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Pittsburgh could face a 2026 deficit, perhaps more in coming years

Summary: Pittsburgh City Council raised property taxes 20 percent in December and reopened and passed a revised 2026 operating budget in April. But if estimates from the Office of Management and Budget's (OMB) second quarter report hold, the year will end in a deficit. The preliminary 2027 operating budget and five-year forecast shows four years of negative operating results and a negative ending fund balance in 2031.

OMB published the second quarter (April through June, unaudited) report on Aug. 15 and it was the subject of a post-agenda session of City Council on Sept. 1.

For the quarter, revenues totaled \$135 million. This was 6 percent lower compared to \$142.9 million in the second quarter of 2025. 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. This was 7 percent lower than the \$160 million reported for the same quarter last year. Eight of the 27 departments/bureaus/offices etc., had lower spending compared to last year's second quarter while the remainder were higher.

Each quarterly report projects a year-end estimate. The second quarter's estimate is \$698.4 million in revenues and \$728.6 million in expenditures, a deficit of \$30.2 million. This estimate is \$6 million greater than the deficit projected in the first quarter.

Based on audited data for general-fund revenues, expenditures and transfers over the past two decades, the city had a deficit in 2008, 2010, 2014, 2020 and 2025. A deficit this year would mean back-to-back years where spending outstripped revenues.

A day after the post-agenda meeting, the mayor stated in a news article "[o]ver the five-year projected budget, we are seeing a deficit of about \$250 million." The mayor's Sept. 30 press release for the preliminary 2027 operating and capital budgets stated "[t]hroughout the five-year projections, the rainy day fund will be depleted and the City will ultimately 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.”

2027-31 Operating Forecast (\$, millions)

Item	2027	2028	2029	2030	2031
Total Revenues (TR)	728.4	717.6	725.2	732.4	739.5
Total Expenditures (TE)	728.4	742.6	752.1	764.0	775.8
Operating Result (TR-TE)	0	-25	-26.9	-31.7	-36.4
Beginning Fund Balance	104.5	107.8	76.6	44.3	7.2
Transfers	3.3	-6.2	-5.4	-5.4	-9.1
Ending Fund Balance	107.8	76.6	44.3	7.2	-38.2
Ending Fund Balance/Expenditures %	14.8	10.3	5.9	0.9	-4.9

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.

Faced with these financial projections, city officials need to take a hard look at what services the city provides and how they are provided. On this point there have been some encouraging statements that align with the Allegheny Institute’s recommendations for the mayor (see *Policy Brief, Vol. 26, No. 1*) and should be part of the fiscal decisions alluded to in the press release.

A Sept. 1 news article quoted a member of City Council that “... 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 member noted “[i]f we can do more with less, I think that’s going to have to be on the table for [the city].”

Last year, a limited hiring freeze was proposed for the 2026 budget but did not pass. As of the second quarter’s last payday, the city reported 3,027 general-fund employees. There were an additional 273 employees covered by trust funds or grants. 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](#). For the 27 general fund departments/offices/bureaus etc., and the trust funds for Stop the Violence and the Parks Tax, the count of full-time equivalent employees would fall from 3,378.92 budgeted for this year to 3,361.77 in 2027, a decrease of 17.15 full-time equivalent employees.

In the same Sept. 2 news article where the anticipated shortfall was mentioned, the mayor’s chief of staff said “[w]e need to get back to paving, snow removal, emergency services, parks and recreation...[t]hose are 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.”

Focusing on core services aligns with the recommendations to examine departments for increased efficiencies and to outsource non-core functions. This also harkens back to the Competitive Pittsburgh Task Force report from October 1996, in which it was noted “[t]he City must focus on essential functions. The City cannot waste resources on activities that are better done by others.” 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.

A few weeks afterward, the controller stated “... we are going to have to 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.” In the Sept. 29 letter certifying the revenue projection for 2027 through 2031, the controller noted “[h]ard choices are no longer optional. They are inevitable.”

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.

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