



### **Familiar Threads Woven in Harrisburg Recovery Plan**

Over three years ago, in February 2010, we asked if the debt related to a trash incinerator was pervasive enough to cause a municipal bankruptcy filing—colloquially, that the City of Harrisburg’s finances could possibly end “up in ashes”. After the City was placed into Act 47 status, saw the General Assembly make changes to the statute as it applied to Harrisburg, and operating under the direction of an appointed receiver, a plan, somewhat pretentiously titled “Harrisburg Strong”, has come together for placing the City on the path to a solid financial future.

Readers of our reports, especially as they pertain to Pittsburgh, will notice some familiar themes and one very different situation; namely, the presence of the aforementioned dollar devouring trash incinerator. That facility is slated to be sold—to another public authority—and some of the proceeds will go to satisfy creditors (but only partially satisfy since negotiations have produced settlements for less than owed) and reimburse Dauphin County. That won’t pay all the bills, so a 40 year lease of parking garages, lots, and street spaces to a public-private partnership is expected to yield enough money to pay off parking debt, the rest of the incinerator debt, for the City itself, and for funds related to economic development, infrastructure development, and a trust fund for retiree health care obligations.

That last point is a good starting place to assess how the City and its employees are partnering up at this critical juncture. As the February 2012 recovery plan pointed out, Harrisburg is similar to many municipal governments in that it is a very labor intensive undertaking and the lion’s share of costs are attributable to employee compensation. Three bargaining units represent the majority of the workforce covering police, fire, and non-uniformed staff (461 employees total including non-represented staff) and all negotiated early-bird contract extensions that limited the City’s and the receiver’s ability to make changes. Compared to other cities of the third class in Pennsylvania (Reading, York, Allentown, etc.) the plan found that Harrisburg public safety minimum salary ran about \$10,000 higher. The recovery plan projected workforce costs to rise from \$45 million to \$52 million from 2012 through 2016.

As described in the “Harrisburg Strong” plan, two of the three bargaining units (police and non-uniformed) have agreed to concessions during the lives of the existing contracts

to move the City toward its goal of getting \$4 to \$4.8 million in savings. There are tradeoffs for both the City and the bargaining units: for police, what were to be 3 percent annual wage increases through 2016 are now 0 rising to 1 percent in the final year. Payments toward health care coverage for current employees will be made with variations based on the number of people covered on an employee's plan with the percentage of income paid for insurance rising throughout the duration of the agreement. Current employees who retire after the ratification of contract changes are treated the same as active employees and, as is almost always the case when it comes to legacy cost changes, new hires will not be eligible for post-retirement health care benefits. The police contract opens up the possibility that certain positions might be offered to civilian employees and that booking could be transferred to Dauphin County. Most of those same terms will apply to the adjustment for non-uniformed employees.

So what sweeteners do the employees get in return for these concessions? For one thing they are asking for elimination of the residency requirement. This issue has been bandied about in Pittsburgh over the summer and will no doubt intensify closer to Election Day. In Harrisburg, the proposed amendments for both police and non-uniformed contracts contain language stating "...the residency requirement contained in prior collective bargaining agreements between the parties is eliminated, and employees, regardless of hiring date, shall not be required to establish or maintain a residence within the corporate limits of Harrisburg". Could that be a deal breaker for City officials who must pass some of the necessary ordinances to make "Harrisburg Strong"?

Overall approval for the plan falls to the Commonwealth Court, which plans to review the proposal in mid-September.

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