



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*An Update on Municipal Spending and
Taxation in Allegheny County: 2010*

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*Allegheny Institute Report #13-01
February 2013*

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Key Findings

This paper is the latest in a series examining the per capita revenues and expenditures of municipalities in Allegheny County. The data examined here is from the 2010 annual financial reports submitted to the Department of Community and Economic Development. This sample includes 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 sample covers 127 of the 130 municipalities covering Allegheny County. The study examines per capita (using 2010 Census figures) general fund expenditures, revenues and general obligation debt as well as population and median household incomes of the municipalities in our sample. The key findings from the data show:

- 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. In 2009 only fifteen had spent as much.
- The largest component of general fund spending is on public safety. The 2010 weighted average is \$231, 4.5 percent higher than the 2009 level of \$220 and eleven percent higher than the 2008 level of \$208.
- The top eleven municipalities spent more than \$400 per capita while at the lower end of the scale the seven lowest spent less than \$100 per capita.
- 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.
- The weighted average per capita total general fund revenue for 2010 is \$649, a three percent increase over 2009 (\$628) and 4.5 percent increase over 2008 (\$621).
- 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.
- With a median per capita property tax value of \$228, half of the municipalities collected less than this amount.
- The earned income tax provides municipalities with another reliable stream of revenue. 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.
- Median household income had a small correlation with total expenses and total revenues. This small coefficient for median household income points to a degree of fixity in spending and revenue on the major categories that is somewhat independent of incomes.
- The data for all municipalities are available on the Allegheny Institute website.

Introduction

The severe recession that gripped the nation from late 2008 through the first part of 2010, and the subsequent sluggish recovery, put substantial pressure on local government budgets. While the Pittsburgh metropolitan statistical area may not have been as severely affected by the recession as other areas around the country, thanks in large part to Marcellus Shale exploration, there were budget challenges for local municipalities nonetheless. This report represents our second update of municipal spending and taxation of the municipalities in Allegheny County. This update uses the most recent, 2010, municipal financial statements submitted to the Department of Community and Economic Development (DCED). The financial report from DCED shows three fund categories from which municipalities can choose: governmental, proprietary, and fiduciary. The governmental fund has four subcategories: general, special revenue, capital projects, and debt service. We once again examine municipal spending and revenues from the general fund. The full data sets are available on our website¹.

We use the 2010 Census population figures to calculate per capita levels of spending and revenues for each municipality—excluding Pittsburgh—and compare the highs and lows of each measure across 127 municipalities lying completely within Allegheny County². The first report covering 2008 examined only 119 municipalities that had submitted reports while the report covering 2009 looked at 123. Thus for the first time in this series of studies all municipalities in Allegheny County submitted financial reports to DCED for 2010.

Expenditures

The basic purpose of local government is to provide public services for its citizens. These services include public safety, recreation, street maintenance, and sanitation. In this study, as with those in the past, our list of expenditures also includes general government, debt service, and any general obligation debt. We only look at those expenditures that came from the municipality's general fund. As a preliminary step to the municipal comparison analysis, a correlation analysis was conducted to see how closely the major expenditure categories correlate to total municipal expenditures³. We also included the municipal population (from the 2010 Census) and median household income. The table below shows the results.

¹ <http://www.alleghenyinstitute.org/municipal-statistics/2008-expenditures.html> and <http://www.alleghenyinstitute.org/municipal-statistics/2008-revenues.html>

² All municipalities submitted financial reports to DCED for 2010. We omitted the City of Pittsburgh from this study since it is the frequent subject of analysis elsewhere as well as McDonald and Trafford because they span two different counties. McDonald straddles Allegheny and Washington Counties while Trafford straddles Allegheny and Westmoreland.

³ A correlation is done to statistically measure the strength of association between two variables. It can assume any value from -1.00 to +1.00 inclusive. A correlation coefficient close to +1.00 indicates that the variables are perfectly related in a positive linear sense, while a value of zero indicates no statistical association.

Correlation with Total General Fund Expenditures

Category	Correlation	Category	Correlation
Public Safety	0.950	General Obligation Debt	0.729
General Government	0.910	Sanitation	0.647
Population	0.886	Debt Service	0.545
Highways	0.880	Median Household Income	0.134
Recreation	0.870		

As to be expected all categories are positively correlated to total expenditures, i.e., an increase in all measures is associated with an increase in total spending. The variable with the highest correlation to total spending is public safety (0.950), followed closely by general government (0.910). Population has the next highest correlation (0.886) indicating that as a municipality's population grows, so will total expenditures. As was the case with the previous update, the lowest correlation figure belongs to median household income⁴ (0.134) which points to a degree of fixity in the spending on the major categories that is somewhat independent of incomes.

While the raw data was used to calculate the correlations, per capita data will be used to analyze and compare municipalities.

Total General Fund Expenditures

For 2010 the weighted average per capita amount of total general fund spending for the 127 municipalities in Allegheny County was \$651⁵. This represents a two percent increase over 2009 (\$638) and a three percent increase over 2008 (\$629). Likewise, the median level of per capita spending has increased slightly from \$599 in 2009 to \$601 in 2010, but is still less than the weighted average. The three highest spending municipalities, Sewickley Heights, Pine, and Rosslyn Farms all spent more than \$2,000 per capita. The top five is rounded out by Leetsdale and Edgeworth, spending more than \$1,800 and \$1,500 respectively. In all, eighteen municipalities spent more than \$1,000 per capita on total general fund expenditures. In 2009, only fifteen spent as much.

The municipalities with the lowest total spending per capita are South Versailles (\$257) and Liberty (\$284), followed closely by Brackenridge, Fawn, and Forward. In all thirty five municipalities spent less than \$500 per capita on general fund spending—down from thirty nine in 2009.

⁴ Median household income comes from the U.S. Census Bureau and is a five year estimate. For this study the estimate includes the years 2007-2011.

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_5YR_DP03&prodType=table

⁵ Averages are for all municipalities in Allegheny County with the exception of the City of Pittsburgh, McDonald, and Trafford. The averages of the remaining 127 municipalities are weighted by taking the total amount in each category and dividing by the total population in the sample (917,200).

Public Safety

As indicated by the correlation matrix, the largest general fund spending component for a municipality is public safety. Public safety includes payment for police, fire⁶, code enforcement, planning and zoning. The weighted average for this sample is \$231 which is 4.5 percent higher than it was for 2009 (\$220). For the 2008 sample, the weighted average came in at \$216. The median per capita expenditure for this category came in at \$208. The top two spending municipalities in public safety are Sewickley Heights (\$980) and Findlay (\$668) while the third place finisher (Rosslyn Farms) spent just under \$500. In fact the top eleven municipalities spent more than \$400 per capita. At the lower end of the scale is South Versailles (\$53) and Wall (\$55). In fact the seven lowest spending municipalities spent less than \$100 per capita.

General Government

The variable with the second highest correlation with total general fund expenses is general government expenditures. This category includes any payments for the executive and legislative functions of the municipality as well as any solicitors, auditors, administrators, engineering, tax collection, and IT services among others. The weighted average for this variable is \$73, down from \$75 in 2009 and \$78 in 2008. This is a category with a wide range. The median per capita value is \$88, which is higher than the weighted average indicating that the average is being skewed toward lower spending municipalities. The top spending municipalities on per capita general government is Sewickley Heights (\$542), Leetsdale (\$445), and Blawnox (\$314). They are the only ones to spend more than \$300 per capita in this category. Six more spent at least \$200.

At the lower end of the spectrum are Tarentum (\$35), Penn Hills (\$36) and Brackenridge (\$38). In fact the bottom ten municipalities spent less than \$45 per capita and the bottom twenty five spent less than \$55.

Recreation

Culture and Recreation consists of, among other things, all spending on parks, participant recreation, libraries, shade trees, and senior citizen centers. In 2010 the weighted average amount of spending per capita came in at \$38, below the 2009 level of \$40 and the 2008 amount of \$42. It appears as though this category, along with general government, are the only ones with a downward trend indicating that municipalities may not put such a premium on recreation despite having a relatively high correlation value with total spending (0.87). In fact nine municipalities did not have any general fund expenditures dedicated to recreation in 2010. There was a similar number in 2009.

The top spenders in this category are: Rosslyn Farms (\$374), Fox Chapel and Green Tree (\$156), and Mt. Lebanon (\$137). Only eight municipalities spent more than \$100 per capita in general fund spending on recreation. With a median value of \$19, fifty nine municipalities in the

⁶ Very few municipalities in Allegheny County have a paid fire department. Most of them rely on a volunteer squad.

County (removing the nine who did not spend any money on recreation) spent less than \$20 per capita on recreation. Ten municipalities spent one dollar or less per capita.

Highways and Streets

While its correlation with total general fund expenditures may not have been as high as some of the other categories, in terms of its weighted average, it is the second largest outlay behind public safety. This segment is comprised of winter maintenance, storm sewers and drains, maintenance and repair of bridges and roads, as well as highway construction and rebuilding projects. While much of the money for this category is paid for from the general fund, some of it does emanate from a special revenue fund paid for by the state's liquid fuels tax. The focus of this paper is on the amount spent through the general fund, specifically the per capita amount.

Much like public safety expenditures, the weighted average expenditures in this category for 2010 increased over 2009 (\$113 vs. \$105). The top spot is shared by two municipalities—Glen Osborne and Sewickley Heights at \$476. Thornburg and Rosslyn Farms each spent over \$400 per capita on this category.

The median amount spent on highways and streets came in at \$106 with 54 municipalities spending \$100 per capita or less of their general fund on this category. Sewickley Hills did not claim any amount spent on highways and streets from their general fund. Instead the funding was credited to a special revenue fund. The lowest spending municipalities include Fawn (\$28), Elizabeth (\$38), South Versailles (\$40), and Clairton (\$41).

General Obligation Debt

The final expenditure category of interest is general obligation debt, filed on the municipal annual financial report as "general obligation bonds and notes". The total balance gives the amount still owed at the end of 2010. The weighted per capita average for the municipalities in this study is \$543—a nearly six percent increase over 2009's figure of \$514, which had declined from 2008's weighted average of \$522. The municipality with the most general obligation debt per capita is Upper St. Clair (\$2,989) followed by Blawnox (\$1,959) and Leetsdale (\$1,921). In fact eighteen municipalities have per capita general obligation debt of more than \$1,000.

However this is an area with a wide range as there are twenty four municipalities without any outstanding general obligation debt at the end of 2010. An additional twenty eight had carried less than \$100 per capita in general obligation debt. The median of \$182 is far less than the weighted average showing just how wide the range is.

Population

Population has a very strong correlation with both expenditures and revenues (0.886, 0.900 respectively). This relationship implies that as a municipality's population count increases, so will its level of total expenditures and total revenues. The population count we use is that from the 2010 decennial census. We used the same population figures for the 2009 report, thus any increases or decreases in the per capita amount reflects actual changes to spending or revenues.

This is very important to keep in mind as per capita values use population as the denominator and the financial variable of interest as the numerator.

The average population count for the 127 municipalities in this sample is just over 7,200 with a median of just over 3,800. The largest municipality is Penn Hills (42,329) followed by Mt. Lebanon (33,137) and Bethel Park (32,313). The top ten municipalities in the County all have more than 20,000 residents. There are fourteen communities with less than 1,000 residents.

Revenues

Of course local governments rely on multiple revenue streams to pay for their expenditures. The 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. Municipalities have two main tax sources at their disposal to raise revenues—property and earned income. They have additional tax avenues such as business taxes and the local service tax on workers employed within their boundaries. Some also enjoy a substantial level of non-tax revenues through things such as host fees and intergovernmental transfers. As we did with the expenditures section, we begin with looking at the correlation of total general fund revenues with other general fund revenue sources. The results are in the following table.

Correlation with Total General Fund Revenues

Category	Correlation	Category	Correlation
All Tax Revenue	0.961	Non-Tax Revenue	0.840
Earned Income Tax	0.925	Local Services Tax	0.696
Population	0.900	Business Tax	0.417
Property Tax	0.870	Median Household Income	0.124

As noted above, even though the correlations were done with the raw data, the analysis that follows will be on a per capita basis.

Total General Fund Revenue

The weighted average per capita total general fund revenue for the 127 municipalities in this sample is \$649, a three percent increase over the 2009 level of \$628. The median amount is \$604. The municipality with the highest per capita total general fund revenue is Sewickley Heights (\$2,294) followed by Pine (\$1,789) and Leetsdale (\$1,747). Nineteen municipalities had per capita amounts greater than \$1,000.

At the lower end of the scale sits South Versailles (\$254), Wall (\$259), and Liberty (\$267). They are the only three with per capita revenue under \$300. In all there are thirty six municipalities with per capita revenue less than \$500.

All Tax Revenue

The highest correlated variable with total general fund revenues is called “all tax revenue” (0.961). This comes as no surprise since tax revenue provides the bulk of funding for any municipality. The weighted per capita average is \$451 while the median falls at \$406. For 2010 the weighted average is greater than that from 2009 (\$438) and 2008 (\$439).

The municipalities that collected the most tax revenue from sources available to them are Sewickley Heights (\$1,942), Edgeworth (\$1,402), and Rosslyn Farms (\$1,358). The top six municipalities collected at least \$1,000 per capita in tax revenue in 2010. The municipalities that collected the least amount of tax revenue are Wall (\$174), Pitcairn (\$196) and Liberty (\$201). In all there were twenty five municipalities that collected \$300 or less in per capita general fund tax revenue from the sources available to them.

Earned Income

The revenue variable with the highest correlation with total general fund revenues is earned income (0.925). The earned income tax is dependent upon the total amount of wages citizens of a municipality earn and the rate of tax imposed. The rate is capped by state law at 0.5 percent but there are exceptions for municipalities that are under home rule or under Act 47 oversight⁷.

The weighted per capita average for this sample of 127 municipalities is \$145, slightly higher than the 2009 level of \$143, but still lower than the 2008 level of \$146. The median value came in at \$93. The municipalities collecting the most in per capita income are Sewickley Heights (\$792), Fox Chapel (\$459), and Upper St. Clair (\$369). The rest of the top five includes Edgeworth and Pine. Only two of these five are home rule communities (USC and Pine) and only three of the top ten are under home rule. The communities that collected the least amount of per capita earned income tax are Homestead (\$31), Wilmerding, and East Pittsburgh (\$33 each). In fact more than half of the municipalities in this sample (69) collected \$100 or less in per capita earned income.

Property Tax

The largest source of tax income for most municipalities is the property tax.⁸ Property taxes are of course dependent upon two things in Allegheny County: the assessment value assigned by the County and the millage rate imposed by the municipality. In 2010 Allegheny County was still operating under the base year system, using the 2002 reassessment as the base year⁹. The 2010 weighted per capita mean amount of property taxes collected among municipalities in this study was \$221 which was greater than the 2009 amount of \$214 and the 2008 value of \$207.

⁷ There are seventeen home rule municipalities in Allegheny County: Bellevue, Bethel Park, Bradford Woods, Green Tree, Hampton, McCandless, McKeesport, Monroeville, Mt. Lebanon, O’Hara, Penn Hills, Pine, Pittsburgh, Richland, Upper St. Clair, West Deer, and Whitehall. Only Pittsburgh is not in this sample (see note 1) Under Act 47 for distressed municipalities an exception can be made. There are four Allegheny County municipalities in Act 47—Clairton, Braddock, Rankin, and Duquesne.

⁸ Fourteen of the 127 municipalities in this study collected more earned income tax than they did property tax

⁹ For more information about Allegheny County reassessments, please visit our website:

www.alleghenyinstitute.org

The municipalities that collected the most property taxes per capita are Sewickley Heights (\$1,042), Rosslyn Farms (\$988) and Edgeworth (\$903). They are the only ones to collect more than \$900 per capita. In fourth place is Leetsdale at \$775. In fact only the top ten collected more than \$500 per capita.

At the lower end of the spectrum are Versailles (\$9), West Deer (\$82), and Liberty and Rankin (\$85)—the only four to collect less than \$100 per capita. An additional forty seven municipalities collected between \$100 and \$200 in per capita property taxes. With a median value of \$228, half of the sample collected less than this amount.

Local Services Tax

The local services tax, known as the LST, is a tax that only applies to those working within a municipality's borders and is capped at \$52 per year. For the 2010 sample there were ten municipalities that did not record LST collections in their general fund. Another six had per capita collections of less than \$1. This may be the most tightly packed variable as the highest per capita value is only \$100 (Leetsdale) with the next highest at \$99 (Findlay) and \$96 (Frazer). The weighted mean per capita value is \$16 and the median value is \$10. Slightly more than half of the sample collects less than \$10 per capital for the local services tax.

Business Tax

The tax with the lowest correlation to total general fund revenues is the business tax. One reason being is that less than half of the 127 municipalities (55) actually collect a tax on businesses operating within their borders. Of those that do, Green Tree is far and away the leader with \$395 collected per capita followed by Monroeville (\$219) and Leetsdale (\$209). Nineteen municipalities collect \$10 or less per capita in business taxes.

Non-Tax Revenue

The category of non-tax revenue includes revenues derived from fines and forfeits, licenses and permits, interest, rents and royalties, charges for service, intergovernmental transfers (to the general fund) and other miscellaneous items. For 2010 the weighted average per capita mean for non-tax revenue is \$198, up from \$189 for the 2009 sample and considerably higher than the 2008 sample (\$128). Pine (\$1,120) received the most non-tax revenue per capita in 2010 with Etna (\$705) far behind in second and McKeesport (\$607) in third. At the lower end of the scale are Haysville (\$33), South Versailles (\$40) and Fawn (\$54). The median amount is \$178 with twenty three municipalities receiving less than \$100 per capita in non-tax revenues, down from twenty eight in 2009.

Appendix¹⁰

Per Capita Weighted Average	2010	2009	2008
<i>General Fund Revenues</i>			
Total Revenue	\$ 649	\$ 628	\$ 621
Total Taxes	\$ 451	\$ 438	\$ 439
Real Estate Taxes	\$ 221	\$ 214	\$ 207
Earned Income Taxes	\$ 145	\$ 143	\$ 146
Local Services Tax	\$ 16	\$ 16	\$ 14
Non-Tax Revenue	\$ 198	\$ 189	\$ 128
<i>General Fund Expenditures</i>			
Total Expenses	\$ 651	\$ 638	\$ 629
General Government	\$ 73	\$ 75	\$ 78
Public Safety	\$ 231	\$ 220	\$ 216
Highways and Streets	\$ 113	\$ 105	\$ 116
Recreation	\$ 38	\$ 40	\$ 42
General Obligation Debt	\$ 543	\$ 514	\$ 522
<i>Sample Size</i>	127	123	119

¹⁰ The data is for the 127 municipalities lying within Allegheny County excluding the City of Pittsburgh, McDonald, and Trafford.