Comparing Westmoreland County’s finances to similar-sized counties

Introduction: As 2023 ended, Westmoreland County commissioners voted for the largest county property tax increase in more than 20 years. The county millage rate rose from 21.49 to the state-imposed cap of 25 mills. The county also voted to levy an additional 3.48 mills to help retire county debt. The combined millages amount to a 32.5 percent increase. As expected, and typically, there was plenty of finger pointing and argument surrounding the increase.

This Policy Brief looks at population changes as well as selected expenditures, debt and revenues from Westmoreland and other counties of the third class across the state to provide perspective on the county’s financial situation. All data comes from each county’s 2022 annual financial report covering the 10-year span of 2013 through 2022.

Pennsylvania classifies counties based on population. Counties of the third class have a population of 210,000 up to 499,999, the fourth-highest designation behind first class (Philadelphia), second class (Allegheny) and second class-A (Bucks, Delaware, Lancaster and Montgomery). There are eleven third class counties: Berks; Chester; Cumberland; Dauphin; Erie; Lackawanna; Lehigh; Luzerne; Northampton; Westmoreland and York. Even though Chester County’s population has grown to exceed 500,000, it is allowed to be, and is listed as, a county of the third class owing to Act 74 of 2021.

Of these 11, five are home-rule counties: Erie; Lackawanna; Lehigh; Luzerne and Northampton. According to the Department of Community and Economic Development, home rule transfers the basic authority to act in county affairs from state law, as set forth by the General Assembly, to a local charter, adopted and amended by voters.

Since Westmoreland is not a home rule county, the focus will be on it and the other non-home rule counties of the third class.

Population and employment

Of the six counties in this study, Berks; Chester; Cumberland; Dauphin and York counties are in the eastern part of the state. Only Westmoreland lies in the southwestern part of the state. Westmoreland is also the only county in the group that lost population from 2013 through 2022 (2.98 percent). Population growth for the other five ranged from 3.74 percent (York) to 11.41 percent (Cumberland).
Furthermore, in 2000 Westmoreland’s population was 369,664. It dropped 4.6 percent to 352,561 in 2022. Meanwhile, the other counties in this sample had substantial population growth over this period: Cumberland (25.6 percent); Chester (25.4 percent); York (18.8 percent); Berks (14.9 percent) and Dauphin (14.6 percent).

Perhaps the counties in the southeast benefitted from being near, but not in, the Philadelphia Metropolitan Statistical Area (MSA) and its relatively strong economic growth. The Philadelphia MSA, PA counties only, had total nonfarm employment growth of 9.88 percent from 2013 through 2022. Whereas the seven-county Pittsburgh MSA, of which Westmoreland is a part, had a total nonfarm employment decrease of 0.87 percent during that period. Immigrants, both domestic and international, are drawn to an area with better employment opportunities.

Expenditures

The table below shows the total expenditures for each county in the sample as well as the expenditures for general government and public safety, including corrections.

<table>
<thead>
<tr>
<th>County</th>
<th>Total Expenditures per capita</th>
<th>General Government (000s)</th>
<th>Public Safety (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2022</td>
<td>% Change</td>
</tr>
<tr>
<td>Berks</td>
<td>$950</td>
<td>$1,253</td>
<td>31.89</td>
</tr>
<tr>
<td>Chester</td>
<td>$751</td>
<td>$942</td>
<td>25.43</td>
</tr>
<tr>
<td>Cumberland</td>
<td>$547</td>
<td>$590</td>
<td>7.90</td>
</tr>
<tr>
<td>Dauphin</td>
<td>$1,134</td>
<td>$1,084</td>
<td>-4.40</td>
</tr>
<tr>
<td>Westmoreland</td>
<td>$508</td>
<td>$693</td>
<td>36.49</td>
</tr>
<tr>
<td>York</td>
<td>$788</td>
<td>$1,160</td>
<td>47.19</td>
</tr>
</tbody>
</table>

On a per capita basis, York County had the largest increase in total expenditures over the 10-year period at over 47 percent. Dauphin had a small decrease at 4.4 percent. Westmoreland’s increase of 36.4 percent was the second highest of the six, boosted in large part by the decline in population. It’s worth noting that the inflation rate from 2013 through 2022 was just under 22 percent (CPI-U, Northeast). All but two counties had spending growth that exceeded inflation. It’s also worth noting that in response to the pandemic county governments received stimulus funding from the federal government and that likely had an impact on expenditures in 2022.

Westmoreland had one of the smallest per capita spending rates in the sample. It was the lowest in 2013 and was second lowest in 2022.

For total general government spending, York once again led the group with a 301.36 percent increase. According to York’s annual financial report from 2020, the large jump in spending was attributed to pandemic money (CARES Act and then American Rescue Plan in 2021). Dauphin had a decrease of 25 percent. Westmoreland has the second highest total increase at nearly 43 percent followed by Cumberland (35 percent), Berks (35 percent) and Chester at just over 26 percent.

The final category is expenditures on public safety. Four counties had their expenditures increase by at least 40 percent, including Westmoreland, which led with growth of 50.6 percent over the 10-year period. Chester (28 percent) and Cumberland (26.7 percent) were the lowest.
Revenues

The following table outlines the total revenues for each county. The total includes taxes, intergovernmental transfers, interest income and other sources of revenue for each county. The table shows total revenue per capita, total real estate revenue and the total amount of taxable property.

<table>
<thead>
<tr>
<th>County</th>
<th>2013</th>
<th>2022</th>
<th>% Change</th>
<th>2013</th>
<th>2022</th>
<th>% Change</th>
<th>2013</th>
<th>2022</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berks</td>
<td>$918</td>
<td>$1,321</td>
<td>43.86</td>
<td>$135,389</td>
<td>$151,016</td>
<td>11.54</td>
<td>$18,490,523</td>
<td>$19,674,003</td>
<td>6.40</td>
</tr>
<tr>
<td>Chester</td>
<td>$725</td>
<td>$937</td>
<td>29.21</td>
<td>$151,162</td>
<td>$181,754</td>
<td>20.24</td>
<td>$36,406,269</td>
<td>$40,431,857</td>
<td>11.06</td>
</tr>
<tr>
<td>Cumberland</td>
<td>$559</td>
<td>$669</td>
<td>19.70</td>
<td>$47,880</td>
<td>$56,521</td>
<td>18.05</td>
<td>$19,074,273</td>
<td>$22,027,691</td>
<td>15.48</td>
</tr>
<tr>
<td>Dauphin</td>
<td>$963</td>
<td>$1,118</td>
<td>16.10</td>
<td>$100,610</td>
<td>$108,339</td>
<td>7.68</td>
<td>$14,735,291</td>
<td>$16,342,753</td>
<td>10.91</td>
</tr>
<tr>
<td>Westmoreland</td>
<td>$465</td>
<td>$681</td>
<td>46.40</td>
<td>$80,940</td>
<td>$86,583</td>
<td>6.97</td>
<td>$3,835,702</td>
<td>$4,015,084</td>
<td>4.68</td>
</tr>
<tr>
<td>York</td>
<td>$782</td>
<td>$1,280</td>
<td>63.68</td>
<td>$120,983</td>
<td>$200,266</td>
<td>65.53</td>
<td>$26,959,516</td>
<td>$29,087,492</td>
<td>7.89</td>
</tr>
</tbody>
</table>

York had the largest increase in per capita total revenues at nearly 64 percent. The lowest rise was in Dauphin (16.10 percent). Westmoreland had the second highest increase (46.4 percent), aided by the decline in population. Westmoreland has one of the lowest per capita revenue collections in the sample.

Real estate taxes are a large part of total revenues, in this group of counties, they comprise roughly one-third of total revenues. Again, York had the largest increase in real estate revenues from 2013 to 2022 (65.53 percent)—something of an outlier in this group. Without York, the increases over the period range from a low of 7 percent (Westmoreland) to a high of 20.24 percent (Chester). In 2022, Cumberland collected the lowest total real estate revenues at $56.5 million followed by Westmoreland ($86.6 million).

Real estate revenues depend on the millages being applied and the total taxable assessed value of the properties. In terms of total taxable assessed value, Westmoreland has by far the lowest values. The primary reason Westmoreland has such low assessed values in comparison to the other counties of the third class is that the last countywide reassessment took place in 1972—over 50 years ago. In 2022, assessed value was just over $4.0 billion. The next lowest is Dauphin at $16.3 billion. Chester has the highest assessed value at $40.4 billion. The remaining counties have reassessed their properties much more recently: Berks (1994); Chester (1998); Cumberland (2011); Dauphin (2002) and York (2006).

As a result of its assessed value being kept so low, Westmoreland has by far the highest tax rate in the group in 2022, at 21.49 mills. The five other counties have a millage range from a low of 2.195 (Cumberland) to a high of 7.657 (Berks).
As mentioned above, in addition to raising the property tax assessment millage from 21.49 to 25, the Westmoreland commissioners also tacked on an additional 3.48 mills to address debt. Westmoreland’s growth in general obligation bonds debt per capita is the highest in the group at 82.35 percent. Only Dauphin had an increase in its per capita general obligation bond debt (31 percent). Notably, three counties—Berks, Cumberland and York—decreased their debt levels, and it shows in their per capita changes. Chester had a small increase in their total debt levels, but it was just shy of the growth to population and resulted in a small per capita decline.

Westmoreland had been working the total debt level down from 2016 until 2020, lowering it from over $105.5 million to $83.7 million. However, in 2021, new borrowing pushed the debt to over $201.1 million.

**Conclusions and recommendations**

At the end of 2023, Westmoreland County commissioners took the unpopular step of substantially raising millage rates on the taxable property owners in the county. The rationale was to combat rising debt and operating costs.

Compared to non-home-rule counties of the third class, Westmoreland’s 2022 per capita total expenditures and total revenues rank fifth of the six counties. That same year, it was the fourth highest level of spending on both general government and public safety.

Where it really stands out is in real estate revenues collected. Over the 10-year period the growth of total real estate revenues was just under 7 percent. Much of that weak growth was owing to the very small 4.68 percent increase in total taxable assessed value, the lowest in the group.

The problem lies in the age of the assessment base. Westmoreland last reassessed properties in 1972. While the Commonwealth of Pennsylvania does not mandate periodic assessments, given the importance of real estate taxes to the county’s budget and in fairness to property owners, it needs to be done. It’s a dereliction of Pennsylvania’s constitutionally required duty to ensure fair and equitable taxation by being one of only five states that does not mandate regular reassessments.

As was noted in *Policy Brief, Vol. 23, No. 35*, “In a county that does not do regular reassessments, the lack of assessments for years means areas with small home value gains will see the ratio of assessment to home value stay largely unchanged. By the same token, more affluent areas with rising prices will see the ratio of assessments to value fall.”
It’s a matter of fairness rather than a tax grab. By law, any reassessment must be revenue-neutral for the county. That does not mean that it will be tax-neutral for everyone. For those underassessed, it will likely mean an increase and for those over-assessed, a decrease. But with frequent reassessments, every three years or so, it provides stability for all parties involved.

Westmoreland is the only county in the study group that lost population and is part of an MSA that struggles with job growth. The decision-makers at the county level need to advocate for more business-friendly policies to help growth, such as less fealty to labor unions (especially public-sector unions) and a regulatory and tax climate that is more welcoming to new and existing firms.

One way to begin is with a more stable and fairer reassessment system which means regular reassessments.

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