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Allegheny County's finances: a review of 2024's results

Summary: The county controller presented Allegheny County's 2024 Annual Comprehensive Financial Report (ACFR) on June 30, summarizing results from 2024. According to the controller, the county's financial "situation remains unsustainable." Note that this is the first time since 2012 that an ACFR followed a property tax increase. All general fund actual and budget figures are reported on a budgetary basis for comparison purposes.

The general fund

Looking at the general fund—which encompasses the county's core government functions— revenues totaled $857.2 million while expenditures totaled $902.9 million, resulting in a deficit of roughly $45.7 million.

General fund revenues were $3.6 million lower than the budgeted amount of $860.8 million.

In *Policy Brief Vol. 24, No. 27,* the slowdown in growth to property tax collections, largely as a result of assessment appeals driven by the decline in the Common Level Ratio, prompted us to ask the question: "will 2024 see property tax collections fall below the previous year?"

The ACFR showed that to be the case, the first such time since 2008. Actual property tax collections of $322.1 million were $13.6 million lower than budgeted. When including the collections devoted to debt service, 2024's total property tax revenues of $382.6 million were lower than 2023's actual collections of $387.5 million.

This of course preceded the 36 percent property tax increase for 2025. The controller expressed skepticism that the increase will provide much beyond temporary or short-term relief. "Neither further tax increases nor a County-wide reassessment advocated by some would change the dynamic of rising costs combined with the exhaustion of federal pandemic aid and assessment reductions to large commercial properties."

In the 2012 ACFR, the controller at the time noted that a 21 percent tax increase "does not represent a long-term solution to restore fund balance stability, particularly since continued cuts in State and federal funding will continue into the foreseeable future and costs to provide vital services to County residents are expected to keep pace with cost-of-living increases."

The county's share of the Regional Asset District sales and use tax totaled $64.5 million which exceeded the budget amount of $62.5 million. The county's share of the hotel room rental tax and the gaming host fee both came in above budget. State revenues, which are the second largest general fund revenue source behind property taxes, totaled $197.5 million which was $9.8 million above the budget amount of $187.7 million.

2024 marked the year that all American Rescue Plan (ARP) funds, which supported the general fund for the last few years, had to be allocated. ARP funds accounted for $51.2 million (around 6 percent) of general fund revenues in 2024. From 2021 through 2024, $118.2 million in ARP aid was used for the general fund.

Meanwhile, general fund expenditures were $2.1 million higher than the budgeted amount of $900.8 million.

Nearly half of the $902.9 million in expenditures was accounted for by the departments of Human Services, Kane Centers and Jail. Human Services had expenditures of $235.3 million, almost exactly on budget. This was also the case for the Kane Centers ($108 million) while Jail was under ($91.6 million to $93.7 million).

The jail, along with medical examiner, police and emergency services, should have the results of their sunset review as mandated by the Home Rule Charter released soon. These departments had actual expenditures of $148.8 million in 2024. They were last reviewed in 2021 and under sections of the reviews on alternative methods of service delivery and whether the county is the best provider of the service, there were some possible opportunities mentioned for contracting or turning the service over to another level of government. Will County Council insist upon finding savings from the 2025 reviews to address the concerns about finances raised by the controller? A Dec. 3, 2024, press release announcing the property tax increase and the budget deal included "a commitment from both the Administration and Council to work together through 2025 to continue to identify efficiencies and ensure long-term financial sustainability."

All governmental funds

A review of *all* governmental funds—general; county grants; human services grants; capital projects; other governmental—shows revenues of $2.1 billion while expenditures totaled $2.2 billion, which resulted in a deficit of $125 million. The total of other financing sources (bond issuance, transfers, etc.) was $173.7 million. This resulted in a net change in fund balances of $48.8 million and 2024 ended with $355.9 million for all governmental funds. The unassigned general fund balance was $56.3 million.

Conclusion

The county's finances were discussed at a July 8 meeting of County Council's Budget and Finance Committee. The discussion focused on where the county expects to end 2025, the issues with federal funding and Pennsylvania's budget, property taxes, as well as fees and new sources of revenues and spending cuts.

That same night, County Council began the appointment process for the once-a-decade Government Review Commission. The commission will "evaluate the effectiveness, efficiency and equity of County government and [the Home Rule] Charter." The question is, will the commission weigh in on possible savings that could be achieved by the actions of county government itself without relying on the commonwealth to expand its revenue options? Would it consider tying spending increases to inflation plus population change?

The controller advocated for economic growth and development as ways to grow population and revenues. However, the county's regulations, such as paid sick leave requirements, and an eagerness to use economic development incentives that abate or divert property tax revenues are not going to help in this endeavor. Nor will the county's reluctance to do regularly scheduled reassessments.

If costs to provide county services continue to grow and there is no effective effort to control them, revenue gains are unlikely to be sufficient. The tools that are present in the Home Rule Charter provide a path toward lower costs. They need to be utilized. High taxes and an expansion of government reach are not going to encourage business and population growth.

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