



PATRICK DOWD

MEMBER OF COUNCIL, CITY OF PITTSBURGH



June 19, 2008

Dear Colleagues,

Over the last several days, I have tried to argue that City Council has no direct role in the matters of the Pittsburgh School District. That may not be a fair characterization given that in the past the City of Pittsburgh has significantly altered the District's financial situation. If my colleagues on Council want to continue to interfere in the business of the District, then I urge a more honest and positive approach with the public and the District.

Council should begin by acknowledging that the City is taking of millions of dollars from the District. In November 2004, the General Assembly of the Commonwealth of Pennsylvania adopted legislation (HB 850 and HB 197) to provide financial assistance to the City of Pittsburgh. This legislation negatively impacts the School District's revenues as follows:

- The District, effective fiscal 2005, ceased to receive an annual appropriation of \$4 million from the City, which was established by the Regional Asset District ("RAD") legislation to compensate the District for the elimination of the Personal Property Tax.
- The District, effective fiscal 2005, had its right to levy the Mercantile Tax rescinded. This legislation has had the effect of reducing District revenues by approximately \$4 million annually.
- The District will have a total of 0.25% of its Earned Income Tax authority shifted to the City of Pittsburgh by 2009. This shift is structured such that 0.1% was transferred in 2007, 0.1% in 2008, and 0.05% in 2009. The total impact of 0.25% of the District's Earned Income Tax levy is approximately \$12 million annually in 2010 and thereafter.
- By 2010, this legislation will reduce the District revenues by approximately \$20 million.

In addition, by statute, the City is the District's tax collector. The City charges the District approximately \$4 million a year for collection of taxes. Furthermore, the District has committed to pay \$500,000 for crossing guards in 2008. From 2003 through 2005 the District contributed \$3.7 million for crossing guards. Taken together the District is contributing millions of dollars annually to the City's General Fund which in turn provides services to the citizens of Pittsburgh.

These numbers should be seen in the wider context. Between 1994 and 2004, the District's budget increased from \$409 million to \$530 million. In that same period, the District's debt increased from \$247 million to \$434 million. In November 2004, in order to meet the growing financial pressures facing the district, the previous superintendent proposed a 22.5% tax increase. The Board not only rejected that idea, it moved rapidly to cut costs and to hire new leadership that would improve the District's academic and financial picture.

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Since 2005, the District has worked systematically to reverse all of the negative trends. Spending had gone from \$530 million annually to \$529 million, though the debt of the district has increased from \$445 million to \$475 million. However, the annual cost of that debt hovers around 10% of the operating budget as compared to the City which spends approximately 25% of its operating budget on debt service.

Before we at Council offer any further plans or resolutions, I merely request that we consider the fact that the District has not only made difficult choices but that it has done so as the City takes more than \$15 million annually from the District.

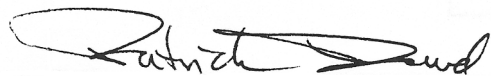
Assuming worst case scenarios, if the District were to borrow \$76 million to fund the renovations at Schenley, we could rightly assume that the cost of that borrowing will be the equivalent of about \$7 million in annual interest and principal payments made for 20 years. In terms of services to the citizens of Pittsburgh, in 2008 \$7 million annually is the equivalent of:

- a reduction of the police budget by approximately 10% a year for 20 years; or
- a reduction of the environmental services by approximately 70% a year for 20 years; or
- the elimination of all spending on Parks & Recreation and Building Inspection every year for 20 years; or
- the elimination of the line items for City Council, City Clerk, City Controller and City Information Services.

My point is not to suggest that the City Council cut services to citizens, although that is what the District has been doing in order to keep its spending flat and to give more than \$15 million annually to the City's General Fund. Rather, my point is that before Council interferes in this debate it should acknowledge its part in shaping the district's financial situation.

I ran for this office with the stated intent of bringing the District and the City closer together. I believe, however, we could be engaged in a more constructive dialogue. As my colleagues rightly suggest, we all serve the common citizenry. We at Council must be more honest on this matter. Calling for more information from the District is perfectly acceptable, but if we all aspire to be honest brokers, Council should consider how the City could contribute positively rather than negatively to the deep underlying financial issues, as well as come to terms with the difficult choices we all face.

Sincerely,



Patrick Dowd

cc: City Council
Mayor Ravenstahl