

Issue Summary

Pittsburgh's Oversight Board

The Issue:

The state-created Intergovernmental Cooperation Authority (oversight board) is in charge of controlling the City of Pittsburgh's finances, but despite its early promise, it has proved largely ineffective and has drifted into the background.

What We Know:

Act 11 of 2004 created the oversight board to assist the City of Pittsburgh with its financial difficulties. As intended in the statute, the oversight board would "operate concurrent and equally" with the Act 47 Recovery Team. The five directors of the oversight board were appointed by the leaders of the House (2), Senate (2), and the Governor (1). The appointees were required to have "substantial experience in finance or management" and were to be either residents of Pittsburgh or have their primary place of employment in the City. The statute gave the oversight board an existence of at least seven years, which means it will go out of business in 2011 unless it is renewed by state action.

The authority possesses general and specific powers, all of which are intended to restore the fiscal health and viability of the City of Pittsburgh. Here are the two major powers that were to have significant impact: one, to prepare a cooperation agreement for the City, and review and either accept or reject an annual forecast from the City that projects finances over the upcoming five-year time frame; two, withhold tax revenues should the City deviate from the financial plan.

The potential for the board to remake Pittsburgh was great: the authority was given the ability to review departments, authorities, and functions; they would have the ability to push for outsourcing and privatization of non-core operations. And it could focus on the high burden of debt and pension costs, a major cause of the City's problems crying out for a solution.

The law mentioned that the oversight board had no ability to abrogate collective bargaining agreements that were in effect but stipulated that the City could not negotiate contracts that were out of line with the plan. If it did, the City had to show that it had sufficient revenues to pay for the contract. Under the law, arbitration for police or fire contracts had to take into account the financial plan as well as comparative market factors.

The contract with the fire union in 2005—and how a dispute over that contract played out—is what made the oversight board a non-player in reforming Pittsburgh.

The City and the fire union negotiated a contract that was a far cry from the type of right-sizing needed for that department, and the oversight board opted to bring a suit against the proposed contract. Unfortunately, the Act 47 recovery team saw no problem with the contract, so, in essence the stage was set for a battle between the City's two fiscal overseers. After the resignation of one board member and the removal of another, the lawsuit was dropped. The hope was that the re-opener of the contract this year would allow changes to be forced on the fire union. To date, there has been no mention of a re-opening, likely meaning that changes will happen the next time the contract is up.

Since that time, board members have come and gone, studies have been conducted on the City and its operations, but the oversight board is far from the independent agency envisioned by the General Assembly.

Recommendations:

Hindsight being what it is, there may have been far better ways to design the board, perhaps not requiring that they be connected to Pittsburgh and perhaps removing the gubernatorial appointment in favor of the four legislative appointees selecting the fifth member unanimously. Or the state could have given the oversight board power over the Act 47 team, which was not really designed for a city the size of Pittsburgh anyway and was focused on general operations and not debt or pensions. But that was not the case. There was even talk in 2005 that the legislature was considering ending the oversight board's existence that year, but nothing came of that.

As it now stands, the oversight board's existence merely prevents the imposition of a commuter tax in Pittsburgh. Act 222 of 2004 mandated that so long as the oversight board is in existence, the City cannot pursue imposing a commuter tax under Act 47. If the City is still in Act 47 status in 2011, and the oversight board is lifted, then there is an option for such a tax.

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