

### **Allegheny County finances: a review of 2023's results**

**Introduction:** On June 26, the Allegheny County controller released the 2023 Annual Comprehensive Financial Report (ACFR). The controller described 2023 as “an ‘inflection point’ for the County.” A week later, when appearing before County Council, the chief executive stated “...while in the short term we are doing fine, we are going to need to make some adjustments moving forward.”

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In 2023, general fund revenues totaled \$834.7 million and expenditures were \$863.5 million, resulting in a deficit of \$28.8 million. For all governmental funds—general, county grants, human services grants, capital projects and other governmental (liquid fuel, transportation, infrastructure support and debt service)—revenues totaled \$2.13 billion with expenditures of \$2.21 billion resulting in a deficit of \$72.9 million. After accounting for transfers and other financing, the county’s year-end general fund balance stood at \$101 million, with \$56.2 million of that unassigned.

The controller’s specific concerns, besides the deficit, are that property tax revenue grew very slowly and American Rescue Plan funds are expiring. The controller also raised concern over the health of the county’s pension fund.

#### *Property tax revenues and COVID relief*

Property tax collections totaled \$387.5 million. This was \$568,000 (0.1 percent) above 2022. Every year since 2014, property tax revenue has increased without a millage rate hike, even in 2020 when other tax revenues (sales, alcohol, vehicle rentals and hotel rooms) as well as non-tax revenues (including licenses and permits and charges for services) fell. However, 2023’s year-over-year percentage growth was the lowest during the last 10 years.

Will 2024 see property tax collections fall below the previous year? Countywide taxable value has been affected by successful appeals of assessments that were prompted by the decline in the common level ratio. The Jan. 12 certified assessment roll showed taxable value of \$85.39 billion. Six months later the July 29 parcel count and values report showed taxable value of \$84.76 billion. That’s a decrease of \$627 million (0.7 percent).

If the county's 4.73 millage rate were applied to values on those two dates, county property tax owed would be around \$3 million lower.

As to the American Rescue Plan allocation of \$381 million, the county has been updating how much was spent and on what functions since 2021. The county's dashboard shows that, as of July 25, just over \$273 million (72 percent) of the allocation has been spent. Annual performance reports have likewise documented the spending. Of the total, \$86.9 million was used "to stabilize the operating budget and provide services that otherwise would have been cut due to lack of funding."

All local governments that received funding have long been aware of the time-limited nature of the dollars. It would be poor public policy if the upcoming 2025 budget proposal seeks a tax increase to replace the pandemic aid.

#### *Recent fiscal data*

Fiscal data in the ACFR on total governmental fund revenues, expenditures and full-time equivalent employment (FTE) provide a five-year picture of county finances.

#### **ACFR Data by Year**

<b>Year</b>	<b>Revenues (\$, 000s)</b>	<b>Expenditures (\$, 000s)</b>	<b>Result (\$, 000s)</b>	<b>FTE</b>	<b>Population</b>
2019	1,768,288	1,819,937	-51,649	6,870	1,216,045
2020	2,004,406	2,024,125	-19,719	6,528.5	1,250,578
2021	2,094,645	2,148,391	-53,746	6,125	1,245,445
2022	2,284,499	2,240,190	44,309	6,139	1,232,605
2023	2,137,613	2,210,496	-72,883	6,213	1,224,825

Both revenues and expenditures gradually rose from 2019 to 2022 followed by a slight dip occurring in 2023. In each year except 2022 the county ran a deficit.

FTE also exhibits a disruption from the lockdowns and pandemic of 2020, as evidenced by a drop from 6,870 in 2019 to 6,528.5 in 2020 and a further sharp drop to 6,125 in 2021. However, this decline in jobs did not continue as the following years show increases in FTE to stand at 6,213 in 2023. This represented a total increase of 1.4 percent from 2021.

Census data indicates that there is a smaller population to shoulder the burden of funding county government. The official 2020 Census count was 1,250,578. The 2023 estimated population is 1,224,825, a decrease of 2.1 percent. On a per capita basis in 2023, revenue was \$1,745, a number that is down slightly from the 2022 high. Expenditures reached a staggering \$1,805 per capita in 2023, a number significantly above pre-pandemic 2019, when per capita expenditures were under \$1,500.

On a per 1,000 person basis in 2023, FTE equaled 5.07. This is a 10 percent decrease from pre-pandemic numbers of 2019 when FTE per 1,000 stood at 5.65. After falling immediately after 2020, FTE per 1,000 residents has begun to rise again in recent years as employment increases and county population declines.

Two key questions that arise from the chief executive’s follow-up address to County Council are one, what is meant by the short term? Is it 2025? The next five years? And two, do adjustments refer to tax increases, spending cuts or both?

### *Conclusion*

The county’s Home Rule Charter outlines budgetary requirements that provide some clarity. The charter directs the chief executive to “appear before County Council to present the budget message and to submit the comprehensive fiscal plan no later than 75 days before the end of each fiscal year.” By early October, county taxpayers will have an idea of what the 2025 budget looks like.

The charter also requires the fiscal plan to contain two years of forecasted operating budget expenditures. The 2024 budget—prepared by the previous administration—projects budgets of \$1.09 billion and \$1.12 billion (growth of 3 percent each year) in 2025 and 2026, respectively. The coming year’s budget will project 2026 and 2027.

If the county government grows spending and adds departments and headcount in the coming years while property tax appeals and slow economic growth chip away at the property tax base, higher property tax rates will become necessary.

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**Eric Montarti, Research Director**

**Scott T. Cross, Research Assistant**

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Allegheny Institute for Public Policy  
305 Mt. Lebanon Blvd.\* Suite 208\* Pittsburgh PA 15234  
Phone (412) 440-0079  
E-mail: [aipp@alleghenyinstitute.org](mailto:aipp@alleghenyinstitute.org)  
Website: [www.alleghenyinstitute.org](http://www.alleghenyinstitute.org)  
X (Twitter): [AlleghenyInst1](https://twitter.com/AlleghenyInst1)