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County Council Puts Marker on Gaming Money

Still stinging from the surprise New Year's Eve delivery of gaming money, County Council has proposed legislation that will account for all future gaming revenues delivered into Allegheny County and stipulate procedures for its use.

Their motivation is understandable: \$19.9 million that was to be used for airport debt (which the historical record indicates was the airport debt *held by* the Airport Authority) instead came directly to the County. The County Executive claimed that the County itself had put \$42 million into the construction of the airport and was owed the money, despite the fact that neither the County's nor the Airport Authority's books show such debt. It was then used to close a 2007 budget gap (*see Policy Brief, Volume 8, Number 4, 7, and 13*).

On top of making first claim on the gaming money for the County, and then using it for a purpose other than the one stated, the Executive felt that in hindsight "...I should have informed [Council] when I was informing the public".

Council's ordinance attempts to prevent a similar occurrence by establishing a formal protocol for the future: to wit, as soon as the Executive becomes aware that gaming money is coming to the County, he is to provide immediate written notice to the Council and the Treasurer. That notice has to show the amount, the state fund from which it came, and what it is to be used for. Once the money is deposited, the Treasurer is to notify Council and the Executive. The money will be treated as "special revenue" and can only be expended after Council takes action. In other words, there should not be a repeat of last minute money being immediately funneled into the County budget without an act of Council.

As things stand, Allegheny County government will receive gaming money for four different purposes. Money is coming from the Tourism and Economic Development Fund, Act 53 of 2007. Note that all the money will come directly to the County because of a last minute amendment to the statute.

- *Airport Debt Reduction*: The act sets aside a total of \$150 million and \$19.9 million has already been disbursed. The County Executive plans to claim another \$22 million to retire the County's investment in the airport terminal and then send the remaining \$108 million to the Airport Authority.
- *Economic Development Debt Reduction*: The act sets aside a total of \$30 million for retirement of obligations related to the County Economic Development Fund, a revolving economic development fund similar to the City of Pittsburgh's Pittsburgh Development Fund. The County received \$2.5 million for this purpose on December 31st with the airport money.

- *Infrastructure*: Over the next decade, \$80 million for an infrastructure fund.

In addition, the County will receive revenue under the terms of Act 71 of 2004, the Racehorse Development and Gaming Act.

- *General Government Operations*: The County will receive 2 percent of the gross terminal revenue of the Majestic Star casino once it is up and operating.

Even though all funding streams are identified and total amounts are fixed, it is up in the air as to when the money will arrive and in what amount (there are minimum annual amounts spelled out in the statutes). It is at the discretion of the state. In fact, over \$300 million is set aside for the new hockey arena and the convention center that, according to the State Budget Office, does not yet have a recipient tied to it (we would suspect it would be the Sports and Exhibition Authority).

Council wants to be put on notice when gaming money arrives—that’s a prudent course to take. But how much control will they have when it comes to approving expenditures?

For instance, the gaming law language states that the airport allocation is for “airport debt and *development and economic development projects*” (emphasis added). What if the Executive proposes to use \$25 million for site development at the airport? That would be permissible under the statute, but a far cry from the spirit of reducing airport debt. Or what if there is a call to use a piece of the \$80 million “community infrastructure development fund” to cover a cost overrun on the North Shore Connector? Would Council stand firm on their commitment to not go over the \$13 million in County money currently committed, or panic if there is an outcry to move money to the project?

It is sad that preventative measures have to be taken to make sure that the New Year’s Eve episode does not occur again. The irony in all of this is that Allegheny County has yet to see a gaming establishment within its borders but it is the first to reap a windfall from gaming taxes collected in other parts of the state.

And it is doubly sad that so much political, behind the scenes machinations have been employed in this whole sorry episode.

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