ALLEGHENY INSTITUTE FOR PUBLIC POLICY

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# A 30-Year review of Pittsburgh finances

**Introduction:** Recently, the Allegheny Institute released a *Policy Brief* that updated the comparison of Pittsburgh finances with a benchmark city comprised of Charlotte, N.C., Salt Lake City, Utah, Columbus, Ohio, and Omaha, Neb. The 2024 update of the original 2004 benchmark comparison found that Pittsburgh is still spending far more per capita and has many more employees per 1,000 people than the benchmark city.

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This *Policy Brief* looks specifically at the history of growth in the City of Pittsburgh's expenditures and revenues per capita over the 30 years from 1993 to 2023 and the 20 years 2003 to 2023. These growth rates are compared to the percentage price increases as measured by the U.S. Consumer Price Index (CPI) over the same periods.

The 1993-2023 period is a means of assessing whether the massive sports facilities of the late 1990s have had a significant impact on the city as promoters of the stadiums claimed they would. And it is an adequate period to judge the city's long-term performance

All Pittsburgh financial data are taken from audited Annual Comprehensive Financial Reports (ACFR) for the years included in this analysis. These are available on the city controller's website.

*Population*

First of all, it is useful background to look at Pittsburgh's population over the last few decades. Nearly 50 years ago, in 1975, Pittsburgh had 500,447 residents, according to the city's 1984 ACFR. By 1993, Census data placed the count at 365,701 and the 2023 estimate at 303,255, a slight rise from the low point of 300,056 in 2019. The high point was reached in the 1950s when the population hit 677,000. Thus, the city has lost well over half of its resident count over the last seven decades.

From 1993 to 2023 the city's population dropped 62,446—a 17.1 percent loss.

*Revenue and spending changes*

From 1993 to 2023, total governmental fund revenue rose from $329.2 million to $840.3 million, a growth of $511 million or 155 percent. In 1993, revenues were $70 million below expenditures and in 2023 were only $17 million below. Per capita revenue rose 208 percent over the 30 years because of the combined effects of far more revenue and the loss in population. During the period the CPI rose 110 percent. Thus, per capita revenue climbed almost twice as fast as living costs.

Meanwhile, expenditures rose from $399.8 million to $857.6 million, an increase of $457.8 million or 114 percent. Per capita expenditure climbed 159 percent over the period. Even though the percentage rise in expenditures was less than the increase in revenue, expenditures were greater than revenues in both years. This is a result of the 1993 expenditure-revenue gap being so large. As noted above, the cost-of-living rose 110 percent over the 30 years. Therefore, per capita spending far exceeded the increase in the cost-of-living.

*Employment*

In 1993, city employment stood at 4,698, the January 1993 reading in the ACFR or 12.84 employees per 1,000 Pittsburgh residents. That ratio fell to 11.2 in January 2003 with 325,932 residents and to 10.8 in January 2023. However, the budgeted employment for 2023 stood at 11.7 per 1,000 as reported in the *Policy Brief* (*Vol. 24, No. 29*).

In either measure, Pittsburgh's 2023 employment per 1,000 was significantly above the 7.9 employees per 1,000 residents in the Allegheny Institute's benchmark city. Importantly, with very generous pension benefits and other post-employment benefits, ongoing high levels of employment relative to population create long-term financial obligations that pose difficulties far into the future.

*Net assets*

Unfortunately, the ACFR for 1993 does not provide an unambiguous statement of net assets (assets less liabilities). However, the 2003 and 2023 reports do provide these figures. In 2003 primary government net assets stood at *negative* $713 million or $2,186 per capita. By 2023, net assets were *negative* $1.095 billion or $3,610 per resident.

Note that that in 2023, pensions, other retirement benefits and other accrued payroll obligations totaled $1.2 billion in liabilities to go along with bond debt and other smaller obligations. City assets in 2023 totaled $964 million and liabilities totaled just over $2 billion.

*School district*

As earlier *Policy Briefs* have pointed out, the Pittsburgh Public Schools (PPS) are very expensive and educationally a poor performer. Since 1993, enrollment has fallen by almost half from just over 40,000 to around 19,616 in the last school year. Moreover, since 2003, enrollment has fallen 43 percent from 34,619 to the 2023 level. Meanwhile, total spending per student on an average daily membership basis (ADM, which includes any resident pupil for which the district has financial responsibility) has risen 105 percent to $31,757. The state average per ADM expenditure for the last school year was $21,488. Thus, PPS was almost 50 percent more expensive per student than the state average, which includes many districts with spending under $20,000 per student.

Finally, it is noteworthy that half of the revenue needed by PPS to fund its extraordinarily high spending comes from the state and federal governments.

*Conclusion*

The ongoing large increases in per capita spending by the City of Pittsburgh is again documented in this review of the changes over the last 30 years. Population has fallen dramatically, although not as sharply as in the 1960-through-1990 period. And ongoing spending growth has pushed per capita levels up much faster than the cost-of-living increase over the 1993 to 2023 period.

The rise in outstanding obligations has also risen much faster than assets, causing the net negative financial position per capita to rise sharply as well. And the ratio of city employees per 1,000 residents, while down from the 1993 posting, was 38 percent above the ratio for the comparison benchmark city.

Finally, the city's high cost and spending is closely connected to the exorbitant spending by the PPS, where outlays per ADM are 50 percent higher than the Pennsylvania state average.

Clearly, this legacy of high governmental cost, large pension and other employee post-retirement obligations in Pittsburgh—together with a very expensive, poorly performing school district—do not make for an attractive location to start or expand a business.

Indeed, looking at the experiences of the past 20 years and of the past 30 years remind that new taxpayer-funded stadiums do not stimulate growth as was once strenuously argued by stadium advocates during the 1997 Regional Renaissance Initiative referendum debates over adding to the sales tax rate in 11 southwest counties.

The referendum was defeated handily in all counties. Nonetheless, the stadiums were built through diversion of other funds and a large allocation by the state. Moreover, a heavily touted new convention center has apparently done little to improve economic growth in Pittsburgh.

High government costs along with high taxes in Pittsburgh—combined with an expensive, underachieving school system—are hard to overcome for the purposes of promoting a thriving, growing economy. Recent substantial downward revisions to assessments for Downtown buildings are an indication of how much work Pittsburgh must do to improve its economic competitiveness.

**Jake Haulk, Ph.D., President-emeritus**



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
X (Twitter): AlleghenyInsti1