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Pittsburgh–Allegheny County merger talk resurfaces

Summary: In a recent magazine commentary opining on the future of Greater Pittsburgh, the notion of merging the City of Pittsburgh and Allegheny County was raised once again. This topic is brought up every few years but has always failed to garner any appreciable support from city or county residents. And it’s very likely this time will be no exception. But a reminder of the reasons this merger idea is bad should be useful.

The commentary’s first point is “to allow municipalities within the county to remain independent if they wish and others to voluntarily disincorporate into the new, larger city.”

Current law, Pennsylvania Title 53, Section II, Chapter 7 (1994), also known as the Municipal Consolidation or Merger Act, allows for merging, provided that both local governments agree. While some mergers have been proposed, few across the state have been successful. In 2013 one took place in Clearfield County (Lumber City merged into Ferguson). In Allegheny County, no mergers have taken place for decades. Pittsburgh and Philadelphia are excluded from the Act.

But for municipalities in the commonwealth who are in the Act 47 financial distressed program of the Department of Community and Economic Development (DCED), this option may be most appealing, and is clearly defined in a 2014 amendment (section 432) of the 1987 Act. Pittsburgh was exempted from the amendment due to its size—its stay in Act 47 stretched from the end of December 2003 to February 2018.

In 2014, there were 21 municipalities across the state in the Act 47 program when the amendment was adopted. In Allegheny County there were five—Braddock, Clairton, Duquesne, Rankin and, of course, Pittsburgh. None of these financially distressed municipalities took advantage of the option to disincorporate. A municipality needs to be deemed “nonviable,” in that it does not use its own employees to provide police or fire service, before it is eligible for disincorporation (section 431). Had they done so, “the area formally contained within the municipality shall be an unincorporated service district ... (section 439.a.4).” The DCED administrator would then have taken over day-to-day operations.

Language in section 447 of Act 47 permits mergers of distressed municipalities with one or more neighboring municipalities. But, of course, if another municipality agrees to a merger it

then assumes all the financial responsibilities of the disincorporated municipality including its debt. “All debt obligations held in trust by the commonwealth on behalf of the former municipality for service by a district shall be assumed by a merged, consolidated or subsequently incorporated municipality, including the territory of the district” (section e).

Of the 21 municipalities in distressed status as of the approval of the disincorporation amendment, none took advantage of the option. Six successfully exited distressed status including Pittsburgh.

Nearly a decade ago, a bill was introduced into the Legislature to merge all municipal functions into the host county. Fortunately, it didn’t pass. But it was based on the premise that too many municipalities were holding back economic growth. *Policy Brief Vol. 10, No. 49*, dispelled that myth. We reminded bill proponents there were no complaints about “too many” municipalities when many across Pennsylvania, even those in Allegheny County, were enjoying spectacular population and economic growth decades ago.

That *Brief* said that “Municipalities and counties in Pennsylvania suffer from the growth inhibiting factors of powerful union influence (especially public employee unions), high taxes on businesses, a strangling regulatory climate, an extraordinarily punitive tort system and state economic development strategies based on picking winners and wasteful subsidies.” Not much has changed with regards to these growth inhibitors over the last 10 years. To be sure, no amount of consolidation or mergers will fix these underlying systemic problems.

There is no evidence that a merged Pittsburgh-Allegheny County will result in efficiency—another claim that the commentary espouses—especially financial efficiency. No one brings up the most prominent city-county merger in Pennsylvania—Philadelphia. Philadelphia has been under financial oversight (Pennsylvania Intergovernmental Cooperation Authority) since 1990—30 years and counting. Typically, larger cities, like Pittsburgh and Philadelphia, are beset with enormous legacy costs, such as general obligation debt and unfunded pension liabilities. Merging these cities with smaller municipalities, many of which have avoided such problems, is a nonstarter for residents unwilling to take on the enormous responsibility of helping pay for the actions of decision-makers for whom they had no vote.

It's a certainty that suburban residents will not want to assume the financial responsibility of the crumbling city infrastructure of the Pittsburgh Water and Sewer Authority, which has been placed under state oversight.

Based on audited data showing changes in net position, Pittsburgh’s debt has been reduced substantially while under the Act 47 program—29 percent from 2013 to 2018, the most recent data available (*Policy Brief, Vol. 20, No.1*). However, its pension plans are still greatly underfunded. That same *Brief* also notes that over that same time frame pension liabilities increased by \$128 million, dropping the ratio of funds in the pension trust-to-liabilities to 31.8 percent from 32.6 percent. The only saving grace for the city is the pledge of parking tax revenues (\$26 million) through 2041 and gaming tax revenues of \$10 million bringing the presumed funding ratio to above 50 percent—the level the state required to avoid a state takeover of funds management.

A final point championed by the commentary is the elimination of service duplication of the city and county. We, too, have been, and remain supportive of, voluntarily reducing service

duplication but have seen little progress in reducing duplication by the city and county. The financial oversight boards pushed for it, as have others over the years. The only service that was successfully merged is perhaps the 911 emergency call-center. Some city-county purchasing has been merged, but nothing else has been done, or is being considered, at least for public consumption. Other services that should be merged, without an actual physical city-county merger, could be parks, public works and fleet management.

Duplicative services could be either merged or contracted out to make government more efficient and cost-effective. But public sector unions create major impediments to either merging or contracting out. The unions will vigorously and forcefully reject contracting out to vendors and prevent possible large cost savings ever being undertaken. With merging departments and functions, there can be enormous problems stemming from the differences in pay and benefit packages—as well as differing work rules, job classifications and descriptions, contained in the municipality and county contracts. Typically, the higher wage rate and benefit packages prevail and no-layoff provisions—“poison pills”—prevent cost savings and efficiency improvements.

In short, in decades past and continuing through the present residents and taxpayers in the county’s municipalities have shown no interest in merging municipalities or merging the city and county. There is no evidence that will change. And for good economic reasons as outlined above.

And we could add another reason:

Whether the pro-merger commentators like it or not, residents of the various municipalities like their towns and whatever distinctiveness as an individual community it has. They like being close enough to the commissioners and/or mayor that they can have a meaningful voice in the important local decisions that must be made. And while some view the current situation as inefficient and parochial, there are subjective valuations about neighborhoods and community that people place large value upon and will resist stubbornly any effort to take those away.

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