



Looking Back, Looking Ahead

As 2013 draws to a close we extend our best wishes for a healthy and prosperous 2014 to our *Policy Brief* readers. To be sure, the outgoing year was an eventful one on the public policy front, with several developments taking place that will have impacts in 2014 and beyond.

Property Taxes—The Allegheny County reassessment went into full effect in 2013 with the County and municipalities adjusting their millage rates under the terms of Act 71 and the school districts abiding by Act 1. By and large the statutory requirements dictate rolling back rates so that revenue collections match pre-assessment collections; tax hikes have to come in separate actions with limitations. Those requirements now go away until there is another reassessment. The County is still bound by the supermajority council vote requirement to raise millage rates.

Financial Oversight—The year came and went without any action in Harrisburg on the request made by the Act 47 recovery team to release Pittsburgh from financial distress (filed in November of 2012). Even if approved the separate oversight board would have remained in place. As of now both are still functioning though there is a vacancy on the five member oversight board. With a new mayor arriving there might be an opportunity to make some progress on several fronts.

Transportation—The impact of the comprehensive transportation bill on the Port Authority will still have to be measured, but a separate piece of legislation enacted earlier in the year made significant changes to the board of directors by allowing for state-level appointments, requiring qualifications for board members, and term-limiting members. Another provision of the legislation is to have a study on what benefits, if any, consolidation with other transit carriers and/or privatization (more accurately outsourcing or contracting) would have on the Authority's costs.

Unfortunately, the transportation bill passed in November has offered the transit agencies a lot of money with no quid pro quo in terms of measures to rein in costs at the transit agencies, such as eliminating the right of transit workers to strike as is the case in all but a handful of states. Nor is there a requirement to begin outsourcing or privatizing bus service, an idea that is long past due for implementation.

The transportation bill raises a projected \$1.7 billion over the next five years through increases in the cap on the wholesale price of fuel for purposes of levying the oil company franchise tax and imposing additional millage to the tax rate. While this money will be welcome for highway and bridge repairs and upgrades, it also created a fund of up to \$40 million to be doled out by legislators without much oversight. The chipping away at the prevailing wage threshold is positive, but it would have been far better to abolish this massive cost increasing law altogether.

Pensions—While the Governor has indicated pension reform for the plans covering state workers and all public school employees will be a priority in 2014, the General Assembly passed and the Governor signed legislation late in 2013 to make changes to the pension system for Allegheny County. Like new hires of the Port Authority and Pittsburgh police and fire, people taking jobs with the County after the legislation goes into effect will have to work more years to qualify for normal retirement, will only be able to count a fraction of overtime worked into pensions, and will have a longer period in which final average salary is calculated. The hope is that as new hires replace current workers through normal turnover the costs of the pension system will fall.

But the issue goes much deeper for state employees and public school employees. Their pension plans are woefully underfunded and the requirement to bring them to a safe level of funding is creating gigantic nightmares for the state and schools districts' budgets. Meaningful reforms are not in the offing as yet in Harrisburg. This is the proverbial political sticky wicket.

Per-Pupil Costs—Consultants hired for the Pittsburgh Public Schools may have finally laid bare the numbers that previous consultants had either ignored or glossed over: that compared to other urban districts in Pennsylvania, and after adjusting for extraordinary expenses, the per-pupil cost in Pittsburgh are far out of line to the tune of \$7,000 or more dollars on average compared to other districts. And a growing problem for Pittsburgh schools is the enormous growth in the amount of money they must put in to cover pensions. Unfortunately, the school district, like the state and other municipalities, cannot bring itself to adopt serious cost saving mechanisms other than closing facilities and personnel cuts. Interestingly unions will tolerate cuts when schools are closed but are adamantly opposed to cost saving measures such as outsourcing.

USAirways—The recently completed merger between USAirways and American Airlines will have a significant impact on Pittsburgh International Airport (PIT). Chief among them will be the fate of the flight operations center—paid for in part with taxpayer subsidies—and the hundreds of jobs the area will lose as it will most certainly be closed. The future of the maintenance center will also bear watching as the new airline takes shape. The best course of action for the County will be to continue lowering fees for carriers to entice more flights into and out of Pittsburgh International. With the money coming from gas drilling on the airport property there is every reason to believe much more progress in reducing gate fees, landing fees, etc., can be accomplished.

Minimum Wage—There has been a lot of talk emanating from possible gubernatorial candidates across the Commonwealth about the need to increase the state's minimum wage rate. The Legislature must reject in no uncertain terms this job killing mandate which would have a negative impact on the business climate in Pennsylvania.

No doubt about it, 2014 will have a lot of challenges for policy makers. Unfortunately, with elections in November, the odds do not favor meaningful improvements in many policy issues facing the state, school districts, and local governments.

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