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Pittsburgh's 2025 budget: an illusion of austerity

Summary: On Dec. 17, Pittsburgh City Council voted to adopt 2025 operating and capital budgets and the mayor signed them into law the following day. The adopted budget includes $665.6 million in operating expenditures and $120.6 million in capital expenditures. The budget includes no millage increase. This is the first budget since 2021 which cannot draw upon American Rescue Plan (ARP) funds, presenting the city with financial uncertainty.

Operating and capital budgets

The operating budget anticipates revenues of $668.8 million and $665.6 million in expenditures. With a positive $3.2 million operating result and, after subtracting $35.2 million in transfers, the year-end fund balance is expected to be roughly $146 million.

Tax revenues are projected to reach $530.3 million, 79.3 percent of total revenues. The wage tax ($145 million) is expected to overtake property taxes ($143.9 million) as the highest source of revenues.

As mentioned, the budget includes no millage increase. In 2019, voters approved a referendum question calling for the creation of a parks trust fund via a dedicated 0.5 mill property tax increase. Non-tax revenues make up the remaining $138.5 million. Intergovernmental revenues and "charges for services" account for $96.5 million of that. Miscellaneous revenues declined $46.6 million (99 percent) due to the expiration of ARP funds, contributing to a 6.4 percent decrease in total revenues from 2024.

The $665.6 million in operating expenditures is comprised of $291.1 million (44 percent) for salaries; $61.7 million (9 percent) for health benefits; $13.6 million (2 percent) for workers' compensation; $112.5 million (17 percent) for Pension/other post-employment benefits; $112.7 million (17 percent) for operating departments and $73.9 million (11 percent) for debt service.

The operating budget details the expenses for 27 departments, including City Council and the various offices, bureaus and boards. Of those, only 10 departments will see reductions compared to 2024 (the Department of Community Health and Safety stays at $58,000). The departments of Human Resources and Civil Service, Public Safety Administration and Public Works Bureau of Facilities will all see a roughly 25 percent reduction, totaling $18.4 million. The departments of Planning and Law will each see a decrease of almost 46 percent, totaling $10.1 million. The remaining departments' reductions amount to nearly $5 million.

An article in the Post-Gazette also called particular attention to the reductions in overtime pay ("premium pay") for the EMS, Fire and Police bureaus. According to the city controller, all three departments spent beyond their budgeted amount for 2024 but are receiving reductions in 2025:

"The fire bureau has spent about $20 million in overtime and is budgeted for $16.5 million [in 2025]. Police have spent $18.6 million and are budgeted for $15 million in 2025, and EMS has spent about $6.7 million and is allocated $3.6 million [in 2025]." The mayor's administration and City Council president asserted that an influx of recruits would reduce the need for and amount of overtime pay, as staffing shortages meant senior employees previously worked a majority of the overtime. The controller maintained skepticism over whether the funding levels were sustainable and warned that "mid-year reallocations" may be required.

The 10 departments seeing reductions are partially offset by 16 departments growing from 2024's budget. The Department of Parks and Recreation will see a $3.3 million (58 percent) increase, while the Department of Mobility and Infrastructure will see a $1.9 million (16 percent) increase. The increases in the remaining 14 departments total $8.2 million. Overall, spending decreased by 2.9 percent giving the illusion of austerity; however, this is in part due to the lack of ARP money.

In terms of headcount, the 27 departments comprise the "general fund" total of 3,278.75 employees, down 54 from 2024. The largest budgeted reduction is 50 uniformed police officers (850 to 800), though this is partially offset by an increase in 16 civilian police positions.

The Public Works Bureau of Operations headcount will decrease from 316 to 286, a 9.5 percent reduction. The Special Revenue accounts — which house the city's various trust funds — will see an increase in headcount from 267.7 in 2024 to 293.25 in 2025. This is largely driven by the "Stop the Violence" and "Regional Asset District Public Works" trust funds, which will see an increase of 14 and 13 employees, respectively.

The adopted capital budget is $120.6 million, down from $158.7 million from 2024. These expenditures are funded by $62.6 million (52 percent) in bonds; a $12.7 million (10 percent) transfer from the operating budget; $12.9 million (11 percent) in federal community development block grants and $32.5 million (27 percent) in other federal, state and local sources.

Total capital spending includes $53 million (44 percent) on engineering and construction; $38 million (31 percent) on facility improvement; $9.3 million (8 percent) on administration and awards; $8.5 million (7 percent) on community development; $6 million (5 percent) on vehicles and equipment and $5.9 million (5 percent) on public safety.

Five-year forecast

The city code requires that the annual budget include a five-year forecast for revenues, expenditures, operating result and fund balance. Last year, City Council passed an ordinance which requires the city controller to certify the five-year revenue forecasts.

Additionally, the ending fund balance as a percentage of total expenditures is required to be at least 10 percent, with a goal of 12.5 to 16.7 percent. Pittsburgh is forecasted to exceed the 16.7 percent threshold for three years before rapidly declining. To boost the fund balance for future years, lowering expenditures would present a more prudent path than increasing taxation. The legal ramifications were the fund balance to dip below 10 percent is unclear.

2025-29 Operating Forecast ($, millions)

Item	2025	2026	2027	2028	2029
Total Revenues (TR)	668.8	680.3	692.8	703.5	715.2
Total Expenditures (TE)	665.6	679.3	671.2	692.1	712.2
Operating Result (TR-TE)	3.2	1	21.5	11.4	3
Beginning Fund Balance	178	146	119.3	113.2	97
Transfers Out	35.2	27.7	27.7	27.7	27.7
Ending Fund Balance	146	119.3	113.2	97	72.3
Ending Fund Balance/Expenditures (%)	21.9	17.5	16.9	14	10.2

Over the next five years, total revenues are projected to grow 6.9 percent while total expenditures will climb 7 percent.

The controller certified the revenue forecast in a letter addressed to the City Council finance chair but expressed worries over the city's financial future. The letter noted that revenue from the wage tax on city residents is "projected to continue to grow at an average rate of 3.8 [percent] based on significant wage increases and the continuing impact of high inflation …." However, the controller's office is "concerned about how [the] City's decreasing population may impact these figures over time."

The letter also stated real estate tax collections are set to decline annually by an average of 0.8 percent, reflecting ongoing assessment challenges which prompted refunds at the city's expense while lowering future property tax revenues (see *Policy Brief Vol. 24, No. 32*). Similarly, the controller emphasized the city must "maintain budget flexibility" regarding the constitutionality of the facilities usage fee ("jock tax"), with a case pending in the state Supreme Court.

Conclusion

The city's need to confront its longstanding financial challenges was delayed by the infusion of ARP money. Now, the city is expected to face "lean years" ahead, with a projected rise in expenditures, an uncertain increase in revenues and a decline in the fund balance.

To reverse the trends outlined in this year's adopted budget, the city must rein in its expensive and expansive public sector. In the Allegheny Institute's most recent Benchmark City analysis, Pittsburgh consistently fared worse than the benchmark, with taxation per capita and spending per capita 44 percent and 42 percent higher, respectively.

Embracing a more business-friendly climate is a sensible first step to help increase the tax base and assist in shoring up potential revenue shortfalls.

Likewise, curtailing expenditures would further reduce the need for excessive taxation and help steer the city toward future financial stability.

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