May 24, 2023 Policy Brief: Volume 23, Number 20

Lowering government costs: a crucial policy issue for chief executive candidates

Summary: Allegheny County's services are provided by 6,125 employees, with 4,681 in the executive branch. County government is required by the Home Rule Charter to review its operations with regularity to determine if departments should continue in existence. What should the next chief executive emphasize for this requirement in coming years?

A breakout of the 2023 operating budget by function shows the county will spend just over $1 billion in the following manner: $398.9 million (39.1 percent) on health and welfare; $300.7 million (29.5 percent) on public safety; $87.4 million (8.6 percent) on general government; $75.0 million (7.3 percent) on debt service; and the remaining $158.2 million (15.5 percent) on transportation, education, public works, culture and recreation and economic development.

Looking longer term, a 2016 Allegheny Institute *Report (#16-02)* used population, inflation and audited financial data to show that per capita spending grew from $817 to $1,239 (52 percent) between 2000 and 2015, which was faster than the change in the Pittsburgh-area Consumer Price Index (CPI), which was 43 percent. The number of county employees per 1,000 people increased from 5.4 to 5.6 (4 percent).

Updating that data to measure from 2000 through pre-pandemic 2019 with some adjustments (substituting the Northeast CPI for the Pittsburgh-area CPI, which is currently updated only to 2017 and using the official 2020 Census population for the county, which is more reflective of 2019 population than an estimate), per capita spending grew from $817 to $1,455 (78 percent), faster than inflation (50 percent) and employees per 1,000 people grew from 5.4 to 5.5 (2 percent).

The Home Rule Charter contains a mechanism that allows the county government to regularly analyze what it does and if it should continue to do so. The charter requires the county manager, who is appointed by the chief executive and confirmed by the county council, to "evaluate the need for each County department, agency and function over a four year sunset review cycle and recommend to the Chief Executive and the County

Council the modification or elimination of any department, agency, or function that no longer meets the needs of the County's taxpayers."

Beginning in 2015, the manager implemented a schedule in which one-quarter of the departments and related agencies are reviewed and recommendations published each year. Between 2019 and 2022, a total of 19 departments were reviewed.

The review includes each department's legal mandate; public need; how the functions are carried out; what the effect on public safety, health and welfare would be if the department did not exist and a recommendation regarding the department's existence. The recommendations go to the chief executive and council; council may then take action to retain, abolish or modify the department(s).

In each review, an examination of "alternative methods that may be employed to achieve the Department's legal mandates" and "whether County government is the most effective body to implement the Department's programs" are included. Here the reviews are to determine if privatization, outsourcing or contracting or turning the service over to another level of government is appropriate.

The reviews from 2019 through 2022 carried out these alternative analyses. Indeed, there were instances where departments were contracting out specific aspects of their operations, including Parks, Human Services, Public Works and the Jail. As the reviews noted, some functions mandated by the state cannot undergo an alternative service delivery method.

Where the reviews pondered moving a county service from a county department, perhaps to the private sector, the municipalities within the county or to the commonwealth, the reviews typically came to the same general conclusions: control would be lost, costs would be higher, reliability would diminish and it would be better to maintain the status quo. *Specific cost comparisons between what the county spent to provide a service and what a private vendor would charge, however, were lacking.*

In the end, the reviews recommended that the 19 departments continue without modification. This included the Shuman Juvenile Detention Center, which was included in the 2021 review (published June 30, 2021) but then was closed in September 2021 when the state revoked its license. This past March, County Council passed a motion calling for a review "of the current needs of the County's juvenile justice system" and the "formation of a Juvenile Justice Study Group."

The manager, beginning with the 2024 sunset review, should be required to collect and include data on what the county spends on services and what it would cost if handled by the private sector where there is an opportunity for contracting out or outsourcing. The administrative code's sunset review procedures allow the manager flexibility to include criteria that "would aid in the furtherance of making County government more competitive and performance-oriented." To make sure that the cost data is included in all reviews, it would likely be advisable to amend the procedural language to include it.

Quantifying savings and showing what that would mean for the county's 4.73 property tax millage rate would be a positive addition to the reviews and should be mandatory.

If the staggered arrangement does not change, next year the Departments of Administrative Services, Facilities Management, Parks, Public Works and Information Technology (spun off from Administrative Services in 2020) would be reviewed. This year, those departments have a combined 955 employees and $112.3 million in expenditures.

Creating a low-tax environment where the county government is not growing in headcount and responsibilities is a critical piece in addressing the population and labor market trends pointed out in previous *Policy Briefs*. In the last few years, the county has created two new departments, Children Initiatives and Sustainability. If county functions expand and revenues are negatively affected by lack of business start-ups, property tax appeals and office downsizing and work-from-home, the county's revenues could be impacted significantly. The sunset review could become a critical tool at the county's disposal to focus on its core services and head off tax increases.

It is recommended that the next chief executive lead the way to sharpen the focus on what might be alternative methods of delivering county services.

Eric Montarti, Research Director

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1