

POLICY BRIEF

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New Year's Hopes and Wishes for 2002

At the dawn of this new year, it is appropriate to think about wishes for the next 12 months. Our region has many hoped-for developments. We share our thoughts on some of these.

- **Pittsburgh's revenue forecast:** The predicted increases in real estate tax and business privilege tax revenues for 2002 appear to be very optimistic. After years of languishing with no appreciable increase, business privilege tax revenues climbed 7 percent in 2001 thanks in part to the large amount of government-funded construction. The City's budget forecasts a further 10 percent rise in 2002. In light of the slowdown in construction due to the completion of two new stadiums, revenue from that source is likely to fall and almost certainly will not rise. Then too, there is a recession underway-- even if mild by historical standards-- which suggests a slowing rather than a pickup in business privilege taxes. What are we missing here?

Likewise, the projected \$5.6 million increase in real estate taxes would be the biggest one year jump in at least a decade. In view of the successful challenges to assessments and the relatively slow pace of new private development, the projected increase seems to reflect a bit of wishful thinking.

Our unsolicited wish for the City: A hardheaded realism that focuses on cutting costs and lowering taxes.

- **Pirates' attendance:** Although no figures have been announced, it is reasonable to assume that the Pirates are hoping for a repeat of last year's 2.6 million fans coming through the turnstiles. We wish them luck. While there is still an element of novelty about the new stadium, it is obviously not as intense as last year. Two factors will likely determine whether the team approaches last year's record. First, the quality of play. Teams that lose 100 games will not generate a lot of interest by the casual fan. Some apparent and immediate improvement over 2001 will undoubtedly be needed to sustain attendance. Second, traffic problems will certainly be a negative. With two major egress avenues closed and massive detours in place, getting home to the east and south after games will be an

exercise requiring enormous patience. The Pirates can be forgiven if they are little nervous about 2002-turnstile count.

- **US Airways:** A company that needs a number of good things to happen must have a long wish list. We can guess at several; 1) a turnaround in business travel, the real profit maker for the carrier, 2) an agreement with the pilots' union that will allow hundreds more regional jets to fly with regional jet pilot salaries, 3) that fuel prices don't rise sharply and unexpectedly, 4) that employees don't engage in more costly sickouts, and 5) that low cost competitors do not make a serious run at their Charlotte, Pittsburgh and Philadelphia hub traffic. For obvious reasons, not the least of which is the economic impact of US Airways on this region, their return to financial health would be an extremely positive development for our area.
- **Allegheny County:** The County could certainly do with a less tumultuous and acrimonious year with respect to property appraisals. We hope that the efforts by the County and its consultants will put to rest a lot of the unhappiness leftover from last year's experience.

Our wish for the County is to see the enactment of a good merit-hiring bill that covers the row offices. We also hope that the Council redistricting issue is resolved with a more sensible and rational solution that does not require hundreds of thousands of residents to change districts and does not give the City an unwarranted and illegal amount of power on Council.

- **Taxpayers:** We share and support taxpayers' hopes that their taxes will not be raised to cover the expected state pension plan shortfall resulting from last year's hefty boost in legislator and state worker pensions.

The Allegheny Institute calls on all school districts and municipalities in Allegheny County to roll back millage rates to hold revenues level with last year and not accept the 5 percent windfall they can legally take following the County's 2002 property revaluation. Additional revenue created by the assessment of new construction is the only justification for higher tax collections. This is especially true for any school district or municipality that took a 5 percent increase following the 2001 revaluation.

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