

POLICY BRIEF
An electronic publication of
The Allegheny Institute for Public Policy

March 27, 2009

Volume 9, Number 16

Common Sense for Mayoral Candidates

This year, Pittsburgh voters will cast ballots for the office of Mayor. The four year term will last until the beginning of 2014.

What will the City look like then? It is very difficult to imagine in light of all the major issues the City faces and all the changes Pittsburgh has undergone in recent years. Declining population and school enrollment, staggering debt and pension liabilities, neighborhoods with high crime, excessive spending, crushing taxes and little net job growth appear to have become intractable and a permanent part of the political and economic landscape. Obviously, how the City deals with these issues will play a huge role in what the City will become by 2014.

Consider too that state oversight will bring more dramatic changes during the next Mayoral term—changes that could have profound impacts on the next decade for the City of Pittsburgh. For instance:

- The 2004 state tax reform package that created the payroll preparation tax, increased the Local Services tax, phased out the business privilege tax, eliminated the mercantile tax, and reduced the parking tax will be complete in 2010;
- The Act 47 Recovery Plan written in 2004 will be revised and will give the City direction on how to deal with the legacy costs of pensions, retiree health care, and debt;
- The Intergovernmental Cooperation Authority (oversight board) will go away in 2011 unless the state legislature extends its term. If it expires, the prohibition on the City petitioning for a commuter tax under Act 47 will expire as well.

Big changes indeed and ones that could remove a good deal of the state intervention that defined the past five years in the City. As a home rule municipality, Pittsburgh is supposed to exercise a bit more independence in its own affairs without direct guidance and limitations by the state. The City's chief executive is the official vested with responsibility for steering the ship.

What are our recommendations for the Mayoral candidates vying for the office? Overall, we feel that the best candidate will be one that realizes City government has to move to a governing posture that is less heavy-handed and intrusive, more open to free market principles in guiding policies with respect to taxation, economic development and non-core services, more restrained in its actions, and more responsible with the resources granted to it by taxpayers.

To that end, this and four coming installments of the Allegheny Institute *Policy Brief* will feature the theme “**A Common Sense Platform for Mayoral Candidates in Pittsburgh**”. This series will focus on five key areas and offer policy recommendations to the candidates based on sound

governing principles, effective use of free market ideas and a common sense approach to cost cutting and management.

Five Key Areas
City-County Cooperation
Taxes and Spending
Retiree Benefits
Education
Economic Development

As with our 2005 “*Blueprint for the New Mayor*” report, the goal of this common sense platform is to help City government to be more efficient and act in the best interests of taxpayers. In many instances the Mayor will have to act as a persuader, trying to convince the public, the City Council, foundations, businesses and leaders of other governments to undertake needed policy changes.

For instance, take the issue of City-County cooperation. A lot of time—too much in fact—has been spent trying to develop a scheme to merge the City and County governments that would leave all other municipalities untouched and somehow transform the City into an “urban services district” even though, in the case of the former, it would be unworkable, and, in the case of the latter, is a violation of the uniformity clause of the Pennsylvania Constitution. A recently completed nearly two year long study of the issue failed to produce a clear answer as to why a merger was an absolute must or how the messy details of combining two large governments with different unions and different responsibilities were to be handled.

If the concept were to proceed, more years of legislative hearings are likely, including the possibility of a Constitutional amendment of the state’s uniformity clause—a very drawn out and messy process that is likely to fail. And even if it moves past this point, the voters of the County and the City still have to approve it in a referendum. And that has been and will continue to be a non-starter absent major changes in the City’s financial situation.

In the meantime, the City and the County have taken baby steps toward combining duplicative services. This past week it was announced that the two governments had saved a combined \$6.2 million for taxpayers since engaging in a purchasing pact in 2007. Now there are plans to expand it to cover more commodities and expand the savings.

Common Sense Recommendation for Mayoral Candidates

#1: Contract with the County for Savings

The City was instructed to turn over their purchasing to the County by the Act 47 plan, and after much resistance it finally gave in. Now imagine trying to completely merge the large duplicative functions like police or public works. That goes without mentioning what to do about functions carried out exclusively by either of the two governments, like fire protection in the City and health and human services by the County.

Instead of trying to merge governments or even departments or functions, the common sense approach would be for the City to get an estimate on what the County would charge the City to

provide services each currently offers such as parks and public works. This would be a much quicker and cleaner way to achieve the savings desired by merger proponents.

The City would have to complete a detailed accounting of all the costs related to carrying out a particular municipal service as well as a detailed description of the service being provided and present the information to the County. If the County can offer to do the work cheaper, the two should enter into a contract to have the City turn the service over to the County. The County, in turn, would be given latitude to achieve even more savings in taking over the service. If they wanted to hire City personnel for their expertise, they would be free to do so, but the employees would then work for the County with its pay schedule and benefits package. If the County wanted to look to the private sector to handle the combined service, that too would be on the table. The City would pay the County and be relieved of the long-term obligations associated with the personnel that previously carried out the service.

The present state of affairs (“will there or won’t there be a merger”?) gives local officials a pass to sit back and wait for the legislature to act while there could be a chance to execute contracts that might deliver some real savings. A common sense recommendation for the Mayoral candidates is to not sit back and wait but to explore the angle of contracting with the County for savings.

Eric Montarti, Senior Policy Analyst

Jake Haulk, Ph.D., President

Policy Briefs may be reprinted as long as proper attribution is given.

For more information about this and other topics, please visit our website:

www.alleghenyinstitute.org

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd. * Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
--