POLICY BRIEF

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City-County Merger Unnecessary and Undesirable

The idea of merging the City of Pittsburgh with Allegheny County has surfaced in light of the financial troubles plaguing the City. Proponents claim that by merging the two entities, duplicative services can be consolidated resulting in a leaner, more cost effective government. While we share the belief that streamlining government to lower costs and taxes is needed, a city-county merger is not the way to achieve the desired outcomes.

Proponents point to the alleged success of two previous city-county mergers: Metro Louisville, which combined Louisville with Jefferson County in 2003, and Indianapolis' UniGov, which merged Indianapolis with Marion County in 1970. However, the evidence from these mergers does not create optimism that cost savings will occur. In fact, neither the Metro Louisville nor the UniGov consolidation promised to save money. Both cities hoped their merger would accomplish two things: promote economic development and improve their image.

The Kentucky law that allowed the merger referendum retained County row officers and left all taxing districts, fire protection districts, and sanitation and water districts in place. Louisville retained its city boundaries and is called an "urban services district" that has maintained its own tax and service levels. Then too, all other existing municipalities in the County were left intact.

Evidence from the Metro Louisville Comprehensive Annual Financial Report shows that substantial cost savings have not been achieved. Before the merger, the City and County spent a combined $552.4 million. Two years after the merger the Metro government had expenditures of $549.8 million—a decrease of less than one-half of one percent. After two years, Metro Louisville has reduced its workforce by only ten percent, mostly by eliminating vacant positions. Two years into the merger, it is facing a budget shortfall that may require a tax increase.

Mergers rarely result in a lowering of costs. The largest obstacle would be merging city and county departments that carry out the same function, but are represented by different unions with differing pay scales and benefit packages. Often the result is an equalization of pay rates, raising the rates of lower paid workers, causing costs to increase.

Saving money was also not the primary goal of the UniGov merger. In fact, both the City and County still have separate budgets that must be approved by the Mayor and Council. Thirty-five years later, UnivGov is facing its own financial crisis—a $50 million deficit. This has caused the current mayor to push for a new, more comprehensive merger initiative aimed at consolidating City and County functions as well as folding in the remaining towns and cities within Marion County.

As far as the long-term impact of a city-county merger, one needs to look no further than Philadelphia. The Philadelphia merger is complete with government powers vested in the Mayor and City Council. Moreover, there are no other "pesky" municipalities to create fragmentation, which we have been told for years is a primary deterrent to progress in Allegheny County. Despite having been merged for decades, Philadelphia still has serious economic problems and has been under a state-appointed oversight board since the early 1990s.

Why is it that Philadelphia is never touted as the poster child for city-county mergers? The answer is quite simple. Philadelphia may be streamlined in a very limited sense but it certainly provides no indication that a city-county government produces lower costs and taxes. Indeed, the opposite is true.

Combined city-county expenditures in Philadelphia for 2004 were $3.28 billion or $2,230 per resident. In Allegheny County, the combined cost of providing municipal and county services is just under $1,400 per resident. Thus, Philadelphia's per capita governmental costs are 60 percent higher than expenditures in Allegheny County and its municipalities. Obviously, the City of Brotherly Love has not done a very good job of using its merged status to control spending and reduce taxes. Indeed, there is no inherent structural advantage in a combined government that leads to more efficient or effective delivery of services.

Sharing service delivery, which can lead to reduced government spending, ought to be the immediate goal for the City of Pittsburgh and Allegheny County. It can result in substantial savings for taxpayers, if done correctly. Why not take the very simple step of having the City contract with the County to provide a number of services such as parks maintenance, purchasing, fleet management, tax collection, payroll, etc? The City and County should be working together to reach agreements that will save the City money without adding costs to County taxpayers. Merging governments is not required to do that.

Other city-county mergers provide no evidence that a merger here is an answer to the area's problems. The City and County will begin to reverse the decades long trend of population loss and weak economic performance only after leaders take the necessary steps to cut the size of government, decrease taxes, and create a more welcoming environment for business.

Note: A full-length report on this topic will be available online Monday, June 20th. To read the report, please see our website: http://www.alleghenyinstitute.org/reports.php.

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