PENNSYLVANIA STATE PLANNING BOARD

RECOMMENDATIONS ON INFRASTRUCTURE, EFFICIENT GOVERNMENT, AND COMMUNITY REVITALIZATION | JULY 2017

Wellsboro, PA

Submitted to:
Tom Wolf, Governor

PENNSYLVANIA STATE PLANNING BOARD

The State Planning Board is an advisory board within the Governor's Office. It was established by the Administrative Code of 1929 as re-enacted and amended. The Board's duties include studying demographic, economic, and development trends, and preparing strategic plans to promote the welfare of the commonwealth.

There are 25 members, including 15 gubernatorial appointees confirmed by the Senate serving four-year terms, cabinet secretaries from six commonwealth departments, and four representatives from the General Assembly.

GUBERNATORIAL APPOINTEES

Alexander J. Graziani, Chairperson

Helen Hanna Casey

William B. Hawk

Robert Hess

Susan G. Hockenberry

Allen McIntosh

Joan McMillen

John Moyer

Kurt Schroeder

David Sciocchetti

Kirk Stoner

Jose Enrique Urdaneta

Three seats vacant

CABINET SECRETARIES

Russell Redding, Department of Agriculture
Alternate Michael Smith, Executive Deputy Secretary

Dennis M. Davin, Department of Community and Economic Development
Alternate Rick Vilello, Deputy Secretary for Community Affairs and Development

Cindy Adams Dunn, Department of Conservation and Natural Resources
Alternate Sara Nicholas, Director of Policy and Planning

Patrick McDonnell, Department of Environmental Protection
Alternate Jessica Shirley, Policy Director

Ted Dallas, Department of Human Services
Alternate Glenn Williams, Director, Bureau of Administrative Services

Leslie S. Richards, Department of Transportation
Alternate Roger Cohen, Policy Director

LEGISLATIVE APPOINTEES

Representative Seth Grove (R-York County)

House Democrat, *vacant*

Senator Scott Martin (R-Lancaster County)

Senate Democrat, *vacant*

TABLE OF CONTENTS

Introduction 2

Process 3

Summary of Issues 4

Recommendations 6

State Policy 6

Planning 8

Efficiency Improvements 9

Fiscal Improvements 10

Appendix A Infrastructure Issues and Ideas Scan A-1

Appendix B Efficient Government Issues and Ideas Scan B-1

Appendix C Community Revitalization Issues and Ideas Scan C-1

Appendix D Input Provided to the State Planning Board – Summary D-1

INTRODUCTION

In 2016 the Pennsylvania State Planning Board received a charge from Governor Tom Wolf to prepare a report with recommendations in three areas:

- **Infrastructure –** Recommend incentives for regional planning and coordination of infrastructure investments.
- **Efficient government –** Make policy suggestions to remedy problems or inefficiencies of fragmented government.
- **Community revitalization –** Recommend how the state can do more to help struggling communities and address the urban/suburban divide and twin challenges of concentrated poverty and sprawl.

The full charge is shown to the right.

Reading, PA

GOVERNOR'S CHARGE

Governor Wolf directs the State Planning Board to prepare a report with consensus recommendations for state policies and actions, including possible legislation, in three broad areas:

- **How can state and local infrastructure funding be better coordinated to provide incentives for regional planning, coordination between local units, right-sizing of services, and increased efficiency?** In particular, how can we influence decision-making about transportation, water, sewer, and stormwater investments, to promote these goals? Develop policy recommendations which can be implemented (or note needed legislative changes) to drive smart planning.
- **How does the fragmentation of government at the state, county and local level affect decision-making on issues such as school funding?** Pennsylvania has more than 5,000 governmental units, each of which has authority for specific functions. How does this decentralization of planning affect outcomes, and are there policy suggestions which could remedy problems or inefficiencies which are identified?
- **How can the state do more to support Pennsylvania's struggling older cities and towns?** Identify policies, including tax policies, which contribute to the divide between urban and suburban areas, and to the twin challenges of concentrated poverty and sprawl. Develop recommendations to level the playing field between urban and suburban areas.

PROCESS

Filter Square - Philadelphia, PA

The Board formed work groups for each of the three subject areas. Staff of the Department of Community and Economic Development provided information and research. Work groups prepared issues and ideas scan reports which were discussed by the full Board.

- Issues and ideas scans for each work group are in Appendices A, B & C.

The Board invited stakeholder input at a special meeting and via written submission. On December 1, 2016, five panels of experts, 14 presenters in all, provided input to the board, answered questions, and engaged in discussion. Most of the presenters also provided written input. Four organizations that did not present on December 1 provided written input.

- A summary of input is in Appendix D.

The Board discussed and refined recommendations at its meetings in January and May 2017.

SUMMARY OF THE ISSUES

Below is a summary of issues in each of the three areas of the Governor's charge. More information is discussed in the issues and ideas scans in Appendices A, B & C.

INFRASTRUCTURE

The degree and nature of planning for infrastructure in Pennsylvania varies from one type of infrastructure to another. For transportation, Pennsylvania has a well-developed regional transportation planning program mandated by federal and state laws. For wastewater facilities, Act 537 requires every municipality to develop and implement a sewage facilities plan, but does not require regional planning or cooperation. For water facilities, there are no requirements for municipal or regional planning. All municipalities in Pennsylvania have the power to plan for infrastructure in comprehensive plans, but the power is optional and almost a third of the state's municipalities do not plan. Of those that do plan, most do not plan or coordinate regionally.

The nature of infrastructure planning in Pennsylvania – combined with competition between municipalities for development and real estate taxes, fueled by mobility, higher incomes, and changing lifestyle preferences – led to sprawling development and infrastructure in the latter half of the 20th Century. Substantial population and business changed location and created additional infrastructure burdens without commensurate population and economic growth.

Effective regional planning and coordination may not have prevented all sprawl, but it would have led to more savings from economies of scale, less duplication of facilities and development, and maximization of public investment.

The State Planning Board believes – as demographics, the economy, and lifestyle preferences are again changing, and changing dramatically – that regional planning and coordination of infrastructure investments are key to smarter spending of tighter state and local government budgets, and key to capturing the economic growth opportunities of today and tomorrow.

EFFICIENT GOVERNMENT

Pennsylvania has a fragmented local government system. There are 2,560 municipalities and 67 counties. Overlaying these governments are 500 school districts and over 2,400 local authorities. Pennsylvania ranks third among states in the number of local government units.

There has been a long-running debate if the multiplicity and fragmentation of local governments is a liability or an asset.

- **Liability –** Competition among fragmented municipalities for development and real estate taxes in Pennsylvania's slow-growth market provoked a shift of population and businesses, not real growth, resulting in fiscal winners and losers. The large number of municipalities dilutes political and strategic clout to attract investment and accomplish other strategic objectives. Public administration theorists argue smaller, fragmented local governments are less efficient.

- **Asset –** Citizens interact more with and respond more favorably to close-to-home local governments. Public choice theorists argue that fragmentation produces more creative local government management because of the motivation to keep citizens and businesses from moving to a neighboring municipality. Also, in a fragmented system, local governments can and do cooperate.

There appears to be no decisive national research indicating fragmented local governments are lagging in population and economic growth, or consolidated regional governments are making greater impact on economic competitiveness.

The debate aside, there is a fundamental mismatch between political boundaries of municipalities and real extents of functions and systems governments deal with. People live in one municipality, work in another, and shop and recreate in yet another. Economic markets, natural systems, and infrastructure networks aren't limited to municipal boundaries. Important decisions about these matters are made in the narrow interests of the fragmented governments, not in the interests of the regional systems.


Pittsburgh, PA

There are success stories of regionalized municipal services that suggest Pennsylvania can benefit further from multimunicipal cooperation and sharing of services. One success story is the regionalization of earned income tax collection. With implementation of Act 32 of 2008, Pennsylvania went from 2,900 taxing jurisdictions and 560 EIT collectors to 69 taxing districts and fewer than 20 tax collectors. Regional collection improved the system and increased collections by $173 million annually. Another success story is Pennsylvania's 52+ councils of government (COGs). COGs are voluntary associations that provide a variety of cooperative services and purchasing for member municipalities. COGs have a track record of saving money and improving services while keeping local control with member governments.

With research showing fiscal distress growing across all classes of municipalities in Pennsylvania, it makes sense to provide more opportunities for intergovernmental cooperation and multi-municipal, regional delivery of municipal services.

COMMUNITY REVITALIZATION

In the latter half of the 20th Century, most of Pennsylvania's core communities (older cities and boroughs) lost population and businesses to nearby suburban and formerly rural areas. More recently, older inner ring communities are experiencing similar losses. The current situation for these communities is:

- The principal means under state law of raising revenue is taxing real estate and residents' incomes. As businesses and population declined, so did the base on which to draw tax revenue.
- These communities are hubs of employment, culture, sports, and entertainment patronized by regional residents.
- These communities are hubs for colleges, churches, hospitals, and government buildings which occupy large properties but don't pay real estate taxes.
- Expenses have not declined. Core and inner ring communities maintain substantial police, fire, and public works forces (see prior two bullets), and cope with unfavorable contract arbitration awards, skyrocketing healthcare costs, and the burden of maintaining fully-funded pension plans.

The pattern of decline left many core and inner ring communities in fiscal distress and with large numbers of blighted and abandoned properties and high poverty. Conditions have hurt competitiveness to retain residents and businesses and constrained the ability of communities to restructure and regrow their economies and help themselves out of their dilemma.

RECOMMENDATIONS

The State Planning Board identified four overarching objectives that respond to the Governor's charge.

- State policy
- Planning
- Efficiency improvements
- Fiscal improvements

For each objective, the State Planning Board recommends specific strategies.

☑ STATE POLICY

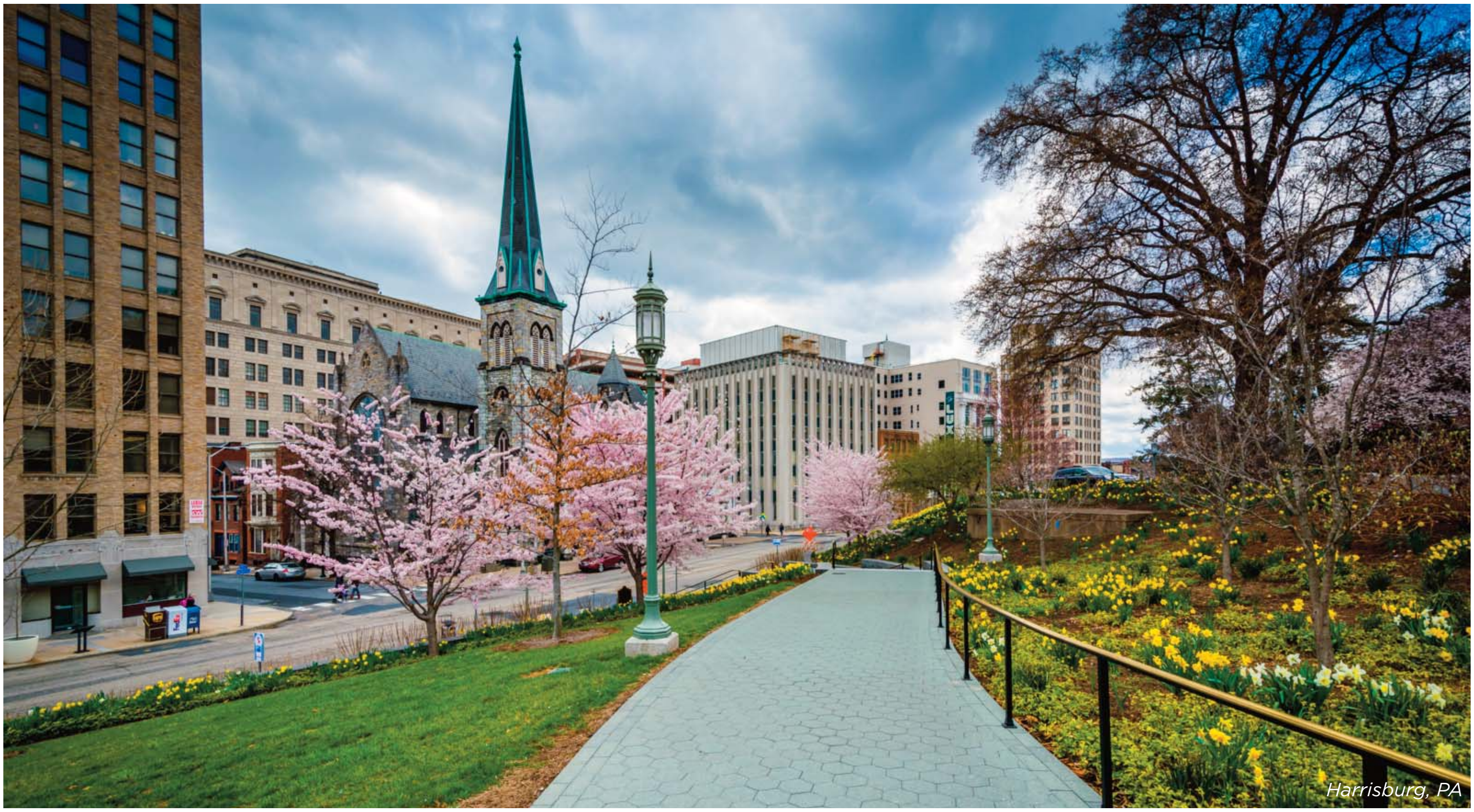
Any progress in the three areas in the Governor's charge must start with a statement of policy and commitment from the commonwealth government.

Establish state goals and strategic investment principles.

- The executive branch of state government, with leadership from the Governor, should adopt a set of statewide "smart investment, smart growth" goals and principles.
- The goals and principles would touch all three issues in the Governor's charge. They would express a commitment by the commonwealth to:
  - Reward regional infrastructure planning.
  - Reward efforts to reduce government fragmentation, share services, and cooperate among multiple municipalities.
  - Target state investments to revitalize struggling communities.
- The goals and principles should be developed by state agencies with leadership provided by the six agencies sitting on the State Planning Board and with oversight by the Board.
- The Keystone Principles promoted in Pennsylvania starting in 2005 could be used as a starting point, but should be revised for current thinking.

KEYSTONE PRINCIPLES

1. Redevelop first
2. Provide efficient infrastructure
3. Concentrate development
4. Increase job opportunities
5. Foster sustainable businesses
6. Restore and enhance the environment
7. Enhance recreational and heritage resources
8. Expand housing opportunities
9. Plan regionally, implement locally
10. Be fair



The commonwealth must back its commitment to principles with the most significant incentive available – MONEY.

Institutionalize state goals and strategic investment principles across state agency funding programs.

- State agencies should incorporate the goals and principles into criteria and scoring used to evaluate applications for funding programs. Applications that address the goals and principles should receive higher scoring and consideration for funding.
  - This could involve a certification or self-certification by applicants that they have adopted the principles in their normal business and operations.
  - There should be a systematic effort across the array of state funding programs to incorporate the goals and principles into criteria and scoring.
- Cautions:
  - Any criteria, scoring, or certification process should be made operational without making funding program processes more cumbersome.
  - State agencies must be allowed some flexibility to not apply principles in the face of conflicting funding criteria.
- The state should also promote use of state goals and investment principles by counties and municipalities to guide their investments.

Establish a state interagency team to implement state goals and investment principles and promote greater coordination between state agencies.

- An interagency team should involve higher-level central office staff and regional/local staff from state agencies to regularly discuss potential state financing investments, plus how to maximize impact, achieve multiple outcomes, coordinate and in appropriate instances "bundle" investments, and help achieve regionally planned goals.

  (The commonwealth successfully employed an interagency team from the late 1990s to the late 2000s, at first for sound land use initiatives and later for investment principles and general program coordination.)
- An interagency team could encourage more multi-task, multi-benefit projects to maximize impact from limited dollars.

The above recommendations do not involve more funding or new funding programs. They involve more strategic use and maximizing the impact of existing state dollars and programs.


Lock Haven, PA

☑ PLANNING

Smarter and more strategic state investing must be paired with better planning at the regional and community level.

Provide technical and financial assistance for planning

- The commonwealth should make it a priority to dedicate more staff help, training, and grants for regional and community planning to support smarter and more strategic investing. Planning help should have a higher priority within existing resources, and for additional resources as the state government's fiscal condition may improve.
- A modest measure of additional state funding could be maximized by leveraging funding from counties and match from municipalities to undertake local plans and coordinate them at a county scale.
- State funding could require that plans identify strategic infrastructure and community and economic development priorities, agreed by local governments in the region, that state agencies could rely on for investment targeting.

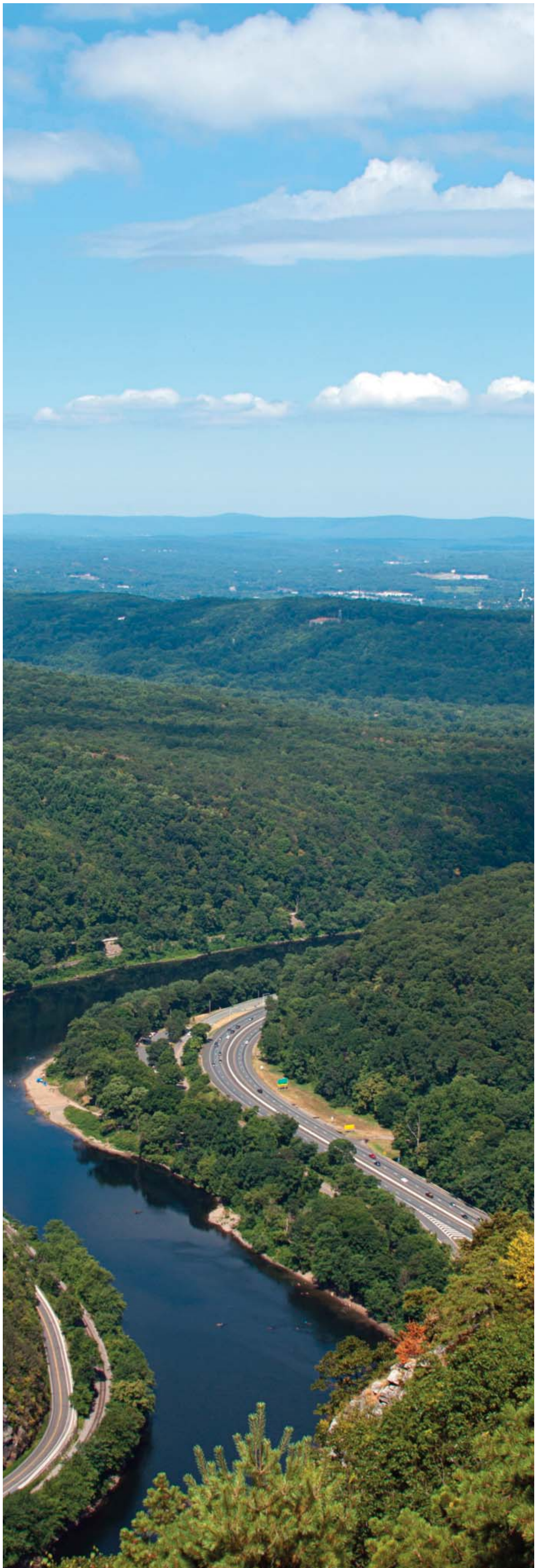
There are two areas in which planning assistance would make an impact in the community revitalization part of the governor's charge:

Help local governments eliminate blight

- The commonwealth should provide technical and financial assistance to:
  - Promote use of the expanded array of tools and powers to eliminate blight, enforce codes, and deal with vacant properties.
  - Help with development of local blight plans and redevelopment/reuse strategies.
  - Build capacity for local code enforcement and land banks.

Help local governments undertake economic development

- The commonwealth should provide technical and financial assistance to communities, particularly those that have suffered economic and fiscal struggles, to:
  - Plan and carry out economic development strategies that attract investment, rebuild local economies, and grow the local tax base.
  - Capture the changing business and jobs market arising from changing demographics, technology, and place-based economic drivers.


Delaware Water Gap, PA

☑ EFFICIENCY IMPROVEMENTS

There are growing instances in which real value would be gained from intergovernmental cooperation and multi-municipal, regional delivery of municipal services, and there is a track record that these things occur when the state provides support.

Promote more regional delivery of municipal services

- Legislation is needed to provide more legal opportunities for voluntary intergovernmental cooperation and regional delivery of municipal services. Recommendations include:
  - Provide legal authority to counties to deliver services that are traditionally municipal services. Examples could include a county providing police or road maintenance upon request of one or more municipalities, or a county providing such services under contract with one or more municipalities.
  - Provide legal authority for creation of regional (multi-municipal) service compacts where two or more municipalities agree to jointly deliver a service like public works and establish a tax uniformly assessed in the participating municipalities to support the joint service.
  - Provide a mechanism simpler than an intergovernmental cooperation agreement enacted by ordinance, as currently required by the PA Intergovernmental Cooperation Law, for mutual aid arrangements between municipalities.
- Within priorities for existing resources, or as the state government's fiscal condition improves, the commonwealth should make it a priority to dedicate more staff help and grants to start or expand intergovernmental services.
- Technical assistance from the commonwealth should include publicizing best practices, success stories, and standards of excellence.

Promote regional service delivery in four particular areas

- There are four functional areas, in which there are emerging demands and growing needs, which offer prime opportunities for regional delivery of services:
  - MS4/stormwater management via county/municipal partnerships.
  - E-government – Shared use of digital storage, applications, websites, etc.
  - Blight – Regional land banks, shared code enforcement.
  - Public works – Multi-municipal departments or compacts.

✓ FISCAL IMPROVEMENTS

There are well-conceived legislative proposals that would help the fiscal health of local governments in general, and would be of significant aid to local governments in fiscal distress, giving them more capacity to tackle their own problems and pursue community and economic revitalization. The State Planning Board recognizes the impacts of the issues on local government and relationship to the Governor's charge. As such the Board offers its support of proposals by others.

Reform local government pensions and Act 111 collective bargaining

- The State Planning Board supports proposals that relieve pension mandates causing fiscal burdens and give local governments more choices in pension offerings to their employees.
- The State Planning Board supports proposals that "level the playing field" for collective bargaining between local governments and their employees, including removing pensions from collective bargaining and allowing arbitration to consider local government fiscal condition.

Provide local governments with a broader menu of tax options

- The State Planning Board supports proposals to authorize more local taxing options to reduce over-reliance on property taxes.
  - A broader menu of options could include an increased local services tax, a payroll tax instead of a business privilege tax, a county-option local sales tax, and personal income and earned income taxes for counties.
- The State Planning Board supports tying authority for tax options to incentivize regional infrastructure and service delivery or building local capacity to undertake community and economic revitalization.

If there is no change and local government revenue will continue to be reliant on property taxes, then attention needs to be given to the standards and processes for property assessment, and counties need to be given help undertaking regular reassessments.

Modernize real estate tax assessment and collection

- The State Planning Board supports following the work of the Pennsylvania Local Government Commission Assessment Reform Task Force. The task force was formed to look at the assessment laws and the process of reassessment and recommend legislative action, regulatory change, and to use of best practices.
- Use Act 32 earned income tax consolidation as a model to modernize the current system for real estate tax collection.

STRATEGY	RECOMMENDATIONS	CONNECTION TO THE GOVERNOR'S CHARGE		
		Infrastructure	Efficient Government	Community Revitalization
State Policy	Establish state goals and strategic investment principles	✓	✓	✓
	Institutionalize state goals and principles across state funding programs	✓	✓	✓
	Establish a state interagency team	✓	✓	✓
Planning	Provide technical and financial assistance for planning	✓	✓	✓
	Help local governments eliminate blight			✓
	Help local governments undertake economic development			✓
Efficiency Improvements	Promote more regional delivery of municipal services	✓	✓	
	Promote regional service delivery in four issue areas	✓	✓	✓
Fiscal Improvements	Support reform of municipal pensions and collective bargaining			✓
	Support a broader menu of tax options for local governments		✓	✓
	Modernize real estate tax assessment and collection		✓	✓

Appendix A

State Planning Board Infrastructure Work Group
Issues & Ideas Scan

For State Planning Board meeting, October 14, 2016

Governor Wolf's Charge - How can state and local infrastructure funding be better coordinated to provide incentives for regional planning, coordination between local units, right-sizing of services, and increased efficiency? In particular, how can we influence decision-making about transportation, water, sewer and stormwater investments, to promote these goals? Develop policy recommendations which can be implemented (or note needed legislative changes) to drive smart planning.

Infrastructure planning background

Comprehensive plan

All municipalities and counties in Pennsylvania have the power to plan for infrastructure in their comprehensive plans. Powers are prescribed by the Pennsylvania Municipalities Planning Code (MPC). Comprehensive plans are optional for cities, boroughs, and townships, mandatory for counties. Plans must address transportation and community facilities, including water, sewer, stormwater, and recreation, plus interrelationships of these facilities with each other and land use, housing, and development. Plans may include a capital improvement program.

The MPC:

- Does not define the level of detail of infrastructure planning.
- Does not require minimum levels of service nor concurrency with development.
- Does require planning review (advisory only) of proposed infrastructure projects of many types (in municipalities with an adopted comprehensive plan).
- Includes provision 303(c) which provides that no municipal action shall be invalid or appealable on the basis that it is not consistent with the comprehensive plan.

Comprehensive plans are typically undertaken by single municipalities. The MPC provides incentives for multimunicipal planning, but the amount that have done so is guessed at 10-20%.

Transportation

Pennsylvania has a well-developed, long-running regional transportation planning program. It is mandatory by federal and state laws. Planning for major transportation improvements using federal and state funds is done by 23 regional organizations that cover the state.

- 19 federally-designated MPOs (Metropolitan Planning Organizations) - 7 multi-county MPOs and 12 single-county MPOs.
- 4 state-designated RPOs (Rural Planning Organizations) - all multi-county.

(One county - Wayne - is not in an MPO or RPO. It works independently with PennDOT to plan transportation projects.)

MPOs and RPOs prepare 4-year transportation improvement programs (TIPs) and 20-year long-range transportation plans (LRTPs). Plans include all modes - highway, bridge, transit, bike/ped, rail, air, and water. TIPs are lists of projects jointly approved by the MPO/RPO and PennDOT to be undertaken with expected levels of funding in the four-year period. MPOs and RPOs involve community leaders and public involvement in planning and determining priorities.

Wastewater facilities

Pennsylvania Act 537 requires every municipality to develop and implement a comprehensive sewage facilities plan that addresses current and future sewage disposal needs. Plans must be definitive and detailed to ensure there are proper and functioning sanitary sewer facilities serving all development. PA DEP must approve all Act 537 plans. Act 537 does not require regional planning, but there are communities where regional wastewater systems were found to be best solutions and regional 537 plans were prepared.

Water facilities

Public water supply systems are regulated by PA DEP. Permits are required for new systems and for alterations/expansions. There are no requirements on municipalities for comprehensive planning of current and future water supply needs similar to Act 537 planning. There are two river basin commissions - Delaware and Susquehanna - that manage water withdrawals.

Stormwater facilities

Pennsylvania has a county-based stormwater management planning program. Act 167 of 1978 requires counties to prepare stormwater management plans for watersheds in their counties. Municipalities in turn are required to enact ordinances requiring development to provide stormwater measures and facilities meeting standards consistent with the county plans.

In the last 25 years, stormwater planning has become a larger issue. Municipal separate storm sewer systems (MS4s) are now regulated by US EPA similar to wastewater systems. They must obtain permits and control the amounts of pollutants they discharge into waterways. The permitting responsibilities fall on individual municipalities, but some are considering regional approaches to meet MS4 requirements.

Recreation and open space

There are no requirements on municipalities for planning of recreation and open space. PA DCNR does provide funding for planning, and greater priority to fund projects that implement a community or regional plan. DCNR encourages multi-municipal applications for planning and projects.

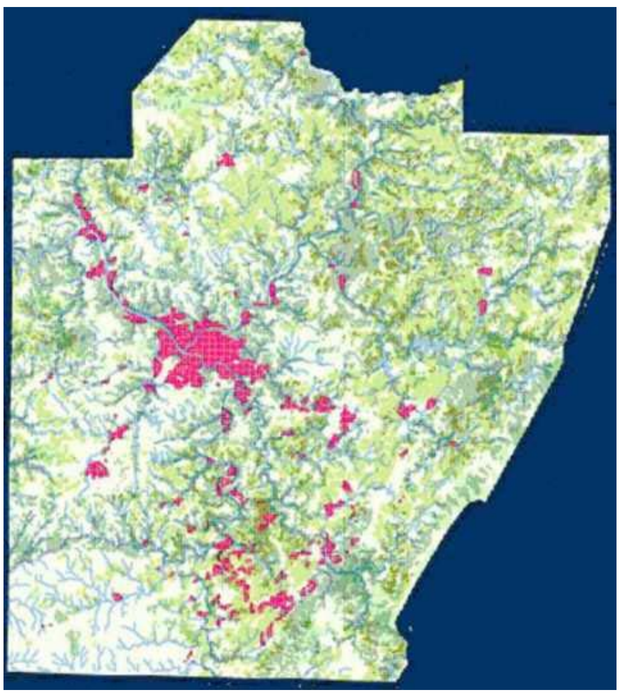
DCNR is working with officials and citizens in 7 distinct “conservation landscapes” (multi-county regions) to promote effective land use planning, resource conservation, sustainability, and community revitalization.

Issues

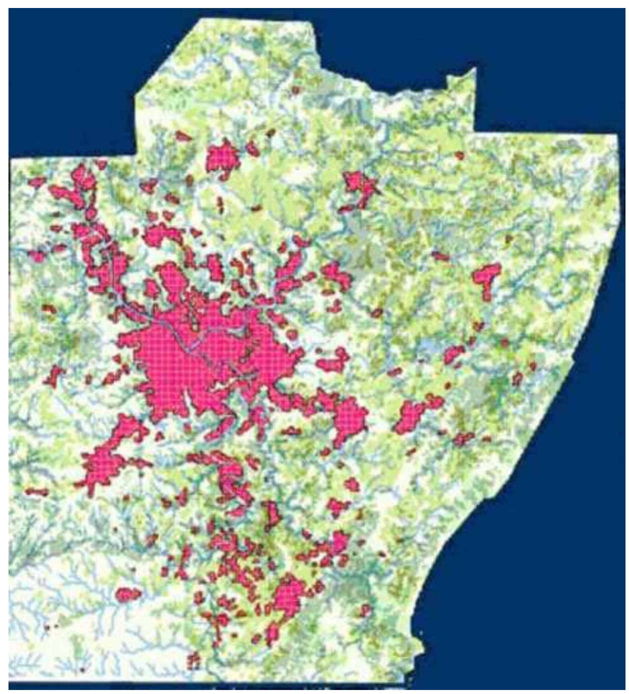
Arguments for regional planning of infrastructure

- Savings generated through economies of scale
- Increased efficiency through the avoidance of duplication of effort
- Maximization of public investment
- Expanded capacity to manage complex systems and projects
- Greater capacity and clout to realize higher order opportunities and strategic objectives
- Systems and projects better matched to the development market and landscape/environment instead of political boundaries
- Lends itself to "smart growth" policies and promotion of "sustainable development"

Connection of infrastructure and development



Developed Areas SW PA Region 1940



Developed Areas SW PA Region Late 2000s

The combination of Pennsylvania's 2,500+ municipalities having planning powers for both infrastructure and land use AND the reliance by municipalities on the real estate tax created competition between municipalities for development which, fueled by changing mobility, incomes, economy, and lifestyle preferences, led to sprawling development and infrastructure in communities across Pennsylvania. The accompanying maps show the sprawl of the Pittsburgh region over 60 years. Over the same time the amount of population and size of the economy did not change. The policies of Pennsylvania and its municipalities let substantial population and economy shift location and create additional infrastructure burdens without commensurate population and economic growth.

Sprawling development was evident in data from 1992-2005 aerial imagery cited by the 2010 State Land Use and Growth Management Report. In 13 years, the amount of developed land increased 131% while population grew 4.5% and the state GDP (in constant dollars) grew 33%.

Participants in the 2010 State Land Use Report discussed core reasons for the decentralizing development trend:

- Local government reliance on real estate tax revenues.
- Infrastructure spending decisions.
- Perceptions of quality of schools.
- Outdated thinking and taboos in planning and land use regulation.
- Legacy costs and collective bargaining agreements that inhibit interest in intergovernmental cooperation.
- Tax and utility rate structures that don't equitably assign to development the costs of region-wide services and benefits.

More recent indications are that sprawl is slowing:

- Data from 2006 and 2011 aerial imagery cited in the 2015 State Land Use and Growth Management Report showed developed land in Pennsylvania increased 1.7% those 5 years.
- Changes in demographics, the economy, technology, and lifestyle preferences are increasing interest in urban development and redevelopment.
- State agencies, part in response to tighter state budgets, are less investing in new facilities & capacity and more investing in maintenance, performance, and safety of existing facilities.

Newer infrastructure issues

- In addition to traditional infrastructure goals like capacity and public health and safety, modern goals for design and construction of infrastructure include climate impacts and resiliency.
- There are interests to extend distribution to all of PA of high speed internet, not envisioned as a component of infrastructure when the MPC was enacted in 1968, and natural gas service, now that PA is at the center of that resource.

Ideas

State investment goals – Adopt a set of statewide "smart investment, smart growth" goals and principles. Have state agencies across the board incorporate these goals into grant and loan program funding criteria and scoring. Promote the goals to local governments. The Keystone Principles promoted in PA from 2005-2010 could be used as a starting point, but should be revised for current thinking. There were 10 principles, plus criteria for each, that were instituted across state agency funding programs.

1. Redevelop first
2. Provide efficient infrastructure

3. Concentrate development
4. Increase job opportunities
5. Foster sustainable businesses
6. Restore and enhance the environment
7. Enhance recreational and heritage resources
8. Expand housing opportunities
9. Plan regionally, implement locally
10. Be fair

State interagency team – Establish a team of higher-level staff from state agencies to regularly discuss potential state infrastructure financing investments, plus how to maximize impact, achieve multiple outcomes, coordinate and in appropriate instances "bundle" investments, and help achieve regionally planned goals. This could be done in conjunction with establishment of state investment goals.

> Multi-task, multi-benefit funding – An interagency team could encourage more multi-task, multi-benefit projects to maximize impact from limited dollars. Example - Philadelphia's Green City, Clean Waters program which promotes green infrastructure and stream cleanup to jointly reduce stormwater pollution, create more greenspaces and parks, and beautify neighborhoods.

County service delivery planning – Create a program, similar to one in effect in Georgia, in which counties, municipalities, and authorities are required to develop county-level service delivery plans as a pre-requisite for state permitting and funding. Plans would be developed by agreement of the participating service providers. Plans would address most effective and cost-efficient service arrangements, funding equity, and smart land use planning.

> Other expanded county roles – The 2006 State Planning Board Report recommended amending local government codes to give counties power to provide services typically provided by municipalities. The Municipalities Planning Code could be amended to give county comprehensive plans a stronger legal effect for directing growth and infrastructure investments. Technical assistance and/or incentives could be provided to promote implementation of county infrastructure authorities. There are several in Pennsylvania – Lycoming and Indiana, to name two – that appear to be effective at providing water and sewer facilities that are better coordinated, operated at a higher economy of scale, and better at strategically targeting infrastructure improvements to support community and economic development objectives.

Investment target areas – Establish criteria that would give priority for state funding (grant, loan) investments to target areas and infrastructure that are regionally planned. Regional plans would be prepared by groups of municipalities (or counties). Plans would designate infrastructure investment and development target areas, plus strategic economic development and community/place asset projects agreed by the participating municipalities. Plans could meet other criteria in order to earn the state priority (public/private partnership involvement, matching local investments, smart growth/efficient infrastructure goals).

(An incentive, being considered in Virginia, is capturing and providing back to the region a share of new state income tax revenue generated by new development in regionally-planned target investment areas.)

Expanded local government authority – There are a variety of options of expanded legal authority that can be granted to local governments that participate in a regional infrastructure and smart growth plan.

- Designation of growth boundaries, other development regulation tools.
- Fast-track development permitting.
- More favorable review and approval of facilities needing state permits (more research needed).
- More authority for public-private partnerships in infrastructure (more research needed).

Other information

Multimunicipal planning, growth areas, and rural resource areas - The PA Municipalities Planning Code currently provides authority for multiple municipalities to work jointly on a comprehensive plan. Municipalities in a multimunicipal plan have stronger legal authority to designate growth areas where development is desired and rural resource areas where growth is not desired and where infrastructure improvements and extensions are not intended to be publicly financed (with exceptions). It is generally accepted, though hard data is not available, that a small number of Pennsylvania municipalities have utilized this tool, and that incentives built into the MPC have not been sufficient to motivate greater use.

Urban growth boundaries (UGB) - Oregon is nationally-recognized for its UGB program. State law requires each city and county to adopt a comprehensive plan and the zoning and development ordinances needed to put the plan into effect. Plans and ordinances designate urban growth boundaries inside of which development may occur and infrastructure and services will be provided, and outside of which is reserved for farms and forests with a minimum of infrastructure and services. Benefits:

- Motivation to develop and redevelop existing communities and developed areas.
- Assurance for businesses and local governments about where to place infrastructure.
- Efficiency in terms of how that infrastructure is built.

Lancaster County in Pennsylvania has promoted a "voluntary" version of the approach - urban growth areas (UGA). The PA MPC does not provide statutory authority for hard urban growth boundaries. So, the county planning agency works with local governments to institute in its comprehensive plans and zoning ordinances zoning districts and other measures which have a similar effect of guiding development and infrastructure investments.

Maryland Smart Growth Program - From 1997 to 2009 the State of Maryland had an initiative to use state funds as incentives to direct growth and infrastructure. The state targeted its financing in Priority Funding Areas designated by local governments with state oversight. Goals:

- Enhance existing communities and other locally-designated growth areas.
- Protect the state's most valuable farmland and natural resources.
- Save taxpayers from the cost of new infrastructure to support poorly planned development.

The program was nationally-acclaimed by smart growth and good government advocates, but its effectiveness has been debated.

New Jersey planning and smart growth - The State of New Jersey has both:
- Statewide goals in the form of a State Plan that are used to guide and coordinate state agency actions and local planning; and
- Smart Growth Areas locally/regionally designated used by a limited number of state agencies to guide state assistance and decisions - energy programs, utility main extensions, business employee incentives, state loans and subsidies for housing.

Infrastructure Finance Authority - Oregon has an Infrastructure Finance Authority (IFA) created to ensure that the state's infrastructure needs, namely those around safe drinking water and wastewater systems, are better identified and prioritized in order to ensure the best use of the state's limited resources. The authority is overseen by members of an independent Infrastructure Finance Authority Board appointed by the Governor.
The Infrastructure Finance Authority assists communities to build infrastructure capacity to address public health safety and compliance issues as well as support their ability to attract, retain and expand businesses. The IFA also works with municipalities, state agencies and property owners to prepare industrial land for certification—the first step in bringing businesses to a community.

Florida concurrency requirements - Since the 1970s Florida has mandated local planning and growth management, to debated levels of success. One unique aspect of Florida's program is the concept of concurrency. Local government ordinances must require development to be concurrent with infrastructure, that is, to assure that development can occur only where the infrastructure needed to support it exists. To accomplish this, local governments draft detailed comprehensive and capital improvement plans, indicating where expected development will occur and when and how infrastructure supporting the development will be provided. Ordinances typically allow private developers to provide necessary infrastructure if it isn't provided yet or planned for by the local government.

Appendix B

State Planning Board Efficient Government Work Group Issues & Ideas Scan

For State Planning Board meeting, October 14, 2016

Governor Wolf's Charge – How does the fragmentation of government at the state, county and local level affect decision-making on issues such as school funding? Pennsylvania has over 5,000 governmental units, each of which has authority for specific functions. How does this decentralization of planning affect outcomes and are there policy suggestions which could remedy problems or inefficiencies which are identified?

Background

Pennsylvania is comprised of thousands of local governments (counties, cities, boroughs, and townships), which are each separately governed by a structural hierarchy of elected officials (commissioners, councilmembers, boards of supervisors, etc.) having jurisdiction over their respective geographical municipal boundaries. Furthermore, a similar number of municipal authorities and other regional entities plus 500 school districts overlay these same areas.

Municipalities

Municipalities by Type

1st Class Cities	1
2nd Class Cities	1
2nd Class A Cities	1
3rd Class Cities	53
Boroughs	957
1st Class Townships	93
2nd Class Townships	1,454
Towns	1
TOTAL	2,561

Total number of counties: 67

Municipalities by Population
(excludes counties)

< 1,000	769	30.0%
1,000-2,499	734	28.6%
2,500-4,999	485	18.9%
5,000-9,999	322	12.6%
10,000-14,999	105	4.1%
15,000-19,999	60	2.3%
20,000 + ABOVE	87	3.5%
TOTAL	2,562	100%

77.5% are under 5,000 population

County & Municipal Officials

	Full-Time	Part-Time	Total
County	54,082	8,851	62,933
City	38,883	3,082	41,965
Borough	9,616	9,782	19,398
1st Class Twps.	5,950	3,112	9,062
2nd Class Twps.	10,871	11,333	22,204
TOTAL			155,562

County & Municipal Employees

Municipal		County	
Elected	18,946	Elected	985
Appointed	29,560	Appointed	722
TOTAL	48,506	TOTAL	1,707

(As of 2013)

Local Authorities in Pennsylvania

TOTAL AUTHORITIES:
Active and Inactive ... 2,417

TOTAL INACTIVE AUTHORITIES ... 892

Active Authorities by Type

Airport	43
Business District Transit	24
Community Facility	26
Economic Development	9
Local Government Facilities	91
Multi-purpose (Water & Sewer)	354
Nonprofit Institutions	62
Parking	30
Recreation	57
School	28
Sewer	508
Solid Waste	27
Transit	36
Water	230
TOTAL	1,525

(As of January 30, 2013)

Planning Commission in Pennsylvania

County	61
Multi-county	10
Municipal	1,608
TOTAL	1,679

(As of 2013)

Fire Departments in Pennsylvania

Paid	25
Paid/Volunteer	91
Volunteer	1,740
TOTAL	1,856

(As of 2013)

Police Departments in Pennsylvania

TOTAL MUNICIPALITIES	2,561
Traditional	988
Consolidated	115
Contractual	192
TOTAL POLICE DEPARTMENTS	1,295
State Police Exclusive	1,266
Full-Time Officers	18,382
Part-Time Officers	4,605
Full-Time Departments	855
Part-Time Departments	133

(As of 2013)

According to the latest U.S. Census of Local Governments:

- Pennsylvania ranked third (4,897) behind Illinois (6,963) and Texas (5,147) in the total number of local government units.
- Pennsylvania ranked third (2,627) behind Illinois (2,831) and Minnesota (2,724) in the total number of general-purpose local government units.
- Pennsylvania was in the middle of states ranked by number of general-purpose local governments per 100k population. Pennsylvania 21, North Dakota 256 (highest), Hawaii <1 (lowest).

Pennsylvania local government is established by the state. Its functions and responsibilities and abilities (and limitations) to raise revenue through taxes are determined by and granted by the state legislature. Each municipal government, whether it's the City of Easton or Deer Creek Township has essentially equal jurisdictional power over a full realm of municipal functions.

Issues

There is a fundamental mismatch between political boundaries of municipalities and real extents of functions and systems governments deal with. People live in one municipality, work in another, and shop and recreate in yet another. Economic markets, natural systems, and infrastructure networks aren't limited to municipal boundaries. Important decisions about these matters are made in the narrow interests of the thousands of individual local governments.

Disadvantages of the multiplicity and fragmentation of local governments:

- Inequities – With municipalities being reliant on real estate taxes, they all seek development in order to grow or even sustain revenues for operation of the municipal government and services it provides. Competition for development in Pennsylvania's slow growth market of the past 50 years provoked a shift of population and businesses, not real growth, from some municipalities to others, creating fiscal winners and losers. It also created the situation where cities largely remain hubs of cultural, sports, and entertainment facilities, supported by city services, and patronized by non-city residents whose taxes largely do not support city facilities and services. David Rusk further argues that fragmented "little box" governments are not effective at the "What gets built where for whose benefit?" question, contributing to racial and economic segregation.
- Less strategic and political clout – The large number of municipalities, many small in size (over ¾ of which in Pennsylvania are under 5,000 population), and the competition they create for resources, diffuses both political and strategic clout to attract investment and state and federal resources.
- Less efficient and accountable – Local government fragmentation runs counter to many key components of public administration theory – accountability, economies of scale, duplication of services, etc. Research has shown that fragmented local governments have higher per capita costs. The fragmented system of government is viewed as confusing to citizens, frustrating to policy advocates, and simply irrational to everyone else.

Advantages of the multiplicity and fragmentation of local governments:
- Public choice theorists argue that fragmentation produces more creative policy and better economies because citizens have the option to vote with their feet by moving to a neighboring jurisdiction.
- People interact more with their local governments and rely daily on the services they provide. A recent report by the Pew Research Center showed that people view their local governments more than twice as favorably as they do the federal government, and local governments are more popular than state administrations.
- In a fragmented system, local governments can and do cooperate. Pennsylvania's Intergovernmental Cooperation Law provides ability for municipal governments to enter into cooperation agreements to deliver any type of municipal service.

There are arguments on both sides of key questions:
- Are regions with fragmented local governments lagging in population and economic growth?
- Are regions with consolidated or regional governments making a greater impact on economic competitiveness by regional strategies for transportation, the overall quality of the labor force, the quality of life, and the quality of the environment and amenities?

There is also debate about the use of special districts. Pennsylvania authorizes special districts in the form of school districts and municipal authorities. Special districts allow local governments to undertake projects and functions they might not otherwise be able to afford or manage, and undertake them at multimunicipal scales where appropriate. However, particularly with municipal authorities which are governed by appointed persons and act independently of elected governing bodies, they are not as visible and accountable to citizens as elected bodies, and prone to documented examples of fiscal indiscretions.

Another aspect of local government fragmentation (prior researched by the State Planning Board) is that the authority of individual local governments to enact and administer zoning and development regulations contributes to inconsistency and unpredictability cited by businesses and developers as a hindrance to Pennsylvania's competitiveness for development. Further, smaller municipalities lack capacity for development reviews which contributes to delays and problems.

Pennsylvania law provides means for both consolidation/merger of municipalities and sharing of services via intergovernmental cooperation agreement. According to a 2009 study of municipal consolidation and merger by the Pennsylvania Economy League, "consolidation/merger is a complex and time consuming process, with a high probability of failure based on the historical record." On the other hand, the study said sharing of services "presents more realistic and significant opportunities."

(DCED currently has a funding program – Municipal Assistance Program – that provides grants to help multiple municipalities start or expand a shared service. The funding is small. DCED awards 10-12 shared service grants per year statewide at an average of $25,000.)

Ideas

<u>2006 State Planning Board Report</u>

The State Planning Board 2006 Report made several recommendations:

- Amend the PA Intergovernmental Cooperation Law to make intergovernmental cooperation easier, clarify conflicts or confusion with the various local government codes, and expand its scope to include municipal authorities.
- Provide authority to counties to provide a fuller variety of services that are traditionally municipal services in partnership with municipalities, under contract with municipalities, or by establishing county service districts with tax/fee authority.
- Establish a regional police services act to provide clearer legal authority and funding for establishing regional police departments.
- Improve the ability of Pennsylvania local governments to use tax sharing. There are questions about authority under the Intergovernmental Cooperation Law, constitutional questions about tax *base* sharing, and need for technical information to help local governments understand and more readily utilize the tool.
- Provide greater opportunities than currently available for disincorporation of non-viable municipal governments.
- Provide more options and ease in undertaking municipal merger or consolidation.

<u>Regional service delivery areas</u>

The Pennsylvania Economy League has promoted giving neighboring municipalities authority to jointly form regional delivery areas for municipal services and, through a tax-share mechanism, dedicate a portion of participating municipalities' tax revenue to support the regional service. PEL cited two successful examples of this approach in Pennsylvania: 1) solid waste management under Act 101 in which counties assure on behalf of and with approval of municipalities that there is 10-year capacity for disposal of municipal solid waste; and 2) consolidation under Act 32 of municipal and school district income tax collectors into 69 tax collection districts. The Commonwealth has two little-known laws that could be utilized or be starting points for improved legislation for a regional service delivery approach:

- Environmental Improvement Compacts – PA CSA Title 53, Chapter 25 – Upon approval by referendum, a compact may be formed among multiple municipalities to jointly undertake or provide one or more municipal functions. The compact would be separately governed by an elected board with power to collect up to 2 mills of taxes and to spend and borrow money, own property, enter into contracts, etc.
- Home rule counties – PA CSA Title 53, Chapter 29, Section 2963 – The PA Home Rule Law provides a mechanism for home rule counties to undertake municipal functions, which could be used to develop regional service delivery areas for municipal services.

<u>Regional governance</u>

Regional governance creates a higher-level structure or partnership arrangement to pool the resources of a region to more effectively and efficiently address the needs of a region. One example is a fully consolidated city-county government. Another is a regional council overseeing a particular function or service (such as performing transportation planning or providing for regional assets) superimposed on existing local governments.

- According to the National League of Cities, there are 40 consolidated city-county governments in the United States.
- Portland Metro Government serves 3 counties including the City of Portland and 24 other cities encompassing over 1.5 million people. It is governed by an elected metro council and an elected auditor. It oversees a limited group of functions including land use and development planning, transportation planning as the region's MPO, managing regional parks, trails, and natural areas, operating 4 major visitor venues, and overseeing the region's solid waste and recycling.
- Twin Cities Metropolitan Council serves 7 counties of the Minneapolis/St. Paul region. It is governed by a 17-member council appointed by the Governor of Minnesota and confirmed by the Minnesota State Senate. Like Portland Metro, Twin Cities Metro oversees a limited set of functions. It also administers a unique tax-base sharing program. The program captures 40% of the growth in commercial, industrial, and public utility tax base and shares it with local governments with lower market values per capita to overcome fiscal disparities.
- The Allegheny County Regional Asset District serves Allegheny County and is governed by an appointed 7-member board of directors which appoints a 27-person advisory board to provide public input. It was created by act of the state legislature. The R.A.D. provides grants to regional assets including libraries, parks and trails, sports and civic facilities, cultural organizations, and transit. Revenue comes from half of the county's special 1% sales and use tax.

Technical assistance

DCED has long provided technical assistance to local governments to consider then facilitate intergovernmental cooperation or merger/consolidation. There are suggestions to improve technical assistance:

- New messages and new arguments are needed. They should talk about ways cooperation among local governments gives them more clout and visibility to attract residents and businesses, and improves the quality of safety and other services making the cooperating local governments more marketable for new residents and businesses.
- DCED could develop a best practices report and/or web resource to provide examples of successful intergovernmental ventures, regionalizations, and consolidations.
- DCED could develop and promote standards of excellence for local government. They could identify what it takes to be an effectively administered local government with high performing services. Examples below. (The second example has a particular focus on sustainability.)
  http://www.spcregion.org/pdf/commasst/standards.pdf
  http://www.sustainablepacommunitycertification.org/

Appendix C

State Planning Board Community Revitalization Work Group Issues & Ideas Scan

For State Planning Board meeting, October 14, 2016

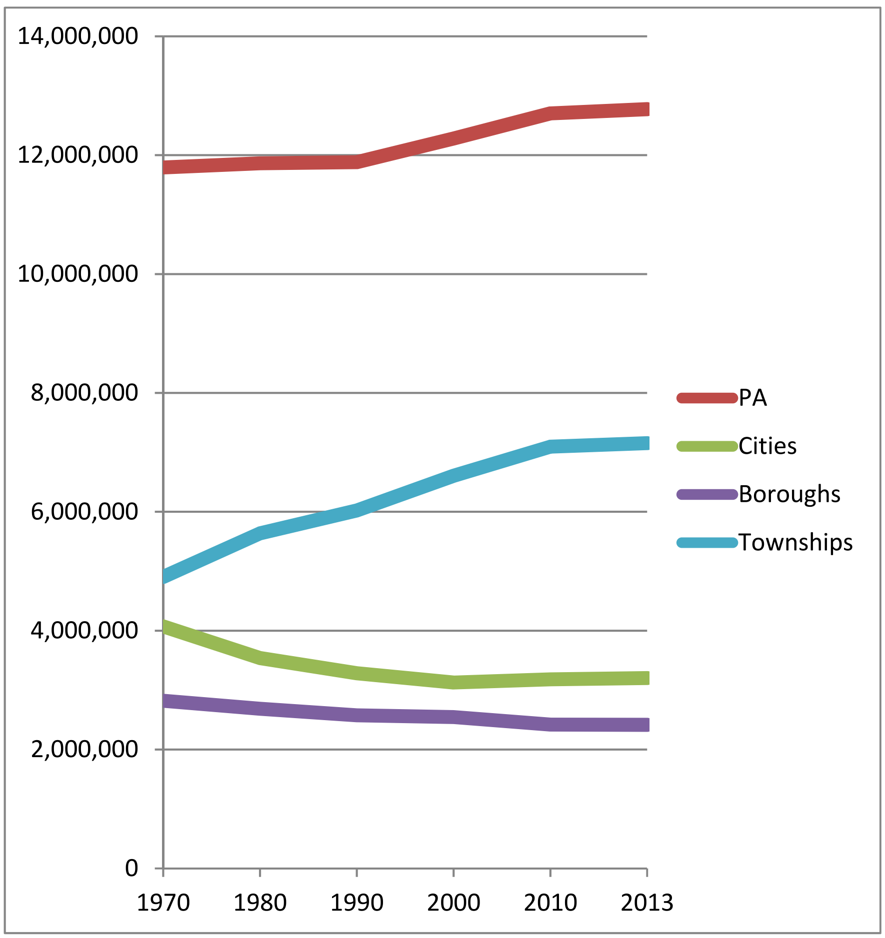
Governor Wolf's Charge – How can the state do more to support Pennsylvania's struggling older cities and towns? Identify policies, including tax policies, which contribute to the divide between urban and suburban areas, and to the twin challenges of concentrated poverty and sprawl. Develop recommendations to level the playing field between urban and suburban areas.

Background

In the past 50 years, changes in the economy, mobility, and lifestyle preferences caused most of Pennsylvania's older cities and towns to lose population and businesses to neighboring suburban and rural areas and to other states. While research shows fiscal distress growing across all classes of municipalities in the state, fiscal distress, blight, and concentration of poverty have been more pervasive in cities and boroughs.

Population change:

- Between 1970 and 2010, Pennsylvania had only a 7.7% overall population growth. Cities in Pennsylvania had a population decline of 21.9% and boroughs a decline of 14.2%. Townships grew in population by 44.6%.
- Since 2010, cities have shown slight growth, the decrease in boroughs has lessened, and growth in townships has lessened. None of these more recent trends has been significant or sustained enough to alter the pattern of city and borough decline of the past 50 years.



Fiscal distress:

- According to fiscal distress factors measured by PA DCED in 2014, over half of the state's cities exhibited fiscal distress. Over a quarter of the state's 1st class townships – many of which are older first-ring suburbs just outside of cities – exhibited fiscal distress.

	Distressed	Total in PA	% of Total
City	30	56	54%
Borough	107	957	11%
1st Class Twp	27	93	29%
2nd Class Twp	118	1454	8%
Town	0	1	0%
Total	282	2561	

Issues

There is a fair amount of research and evidence that Pennsylvania's older cities and towns have followed a pattern of decline over 50 years. As cities' economies and populations declined, so did tax revenues. Cities then reduced services and/or raised taxes, either of which hurt competitiveness to retain residents and businesses. Further decline left cities in fiscal distress with large numbers of blighted and abandoned properties.

Current situation for older cities and towns:

- The principal means under state law of raising revenue is taxing real estate and residents' incomes. As businesses and population declined, so did the base on which to draw tax revenue.
- Cities are hubs of employment, culture, sports, and entertainment patronized by non-city residents who benefit from city services while there.
- Cities are hubs of institutions like colleges, churches, hospitals, government buildings, and charitable organizations. They occupy large proportions of city property but don't pay real estate taxes.
- Expenses have not declined. Cities still maintain substantial police, fire, and public works forces (see prior two bullets), and cope with unfavorable contract arbitration awards, skyrocketing healthcare costs, and the burden of maintaining fully-funded pension plans.

There is also research suggesting that government programs designed to provide subsidized housing in areas of greatest need had consequences of concentrating poverty.

Ideas

Fiscal reforms

Assessment – Make countywide reassessments mandatory every four years, and consolidate the six existing property assessment laws into one law (to simplify the process and bring it into compliance with the uniformity clause of the state constitution).

Police & fire collective bargaining – Amend Act 111 of 1968 to allow arbitration decisions to consider a municipality's fiscal condition and ability to pay increased police & fire costs. Other reforms include requiring the municipality and public safety union to share costs of the arbitrator, removing pensions and post-retirement healthcare from collective bargaining, and setting limits on time involved in reaching arbitration decisions.

Tax-exempt status – Require regular reassessment of tax exempt status, and authorize local governments the ability to assess service fees on tax-exempt property owners for specific services.

Pensions – Modify enabling laws to establish a unified defined contribution plan for new local employees. Modify and constrain costs of defined benefit plans of existing employees.

Taxes – There are many current proposals:

- Replace School Property tax with a combination of Personal Income tax and Sales and Use tax.
- Increase the Local Services Tax Levy (paid by employees to the municipality in which they work) to $144 per year, and index for inflation.
- Institute a Payroll tax instead of the Business Privilege tax, with revenue neutrality stipulations.
- Allow for a County Option 1% Local Sales Tax tied to payment of a municipalities' annual minimum municipal pension obligation.
- Allow for a 10% tax on retail alcohol sales to help municipalities afford rising costs for public safety.
- Provide additional flexibility to levy Special-Purpose taxes for specific services. Services might include, for example, police, libraries, storm water or EMS.
- Remove the provision tied to the Local Earned Income tax which requires municipalities and school districts to share the maximum 1% rate, and remove the 1% cap.
- Authorize municipalities to levy a Hotel Occupancy tax, which will generate new revenue without taxing residents of the municipality.
- Remove the provision which requires municipalities to share the 1% realty transfer tax with school districts.
- Provide the authority to levy Business Privilege and Mercantile taxes, which were repealed with Act 145 of 1988, as an option to balance taxes paid by residents and those paid by businesses.
- Authorize counties to levy a county income tax of up to 1% on the state personal income tax base to avoid future cuts to services.
- Authorize counties to levy a county sales tax of up to 1% on the state sales tax base.

<u>State target investment program</u>

The 2006 State Planning Board Report and a recent third-class cities white paper both recommended an approach whereby cities and their surrounding municipalities or counties, working as regional partners, would prepare entrepreneurial plans with actionable proposals for strategic regional investments that state agencies would use to make targeted funding decisions for grants, loans, and other financing.

- Target investment plans would identify strategic investment needs for economic development, population growth, community assets, infrastructure, revitalization of distressed areas, alleviation of poverty, and reversal of blight.
- Plans would propose a financing plan including local investment commitments (public and private) and need for state funding.
- Plans would be approved by the participating municipalities and include a management and implementation structure with local officials, reps of key non-profits and businesses, and other community leaders.
- The program would have a state-defined set of target investment criteria and objectives for smart growth and efficient infrastructure and services that regions must address in plans.
- State agencies could either give priority in existing funding programs for applications from regions with target investment plans, or collaborate and package multiple agency financing proposals in response to regional target investment plans.

Blight Assistance

Over the past decade, Pennsylvania has expanded the tools and powers for local governments to eradicate blight: 1) progressive enforcement measures to achieve code compliance and abate violations; and 2) tools to address long-term vacant properties that pose a threat to health and safety. State technical assistance could help cities and towns become aware of the tools and effectively utilize them. State technical assistance and funding could help cities and towns develop blight and revitalization plans.

There are bills being considered in the PA General Assembly that would add blight tools, including providing funding for code enforcement and demolition and strengthening code enforcement and local government ability to force action by blighted property owners.

Technical Assistance

Changing demographics and markets – Cities suffered a historic decline in economy and population in the latter half of the 20th century. New changes are occurring in demographics and technology that could be equally historic in potential to affect the local economy and development. Lifestyle preferences of Millennials and aging Baby Boomers are creating more interest in urban development and redevelopment. Technology is changing where and how people work and shop. Growing economic development drivers are the qualities of place and experiences offered by communities and their neighborhoods. These drivers attract a talented workforce which in turn attracts employers and businesses. State technical assistance could be oriented to help cities and towns understand how to capture the emerging market and rebuild their economies. State funding programs could be strategically oriented to help as well.

Lancaster City tax-exempt properties case study – Lancaster City could be promoted as a successful case study of a community that got a large institution to agree to payments in lieu of taxes on the incentive of having a better-performing community around it.

Other information

CRIZ

The City Revitalization and Improvement Zone program was established by the PA legislature to spur new growth in cities that have struggled to attract development, helping to revive downtowns and create jobs for the residents in the regions. A CRIZ is an area of up to 130 acres, comprised of parcels designated by an authority, and state and local taxes collected within a CRIZ that exceed a pre-CRIZ tax baseline will be used to repay debt service to stimulate economic development projects within the CRIZ. There are currently three CRIZ designations: Lancaster, Bethlehem, and Tamaqua. These zones have yet to see substantial development. This is due, in part, to minor issues with the CRIZ legislation that have been addressed by the 2016-17 tax code.

Regional Tax Base Sharing

- Lessen the disparities of tax rates between older communities and newer suburbs
- Alleviate issues of poverty in older communities by supplementing the tax base
- Increased opportunities for strategic regional partnerships and projects

Disparities in fiscal condition and poverty exist between different municipalities in the same region. Regional tax base sharing has been used in PA and other places in the United States to lessen fiscal disparities, invest in regional assets, and promote local collaboration. Example – Allegheny County Regional Asset District – Half the proceeds from a countywide 1% sales and use tax is used to provide grants for regional assets including libraries, parks and trails, sports and civic facilities, cultural organizations, and transit. Example – Minnesota (Twin Cities Metro Council) – 40% of the growth in commercial, industrial, and public utility tax base in a 7-county region is captured and shared with local governments with lower market values per capita to overcome fiscal disparities.

Urban Growth Boundaries (UGB)

- Existing tax base won't be stretched for new low density development projects
- Increased density creates opportunities to utilize existing infrastructure and assets
- Opportunities to develop robust tax bases through mixed use, mixed income zoning

Oregon is nationally-recognized for its UGB program. State law requires each city and county to adopt a comprehensive plan and the zoning and development ordinances needed to put the plan into effect. Plans and ordinances designate urban growth boundaries inside of which development may occur and infrastructure and services will be provided, and outside of which is reserved for farms and forests with a minimum of infrastructure and services. UGBs provide motivation to develop and redevelop existing communities, predictability for businesses and local governments about location of infrastructure, and efficiency in infrastructure spending.

Lancaster County in Pennsylvania has promoted a "voluntary" version of the approach – urban growth areas (UGA). The PA MPC does not provide statutory authority for hard urban growth boundaries. So, the county planning agency works with local governments to institute in its comprehensive plans and zoning ordinances zoning districts and other measures which have a similar effect of guiding development and infrastructure investments.

Appendix D

Input Provided to State Planning Board Summary

December 30, 2016

Fourteen organizations presented input to the State Planning Board at its 12/1/2016 meeting. Three provided written handouts at the meeting. Eight provided written input after the meeting.

- Presentations are summarized in the meeting minutes emailed 12/20.
- All written input is consolidated in one file emailed 12/21.

Three organizations provided written input only.

- All written input is consolidated in one file emailed 12/21.

(One organization provided written input only, too late to be included in a consolidated file.)

Input was widespread. There were over three dozen recommendations for consideration by the board. No one recommendation was made by a majority of the organizations.

Common Themes

<u>Provide relief or assistance to local governments for unfunded mandates</u>
The most repeated comment was the burden of unfunded mandates and statutory requirements. There was support, particularly with the local government associations, for:

- Reform of pensions and Act 111 collective bargaining.
- Coordination of and help with MS4 and Act 167 stormwater management.
- Addressing other mandates outlined in the Local Government Commission's 2012 *Study of Statutory Mandates Placed on Counties and Municipalities*.

<u>Local tax options</u>
The local government associations and other presenters commented about limitations and problems caused by reliance on the property tax as a principal source of local government revenue. There was support for:

- More and flexible local tax options.
- Reconsideration of a past proposal by the local government associations of an optional county sales tax.

<u>More regional service delivery options</u>
Several organizations suggested more ways to arrange and fund delivery of municipal services on a multimunicipal or regional level:

- Provide enabling authority for counties to provide traditionally municipal services.
- Allow two or more municipalities to establish a multimunicipal service or create a service district (within some portion of the municipalities) and equitably fund either by levying a uniform special property tax millage on the whole of the served properties.
- Streamline requirements in the Intergovernmental Cooperation Law for mutual aid and other "simpler" cooperative arrangements.

Emerging issues ripe for regional cooperation

There is significant potential to address three emerging issues on a regional cooperative level:

- MS4 and stormwater management (modelled after York County Stormwater Consortium).
- EGovernment initiatives to promote more use of innovative digital technologies in local governments.
- Blight initiatives including regional land banks and code enforcement.

State investment principles and targets

There were several related comments that state government should be strategic in investing state financial assistance:

- The state should have a vision for its communities and a set of investment principles (similar to the prior Keystone Principles) that are consistently applied and used across state agency funding programs, and for which recipients would be held accountable.
- Targeting of state funding should be a principle incentive for achieving objectives in the Governor's charge to the board.
- State should consider requiring a regional plan or regional partnership as the source of proposals for state funding.

State agency coordination

State agencies should collaborate more. Suggestions included:

- Reestablish a state interagency team.
- Study more deeply statewide policy coordination and fragmentation issues – between agencies and between central and regional offices of agencies – and fix overlaps and conflicts in legislation and programs.

Improve permitting processes

This was suggested as a major area for better state agency coordination, and for improvements to be promoted for local governments' development approval processes.

State technical assistance to local governments

Several commenters suggested more and better technical assistance from state agencies is a key to achieving more cooperation in planning and in municipal services. DCED's Center for Local Government Services was cited by several as an asset that needs more funding and personnel.

Build local capacity

Several commenters said local governments lack capacity to undertake effective community and economic development, fight blight, or explore multimunicipal service opportunities. The Commonwealth should find ways to build local capacity to enable particularly distressed municipalities to better help themselves.

Presenters at the December 1 State Planning Board Meeting

<u>Planning and smart growth panel</u>
American Planning Association Pennsylvania Chapter*
County Planning Directors Association of Pennsylvania*
10,000 Friends of Pennsylvania

<u>Local government panel #1</u>
County Commissioners Association of Pennsylvania*
Pennsylvania Municipal League*
Pennsylvania State Association of Boroughs
Pennsylvania State Association of Township Supervisors*

<u>Local government panel #2</u>
Pennsylvania Economy League*
Pennsylvania Electronic Government Consortium*

<u>Infrastructure panel</u>
Pennsylvania Municipal Authorities Association
Pennsylvania Infrastructure Investment Authority**
York County Planning Commission**

<u>Community revitalization panel</u>
Pennsylvania Downtown Center**
Housing Alliance of Pennsylvania*

*Provided follow-up written input
**Provided a handout at the meeting

Organizations that provided written input only

Pennsylvania State Association of Township Commissioners
Pennsylvania Economy League of Greater Pittsburgh
Allegheny County Department of Economic Development
Pennsylvania Association of Housing and Redevelopment Authorities

PADCEDnews

Pennsylvania
WORK SMART. LIVE HAPPY.

Report Produced by: PA Department of Community & Economic Development
Commonwealth Keystone Building | 400 North Street, 4th Floor | Harrisburg, PA 17120-0225 | +1.866.466.3972 | **dced.pa.gov**