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Who Is Right Regarding Pittsburgh's Distressed Status?

Whose opinion on whether the City of Pittsburgh should remain in Act 47 fiscal distress should count more—the newly sworn in chief executive of the City who wants the distressed status to stay in effect, or the coordinators who feel that the City has done enough?

It might be a while before we learn which view will prevail. The rescission report written by the City's Act 47 coordinators in November of 2012 still awaits a decision. A previous, albeit premature, effort by the City to get out of Act 47 in 2007 was answered with a negative not long after in July of 2008. When the City asked at that time they requested in advance that if its application to get out of Act 47 was denied that the state prepare a blueprint for what would be required to exit distressed status. That blueprint focused heavily on the City's legacy costs and became the basis for the second Act 47 plan for Pittsburgh.

There's no time limit for how long a municipality can be in Act 47 and there is no time frame outlined for action on terminating Act 47 status when a request is presented. There's also not a lot of balance in the criteria for being placed into fiscal distress and getting out. Eleven criteria are outlined in Act 47 of 1987 to determine if a municipality exhibits the characteristics of fiscal distress (it only has to meet one) and any one of ten parties have been given statutory standing to request a determination of municipal fiscal distress. However, to get out, four criteria have to be satisfied and the decision has to be rendered by the Secretary of the Department of Community and Economic Development (DCED). To date only five municipalities that were placed in Act 47 status have been released.

In their report, Pittsburgh's coordinators reported the City has been operating with a positive fund balance ("since 2005"), that the City has eliminated accrued deficits, it never took on any cash borrowings or loans for purposes of retiring deficits, and the coordinators gave their opinion that "...Pittsburgh has successfully balanced its annual operating budget over a multi-year period, has reduced its long term liabilities and implemented the financial practices to control its legacy costs".

The recently inaugurated Mayor traveled to the state Capitol in June of last year as a City Council member to make his case that Act 47 should stay. In his trip the Mayor noted that "the City is not out of the financial woods" and on that point it is hard to see even the Act 47 coordinators in disagreement based on how the rescission report itself encapsulates this debate.

To wit: under the first Act 47 plan changes were made to retiree health care that ended the benefit for police and fire personnel hired after 2005 so that now nearly half of the fire bureau and a third of the police bureau have employees that won't receive the retiree benefits of many they serve

alongside will get. Then too, the City adopted a debt policy that sets a decade long goal of getting debt down to 10 percent of general spending; state legislation in 2009 (Act 44) spurred the City to put a lot of money toward underfunded pensions; and workers' compensation liability has fallen. At the same time the Coordinator's rescission report raised concerns about the future prospects of each of these areas, noting that the City has to be vigilant about funding the liabilities while not enhancing benefits in the future, figure out a capital plan, and successfully negotiate collective bargaining agreements.

Thus, the questions for the two sides in this debate are essentially these: first, would Pittsburgh be worse off with only one state overseer ten years after it came under the state's financial oversight? Second, what would be the identifiable metrics the City would have to meet for oversight, whether exercised by one entity or two, to come to an end?

Pittsburgh is in the unique position of having two sets of state appointed eyes working to right the financial ship. Philadelphia has only an oversight board, Harrisburg has a receiver, and all other Act 47 municipalities have a recovery coordinator. The separate Intergovernmental Cooperation Authority (ICA, commonly known as the oversight board) would still be in place, and that Authority has significant power and a repository of data and research on the City done over the years. As the Institute pointed out in 2012 (*Policy Brief Volume 12, Number 56*) the oversight board has wide ranging ability to make recommendations on consolidations, staffing levels, and many other areas. Moreover, the law creating the ICA gave the board explicit power to place stringent requirements on arbitrators as they determine awards for police and fire personnel.

If the state says that the City does not need Act 47 anymore it would still have the oversight board in place; if that is the way events play out, then the legislature should take the opportunity to extend the life of the ICA and set clear five year goals for the City on staffing, consolidation, outsourcing, per capita expenditures, etc. and by putting in statutory terms that the oversight board's role would terminate *only* after these goals have been satisfied.

To ensure the state's wishes are followed, it makes far more sense to have only one oversight group. The state should invest the ICA with any additional needed powers possessed by the Act 47 Coordinator that the ICA doesn't currently have, set goals and monitor the ICA and the City's progress for five years. The cost to the state should be reduced substantially and in management terms it is simply much easier for the City to deal with just one overseer.

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