



The Raja Plan for Taxes, Regulations and Fees

Fostering Creativity and Growth

Executive Summary

It is a fact that businesses take into consideration the type of taxing and regulatory environment they would be located in before deciding whether to relocate to a region or grow their existing company. Unfortunately, Allegheny County and Pennsylvania have taxes and regulations on the books that make for a very uncompetitive business climate. At the state level, our corporate net income tax is one of the least competitive in the country. For people looking to move to the region, they see a property tax system that is broken.

Locally, we place expensive taxes on things such as hotel and car rentals in addition to the drink tax, which drive convention business away. Our municipal pension funds threaten to cause increased taxes, making Allegheny County even more uncompetitive.

From a philosophical perspective, Raja believes the role of County Government is to provide a platform that fosters businesses and individuals to succeed via low taxes with fair and consistent regulation. In general, county government should stay out of picking private sector winners and losers and instead focus on ensuring that Allegheny County is providing a competitive platform to attract and grow businesses. *The Raja Plan for Taxes, Regulations and Fees* will work towards meaningful reform to state and local policies that make Allegheny County more competitive. Raja will focus on reforming taxes at the state and local level; such as the corporate net income tax, property tax reform, drink tax elimination, and look at ways to lowering real estate and other taxes.

Additionally, Raja will work to ensure that state and local regulations are clear and coherent so that businesses are able to clearly understand the regulatory environment in which they live. Raja will also work at the state level to encourage a user fee for Marcellus Shale extraction to assist our communities in handling the increased traffic and any environmental/safety issues associated with this industry.

Finally, the *Raja Plan for Taxes, Regulations and Fees* will work with Harrisburg on pension reform so that the pension liabilities of local municipalities are brought into line with statewide benchmarks and are sustainable by local governments and taxpayers.

The Raja Plan for Taxes, Regulations, Fees

Simply put, Allegheny County is uncompetitive on a national level. State and local taxes, regulations and fees make it difficult for a company to remain competitive in Allegheny County. The states property tax system is broken. Our businesses pay one of the least competitive corporate net income taxes in the country, which hinders growth. Companies that locate in Allegheny County face a complex web of state and local regulations that are often hard to understand and are subject to bureaucratic red tape.

Local taxes in Allegheny County such as the drink and rental tax make the region less likely to attract visitors and conventions and our local municipalities face problems that have not been addressed by Harrisburg. There is no fee on Marcellus Shale to assist our smaller communities deal with the increased pressure on infrastructure and services due to the increased activity of the industry, while at the same time unfunded pension liabilities threaten to leave the tax payer out to dry.

As a CEO and a former Commissioner in Mt. Lebanon, Raja knows the effects that taxes, regulations, and fees have on the competitiveness of business and the wallets of the taxpayer. As county executive, Raja will go to Harrisburg to fight for meaningful reforms that will allow Allegheny County to be competitive with other regions across the country. Locally Raja will work to ensure that local taxes do not deter visitors to the region while ensuring that taxpayers are not forced to bear the increased burden of pension costs with pension reform.

The Raja Plan will work to increase the competitiveness of Allegheny County by focusing on the following core areas:

1. Budget Changes
2. Reduction in County Taxes
3. State Tax Reform
4. Regulations
5. Fees
6. Pension Reform

Budget Changes

Raja believes in order to encourage job creation and economic growth, we must cut taxes for both individuals and business to give Allegheny County the competitive advantage that it needs to thrive. In order to offset the tax cuts, Raja's focus is on opportunities to save money in the existing budget.

Raja will seek to accomplish this by searching for new revenue streams for the county without

raising taxes, looking for meaningful cost saving measures to cut down expenses, exploring possibilities for service consolidation between the city of Pittsburgh and Allegheny County and finally working with local, state and federal leaders to ensure efficient distribution of state and federal funds.

- Revenues: As County Executive, Raja will work to find new sources of revenues for Allegheny County that do not require tax increases. For example, Raja will investigate the possibilities of leasing county park land for Marcellus Shale operations. The leasing of county park land will only occur if it can be done in a way that protects the environment while benefiting the people of Allegheny County.
- Expenses: As County Executive, Raja will work to promote responsible use of the taxpayer's money. Raja plans to look across all sectors of county government to identify possible areas for cost savings by increasing efficiency while maintaining the same or better levels of service.
 - Kane Hospitals: There is the potential for cost savings through partnering with non-profit and private entities across the county for services such as assisted living facilities. Other potential cost savings will be explored for providing other lesser types of care.
 - County Jail: The cost of incarcerating an individual is immense. Statewide, the Department of Corrections has a budget of \$1.6 billion. The cost of housing an individual inmate has jumped significantly over the years. Statewide, around 39% of all inmates are nonviolent offenders.¹ Raja believes that there is considerable cost savings that could be found in continuing to promote inmate education programs to reduce inmate recidivism. Additionally, Raja will seek to save costs by promoting alternative housing and vocational education and work programs for nonviolent offenders.² Raja will support juvenile programs such as the Shuman Center by partnering with non-profit agencies to provide after school programs for at risk youth.
 - Port Authority: As County Executive, Raja will work with the Port Authority and the union to negotiate fair pay and benefit packages for all new hires. Currently Port Authority Employee contracts are out of line with other transportation authorities and make it almost impossible for the agency to cover operating

¹ Mauriello, Tracie. "Report Recommends Cheaper Alternatives to Prison Stays." *Post-Gazette.com*. 28 Jan. 2011. Web. <<http://www.post-gazette.com/pg/11028/1121143-454.stm>>.

² *Allegheny County Department of Corrections: 2009 Annual Report*. Rep. 27 Jan. 2010. Web. <<http://www.alleghenycounty.us/jail/acjail09.pdf>>.

expenses. The ratio of pay to benefits is currently around 90%. This figure is in no way sustainable. In the private sector, the accepted ratio of salary to benefits is closer to 30%. Raja will call for lower benefits for incoming employees while at the same time ensuring that those new workers are fairly compensated for work.

- Public Works: Currently Allegheny County is a tangled mess of municipal, county, and state roads and bridges. As County Executive, Raja will work to reduce costs by optimizing ownership and responsibility over these transit assets through concepts such as street swaps that will increase efficiency in maintenance.
- Parks: Raja sees opportunities for cost savings through forming a closer relationship between Allegheny County Parks and Pittsburgh City Parks. Additionally, Raja will promote a closer working relationship between the Pittsburgh Parks Conservancy, the nonprofit organization that assists Pittsburgh City Parks in fundraising and operations of the parks, with the Allegheny County Parks Foundation which is a similar organization with similar goals.
- Self Service Portals: As County Executive, Raja will work to ensure that all county information and services are available to the public through Self Service Portals. Raja wants to make peoples interaction with county government as easy and timely as possible. These portals will allow people to do everything online from tracking taxes, renting pavilions at county park facilities, to applying for a job. By putting this information online, we will make government more accessible to the people and make county workers more efficient. Additional savings could be found in data integration across all municipalities and authorities in Allegheny County.
- Cross-Training: Raja will investigate the possibilities of “cross-training” front-line county employees. “Cross-training” means training those employees in additional appropriate public service aspects of Allegheny County government functions. Such training has been described as viewing government as a team effort that keeps employees engaged, active and interested.³ Additionally the public will be better served by more employees that will be able to help you with an issue quickly and efficiently.
- Service Consolidation: Raja will work with local leaders to evaluate overlapping services between the city of Pittsburgh and other municipalities within the county. The goal is to

³ Kerrigan, Heather. "A Cross-Training Rundown." *Governing: State Government News on Politics, Management & Finance*. 15 June 2011. Web. <<http://www.governing.com/topics/mgmt/cross-training-rundown.html>>.

promote cooperation in providing services, not structural consolidation. Some areas that we can look at are bridge inspections, economic development, facilities management, finance, fleet management, human resources, IT, law, MBE/DBE/WBE, parks and recreation, planning, police, purchasing, street maintenance, and tax collection. Additionally the county will work to foster organizations like the Congress of Neighboring Communities (CONNECT) and regional Council of Government's (COG's). The promotion of a more efficient model of service delivery across the county will both save on costs and improve the quality of life for all of our citizens.

- Efficient Distribution of Funds: Raja will also work with state and federal government officials as well as with the appropriate agencies, such as the Southwestern Pennsylvania Commission (SPC), to ensure that there are improved lines of communication to make sure that money is wisely allocated. Raja would like to see a system where state and federal organizations focus on the efficient distribution of money that will serve to maximize the return for the citizens of Allegheny County.

1. Reduce County Taxes

Taxes are perhaps one of the most important aspects that affect the competitiveness of a region. Unfortunately, state and local taxes have been counterproductive. On the local level, Raja will work within Allegheny County to lower local taxes so that our region can gain a competitive advantage and bring prosperity back to the region.

- Drink Tax: The drink tax was originally a 10% levy on served alcohol in Allegheny County. When it was found that that the tax brought in more money than what was needed to cover Allegheny, it was reduced to 7%. Using the budget changes Raja will eliminate the drink tax.
- Reduce Real Estate Taxes: As County Executive, Raja will look for opportunities to reduce the county taxes. Raja understands the impact of high property taxes particularly on seniors and will look for opportunities to reduce the real estate tax burden.
- Reduce Local Taxes: As county executive, Raja will investigate ways to lower the hotel and car rental fees in Allegheny County. Lowering these fees will help the county attract visitors and conventions to the region that would generally look elsewhere due to the cost. Additionally, Raja will look into other fees, such as Zip Cars. A report by DePaul University's Chaddick Institute for Metropolitan Development found that the rate for Zip Car's in Pittsburgh was the highest of any of the 25 major cities that offer the service. Partially because Allegheny County has decided that the service is also subject to a

vehicle rental fee. A one-hour reservation in Pittsburgh is taxed at a rate of 52%, as compared to the national average rate of 17.9%.⁴

2. State Tax Reform

Our state's property assessment system is broken, our corporations face a tax structure that punishes growth and we unfairly tax local amenities that further hinder the growth of our local economy. As county executive, Raja will go to Harrisburg to fight for meaningful reform to our property and corporate tax system that punish growth.

- State Property Assessment Reform: Pennsylvania's assessment system is broken. The current system is fragmented with little uniformity across the state and there is currently no protection for homeowners who often see devastating tax increases as a result of reassessment. As county executive, Raja would push for a moratorium to state property assessment until the current systems structural problems are fixed on a statewide basis. Raja will go to Harrisburg to push for statewide reform to the system. He will push to ensure that there is a regular schedule of reassessment for all counties so that a base year cannot stay in place indefinitely. Raja also supports legislation that ensures that no municipality experiences a windfall from property taxes. Raja will initiate dialog with Harrisburg to evaluate whether real estate taxes are the proper mechanism to fund schools and other taxing bodies. In particular, Raja will look for options that can reduce the tax burden on seniors.
- Reform Corporate Net Income Tax: One of the most important factors for businesses in deciding where to start up or move to is the amount of taxes they will pay. For too long Pennsylvania tax policies have hindered job growth.
 - An analysis by the Pennsylvania Economy League of Southwestern Pennsylvania has shown that Pennsylvania's major state tax, the Corporate Net Income (CNI) tax, is the least competitive of any state. This is due to three factors. Pennsylvania is the only state that caps the amount of Net Operating Losses (NOL) that a company can carry forward and offset future CNI tax liability. This means that cyclical manufacturers and high-growth start-up companies face tax rates that are significantly higher than what would be paid anywhere else in the country. Secondly, the CNI tax sales apportionment formula is set at 90% of sales and still stands lower than many competing states. Finally the CNI tax rate is 9.99%, which is the second highest in the country, which may prevent firms from

⁴ Schmitz, Jon. "Car-sharing Services Are Green but Also Overtaxed." *Post-Gazette.com*. Pittsburgh Post Gazette, 1 July 2011. Web. <<http://www.post-gazette.com/pg/11182/1157487-53-0.stm?cmpid=neighborhoods.xml>>.

locating in the county.⁵ Raja's Job Plan aims to make Allegheny County known as a place where businesses' can locate and thrive by working to fix the CNI at the state level and ensuring that local government creates a supportive business environment that encourages growth. Raja will advocate for a meaningful reduction to the CNI rate from its current high of 9.99% so that Allegheny County and the rest of Pennsylvania can be competitive with other markets across the nation.⁶

- As County Executive, Raja will go to Harrisburg with other local leaders to advocate for the elimination of the cap on net operation losses so that businesses in Allegheny County are able to grow and add employees without taking an unfair hit in taxes.
- Raja will also advocate for implanting a Single Sales Factor (SSF) apportionment of the CNI tax with the formula set to 100% of sales and 0% of property and payroll. This will reduce the burden on Pennsylvania's publicly traded corporations by shifting the tax to out-of-state firms that conduct business in the state but do not employ Pennsylvania workers.

3. Regulations

When a business is deciding where to start up or relocate they take the regulatory environment that they will be operating into consideration. State and local policies have created an environment where regulations have hindered job growth. As County Executive, Raja will work with partners in Harrisburg to reform to laws governing businesses to allow for greater competition and to promote responsible Marcellus Shale exploration. Additionally, Raja will work with local leaders to ensure that local regulations are consistent.

- **Proactive Policy Changes:** Rules and regulations at the state level have made it more difficult for Allegheny County to be economically competitive. The number of people employed in Allegheny County in 2010 dropped 4% since 1990. These figures are compared to the total amount of people employed across the state which increased 6% over the same period of time.⁷ Many of these problems stem from state laws dictating the labor and the regulatory climate, but by and large local officials have never gone to Harrisburg to have those laws changed. As county executive, Raja will go to Harrisburg along with other county leaders to lobby for proactive changes to appropriate state laws.

⁵ "Pennsylvania's Economic Competitiveness Requires Improvements in the State Corporate Net Income Tax." *Allegheny Conference on Community Development*. CompetePA. Web. <<http://www.alleghenyconference.org/competepa/PDFs/CompetePAFlyer.pdf>>.

⁶ "Pennsylvania's Economic Competitiveness Requires Improvements in the State Corporate Net Income Tax."

⁷ "Allegheny County Employment—20 Years of Falling Behind." Allegheny Institute for Public Policy, 9 Feb. 2011. Web. <<http://www.alleghenyinstitute.org/component/content/article/16-county-council/618-allegheny-county-employment20-years-of-falling-behind.html>>.

- Coherent County Policy's: A clear deterrent for corporations wishing to locate in the county is complex red tape and bureaucracy. Businesses cannot thrive when the rules for operating may vary by municipality and can be subject to interpretation and political influences. Additionally, there are often delays in the issuance of permits from municipalities that can cost a company time and money. Raja will work with all the municipalities in Allegheny County to create consistent and clear regulations. He will also work with local, state, and federal entities to create a one stop shop that will be a single point of contact for businesses in need of permits or approvals and ensure that they occur in an expedient manor without sacrificing proper checks and balances.
- Environmental Protection: There is no doubt that Marcellus Shale represents a once in a lifetime economic opportunity for all of western Pennsylvania. Along with the shale itself, water is one of our more valuable assets. While some areas of the country are running out of it, we still have plenty of it. As county executive, Raja will support rigorous environmental standards for the Marcellus Shale industry that protect our natural environment, while allowing the industry to become an economic driver for the region.

4. Fees

Raja supports an impact fee for Marcellus Shale exploration as long as it does not put local firms at an unfair disadvantage. The impact fee will be used to assist municipalities repair roads and other pieces of infrastructure that may have been damaged by increased traffic by heavy machinery. Funds will also be used to help the state and local municipalities handle environmental remediation and to clean up any pollution associated with exploration. Finally, funds will be used to help purchase specialized equipment for local emergency responders and for specialized training so that local fire, police, and EMT services are prepared to respond to any shale exploration related accidents. Raja will also look at ways to setup escrows funded by the natural gas firms which will be returned back to these firms if there are no environmental or safety issues over a prolonged period of time. If there are such issues within the predetermined time period, the funds in escrow can be used by to remedy the situation.

5. Pension Reform

In Allegheny County, there are 294 unique pension plans. Combined the shortfall among these plans is close to \$500 million across the county. Pension shortfalls threaten taxpayers with an increased tax burden to pay for these systems. As County Executive, Raja will work with Harrisburg on pension reform so that pension liabilities of local municipalities are brought into line with statewide benchmarks and are sustainable by local governments and taxpayers.⁸

⁸ "Government Pensions." Allegheny Institute for Public Policy, Jan. 2011. Web. <<http://alleghenyinstitute.org/government/governmentpensions.html>>.