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Addressing Pittsburgh's financial mess

By Colin McNickle

Pittsburgh could face a major budget deficit this year and perhaps a multimillion-dollar shortfall in coming years. And a researcher at a local think tank says there are myriad steps that *must* be considered to help begin to balance the books.

“(I)f estimates from the Office of Management and Budget’s (OMB) second quarter report hold, the year will end in a deficit,” says Eric Montarti, research director at the Allegheny Institute for Public Policy.

“The preliminary 2027 operating budget and five-year forecast show four years of negative operating results and a negative ending fund balance in 2031,” Montarti says (in *Policy Brief Vol. 26, No. 35*). “Faced with these financial projections, city officials must take a hard look at what services the city provides and how they are provided.”

The mayor, in a Sept. 30 news release, says that throughout a five-year projection period, the rainy-day fund will be depleted and the city will run out of money.

“In the year ahead, we must work with our partners on finding new revenue sources, reducing expenditures, growing our population and tax base and continuing to make the tough decisions to operate an efficient and lean city government that delivers for the people of Pittsburgh.”

OMB published its second quarter (April through June, unaudited) report on Aug.15. For the quarter, revenues totaled \$135 million. This was 6 percent lower compared to \$142.9 million in 2025’s second quarter. Of the major taxes, collections of property, wage and deed transfer taxes were up while payroll preparation and parking taxes were lower.

Expenditures totaled \$149.5 million, 7 percent lower than the \$160 million reported for the same year-ago quarter. Eight of the 27 departments/bureaus/offices etc., had lower spending compared to last year’s second quarter while the remainder were higher, the think tank scholar says.

Montarti says the preliminary operating budget for next year shows \$728.4 million in revenues (including \$27 million from the fund balance) and \$728.4 million in expenditures.

“The budget would incorporate separate transfers to various trust funds into the general fund, leaving only a transfer to capital funding separate. The budget also proposes to lower how much is contributed to pensions” Montarti says.

There are some encouraging developments, and some alignment with the Allegheny Institute’s recommendations for the mayor (see *Policy Brief, Vol. 26, No. 1*) for belt-tightening, Montarti says.

He cites a Sept. 1 news article that quoted a City Council member noting he “doesn’t want to lay off workers but suggested shrinking the city’s workforce through attrition by not replacing those who retire or quit.”

The councilor said that if “we can do more with less, I think that’s going to have to be on the table.”

“Not filling positions that go vacant will help to lower the city’s salaries, wages and benefits and lower the number of employees relative to city population, a rate that is well above other cities,” Montarti reminds.

It was in a Sept. 2 news article that the mayor’s chief of staff said the city must “get back to paving, snow removal, emergency services, parks and recreation ... our key functioning areas. And other things, which are great services and great benefits that we cannot afford to do and that local government wasn’t set up to do, are going to have to be looked at.”

And as the city controller later noted, Pittsburgh must “change other things that are expenses that we’ve had for the last few years, and what that looks like is to be seen. But the reality is the current trajectory of spending is unsustainable.”

This also harkens back to the Competitive Pittsburgh Task Force report from October 1996, in which it was noted that the city “must focus on essential functions. The City cannot waste resources on activities that are better done by others,” the study concluded.

“There is a strong case to be made that aspects of core services such as garbage collection and snow removal ought to be opened up to competition,” Montarti says.

“We have also recommended the inclusion of language in the Home Rule Charter that would limit the annual growth of spending and place a higher vote threshold on the ability of officials to raise taxes.

“That, and the avoidance of granting subsidies and incentives to specific businesses in an attempt to stimulate growth, have yet to be embraced,” Montarti laments.

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