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City Use of County Services: Tax-Base Sharing, Part I

Efforts to remake the City's tax structure are driven largely by the belief that a lot of non-residents are getting something for nothing. Commuters, non-profits, businesses that are exempt from certain local taxes, and others are viewed as not paying their fair share for the services they enjoy. We have previously reported the substantial share of Pittsburgh's tax revenues that are attributable to these groups and the hefty portion of the cost of public safety and public works their taxes cover.

Still, the accusation of free riding persists. Indeed, a local columnist opined that there are services paid for by City residents through their County taxes but they rarely if ever use. Clearly, the insinuation was that City residents place little burden on certain County services and willingly pay for them, while commuters and visitors overwhelm the service base of the City while grudgingly paying a small amount every year. Unfortunately, the facts do not support that line of thinking.

Based on data for 2002, the total assessed value of taxable property in Allegheny County was \$57.2 billion. Of this, \$12.5 billion (22%) was located in the City of Pittsburgh. That leaves \$44.7 billion, or 78%, outside of the city limits. Applying this ratio to the \$256 million collected by the County in 2002 puts the City's contribution at \$56 million and the rest of the County's share at \$200 million.

Do City residents use only 22 percent of services provided by the County? It is doubtful, as we found when we examined the large expenditure functions associated with law and criminal justice provided by the County. Important among these was the Allegheny County Jail, which collects and publishes data on its inmate population by zip code of residence. Roughly 50 percent of the 2,200 inmates held on a representative day in 2002 listed a City of Pittsburgh zip code as their place of residence. That leaves the other 50 percent as non-city inmates, most of those identifying other Allegheny County municipalities as their last place of residence.

The Allegheny County Jail budget for 2002 was \$40.5 million. The City's population of 328,000 represents just under 26 percent of the total County population. Taking the non-City inmate population of 1,100 and assuming that inmates from the City account for its 26 percent of the County population, the total jail inmate count would be 1,482.

Based on the annual cost of holding an inmate in 2002 (\$17,885), the total jail operating cost for 1,482 prisoners would be \$26.5 million--\$14 million below the 2002 total. Since non-City taxpayers are footing 78 percent of that extra cost, they are paying \$11 million more for the jail simply because of the City's inordinately high share of the inmate population.

The City's over-representation in the inmate population obviously implies a disproportionate usage of the other law and order functions provided by the County. Consider that the Court of Common Pleas (\$43 million total), the Public Defender and District Attorney (\$15 million), and the Sheriff's office (\$9.8 million) along with the County Jail constituted expenditures of over \$100 million. This suggests an easy \$20 million in excess taxes on non-City taxpayers to cover the City's high rates of usage of the criminal justice system.

This is one example of non-City residents underwriting the costs of services for City residents. If those who are hoping for a combined City-County government that relies on tax-base sharing will force the suburbs to pay for the City's costs, the result will be even more expensive, less efficient government. Most of Allegheny County's municipal governments provide municipal services at a far lower per capita cost than does the City.

What all this is saying is that tax-base sharing--which at bottom is simply a means of redistributing tax revenues-- will never be a solution to the problems of the City which has not controlled its spending and constantly requires more revenues. After all, the Regional Asset District's existence as a tax-base sharing scheme has failed to solve the City's problems.

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