



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*Municipal Spending and Taxation in
Allegheny County: 2013 Update*

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*Allegheny Institute Report #15-03
July 2015*

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Key Findings

The following report examines the general fund portion of the 2013 annual audit reports submitted by 125 municipalities¹ in Allegheny County. These reports were submitted to the Department of Community and Economic Development, and are available to the general public.² This report is part of a multi-year research project to quantify and observe the spending of municipalities in Allegheny County. The key findings in the data show:

- The weighted average expense per capita (or average amount spent by a municipality per individual) for the year 2013 was \$696. This represents a break in the trend of increased spending per person in the past five years throughout Allegheny County.³ The three municipalities that spent the most per capita were: Sewickley Heights Boro, Leetsdale, and Findlay at \$2,498, \$1,812, and \$1,788 respectively.
- The largest portion of per capita expense went towards public safety. The weighted average per capita for 2013 was \$245. Sewickley Heights spent nearly double the next highest spender, Homestead, at \$1,118 and \$617 respectively.
- Weighted average per capita debt is up to \$716 per person in Allegheny County. This is an 8% increase from 2012 (\$663) and a 39% increase since 2009 (\$514). Nineteen municipalities are debt free as of 2013, whereas twenty-six are in debt over \$1,000 per person.
- The weighted average revenue per capita for 2013 is \$712 -- \$16 more than the average amount spent per capita by municipalities in Allegheny County. Sewickley Heights raised the most revenue per person at \$2,489. This breaks a five year trend of increased revenues.
- The largest component of revenue for the municipalities is the property tax. The average amount collected per person from property tax in 2013 was \$238. Leetsdale topped the property tax list at \$1,043 per person. Eleven other municipalities raised over \$500 per person through property tax.
- Municipalities in Allegheny County on the whole raised more money than they spent. \$49,876,861 to be exact. Twenty municipalities did not have a balanced budget and spent more than they took in revenue during 2013.
- A moderate correlation was found between median household income and total expense. An even stronger correlation was found between median household income and total revenue.

¹ Excluded from this study include: the City of Pittsburgh, due to its frequent analysis is other *Briefs* and reports, McDonald and Trafford since both of these municipalities span two counties, and Wall Boro, which had not yet submitted a 2013 audit.

² The reports can be found at: <http://www.newpa.com/>

³ 2008 – \$629, 2009-\$638, 2010-\$651, 2011-\$671, and 2012-\$699.

Introduction

The year 2013 showed a continual trend towards a stronger economy. The past reports released by the Allegheny Institute that follow municipal spending show that municipalities have increased their spending as the economy continued to improve. Will this again be the case for 2013? Are there any significant changes in spending or revenue over the past years?

This report on municipal spending will shed light on these questions and more as municipal financial statements submitted to DCED are explained. In addition to financial statements, population and median household income data from the Census Bureau was used to help provide even more insights into municipal spending. It should be noted that when referring to municipalities in Allegheny County in this report, the City of Pittsburgh, Wall Borough, McDonald Borough, and Trafford Borough are not included.⁴ 125 financial reports later, the following data has been retrieved and analyzed.

Expenditures

Total Expenses

Weighted Average per Capita - \$696

Highest Spenders per Capita – Sewickley Heights (\$2,499) and Leetsdale (\$1,813)

Lowest Spenders per Capita – South Versailles (\$221) and West Elizabeth (\$223)

Median - \$661

Every municipality spends a certain amount of dollars to keep their community running smoothly and safely, but the amount spent in each municipality varies greatly. The weighted average per capita spent in 2013 by municipalities in Allegheny County is \$696. This figure is down slightly from the 2012 year of \$699. By spending less per person in 2013, Allegheny County municipalities broke a five year trend of increased spending.⁵ Twenty-six municipalities spent less than \$500 on each person in their community for 2013 and two municipalities spent over \$1,000, further showing the extreme range of municipal spending.

Municipalities spend money in many areas, all of which contribute to the variable *total expenses*. The main areas that will be analyzed in this report include: public safety, public works (specifically highways and roads), sanitation, recreation, general government spending, and debt service. To provide a general picture on how these variables coincide with total expenses by municipalities a correlation table is provided below in figure 1. Population and median household income was added to the calculations to provide an even broader view.

⁴ Excluded from this study include: the City of Pittsburgh, due to its frequent analysis is other *Briefs* and reports, McDonald and Trafford since both of these municipalities span two counties, and Wall Boro, which had not yet submitted a 2013 audit.

⁵ 2008 – \$629; 2009-\$638; 2010-\$651; 2011-\$671; 2012-\$699

Figure 1 – Correlation of Variables with Total Expense

Variable	Correlation	Variable	Correlation
Public Safety	0.966	Sanitation	0.725
General Government	0.944	General Obligation	0.702
Census Population	0.915	Debt Service	0.475
Public Works	0.854	Median HH Income	0.141
Recreation	0.885		

Each variable used in this report has a positive correlation with total expense. In other words, as each variable increases, it is likely that the result will be an increase in total expense. *Public safety* has the largest average per capita expense out of any of the variables at \$246; therefore, it is not a surprise that public safety has the largest correlation with total expense. It is important to note that the variables not specifically related to municipal spending, *census population* and *median household income*, are also both positively correlated with total expense at 0.915 and 0.141 respectfully. As expected, an increase in population would require an increase in spending, but an increase in median household income may cause a smaller increase in spending.

The following sections will break down the variables used in the expenditures portion of this report. Each variable will be quantified in a more in-depth manner and high performing municipalities, low performing municipalities, and the median line will be identified for each category.

General Government Spending

Weighted Average per Capita - \$77
 Highest Spenders per Capita – Sewickley Heights (\$591) and Sewickley (\$284)
 Lowest Spenders per Capita – Tarentum (\$33) and Baldwin (\$34)
 Median - \$93

The variable *General Government* is the second highest correlated variable with total expenses. The variable is composed of many subsets that include, but is not limited to: tax collection, auditing, and executive salaries. Eight municipalities spent over \$200 in this category and twelve spent under \$50. It should be noted that the top five most populous municipalities (Mt. Lebanon, Bethel Park, Ross, Shaler, and Penn Hills) all stand below the median line showing a strong correlation between population and reduced spending on general government (0.871). General government is highly correlated with total expenditures with a correlation of 0.944.

Public Safety

Weighted Average per Capita - \$246
 Highest Spenders per Capita – Sewickley Heights (\$1,118) and Homestead (\$617)
 Lowest Spenders per Capita – South Versailles (\$43) and Glenfield (\$64)
 Median - \$219

The variable *public safety* has the strongest correlation to total expense out of all of the variables examined. It is also the variable where municipalities put on average the most money. Municipalities spent on average \$246 per person on public safety, which is almost double the amount spent on the next closest category, public works (\$126). The variable includes many subsets: police, fire, ambulance, zoning, etc. Four municipalities were found to spend less than \$100 on public safety per person in 2013, and twelve were found to have spent more than \$400. It is important to note the large difference between the highest and second highest spenders per capita in the public safety category. Sewickley Heights spent nearly double the amount that Homestead spent, which is the next highest spender. After the jump down to \$617, ten municipalities are found within \$200 of that amount.

Sanitation

Weighted Average per Capita - \$43
Highest Spenders per Capita – East Pittsburgh (\$251) and Homestead (\$248)
Lowest Spenders per Capita – 37 municipalities tied at \$0
Median - \$43

Sanitation has a strong 0.725 correlation with municipality spending and ranks second to last, only ahead of the category recreation, in average spent per capita at \$43. Sub categories in sanitation include: recycling collection, solid waste collection/disposal, weed control, and wastewater treatment. Thirty-seven municipalities did not spend any money in this category for 2013 and twenty-seven others stayed under the \$50 per person mark. On the flip side, eighteen municipalities did spend over \$100 per person in the sanitation category, including six that spent over \$200.

Public Works – Highways and Streets

Weighted Average per Capita - \$126
Highest Spenders per Capita – Glen Osborne (\$779) and Emsworth (\$723)
Lowest Spenders per Capita – South Versailles (\$26) and Fawn (\$31)
Median - \$121

Public works is also a large component of municipal spending. This sector has a strong correlation with total expenses at 0.854, ranking it fourth among the variables studied. The category of public works includes some of the following subsections: cleaning of streets, winter maintenance, bridge/road repair, street lighting, and virtually anything else that has to do with highway and road maintenance. Nine municipalities spent over \$300 per capita in this category, with two spending over \$700 (Glen Osborne and Emsworth). On the reverse side of the spectrum, six municipalities were able to stay under the \$50 mark, and forty-seven were able to stay under \$100.

Recreation

Weighted Average per Capita - \$40
Highest Spenders per Capita – Green Tree (\$153) and Mt. Lebanon (\$137)
Lowest Spenders per Capita – 8 municipalities tied at \$0
Median - \$15

The variable *recreation* is a diverse category that covers spending on senior citizen centers, parks, libraries, and even military festivals. Recreation has a correlation with total expenses at 0.885, ranking it third among variables studied and second among variables directly related to total expenses. Thirty-nine municipalities spent less than \$5 per person on recreation in 2013, while eight eclipsed the \$100 dollar mark.

General Obligation Debt

Weighted Average per Capita - \$716
Highest Spenders per Capita – Aleppo (\$4,832) and Sewickley (\$3,736)
Lowest Spenders per Capita – 19 municipalities tied at \$0
Median - \$326

The variable *general obligation debt* measures the total debt of the municipalities including bonds, rentals, and loans. On the whole, the municipalities studied in this report are in debt a total of \$656,977,853. This is an 8.2% increase from last year's total debt amount at \$607,212,981, meaning more debt is being taken out than paid off by the municipalities studied in 2013. As shown above, Aleppo and Sewickley have the highest per capita debt, but Upper St. Clair and Penn Hills have the highest total debt at \$53,383,458 and \$86,836,824 respectively. A large difference is found between the weighted average per capita (\$716) and the median (\$326), portraying the large range of debt spread throughout the municipalities.

Revenue

Total Revenue

Weighted Average per Capita - \$712
Highest Earners per Capita – Sewickley Heights (\$2,489) and Findlay (\$2,067)
Lowest Earners – South Versailles (\$216) and West Elizabeth (\$227)
Median - \$685

The revenue portion is the second part of this report and will cover the various aspects in how municipalities bring in revenue. The total amount of revenue brought in by the municipalities studied in this report, in the year 2013, was \$653,617,883. When weighted with population, the per capita average was found to be \$712, down from \$720 in 2012. Following the same pattern mentioned in the expenditures intro, the decrease in revenue breaks a five year trend of

increasing revenue.⁶ The decrease in revenue measures at 1.1%, which is higher than the 0.4% decrease in expenditures.

Municipalities raise money in many areas, all of which contribute to the variable *total revenue*. The main areas that will be analyzed in this report include: income tax, property tax, local services tax, business tax, total tax, and non-tax income. To provide a general picture on how these variables coincide with total revenue brought in by municipalities, a correlation table is provided below in figure 2. Population and median household income was added to the calculations to provide an even broader view.

Figure 2 – Correlation of Variables with Total Revenue

Variable	Correlation	Variable	Correlation
All Taxes	0.979	Non-Tax Income	0.807
Property Tax	0.914	Population	0.923
Earned Income tax	0.938	Median HH Income	0.149
Business Tax	0.419		
Local Services Tax	0.701		

Each variable related to total revenue used in this report has a positive correlation with total revenue. In other words, as each variable increases, it is likely that the output will result in an increase in total revenue. It is important to note that the variables not specifically related to municipal revenue, *census population* and *median household income*, are also both positively correlated with total expense at 0.923 and 0.149 respectfully. These numbers are very similar to the two variables' correlation with total expenditure at 0.915 and 0.141 respectively. As expected, an increase in population would increase revenue. It is also expected that an increase in median household income would increase municipal income (through income tax specifically).

The following sections will break down the variables used in the revenue portion of this report. Each variable will be quantified in a more in-depth manner and high performing municipalities, low performing municipalities, and the median line will be identified for each category.

Earned Income Tax

Weighted Average per Capita - \$183

Highest Earners per Capita – Sewickley Heights (\$1,160) and Fox Chapel (\$526)

Lowest Earners – West Elizabeth (\$48) and McKees Rocks (\$62)

Median - \$127

The earned income tax, also known as wage tax, is a staple when raising funds for government projects. Allegheny County municipalities raised \$167,532,486 through Act 511 income tax rates in 2013. This is the second highest individual form of income, second only to property tax.

⁶ 2008 – \$621; 2009-\$628; 2010-\$649; 2011-\$681; 2012-\$720

Wage tax also comes in second for strongest correlation to total revenue out of all of the variables used in the composite for total revenue. Wage tax has an extremely strong correlation at 0.938. Thirty-three municipalities collected less than \$100 per person in earned income tax in 2013. Twenty-eight municipalities collected over \$200 per person, showing a large range throughout Allegheny County. Sewickley Heights collected over double the amount of income tax per person than the second highest municipality. As expected, a strong correlation exists between the variables *earned income tax* and *median household income* at 0.777.

Property Tax

Weighted Average per Capita - \$238

Highest Earners per Capita – Leetsdale (\$1,043) and Sewickley Heights (\$1,007)

Lowest Earners – West Elizabeth (\$79) and South Versailles (\$91)

Median - \$245

Property tax led to the highest form of revenue for municipalities in Allegheny County at \$218,499,741 in 2013. Property tax also showed an extremely high correlation to total revenue at 0.914, but scored below income tax which sat at 0.938. Because individual municipalities can set property tax millage, based on county assessed values, huge differences are found in per capita revenue. West Elizabeth collecting \$79 per person and Leetsdale collecting \$1,043 shows the strong differential. Forty-four municipalities collected less than \$200 per person with eight municipalities averaged over \$600 of revenue per person.⁷

Local Services Tax

Weighted Average per Capita - \$18

Highest Earners per Capita – Frazer (\$141) and Findlay (\$127)

Lowest Earners – 9 municipalities tied at \$0, four municipalities tied at less than \$1

Median - \$12

Act 222, of 2005 allowed municipalities in Pennsylvania to increase the \$10 occupational privilege tax on those who work within their municipality. The higher tax was first known as the emergency and municipal services tax, but was later renamed the local services tax. All except ten municipalities studied in this report have decided to implement this tax. The nine municipalities that did not implement the tax account for the ten municipalities tied at \$0 for lowest earners. In addition, four municipalities collected less than \$1 per capita of LST in 2013. The local services tax is unique in two manners. First, the tax is set at a dollar amount instead of a percentage rate. Secondly, the tax is levied on the people who work in a certain municipality, regardless of where they reside. This explains why Findlay Township, home to Pittsburgh International airport, and Frazer Township, home to the Galleria at Pittsburgh Mills, find themselves on top of the local services tax collected per capita list. The local services tax has a strong correlation with total revenue at 0.701, especially since the tax is not collected by every municipality. Outside of the ten municipalities that do not collect local services tax, forty-five collect less than ten dollars per capita. Nine municipalities sit on the upper end of the collection spectrum, bringing in over \$50 of revenue per person through the tax.

⁷ Leetsdale, Sewickley Heights, Edgeworth, Rosslyn Farms, Sewickley, Neville, Thornburg, Ben Avon Heights

Business Tax

Weighted Average per Capita - \$21

Highest Earners per Capita – Green Tree (\$372) and Leetsdale (\$244)

Lowest Earners – 71 municipalities tied at \$0, 23 municipalities tied at less than \$1

Median - \$0

The gross receipts taxes (business tax) are another optional tax the municipalities in Allegheny County can choose to levy. Due to the diversity of the business tax rates and codes, it is difficult to quantify into overarching numbers or definitions, but in general, the tax is imposed on those who do business in a municipality's jurisdiction.⁸ For the year 2013, seventy-one municipalities studied in this report choose not to implement this tax while fifty-four choose to levy the tax. Out of the fifty-four municipalities, twenty-four collected under \$20 per capita, with three collecting less than \$1 per capita. Five municipalities collected over \$100 per capita. Outside of median household income, business tax has the lowest correlation to total revenue at 0.419.

Non-Tax Revenue

Weighted Average per Capita - \$195

Highest Earners per Capita – Frazer (\$1,186) and Avalon (\$929)

Lowest Earners – Haysville (\$28) and Bradford Woods (\$31)

Median - \$167

Non-tax revenue is an all-encompassing variable for revenue sources outside of tax. These include: royalties, licenses, fines, impact fees, toll roads, intergovernmental transfers (to the general fund), etc. The total amount of non-tax revenue collected by the municipalities in Allegheny County was \$178,533,220. This is less than one third of the amount collected through taxation. Again a large discrepancy is found in this category between municipalities, in this case due the wide range of ways in which non-tax revenue is collected. In 2013, twenty-three municipalities collected less than \$100 per person in non-tax revenue, and twelve collected over \$500. A large majority of municipalities—seventy to be exact—fall into the \$100-\$300 range for this specific category. This causes the weighted average per capita to be close to the median for such a diverse variable. Non-tax income falls towards the middle of the list of variables correlating with total revenue at 0.807.

Total Tax

Weighted Average per Capita - \$518

Highest Earners per Capita – Sewickley Heights (\$2,233) and Leetsdale (\$1,574)

Lowest Earners – West Elizabeth (\$170) and South Versailles (\$175)

Median - \$461

The final variable that will be observed under revenue is *total tax*. Total tax is an overarching variable that combines the tax variables already mentioned plus a few other categories like real

⁸ Pennsylvania's Tax Manual, pg. 47.

estate transfer tax, amusement tax, and a few others.⁹ In the year 2013, \$475,084,663 was collected in tax revenue by the municipalities in Allegheny County studied in this report. The variable *total tax* correlated stronger than any other variable used at 0.979. Only two municipalities, West Elizabeth and South Versailles, collecting under \$200 in total taxes per capita in 2013, but nine other municipalities did stay under the \$300 mark. Nine municipalities also eclipsed the \$1,000 mark of total tax collected per capita.

Appendix

Included below are charts that show the top five highest and lowest spenders and top five highest and lowest earners per capita in each category. Categories excluded from the charts below include: recreation, sanitation, general obligation debt, local-services tax, and business tax due to a large amount of zero dollar spenders in each category. For a complete list of data, please visit <http://www.alleghenyinstitute.org/reports/>.

⁹ The rest of the included subcomponents can be found at the Department of Community & Economic Development's webpage

Total Expense per Capita

Municipality	Amount
<i>Top Five</i>	
Sewickley Heights	\$ 2,499
Leetsdale	\$ 1,813
Findlay	\$ 1,789
Edgeworth	\$ 1,701
Glen Osborne	\$ 1,582
<i>Lowest Five</i>	
Forward	\$ 315
Fawn	\$ 288
Liberty	\$ 275
West Elizabeth	\$ 223
South Versailles	\$ 221

Public Safety Spending per Capita

Municipality	Amount
<i>Top Five</i>	
Sewickley Heights	\$ 1,118
Homestead	\$ 617
Findlay	\$ 591
Harmar	\$ 567
Sewickley	\$ 493
<i>Lowest Five</i>	
West Elizabeth	\$ 100
Chalfant	\$ 70
Haysville	\$ 65
Glenfield	\$ 64
South Versailles	\$ 43

General Government Spending per Capita

Municipality	Amount
<i>Top Five</i>	
Sewickley Heights	\$ 591
Sewickley	\$ 284
Kilbuck	\$ 269
Leetsdale	\$ 248
Blawnox	\$ 229
<i>Lowest Five</i>	
Shaler	\$ 43
West Deer	\$ 43
Penn Hills	\$ 36
Baldwin	\$ 34
Tarentum	\$ 33

Public Works Spending per Capita

Municipality	Amount
<i>Top Five</i>	
Glen Osborne	\$ 779
Emsworth	\$ 723
Sewickley Heights	\$ 475
Sewickley	\$ 423
Frazer	\$ 407
<i>Lowest Five</i>	
Whitaker	\$ 45
West Elizabeth	\$ 39
Sewickley Hills	\$ 34
Fawn	\$ 31
South Versailles	\$ 26

Total Revenue per Capita

Municipality	Amount
<i>Top Five</i>	
Sewickley Heights	\$ 2,489
Findlay	\$ 2,067
Leetsdale	\$ 1,975
Edgeworth	\$ 1,700
Frazer	\$ 1,647
<i>Lowest Five</i>	
Fawn	\$ 355
Forward	\$ 340
Liberty	\$ 332
West Elizabeth	\$ 227
South Versailles	\$ 216

Property Tax Revenue per Capita

Municipality	Amount
<i>Top Five</i>	
Leetsdale	\$ 1,043
Sewickley Heights	\$ 1,007
Edgeworth	\$ 919
Rosslyn Farms	\$ 848
Sewickley	\$ 755
<i>Lowest Five</i>	
Forward	\$ 106
Rankin	\$ 104
Pitcairn	\$ 102
South Versailles	\$ 91
West Elizabeth	\$ 79

Earned Income Tax Revenue per Capita

Municipality	Amount
<i>Top Five</i>	
Sewickley Heights	\$ 1,160
Fox Chapel	\$ 526
Edgeworth	\$ 470
O'Hara	\$ 422
Upper St. Clair	\$ 421
<i>Lowest Five</i>	
South Versailles	\$ 64
North Braddock	\$ 64
Homestead	\$ 63
McKees Rocks	\$ 62
West Elizabeth	\$ 48

Non-Tax Revenue per Capita

Municipality	Amount
<i>Top Five</i>	
Frazer	\$ 1,186
Avalon	\$ 929
Emsworth	\$ 740
Ohio	\$ 727
Homestead	\$ 661
<i>Lowest Five</i>	
West Elizabeth	\$ 57
Ingram	\$ 54
South Versailles	\$ 41
Bradford Woods	\$ 31
Haysville	\$ 28