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Pittsburgh's ARP spending: an update

Summary: A 2021 *Policy Brief (Vol. 21, No. 36)* detailed the four-year spending plan adopted by the City of Pittsburgh for its American Rescue Plan (ARP) allocation. Quarterly reports beginning in December 2021 have detailed how the city has spent the money thus far and the city's five-year forecast shows finances after the money is expended in whole.

The ARP's State and Local Fiscal Recovery Funds sent $350 billion to states and virtually all local governments in the country. The largest municipal allocation in Allegheny County was for the City of Pittsburgh at $335.1 million. All of the money has been received and deposited into the city's ARP trust fund. The city's compliance reports and spending documents have been posted online and detail spending activity.

Originally the city's plan designated these uses: operating budget, $180.2 million (53.8 percent); capital budget, $59.9 million (17.9 percent); Pittsburgh Water and Sewer Authority (PWSA), $17.5 million (5.2 percent); Urban Redevelopment Authority (URA), $75.0 million (22.4 percent); and OnePgh, $2.5 million (0.7 percent).

Since the time of adoption, amendments to the plan have changed dollar amounts or eliminated projects. In the Dec. 31, 2021 spending report there were 17 projects. One year later, one was eliminated, dollar figures for eight were changed and four projects were added.

The $2.5 million for a guaranteed income pilot project administered by OnePgh that was detailed in the 2021 *Brief* was scuttled. A prospective recipient would have to be earning 50 percent or less of the area median income to have qualified. The mayor's office cited issues with the way the pilot was designed that "made it ineligible for the federal [ARP] funds."

Projects for bridge maintenance ($2.5 million), support for residents ($4 million), wastewater ($0.5 million) and land acquisition and maintenance ($2.5 million) were added. The resident projects of medical debt relief and "food justice" are much broader than core city functions, lending themselves to problematic evaluation of how successful the spending will be. Even with this being federal money there is an opportunity cost to how city officials choose to utilize the money as once it is gone, it is gone.

As it now stands, the money is divided among these uses: operating budget, $177.9 million (53.1 percent); special revenue, $6.5 million (1.9 percent); capital budget, $58.9 million (17.6 percent); URA $67.9 million (20.3 percent); Parking Authority $80,000 (.02 percent); PWSA $17.5 million (5.2 percent) and ARP Trust Fund (audit compliance, a park acquisition and the medical debt and "food justice" expenditures are counted here) $6.3 million (1.9 percent).

The Dec. 31, 2022 spending document shows the city has spent $95.1 million (28 percent) of its ARP distribution.

In terms of percentage spent by use, 46 percent of the money set aside for the operating budget has been spent while URA, Parking Authority and ARP Trust Fund have had 2 percent or less spent.

The use of ARP dollars for the city's operating budget are worth a look as it represents over half of the total ARP money. To date, the city has made three transfers from the ARP trust fund to the general fund: $33.7 million in September 2021, $48.0 million in February 2022 and $49.6 million in February 2023. The final one for 2024 is to be $46.6 million. In 2025, without ARP funds, the city's five-year forecast in the 2023 budget shows revenues are to decrease to $670.8 million from $702.7 million the year before.

Even with the drop in revenue the city is still expected to have a positive operating result (revenues less expenditures). Compared to audited pre-pandemic 2019 tax collections, by 2025 all of the city's major tax revenue sources, with the exception of the parking tax, are forecast to bring in at least 100 percent of the pre-pandemic amounts. That tax is forecast to bring in $57.3 million, or 94 percent of 2019's $61 million in collections.

To be sure, an economic downturn during the forecast period will negatively impact the city's revenue prediction. If the current high office vacancy rate persists ($3.1 billion in commercial building assessed value is in Pittsburgh's Wards 1 and 2), that could reduce collections of taxes on property, earned income, payroll preparation, local services and parking.

Pittsburgh's Five-Year Financial Forecast ($ amounts in millions)

Item	2023	2024	2025	2026	2027
Total Revenues	$686.5	$702.7	$670.8	$685.6	$701.7
Total Expenditures	$656.7	$658.1	$664.9	$680.9	$662.1
Operating Result	$29.8	$44.7	$5.9	$4.6	$39.6
Beginning Fund Balance	$112.0	$105.0	$117.1	$94.3	$68.4
Transfers Out	$36.8	$32.5	$28.7	$30.5	$37.8
Ending Fund Balance	$105.0	$117.1	$94.3	$68.4	$70.2
Ending Fund Balance/Expenditures (%)	16	17.8	14.2	10	10.6

The city is forecasting a significant drop in debt service from 2026 to 2027 with payments falling from $78.1 million to $46.9 million ($31.3 million, or 40 percent). The city's code requires that the ending fund balance be at least 10 percent of expenditures and that will be met.

Consider, too, that during the time the city approved, received and amended its ARP plan, other sources of public money have been delivered to recipients. As an example, from October 2021 through January 2023 PWSA received $383.7 million in loans and $19 million in grants from the Pennsylvania Infrastructure Investment Authority.

If the city is concerned with its operating results and ending fund balance as a percentage of expenditures in post-ARP years, it needs to follow through with recommendations such as a hiring freeze (the 2023 budget adds over 100 new full-time equivalent employees, which will add to pension and health care expenses in the future), exploring efficiencies in departments and offices, outsourcing non-core functions and refraining from anti-business measures and subsidizing specific businesses.

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