

# State Planning Board Recommendations Could Impact Township Government

## PSATS Will Ask Township Officials to Provide Input

Gov. Ed Rendell brought the State Planning Board back to life in 2004 to look at development, conservation, and land use. He asked members to consider legislation that would improve the state's economic outlook and citizens' quality of life, and the board recently issued its recommendations in response. And while its report addresses transportation, infrastructure, and economic development, it focuses on municipal governance, a fact that is raising some questions among township officials.

BY JENNIFER L. HAWBAKER /  
ASSISTANT EDITOR

A recent report of the newly reactivated State Planning Board submitted to Gov. Rendell and state lawmakers could eventually alter the way local governments provide services, plan for the future, and merge or consolidate with other municipalities.

The governor reactivated the long-dormant board in 2004 and charged its 15 members with developing recommendations, including possible legislation, on how to address development, conservation, and land use issues vital to the "present and future welfare of the Commonwealth." Specifically, the governor asked the board to address three areas:

- Conflicts among development, municipal, and conservation interests, along with open space and infrastructure needs;
- Specific policies, such as criteria

for state investments, incentives for more multimunicipal cooperation, attracting private investment, and tax and revenue sharing, that will lead to smart growth to revitalize cities and towns and sound economic development in rural communities; and

- Options for improved governance measures that will enable Pennsylvania to compete more effectively for economic growth while improving the quality of life in its diverse communities.

Recently, the board responded to the governor with 15 recommendations divided into the areas of transportation, economic development, and, first and foremost, governance — what board chair and Berks County Commissioner Judith Schwank has defined as "looking at government functions and how we can do them better."

In this day and age, when talk of the state's economic woes inevitably leads

“We need to take a serious look at the **options** so it’s not a **penalty** to one municipality in **favor** of another.”

— PSATS Executive Board Member **Bill Hawk**, Supervisor, Lower Paxton Township, Dauphin County, and State Planning Board Member



to speculation about the role of local governments, that last focus area is sure to raise some eyebrows among township supervisors. Schwank says they should not be concerned.

“This report is just the beginning, and it’s all about options, not mandates,” she stresses. “Nobody has to do anything unless they feel the need to do it.”

Still, two township supervisors who are part of the State Planning Board and its Governance Committee want to make sure the members explore each issue fully and understand just what effect their recommendations could have on the future of local government operations in Pennsylvania. They also urge township officials to weigh in when the board takes the report on the road later this year for statewide input.

#### **‘A good partner’**

When William Hawk, a supervisor for Lower Paxton Township in Dauphin County and a member of PSATS’

Executive Board, was appointed to the State Planning Board in 2004, he had some concerns about where the board might be headed in terms of changing the way local governments do business. And although he still has reservations about the report’s recommendations, he’s glad that PSATS is part of the process.

“I think if this is done right, we can be a good partner,” he says. “We have to hang in there to have a complete understanding of what’s going to happen.”

PSATS Executive Board Chairman John Haiko, a supervisor for West Bradford Township in Chester County, was asked to participate on the State Planning Board’s Governance Committee as one of five representatives from local government associations. He was surprised that the committee’s emphasis from the start seemed to be focused on local government operations, rather than

the broader issues facing municipalities.

“We thought what needed to be done was to look at planning issues and changes in those areas that would better help us accomplish local government’s duties relative to new development,” Haiko says.

State Planning Board Vice Chairman Alex Graziani, executive director of the Smart Growth Partnership of Westmoreland County, points out that changes in governance do not equate to municipal mergers and consolidations, a common conclusion for local officials, although these topics do figure into the board’s recommendations.

He also notes that the Planning Board wants the state to take a closer look at certain issues and a range of possible solutions that could benefit all of Pennsylvania. “The state is in a global competitive race,” Graziani says. “We looked at the issues that are of importance to Pennsylvania and to our economic competitiveness.” ➤



“We need to be sure that any **changes** in the law that come about because of these **recommendations** are going to be **positive** and **useful** across all municipalities.”

— PSATS Executive Board Chairman **John Haiko**, Supervisor, West Bradford Township, Chester County, and State Planning Board Committee Member

# STATE PLANNING BOARD

The recommendations, he adds, are just that. "This is an advisory group, not an organization that would have any sort of regulatory control," Graziani says. "It's just another way for the governor and the legislature to get input on the wide-ranging issues facing Pennsylvania."

In fact, the board's report stresses that the mission was to recommend state-level action that could be taken in partnership with local governments and that the focus was on voluntary options and incentives to achieve the intended goals.

Still, the four priorities identified by the Governance Committee raise some questions for PSATS, which hopes to generate statewide input from municipal officials and residents who could be affected by the eventual outcomes. These four priorities are:

- 1) right-sizing the provision of services,
- 2) consistency of planning and implementation,
- 3) tax revenue and tax base sharing, and
- 4) barriers to boundary changes.

### Issue No. 1: Right-sizing services

Hawk and Haiko agree that "right-sizing" is a tough term to define, and yet it's the first and most detailed issue covered in the State Planning Board's report.

The committee defined right-sizing, in part, as providing services through

multimunicipal cooperation; simplifying the municipal merger and consolidation process; encouraging regional agencies where the need exists; providing for municipal government participation to meet regional needs; enabling municipalities to contract with or turn certain services over to counties; and promoting innovation and efficiency in local government.

"It's the idea of economy of scale," Graziani says. "We hear a lot about how government should operate like a business. For example, in an automotive facility, you have to have an economy of scale where mass production and savings can occur. You can custom-build cars, but that's awfully expensive to do."

The committee concluded that many municipal governments are finding it harder to afford the rising costs of basic services and the associated financial liabilities, citing such examples as police protection, fire service, water and sewer services, and tax collection. In response, the members came up with three recommendations:

- 1) Change the scope of the Pennsylvania Intergovernmental Cooperation Law so municipal authorities can participate in cooperative agreements with local governments and clarify which provisions in the various governing codes will apply to new joint ventures.

- 2) Establish a regional police services act to facilitate the creation of regional police agencies and fund their start-up.

- 3) Amend the Pennsylvania County Code so counties may provide traditionally local services in partnership with municipalities; permit municipalities to contract with counties to provide those services; and authorize mu-

## READ ALL ABOUT IT

### Download the State Planning Board's 2006 Report at [www.psats.org](http://www.psats.org)

To view or download the State Planning Board's 2006 report to the governor, log onto PSATS' Web site at [www.psats.org](http://www.psats.org). Scroll down the home page to "State Planning Board 2006 Report" and click on the link.



**40 x 60 x 12 Pole Building  
\$21,000 Installed!**

**Call 1-888-448-2505 and ask for Brian.**  
*(Limited delivery area)*

# STATE PLANNING BOARD

nicipalities to permit counties to establish special service districts and taxing authority to provide municipal services in designated areas.

Right-sizing might mean smaller sewer authorities selling their operations to a countywide sewer authority, Graziani says, as recently happened in Westmoreland County. Or, he adds, municipalities might join together to provide police services and get better coverage where they need it most.

Others wonder if right-sizing would truly benefit all residents in a municipality or a region. Haiko cites a recent attempt in Cameron County to consolidate the county's seven municipalities and provide all services through one all-inclusive municipality. "That's a perfect example of what is thought of as right-sizing," he says. "That might work for certain things, like paid fire protection and policing, but I think some other services that local governments typically provide might get lost in the mix."

Another thing that would get lost, Hawk says, is easy access to local government officials who can respond to an issue at any time of the day or night. "It's going to make government bigger, and bigger isn't necessarily better," he says. "I can just see on a Saturday afternoon when someone has a problem and tries to call the county. He'll get a message that the office is open Monday through Friday, 8 to 4:30, and will be left holding the phone and wondering what to do next."

## Issue No. 2: Consistency of planning and implementation

The committee's second priority proposes changes to the Municipalities Planning Code, which the report says

**"This is an advisory group, not an organization that would have any sort of regulatory control."**

## The Pennsylvania Turnpike: A State Planning Board legacy

THINK THE STATE PLANNING BOARD IS JUST ANOTHER BUREAUCRATIC BODY created to tackle the issues of development and conservation? If so, you might want to think again, because the board has a long and distinguished history that, in fact, changed the face of transportation as we know it today.

"The Pennsylvania Turnpike came from the original activation of the planning board in the '20s and took shape a few years later when they were looking at how to spend New Deal money," says State Planning Board Vice Chair Alex Graziani, executive director of the Smart Growth Partnership of Westmoreland County.

In fact, the board was created in 1929 and not long after, in 1934, joined with the Pennsylvania Motor Truck Association to introduce legislation to develop the turnpike. The result, of course, is history.

"Issues like that are really statewide in their impact and effect," Graziani says. "The challenge for the modern board is looking at issues that might not be that broad but are just as important."



**The Pennsylvania Turnpike, with its mountain-defying tunnels, was the first road of its kind in the nation and became a reality thanks to the original State Planning Board.**

"negates the effectiveness of comprehensive planning."

Section 303(c) of the code states that municipal actions cannot be challenged just because they are inconsistent with a comprehensive plan. This has been interpreted, the report says, to mean that courts and zoning hearing boards cannot consider comprehensive plans when making zoning-related decisions. The result may be that zoning decisions are made in seeming opposition to the intent of a local or county comprehensive plan.

The recommendation is to amend this section to "provide protection from challenges brought against developments that have been approved under existing, duly adopted ordinances, while still giving meaning to comprehensive plans."

The planning board has set up a new subcommittee to address possible changes

to the MPC, Hawk says, adding that it will be led by Rep. David Steil. He was instrumental in the passage of Acts 67 and 68 in 2000, which facilitated comprehensive municipal planning and zoning.

Haiko says that many planning and zoning issues being addressed by the board were also discussed back in 2000. Now, he wants to make sure that any proposed amendments to the MPC consider all the ramifications of giving more weight to a comprehensive plan. "Right now, a plan is just that," he says. "However, if you make that a firm document with the force of law behind it, that could impair townships' ability to properly plan."

"We have to take a look at the MPC," Hawk adds, "but it has to be done right."

## Issue No. 3: Tax revenue sharing and tax base sharing

As a possible solution to helping financially stressed areas within a larger region, the State Planning Board is recommending further study into tax revenue and tax base sharing — a contro-

# STATE PLANNING BOARD

versial issue among residents and municipal officials alike.

The Municipalities Planning Code provides for tax revenue sharing but offers little direction on how to go about it, and does not allow for tax base sharing.

To better describe tax revenue sharing, the report offers the example of neighboring municipalities. If a major development locates in one of the municipalities, that municipality would traditionally benefit from all of the resulting property tax revenue, even though the project would significantly impact the second municipality as well. In a tax revenue sharing agreement, that second municipality would get a share of the property taxes generated by the development to help defray its development-related costs.

Tax base sharing would allow struggling municipalities to share in the benefits of growth and increasing property values in surrounding areas even if they did not incur costs as a result of new development. Under such a scenario, several municipalities would agree to each be allotted a percentage of a development's assessed value. Each municipality would then apply its existing tax rate to that percentage and receive the resulting funds.

For example, as described in the report, three municipalities might agree to share the tax base from a development with an assessed value of \$10 million. The shares would be distributed as follows:

- Municipality A – 40 percent  
(\$4 million) x tax rate of 25 mills = \$100,000
- Municipality B – 40 percent  
(\$4 million) x tax rate of 10 mills = \$40,000
- Municipality C – 20 percent

(\$2 million) x tax rate of 5 mills = \$10,000

Minneapolis is one area that has implemented tax base sharing, with 40 percent of the increased tax base from new commercial and industrial development going into a regional pool. When it is redistributed to the municipalities, the poorer local governments receive proportionally higher shares.

"It's the Robin Hood theory," Haiko says. "Take from the rich and give to the poor."

This concept, he says, ended what was a potential partnership among municipalities in southeastern Pennsylvania and the city of Philadelphia.

"We had a lot of other cooperation in the areas of planning, and we had agreed on operating responsibly as governments and interacting with the city itself," he says. "Once it got down to the dollars, that's where it all fell apart."

Hawk says tax base sharing does not take into account the operating expenses of the home municipality, and such a consideration is a basic tenet of good business.

"The reality is that businesses do not distribute money on the basis of gross income," he says. "They do it on the basis of net profit. Municipalities have to consider the cost associated with servicing a business before they can realistically share the revenue side of things. This issue bears a lot more discussion."

Hawk adds that the Minnesota plan is not the only example of alternative funding structures out there, and he recommends looking at more options, including a state program in Michigan that is based on a share of the state sales tax.

"We need to take a serious look at the options so it's not a penalty to one municipality in favor of another," Hawk says. "It has to be reasonably fair for all concerned."

The State Planning Board report recommends a series of meetings around

the state to discuss the concepts of tax revenue and tax base sharing and develop more detailed proposals.

## Issue No. 4: Barriers to boundary changes

Under state law, municipalities may, with the approval of the voters, merge if one or more municipal governments dissolves and becomes part of another municipality. They may also consolidate, which means they would form an entirely new municipality.

The State Planning Board offers two recommendations to change merger and consolidation laws that the report terms "unclear and cumbersome":

1) amending county and municipal codes to permit municipal disincorporation as an intermediate step to merger or consolidation, and

2) amending the Municipal Consolidation or Merger Act to remove "barriers to merger or consolidation" where municipalities have voluntarily agreed to pursue such an initiative.

The first action, the report says, is important so that struggling municipalities can dissolve, rather than continuing to provide services they cannot afford. (*It does not discuss what happens when a municipality dissolves, however.*) The second recommendation, it says, would simplify the multi-step process required to complete a municipal merger or consolidation.

However, Hawk thinks the board should define the problem — what causes the financial distress that prompts municipalities to consider merger or consolidation — before it starts looking for solutions.

"If one of the main concerns is the deterioration or lack of viability of municipalities and major cities within Pennsylvania, the question we need to be asking is why that has happened," he says. "That question has never been answered."

Hawk, along with other State Planning Board members, stresses that any merger or consolidation would have to be a voluntary, grassroots initiative, not a mandate. That falls in line with PSATS' stance on the issue, as well.

"PSATS is not opposed to mergers and consolidations as long as the process is voluntary, initiated at the local

**"We have to take a look at the MPC, but it has to be done right."**

level, and agreed to by the residents,” Haiko adds. “If it’s voluntary and agreeable, the process works as it is currently constructed within the law.”

When a merger or consolidation fails to go through, he says, it’s because the municipalities involved realize it would be more harmful to their residents to take on the financial distress of other municipalities than to stand on their own.

“Those weren’t failures,” Haiko says. “They were the will of the people. The system was working.”

### **Seeking input**

With such a range of hot-button issues in the report, the State Planning Board is already preparing to hit the road and seek input from citizens and all levels of government officials.

“We really do need to get feedback from throughout the commonwealth,” board chair Judith Schwank says. “It will be critical that township supervisors, borough council members, and county commissioners weigh in on the product that has been created so we can make the appropriate changes.”

Such feedback, Haiko adds, will help make sure that the outcome is not at cross-purposes with township government. “We need to be sure that any changes in the law that come about because of these recommendations are going to be positive and useful across all municipalities and will not discriminate against a particular type of municipality,” he says. “It can’t be something that is weighted toward distressed communities, cities, or highly populated areas. It has to be spread across the state.”

Board Vice Chairman Alex Graziani says no one expects to achieve 100 percent agreement on all the issues. However, the participation of local government groups on the board and input from elected officials statewide should go a long way toward building a consensus.

“A lot of Pennsylvania’s future is going to be determined in townships, and it’s important that they have a leadership role in the planning issue,” Graziani says. “Some of those townships are the laboratories for good planning, and we need to figure out how we can elevate the lessons learned there.” ♦