Preparing *for* Tomorrow:

Fostering Municipal Resiliency in the Wake of the Pandemic

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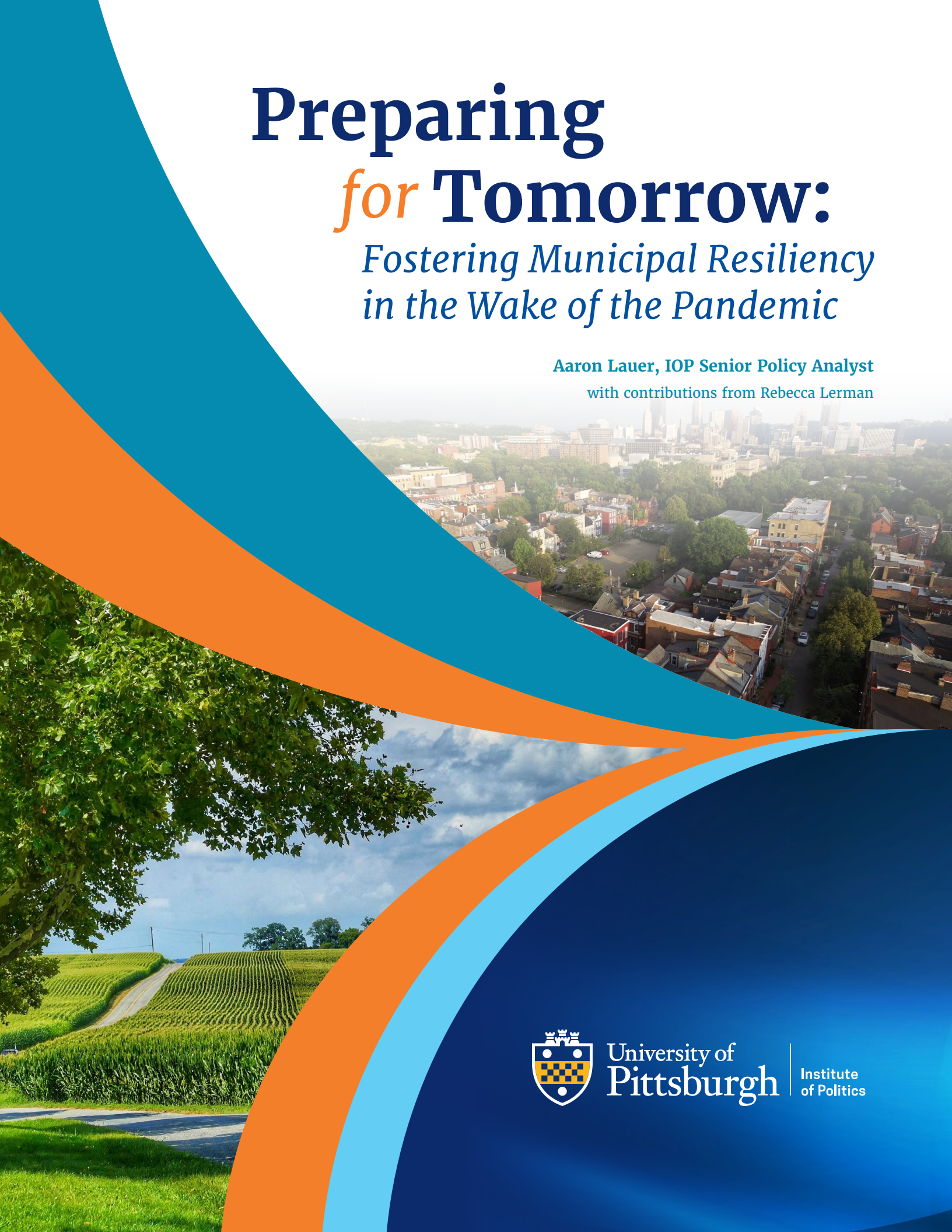
with contributions from Rebecca Lerman



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Co-chair Letter

The ability of local governments to deliver municipal services fundamentally defines the quality of life for community residents throughout southwestern Pennsylvania. Each day, municipal governments support residents through the many services they deliver, from a police officer tending to the needs of a victim of crime to a public works employee repairing catch basins to a recreation staff planning a park concert on a beautiful summer evening.

Long before the COVID-19 pandemic, municipalities throughout our region faced systematic challenges that compromised their ability to deliver the services we all need and desire. The pandemic not only highlighted those challenges, but also exasperated them. The statewide closure of nonessential businesses sent economic shockwaves throughout southwestern Pennsylvania, especially among our region's most vulnerable communities. Across Pennsylvania and our region, people, businesses, and communities are facing significant economic stresses and, in many cases, long-term economic impacts.

The personal hardships of our region's residents have been amplified by a decrease in the revenue streams of many local governments. Early in the pandemic, the University of Pittsburgh Center for Metropolitan Studies and CONNECT estimated that southwestern Pennsylvania municipal revenue losses for 2020 were expected to range from approximately $123 million to $485 million. As a result of those anticipated or actual losses, many local governments have furloughed or laid off employees and delayed capital projects, further reducing municipal capacity and residents' quality of life.

At the request of regional stakeholders and local government organizations, the Institute of Politics, utilizing its distinctive model of collaboration, convened its Fiscal Policy and Governance Committee. The committee, comprised of state and local elected officials, academics, foundation and civic leaders, and local government experts, then engaged with municipal leaders and examined local and national research to better understand the challenges faced by municipalities with the loss of critical municipal revenues.

The Fiscal Policy and Governance Committee focused its work not only on the impact of the pandemic on municipal governance and finances, but also on ways to improve the long-term sustainability and resiliency of local governments in southwestern Pennsylvania. The committee's recommendations are therefore structured to provide short-term solutions to help municipalities weather the pandemic, as well as methods to address long-term structural challenges that local governments face.

We hope you find this report useful in confronting the challenges of municipal finances, and through this initiative and the work of our partners, we hope to help preserve the vitality and sustainability of Pennsylvania's municipal governments.

William D. McKain, CPA
County Manager
Allegheny County

Frederick W. Thieman
Henry Buhl Jr. Chair for Civic Leadership
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Executive Summary

The COVID-19 pandemic had a profound disruption on the daily lives of southwestern Pennsylvania residents, reshaping communities, cultural institutions, and workplaces.

The pandemic represents the latest in a long line of challenges that municipalities in the region have had to overcome. Although municipalities take seriously their responsibilities to safeguard the assets entrusted in their care to deliver services that are vital to their residents, each of these crises have pushed communities to the brink by exacerbating preexisting structural weaknesses within local governments, such as declining or stagnating local revenue sources, blight, fragmentation, unfunded state and federal mandates, and difficulty attracting and retaining experienced professional staff.

Although the economic impact of the pandemic has not been as significant as originally projected, nevertheless many municipalities have seen significant decreases in their revenue from earned income taxes and other revenue streams resulting in projected losses to state and local governments of $300 billion nationally through 2022.[1] Although many of the revenue losses are likely one time disruptions, in some cases revenue streams may face longer term impacts resulting from fundamental regional economic changes in digital commerce, remote work, and in-person dining. Not only will these trends impact employment opportunities within related sectors, but they will also impact municipal revenue streams that are dependent on commercial real estate prices and daily commuters, such as property taxes, local services taxes, liquid fuels taxes, and parking taxes and fees.

At the request of regional stakeholders and local government organizations, the Institute of Politics, utilizing its distinctive model of collaboration, convened its Fiscal Policy and Governance Committee. The committee, comprised of state and local elected officials, academics, foundation and civic leaders, and local government experts, then examined local and national research and solicited input from regional municipal leaders to better understand the challenges faced by municipalities with the loss of critical municipal revenues. To integrate the perspectives of regional municipal leaders into this initiative, the Institute of Politics received input from over 150 elected and administrative municipal officials from all ten counties of southwestern Pennsylvania through a series of focus groups and a regional survey.

The Fiscal Policy & Governance Committee focused its work not only on the impact of the pandemic on municipal governance and finances, but also on ways to improve the long-term sustainability and resiliency of local governments in southwestern Pennsylvania. The committee's recommendations are therefore structured to provide short-term solutions to help municipalities weather the pandemic, but also methods to address long-term structural challenges that local governments face. The committee sets out its recommendation in four key areas:

1. **Increasing municipal revenue flexibility**
2. **Improving local government financial capacity and transparency**
3. **Promoting basic government administration and budgeting standards**
4. **Improving supports for intergovernmental cooperation**

Each of the identified strategies require commitments from a variety of regional and state stakeholders; and each are implementable within varying timeframes. The strategies fall into three basic categories.

Shorter-term strategies that respond to immediate municipal needs of the pandemic and its aftermath

Medium-term strategies that require coordination of municipal and other regional leaders to implement but are accomplishable under existing conditions

Long-term strategies that will require state legislative or administrative changes to implement and will require significant advocacy and/or coordination efforts among stakeholders

Recommended Strategies

1 Municipal Revenue Flexibility

- Provide education and technical assistance for municipalities regarding pandemic relief funding
- Maximize existing municipal revenue sources
- Allow all municipalities the opportunity to levy business privilege and mercantile taxes
- Identify new revenue opportunities that might better leverage economic trends
- Improve the regional economy through infrastructure investment

2 Local Government Financial Capacity and Transparency

- Assess municipal revenue impacts of the pandemic
- Improve usability of Department of Community and Economic Development (DCED) municipal financial data

3 Basic Government Administration and Budgeting Standards

- Educate on best practices for municipal governance and budgeting
- Pilot a regional municipal benchmarking program
- Promote municipal management careers at local universities

4 Supports for Intergovernmental Cooperation

- Assess opportunities and challenges for shared services
- Pilot a program to share finance officers
- Create a DCED database of Pennsylvania shared services
- Pass legislation to allow municipalities to voluntarily disincorporate
- Provide additional funding and staffing to DCED to better facilitate shared services

Introduction

Both in times of crisis and stability, local governments shape the communities in which we live, work, and play. The COVID-19 pandemic has resulted in profound changes to our daily lives and has required a coordinated response from all levels of government to combat the crisis. A critical part of the response has come from our region's local governments, which provide a host of resident services, including the frontline public health and safety services of police, fire, and emergency service departments across southwestern Pennsylvania.

During the pandemic, municipal governments have been strained by the evolving demands of the COVID-19 crisis and the potential impacts to critical revenue streams. These challenges have exacerbated existing administrative capacity and revenue issues, especially in smaller municipalities and communities with higher concentrations of low-income residents. Although early projections of pandemic revenue losses overestimated the potential losses experienced by municipalities, they nevertheless highlighted fundamental structural issues within local governments that need to be addressed. This is compounded by a high level of local government fragmentation. With the third greatest number of local governments of any state in the country, trailing only Illinois and Minnesota, Pennsylvania is highly fragmented.[2] Fragmentation can lead to a host of issues, including competitiveness, wastefulness, inconsistency, and inefficiency.[3] As the number of governmental units increases, each unit has a smaller and smaller tax base from which to generate revenues. Local government fragmentation is especially problematic amongst neighboring communities that do not collaborate, which results in lower service levels that often come at a higher cost per capita.

Improved local government sustainability will require not only adaptation within municipalities, but also greater support from the state government, municipal associations, and nonprofits that provide local government programming aimed at increasing professionalization, capacity, and resiliency. Fundamental to achieving these goals will be addressing equity issues in the provision of services and fostering regionalized thinking. Although communities differ in geography, revenues, and service preferences of their residents, every resident should be able to receive an equitable baseline of basic municipal services from their local governments. Achieving service equity will require municipalities to pursue new ways of delivering services, potentially through collaborative partnerships with neighboring communities.

As a result of strains from budget tightening during the pandemic, many municipalities have shown an increased interest in collaborating with neighboring communities. By embracing greater regional partnerships, local governments can increase service levels by increasing staff professionalization and specialization. Through strong partnerships, service delivery can become more robust and, in turn, build greater resiliency.

In response to this crisis facing local governments and at the request of regional stakeholders and local government organizations, the Institute of Politics convened its Fiscal Policy and Governance Committee to formulate a coordinated, multipronged, collaborative response to the loss of critical municipal revenues. During its deliberations, the committee sought to provide local governments with guidance and resources to help inform their financial decision-making in the wake of the COVID-19 pandemic and to develop solutions to address long-term structural challenges and improve municipal sustainability in southwestern Pennsylvania. The findings of the committee are now offered as a roadmap to a strong and more resilient region.

Fiscal Policy and Governance Committee Membership

Douglas Anderson
Director of Finance and Treasurer
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Heather Arnet
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The Women and Girls Foundation of SWPA

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Federal Reserve Bank of Cleveland
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Board Representative
Pittsburgh Public Schools

Chelsa Wagner
Controller
Allegheny County

** Committee Co-Chair*

+ Fostering Municipal Resiliency Co-Chair

Methodology

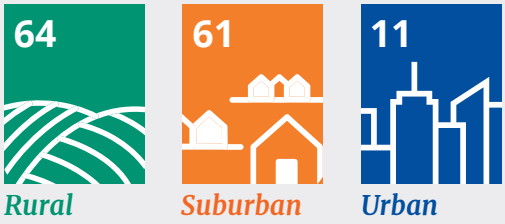
Beginning in November 2020, the Institute of Politics' Fiscal Policy and Governance Committee held a series of meetings to assess the impact of the pandemic on municipalities and identify ways to better support local governments in preparing for future crises. The committee's deliberations were informed by relevant municipal research and data, presentations from local and national experts on municipal finance, good government standards, and intergovernmental cooperation.

To further inform the committee's work, the Institute of Politics conducted five focus groups with local elected officials and municipal managers from throughout southwestern Pennsylvania, including Allegheny, Beaver, Fayette, Indiana, and Westmoreland counties. The focus groups were held between April 1 and May 10, 2021. Additional input was also gained from local government leaders through a comprehensive regional survey evaluating the impact of the pandemic, identifying future plans for municipal investment, and seeking input on the committee's identified strategies for improving municipal resilience. The survey collected input from May 6 to May 24, 2021. **Through those efforts, more than 150 municipal officials from throughout southwestern Pennsylvania provided their professional input to inform the challenges and recommendations outlined in this report.**

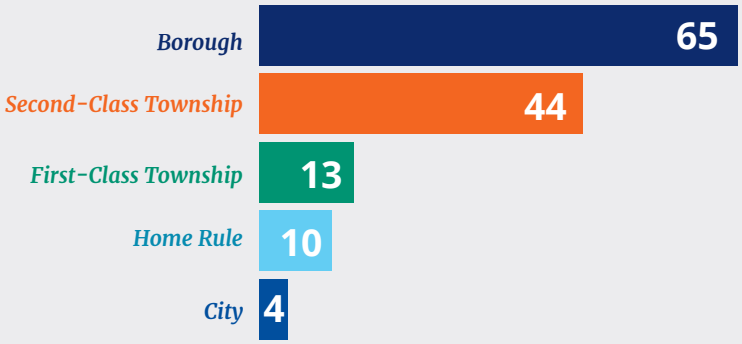
A summary of the demographic information of survey respondents can be found below:

23% *of southwestern Pennsylvania's* **547** *municipalities*

Respondent Community Type



Respondent Community Class

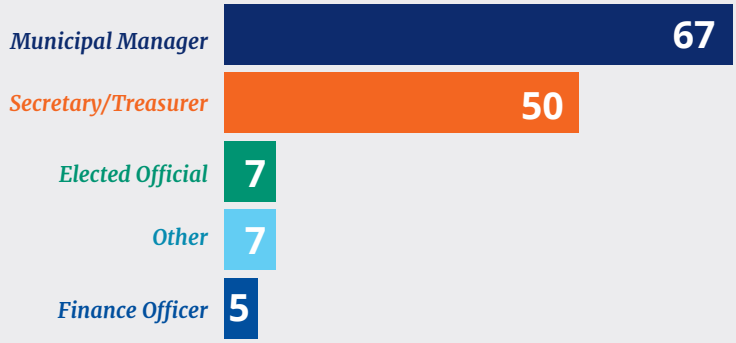


Respondent County

	Number of Respondents
Allegheny	53
Armstrong	10
Beaver	10
Butler	11
Fayette	6
Greene	3
Indiana	7
Lawrence	1
Washington	12
Westmoreland	13

Total 126

Municipal Role of Respondent



Impact of Pandemic on Municipalities

Each crisis faced by communities brings with it both new and recurring challenges. By learning from past crises, governments can better prepare to meet the challenges of future crises through investments in planning and resiliency measures.

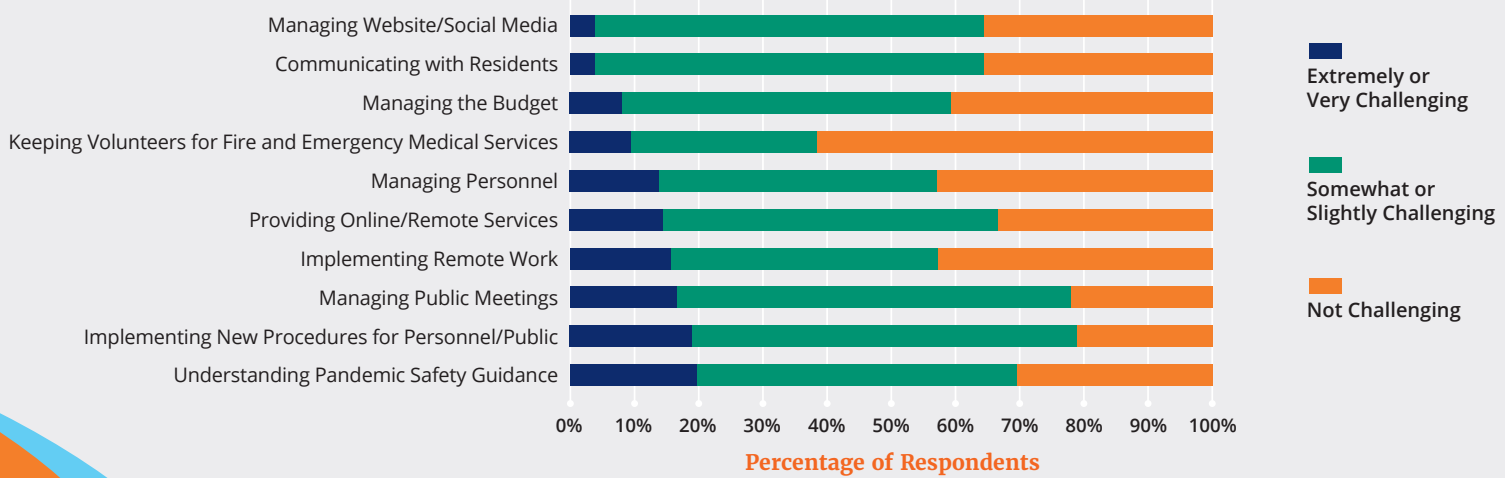
In the spring of 2020, as the pandemic took hold, governments, researchers, and civic and business leaders grew increasingly concerned about the potential for dramatic decreases in economic activities as social distancing measures disrupted people's daily lives. Although revenue impact on local governments has been less than initially projected, fears of a repeat of the Great Recession of 2008 loomed large as communities planned and responded to the pandemic. Even with a more limited impact than originally projected, many municipalities in the region have experienced declines in revenue and increased expenses, resulting in workforce reductions, service cuts, and decreased capital investments.

Over the past year, municipalities have faced a variety of challenges due to the pandemic. The most significant challenges that respondents shared were around compliance with pandemic safety guidance and implementing new safety protocols for employees and the public. Additional challenges arose during the pandemic from local governments transitioning to online meetings and communications. As local government activities moved online, 78% of respondents expressed difficulties in managing public meetings and 65% in communicating with residents.

Respondents from municipalities with larger budgets and populations expressed greater difficulties in understanding safety guidance. Similarly larger communities also stated that they had more difficulties in managing personnel. These capacity concerns may be due to managing a larger number of employees struggling with social distancing measures and remote work.

Alternatively, smaller municipalities expressed technological challenges in managing remote public meetings during the pandemic. During focus group discussions with municipal leaders, participants from smaller municipalities shared the difficulties in purchasing and implementing teleconferencing equipment and software early in the pandemic to conduct public meetings with resident participation.

Difficulty of Challenges Faced by Municipalities[4]



Impact on Revenue

As the pandemic spread across the country, researchers began examining the projected financial impacts of the pandemic on states and municipalities. Early in the pandemic, organizations such as the National League of Cities projected that Pennsylvania would see a 40% decline in revenue due to the COVID-19 pandemic.[5] Similarly, researchers at the University of Pittsburgh's Congress of Neighboring Communities (CONNECT) and Center for Metropolitan Studies projected that within southwestern Pennsylvania, municipalities could suffer total losses between $117.9 million to $479.3 million.[6] These early projections and related educational and technical assistance efforts by municipal associations and nonprofits provided invaluable support to municipalities as they navigated potential financial impacts. To reduce expenditures, many municipalities furloughed employees, reduced services (especially public-facing nonessential services, such as recreation programming and library services), and delayed capital investments.

Since those early projections, estimated revenue losses have been reduced but still are projected to impact municipalities over the next several years. For instance, joint estimates from the Federal Reserve Board and the Brookings Institution reduced initial estimated 2020-2022 revenue losses for state and local governments from $544 billion[7] to $200-$300 billion.[8] Likewise, Moody's Analytics and the Center on Budget and Policy Priorities reduced their estimated revenue losses for state and local governments to $330 billion[9] and $300 billion[10] through 2022, respectively. In short, although losses may not be at the levels originally feared, communities are nevertheless faced with significant financial challenges precipitated by the pandemic.

The economic effects of COVID-19 and the recovery efforts that followed differ greatly among communities based on historic, social, and fiscal disparities. This phenomenon has been popularly described as "K-shaped," which characterizes the two divergent paths that communities and their residents have experienced during the pandemic economy recovery based on pre-pandemic economic conditions. Municipalities that have workforces that easily transitioned to remote work fared much better than communities that are home to small businesses, blue-collar workers, and lower-income populations. For instance, within southwestern Pennsylvania, the leisure and hospitality employment sector was the hardest hit portion of the regional economy and still remains far below its pre-pandemic levels.[11] Municipalities with more residents working within the hard-hit employment sectors likely experienced greater revenue impacts from the pandemic, as a larger percentage of their residents lost their jobs or had cuts in work hours. On the other hand, municipalities with more resources and wealth before the pandemic were less impacted and were able to recover more fully than municipalities who did not have such resources. Researchers project that this "K-shaped" recovery, and the implications for less resourced communities, will continue.[12]

Revenue Impacts

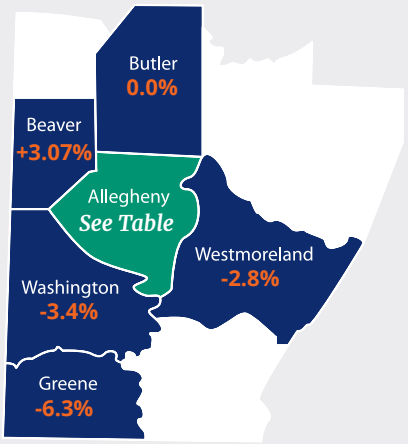
Municipalities are dependent on a variety of revenues generated by taxes and fees, which primarily are generated through property and earned income taxes. Of those two sources, earned income tax is much more volatile and tends to ebb and flow more with economic cycles. In response to the projected economic downturn from the pandemic, many expected an immediate decrease in earned income tax revenue with delayed impacts to property tax revenue. Through the end of 2020, municipalities have differed in revenue impacts from the two sources. Additionally, other municipalities have experienced more localized effects on revenue depending on their reliance on parking revenues, amusement tax receipts, or fees generated by large retail shopping venues such as malls.

Impact on Revenue *(continued)*

Earned Income Tax

Unlike property tax, which is generally more consistent in its revenue generation, earned income tax is much more directly tied to the strength of the economy. In a recession, one would normally see a drop in earned income tax revenue as residents lose their jobs or have their hours cut. Earned income tax in Pennsylvania is collected by tax-collection districts that collect and disperse earned income tax revenue to their member municipalities and school districts. Tax-collection districts are typically county-based, except in Allegheny County, which has four separate districts.

Earned Income Tax Collections Change by Tax-Collection District (2019-2020)

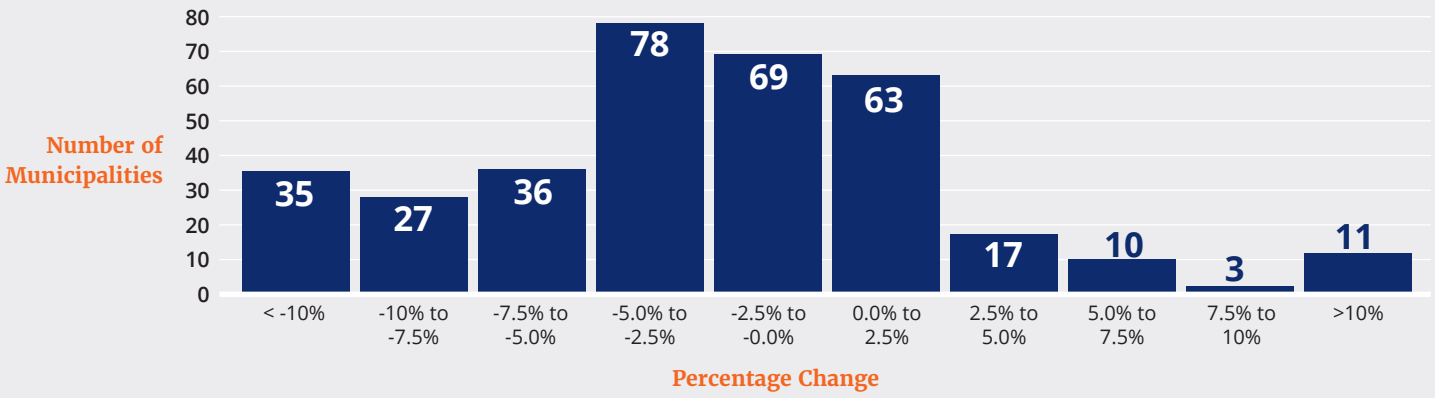


District	% Change
Allegheny North	-1.3%
City of Pittsburgh	+1.7%
Allegheny Southwest	+0.2%
Allegheny Southeast	-2.1%

Most tax-collection districts in the region saw minimal changes when comparing revenues from 2019 to 2020. As seen in the chart below, the City of Pittsburgh and Allegheny Southwest and Butler County tax-collection districts had slight increases from 2019. However, Allegheny North, Allegheny Southeast, Washington, and Westmoreland County tax-collection districts experienced slight decreases. On a county basis, Greene County tax-collection district saw the greatest decline, with more than a 6% loss in earned income tax revenue between 2019 and 2020.

Although earned income tax revenue losses for most municipalities in the region were mild, some municipalities did face significant revenue losses between 2019 and 2020. According to southwestern Pennsylvania data collected by the Institute of Politics, 14 local governments saw earned income tax reductions of more than 20% during 2020. A large concentration of the significantly impacted municipalities are in Washington and Greene counties, which may reflect larger economic conditions beyond the pandemic, such as the recent slowdown in natural gas development in the region. The differences among counties and municipalities likely also reflect variations in the types of industries in which their residents are employed. Municipalities with more residents in industries that were able to transition to remote work, especially residents with high incomes, likely saw earned income tax collections fare better through the pandemic.

Earned Income Tax Revenue Change by Southwestern Pennsylvania* Municipalities and School Districts (2019-2020)



* *Includes information from the Allegheny North, Allegheny Southeast, Allegheny Southwest, Beaver, Butler, Green, Washington, and Westmoreland tax-collection districts and the City of Pittsburgh*

Property Tax

Property tax revenue has remained relatively stable during the pandemic. This is due, in part, to local governments receiving the bulk of their yearly property tax collections in the first quarter of the 2020 tax year before the full impact of the pandemic was realized. Additionally, property values are slow to change, and even when changes do occur, the reassessment process is often drawn out, with municipalities not seeing revenue impacts until possibly years later. However, there remains fear among municipalities that given how the economic downturn has impacted some sectors, such as restaurants, hotels, and office buildings, commercial property owners may push for reassessments in the coming years, potentially impacting property tax revenue in future years. Future trends impacting digital commerce, restaurant services, and the duration of remote work may further impact the valuations of commercial property going forward.

Digital Commerce

COVID-19-related lockdowns, social distancing, and store closures contributed to an overall rise in online shopping. Digital Commerce 360 estimates that ecommerce revenues increased by $174.87 billion during 2020 as a result of the pandemic. Based on growth trends prior to the pandemic, this level of revenues was not projected to occur for two more years.[13] Despite these results, many analysts expect growth in online shopping to continue as the pandemic comes to an end, even if at a decreased rate. After all, people have become accustomed to convenient and efficient services such as online grocery shopping and curbside pickup. Increasing use of digital commerce could impact the viability of many brick-and-mortar businesses, which could reduce demand for local shopping districts.

Restaurants

The restaurant industry was hit especially hard by the COVID-19 pandemic. As people practiced social distancing and stayed at home, restaurants experienced decreases in revenue and increases in layoffs. Research from the National Restaurant Association shows that nationally, 14% of restaurants permanently closed their doors during the pandemic; as problematic as that closure rate might be, it is a number significantly less than what was feared.[14] In collaboration with Pennsylvania Restaurant and Lodging Association, the National Restaurant Association study also found that Pennsylvania restaurants suffered more than restaurants in other states. Compared to operators nationally, 31% more Pennsylvania restaurant operators had to lay off or furlough employees in December 2020 or January 2021, and 26% more Pennsylvania restaurant owners reported sales lower in January 2021 than the same month the previous year. Furthermore, the survey showed that 80% of Pennsylvania operators reported that takeout and delivery revenues have helped them recover less than 30% of losses, whereas the national recovery average was 65% of losses.

Even within Pennsylvania, not all restaurants or restaurant workers suffered equally. The Center for Social and Urban Research at the University of Pittsburgh found that between October 2019 and October 2020, workers in sit-down restaurants were among those in the industry who suffered most (54% employment decline), whereas employees at fast-food and takeout-only restaurants suffered the least (11% employment decline).[15]

Although the number of people dining in restaurants has not recovered to what it was before the pandemic, there is hope for more improvement as the economy reemerges from the shutdown. Specifically, restaurant sales are once again climbing due to growth in average checks per guest or transaction.[16] Even so, this level of recovery is much lower for Pennsylvania restaurant owners. According to the Pennsylvania Restaurant and Lodging Association and the National Restaurant Association study, 38% of Pennsylvania operators do not believe operations will return to normal for at least seven to 12 months, compared to the national average of 32%. Additionally, 14% of study respondents from Pennsylvania said they think business conditions will never return to the pre-pandemic normal, in contrast to 10% of respondents nationally.

Impact on Revenue *(continued)*

Remote Work

During the pandemic, working from home became the norm for many individuals. Despite the increase in mandated telework in states such as Pennsylvania, many analysts believe the increase in remote work opportunities was not just a response to the pandemic but rather an acceleration of what will be a permanent change. Multiple surveys reveal that even once the pandemic subsides, companies plan to continue offering long-term work-from-home opportunities for their employees. For example, a Gartner survey of chief financial officers found that 74% of respondents plan to allow employees to continue to work from home after the COVID-19 pandemic.[17] This trend could accelerate for years to come. Kate Lister, president of Global Workplace Analytics, estimates that by 2025, 70% of the workforce will telecommute at least five days per month.[18]

The increase in remote work could have significant implications for commercial office space. As employees increasingly work from home, decreased demand for physical office spaces could lower property values and ultimately property tax revenues for local municipalities.

Other Revenue Sources

Many municipalities also experienced impacts to other revenue sources, such as parking taxes and fees, recreation program fees, liquid fuels allocations, and sales tax receipts. These lost revenues have been especially impactful on various hubs where closures and social distancing measures altered people's work and entertainment practices.

Local Services Tax

As discussed above, there may be a fundamental shift toward allowing employees to work remotely. As a result, revenues associated with Local Services Taxes may shift away from traditional centers of commerce, such as the City of Pittsburgh, to suburban communities, as more employees relocate their primary places of work to where they live.

The Local Services Tax is a flat tax of up to $52 levied upon the privilege of engaging in an occupation within the municipality in which an employee works. Any employer with a work site within a municipality is required to deduct the Local Services Tax from their employees at the site of employment. For a person working from home, the place of employment may become the municipality in which the person resides rather than the location of the employer's office. If trends in remote work continue, municipalities would benefit from guidance from the DCED defining what constitutes a place of work for the purposes of administrating Local Services Taxes. Such guidance could help to eliminate potential confusion among employers, employees, municipalities, and school districts.

Parking

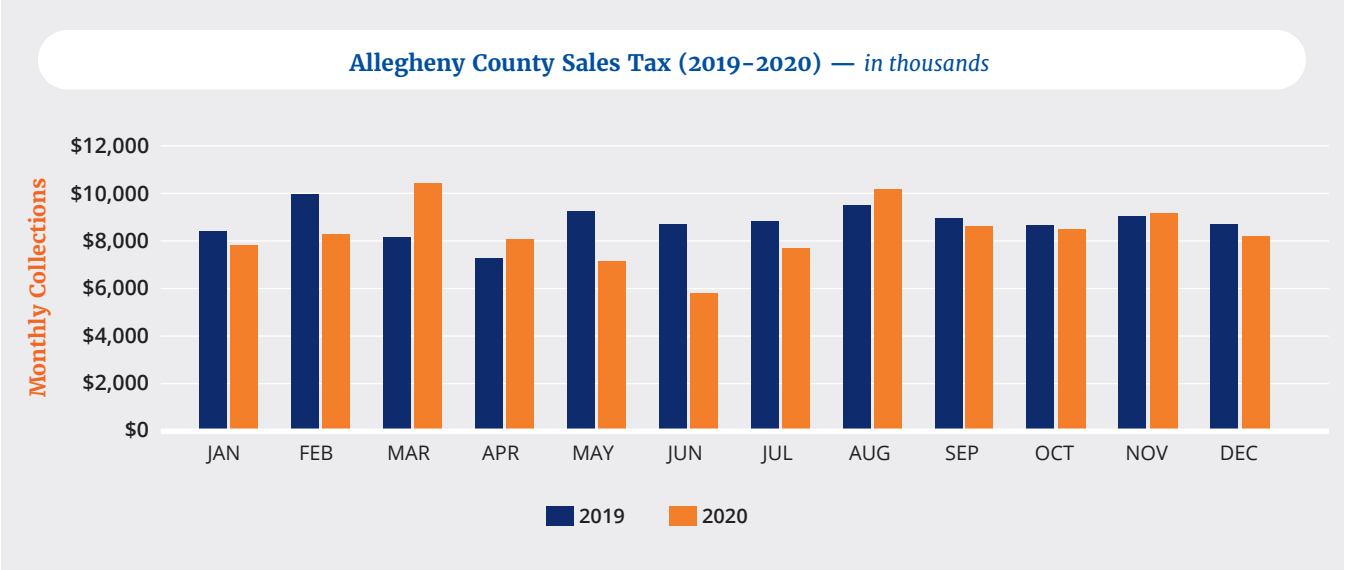
Municipalities that receive parking revenue from concentrated districts saw dramatic decreases in collections during the pandemic due to decreases in commuter traffic and in-person shopping and entertainment. The City of Pittsburgh experienced a 45% decrease from 2019 to 2020 in its parking revenue as downtown workers transitioned to remote work and sporting and cultural events were suspended during the pandemic.[19] In addition, according to feedback from local government officials, some municipalities intentionally decreased parking rates or enforcement to spur demand for local small businesses.

Liquid Fuels

Similar to parking revenue, which decreased because of reduced daily driving, the Pennsylvania Municipal Liquid Fuels Program saw a decrease in gas tax revenue at the state level. Under the program, state-level income is reallocated to local municipalities based upon local population and miles of state-approved roads. In 2021, municipalities will receive about 7% less funding from the program.[20] Of the approximately $453 million in state funding allocated to municipalities in 2021, southwestern Pennsylvanian municipalities are to receive only approximately $94 million.[21] As a result of these decreases, the state and municipalities will have less to invest in the construction and maintenance of roads and bridges, including snow removal and repaving.

Allegheny County Sales Tax

Although many local municipalities saw some declines in sales tax revenue, in Allegheny County, municipalities that receive funding from the county's unique 1% Regional Asset District (RAD) sales tax saw the largest decline in both dollar and percentage terms in the history of the RAD tax.[22] In 2020, county RAD tax revenue was $100.2 million, a drop of $5.7 million from 2019, a 5.4% decline.[23] RAD revenue losses were most significant early in the pandemic but recovered closer to 2019 revenues in the fourth quarter.[24] Decreases in RAD revenue especially impact the funding of important regional assets, including local libraries, parks, the Pittsburgh Zoo and PPG Aquarium, the National Aviary, and cultural revenues and organizations.



Impact on Expenditures

Many municipalities experienced increased expenses during the pandemic because of the need to create safe workspaces and find alternative methods of engaging with residents. According to an October 2020 Pennsylvania Economy League statewide survey, approximately 40% of municipalities reported an increase in spending attributable to the pandemic.[25] For many municipalities, spending was necessary to limit the spread of COVID-19 (for example, purchasing protective equipment, altering workplaces, and cleaning).[26]

A silver lining in the pandemic was the investments that many municipalities made in technology to provide work-from-home options for employees and video and teleconference services to conduct public meetings.[27] In response to the COVID-19 pandemic, more than 25% of municipal survey respondents plan to invest in technological advancements to plan for future crises. Unlike other pandemic investments, such as protective equipment and increased cleaning, technological investments help to build capacity and resiliency by allowing for the automation of routine tasks, greater workplace employee flexibility, increased convenience for residents and businesses, and greater community engagement in public meetings.

The pandemic, as well as its impact on social interaction, also required municipalities to be creative with their communication strategies and to upgrade their websites and social media platforms. However, those improvements often made it more difficult to communicate with older residents, inexperienced users, or people without access to online services. Nevertheless, many local governments began holding their public meetings remotely through online platforms such as Zoom and Microsoft Teams. During focus group discussions, municipal officials indicated that online platforms offered greater access and flexibility to many of their residents; as a result, municipalities saw increased community participation in meetings. Based on the new methods of engagement, several municipalities expressed a desire to continue video conferencing options for residents to attend public meetings even after in-person meetings return. Some local government officials were nevertheless concerned about the costs associated with the maintenance and storage of meeting recordings and website upgrades necessary to host meetings online.

Pandemic Relief Funds

During the pandemic, the federal government provided support for state and local governments through two pandemic relief bills. Although each bill was designed to offset lost revenues and increased expenses related to the pandemic, the bills directed the use of the funds toward different aspects of municipal service delivery. The funding provided a one-time solution for lost municipal revenues and increased expenses; however, it also provided an opportunity for communities to make long-term investments for the future.

CARES Act

Passed in March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was a $2 trillion COVID-19 stimulus package aimed at addressing the challenges faced by American workers, hospitals, businesses, and state and local governments.[28] Of the CARES Act funding, $150 billion was dedicated to state and local governments.[29]

Most counties and municipalities received their CARES Act funding allocations through $625 million in county-based block grants disbursed by the DCED under Act 24 of 2020.[30] The act set limitations on appropriate uses of the funding. It limited relief to support for local pandemic-related activities, business assistance, behavioral health and substance use disorder treatment, assistance for nonprofits, and broadband deployment in underserved areas.[31] Some counties provided additional guidance for municipalities on the use of the funds.

American Rescue Plan

In March 2021, Congress passed additional pandemic relief funding which, much like the CARES Act, also provided funding to state and local governments. Of the $1.9 trillion American Rescue Plan, $130.2 billion was allocated to counties and municipal governments. Local governments can use the funds to:

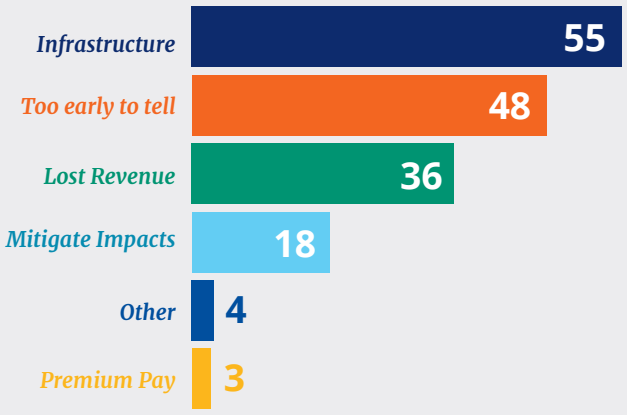
- Respond to the pandemic or its negative economic impacts through assistance to households, small businesses, nonprofits, or impacted industries
- Provide premium pay (an additional $13 per hour) to essential workers or grants to eligible employers
- Provide government services to offset revenue decreases due to the pandemic
- Invest in water, sewer, or broadband infrastructure[32]

Municipal leaders view the pandemic relief as an important opportunity to strengthen their communities. Although local governments are still determining the best use of the American Rescue Plan funding for their communities, a recurring theme with local municipal leaders as expressed to the Institute of Politics in survey responses and focus groups was the desire to create long-term benefits from the funds. One municipal leader expressed:

> *The use of [American Rescue Plan] funding, leveraged with grants or local dollars to grow the infrastructure of the municipalities, is the definition of sustainability. We need to figure out how to use those dollars to draw long-term economic gain for the region, instead of pocketing it in individual municipal coffers.*

Nearly a third of survey respondents said that it was still too early to tell how their communities would spend the funds. However, half of respondents planned on using the funding to offset lost revenues and/or invest in water, sewer, or broadband infrastructure. These were the preferred uses regardless of population or budget size. However, communities outside Allegheny County also indicated plans to use the funds to offset the economic impacts of the pandemic within their communities through assistance to residents, businesses, and nonprofits. A recurring comment from municipal officials during the focus groups reflected a desire to use the funds for stormwater infrastructure, now an allowable use under the U.S. Treasury Department Interim Guidance, released on May 10, 2021.[33]

Planned Municipal Uses of American Rescue Plan Funding



Recommendations for Improving Municipal Resiliency

Over the past year, municipalities have faced challenges that are uniquely a result of the pandemic, including delivering services in a socially distant manner and finding new ways to engage with residents without the ability to hold in-person interactions. But similar to past crises, the pandemic has also highlighted and in some cases exacerbated historical structural challenges faced by municipalities.

Considering this dual set of challenges, the Fiscal Policy and Governance Committee focused its work not only on the impact of the pandemic on municipal governance and finances, but also on ways to improve the long-term sustainability and resiliency of local governments in southwestern Pennsylvania. The committee's recommendations are therefore structured to provide short-term solutions to help municipalities weather the pandemic, as well as methods to address long-term structural challenges that local governments face. The committee sets out its recommendations in four key areas:

1. **Increasing municipal revenue flexibility**
2. **Improving local government financial capacity and transparency**
3. **Promoting basic government administration and budgeting standards**
4. **Improving supports for intergovernmental cooperation**

Each of the identified strategies require commitments from a variety of regional and state stakeholders; and each are implementable within varying timeframes. The strategies fall into three basic categories.

Shorter-term strategies that respond to immediate municipal needs of the pandemic and its aftermath

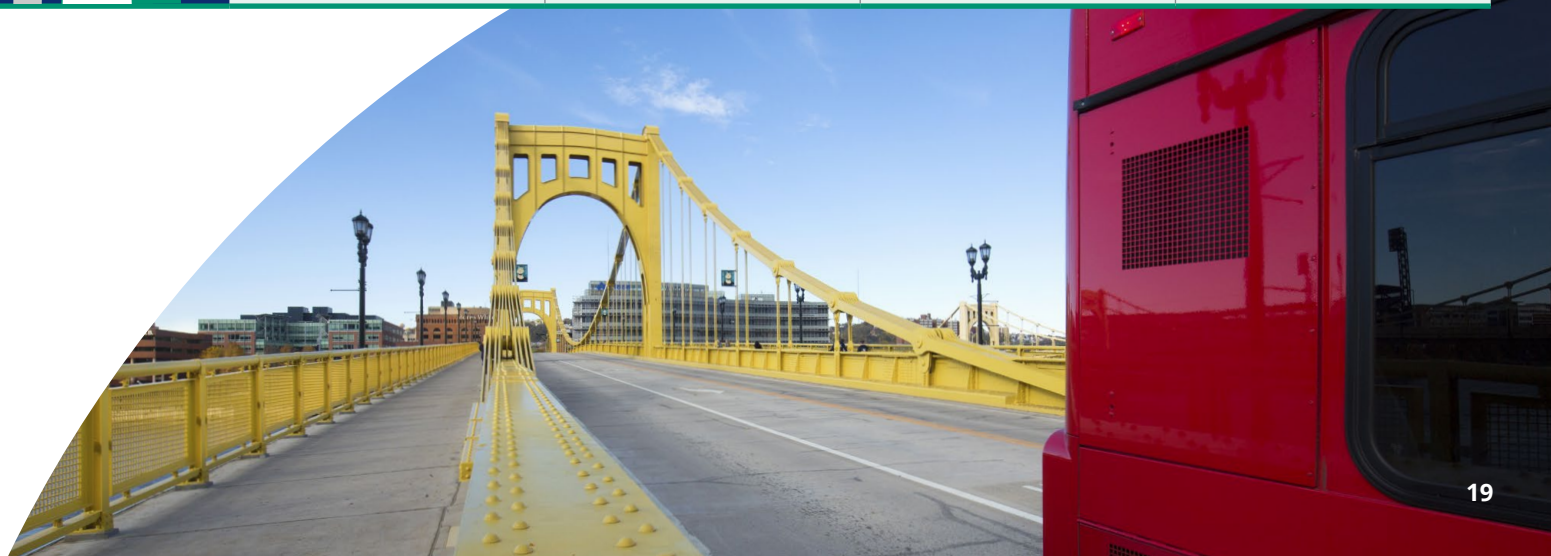
Medium-term strategies that require coordination of municipal and other regional leaders to implement but are accomplishable under existing conditions

Long-term strategies that will require state legislative or administrative changes to implement and will require significant advocacy and/or coordination efforts among stakeholders

Strategies are also categorized by whether they require action at the federal, state, and/or local level and whether they are driven by changes to policy or practice.

Framework of Strategies for Improving Municipal Resiliency

	1 Municipal Revenue Flexibility	2 Local Government Financial Capacity and Transparency	3 Basic Government Administration and Budgeting Standards	4 Supports for Intergovernmental Cooperation
Responding to the Pandemic	• Provide education and technical assistance for municipalities regarding pandemic relief funding.	• Assess the pandemic's effects on municipal revenue.	• Educate on best practices for municipal governance and budgeting.	• Assess opportunities and challenges for shared services.
Developing Interim Supports for Municipalities	• Maximize existing municipal revenue sources.		• Pilot a regional municipal benchmarking program.	• Pilot a program to share finance officers.
Protecting Municipalities Against Future Crises	• Allow all municipalities the opportunity to levy business privilege and mercantile taxes. • Assess revenue possibilities to better capture economic trends. • Improve the regional economy through infrastructure investment.	• Improve usability of DCED municipal financial data.	• Promote municipal management careers at local universities.	• Create a DCED database of Pennsylvania shared services. • Pass legislation to allow municipalities to voluntarily disincorporate into the county where they are located. • Provide additional funding and staffing to DCED to better facilitate shared services.



1 Municipal Revenue Flexibility

Municipalities must continually balance new and existing demands from residents as well as state and federal mandates for municipal services against a relatively fixed set of revenue streams. This dynamic is made more challenging by economic downturns and unfunded state and federal mandates, which force communities to do more with less.

To address these shortfalls, local government officials must pursue efficiencies in service delivery and identify and maximize allowable revenue opportunities. However, Pennsylvania law restricts local governments in the types and rates of taxes and fees that can be levied, which can limit municipal leaders' ability to respond locally to economic trends occurring in their communities or within the region.

The American Rescue Plan offers a unique opportunity for municipalities to receive additional funding to recover lost revenue and make investments in local communities. According to the Institute of Politics focus group and survey feedback, municipal officials want to prioritize the funding from the American Rescue Plan toward critical administrative, economic development, and infrastructure investments to improve the long-term health of their communities. However, municipalities were concerned about the lack of clarity from the federal government on allowable uses of the funding. As a result, nearly 90% of survey respondents believed that education and technical assistance for municipalities on pandemic relief funding would be useful to improve sustainability and resiliency. One municipality expressed frustration with the federal funding rollout, stating:

> *"Information from the federal level has to come [in] more quickly in order to avoid potential issues at the local level.*

The lack of clarity can be particularly challenging for municipalities who already lack resources and capacity. To support municipal leaders' decision-making, DCED and municipal association and nonprofit organizations should engage with local governments to provide key information on allowable uses and best practices to maximize this opportunity for our region to increase community sustainability.

Municipal officials also stressed the importance of improving regional infrastructure to uplift the local economy. Approximately 85% of surveyed municipalities reported that improving the regional economy through infrastructure investment would be useful to improve the sustainability and resiliency of municipalities in Pennsylvania. Although municipalities have different infrastructure needs, many respondents reported that their roads are an important priority. One municipality pointed out:

> *"Infrastructure investment will [also] provide short-term economic improvement through construction jobs creation" and longer-term benefits to quality of life as communities become more marketable to new residents and businesses through "improved traffic flow or broadband.*

Another municipality cautioned:

> *"The fragmentation of local government is such that it is more likely that relief funds, and any private money that can be leveraged along with them, will be utilized for local projects as opposed to being part of a larger regional investment.*

Provide Education and Technical Assistance for Municipalities Regarding Pandemic Relief Funding

DCED and Pennsylvania municipal associations and organizations, like the Local Government Academy and CONNECT, should provide education and technical assistance for municipalities regarding the American Rescue Plan local government relief funds. The education and assistance should provide information to municipal leaders on best practices to ensure compliance with the relief funds and how to participate in a single audit as part of receiving the funds.

Municipalities should engage with their solicitors and auditors to plan for the funds and identify uses for the funds that are compliant with federal guidelines and advance the long-term vitality of their communities. The pandemic relief funds provide an opportunity for municipalities to address structural challenges in their communities, invest in projects to improve their economic vibrancy, and assess intergovernmental cooperation opportunities with neighboring communities. Sharing information on creative uses of the funding would also be beneficial.

Maximize Existing Municipal Revenue Sources

Municipalities should regularly reassess their own administrative operations to ensure that they are maximizing existing municipal revenues sources to their best advantage. Local governments should also take advantage of grant funding opportunities through federal and state governments and regional foundations. Some strategies may include assessing stormwater fees, exploring privatization of services, expanding investment options, reviewing and updating prohibitive regulations that impede community economic development, and regularly performing property tax reassessments.

A barrier for many communities in implementing stormwater fees is that only home-rule and second-class townships are currently permitted to levy stormwater fees without the creation of a stormwater authority. This restriction provides an unnecessary impediment for municipalities seeking to address federal and state water requirements, such as the Municipal Separate Storm Sewer Systems Program (MS4). Not only does this restriction create an unnecessary layer of government, but it also forces local governments that are unwilling or unable to create a stormwater authority to tap into other existing tax revenue sources or to increase water and/or sewer rates to pay for stormwater infrastructure investments. Although Act 62 of 2016[34] permits second-class townships to levy stormwater fees without creating an authority, similar legislation for additional classes of municipalities has stalled in the Pennsylvania General Assembly in recent years. In implementing a fee, municipalities should partner with neighboring communities within their watershed to better plan major projects, combining resources and expertise to improve stormwater management.

Allow All Municipalities the Opportunity to Levy Business Privilege and Mercantile Taxes

Although local economies have changed significantly since its passage, the Local Tax Reform Act of 1988 prohibits additional municipalities from levying receipts-based taxes, such as Business Privilege and Mercantile Taxes. The act limited the use of the Business Privilege Tax to the 272 municipalities that levied the tax before the 1988 ban was put in place. If the General Assembly reopened the option to take advantage of the tax, communities that have developed business districts since 1988 could better capture the growth that has occurred within their borders. By adopting a Business Privilege Tax, local governments could also offset reductions in existing local taxes or expand their tax revenues to fund new or existing services.

Assess Revenue Possibilities to Better Capture Economic Trends

The U.S. Congress and the Pennsylvania Legislature should assess options to allow municipalities to better capture revenues from regional economic trends. Over time, traditional technological revenue options such as cable franchise fees no longer provide the revenue that they once did because of changes in technology and reduced demand for such services. As new technologies emerge, such as 5G or broadband, municipalities should be able to capture revenue in ways that are not cost prohibitive for the businesses deploying them yet take advantage of the public demand and public resources necessary for deployment.

Improve the Regional Economy through Infrastructure Investment

Governments, businesses, and nonprofits should partner in regional infrastructure improvements to generate economic growth and, in turn, increase local government tax revenues. Pandemic relief funding, as well as additional private funding leveraged from partnerships with nonprofit organizations, provides a unique opportunity for regional growth by increasing access to affordable broadband, water, and sewer services; expanding public transportation access and service; and advancing workforce development by equipping individuals with the skills needed to succeed in a rapidly changing economy.

2 Local Government Financial Capacity and Transparency

An important step to better prepare municipalities for current or future challenges is strengthening their administrative and financial capacity. Most immediately, this requires equipping municipal leaders with the tools and skills needed to project and plan for the "post-pandemic economy and what it will mean for their communities.

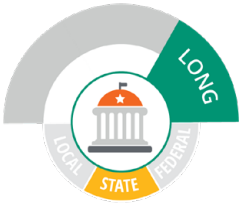
This is especially true for smaller municipalities that may not have as robust a capacity as larger communities in the region. Resources such as the recently developed report "Assessing the Effects of the COVID-19 Pandemic on Municipal Revenues in Southwestern Pennsylvania"[35] and its companion tax revenue loss calculator,[36] developed by the Center for Metropolitan Studies and CONNECT at the University of Pittsburgh, provide important information for municipal leaders to aid in their decision-making. Additional research, education, tools, and peer learning opportunities are essential for local governments to strengthen municipal decision-making and better prepare for what lies ahead. These resources should continue to be updated as the economy emerges from the pandemic.

Residents, businesses, nonprofits, and universities all have important roles to play in identifying issues and solutions for our region's communities. However, to better empower communities, information must be provided in and open and timely manner. More open municipal data will provide opportunities for collaboration among municipalities and residents or outside organizations to drive improvements in municipal service delivery and to identify financial trends impacting the region. A significant challenge in assembling data across municipalities is the differing financial standards and practices that are deployed across municipalities. At the same time, state-mandated requirements for data collected by DCED must be at a level of sophistication that allows all municipalities the ability to provide the required data.

Assess Effects of the Pandemic on Municipal Revenue

Municipalities and regional policymakers should assess the individual and regional effects of the pandemic on municipal tax revenues to assist local governments in budgeting and decision-making. Analyses should include not only direct effects, but also future effects from any recession or economic slowdown following the pandemic or its influence on longer-term trends, such as decreased demand for commercial real estate.

As part of this assessment, DCED, academic researchers, and/or municipal organizations and associations should also develop budgeting tools to support local governments in assessing their financial resources under various economic scenarios. The tools should assist local government officials to better project future revenue and expenditure increases and decreases and to plan for changes to staffing, services, and capital investments, especially in times of crisis.



Improve Usability of DCED Municipal Financial Data

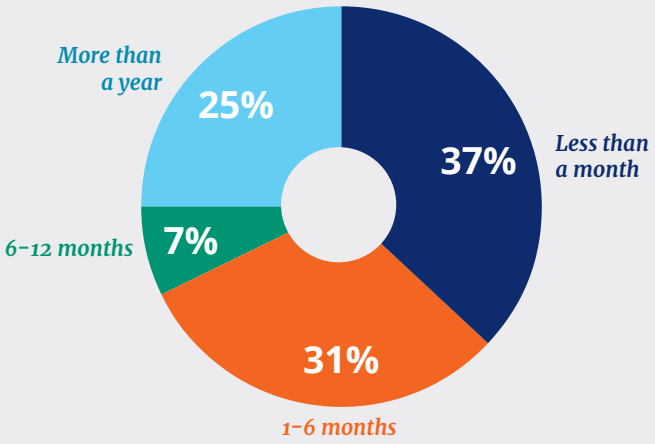
DCED should improve its publicly available municipal finance data in order to present the data in a more usable form and in as timely a manner as possible. Up-to-date data are critical for municipalities and the academic and civic organizations that assist them, as they elucidate regional economic conditions and the financial health of communities. DCED should make available all information fields it requires as part of its Municipal Annual Audit and Financial Report (DCED-CLGS-30), which municipalities are required to electronically file each spring, including useful information on revenues and expenditures. Reporting deadlines should be enforced more vigorously to ensure more timely access to a complete set of data.

3 Basic Government Administration and Budgeting Standards

Municipal leaders stressed the need for greater professionalization and an elevated baseline for competent municipal service administration and delivery. To operate well, local governments require experienced and educated managers to meet increasingly complex challenges. Although local governments may be constrained in their staffing by budgetary realities, they can maximize the use of personnel through increased continuing education, peer learning, and professionalization.

Municipal leaders recognize the importance of participating in continuing education as an important part of managing and improving their communities. Two-thirds of local government respondents had participated in professional development or education within the previous six months and 75% had participated in educational programming in the previous year. Municipalities with smaller budgets and smaller populations were less likely to have participated in continuing education within the previous year and expressed concerns about the time and financial costs of programming for small communities.

Most Recent Participation in Continuing Education



Municipal leaders depend on a wide variety of organizations to learn more about best practices and trends in local government. According to survey results, participation within many of the regionally based municipal organizations was greater among municipalities with larger populations and larger budgets and tended to be concentrated in Allegheny County. Smaller municipalities gravitated more toward state associations for educational programming. For instance, 50% of municipalities with operating budgets less than $1 million participated in programming from the Pennsylvania State Association of Boroughs, which was more than double the participation rate with the next highest level of educational organization. These results indicate that to provide critical information on best practices and trends to municipalities, a coordinated effort with municipal associations and organizations is required to engage with local government officials across population, budget, and geography.

Nearly 83% of respondents said they believe that education on best practices for municipal governance and budgeting would be useful to improve the sustainability and resiliency of municipalities in Pennsylvania. Despite valuing the role of continuing education, municipalities cautioned that it can sometimes be difficult to find motivation or time for elected officials and municipal staff to participate in educational opportunities.

In addition to educational opportunities, survey respondents felt that benchmarking is a valuable tool that, when done well, can provide peer comparisons across local governments and drive improvements in finances and service delivery. Research shows that regions and states across the country have implemented and achieved financial and service improvements through participation in such benchmarking activities.[37,38,39] Municipalities value peer comparisons, as evidenced by the informal benchmarking that already occurs locally among managers and service department administrators to implement new programs or upgrade existing ones. Despite the perceived benefits, local officials expressed concern about the ability of smaller municipalities to participate in benchmarking programs because of staffing and data-administration constraints. Local officials cautioned that benchmarking tools should be used constructively and not as a tool to attack or humiliate underperforming communities based on their metrics. Respondents also stated that benchmarking would be more useful if education and technical assistance were available to support communities in the administrative and service improvements they might pursue.

Approximately 75% of responding municipalities endorsed promotion of municipal management careers at local universities and believed that such promotion would be useful to improve the sustainability and resiliency of municipalities in Pennsylvania. The comments regarding this career-promotion strategy indicated excitement and support, as many municipalities struggle to find professional administrators. Hiring qualified personnel can be especially hard for smaller communities, as expressed by this respondent:

> *Smaller communities struggle to hire individuals with talent because of their financial capacity.*

In fact, one municipality reported:

> *The lack of qualified, experienced, and dedicated municipal managers may be the single biggest threat to effective local government service provision that we will face in the next 10-20 years.*

Educate on Best Practices for Municipal Governance and Budgeting

Municipal leaders should take advantage of educational opportunities for improving government administration and financial operations offered through municipal organizations and associations, such as the Local Government Academy (LGA), Allegheny League of Municipalities (ALOM), Government Finance Officers Association (GFOA), and CONNECT, to better understand best practices for municipal operations and current trends facing local governments. Educational curricula should provide information and strategies that address key trends in the region, including economic development and employment trends, new or existing public health challenges, and the role of technology in advancing communities and municipal operations. Programming should be presented in a way that allows all municipalities to participate regardless of their size, staffing, and/or geography.

Pilot a Regional Municipal Benchmarking Program

Steps should be taken to pilot a voluntary municipal benchmarking program for municipalities in southwestern Pennsylvania that would compare financial and municipal service delivery data across peer communities. Municipalities would be able to see how they compare to other southwestern Pennsylvania municipalities with similar populations and budgets along identified performance metrics, then identify services, departments, and procedures that can be improved. The pilot could be useful in identifying the scale at which municipal services should be optimally provided in the region. This information could provide justification for developing intergovernmental cooperation agreements for particular services. The pilot program should also work to provide participating municipalities with supports to drive financial and service improvements, such as education, technical assistance, and grant opportunities.

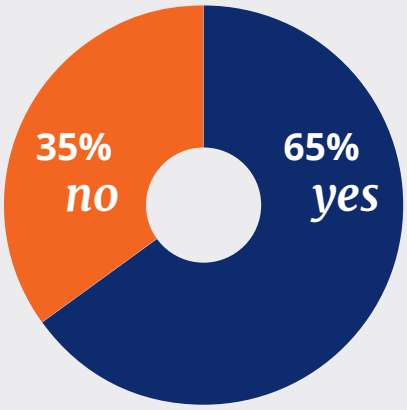
Promote Municipal Management Careers at Local Universities

Similar to other professions in the region, municipal manager ranks will experience the retirement of the Baby Boom generation in the coming years, which will leave gaps in the availability of local government managers and administrators in southwestern Pennsylvania. To provide a new generation of local government professionals, undergraduate and graduate programs at local universities should better promote career training and opportunities within local governments.

4 Supports for Intergovernmental Cooperation

The expansion of intergovernmental cooperation would provide opportunities to increase municipal services through increased professionalism, specialization of staff and equipment, and improved responsiveness. However, achieving such cooperative benefits would require not only the political will of municipal leadership and residents, but also the commitment of time and funding necessary to facilitate and plan the development of shared services.

Municipal Participation in a Council of Governments Among Survey Respondents



Across the board, responding municipalities said that shared services are a useful strategy to support the sustainability and resiliency of municipalities in Pennsylvania. Many municipal leaders noted value in the intergovernmental cooperation that already exists, but municipalities still hesitated to expand cooperation because of the loss of administrative control and the time and financial costs of starting and operating intergovernmental cooperation strategies.

Additionally, municipal leaders endorsed the importance of strong councils of governments (COGs) in facilitating cooperative agreements, especially when collaboration is among three or more municipalities. The survey revealed that 65% of respondents participated in a local COG. COG participation among respondents was highest in Allegheny County (96%) and Beaver County (70%).

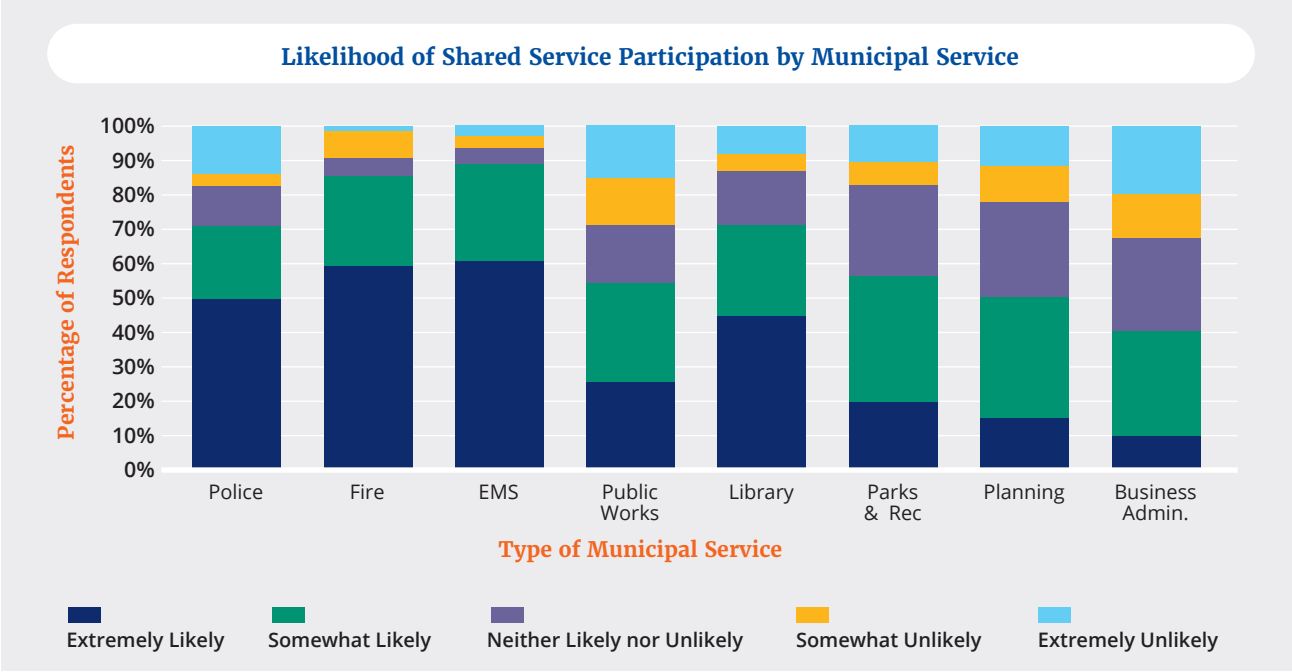
Municipal leaders also stressed the importance of greater outside support for shared service development, stating:

> *"The assumption that planning is 'free' is flawed. Adding resources for regional planning can catalyze major improvements. Also, funding for outreach and citizen awareness of needs for improved services is important.*

Although shared services may result in improved services, cost savings are not guaranteed because of the cost of developing shared service programs and potentially increased staffing costs associated with greater professionalization and capacity.[40] Cost savings from intergovernmental cooperation typically occur over time through the elimination of redundant workers.[41] This does not necessarily require firing employees; instead municipalities can use departmental hiring freezes or retrain workers for other positions. Cost savings from shared services are harder to achieve in communities with fewer resources because of the relatively inexpensive, lower-quality services that may currently exist.

Respondents repeatedly stressed the need for greater investment in neutral facilitation as well as meaningful and ongoing engagement with residents and municipal leaders. Through additional information collection and support, municipal leaders will be better positioned to identify and implement robust shared services with neighboring communities to increase administrative capacity and raise service levels across southwestern Pennsylvania.

Survey respondents believed that the greatest opportunity for intergovernmental cooperation is in the area of first responders. More than 75% of municipal leaders believed that there is at least a "somewhat likely" opportunity for collaboration in fire services and emergency medical services. Similarly, more than 60% of respondents saw opportunities for shared policing services. The perceptions may stem from the fact that joint response practices between departments within the region are perhaps the most visible regional cooperative efforts. Of the other services that municipalities typically provide, respondents readily identified libraries as another area of potential collaboration, with 72% of local officials believing it is somewhat likely or extremely likely that they would participate in coordination of such service.



However, research indicates that capital-intensive services, such as water, sewer, and road maintenance, are more likely to become more efficient or less costly as the service delivery footprint increases in size through shared services compared to labor-intensive services, such as police and fire.[42] This is due to the ability to share specialized equipment and jointly invest in infrastructure using a larger resource pool. The research may suggest that the region has untapped opportunities for intergovernmental cooperation if municipalities are more focused on shared service for police, fire services, emergency medical services, and libraries.

Respondents were divided over the usefulness of implementing a pilot program to share finance officers. Although approximately 64% of responding municipalities believed that a pilot program to share finance officers would be at least moderately useful to improve the sustainability and resiliency of municipalities in Pennsylvania, there was little consensus on how such a program might be implemented. Although the shared employee strategy may be more beneficial for smaller municipalities, some of the smaller municipalities reported that they either could not afford even a shared position or did not believe that a part-time person could become familiar enough with their communities to sufficiently serve them.

Municipalities reported very mixed feelings about legislation to allow municipalities to voluntarily disincorporate into the county in which they are located. Those in support of the idea said it could be beneficial for smaller municipalities that struggle to fill positions and deliver municipal services. At the other end of the spectrum, some municipalities said they wished to remain independent and that their communities did not wish to disincorporate.

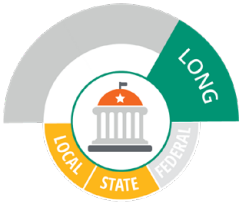
Assess Opportunities and Challenges for Shared Services

It would be helpful to better understand the opportunities and challenges regarding shared services and purchasing that are possible in Pennsylvania. Assessments should evaluate the benefits of shared services in terms of cost savings and service improvements, barriers to implementing shared services, and improvements to supports provided by state and county governments to facilitate municipal shared services.

Pilot Program to Share Finance Officers

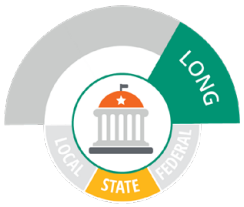
Many smaller municipalities are challenged because of financial limitations in hiring experienced finance officers. Through sound management practices, finance officers can offer capacity for creating and implementing long-term visions and cost savings for communities. COGs, chambers of commerce, and/or municipal associations should pilot programs that would allow municipalities to contract for a part-time finance officer to improve capacity within their municipalities. Municipalities could purchase specific services based on their needs and budget to acquire experienced municipal management at a reduced cost.

Create a DCED Database of Pennsylvania Shared Services



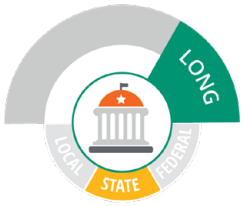
DCED should require municipalities to electronically submit to DCED all resolutions passed locally to enact shared service agreements. One of the challenges for advancing shared services among municipalities is the historic lack of data and information on intergovernmental cooperation that has occurred or been attempted in Pennsylvania in the past. Shared services occur at a local level between municipalities and have not historically required notice to DCED. By collecting mandated data on intergovernmental cooperation, DCED could assist municipal and state officials and regional policy-makers to better understand possible services to share, characteristics of the communities that have successfully engaged in intergovernmental cooperation, and potential outcomes of those agreements for municipalities and their residents. Included within the database should be a point of contact to facilitate follow-up on shared services.

Pass Legislation to Allow Municipalities to Voluntarily Disincorporate



Pennsylvania should join 38 states, including the neighboring states of Maryland, New York, Ohio, and West Virginia, in allowing municipalities to voluntarily disincorporate into the county in which they are located. By disincorporating, a municipality enables the county to provide municipal services to the former municipality in exchange for a tax or fee. Through increased economies of scale and removal of administrative redundancies within individual municipalities, county governments could provide efficient and effective municipal services. At present, disincorporation is not legally possible in Pennsylvania except under the newly revised Act 47 legislation, which pertains only to particular distressed municipalities.

Provide Additional Funding and Staffing to DCED to Better Facilitate Shared Services



The Pennsylvania legislature should provide additional funding and staffing support to DCED so that it can better support and facilitate intergovernmental cooperation among municipalities. Although DCED already provides valuable services and grant funding to support Pennsylvania municipalities, greater support is needed to help facilitate the expansion of shared services among municipalities.

Conclusion

Municipalities take very seriously their responsibilities to safeguard the assets entrusted in their care and deliver services that are vital to their residents. The pandemic is just the latest in a long line of challenges that have detrimentally impacted southwestern Pennsylvania municipalities over recent decades. Long-running structural issues, such as declining or stagnating local revenue sources, fragmentation, unfunded state and federal mandates, and difficulty attracting and retaining experienced professional staff, become exacerbated during times of crisis, pushing some communities to the brink. Fostering greater resiliency within our region's municipalities requires greater support for local government leaders to creatively increase revenues and reduce expenses while working collaboratively to share innovative ideas and partnering to deliver robust services.

If local governments can achieve higher administrative capacity and adequate and sustainable revenue, the quality of life for all residents of our region will improve. To that end, the Institute of Politics will work with its community partners to coordinate technical assistance, offer educational opportunities, and advocate for these recommended strategies to improve the long-term stability of Pennsylvania's municipalities.

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[1] Michael Leachman, "States, Localities, Tribal Nations, Territories Need More Federal Aid," Center on Budget and Policy Priorities, January 22, 2021, https://www.cbpp.org/research/state-budget-and-tax/states-localities-tribal-nations-territories-need-more-federal-aid#_ftn5.

[2] "Census of Governments," U.S. Census Bureau, accessed May 21, 2021, https://www.census.gov/programs-surveys/cog.html.

[3] Christopher B. Goodman, "Local Government Fragmentation: What Do We Know?" Northern Illinois University, May 18, 2019, https://www.cgoodman.com/files/papers/frag-review.pdf.

[4] Some survey content was courtesy of the Pennsylvania Economy League. Results from that survey can be found in "Municipal Survey: Effects of COVID-19" report, https://pelcentral.org/wp-content/uploads/2020/11/COVID19-Municipal-Survey-10-20-PELCentral-1.pdf.

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