

POLICY BRIEF

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Pittsburgh Must Help Itself

In the near future, the Oversight Board will recommend a comprehensive financial reform package to the General Assembly that should put the City of Pittsburgh on the path to solvency. Building upon \$33 million in cuts from the Act 47 recovery team, the Board asked the City to deliver additional savings and/or enhanced non-tax revenues of \$17 million to bring the 2005 budget deficit down by \$50 million, which is roughly equivalent to 13 percent of the City's 2004 general fund budget.

In the Mayor's letter to the Board in early August there was little in the way of cost reductions but there was heavy reliance on questionable revenue sources. Indeed, the majority of the \$17 million relies on the state and federal governments or non-profits for additional funds. Here's how the Mayor's \$17 million is constructed: \$7.6 million would come from the City's RAD funds which will no longer be needed to service the Pittsburgh Development Fund (PDF) bonds since the legislature has provided to have those bonds retired by gambling proceeds; \$5 million from increased contributions from non-profits; \$2 million from a Homeland Security grant; \$1 million in increased EMS billings; and \$1 million in cuts to workers' compensation and health care costs.

In our view, the \$7.6 million in RAD funds should not be allowed to count toward the \$17 million the City was supposed to come up with. This money was freed up entirely by legislative action and should be viewed as new revenues and not based on any effort by the City to save money or to find other local revenue enhancements. The \$10 million per year the City will get from the Pittsburgh casino isn't being counted toward the \$17 million nor should the additional money arising from the retirement of PDF bonds.

Non-profits will be leaned on to give \$5 million more in lieu of taxes above and beyond the \$6 million they are being counted on to give by the Act 47 team. The hospitals are also expected to take over EMS service.

What does the City offer as cost savings? It will produce only \$1 million in actual cost reductions by reducing the costs of health care and workers' compensation. It is unfortunate that the City will not target the workers' compensation costs more seriously. This is an area where Pittsburgh is far out of line with other cities in regards to claim payments.

While the Mayor's letter recognizes that the "ideas are not yet firm in amount, or by category or by year...", the savings are not what would be expected from the leadership of a City that is on the brink of disaster. It has been a year since layoffs were announced, but it is not clear what the City has done in the interim while it holds out hope for a large tax package from Harrisburg.

A much more refreshing approach would be for the Mayor to ask the people he appoints to the major authorities to identify quickly a set of parcels that could be auctioned to the private sector. With few exceptions, the Mayor appoints all the members of these boards (some members of the Water and Sewer Authority are predetermined because of their office or position) and therefore wields significant influence over those appointees. Furthermore, the Mayor should request that the Urban Redevelopment Authority board forward to the City the \$3.4 million in annual repayments of loans made from the Pittsburgh Development Fund. The URA should also turn over to the City that fund's remaining cash, which stood at nearly \$8 million as of the end of 2002.

Unfortunately, none of that has happened. Instead, we get a questionable package of \$17 million and yet another request for substantial new taxes. The Mayor's letter concludes that "the amount of the tax package must not only be sufficient to balance the budget but should be adequate to rebuild the depleted fund balance, pay down a legacy of debt and reduce the tax burden on our citizens and businesses, new and established."

That's the problem in a nutshell. The City cannot seem to come to grips with the reality that it still has a serious overspending problem and that its authorities should be a source of financial help. Instead, the City is in effect telling the Board, the legislature and the public that it cannot bring itself to make necessary cuts in spending and needs to have substantial new tax revenues to solve its financial difficulties.

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