



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*Pittsburgh's Finances:
A Comparison with Northern and
"Rust Belt" Cities*

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Summary and Key Findings

When Pittsburgh's 2004 general fund expenditures are compared against cities that comprise the "rust belt" or are located in the northern part of the U.S., the city is shown to be a high spender. This report finds that, in 2004:

- Pittsburgh spent \$1,189 per-capita. This was \$142 higher than the average of nine other cities whose spending was \$1,047 per person. Reducing expenditures to this level would reap savings of \$45 million. Reductions of half that amount would go a long way to restoring fiscal solvency to the city.
- Among a smaller sub-sample of Pittsburgh's closest competitors--Buffalo, Cleveland, and Cincinnati--the city is not competitive on spending. The average expenditure of these three cities was \$1,002, far below that of Pittsburgh.
- On police spending, Pittsburgh was on the low side with per-capita expenditures of \$275, well below the average of \$339. Its total staffing per 1000 people was also quite low (3.4 vs. a 4.7 average).
- Pittsburgh is not competitive on fire spending (\$247 per-capita) against the city average (\$170 per-capita). Its fire staffing level of 2.8 per 1000 people trailed Buffalo's number (3 per 1000) but was above the average (2.1 per 1000).
- If Pittsburgh is to encourage real economic growth, job gains, and tax base expansion, it must substantially lower its spending.

Introduction

In a recent report, the Allegheny Institute benchmarked Pittsburgh's spending against cities of similar population size. Using a population range of 380,000 to 305,000, nine cities from various parts of the country were selected to make per-capita comparisons on general fund spending, expenditures on important public safety functions of police and fire, and staffing levels for those functions on a per-1000 resident basis. Pittsburgh invariably came in above average on all of these measures, and was particularly not at all competitive on fire spending and staffing.¹

But how does Pittsburgh stand up against other similarly situated northern/"rust belt" cities? Critics often point to Pittsburgh's topography, weather, industrial heritage, current economic position or other factors to dismiss comparisons with cities in the south or the west. We reject that claim because if Pittsburgh is to compete on a larger scale economically, it must compare favorably against the most successful cities of its size, not just those cities that are in decline. Nevertheless, in order to address those criticisms, and out of curiosity, this short paper compares Pittsburgh against more similarly situated places.

Methodology

To compose a sample that tilted toward northern/"rust belt" cities, we replaced six cities from our previous study (Wichita, Tampa, Anaheim, Colorado Springs, Raleigh, and Arlington) with six other cities (Buffalo, Harrisburg, Milwaukee, Philadelphia, Detroit, and Cleveland). Because of their similar standing in terms of geography and heritage, we retained Minneapolis, Cincinnati, and St. Louis from the previous report.

Similar to our previous study, budget data was drawn from either a city's website or directly from the city's budget office. The year studied was the 2004 fiscal year. If the budget cycle is a calendar year, the data covers spending occurring now until December 31, 2004. If not a calendar year, the fiscal year considered is current and ending sometime before December 31 of this year. Only one city, Harrisburg, provided data covering the 2003 fiscal year.

¹ "Pittsburgh's Finances: A Comparison of Peer Group Cities" Allegheny Institute Report #04-01, February 2004 (www.alleghenyinstitute.org)

Population and Economic Data

The table below provides a baseline on each city's population, size in square miles, per-capita income and population growth/decline over the 2000 to 2002 time frame.

**Comparative Cities
(Ranked by 2002 Population)**

City	2002 Population	Square Miles	2000 Per- Capita Income	% Population Change, 2000- 02
Philadelphia	1,492,231	135	\$ 16,509	-1.7
Detroit	925,051	139.6	\$ 14,717	-2.8
Milwaukee	590,895	96.1	\$ 16,181	-1
Cleveland	467,851	77	\$ 14,291	-2
Minneapolis	375,635	54.9	\$ 22,685	-1.8
St. Louis	338,353	61.9	\$ 16,108	-2.8
Pittsburgh	327,898	55.6	\$ 18,816	-2
Cincinnati	323,885	78	\$ 19,962	-2.2
Buffalo	287,698	40.6	\$ 14,991	-1.7
Harrisburg	48,540	8.1	\$ 15,787	-0.8
Average	517,804	75	\$ 17,005	-1.9

The population range in these cities is much larger than in our previous study; Philadelphia has 1.4 million people while Harrisburg has 48,000. The average population of the sample is over 517,000. The average square mileage is slightly smaller than the prior sample. Average per-capita income is lower and no city experienced positive population change from 2000 to 2002.²

² U.S. Census Bureau "Population Estimates for Cities and Towns". Describes population and population changes for incorporated places over 100,000. Harrisburg included in estimates of places over 10,000. (<http://eire.census.gov/popest/data/cities/tables/SUBEST2002-03.php>). Per-capita income and square miles are from the American Fact Finder (<http://factfinder.census.gov/servlet/QTGeoSearchByListServlet>) and the City and County Data Book (www.census.gov)

General Fund Expenditures

The table below compares Pittsburgh's 2004 fiscal year per-capita general fund expenditures against the nine-city average.

FY 2004 General Fund Spending Per-Capita³

City	Per-Capita Spending	City	Per-Capita Spending
Pittsburgh	\$ 1,189	Cleveland	\$ 1,000
Detroit	\$ 1,286	Cincinnati	\$ 988
Philadelphia	\$ 1,257	Milwaukee	\$ 842
St. Louis	\$ 1,217	Minneapolis	\$ 698
Harrisburg	\$ 1,126	<i>Nine City Average</i>	<i>\$ 1,047</i>
Buffalo	\$ 1,017	<i>Average w/o Philadelphia</i>	<i>\$ 1,021</i>

Due to the fact that Philadelphia is a completely combined city-county with no independent municipalities, its general fund total was adjusted downward to eliminate what would properly be considered county functions. An additional average was calculated without that city's expenditures in order to measure spending against the remaining cities. A slight adjustment was also made to Detroit's spending as well because it paid for some services typically not funded by other cities.⁴

Pittsburgh is spending \$1,189 per-capita in 2004. In this sample, Pittsburgh is the fourth highest spender, behind only Detroit, Philadelphia, and St. Louis. Based on the nine-city average of \$1,047, Pittsburgh is spending \$142 more than comparable northern/"rust belt" cities. If Pittsburgh lowered its spending to this level, it would be spending about \$45 million less than current outlays. Reductions of half that amount would deliver significant savings. It is interesting to note that all three Pennsylvania cities in the sample--Pittsburgh, Harrisburg, and Philadelphia--were near the top of the sample in spending.

It is also instructive to take a smaller sub-sample of those cities that could be considered Pittsburgh's most direct competitors--Cincinnati, Cleveland, and Buffalo. All three are spending below the level of Pittsburgh with per-capita amounts of \$988, \$1,000, and

³ St. Louis 2003-04 Budget (www.stlouis.missouri.org/government/budget04)

Minneapolis 2004 Budget (www.ci.minneapolis.mn.us/city-budget2004adopted)

Cincinnati 2003-04 Budget (www.rcc.org/bud200304apvd)

Pittsburgh 2004 Budget (www.city.pittsburgh.pa.us/main/html/city-documents.html)

Cleveland 2004 Budget, Cleveland Department of Finance

Buffalo 2004 Budget, Buffalo Budget Office

Harrisburg 2003 Budget, Harrisburg Bureau of Financial Management

Philadelphia 2003-04 Budget (www.phila.gov/reports/pdfs/Budget_in_Brief_Jun04.pdf)

Milwaukee 2004 Budget (www.ci.mil.wi.us/citygov/doa/bud/books.htm)

Detroit 2003-04 Budget (www.ci.detroit.mi.us/budget/2003-04_Redbook)

⁴ Appropriations relating to human services, library, community college, prison, and public health were dropped out for Philadelphia and District Court and non-departmental items were omitted from Detroit.

\$1,017 respectively in 2004. This puts Pittsburgh's expenditures at a rate of nearly 20 percent above the average (\$1,002) of its most immediate neighbors.

Police and Fire Spending

We also compared Pittsburgh on the important functions of police and fire spending and staffing. Following a round of police layoffs in the summer of 2003, the City is now lower on per-capita expenditures and staffing per-1000 residents than the comparable cities.

FY 2004 General Fund Public Safety Expenditure and Staffing⁵ (Comparative Cities Ranked by Police Expenditure)

City	Per-Capita Police	Per-Capita Fire	Police Employees per 1000 Residents	Fire Employees per 1000 Residents
Pittsburgh	\$ 275	\$ 247	3.4	2.8
Detroit	\$ 452	\$ 197	5.2	2.1
St. Louis	\$ 385	\$ 140	5.8	2.5
Cleveland	\$ 360	\$ 163	5	1.9
Cincinnati	\$ 349	\$ 235	4.3	2.6
Philadelphia	\$ 347	\$ 125	5.6	1.8
Harrisburg	\$ 339	\$ 157	4.8	2.1
Milwaukee	\$ 305	\$ 151	4.9	1.9
Buffalo	\$ 277	\$ 245	3.7	3
Minneapolis	\$ 239	\$ 115	2.6	1.2
<i>Nine City Average</i>	<i>\$ 339</i>	<i>\$ 170</i>	<i>4.7</i>	<i>2.1</i>

Pittsburgh is spending \$275 per-capita on police, higher only than the spending in Minneapolis. Its police staffing level was likewise above only Minneapolis in the sample. Many of the cities in the sample with higher levels of police department staffing (St. Louis, Detroit, Milwaukee, and Cleveland, for example) had higher rates of crime than Pittsburgh, which could also account for some of the higher levels of staffing.⁶

The issue, as it was with the previous sample, is fire spending and staffing. Pittsburgh's expenditure of \$247 per-capita is \$77 above the sample average. Only Buffalo (\$245)

⁵ Ibid. Due to requirements in the firefighters contract, 60 vacant positions were to be filled to meet staffing requirements under the contract. This would raise the total number of employees in the Fire Bureau to 909, or 2.8 employees per 1000 people. See Pittsburgh Post-Gazette article "Mayor Isn't Giving Up on Deal with Firefighters, City Negotiator Says" January 3, 2004. (www.post-gazette.com).

In the Police Bureau, 161 employees are designated as school crossing guards. If they were left out of the total, the police staffing would be 2.9 employees per 1000 people, just a bit larger than the fire staffing in the city. For the time being, the school district is funding these employees. See "District Helps School Crossing Guards Keep Jobs" and "School Board to Fund Half the Cost for Crossing Guards" Pittsburgh Post-Gazette (www.post-gazette.com).

Police and fire share of benefits based on 2002 estimate of benefits to each bureau.

⁶ See appendix

and Cincinnati (\$235) were close to the level of Pittsburgh's expenditure. Pittsburgh could achieve significant savings if it began to make reductions and move fire spending toward these levels. On total staffing, Pittsburgh is actually outnumbered by two-tenths of an employee by Buffalo. It is above the city average of 2.1 employees per-1000 residents.

Conclusion

This "re-sampling" of cities that are more traditionally industrial continues to show that Pittsburgh does not compare favorably on spending. Pittsburgh could still achieve significant savings by reducing general fund expenditures to the average of these cities. But it must do more. It is not satisfactory to position the city to the level of Buffalo or Cleveland. It has to do better than the performance of other northern/"rust belt" cities. Nor is it useful to search for cities that spend more than Pittsburgh in order to show that the City's spending is not out of line with competitors.

The data clearly shows that Pittsburgh must make significant spending reductions if it wants to get on a path to fiscal solvency and eventually attract real economic growth and substantial job gains. Whether compared with its peer group cities of similar population size or older, more established northern/"rust belt" cities, it is not spending at a sustainable level.

Appendix

Crime Rates and Police Spending and Staffing

The data below comes from the Federal Bureau of Investigation, Uniform Crime Report for 2002: Table 8, Offenses Known to Law Enforcement by City over 10,000 in Population, 2002. Compiles totals for the following offenses to create a crime index: murder/non-negligent manslaughter, rape, robbery, aggravated assault, burglary, larceny/theft, and motor vehicle theft. Index was divided by city population and multiplied by 10,000 to get a crime rate per 10,000 residents. Pittsburgh was third from the bottom of the ten-city sample with 602 crimes per 10,000 residents in 2002.

(www.fbi.gov/ucr/cius_02/xl/02tb108.xls)

Crime Rates and Police Expenditures/Staffing

City	Crimes per 10,000 people	Police Expenditure per capita	Police Employees per 1,000
Pittsburgh	602	\$ 275	3.4
St. Louis	1490	\$ 385	5.8
Detroit	919	\$ 452	5.2
Cincinnati	902	\$ 349	4.3
Milwaukee	784	\$ 305	4.9
Cleveland	710	\$ 360	5
Minneapolis	709	\$ 239	2.6
Buffalo	661	\$ 277	3.7
Harrisburg	598	\$ 339	4.8
Philadelphia	596	\$ 347	5.6
<i>Nine City Average</i>	<i>819</i>	<i>\$ 339</i>	<i>4.7</i>

Debt Service Per-Capita

City	Debt Service
Pittsburgh	\$ 274
Cleveland	\$ 465
Minneapolis	\$ 390
Cincinnati	\$ 212
Buffalo	\$ 208
Milwaukee	\$ 201
Harrisburg	\$ 180
St. Louis	\$ 117
Philadelphia	\$ 80
Detroit	\$ 73
<i>Nine City Average</i>	<i>\$ 214</i>