

“Straight from the Horse’s Mouth: The Stars are Shining on Western Pennsylvania.”

*By Eileen Anderson*

“Fiscal challenge” is the top of mind idea everywhere we turn, whether we are talking federal, state or local government, or personal finance. “Issues in Local Government: Community & Legislative Perspectives” hosted by the University Of Pittsburgh’s Institute Of Politics and the Pittsburgh Foundation on December 2<sup>nd</sup>, focused on local fiscal issues.

A large crowd assembled to discuss a very serious subject. The purpose was to showcase the work the group has done on the issues surrounding the fiscal challenges facing local governments. State and local elected officials were on hand to present their viewpoints and comment on the findings of both the institute and the Pittsburgh foundations work.

Best of all the morning was also a showcase for our new western Pennsylvania stars to shine: Rep. Dan Frankel, Democratic Caucus Chair, was the key speaker. He was accompanied by the State Elected Official Response Panel. It was truly a historic moment because it was the first time that the newly elected power structure of the General Assembly appeared in public. We should be proud because 3 of the 4 new floor leaders are from Allegheny County.

Panel participants from the Pennsylvania Senate were Sen. Dominic Pileggi, Republican Floor Leader, Senator Jay Costa (A), Democratic Floor Leader, and from the , Pennsylvania House of Representatives, Rep, Mike Turzai (A), Republican Floor Leader and Rep. Frank Dermody (A), Democratic Floor Leader.

We should also note the new appropriations chair in the house. Rep. Joe Markosek is also on the list of powerful influencers from Allegheny County.

Here are brief highlights from the “Q & A” session:

Q. What’s the appetite in the state capitol for addressing local government issues?

A. Sen. Pileggi - The first six months will be spent addressing the \$28 billion budget with a \$4-6 billion shortfall on the revenue side. Government has to look at duplication and overlap of different programs..... There will have to be dramatic changes if we are going to balance the budget with no new revenue streams. People want no new taxes and no new borrowing so painful cuts will have to be made. Do people really want the services they value reduced or eliminated? We haven’t had the day of reckoning yet.

A. Sens. Costa and Pileggi - The local issue with most potential to advance is municipal pensions and tremendous steps have been taken in Harrisburg with recently passed pension reform legislation. \*\*

A. Sen. Pileggi - The legislation passed by Senate can be used as the starting point for municipal pensions. We didn’t go far enough; it was not a huge change to a defined contribution system but compared to our sister states we took a major step by employing shared risk. Usually there are local solutions to local issues but going forward pension changes must be statewide.

A. Sen. Costa – The budget will be the dominant issue but in addition we should have discussions on and a comprehensive review of transportation especially mass transit. I am concerned with budget and how potential cuts to education will affect local school districts.

A. Rep. Dermody - Small local communities need attention and we must do a better job of educating citizens on the seriousness of the budget problems. The state has critical budget issues but communities must work to consolidate and share services. It is starting to happen and people are starting to understand we can't continue to go on the way we are going..... It should be easier for local and municipal governments and school districts to joint together. Now the process is quite cumbersome. Local governments have very onerous codes. There can be new ways to do those things that don't cost money.

A. Rep. Turzai - Tough times create opportunities. We can make bold decisions and think "Outside the box" .... Budget problems are looming and what do average citizens think? They are working hard and will pay taxes but they want to make sure they are being treated fairly. They want public sector salaries and benefits to be on even par with private sector. They want the public sector to look more like the private sector in pensions and benefits. We must look at the private sector and let it do what it does best and let government perform its core functions.....The privatization of the liquor stores will generate revenue that could be used to off-set the pension shortfall and would also create a continuing revenue stream.

Q. What about the Marcellus Shale Tax?

A. Sens. Costa and Pileggi -- We have had conversations across the aisle about local impact fees. There is a need for resources to go back to the community for environmental impacts. Dollars must be driven back home.

Sen. Pileggi - We do need a state severance tax because gas is a resource that belongs to the commonwealth and the state should benefit. A portion of state tax should be driven into the enforcement side. There are a number of issues that must be discussed if industry is to grow in a responsible and reasonable way. We want fair and competitive severance tax.

Philosophically I am opposed to the idea of state fees staying where they are generated. Pennsylvania doesn't do that as a state. If we did that we would have an entirely different tax structure. Southwestern Pennsylvania is a mass exporter of taxes to entire state.

\*\* The main provision of the pension reform bill spreads the state's public pension debt over a 30 year period. It also reduces benefits for future employees and increases employee payments if investments fall below an annual 8% mark.

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