Testimony before the House Urban Affairs Committee

Subcommittee on Cities of the Third Class

Presented by Terry Kauffman

10,000 Friends of Pennsylvania

October 4, 2007

Committee Chairman Petrone, Subcommittee Chairman DePasquale, and members of the committee, good morning. I am Terry Kauffman, Manager of Mount Joy borough, in Lancaster County. I am testifying on behalf of 10,000 Friends of Pennsylvania, on whose Board of Directors I sit. We thank you very much for the opportunity to speak with you today.

As you may know, 10,000 Friends of Pennsylvania was founded in 1999 to create a statewide voice for organizations that shared concerns about the twin problems of declining communities and disappearing open space. We work to develop and promote land use policies and actions that will enable Pennsylvania to strengthen its diverse urban, suburban, and rural communities.

We support growth that is smart for Pennsylvania – growth that supports the social and economic viability of Pennsylvania's cities and towns, protects our environmental quality, conserves our fiscal resources, and preserves the state's exceptional rural heritage.

We've been active in supporting legislation that helps to revitalize Pennsylvania's older developed areas, a great many of which are in economic decline throughout the state. Some of you are familiar with our recommendations and briefs on actions and policies that can renew our cities, boroughs and older suburbs.

Pennsylvania's cities are getting more help than ever

Let me begin by noting that over the past 12 years Pennsylvania has seen unprecedented investments in its cities and core communities. Under the Administration of Governor Tom Ridge and supported by the General Assembly, the state launched its Land Recycling program, which has encouraged the cleanup and revitalization of hundreds of brownfield sites, most located in our older cities and towns. In addition, the Keystone Opportunity Zone program, created in 1999, has helped attract more than $17 billion in real estate investments by eliminating specific state and local taxes in targeted areas.

Governor Ed Rendell and the current General Assembly have demonstrated commitment to urban reinvestment through a wide range of policy reforms and programs. The Governor created an Economic Development Cabinet, which crafted the Keystone Principles to guide investment and support local growth and economic development across the commonwealth. The Community Action Team is a strategic concentration of resources on "impact projects" that promise to yield community-changing results. Another important initiative is Growing Greener II, which has combined traditional conservation spending with investments in older communities such as urban parks, brownfield remediation, and mixed use development projects.

But our cities and older communities are still struggling

Although cities and older communities are getting more help from the state than ever before, most of this assistance is in the form of project-based investments, which by themselves are woefully inadequate to reverse the decline of Pennsylvania's urban areas. This spring, the Brookings Institution released its update to the 2003 report, *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania.* Unfortunately, the downward trends that characterized Pennsylvania's development in the latter half of the 20th century have continued since the year 2000. In respect to population, Pennsylvania is still barely growing. Despite great strides and recent signs of greater vitality, our economic growth still lags behind that of most other states. And our communities continue to "spread out" and "hollow out," leaving cities and older communities with fewer people and fewer fiscal resources to address an array of mounting problems.

The Pennsylvania Economy League released its own study of municipal fiscal health this spring. The study, entitled *Structuring Healthy Communities*, shows that Pennsylvania's communities are facing an epidemic of fiscal distress as they struggle to reconcile mounting costs for public services with stagnant or declining revenue streams.

This declining fiscal health is not confined to cities. Many boroughs and townships find themselves in tightening fiscal straights as rising costs outpace revenue gains. But the problem is most acute for cities, nearly all of which fall below the state average on key measures of fiscal health.

Nor is this fiscal stress confined to economically depressed regions. Even in relatively prosperous parts of the commonwealth, including here in the south central Pennsylvania, cities like Harrisburg struggle with budget problems despite valiant revitalization efforts.

The Commonwealth's outdated and restrictive county and municipal service mandates and taxing powers are the primary reasons why more than 1,300 Pennsylvania municipalities find themselves in worse financial condition than they were in 1970.

Our cities and older communities are "running up a down escalator"

Communities facing fiscal problems find it increasingly difficult to maintain their infrastructure and provide basic quality services. Problems like rising crime and crumbling streets, combined with ever-rising taxes, convince more and more residents and businesses to leave core communities, further eroding an already depleted tax base. Those who can afford greener pastures move elsewhere, leaving behind an increasingly poor and distressed population requiring expensive public services. And in many cases, the major employers left behind in central cities are hospitals and other non-profit institutions that benefit from public services, but are exempt from paying taxes.

For communities caught in this downward spiral, investments in strategically chosen "impact projects" can provide a much-needed stimulus. But that is not enough. Pouring money into development projects in fiscally stressed cities is often like running up a down escalator.

Perhaps this problem is best exemplified by what is happening in the City of Wilkes-Barre. During the last four years, nearly $100 million of state, federal, county, local and private funds will be invested in office, residential, commercial and civic amenities in just over four downtown blocks. The Downtown looks better than it has in decades, there is great excitement and finally, substantial private sector investment has begun to appear. But, when fully completed and on the tax rolls, because of the outdated local taxing laws, that investment will generate only enough revenue to support three new police officers – not even enough to patrol the same district fulltime. Clearly,

this demonstrates that Pennsylvania communities cannot "brick-and-mortar" themselves to prosperity.

Pennsylvania communities need to have the resources to deliver basic services, keep their communities clean and their citizens safe. If they cannot do that, no one should expect the private sector to invest in those places, no matter the public subsidy.

To protect the investments that have already been made, and to achieve sustainable revitalization, we have to change the rules of the game that no longer work well for our cities – or for any of our municipalities. The rules of the game are defined by an outmoded system of local governance and taxation that no longer fits with the way we live and do business – a system that divides metropolitan areas against themselves, forcing municipalities to compete with one another rather joining together so they can compete more successfully in the global economy.

Our communities have outgrown the boundaries that divide them

A large part of the problem is that our local governments are organized into small boxes, but our communities long ago expanded beyond those boxes and are now divided by numerous boundaries that get in the way of common-sense planning and problem-solving.

Crime serves as a good example of a problem that does not respect municipal boundaries. More and more suburban municipalities that once considered themselves havens of security now find themselves fighting crime problems that spill over from nearby cities and boroughs. Yet police departments are divided by arbitrary boundaries that keep them from working together effectively. Too often, a suspect wanted for armed robbery in one municipality will be pulled over for a traffic violation in a neighboring municipality and released because the two police departments are not communicating effectively.

More and more communities are working together across boundaries

Many communities have taken steps to overcome such problems by combining their police departments. A 2006 report published by the Governor's Center for Local Government Services lists more than 30 consolidated police services in Pennsylvania. York County alone has six consolidated police departments – more than any other county in the state. But none of these regional departments currently include the city of York, which contains the bulk of the region's poor neighborhoods where much of the crime originates. York, a city with severe fiscal problems, is left to deal with its crime by itself. Yet all municipalities in the region share a strong interest in reducing York's crime problem – not only because they are increasingly victimized by rising crime, but also because their county taxes support an overburdened court and prison system.

Metro-York, a task force of civic and business leaders convened to promote ways to work across government boundaries to improve the area's economy, educational system, and public safety, has been developing recommendations for regional cooperation. The first proposal is to merge the city's policy department with four suburban departments to create a single regional force. Several suburban police departments have expressed strong support for the idea. As a recent editorial in the *York Sunday News* noted, "Criminals don't respect - or probably even know - where the municipal boundaries lie. They've already 'regionalized' - in that sense, they're more progressive than our municipal systems."

Another community where local leaders have been seriously considering options for regionalizing local government functions is the Lehigh Valley. Among the ideas being studied and debated are:

- A single regional water and sewer system that would take advantage of existing excess capacity in Allentown and Bethlehem;
- A regional health department;
- A crime center to serve the entire region; and
- A tax or revenue sharing system to support regional programs in an equitable manner.

Through our Campaign to Renew Pennsylvania, 10,000 Friends of Pennsylvania is supporting both organizations and encouraging successful collaboration at all levels.

Indeed, more and more communities throughout Pennsylvania are recognizing the advantages of regional collaboration. More than 700 municipalities, for example, are participating in nearly 200 multi-municipal planning efforts, and a significant number of these efforts include cities. There are also nearly 100 councils of government that include roughly half the municipalities in the state and perform a variety of services ranging from joint purchasing to regional economic development planning.

The Commonwealth should do more to encourage and incentivize regional cooperation

Clearly, there is a strong appetite for regional cooperation as local governments reach the conclusion that public services can often be provided more effectively and efficiently at a regional scale. Intergovernmental cooperation can reduce redundancies and increase economies of scale, thereby reducing long-term operating costs. Equally important, cooperative arrangements can help stressed municipalities provide the high-quality services that are essential for revitalization.

State policies such as the Intergovernmental Cooperation Law and provisions for multi-municipal planning have been helpful, but further reforms are needed to encourage municipalities to work together in ways that make sense.

For example, the State Planning Board has recommended addressing several gaps in state law that hinder intergovernmental cooperation. In addition, the state should provide incentives for merging and consolidating local government services, including resources for conducting studies and paying for transition and legacy costs. In particular, incentives should be provided to ensure that cities – the communities that stand to benefit most from regional cooperation – are not left out of collaborative efforts. These reforms must be accompanied by changes to give cooperating municipalities the flexibility to more appropriately raise revenues and distribute the burden to support shared services in ways that are both equitable and sustainable.

We applaud the legislature for your leadership on these efforts, including your unanimous vote on September 26 to establish a commission to study our system of local governance. Through the leadership of Representative Bob Freeman, chair of the Local Government Committee, and the resolution's sponsor, Representative John Yudichak, as well as many other supportive legislators, House Resolution 180 has outlined important outcomes for the commission: to identify methods to promote more regional collaboration and measures to ensure municipal fiscal stability. We are honored to recommend two members to that commission for the consideration of the Speaker of the House.

The leadership of 10,000 Friends of Pennsylvania stands ready to work with members of the General Assembly on legislation that will accomplish these important goals.

Thank you again for the opportunity to address the committee.