

### **Pittsburgh compares poorly to the benchmark city**

**Introduction:** In 2004, the Allegheny Institute published its first report comparing Pittsburgh with the “benchmark city.” The intention was to examine how Pittsburgh fared when measured against four comparable “regional-hub” cities. The benchmark is comprised of Columbus, Ohio; Charlotte, N.C.; Omaha, Neb.; and Salt Lake City, Utah. The measurement factors from these cities of varying size were then averaged together to form the “benchmark city.”

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The last full benchmark city update was published in 2019 (in *Policy Brief Vol. 19, No. 25*). However, owing to the outbreak of the COVID-19 pandemic, key metrics typically utilized in the benchmark reports were disrupted. Instead, a 2022 update focused on an analysis of the labor force. But with pandemic relief money (for both cities and schools) drying up, it is appropriate to revisit this project and examine how Pittsburgh’s finances stack up to those of the benchmark city.

The data were collected from the respective cities’ Annual Comprehensive Financial Reports (ACFR). For this update, 2023 ACFRs were available for all cities except Omaha, where 2022 figures were used. School data were taken from school districts’ respective 2022 ACFRs. Census population data were taken from the July 1, 2023, update. Pension plan data were taken from recent city and state plan reports (state data were used as proxies for municipal employees under statewide pension plans).

#### *Demographics*

| Variable                     | Pittsburgh | Benchmark city | On this Variable, Pittsburgh was... |
|------------------------------|------------|----------------|-------------------------------------|
| Population                   | 303,255    | 629,354        | 52% lower                           |
| Population Growth Since 2020 | 0.1%       | 2.1%           | 96% lower                           |

Pittsburgh’s estimated population is less than half of the benchmark city. Since 2020, Pittsburgh’s population has been relatively unchanged while the benchmark city grew 2.1 percent. Columbus, Salt Lake City, and Charlotte all experienced positive growth while Omaha’s population declined.

### *City fiscal metrics*

The chief comparison in the benchmark city analysis is focused on the cities' fiscal metrics. For comparison purposes, all metrics are reviewed on a per capita basis. This includes total governmental fund revenues and expenditures, debt and taxation.

| Variable                           | Pittsburgh | Benchmark city | On this Variable, Pittsburgh was ... |
|------------------------------------|------------|----------------|--------------------------------------|
| Total Revenues per Capita          | \$2,771    | \$2,018        | 37% higher                           |
| Total Taxes per Capita             | \$1,795    | \$1,248        | 44% higher                           |
| Total Expenditures per Capita      | \$2,828    | \$1,999        | 42% higher                           |
| General Obligation Debt per Capita | \$1,656    | \$1,173        | 41% higher                           |

Pittsburgh's total revenues (all taxes and fees, etc.) stood at \$2,771 per capita, 37 percent higher than the benchmark city. Looking at just tax revenue, the City of Pittsburgh raised nearly \$550 more in tax revenue per capita – 44 percent higher than the benchmark city.

Pittsburgh's total expenditures per capita – which include general government functions, public safety, public works, debt service, etc. – totaled \$2,828 – 42 percent higher than that of the benchmark city.

Pittsburgh's debt per capita stood at \$1,656. While Pittsburgh has made strides to close the gap with the benchmark city in the past, Pittsburgh's debt per capita was 41 percent higher compared to the benchmark city.

### *City workforce and pension funding*

| Variable                                | Pittsburgh | Benchmark city | On this Variable Pittsburgh was... |
|---|------------|----------------|------------------------------------|
| Total Employees per 1,000 people        | 11.7       | 7.9            | 48% higher                         |
| Total Police Employees per 1,000 people | 3.3        | 2.7            | 22% higher                         |
| Total Fire Employees per 1,000 people   | 2.2        | 1.6            | 38% higher                         |
| Pension Funding Status                  | 68%        | 80%            | 15% lower                          |

Historically, one of the chief contributors to Pittsburgh's chronic overspending is its workforce size relative to the benchmark city. Compared to the benchmark city, Pittsburgh had almost four more total employees per 1,000 people (48 percent greater). At the benchmark city's rate, Pittsburgh would have only around 2,400 employees, roughly 1,100 fewer. Police and fire employees (civilian and sworn) per 1,000 people were also higher, with 22 percent and 38 percent more staffing than the benchmark city, respectively.

The city budget is further strained not only by salary but benefit costs as well: Pittsburgh's 68 percent pension funding ratio lagged behind the benchmark city's 80 percent funding ratio.

### *School revenues and expenditures*

| Variable                       | Pittsburgh | Benchmark city | On this Variable, Pittsburgh was... |
|--------------------------------|------------|----------------|-------------------------------------|
| School Enrollment              | 20,080     | 63,894         | 69% lower                           |
| Total Revenues per Student     | \$38,013   | \$17,592       | 116% higher                         |
| Total Expenditures per Student | \$39,941   | \$18,167       | 120% higher                         |

School enrollment is based on students in district schools and does not include charter school enrollment. In Pennsylvania state reporting, those two combined is reported as average daily membership. In Pittsburgh Public Schools, the total governmental fund revenues and expenditures per ADM would result in revenue and expenditure amounts closer to \$30,000 based on charter enrollment of over 5,000 students.

Lastly, Pittsburgh Public Schools (PPS) has long been a drag on the city's reputation, despite being a separate governmental entity. PPS continues to face serious performance and budgetary challenges – as noted in *Policy Briefs Vol. 23, No. 21* and *Vol. 24, No. 24*, respectively. PPS' total revenues per student were \$38,013, while the benchmark city schools' revenues per student were only \$17,592. PPS' total expenditure per student similarly dwarfed the benchmark city, amounting to a staggering 120 percent difference at \$39,941 per student. Despite the vast enrollment difference, PPS collected far more in revenue and spent far more per student than the benchmark city.

### *Conclusion*

Pittsburgh's lethargic emergence from the COVID-19 pandemic – as noted in *Policy Brief Vol. 22, No. 26* – stood in stark contrast to the impressive recovery and improvement of the benchmark city. The latest comparison of financial and employment data on a per capita basis demonstrates in detail Pittsburgh's very poor performance against the benchmark city on nearly every metric.

The City of Pittsburgh spent far more on a per capita basis and took in much more in taxes on a per capita basis than the benchmark city. Likewise, debt per capita was far higher for the City of Pittsburgh compared to the benchmark city.

Pittsburgh's very high spending, excessive taxation and embrace of unions have all contributed to an overbearing public sector which has impeded growth and gives the city a reputation as being unfriendly to business.

PPS finds itself in a similar situation as the City of Pittsburgh, spending far more than its peers with exceptionally low academic achievement in most schools. An overhaul of the district is needed to improve continued dire performance, securing a better education for students at a much lower cost. A drastic reduction in expenditures is needed to ease the burden on its taxpayers, city and state. With the enormous decline in enrollment over the last few decades, school building closures must be an important part of reining in expenditures.

For Pittsburgh to become a solid economically performing city, the solution is clearly not greater levels of public spending which landed Pittsburgh in its current situation, as some local policymakers have advocated, but instead by making Pittsburgh an attractive destination for businesses and residents by curbing public spending, reducing burdensome taxation, trimming excess public employment, encouraging the state to adopt Right-to-Work and embracing free-market policies.

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