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Testimony submitted by Councilman William Peduto to House Urban Affairs and Senate Urban Affairs & Housing Committees

The Future of Pennsylvania Cities Large and Small

Good morning and thank you for allowing me to testify before these distinguished committees. My name is William Peduto, I represent the 8th Council District here in Pittsburgh and am honored to have received the Democratic nomination for Mayor of Pittsburgh last week.

I have served as a member of the Pennsylvania Municipal League's (formerly the Pennsylvania League of Cities and Municipalities) Core Cities in Crisis Task Force and I am here today to talk about some of the work that we have done on the task force and some of the issues facing Pennsylvania cities as well as the needs of Pittsburgh in particular.

I'd like to talk about four topics that I consider to be critical to the future of our cities: 1. Pensions; 2. Infrastructure and transportation; 3. Economic development; and 4. Education.

1. Pensions

As you know, Pittsburgh City Council narrowly averted a state takeover of our pension fund in 2010 by pledging future parking tax revenue to our pension fund and increasing our pension payments. While the Council plan has not yet been fully implemented, we succeeded in establishing a funding level above 50% and are currently funded around 60%. However, if we are to truly establish a solvent pension fund we need your help to enact some common-sense reforms at the state level.

Act 111. This Act, while important, is overdue for some changes that could help Pennsylvania cities, particularly those under financial distress, right the ship and move towards a path to solvency. For example, we have to end the practice of pension spiking and move to a system based on base pay for every employee. Additionally, we should be able to choose from a broader pool of neutral arbitrators who are not beholden to either side. We should also open up the arbitration process to the public. And most importantly, we should structure awards based on a municipality's ability to pay. Requiring municipalities to pay awards that they simply cannot afford is only exacerbating our fiscal problems and pushing us farther and farther from solvency and balanced budgets.

A coalition is building across the Commonwealth to address these issues and begin to enact common-sense reforms to Act 111 and I hope to be a partner in further discussions about this issue.

Act 205. Act 205, which establishes the funding formula for state aid to municipal pension funds, is currently overpaying newer suburban communities and underpaying older core communities who need help the most. We must work together to reassess the funding formula based on need – not just on current number of employees. Funding based on current employees does not take into account legacy costs for cities like Pittsburgh that have reduced our workforces but still have many retirees receiving pensions. Ideally I would like to see a funding formula that matches employee contributions and requires that all employees pay into all funds. We shouldn't have the Commonwealth subsidizing pension funds at suburban communities at 100% and providing pennies on the dollar to funds in core communities.

2. Infrastructure and transportation

Our aging infrastructure and chronic problems with funding for public transportation are two of the greatest challenges Pittsburgh, Allegheny County, and the broader region face. We cannot continue to grow our tax base, attract new residents, and create jobs unless we have healthy transportation networks and safe, viable infrastructure.

Though some progress has been made, for example, in reducing the number of structurally deficient bridges in the region, we still have over 300 deficient bridges in Allegheny County alone. The Liberty Bridge right here in Downtown Pittsburgh remains on that list. We cannot allow this to continue. I implore you to pass a comprehensive, bipartisan transportation funding bill as soon as possible so we can get to work on solving these problems together. I look at incidents like the bridge collapse in Washington State last week or the tragic collapse of the I-35 bridge in Minnesota several years ago and I have a real sense of urgency about finding the funding to prevent something like that from ever happening here. Let's work together to get it done.

Public transportation is just as important as roads and bridges to Pittsburghers. Over 50% of the people who work here in downtown use some form of public transportation and over 30% of the people working in Oakland do the same. But the Port Authority is stretched to its limit right now and we are still badly in need of a dedicated funding stream to help support the system. I am optimistic about the proposal I have seen from your colleague Senator Rafferty. In fact, I know that Senator Rafferty will be in Monroeville tomorrow talking about his proposal. I believe his vision of comprehensive funding with an emphasis on public transit is the direction we should be heading and I am heartened to see common ground across party lines on many of the core issues.

Finally, we need Harrisburg's help to address our combined sewer overflow problems and come into compliance with the DEP and US EPA. We need to ensure that any solution proposed for this problem contains proven green infrastructure aspects that can help us create jobs in our neighborhoods and solve the problem for the long-term without just constructing large tunnels under our rivers. We can't build our way out of this problem. We need your help to develop sustainable solutions that will be an investment in neighborhood health and job creation for people all over Pittsburgh, not just a few contractors and engineers.

3. Economic development and neighborhood revitalization

As economic development budgets shrink at the federal and state levels we must find ways to more effectively leverage funding tools to have the most impact in Pittsburgh and in the surrounding region. I would like to see more of an emphasis placed on aid that can be structured into small business loans and grants to help rebuild some of our neglected business districts and offer economic assistance for young entrepreneurs who are interested in starting a company but need that extra boost of up front capital to do it. If we can start to offer, for example, a year of rent free space in a business district like in Sheraden or Homewood we can start to incentive development in areas that haven't seen it for years. We should be supporting people who want to start their own software firm but we also need to support the people who want to start an auto body shop. Large multi-million dollar grants and tax incentives are important but smaller, more targeted funding for small businesses can have a greater catalytic impact in the long term and can aid in the turnaround of declining neighborhoods.

Coupled with small business funds I'd also encourage a greater investment in workforce training aid to help ensure that we have workers with the skills that companies in Pittsburgh need. This means training in STEM fields but it also means a return to some of the vocational and technical training that we used to have in the past with schools like the Connelly Trade School in the Hill District.

Finally, cities like Pittsburgh would benefit from a reexamination of state aid to blighted communities. The definition of blight has become so tenuous that we see a substantial portion of aid meant for development in blighted communities going instead to greenfield development in suburban communities. This kind of development is detrimental to the long-term health of our core communities and encourages fragmentation and sprawl, increases infrastructure costs, and stresses transportation networks.

4. Education

Providing our children with the highest quality education is a core duty of government and one of the most important ways that we can reduce poverty and crime and create opportunity in our communities. And study after study has proven that investments in early childhood education are the most impactful and provide the most return on investment over a child's lifetime.

The General Assembly has taken some strong steps in creating the STARS assessment program and the Pre-K Counts funding streams but I am asking you to consider an even greater investment. We have to find a way to close the gap between young children who qualify for Head Start and Pre-K Counts and those that don't. We have 10,000 children in Pittsburgh between the ages of one and five, yet only about half of them are in any kind of early education program and of that half an even smaller percentage are in a program rated highly by STARS.

With a stronger commitment from the Commonwealth of Pennsylvania we can engage our foundation and corporate communities and solicit matching funds to provide early education to every child in Pittsburgh. Now that we have the infrastructure of STARS

and Pre-K Counts closing that gap is within our grasp. We just need your help with additional funding to convince the foundation and corporate communities that their investments will have an impact. Within a few years we could see every child in Pittsburgh and cities across the Commonwealth taking advantage of high-quality early education programs that will ensure their future success.

Investment in these four critical areas will set Pittsburgh and other Pennsylvania cities on a path to future success. I look forward to working with you to achieve these goals to create jobs, expand our transit networks, provide the highest quality education, and set us on the path to prosperity.

Thank you for the opportunity to address you this morning.