



Pittsburgh Taxpayers' Debt Load Getting Lighter

In 2011, the debt per capita in Pittsburgh was \$1,901, based on the Census count of 306,000 and \$581.8 million in general obligation debt of the City. A decade earlier the average resident carried a much heavier debt load of \$2,651. Both the debt and the City's population were higher in 2001 but debt has fallen faster than population in the intervening years resulting in the per capita debt drop.

It is no small feat what the City has accomplished with regards to its debt. It resisted issuing new obligations over that time frame and set a target for bringing down the ratio of debt outlays to general spending (which has been running around 20 percent) over the coming decade. When the Act 47 team examined debt service as a percentage of operating expense in 2009, Pittsburgh's 21 percent was well above Newark (4.6%), Buffalo (7.6%), St. Louis (7.9%), and Cleveland (11%). The City wants to get the level down close to 12 percent.

Beyond the obligations of the City government, Pittsburgh taxpayers are liable for various other debts issued by related governments that perform functions such as owning sports stadiums, land, parking facilities, and schools. City financial data shows that City taxpayers are responsible for all the debt or a portion of debt for some of the other borrowers. A look at the decade from 2001 to 2011 shows that some shares have increased, some debts have disappeared, and some have increased.

2001			2011		
Debt (Direct and Overlapping)	Percent Obligation of City Taxpayers	\$ Amount (millions)	Debt (Direct and Overlapping)	Percent Obligation of City Taxpayers	\$ Amount (millions)
Pittsburgh General Obligation	100	885.7	Pittsburgh General Obligation	100	581.8
Stadium Authority	100	22.7	Stadium Authority	0	0
Auditorium Authority	50	13.5	Auditorium Authority	50	1.4
Urban Redevelopment Authority	29	64	Urban Redevelopment Authority	61	40.2
Parking Authority	100	83.9	Parking Authority	100	93.4
Pittsburgh Schools	100	399.4	Pittsburgh Schools	100	451.7
Allegheny County	25	176.3	Allegheny County	25	192.9
Total		1,645.5			1,361.4

While the City government's debt was falling, so too was the debt of the authorities related to stadia and the URA. The percentage of URA debt attributable to the City rose while the amount of URA debt fell. It is reasonable to assume the City has agreed to back more of that agency's debt and, should it incur more obligations, the City would be on the hook for a larger share than in the past. By way of explanation, note that if the City were still responsible for only 29 percent of URA debt in 2011, the dollar amount of the obligation would have been \$19 million rather than the actual \$40 million it now actually has.

Going in the opposite direction by taking on more debt from 2001-2011 was the Parking Authority (\$9.5 million), Allegheny County (\$16.6 million), and perhaps most surprisingly, the Pittsburgh Public Schools (\$52 million). The School District has been losing enrollment and is currently being advised on what to do with twenty school buildings no longer in use. Some are in the process of being sold. The District is expected to be "insolvent" by 2015 by some observers, so it's puzzling as to why the debt was issued and why the District has not put itself on a self-imposed "debt diet".

In total, all the debt obligations City taxpayers are responsible for amounted to \$4,926 per capita in 2001, falling by about 10 percent to \$4,449 in 2011. Note that much of the property tax in the City is paid by commercial and industrial properties, many of which are owned by non-residents who pay a large share of taxes collected in and by the City.

How does Pittsburgh compare to other cities? As we noted in our recent Benchmark City report, the per capita debt in Pittsburgh was 64 percent higher than the Benchmark City just on general obligation debt, and that the gap between Pittsburgh and the Benchmark shrank since we did our first Benchmark report in 2004 (it was 233% higher then). But how about Pittsburgh compared on the total direct and overlapping debt to another city that is very similar on population and square mileage? The City is Stockton, located in the San Joaquin Valley of central California.

The City has a lot of debt applicable to it in varying shares: school district, community facilities, and its own general fund and pension obligations, and the total comes in at \$1.065 billion, just about \$300 million less than Pittsburgh's direct and overlapping total, and with a population of 296,000, the typical Stockton resident's share of the debt is about \$850 less than Pittsburgh's (\$3,601 to \$4,449).

It is worth noting that Stockton's pensions are in better shape than Pittsburgh's (88% funded combined for police, fire, and non-uniformed employees compared to 62% combined for Pittsburgh) and it has slightly less accumulated in unfunded liabilities for other post-employment benefits like life insurance and retiree health care (\$416 million in Stockton vs. \$488 million in Pittsburgh). Despite all the foregoing, the City of Stockton has been walloped by the effects of the recession and the housing bubble and it was successful in its Chapter 9 bankruptcy filing with a favorable ruling from a Federal judge in March.

But the Stockton case does point to the absolute necessity of restraining municipal spending and being very prudent in agreeing to overly generous compensation and pension packages. A lesson that Pittsburgh must keep in mind as it works its way out of distressed status and seeks to have the state appointed financial oversight board removed.

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