

# ***POLICY BRIEF***

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## **A Better Plan for Pittsburgh**

Although the numerous proposals for solving the City of Pittsburgh's financial problems have contained various revenue and spending measures, one approach has gained a lot of support--namely, the proposal to have the state create an oversight board to put the City's financial house in order. Whether or not an oversight board is put into place, there are steps that the City's policymakers could take immediately to deal with their problems if they were to decide to take responsibility and quit looking for someone else to blame.

First, to raise money quickly, the City should assemble a number of the best parcels of property it owns and hold an auction. With over 9,000 parcels (not counting parks and government buildings) worth about \$100 million in the City's hands, there is no excuse for not selling some to raise cash and put property back on the tax rolls.

Second, the City could ask the corporations, banks and wealthy individuals who support giving the City more taxing authority to lend Pittsburgh substantial sums, using some of the massive amounts of unused property the City owns as collateral.

Third, on the expenditure side, public safety costs, specifically the categories of police and fire, must be reduced and brought under control. The Institute has clearly shown the spiraling cost of public safety and described the enabling role of Pennsylvania's binding arbitration laws. We calculate the savings the City could have achieved if it had held public safety spending to the rate of inflation plus population growth rate to be around \$90 million. Even granting some increase above inflation, the savings could easily have been \$60 to \$70 million.

Without any question, Pittsburgh's police and fire costs are far out of line with expenditures in most U.S. cities with similar size populations (305,000 to 380,000). A look at all eleven mainland cities in this range for which comparable budget figures are available, including Pittsburgh, showed that Pittsburgh is very high in per-capita spending on police and fire. In fact, Pittsburgh ranked third highest on per-capita police expenditure (\$307) and highest on fire expenditure (\$234). If Pittsburgh's spending could have been lowered to the average for those cities (with the highest and lowest readings not included) they would be spending \$232 per-capita on police and \$117 per capita on fire. At these levels, Pittsburgh would realize savings of roughly \$63 million compared to the 2002 actual expenditures. Interestingly, this is the spending reduction the City could have produced by holding public safety expenditures to inflation and increases for higher health care costs etc.

To add further perspective, it is important to note that the peer group cities having the highest per-capita incomes (Raleigh, Minneapolis, and Colorado Springs) spent far less per-capita on these public safety services. On the other hand, Pittsburgh and St. Louis, both with per-capita incomes below \$19,000 and in the lower third of the peer group incomes, ranked near the top in per-capita

expenditures on police and fire. Could there be a valuable lesson about government spending control and economic prosperity in these city comparisons?

Unfortunately, with yet another self-appointed group being convened to examine City finances and remedies, it is unlikely that there will be any impetus for City leaders to seriously consider meaningful budget remedies. By holding out the possibility that new revenues will be forthcoming, an oversight board's ability to rein in spending will be curtailed. New revenue will allow the City to avoid making the needed hard decisions of outsourcing and selling assets and it will enable unions to resist overdue cutbacks.

If our recommendations are ignored, which they undoubtedly will be, Council should at least allow City residents and taxpayers to express their will on the direction of their City. As discussed in *Policy Brief Number 31*, the City should submit a referendum to its residents next May asking them to choose between an increase in property tax millage to fund current services or no millage increase which would force spending cuts. The referendum would be worded in such a way that a no vote would immediately force the City to use asset sales, privatization of services, and other necessary and appropriate measures to bring current and future spending to a level commensurate with the City's revenues.

Rather than constantly complaining about how unfair the world is, Pittsburgh's elected officials should provide some real leadership and act innovatively to deal with the problems it has created for itself.

*Data on comparative cities attached below.*

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**Police and Fire Expenditures vs. All General Fund Expenditures  
(Cities Ranked by Population)**

| City          | 2002<br>Population | 2002 Total<br>General Fund<br>Expenditures | 2002 General<br>Fund Police<br>Expenditures | 2002 General<br>Fund Fire<br>Expenditures | Total General<br>Fund Police and<br>Fire<br>Expenditures | Percent of<br>General Fund<br>Expenditures<br>Represented by<br>Police and Fire |
|---------------|--------------------|--|---|---|--|---|
| Minneapolis   | 375,635            | \$ 245,800,000                             | \$ 92,944,000                               | \$ 41,634,000                             | \$ 134,578,000   | 55  |
| Colo. Springs | 371,182            | 217,375,000                                | 62,597,000                                  | 35,785,000                                | 98,382,000   | 45  |
| Wichita       | 355,126            | 221,794,000                                | 50,031,000                                  | 25,451,000                                | 75,482,000   | 34  |
| Arlington     | 349,944            | 152,974,000                                | 56,113,000                                  | 29,377,000                                | 85,490,000   | 56  |
| Santa Ana     | 343,313            | 183,000,000                                | 79,162,000                                  | 38,091,000                                | 117,253,000  | 64  |
| St. Louis     | 338,353            | 396,142,000                                | 123,499,000                                 | 48,002,000                                | 171,501,000  | 43  |
| Anaheim       | 332,642            | 183,500,000                                | 72,513,000                                  | 37,019,000                                | 109,532,000  | 60  |
| Pittsburgh    | 327,898            | 375,100,000                                | 100,821,000                                 | 76,878,000                                | 177,699,000  | 47  |
| Cincinnati    | 323,885            | 316,900,000                                | 82,690,000                                  | 53,638,000                                | 136,328,000  | 43  |
| Tampa         | 315,140            | 244,564,000                                | 100,155,000                                 | 40,268,000                                | 140,423,000  | 57  |
| Raleigh       | 306,944            | 242,470,000                                | 57,364,000                                  | 32,290,000                                | 89,654,000   | 37  |

**Per-Capita Amounts  
(Cities Ranked by Per-Capita Income)**

| City          | Per-Capita<br>Income | Per-Capita<br>Police<br>Expenditure | Per-Capita<br>Fire<br>Expenditure |
|---------------|----------------------|-------------------------------------|-----------------------------------|
| Raleigh       | \$ 25,113            | \$ 187                              | \$ 105                            |
| Minneapolis   | 22,685               | 247                                 | 111                               |
| Colo. Springs | 22,496               | 169                                 | 96                                |
| Arlington     | 22,445               | 160                                 | 84                                |
| Tampa         | 21,953               | 318                                 | 128                               |
| Wichita       | 20,647               | 141                                 | 72                                |
| Cincinnati    | 19,962               | 255                                 | 166                               |
| Pittsburgh    | 18,816               | 307                                 | 234                               |
| Anaheim       | 18,266               | 218                                 | 111                               |
| St. Louis     | 16,108               | 365                                 | 142                               |
| Santa Ana     | 12,152               | 231                                 | 111                               |