

Remarks for Finegold Public Debate on City-County Mergers
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As Pittsburgh continues to operate under Act 47 financial distressed status and state oversight, and as Allegheny County continues to lose population, many look for the elusive “cure” to what ails the City, County, and even the region. City officials insist they need more money, preferably from suburbanites, to fix their financial mess—a mess that includes high debt levels and an under-funded pension system.

In addition to solving the City’s financial problems, proponents of such a city-county merger also point to the loss of Allegheny County’s population since 2000, a net loss of 4.4 percent of its residents. They blame this loss on the large number of municipalities in Allegheny County. While Allegheny County does have 130 municipalities, each contains about 9,000 residents. There are counties across the Commonwealth with even fewer residents per municipality—many of which have experienced population gains of more than ten percent since 2000.

But would a city-county merger stem the tide of population loss for Allegheny County? After all, the county has been hemorrhaging residents since 1960. There is one city-county merger that we can look to for answers—Philadelphia. The Philadelphia city-county merger was completed in 1952. Philadelphia County lost slightly less residents, 4.3 percent, since 2000 and yet does not have all those municipalities to contend with.

Does having more municipalities mean more expensive government? The combined expenditures for Allegheny County and its municipalities amounted to less than \$2,100 per capita. Philadelphia’s per capita expenditures were nearly twice that at \$4,155. However Philadelphia, the only true city-county merger, is not the example brought up by proponents largely because it has been under state financial oversight since 1992.

Instead merger advocates point to the “success” achieved when Louisville merged with Jefferson County to create Metro Louisville. Before accepting the claims of success, we need to bear in mind that it took decades to finally get approval from voters in 2000 to carry out the Louisville-Jefferson County merger. Moreover, the merger vote in Louisville-Jefferson presented far fewer obstacles than most proposed city-county mergers.

Merger talks between the City of Louisville and Jefferson County began in the late 1940s and moved to previous referenda, where it was soundly defeated, in 1956, 1982, and 1983. Meanwhile, the City and County began merging services such as the water and sewer authorities as well as purchasing, public health, libraries, parks, and transit. They moved to a single county public school system in 1975.

In 1986, Jefferson County and Louisville signed a compact to share earned income taxes. The City gets to keep its share of earned income taxes paid by its residents and the County would remit a portion of earned income taxes from County residents to the City. The compact is still in existence despite the merger that took effect in 2003.

What are the major stumbling blocks to city-county consolidation? For an Allegheny County-Pittsburgh merger, three issues that come immediately to mind are debt, pension obligations, and an absence of unincorporated areas. When Louisville and Jefferson County combined, each brought general obligation debt that was assumed by the new government. Louisville's debt level was slightly higher than Jefferson County's debt—less than \$600 per capita combined. The City of Pittsburgh has roughly \$2,400 in per capita debt while the County has less than \$500 in per capita debt—one-fifth the amount of the City.

Pittsburgh has a crisis in its pension funds that was not present in pre-merger Louisville. In 2005, Pittsburgh's pension plans were only 46 percent funded. By comparison, in Louisville nearly all government employees are enrolled in a statewide pension plan that is well funded. The Metro Government assumed control of the rest. It is highly unlikely that Allegheny County voters will be willing to assume the largely unfunded pension plans of the City.

Finally, Jefferson County had substantial areas that were unincorporated, which supported the merger in hopes of having representation and city services extended to them. In Allegheny County there are no unincorporated areas.

Even if these enormous obstacles were not present, we would still need to ask: what are the benefits of merging city and county governments? The Metro Louisville merger was not touted as being cost effective or more efficient—in fact costs tend to rise from government mergers simply from the equalizing of pay rates among workers in merged departments. The Kentucky law that allowed the merger vote retained county row officers, the county executive and commissioners even though their powers are statutorily limited. Furthermore, all taxing districts remain in place as do fire protection, sanitation, and water districts. The old Louisville retained its city boundaries and is called an “urban services district” that has maintained its own tax and service levels.

Prior to the merger, the total general governmental expenditures of the City of Louisville and Jefferson County was \$552.4 million—about \$794 per capita. For fiscal year 2005 these expenditures increased to \$584.4 million—or \$835 per capita. The results indicate that the combined government has not reduced spending.

Proponents of the merger to create Metro Louisville promised only that a larger city would increase economic development opportunities. The first few years of the merger has not brought an economic development boom to Metro Louisville. In fact, from 2003 until 2006, growth in the number of total private employees was only 3.5 percent, well behind the national rate of 5.7 percent. In fact it has yet to return to its 2000 high of 543,200.

Has the merged city-county resulted in an increase in the population? While the overall population of Metro Louisville has increased by 7,800 people since 2000, this increase (of only 1 percent) was largely the result of births exceeding deaths. However, net internal migrants decreased by 17,300—the largest decrease of any county in Kentucky. In fact the population increase of only 1 percent trails well behind the increases of neighboring counties who each experienced growth of more than 17 percent. It would appear that losing population to neighboring counties is not a problem confined to Allegheny County.

In short, the Louisville-Jefferson County merger offers little convincing evidence in support of city-county mergers. During the first five years since approval, Metro Louisville has not brought demonstrable economic benefits and has not reduced the cost of government. This was, to a large extent, a merger in name only that had been facilitated by decades of consolidation of services. If cities and counties want to begin the process of combining services to save taxpayers money, that is one thing. But an all out merger that dumps a city's problems onto county residents will not sit well with county voters.