



### Pittsburgh's finances: a review of 2025's results

**Summary:** The city controller presented Pittsburgh's Annual Comprehensive Financial Report (ACFR) on May 1, showing results from 2025, a year in which the city ran a deficit. The controller expressed the need for growth and a focus on core services to stabilize city finances.

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The general fund—which encompasses the city's core government functions—is examined below on a budgetary basis comparing budgeted amounts to actual results. Note that the ACFR states the budgetary basis means “budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures.”

Revenues totaled \$658.4 million while expenditures totaled \$708.4 million, which resulted in a deficit of \$50 million.

General fund revenues were \$10.4 million lower than the budgeted amount of \$668.8 million. The two largest sources of revenue went in opposite directions. But it was a reversal from what happened in 2024 (see *Policy Brief Vol. 25, No. 18*). Property tax collections were \$145.4 million, which was \$1.9 million more than budgeted (101 percent of what was budgeted). The controller's letter of transmittal noted “[t]he impact of reassessment appeals on downtown real estate slowed significantly” and “new collection strategies” were implemented. Still, the letter noted that “[u]ntil reassessment occurs, the [Common Level Ratio used in appeals] will reduce further.”

The wage tax raised \$141.3 million, which was \$3.7 million below budget (97.4 percent of what was budgeted). Together, property and wage taxes raised 54 percent of all tax revenue.

Two remaining tax revenues saw actual collections exceed budget: deed transfer (\$47.6 million to \$42.3 million) and parking (\$58.1 million to \$53.6 million). Payroll preparation (\$68.9 million to \$76.6 million), amusement (\$18.4 million to \$19.4 million) and local services (\$12.4 million to \$13.2 million) saw collections come in below budget. The facilities usage fee, which was struck down by the Pennsylvania Supreme Court in September 2025, brought in less than budgeted (\$3.6 million to \$6.1 million). Non-resident athletes and performers are now subject to the city's wage tax. The ACFR noted no refunds had been requested by the end of 2025.

The remaining \$131.3 million in revenues was made up of licenses, fines, grants and charges. Rentals and charges and state pension aid were the two largest revenue sources, \$42.7 million and \$33 million, respectively. Interestingly, the city budgeted \$5.6 million from Allegheny County. The actual amount received was \$270,000. The ACFR described this as “a discontinued project

with Allegheny County.” The 2025 operating budget mentioned “a new partnership that will allow the County to offer financial support” for programs related to youth employment and recreation.

General fund expenditures (including encumbrances) were \$1.4 million higher than the budgeted amount of \$707 million. Close to 60 percent of the \$708.4 million in expenditures was accounted for by the Department of Finance and the bureaus of Police and Fire in the Department of Public Safety. The inclusion of debt service and pension expenditures is the reason why Finance had expenditures of \$191.5 million; that department was below budget (\$193.2 million). Police was below budget (\$118 million to \$121.1 million) while Fire was above budget (\$106 million to \$99.7 million).

Six other components of city government spent \$20 million or more. Three were below budget (departments of Human Resources and Civil Service and Innovation and Performance and the Office of Management and Budget) while three were above budget (Bureau of Emergency Medical Services in the Department of Public Safety and the bureaus of Administration and Operations in the Department of Public Works).

Moving away from a budgetary basis to a modified accrual basis shows general fund revenues less general fund expenditures, taking into account other financing sources and uses (such as transfers to or out of the fund) resulted in a negative net change in the fund balance of \$44.7 million. This reduced the general fund balance during 2025 from \$248.4 million to \$203.7 million. Of that year-end balance, \$166.1 million was unassigned (as opposed to restricted, committed or assigned for some specific use), acting essentially as the “rainy day fund.” The ACFR defines modified accrual basis as “revenues are recognized when they become measurable and available” and expenditures “when the related fund liability is incurred.”

The general fund, along with funds for debt service; community development block grant; capital; American Rescue Plan and other nonmajor funds, comprise what the ACFR calls governmental funds. For the year, there was a negative net change in fund balances of \$51.2 million, reducing the year-end total to \$451.8 million. Transfers from the American Rescue Plan fund to the general fund occurred 2021 through 2024.

**Changes in Fund Balances, Governmental Funds (\$, millions)**

<b>Item</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Revenues	629.6	608.5	635.6	651.7	606.2	705.9	781	840.3	890.6	835.4
Expenditures	609.3	618	673.6	664	695.5	698.2	755.1	857.6	923.6	952.5
Excess/(Deficiency)	20.4	(9.5)	(38)	(12.3)	(89.3)	7.7	25.9	(17.3)	(33)	(117.1)
Other Financing Sources/(Uses)	.0099	61.2	40	60.3	56.5	55.3	65.5	73.5	65.5	65.9
Net Change in Fund Balance	20.5	51.8	2	48.1	(32.8)	62.9	91.4	56.2	32.5	(51.2)

Looking at the years 2016 to 2025 in the ACFR’s statistical section shows that there were two years with a negative net change in governmental fund balance, 2020 and 2025. Last year’s \$51.2 million was larger than 2020’s \$32.8 million. And there were three years, 2016, 2021 and 2022 where the city recorded an excess of revenues over expenditures in its governmental funds.

There were two years, 2020 and 2025, that the unassigned general fund balance fell from the previous year. From 2019 to 2020 the decrease was \$48.1 million and from 2024 to 2025 it was \$33.8 million.

From 2016 to 2025 there were increases in the city’s deed transfer tax (0.5 point in 2018 and 0.5 point in 2020) and voters approved a dedicated property tax for the parks tax trust fund (0.5 mill in 2019, and collections began in 2021). When considering tax collections on a modified accrual basis, property and amusement tax collections decreased in 2025 from 2024 while all other major tax sources grew year-over-year.

When reporting last year’s ACFR results, the controller noted “[t]he reason you raise a red flag is not because you’re in trouble tomorrow, but in 2025, 2026, 2027, 2028, 2029—[those] are very narrow years, financially.”

The first of those years is now audited. And the result was a deficit. For 2026, the property tax millage went up 20 percent and the budget approved in December 2025 was reopened and amended in April 2026. The five-year forecast shows the ending fund balance as a percentage of expenditures decreasing through those years until settling at 10 percent—the minimum level the city sets as its goal—in 2030.

The controller urged city policymakers to “focus on growth” and “focus on core city services.”

Determining if non-core services can be contracted out, privatized or consolidated is key. That has faced opposition at every turn. Thirty years ago, the Competitive Pittsburgh Task Force recommended the city “focus on essential functions” and not “waste resources on activities that are better done by others.” That report warrants a fresh look.

When the focus on core services happens, spending levels drop and that opens the door for tax decreases rather than increases. We have long documented how Pittsburgh’s spending levels are well above those of the Benchmark City. Based on Pittsburgh’s 2025 estimated population of 307,632, the city’s governmental fund expenditures of \$952.5 million result in a per resident amount of \$3,096.

Reducing spending lessens the need to attempt to attract growth through subsidies and incentives which defer tax revenue and have been the primary growth strategy for a long time. It is a strategy that has failed to generate meaningful results.

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