This profile captures key financial trends before, during, and after the Great Recession for Pittsburgh, one of 30 cities examined by The Pew Charitable Trusts' American cities project. These profiles provide baselines for understanding the fiscal conditions of our cities and for ongoing research, analysis, and policy guidance.

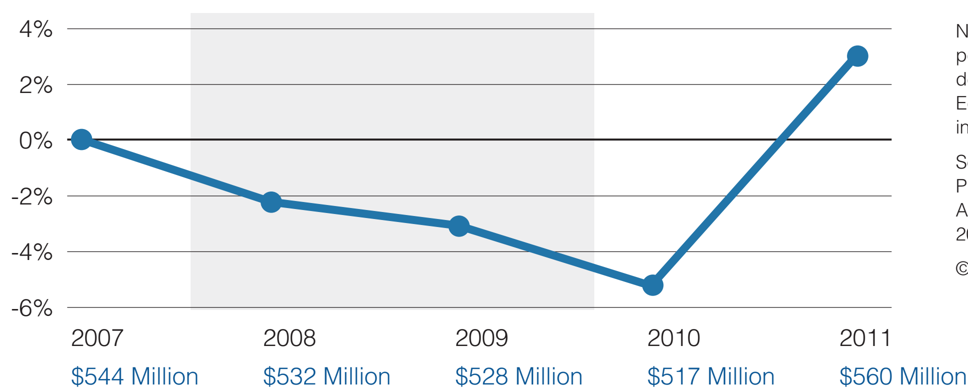
Pittsburgh

Pittsburgh's revenue rebounded because of an increase in intergovernmental aid in 2011, but fiscal concerns remain

Pittsburgh's revenue declined from 2007 to 2010, but rebounded from the Great Recession in 2011 to surpass the previous peak. (See Figure 1.) Yet financial challenges remain. An infusion of intergovernmental aid, growth in non-tax revenue, and increased income tax collections drove 2011 revenue 3 percent higher than the pre-recession high point, reached in 2007. Adding to the city's improving fiscal picture, operating spending dropped 10 percent between 2010 and 2011, largely because of cuts to public safety. Still, underfunded commitments to retirees could be a source of budget pressure in the future.[1]

FIGURE 1

Pittsburgh Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from Pittsburgh's Comprehensive Annual Financial Reports for fiscal 2007-11.

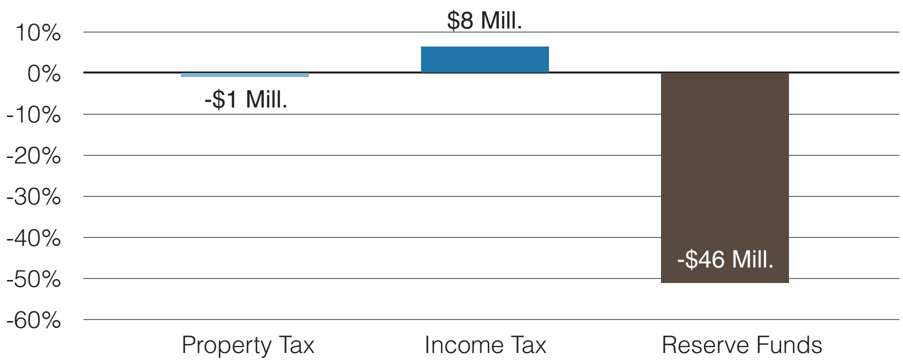
Income taxes prevented a deeper revenue dip through 2010

Pittsburgh's revenue bottomed out in 2010. The losses came largely from declines in deed transfer taxes and planned, gradual cuts in parking and business-privilege taxes.[2] Those three levies together declined $17 million between 2007 and 2010, after adjusting for inflation. Notably, unlike most of the other cities studied, Pittsburgh's property tax collections also declined. But growth in taxes on income, which increased $8 million over the same period, prevented a steeper overall revenue drop.

The city tapped its reserves to provide a cushion against declining revenue, drawing down just over half of its contingency funds between 2007 and 2010. (See Figure 2.) This helped Pittsburgh cover rising operating expenditures. Public safety, already Pittsburgh's largest spending area, grew $72 million.

FIGURE 2

Key Drivers of Change in Pittsburgh's Revenue and Reserves, 2007-10



Note: Reserve funds are represented by the unreserved general fund balance as a percent of total general fund revenues. Amounts are in 2011 dollars.

Source: Pew calculations from Pittsburgh's Comprehensive Annual Financial Reports for fiscal 2007-11.

One-time state and federal aid, income taxes, and spending cuts helped Pittsburgh rebound in 2011

Funding from other governments helped Pittsburgh dig out from its revenue hole and to ultimately exceed pre-recession levels in 2011. Intergovernmental aid, a source largely out of the city's control, increased $24 million from 2010 to 2011. Specifically, Pittsburgh received more grants in 2011 for general government, public safety, and highways and streets than it had a year earlier.[3]

Income tax collections continued to grow steadily from 2010 to 2011, overtaking property taxes as Pittsburgh's largest revenue source. Increasing employment in the Pittsburgh metropolitan area and an extra 2 percent wage tax collection for the public school district drove this revenue to a high of $143 million.[4]

As revenue increased, the city cut expenditures. Public safety spending dropped $38 million in 2011, savings the city credited mainly to the renegotiation of its contract with firefighters.[5] In addition, housing and economic development spending was cut nearly in half, dropping from $27 million to $14 million, while public works and transportation expenditures dipped from $81 million to $71 million.

Managing the future: Pittsburgh built its reserves and limited new debt for capital projects, but future financial pressure remains

Spending commitments, demand for services, and revenue performance will be key factors in Pittsburgh's future fiscal health. Several long-term factors of financial health, which can be analyzed using the data available, include pensions and retiree health care and other benefits, and reserve levels.

Revenue growth and spending cuts allowed Pittsburgh to add nearly $20 million to its reserves in 2011.[6] Further, a shift to a "pay-as-you-go" model to fund capital construction needs without taking on new debt, as well as a refinancing of two bonds, resulted in lower debt service.[7] Both developments have contributed to an upgrade of the city's bond rating.[8]

Pension obligations, however, remain a concern. In 2010, Pittsburgh had just 39 percent of the funds necessary to cover future liabilities even after the state threatened to integrate the municipal pension plans with the state system. To avoid this forced takeover, Pittsburgh officials transferred money from the city's debt service fund and future parking tax revenue to its pensions to improve funding levels.[9]

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

1 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.

2 City of Pittsburgh, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2010* (2010) pp. I-6, http://apps.pittsburghpa.gov/co/City_of_Pittsburgh_Popular_Annual_Financial_Report_for_Year_Ending_December_2010.pdf.

3 City of Pittsburgh, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2010* (2010), p. 7; City of Pittsburgh, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2011* (2011), p. 3, http://apps.pittsburghpa.gov/co/Popular_Annual_Financial_Report_for_FY_2011.pdf.

4 City of Pittsburgh, Department of Finance, *Tax Reference Booklet* (2011), http://www.city.pittsburgh.pa.us/finance/assets/forms/2011/11-tax-reference-booklet.pdf.

5 City of Pittsburgh, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2011*, p. xiv.

6 Ibid, p. 7.

7 Moody's Investor Service, *Moody's Assigns A1 Rating to City of Pittsburgh's $125 Million G.O. Bonds of 2012; Revises Outlook to Stable from Negative.* New Issue,, Jan. 19, 2012; *Moody's Investor Service, Moody's Affirms City of Pittsburgh's (PA) G.O Rationg at A1 and Revises Outlook to Negative, Affecting $697.2 Million in Outstanding City Debt*, Nov. 23, 2010, https://www.moodys.com/research/MOODYS-AFFIRMS-CITY-OF-PITTSBURGHS-PA-GO-RATING-AT-A1-Rating-Update--RU_16750966.

8 City of Pittsburgh, *Comprehensive Annual Financial Report, for the Year Ended December 31, 2011*, p. 7.; Office of the Mayor, Luke Ravenstahl, *Pittsburgh Budget 2013*, (Sept. 24, 2012), http://apps.pittsburghpa.gov/mayor/2013-Complete-Operating-Budget.pdf. See also, Standard and Poor's, "Pittsburgh GO Debt Rating Raised Three Notches To 'A' On Improved Financial Profile," (June 27, 2013), http://www.standardandpoors.com/prot/ratings/articles/en/us/?articleType=HTML&assetID=1245353866633.

9 Moody's Investor Service, *Moody's Assigns A1 Rating to City of Pittsburgh's $125 Million G.O. Bonds of 2012*, Jan. 19, 2012, https://www.moodys.com/research/MOODYS-ASSIGNS-A1-RATING-TO-CITY-OF-PITTSBURGHS-125-MILLION--PR_235703; State of Pennsylvania, Act 44 (2009),obtained from Public Employee Retirement Commission, "Synopsis of Act 44 of 2009 (House Bill Number 1828), https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=0CFoQFjAF&url=http%3A%2F%2Fwww.portal.state.pa.us%2Fportal%2Fserver.pt%2Fdocument%2F598409%2Fact_44_synopsis_pdf&ei=YD1cUdnDJvOz4APc4IH4Cg&usg=AFQjCNFwRiMx4sav_5NVICYoXUNE wqSs3A&sig2=KfdyyXzWFuwjSGPv2QFdBA&bvm=bv.44697112,d.dmg&cad=rja. For more information and analysis on the state of retirement funding in the 30 cities, see Pew'sAmerican Cities Issue Brief, *Cities Squeezed by Pension and Retiree Health Care Shortfalls*, (2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.