POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

October 16, 2009 **Volume 9, Number 63**

A Look at the 2010 Allegheny County Budget

While state budget deliberations have come to a close, discussions about Allegheny County's budget are just beginning. The County's general fund—where most of the day to day operations are accounted for—is expected to be $670 million for the 2010 fiscal year that starts January 1st. Over 40 percent of this spending is funded by locally generated real estate taxes and the County's share of the 1 percent sales tax. The rest comes from the state and Federal governments and various fees and charges. When combined with other funds related to debt service, transit support, human services, capital needs, etc., the County's total spending tops $1.7 billion.

Here is a snapshot of the County's general fund expenditures over the last five years on a total and per resident basis.

Allegheny County General Fund Spending, 2006-2010

Year	General Fund Expenditures ($,000s)	Population (000s)	Per-Capita ($)
2006	615,500	1,223	503
2007	650,500	1,219	534
2008	621,900	1,215	512
2009	663,000	1,211	547
2010	670,700	1,207	556

2006-2008 are audited, 2009 and 2010 budgeted. Population counts for 2006 and 2007 contained in CAFR, 2008 from Census Bureau estimates and 2009 and 2010 estimated based on a 1% drop from 2006 through 2008.

If this year's spending meets the adopted budget amount and next year's does the same, the County's general fund expenditures will have grown 9 percent since 2006. Adjusting that number to actual and projected population counts shows that per capita spending from the general fund will have risen 11 percent.

Here are some other items that warrant attention about the pending 2010 budget:

- *The overall millage rate is staying the same, but a greater share will be paying off debt*: The County's real estate tax millage is 4.69 and has not changed in several years. In 2010, the general fund millage rate is projected to be 3.5806 mills and the debt service fund will be 1.1094 mills. This is a shift in makeup from the 2009 budget, when the shares were 4.0697 mills and 0.6203 mills, respectively. That shift results in some $27 million in net property taxes moving from the general fund to the debt service fund.

- *Overall general fund spending is up 1.1 percent, but there are several categories that surpass the overall increase:* Most notable is a 2.9 percent boost in the "personnel" category and a 3.7 percent in "fringe benefits". To be sure, local government is a labor-intensive function and it is no surprise that these two expenditure categories comprise 50 percent of all general fund spending. Other categories such as "materials" and "repairs and maintenance" grew faster than the total general fund expenditure total, but these items represent very small shares of the total.

- *The revenue the County expects to receive from the Rivers Casino has been adjusted downward:* By virtue of being a County of the Second Class hosting a stand alone facility, the County is entitled to a host fee of 2 percent of gross terminal revenue from the casino. There are no stipulations or guidelines on how the money is to be used and it is counted in the "Earnings, Charges, and Fees" section of the general fund. Originally, the County projected $13 million in 2010 and $20 million in 2011 from the host fee. Now that number has been halved and the County expects to receive $6 million. The earlier expectations seem unduly high since the casino owners only forecast $420 million in the first year, rising to $500 million in out years. Two percent of the most optimistic number would produce only $10 million. More interesting is the fact that the County does not have an estimate of property taxes to be collected from the casino.

- *The County expects no money from the gaming economic development fund:* Listed under the state sources of funding is "Act 53 gaming and economic development" money. Under that statute, the County is the beneficiary of gaming money for a community infrastructure fund, to pay off economic development debt, for airport debt, etc. The 2009 budget shows a $10 million disbursement from the state from that category in the debt service fund. The 2010 budget shows no such disbursement—in fact, it shows no disbursement of any amount in any fund. That could mean that any money distributed to the County will require a reopening of the budget next year.

According to newspaper reports, the County is also planning to move $30 million from its capital budget to the general fund, a one-time fix that the Executive announced would be the last time. In 2009 the category of "operating transfers, net" was $1 million: next year the figure stands at the aforementioned $30 million. (It is unclear why the County would shift the money in this fashion while changing the millage rate mix instead of just moving the capital money to the debt service fund. A call to the Budget and Finance Office for an explanation was not returned).

Instead of the one-time financial fixes, the Executive vowed to find recurring revenue in the 2011 fiscal year, which could include the County approaching the non-profit community as the City has done for its funding needs. The Executive even said that hospitals would be first on the list because "because they're the largest [nonprofits] in the region. [But] it doesn't mean we'll stop there."

So the County has intercepted gaming money originally intended for the airport, sought and received approval of two new taxes, will shift money from its capital budget for operations, and now wants to join the City in a double-barreled assault on non-profits. Are these the signs of a government in control of its spending? If the County had instituted a tight 1 percent annual increase in expenditures beginning in 2006, spending would be only $640 million next year instead of $670 million. That $30 million in savings could have been applied to mass transit instead of seeking new taxes or could have been returned to the taxpayers.

Eric Montarti, Senior Policy Analyst

For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org