

The Mayor Offers a Good Idea: Some Suggested Improvements

From the Office of the Mayor of Pittsburgh comes a proposed ordinance that aims to bring greater fiscal discipline to initiatives proposed by City officials. Following the lead of an Act 47 recommendation (drawn from Financial Management 05 in the 2014 recovery plan), the Mayor, through the Office of Management and Budget (OMB), is introducing a bill that will require all future proposed ordinances, resolutions and executive orders to undergo the scrutiny of a fiscal impact study.

Each piece of legislation would have to be accompanied by the following:

1. Whether the initiative will have an associated one-time (current year) or recurring impact
2. A five-year impact analysis, if the associated cost is recurring
3. The identified funding source(s) so budget staff can verify funds will be available
4. Staffing implications and costs
5. Non-personnel operating costs
6. Capital budget requirements
7. The impact on City revenues

When the City receives grants and those grants require matching funds from the City or involve City personnel, that requirement would have to be specified. The task of preparing the fiscal impact would fall to either the City Council budget office (if an ordinance or resolution is initiated by a member of Council) or the OMB (if the initiative comes from the executive branch or an agency). Language for the fiscal impact requirement will be included in the City's Code along with existing language on the operating budget.

This is a fairly exhaustive list of items to consider in evaluating the fiscal impact of legislation. This plan should, if carried out to the letter with precision and accuracy and with no heroic assumptions, give the City a good and reliable idea of how a piece of legislation will impact the City's finances. Thus, the proposed ordinance is certainly worthy of study and eventual implementation.

Notwithstanding the value of the Mayor's proposed ordinance, there are some things that could be added to make the bill a more effective guardian against ill-conceived

legislation. Since the Council will be studying the proposed bill with an eye to making it better anyway, they should take the time to include some additional safeguards. The bill as proposed would definitely be a step forward in bringing order to the control and measurement of the City's financial situation. But that is not all that is needed when passing legislation.

In light of the fiasco of the sick leave bill and the minimum wage dictate from the Mayor's office, it would seem reasonable that every bill and order be subjected to very careful review to determine if it in any way violates, (a) the City's Home Rule Charter, (b) any state laws or City ordinances, and (c) any prior court decisions in lawsuits such as the proposed bill might engender.

Presumably, the Council is already following this procedure but in the case of the sick leave act it deliberately went against the judgement of the City Solicitor and was thoroughly and quickly embarrassed by having a court rule the legislation was a violation of state law. This type of situation should not arise. If Council wants to ignore a solicitor's warning, it should at the very least get confirming support from two knowledgeable attorneys who are not on the City's payroll. The cost to the City and the businesses who fought the bill and won cannot be recouped. Forcing businesses to hire attorneys to protect themselves against the provisions of illegal legislation passed by Council and signed by the Mayor should never happen.

Clearly, strongly worded legislation aimed at preventing a recurrence of that situation should be a priority.

Finally, while a fiscal impact review will be helpful that is not close to the end of the story. The proposed bill will be greatly improved if it includes a requirement that all legislation be analyzed to determine the potential impacts on the City's economy and non-governmental employment. Perhaps a modest sum could be set aside in the budget to engage firms as needed to carry out the economic evaluations.

Legislation that could cause businesses to shy away from coming into the City or that drives existing businesses away must be vetted very carefully before enactment. Indeed, this is even more necessary in light of the recent trend of flat to lower job count in the City as measured by collections of the Local Services Tax (\$52 on each person who works within the City limits, regardless of where they reside).

Year	Local Services Tax Collections	Jobs (Measured by Local Services Tax)
2011	\$13,138,000	253,000
2012	\$14,128,000	272,000
2013	\$13,831,000	266,000
2014	\$13,907,000	267,000
2015	\$13,873,000	267,000

LST collections from 2015 CAFR, Table 6, Governmental Fund Tax Revenues by Sources. Collections are in 000s in CAFR, so job counts were rounded to closest thousand.

Moreover, the entire region has witnessed a dramatic slowdown in employment gains over the last two years. The economic boost from the rapid expansion of gas exploration and production has largely disappeared in the past year adding to the softer jobs picture. Meanwhile, coal production in the region has been slammed by EPA regulations on power plants. What's worse, the very modest employment growth that is occurring is heavily concentrated in low wage jobs, particularly in the leisure and hospitality sector.

Then too, the Pittsburgh metro region ranks near the bottom in comparisons of entrepreneurship among the country's 40 largest metro areas, especially in regards to new business formations. That is a critically important gauge for assessing future strength of an area's economy (see *Policy Brief Volume 15, Number 28*).

In short, it would behoove the City to think seriously about any legislation it plans to enact and make sure a respected, independent analysis of economic effects are evaluated. Indeed, they ought to include such a requirement in the Mayor's proposed bill.

The Mayor's bill is good, but it could be a lot better with the suggestions offered here.

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