



An Update on Municipal Finances in Allegheny County

Many people keep fairly close tabs on the goings on of the Federal and State governments. However, they often are unaware of what is happening within their own municipality, specifically regarding the amount of spending and revenue collection. Three years ago we launched the first in a series of reports dedicated to examining the expenditure and revenue collections of the municipalities in Allegheny County. This year we update the analysis by looking at the data from 2010—the latest available. This *Brief* provides a summary of the findings.

The data examined are from the 2010 annual financial reports submitted to the Department of Community and Economic Development. We include all municipalities located entirely within Allegheny County—eliminating McDonald and Trafford since each spans two counties. We have also excluded the City of Pittsburgh because it is the subject of analysis elsewhere. Thus, this report covers 127 of the 130 municipalities within Allegheny County. The study examines per capita (using 2010 Census figures) general fund expenditures, revenues and general obligation debt as well as median household incomes of the municipalities

To begin the analysis we looked at per capita expenditures. For the 127 municipalities, the weighted average per capita total expenditures in 2010 is \$651, representing a two percent increase over 2009 (\$638) and a three percent increase over 2008 (\$629). Eighteen municipalities spent more than \$1,000 per capita on total general fund expenditures, led by Sewickley Heights, Pine, and Rosslyn Farms each spending more than \$2,000 per capita. In 2009 only fifteen had spent as much as \$1,000 per capita. At the other end of the spectrum, thirty five municipalities spent less than \$500 per capita on general fund spending—down from thirty nine the year before.

The largest component of general fund spending is for public safety. Public safety includes not only police and fire, but code enforcement, planning and zoning. The 2010 weighted average is \$231, four and a half percent higher than the 2009 level of \$220 and eleven percent higher than the 2008 level of \$208. The top eleven municipalities, such as Sewickley Heights and Rosslyn Farms, spent more than \$400 per capita while at the lower end of the scale the seven lowest such as Wall and South Versailles spent less than \$100 per capita.

Other components of general fund spending include highways and streets, where the weighted per capita average in 2010 increased over that from 2009 (\$113 vs. \$105) and

general obligation debt where 2010's weighted per capita average also increased, by six percent, from the previous year (\$543 vs. \$514). Only two spending categories have posted declines from 2008 through 2010—general government and recreation. General government spending declined six percent while recreation expenditures declined 9.5 percent.

Of course local governments must raise revenues to cover their spending and their ability to raise revenue will, to some degree, determine the level of expenditures as well as either attract or deter residents from moving into or out of the municipality. The weighted average per capita total general fund revenue for 2010 is \$649, a three percent increase over 2009 (\$628) and four and a half percent increase over 2008 (\$621). In all nineteen municipalities raised more than \$1,000 per capita in general fund revenues led by Sewickley Heights, Pine, and Leetsdale. At the lower end of the scale, thirty six municipalities such as Fawn and Brackenridge had per capita revenues under \$500.

The largest component of revenue for municipalities comes from property taxes. The weighted average per capita level of property taxes collected by the municipalities in 2010 is \$221—greater than the 2009 value of \$214 and the 2008 amount of \$207. Keep in mind that property taxes are dependent upon two things: the assessed value of the property and the municipal millage rate. Since the County was operating under a base year assessment system in 2010 the increase was likely attributable to increases in millage rates. The top ten collecting municipalities collected more than \$500 per capita, however with a median amount of \$228 half of the sample of 127 municipalities collected less than this amount.

The earned income tax provides municipalities with another reliable stream of revenue. It is however capped by state law at 0.5 percent unless the municipality is under home rule (seventeen are) or under Act 47 supervision (four are). The weighted average per capita for this sample is \$145, slightly higher than the 2009 amount of \$143, but lower than the value from 2008 (\$146). While it may be reliable, it is subject to economic conditions beyond the municipality's control. From late 2008 through early 2010 the nation was mired in a deep recession and the recovery has been sluggish. Thus the dip in 2009 is likely due to the recession. While the top ten collect at least \$250 per capita in earned income taxes, more than half of the municipalities in the sample collected less than \$100 per capita.

The analysis above represents only a snapshot of some of the spending and revenue categories covered in the full report. For more information about individual municipalities the complete data set is available on our website: www.alleghenyinstitute.org.

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