see their work demeaned as municipalities are forced to pinch pennies. It is worth remembering that these employees perform crucial services that keep our communities safe, secure and well maintained. It is a hard reality, but in order to retain those services, we must pay for them.

Pennsylvania local government must change its thought process. Public safety and public works services, in particular, must be considered regional assets in recognition of the regional lives of our

citizens and, as such, should be funded and provided on a regional basis. That does not mean there is a need to force the consolidation or merger of municipalities, a difficult process with a poor track record of success. Pennsylvania does not have the time to waste on that long-term battle. Instead, municipalities should be given the tools and the opportunity to provide for regional service delivery. This is not an alien concept. Counties and school districts already operate regionally.

So what would the new system look like? There are various options. One alternative could use special purpose taxation levied through a uniform millage by the member municipalities to fund a unified budget for a special service delivery area. Each municipality would provide a portion of its existing tax base.

Although communities can currently share services, this approach would differ from the current reality in two ways. First, it would provide a dedicated source of funding for the service area. Second, it would carry a requirement that once municipalities voluntarily entered a service delivery area, they could only exit if more than 50 percent of the municipalities representing more than 50 percent of the population in the district agree to end the relationship. That is the model used by the successful existing county solid waste legislation.

Municipal governments would continue to represent the interest of their constituents, fielding complaints about barking dogs, speeding cars and potholed streets. But instead of directly running public safety and public works, they'd simply "write a check" in the form of tax base sharing to the service delivery district and relay any concerns that they or their residents have regarding the services.

Pennsylvania is at a critical junction. Tax revenue in the Commonwealth's third-class cities has sunk from 60 percent to 30 percent of their total revenues in the last 40 years. Rising salaries, aging infrastructure and legacy costs are sapping budgets. Economic and community development, while laudable, does not produce the revenue necessary to solve the problem.

Boroughs, which are akin to "mini cities," are increasingly mirroring the same problems as their larger counterparts but are also turning to options that impact quality police coverage by hiring more part-timers, backing away from 24/7 coverage, or disbanding borough police departments and moving to state police coverage.

Townships are at a crossroads. Second-class townships saw total tax revenues explode by 241 percent over the last 40 years — compared to a 5 percent decline in cities — fueling greater spending on services like public safety. However, the higher tax revenue from the development boom that occurred when businesses and wealthy residents fled the cities is showing signs of slowing, with gains from earned income and real estate transfer taxes diminishing. The data signals potential fiscal trouble on the horizon.

If we fail to reform the way local governments operate, it will see more and more communities tumble into Act 47 with no way to claw themselves out but plenty of reason for residents to move out for other states that take a more modern approach to service delivery.