

Pivoting to a Moral Pittsburgh Economy: New Mayor, New Opportunities



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December 2021



PITTSBURGH
Budget and Policy Center

The Pittsburgh Budget and Policy Center was established in 2020 to conduct periodic analysis of the city of Pittsburgh budget that lawmakers and advocates can use to achieve a budget that promotes equity, prosperity, and sustainability. As noted in the acknowledgments, many local residents and budget experts pitched in to help us get our numbers right and also to understand the programs in place in three priority areas—public safety, affordable housing, and workforce development. We hope the analysis in this report can help the city achieve a budget that reflects our shared values, including by protecting the economically most vulnerable. We look also forward to assimilating the feedback we will receive on this report and providing additional analyses in the future that contributes to achieving shared, and sustainable, prosperity.

Acknowledgements:

The writing of this analysis was truly a team effort. We depended on our internal team and relied heavily on Pittsburgh's experts in these issue areas to give us the lay of the land, explain the details of the budget and provide us feedback along the way.

Internally, we thank our research team—especially Stephen Herzenberg and Claire Kovach—who contributed significantly to the research used in this report. Stephanie Frank laid out the report, created the cover and the figures. Erica Freeman provided copy editing. Kirstin Snow oversaw our communications and dissemination planning (and will oversee the implementation of that plan).

We thank all the people we spoke to for sharing their knowledge of the Pittsburgh budget and the needs of its residents.

EXECUTIVE SUMMARY

In his final budget proposal before leaving office, mayor of Pittsburgh, Bill Peduto, proposed a \$770 million combined operating and capital budget, a 1.5% increase from the final 2021 city budget, which was passed over the summer. This year's budget proposal comes at a time when Pittsburgh is still in the midst of the COVID pandemic, which began over a year and half ago. About 61% of Allegheny County residents have been fully vaccinated, 71% have had at least one shot, and just in the last month, children over 5 years of age became eligible to get vaccinated.¹ Yet with the arrival of the Omicron variant and winter coming, concerns remain about another spike in COVID cases and in deaths of the unvaccinated as people let down their guard and go back inside.

Like the rest of the United States, the Pittsburgh economy was hit hard by the pandemic in 2020—businesses had to close and people had to stay home to slow the spread of COVID-19. Employment in the city rebounded in summer 2020 but has leveled off since September 2020, and city revenues decreased by 7% between 2019 and 2020. With the economic recovery underway, we are expected to end 2021 with an increase of 4.2% in revenues, still below pre-pandemic levels. Thankfully, due to the federal American Rescue Plan (ARP), passed in March of 2021, \$335 million in aid came to the City of Pittsburgh to help replace lost revenue and address other effects of the pandemic.

With this unprecedented influx of federal aid, Pittsburgh has a tremendous opportunity to recover and build towards a better, more equitable city. Despite the election of new leadership for 2022, Mayor Peduto and Pittsburgh City Council adopted a spending plan that allocated *all* ARP funds over the next four years with little public input and without regard to incoming leadership. State Representative Ed Gainey will be the next mayor of Pittsburgh and will have an opportunity to revisit allocations for funds that have not yet gone out the door.

While ARP funds will provide Pittsburgh with much-needed resources over the next few years, the city's operating fund is expected to see a 5% decrease in revenue by 2025. Over the next four years, Pittsburgh must find new, reliable, and recurring sources of revenue to address the budget shortfall and to fund critical programs. By ensuring the University of Pittsburgh Medical Center (UPMC) and other major, nonprofit institutions contribute their fair share to city revenues, and by seeking from the state legislature the freedom to tax income from wealth, the city can raise money to make up for the loss of ARP funds by 2025 and fund investments that make Pittsburgh more equitable.

The Mayor's Proposed 2022 Budget

Mayor Peduto is proposing a \$613.2 million operating budget in 2022, a 1.9% increase of the final 2021 budget approved over the summer after the city received ARP funds. The ARP funds allowed the city to retain more than 600 employees in danger of being laid off without federal aid, as well as hire for many of the city's unfilled positions. In this analysis, we focus on three main areas of funding: law enforcement, housing, and workforce development.

¹ Data Central, COVID-19 Vaccine Tracker—Allegheny County, PA, *Citizen Times* of Asheville, North Carolina, accessed at <https://data.citizen-times.com/covid-19-vaccine-tracker/pennsylvania/allegheny-county/42003/>.

Pittsburgh Bureau of Police

Pittsburgh has made progress on police reform since the summer of 2020 protests in response to George Floyd’s murder by a Minneapolis police officer—but the city still has a long road ahead to truly reimagine public safety and make lasting changes that ensure all of its communities are safe and secure.

- The City of Pittsburgh continues to rank high compared to other medium-sized cities for the number of police officers per 10,000 residents (8th of 77 in 2019, the latest available data) with twice as many officers per 10,000 residents (34 vs. 17) as the median for all 77 cities.
- FBI crime data for 2018 (the latest available) show that the city’s high police officer-to-population ratio is *not* due to a high crime rate. Among American mid-sized cities, Pittsburgh ranks in the middle for “violent crime” (47th percentile).
- Racial disparities in arrests are a growing problem in Pittsburgh. In 2016, 58% of all arrests in the city were of Black people, who make up 23% of Pittsburgh’s population. By 2021, the Black share of arrests had risen to 65%.
- One out of every five City of Pittsburgh Operating Fund dollars is proposed to go the Bureau of Police in 2022, a 4.7%, or \$5.45 million, increase from 2021, bigger than any other city department. If the mayor’s proposed budget passes, the Police Bureau’s share of the total Operating Budget will be at its highest level since 2016—nearly 20% compared to 18%.
- Since Mayor Peduto took office, the number of civilian personnel in the Police Department has declined 20% while the number of police officers has stayed constant. As a result more uniformed police officers now perform work that could be done by civilians, in some cases increasing use of overtime and city costs. And the new budget includes five new colonel positions at a cost of \$600,000/year. Since a reported 248 police officers are eligible for retirement this year, the new administration has an opportunity to rebalance department staffing as part of reimagining policing.
- The Office of Community Health and Safety’s charge is to respond to emergency calls for crises related to homelessness, addiction, mental health, or other issues not requiring response by an armed police officer and help people get connected to the services they need. In other cities, this civilian response model has been very successful because it 1) takes the pressure off uniformed police officers to have to respond to every emergency, 2) increases public safety by helping those in crisis get connected with needed resources, and 3) decreases instances of police violence and/or individuals getting funneled into the criminal justice system. The Office will hire six social workers in the new year before it begins responding to calls.

Affordable Housing

Affordable housing has become a bigger challenge for the city over the past decade, although there is new evidence of improvement in the past five years.

- The driving forces have included the persistent poverty and stagnant incomes of residents on the front lines of unequal growth and the largest sustained increases in housing and rental prices in decades.
- For some time during the pandemic—once federal rental assistance started flowing more smoothly—eviction moratoriums and rental relief programs kept most of the growing number of residents who were unable to pay rent stay in their homes.

- With eviction moratoriums lifted we are seeing a slight uptick in eviction filings. In the second week of November 2021, eviction filings in Allegheny County climbed to 187 or 75% of the historical average (2012-2019). This was a 47% increase in filings from the prior week when the Allegheny County moratorium expired. Emergency rental relief distribution and judges' willingness to delay hearings has provided some relief, but there remains a fear that this is the start of a wave of evictions.
- Mayor Peduto's 2022 budget proposes to spend \$39 million on affordable housing in the combined operating and capital budgets (5% of the city's total combined budget), including \$10 million for the Housing Opportunity Fund and \$17.5 million in American Rescue Plan funds.
- The city's current four-year spending plan for ARP money allocates approximately \$62 million, or 19%, of the total ARP funds towards housing. With only \$5 million dedicated for renters through the preservation of existing affordable housing, ARP funds are weighted more towards homeowners.

Workforce Development

- The city's workforce development efforts, primarily overseen by the workforce development board for the city and county, Partner4Work, is a bright spot. It is a national leader with a growing track record for deep engagement of employers in key industries and placement of participants in good jobs in construction, banking, information technology, and health care.
- Partner4Work and the Allegheny County Department of Human Services also increasingly aligning their services, including to enable single parents and people with literacy challenges and in recovery to navigate upwards towards family sustaining employment.

Recommendations

How to make the best use of ARP funds: Given the unprecedented opportunity ARP funds provide to the city, the new mayor should consider his mandate for change and re-examine ARP allocations. In particular, Mayor-Elect Gainey should

- reopen public comment/discussion about how the pandemic has most impacted the people of Pittsburgh and how ARP funds should best be used to address the impact.
- use the public input to create a spending plan that addresses these pressing needs, helping Pittsburgh to become a more equitable city.
- create more transparency by communicating with the public about how decisions were made, how public input was considered, how funding will address Pittsburgh's most pressing pandemic-related challenges; the city should also provide regular updates on the statuses of funding and projects.

How to address revenue shortfalls in 2025 after ARP funds run out:

- The city should make sure UPMC and other large, nonprofit institutions pay their fair share. UPMC continues to pay few property taxes because of its status as a purely public charity, which means the city is missing out on an estimated \$40 million in revenue every year.
- The city should join others across Pennsylvania and advocate for removing the "Harrisburg handcuffs"—state limitations on city taxing authority—allowing Pittsburgh to tax income from wealth. Currently, income taxes in Pittsburgh only tax income on wages and salaries, not on

“income from wealth,” such as dividends and capital gains, which are received primarily by the rich. As it stands today, state law does not permit the city to tax income from wealth at a higher rate, preventing Pittsburgh from ensuring people of means pay a fair share in taxes.

On policing: The city should:

- Identify and act on opportunities to redirect funds from the Police Bureau to other community priorities, including increased funding for the Office of Community Health and Safety and affordable housing.
 - If the Police Bureau were funded at the same level it was in 2016—that is, 18% of the operating budget—Pittsburgh could redirect more than \$10 million to other community priorities.
 - With 248 police officers eligible for retirement this year, there is an opportunity for City Council and the incoming mayor to rethink how to best staff the city’s Bureau of Police, Department of Public Safety, and Office of Community Health and Safety to make all our communities safe and secure but without layoffs (i.e., capitalizing on attrition).
- Continue to implement and update progress on the recommendations from the Community Task Force on Police Reform.
- Continue to build the Office of Community Health and Safety. Getting the Office of Community Health and Safety set up and operating smoothly should be a major priority for early 2022 so the city can pilot, refine, and iterate the program. Expectations are that more resources will be needed for the Office to meet the call volume it expects to have.
- Increase transparency on the budget regarding police expenditures.
- Strengthen civilian positions in the Police Bureau, including by raising wages and salaries, so the city can hire and retain civilian staff, and uniformed police officers no longer need to perform jobs that should be performed by trained civilians. At minimum, the city should aim to rehire to rest the 20% of the civilian staff complement lost during Peduto’s tenure.

On housing: Safe, affordable housing is a basic need for every Pittsburgher, yet there are great barriers for all residents, especially Black residents, to access, afford, and be able to stay in safe housing. The new mayor should:

- Create a housing czar position in the Mayor’s Office responsible for ensuring that city departments and the authorities responsible for housing and community development work together to achieve a unified vision for increasing affordable housing in the city and supporting renters and homeowners in need.
- Leverage the Pittsburgh Land Bank (PLB) and increase funding. A well-funded PLB can streamline the title process to move properties out of property reserve to eliminate blight.
- Establish a pre-filing eviction diversion program like Philadelphia’s. Philadelphia’s Eviction Diversion Program is for landlords with tenants who have had difficulty paying rent due to COVID-19 related hardships. It enables landlords and tenants to arrive at agreements that work for both parties without having to go to court. Benefits of diversion and mediation help tenants avoid eviction and landlords avoid vacancies and unit turnover costs.²

² City of Philadelphia, *PHL Eviction Diversion*, accessed December 8, 2021, <https://eviction-diversion.phila.gov/-/About>.

- Revisit American Rescue Plan fund allocations and use more for investments in affordable housing. Housing advocates asked the city to use 10% of Pittsburgh and Allegheny County ARP funds to preserve and produce 2,000 affordable housing units, 10% of the city's 20,000 shortage. The new administration should consider this proposal.
- Increase funding to the Housing Opportunity Fund. An increase to the HOF from the operational budget would ensure Pittsburgh could make meaningful advancements in housing for its low-income residents.
- Implement citywide inclusionary zoning. Adopting the Exploratory Committee's full recommendation of a 10% inclusionary affordability requirement citywide, with a 15% requirement in strong market areas. This would help ensure citywide development includes affordable housing measures.

On workforce development: The city should, in partnership with the county and Partner4Work (the city and county's workforce development board):

- Deepen and expand the sectoral workforce strategies overseen by Partner4Work so that more low-income and diverse populations can access family sustaining jobs and be great workers for Pittsburgh businesses.
- Leverage federal infrastructure and climate dollars to grow more good union jobs for a diverse workforce, including in construction and manufacturing.
- Continue to develop and diffuse support for businesses eager to embrace better organizational practices and improve their job quality, including to attract and retain people with barriers who can nonetheless succeed with more understanding and support.

INTRODUCTION

The city budget is a moral document—it shows who we are, what we value, and what our priorities are as a community. As we continue to face the COVID-19 pandemic and recession, Pittsburgh’s budget must respond to the city’s most pressing challenges. Prior to the pandemic, Black women and men in Pittsburgh had worse health, income, employment, and educational outcomes compared to the Black population in other cities.³ We know that many of these existing racial and economic disparities have been exacerbated in the pandemic.

However, with the influx of \$335 million in American Rescue Plan funds and an incoming mayoral administration, Pittsburgh can make transformative changes over the next four years to increase equity and transparency while engaging in a robust community engagement process.

The 2022 proposed budget and spending plan for the \$335 million in ARP funds was crafted by the outgoing administration, and the incoming mayor has an opportunity to rethink how these funds can better help those most in need during this crisis, including by increasing investments in affordable housing, rethinking public safety, and scaling effective city workforce development initiatives that place diverse and low-income Pittsburghers in family-sustaining jobs. At this turning point, we have an opportunity to ensure our shared values—access to affordable housing, living wages, and safe neighborhoods—are reflected in budget decisions that make Pittsburgh a more moral economy and city.

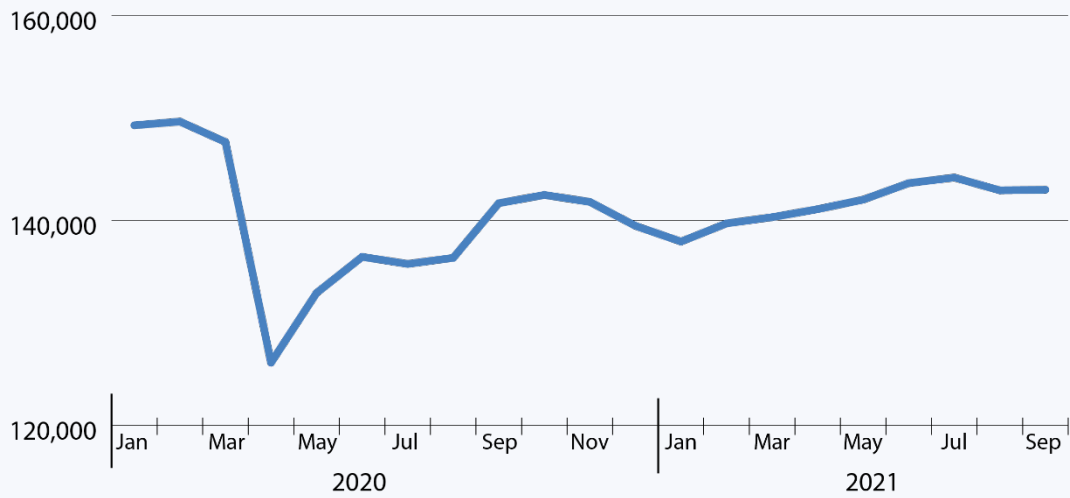
THE PITTSBURGH ECONOMY

Like the rest of the United States and Pennsylvania, the Pittsburgh economy was hit hard by the COVID-19 pandemic and the need for many businesses to close or scale back operations to slow the spread of the virus. COVID-19 mitigation measures and the rollout of the vaccine has slowed the spread of the virus, but we have also seen a slow recovery of the city’s economy. Employment in Pittsburgh has not yet returned to pre-COVID levels with only small gains made between September 2020 and September 2021 (an increase from 142,000 to 143,000; see figure 1).

³ City of Pittsburgh Gender Equity Commission, “Pittsburgh’s Inequality across Gender and Race,” *Gender Analysis White Papers*, by Junia Howell, Sara Goodkind, Leah Jacobs, Dominique Branson and Elizabeth Miller, 2019.

Figure 1

City of Pittsburgh Employment Has Not Returned to Pre-COVID Levels Increasing by Only 1% from September 2020 to September 2021



Source: Pittsburgh Budget and Policy Center based on Local Area Unemployment Statistics, <https://data.bls.gov/cgi-bin/dsrv?la>

Pittsburgh’s unemployment rate has declined close to pre-pandemic levels and has decreased by nearly three percentage points since the start of 2021. Pittsburgh’s preliminary unemployment rate in September 2021 was 5.1% compared to 8% in September 2020.

Figure 2

City of Pittsburgh Unemployment Rate Has Almost Reached Pre-Pandemic Levels Decreasing by 3% Overall This Calendar Year



Note: Data not seasonally adjusted.

Source: Pittsburgh Budget and Policy Center based on Local Area Unemployment Statistics, <https://data.bls.gov/cgi-bin/dsrv?la>

BUDGET OVERVIEW

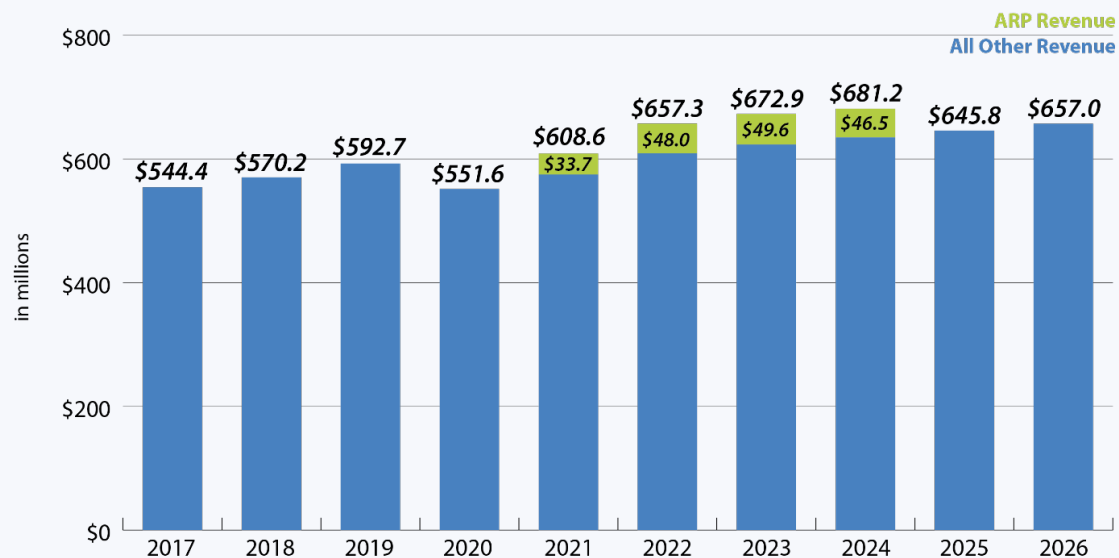
On Monday, November 8, 2021, Mayor Peduto submitted a proposed \$770 million combined operating and capital budget plan for 2022 with no tax increases. The proposed budget is comprised of a \$613.2 million operating budget and a \$158.6 million capital budget. This is a 1.5% (\$11.6 million) increase over the final 2021 operating and capital budgets. The mayor highlighted the investment of his 2022 proposed budget in infrastructure, affordable housing, public safety, and climate action.⁴

Revenue

Figure 3 shows Pittsburgh Operating Budget revenue between 2017 through 2021 and revenue projections through 2026. Revenues decreased 7% between 2019 and 2020 due to the pandemic. In 2021, the economy began to recover, and we are expected to end 2021 with a 4.2% increase in revenues from 2020 (to \$574.9, not considering ARP funds), leaving revenues still below pre-pandemic levels. Due to the federal American Rescue Plan passed in March 2021, however, city operating budget revenue is expected to grow each year from 2021 to 2024 pandemic. In figure X below, the orange part of the bars represents American Rescue Plan funds that are planned to be used in the Operating Budget in 2021, 2022, 2023 and 2024. As you can see, in 2025 there is a dip in expected revenue (5% or \$35 million) once the ARP money runs out.

Figure 3

Operating Budget Revenue Is Projected to Decrease by 5% (\$35 Million) in 2025 Due to No More ARP Money



Source: Pittsburgh Budget and Policy Center data analysis of Mayor Peduto's proposed 2022 budget and past budgets.

⁴ The City of Pittsburgh, "Mayor Peduto Submits Preliminary 2022 City Budgets," accessed September 30, 2021, <https://pittsburghpa.gov/press-releases/press-releases/5326>.

Pittsburgh’s operating budget consists of a variety of revenue sources totaling an expected \$657.3 million in 2022. Most city revenue (77%) comes from tax revenue. In 2022, the receipt of American Rescue Plan funds is the next largest source of revenue at (7%), followed by intergovernmental revenue (7%), charges for services (6%), and other revenue streams (figure 4).

Figure 4

Revenue Sources for City of Pittsburgh’s 2022 Proposed Operating Budget



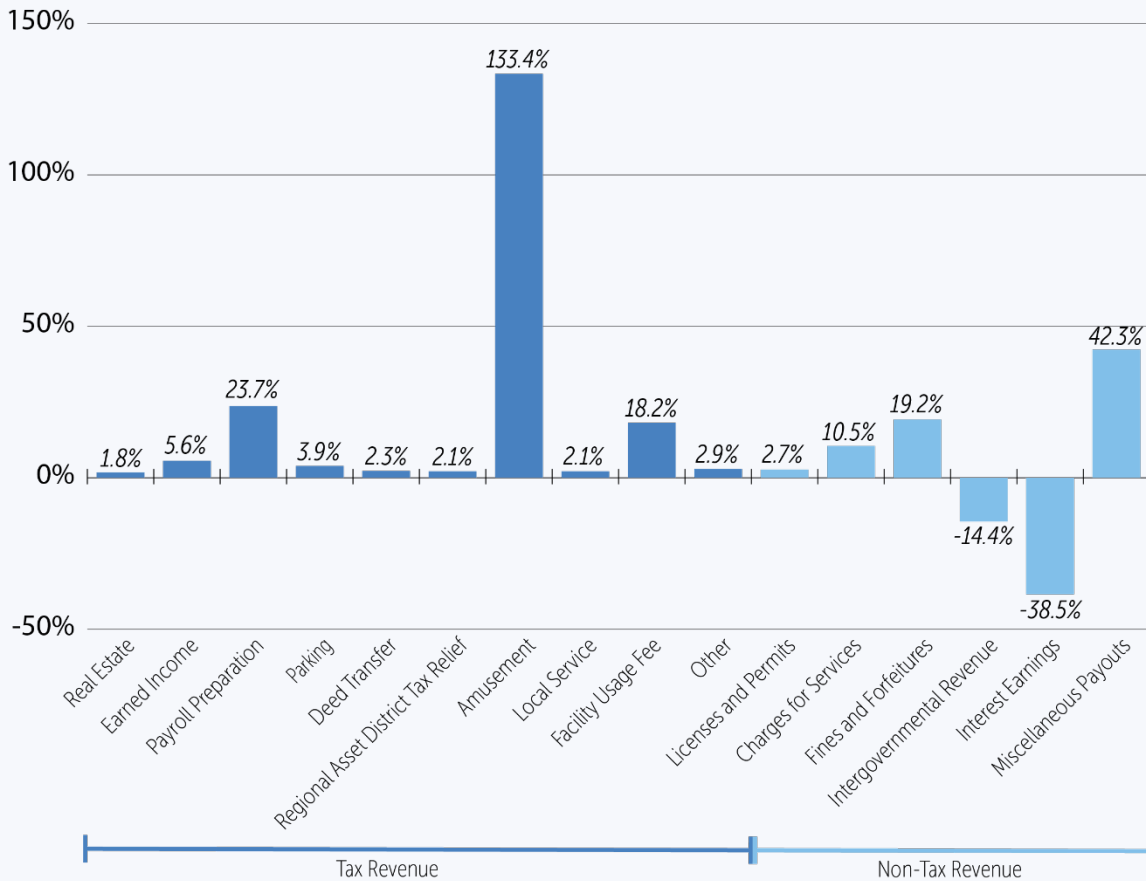
Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed 2022 budget.

Tax revenue, not including ARP funds, is projected to increase in 2022 by \$36 million from \$468.5 to \$504.6 million due to recovery from the COVID recession. In particular, a number of tax revenues, represented by the blue bars in figure 5 below, will increase substantially, including the amusement tax (increasing 133.4%), payroll preparation tax (increasing 23.7%) and facility usage fee (increasing by an estimated 18.2%). Due to the pandemic, the amusement tax, which is primarily collected at sporting events in the city, had fallen from \$15.6 million in 2019 to \$3.9 million in 2020 and \$7.3 million in 2021—so 2022 should see a marked increase as the economy continues to recover and people go out and watch sports again.

The light blue bars are non-tax revenues. The American Rescue Plan funds can be found in the “Miscellaneous Revenue” category, which will see an increase of 42.3%. Fines and forfeitures, mainly collections for violations like parking and traffic tickets, are expected to increase by 19.2%, and charges for services, rents or fees charged by many city divisions, by 10.5%. Interest earnings is a relatively small revenue source but is expected to decline by 38.5% as is intergovernmental revenue by 14.4%.

Figure 5

Percent Change by Revenue Source, 2021 to for 2022 Projected Revenue Change for Pittsburgh PA



Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto's proposed 2022 budget.

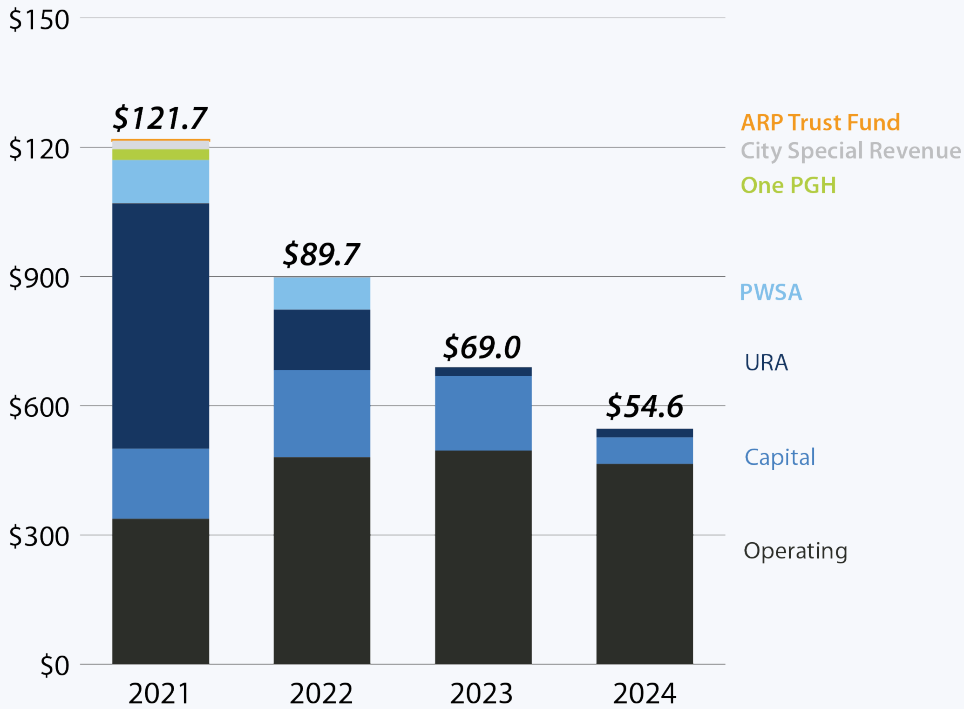
American Rescue Plan Funding and Spending Plan

The City of Pittsburgh passed a spending plan quickly, with very little public input, once the first tranche of American Rescue Plan dollars was received in June 2021.⁵ As figure 6 below shows, ARP money has been divided up over the next four years, with the most spending (\$121.7 million) earmarked for 2021. The largest chunk (\$25.6 million) of this year's ARP funds in the Operating Budget is being used to eliminate the anticipated workforce reduction—more than 600 city workers were slated for layoff in the absence of ARP funding or other federal funds. ARP money distributed to the Urban Redevelopment Authority (URA) is frontloaded in 2021—76% of the ARP funding that is going to the URA is earmarked for 2021. For a detailed chart on ARP allocations each year, see Appendix A.

⁵ Nthando Thandiwe, "Achieving a More Equitable Pittsburgh Budget: Treasury Guidance on How the City Can Use American Rescue Plan Funds," Keystone Research Center, July 14, 2021, accessed at https://krc-pbpc.org/research_publication/achieving-a-more-equitable-pittsburgh-budget-treasury-guidance-on-how-the-city-can-use-american-rescue-plan-funds/.

Figure 6

American Rescue Plan Allocations by Category for Pittsburgh, 2021-2024 (in millions)

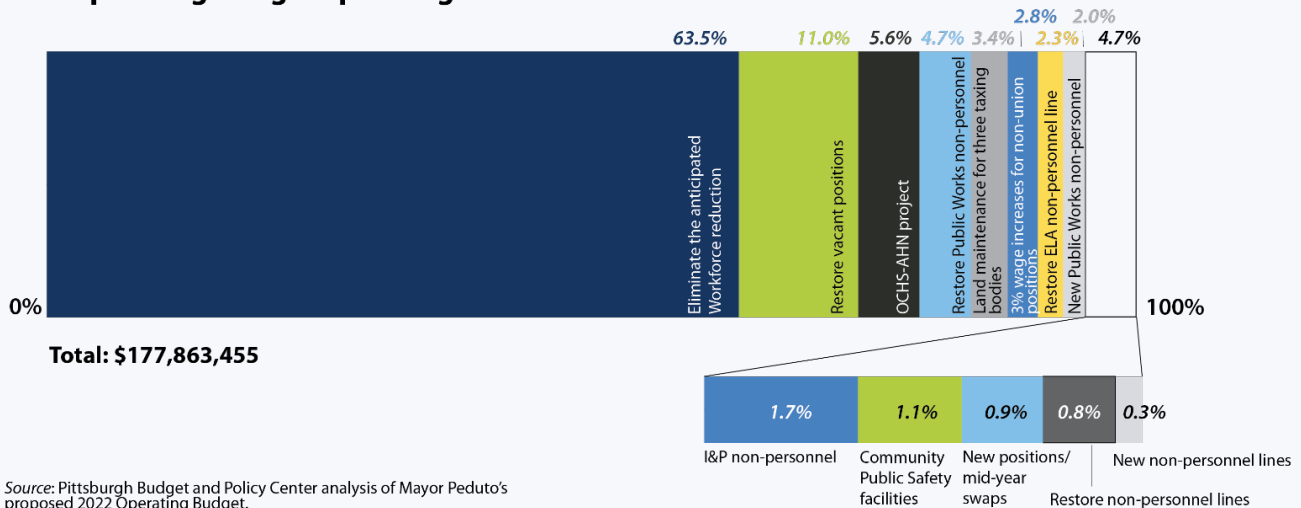


Source: Pittsburgh Budget and Policy Center data analysis of Mayor Peduto’s proposed 2022 budget.

The ARP spending breakdown for the operating budget is shown in the chart below. As you can see in figure 7, most of the funds—nearly 75%—will be spent on maintaining the city’s workforce (63.5%) and restoring vacant positions (11%).

Figure 7

ARP Operating Budget Spending Plan for 2021-2024



Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed 2022 Operating Budget.

The new administration should reexamine the ARP process and allocations to align with the priorities of Pittsburgh's most impacted communities: The Treasury guidance for the American Rescue Plan urges local governments to engage their constituencies to better understand how the pandemic has impacted vulnerable communities and to get feedback on the best ways to spend ARP funds. These funds provide Pittsburgh with a tremendous opportunity to address the impact of the pandemic while beginning to address the longstanding racial and economic inequities that exist in our city. Mayor Peduto, even though he will leave office in January 2022, pursued an ARP spending plan that earmarked *all* of the ARP money for a 42-month period from mid-2021 to 2024, 36 months of which would be under a new mayor. The ARP spending plan was passed with little more than a weak nod towards public input. Once he enters office, mayor-elect Ed Gainey will have the opportunity to revisit the 2022 budget along with the ARP spending plan, using a robust public input process.

To date, the only ARP money that has been moved out of the trust fund is \$33 million going to the 2021 operating budget and \$16 million in the 2021 capital budget. While City Council has approved the transfer of all four years of spending to the URA, Pittsburgh Housing Authority, the Pittsburgh Sewer and Water Authority, and OnePGH, those transfers have not yet occurred and are awaiting cooperative agreements to be finalized through the City Controller's Office. This leaves \$285 million in ARP funds to be revisited by the next administration.

The new administration should:

1. Reopen public comment/discussion about how the pandemic has most impacted the people of Pittsburgh and how ARP funds should best be used to address the impact of the pandemic.
2. Use this input to create a spending plan that addresses these pressing needs, helping Pittsburgh to become a more equitable city.
3. Create more transparency and communications with the public about how decisions were made, how public input was considered, and how funding will be used to address Pittsburgh's most pressing challenges related to the pandemic. It should also provide regular updates on the status of funding and projects.

For more information on what local governments should consider in allocating their ARP funds, see this [report](#).

The City of Pittsburgh must find new recurring sources of revenue to address the expected 2025 budget shortfall and fund critical programs.

The American Rescue Plan funds provide critical support for the City of Pittsburgh as it recovers from the COVID pandemic. But, as shown above, ARP funds will run out by 2025 with operating budget funds expected to decrease by 5%. With a new mayor coming in, Pittsburgh has a real opportunity to move forward with a plan to bring in revenue over the next three years, so that by 2025, we have new and reliable sources of revenue available to address the city's most pressing needs.

The city should:

Make sure UPMC pays its fair share. UPMC is the largest non-governmental employer in Pennsylvania and in Pittsburgh, employing 85,000 people.⁶ In 2020, UPMC had excess revenue of \$1.07 billion, up from \$420 million in 2019, a roughly 250% increase in the first year of the pandemic.⁷ Despite this, UPMC continues to pay few property taxes because of its status as a purely public charity. This status allows the medical center to avoid \$40 million in taxes each year⁸, as well as receive favorable terms when financing its own development. In 2020, Jeffrey Romoff, the outgoing president and CEO of UPMC, received \$9.5 million in pay and benefits.⁹ Meanwhile the healthcare workers he employs often face low pay, little job security, a lack of a voice in the workplace, and ironically, little access to the health care they provide.¹⁰ Romoff takes home 115 times as much pay as the average employee of UPMC.¹¹

In 2013, Mayor Ravenstahl brought a lawsuit against UPMC to challenge its charitable status, which exempts the organization from paying Pittsburgh's property and payroll taxes. Under Pennsylvania's constitution (Article VIII, section 2(a)(v)), businesses cannot be exempt from paying state taxes unless they qualify as an "institution of purely public charity."¹² This is a stricter legal standard than the federal Internal Revenue Service (IRS) 501(c)(3) standard—so 501(c)(3) organizations can be exempt from paying federal taxes but still be required to pay state and local taxes in Pennsylvania.

In the lawsuit, the City of Pittsburgh argued that UPMC did not meet the requirements of a five-pronged legal test to qualify as a purely public charity in Pennsylvania. Institutions must meet **all five** criteria to pass the so-called "HUP test" named after *Hospital Utilization Project v. Commonwealth*, 487 A.2d 1306 (Pa. 1985) in which the criteria were determined: 1) advance a charitable purpose, 2) donate or render gratuitously a substantial portion of its services, 3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity, 4) relieve the government of some of its burden, and 5) operate entirely free from a private profit motive. An Allegheny County analysis found that UPMC might not meet these requirements, especially the requirement to operate free from a private profit motive.¹³

As a mayoral candidate, city councilman Bill Peduto promised to continue with the lawsuit. But once elected, he dropped it. Rather than challenging UPMC's charity status, Mayor Peduto said he would get UPMC to pay its fair share by setting up an urban wealth fund called OnePGH to which UPMC, Highmark, the University of Pittsburgh, and Carnegie Mellon would contribute.

In the subsequent seven years, none of these entities donated to the fund. In the midst of a competitive 2021 primary, however, Mayor Peduto announced "commitments" from UPMC, Highmark Health, the University of Pittsburgh, and Carnegie Mellon University totaling \$115 million over five years. UPMC agreed to invest \$40 million for affordable housing over five years, which is approximately what it would

⁶ Branko Marcetic, "The Hospital That Held a City Hostage," *Jacobin*, September 30, 2018, accessed at <https://jacobinmag.com/2018/09/pittsburgh-upmc-hospital-single-payer-amazon>.

⁷ Rich Lord, "At UPMC, the money kept coming in, even when the patients didn't," *PublicSource*, May 21, 2021, accessed at <https://www.publicsource.org/upmc-pittsburgh-romoff-revenue-covid-pandemic-coronavirus-tax-exempt-gainey/>.

⁸ Pittsburgh United, "Hidden in Plain Sight: The Cost of UPMC Tax Exemptions," 2012.

⁹ Rich Lord, *PublicSource*.

¹⁰ Moshe Z. Marvit, "UPMC Drives Largest Anti-Union Campaign in Pittsburgh," The Century Foundation, ND, accessed at https://posting.pghcitypaper.com/media/pdf/marvit_upmc_report_2_.pdf.

¹¹ Rich Lord, *PublicSource*.

¹² Allegheny County, "2013 Exempt Status Review: "HUP Test" Cover Sheet." February 28, 2013.

¹³ Allegheny County, "2013 Exempt Status Review."

owe in taxes each year if it paid them. Unlike tax revenue, the funds would be controlled by a nonprofit with an independent board, meaning their use would not be accountable to the public.

In four other Pennsylvania municipalities, UPMC contributes to local revenues through so-called PILOT (“payment in lieu of taxes”) payments which equal about 40%-55% of what it would pay in property taxes as a for-profit.¹⁴ In some cases, these PILOT payments pre-date UPMC’s acquisition of local hospitals or health care systems. The PILOTs in Williamsport and Lockhaven were approved just in the last year or so. These PILOTs provide important examples of successful negotiations with UPMC.

Moving forward, there is real potential for UPMC to contribute meaningful revenues to the City of Pittsburgh and its school district by 2023 or 2024 as American Rescue Plan funds to the city run out. Any taxing authority can reinstate the lawsuit challenging UPMC’s tax exempt status or negotiate payment in lieu of taxes. Local tax revenue from UPMC and other large institutions could enable Pittsburgh to sustain investments in communities that started with ARP funds.

Mayor-Elect Gainey made clear in his campaign and after being elected that this is a priority for him, although he did not say whether he will reinstate the lawsuit challenging UPMC’s charitable status or seek to negotiate contributions without a lawsuit. Gainey has said this will be a key focus of his administration because “the city needs the tax revenue...” to address “disparities in this city.”¹⁵

Advocate to take off the “Harrisburg handcuffs” so Pittsburgh can tax income from wealth: States and localities rely primarily on three types of taxes to raise revenues: sales, property, and income taxes. Both sales and property taxes are regressive, which means they take a bigger bite out of the income of low-income people than middle-income and a bigger bite out of the income of the middle class than the rich.

In some states and cities, graduated income taxes—through which richer families pay higher rates on incomes above certain levels—offset the regressive character of sales and property taxes to create an overall state or city tax system that is less unfair. But Pennsylvania and its localities are constitutionally prohibited from enacting graduated income taxes. Worse, the income taxes in many Pennsylvania localities, including Pittsburgh, are imposed primarily on the income of wage and salary earners—on “earned income”—while many kinds of “unearned” income, or “income from wealth,” received primarily by the rich (e.g., capital gains and dividends), are not taxed at all. This results in the top 1% of income earners in Pittsburgh paying a lower share of their income on local taxes than every other income quartile—in fact, the top 1% pay about half the share of what middle-income Pittsburghers pay. Pittsburgh could solve this problem by implementing a 1% tax rate on currently untaxed dividends, capital gains and other unearned income (components of income from wealth), raising an estimated \$14 million per year in additional revenue. Alternatively, a 2% tax rate on income from wealth (both the components already taxed at 1% and the components not currently taxed) would raise about \$33 million more in taxes per year. Since state law specifies city taxing authority, however, we need new state legislation to permit the city of Pittsburgh (and other cities) to tax income from wealth at higher rates.

¹⁴ Jonathan D. Silver, “UPMC among nonprofits eager to avoid paying property taxes,” *Pittsburgh Post-Gazette*, September 26, 2012, accessed at: <https://www.post-gazette.com/news/health/2012/09/26/UPMC-among-nonprofits-eager-to-avoid-paying-property-taxes/stories/201209260169>; *The Record Online*, “KCDS Okays Payment in Lieu of Taxes for UPMC Lock Haven Hospital,” December 4, 2020, accessed at: <https://therecord-online.com/site/archives/64738>; City of Williamsport, PA, Resolution #9094, January, 7, 2021, <https://www.cityofwilliamsport.org/wp-content/uploads/formidable/10/9094.pdf>.

¹⁵ Jon Delano, “Who is Ed Gainey, Pittsburgh’s 1st Black Mayor?” KDKA, November 3, 2021, accessed at: <https://pittsburgh.cbslocal.com/2021/11/03/who-is-pittsburgh-mayor-elect-ed-gainey/>.

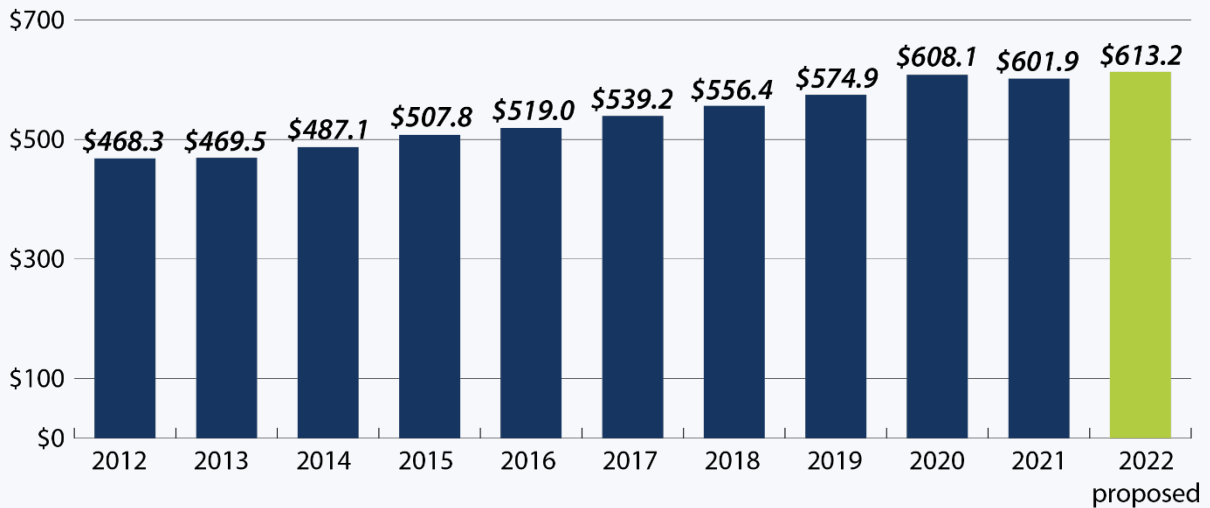
Expenditures: Operating Budget

Mayor Peduto is proposing a \$613.2 million operating budget in 2022, a 1.9% increase over the final 2021 budget, approved over the summer after the City of Pittsburgh received ARP funds. While this is an increase in nominal terms, inflation between October 2021 and October 2022 was 6.2%,¹⁶ which means the budget increase is not keeping up with inflation this year.

Figure 8

Mayor Peduto Proposes a 2022 Operating Budget With a 1.9% Increase in Spending from 2021

City of Pittsburgh Operating Fund expenditures over time, 2012-2021 (in millions)



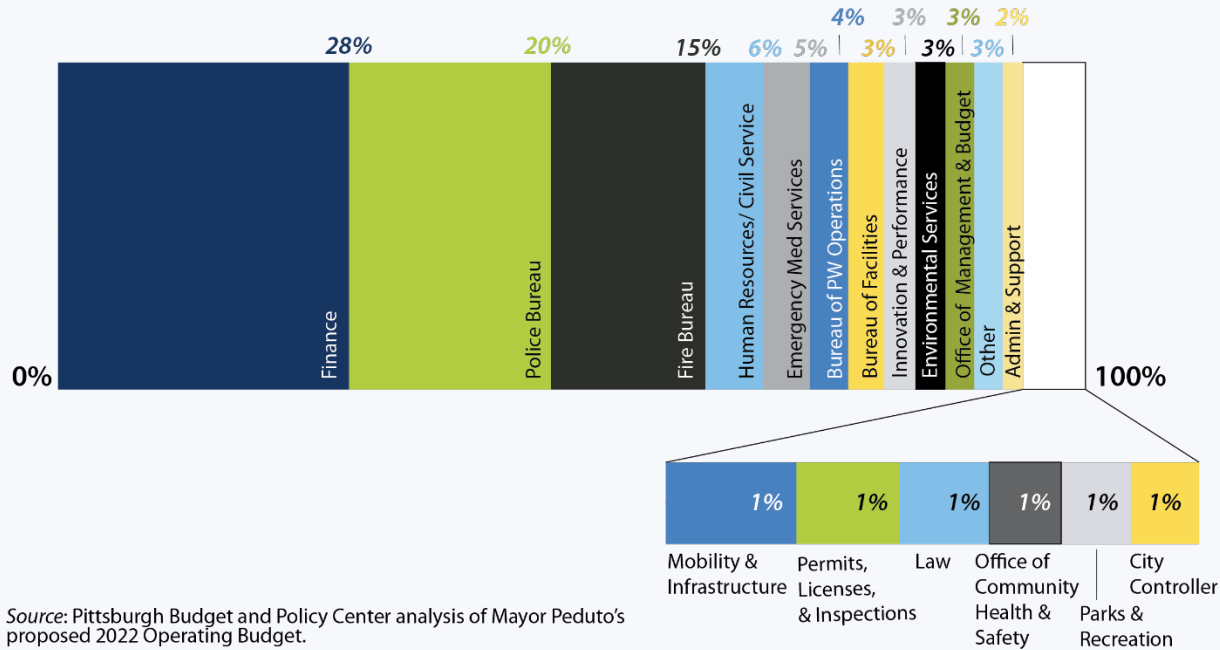
Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto's proposed 2022 Operating Budget.

The Department of Finance is the department with the largest budget, \$173.6 million. This is partly due to the inclusion of pension funds. The department with the second largest budget is the Police Bureau with a \$120.6 million proposed budget in 2022, followed by the Fire Bureau with a \$92 million proposed budget. Together, these three departments make up nearly two-thirds (63%) of the city's total operating budget.

¹⁶ Bureau of Labor Statistics, "Economic News Release: Consumer Price Index Summary," November 10, 2021, accessed at: <https://www.bls.gov/news.release/cpi.nr0.htm>.

Figure 9

City of Pittsburgh 2022 Proposed Budget Expenditures, by Department



Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed 2022 Operating Budget.

Figure 10 below shows the percentage change from the final 2021 budget to Mayor Peduto’s proposed 2022 budget. The largest percentage decrease in funding in 2022 is the Bureau of Administration (in the figure below) in the Department of Public Safety, which will see a 31% decrease.¹⁷ The largest percentage increase from last year is in funding for the Office of Community Health and Safety (not shown because the increase was over 250 times (or 25,000%) from \$20,000 to \$5.07 million. (These funds have been transferred from the Public Safety Bureau of Administration to the Office of Community Health and Safety, the transfer accounting for the largest percentage decrease and increase, respectively, of these departments.)

The next largest increase from last year is in the Department of Public Works, Bureau of Administration, which is seeing a 27.8% increase from last year. This is due to expanding positions, salary and benefit increases and additional funding for workforce training.

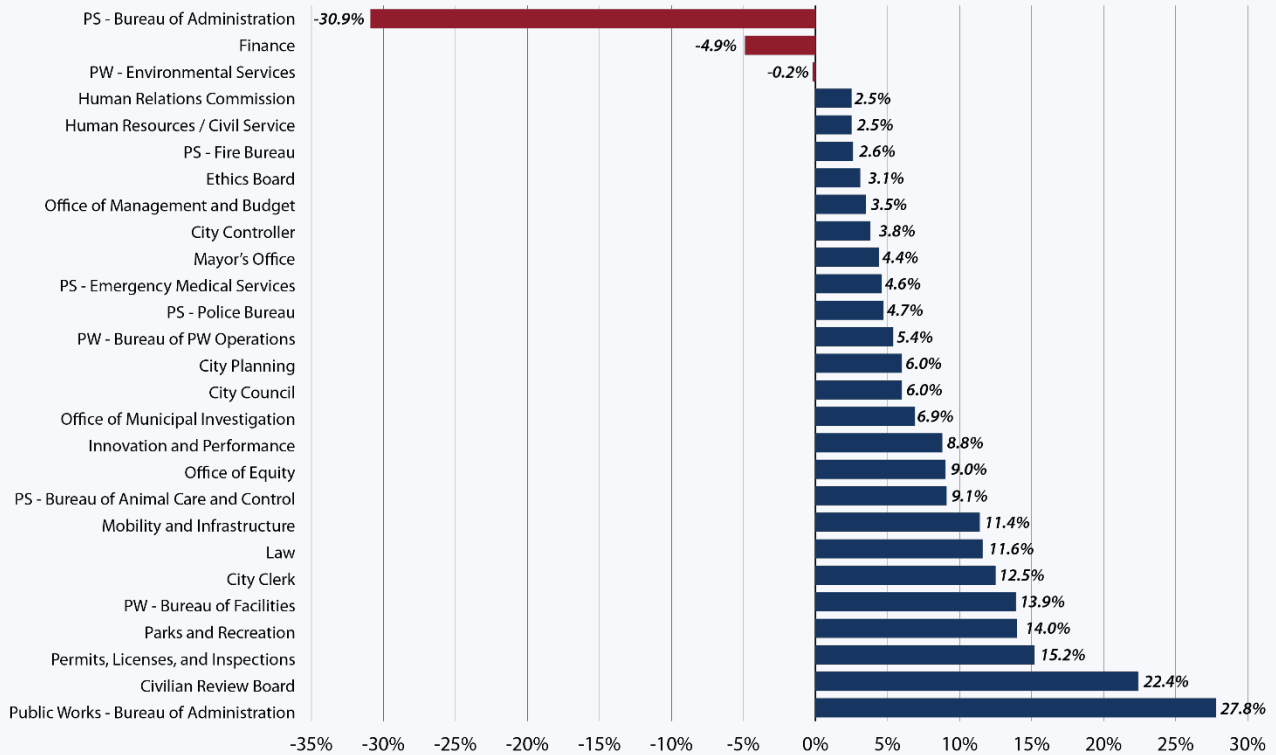
Another department with a significant budget increase is the Citizen Police Review Board, which is seeing an increase of 22.4%. The Citizen Police Review Board is made up of seven members appointed by the mayor. City Council presides over the work of the staff and determines final dispositions of cases. The purpose of the board is the “provide independent review of the conduct of the Pittsburgh Bureau of Police.” Funding has increased largely due to a new community advocate and an additional investigator position being added to the budget.

¹⁷ There are increases in the Public Safety Bureau of Administration this year in the areas of salaries, benefits, and professional and technical services, but the large decrease is due to the elimination of a \$5.76 million grant.

Figure 10

Percent Change Proposed in Mayor Peduto’s 2022 Operating Budget

Proposed change in funding from 2021 to 2022.



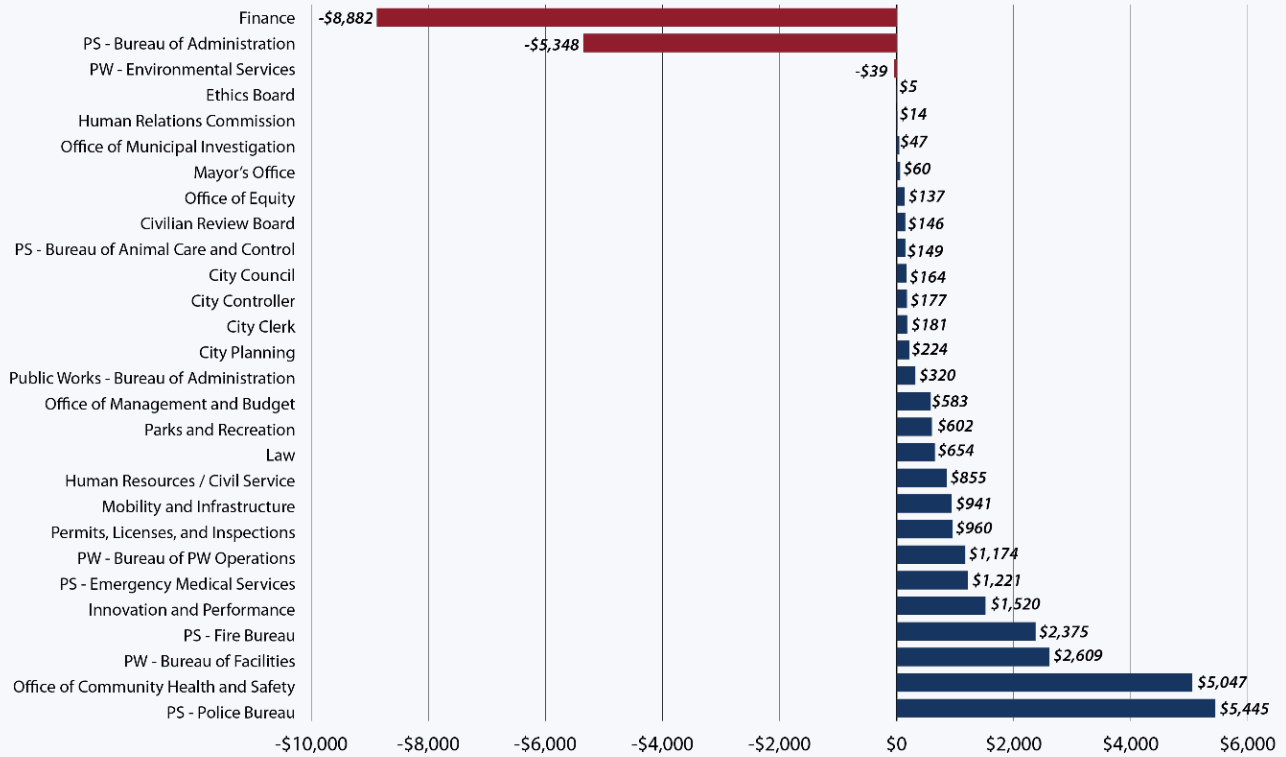
Note: Not included is the newly created Office of Community Health and Safety (OCHS) that was funded in part through ARP money that transferred \$5 million into the office. This increase was a 25,000% increase over the \$20,000 funding levels in the 2021 budget. It is important to note that the OCHS is funded at a percentage of the Police Department budget, also increased by a large dollar amount.
 Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed 2022 Operating Budget.

While the above figure shows the percentage change between 2021 and 2022, figure 11 shows the change in dollar amount. This year, the Police Bureau is seeing an *increase* of \$5.45 million, the largest dollar increase in its budget compared to other departments. The Office of Community Health and Safety is seeing a large dollar increase as well—last year, much of the funding for this program was through the Public Safety Bureau of Administration; this year it is going directly to the Office itself.

The large decrease in the Department of Finance (DOF) is primarily due to the transfer of \$10 million for the Housing Opportunity fund out of the DOF and into the five-year forecast.

Figure 11

Dollar Amount Change Proposed in Mayor Peduto’s 2022 Operating Budget Compared to 2021 (in thousands)



Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed 2022 Operating Budget.

Pittsburgh’s Bureau of the Police

In October 2021, Jim Rogers, a 54-year-old Pittsburgh man believed to be homeless, died after being tased by police. The incident took place in Bloomfield after Mr. Rogers had taken a bike for sale for \$50 for a ride before bringing it back. Police say he became “non-compliant” when being questioned. WPXI reported that neighbors who saw the incident were horrified by what was happening to a “clearly mentally ill, homeless man.”¹⁸ This brought the issue of police brutality and unnecessary force back to the forefront in Pittsburgh, once again, after a year of ongoing protests following the death of George Floyd in May 2020 and calls for police reform.

Since the 1960s, there has been an ongoing debate about how best to address poverty and racial segregation in cities across the U.S.: should we expand the social safety net or deepen mechanisms of social control?¹⁹ As we can see, through greater investments in police departments and growing

¹⁸ Amy Hudak and Sarafina James, “Man dies after arrest in Pittsburgh’s Bloomfield, neighbors say police used excessive force,” WPXI, October 15, 2021, accessed at: <https://www.msn.com/en-us/news/crime/people-in-pittsburgh-s-bloomfield-neighborhood-shaken-say-police-used-excessive-force-in-arrest/ar-AAPuwyD?ocid=BingNewsSearch>.

¹⁹ Emily Badger and Quoc Trung Bui, “Cities Grew Safer. Police Budgets Kept Growing,” *The New York Times*, June 12, 2020, accessed at: <https://www.nytimes.com/interactive/2020/06/12/upshot/cities-grew-safer-police-budgets-kept-growing.html>.

incarceration rates, the second approach has largely won out since 1980.²⁰ One result of a diminishing social safety net was the criminalization of poverty and a reliance on police to address problems exacerbated by austere social and human service budgets. Cuts to social services and a shrinking welfare state led to police taking on a growing set of roles, including as frontline responders in situations involving substance use, homelessness, and mental health.²¹

In Pittsburgh, this means that today we inherit a Police Bureau that is being asked to be first responders to all the city's crises, even if the training and skills of police don't get to the root of the problems many people in crisis face—homelessness, addiction, mental illness, and poverty. Re-envisioning public safety to prioritize getting help to people who need it most, without funneling them into the criminal justice system, is a smart direction for the City of Pittsburgh. The traditional approach has filled our jails but moved us no closer to solving the social and economic crises that many people face. Last year, Councilmember Erika Strassburger highlighted the fact that in the top five 911 calls in Pittsburgh were calls related to parking complaints and traffic stops. She recommends that we send trained civilians to deal with these common 911 calls, as well as incidents related to homelessness, addiction, and mental health, rather than always relying on armed police officers.²²

In fact, the city is moving in this direction—but it still has a way to go. In response to public pressure for police reform, Mayor Peduto created a Community Task Force on Police Reform in the summer of 2020. This task force released a report, including recommendations, and there are a number of police reforms that are moving forward or have been completed.²³ The city has created a new Office of Community Health and Safety to provide additional, trained response personnel—social workers—to work with the Department of Public Safety on emergency calls. This Office is not yet functional and responding to 911 calls, but it is on its way. Other changes over the last year and a half include many bills sponsored by Councilmen Daniel Lavelle and Ricky Burgess that have passed. They include:

- “Duty to intervene” requiring sworn police employees and officers to stop or attempt to stop another employee or officer from applying inappropriate force.²⁴
- Prohibiting the acquisition of military equipment or weaponry for the city without City Council approval.²⁵

²⁰ Polly Mosendz and Jameelah D. Robinson, “While Crime Fell, the Cost of Cops Soared,” *Bloomberg Businessweek*, June 4, 2020, accessed at: <https://www.bloomberg.com/news/articles/2020-06-04/america-s-policing-budget-has-nearly-tripled-to-115-billion>.

²¹ Badger and Bui, 2020.

²² Councilperson Erika Strassburger, “Public Safety Reforms for Pittsburgh,” accessed at: https://apps.pittsburghpa.gov/redtail/images/12445_Councilperson_Strassburger_Public_Safety_Reform_Version2.pdf.

²³ Pittsburgh Community Taskforce for Police Reform, “Pittsburgh Community Taskforce for Police Reform” report, October 2020, accessed at: https://apps.pittsburghpa.gov/redtail/images/11740_Community_Task_Force_on_Police_Reform_October_2020_Report.pdf.

²⁴ The City of Pittsburgh – Legistar, “File #2020-0405,” accessed at: <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4564787&GUID=27937122-0773-4F2F-9D3B-478F39436736&Options=ID%7CText%7C&Search=duty+to+intervene>.

²⁵ The City of Pittsburgh – Legistar, “File #2020-0406,” accessed at: <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4564788&GUID=19060DE0-B5D2-4382-8122-BCA5CD6B2397&Options=ID%7CText%7C&Search=surplus>.

- Directing the city controller to transfer \$250,000 from police salaries (police recruit allowances) to the Stop the Violence Fund in the 2020 Operating Budget.²⁶
- Prohibiting the Pittsburgh police from using chokeholds.²⁷
- Added a referendum on the ballot (passed in November 2020) that expands the powers of the city’s Citizen Police Review Board—now requiring police officers to participate in investigations and allowing the board to conduct performance audits and other changes.²⁸ The mayor’s 2022 budget proposes funding for an additional investigator and a new position for community advocate.²⁹
- The Bureau of Police will be required to publish data about certain incidents with breakdowns by gender, race, and other demographics. This includes information on pedestrian stops, use of force and physical restraints, traffic stops, misdemeanor and felony arrests, citations, etc.³⁰

In May 2021, the city created a [webpage \(https://pittsburghpa.gov/police/task-force-police-reform\)](https://pittsburghpa.gov/police/task-force-police-reform) that tracks the recommendations from the Community Task Force on Police Reform, the Bureau of Police’s planned response and a timeline for completion (some are already completed, others have a timeline and some recommendation do not yet have a timeline assigned³¹ This is an important step forward in making sure the Task Force recommendations are taken seriously, the city acts upon them, and the actions are transparent to the public.

How does the Pittsburgh Police Bureau compare to those in other cities?

Data from 2019 shows that, compared to other medium-sized cities (cities with a population between 200,000 and 500,000 residents), the City of Pittsburgh ranks high in the number of police officers per 10,000 residents. In 2019, Pittsburgh had 33.7 officers per 10,000 residents, compared to the median of 17 officers for other medium-sized cities.³² Compared to other medium-sized cities, Pittsburgh ranks 8th out of 77 for number of police officers per 10,000 residents, up from 9th in 2018 due to both an increase in the number of officers and a small decrease in population. Out of the 1,507 jurisdictions with at least 25,000 residents, Pittsburgh ranks 27th, putting the city in the top 1.8% of the most heavily policed jurisdictions in the United States.

²⁶ City of Pittsburgh – Legistar, “File # 2020-0410,” accessed at: <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4564789&GUID=4599AB4B-22F5-4B5A-95F2-95C0F7C2ACBE&Options=ID%7cText%7c&Search=stop+the+violence>.

²⁷ City of Pittsburgh – Legistar, “File #2020-0487,” accessed at: <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4580754&GUID=B973DC71-BE64-41C4-B0FE-0F50E7D5C753&Options=ID%7CText%7C&Search=chokehold>.

²⁸ City of Pittsburgh – Legistar, “File #2020-0447,” accessed at: <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4577852&GUID=55BF9BC5-0B43-4CA1-A7AF-AAAF987AE821&Options=ID%7CText%7C&Search=referendum&FullText=1>.

²⁹ Mayor Bill Peduto, “2022 Operating Budget and Five Year Plan,” City of Pittsburgh, November 8, 2021, accessed at: https://apps.pittsburghpa.gov/redtail/images/16355_2022_Operating_Budget_-_November.pdf, see p. 244.

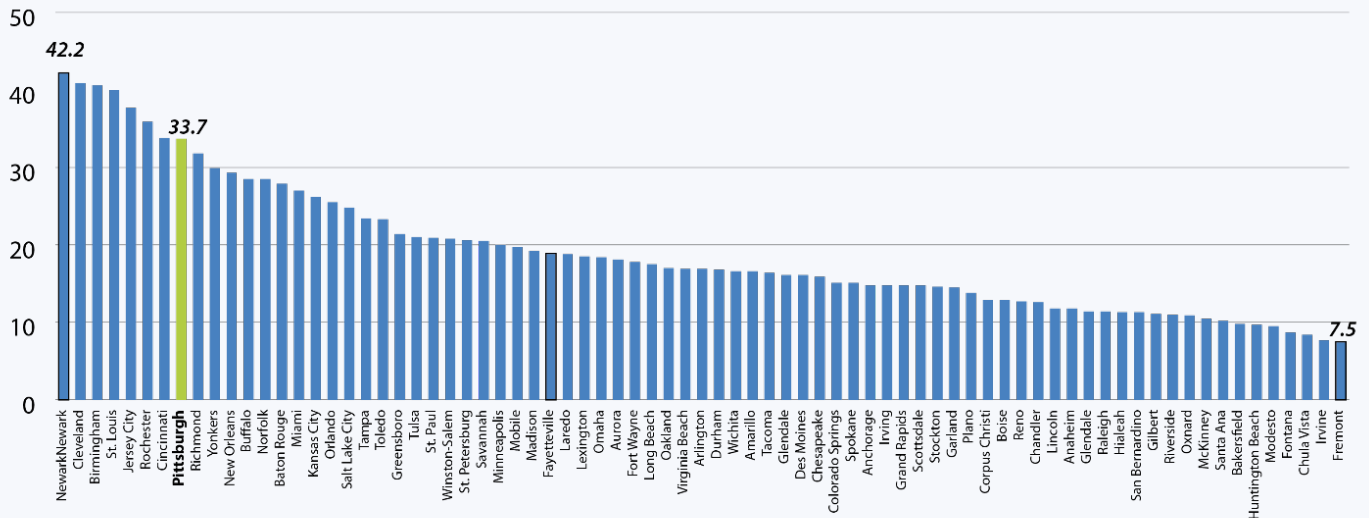
³⁰ WPXI, “Pittsburgh police now required to publish incident data with race, gender breakdowns,” October 27, 2021, accessed at: <https://www.wpxi.com/news/top-stories/pittsburgh-police-now-required-publish-incident-data-with-race-gender-breakdowns/JWVNIVLQGNHCJEVY26G2RNDYGE/>.

³¹ Hallie Lauer, “New Pittsburgh police website tracks changes on reform,” *Pittsburgh Post-Gazette*, May 3, 2021, accessed at: <https://www.post-gazette.com/news/crime-courts/2021/05/03/pittsburgh-police-reform-task-force-website-track-data-changes/stories/202105030127>.

³² Data from the FBI’s Uniform Crime reporting data, accessed at <https://ucr.fbi.gov/crime-in-the-u.s/2019/crime-in-the-u.s.-2019/topic-pages/tables/table-78/table-78.xls/view>.

Figure 12

Number of Police Officers Per 10,000 Residents for Medium-Sized Cities, 2019



Note: Medium sized cities are considered cities with a population between 200,000 and 500,000. Source: Pittsburgh Budget and Police Center analysis of FBI Uniform Reporting database, Table 78: <https://ucr.fbi.gov/crime-in-the-u.s/2018/crime-in-the-u.s.-2018/tables/table-78/table-78.xls/view>

Pittsburgh, however, is not heavily policed because it has a high crime rate. In last year’s budget analysis, we examined violent crime and all crimes in Pittsburgh compared to other medium-sized cities. Unfortunately, the data for Pittsburgh were not available for 2019 so we are unable to update this analysis.³³ Relying on data from 2018, however, Pittsburgh is in the middle of the pack for medium-sized cities, ranking 37th out of 79 cities for violent crime (47th percentile) and 39th out of 79 cities for all crime.³⁴ If Pittsburgh ranked in the middle of the pack for number of police officers per 10,000 residents, we would have about 17 officers per 10,000 residents, not 34.

In the Pittsburgh Community Taskforce for Police Reform report, released in 2020, the task force identified racial disparities as a significant problem in Pittsburgh policing. They reference Pittsburgh Bureau of Police data that show racial disparity “remains the rule rather than the exception in 2020 and the situation is not improving: it is getting worse.”³⁵ While disparities do not always indicate discrimination, these trends are disturbing. Looking at arrest data over time (figure 13), we see this trend of worsening racial disparities. In 2017, Black people made up 57.8% of all arrests in the city, despite making up only about 23% of the city’s population. That share steadily rose to its peak in 2020 at 65.3% of arrests. Data for 2021 show a slight decrease, but rather than being a full year’s data it ends in the beginning of November 2021. This increase in racial disparities comes at a time when the share of

³³ Data from the FBI’s Uniform Crime reporting data, accessed here, does not have 2019 data for Pittsburgh, PA: <https://ucr.fbi.gov/crime-in-the-u.s/2019/crime-in-the-u.s.-2019/tables/table-8/table-8-state-cuts/pennsylvania.xls>.

³⁴ FBI Uniform Crime Reporting, 2018 data, Table 8, accessed at <https://ucr.fbi.gov/crime-in-the-u.s/2018/crime-in-the-u.s.-2018/tables/table-8/table-8.xls/view>.

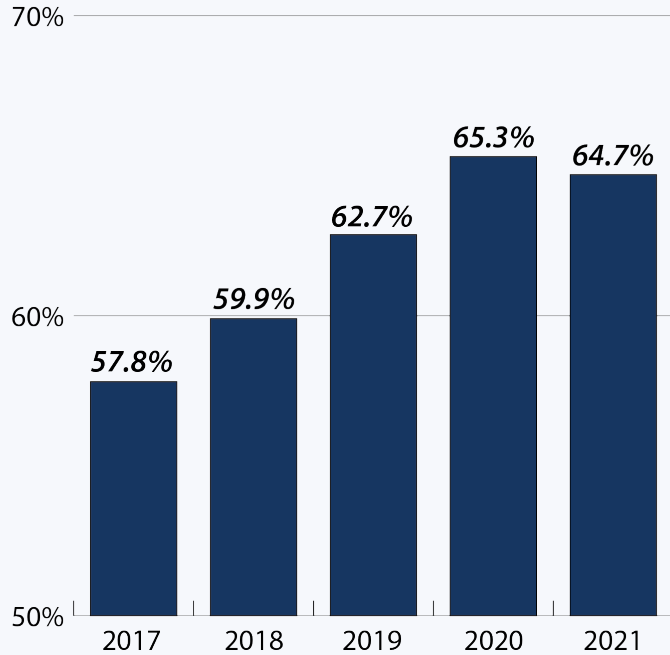
³⁵ “Pittsburgh Community Taskforce for Police Reform,” accessed at: https://apps.pittsburghpa.gov/redtail/images/11740_Community_Task_Force_on_Police_Reform_October_2020_Report.pdf.

Black people is declining in the city: between 2010 and 2020, the share of Black people in Pittsburgh declined 13.4%.³⁶

Figure 13

Black People Make Up a Disproportionate Share of Total Arrests in Pittsburgh and the Share Has Been Rising

Black percentage of total arrests, 2016 to 2021



Source: Pittsburgh Budget and Policy Center analysis of Western Pennsylvania Regional Data Center data on Pittsburgh arrests. Accessed at: <https://data.wprdc.org/dataset/arrest-data>

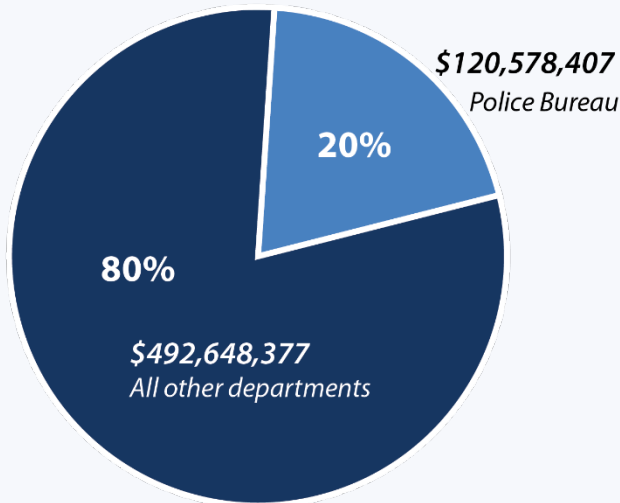
City of Pittsburgh's Police Budget

The Pittsburgh Bureau of Police is the second-largest department in the City of Pittsburgh, smaller only than the Department of Finance. One out of five City of Pittsburgh Operating Fund dollars is proposed to go to the Bureau of Police in 2022.

³⁶ Charlie Wolfson, "2020 Census: Pittsburgh's slight decline came with 'massive' demographic shifts in 2010s: The city's Black population dropped 13% while its Asian, Hispanic and multi-racial counts went up.," *PublicSource*, August 13, 2021, accessed at: <https://www.publicsource.org/pittsburgh-allegheeny-county-census-2020/>.

Figure 14

1 Out of 5 City of Pittsburgh Dollars Is Proposed to Go to the Bureau of Police



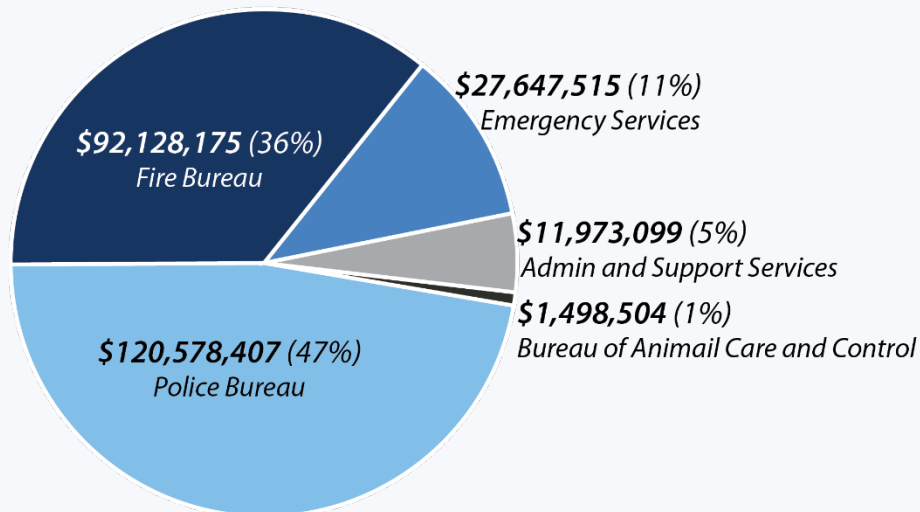
Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto's proposed 2022 Budget

The Bureau of Police sits within the city's Public Safety Department, which also includes the Fire Bureau, Emergency Services, the Public Safety Administration and Support Services, and the Bureau of Animal Care and Control. The Police Bureau (47%) and the Fire Bureau (36%) make up the bulk of Public Safety spending.

Figure 15

Public Safety Bureaus in the City of Pittsburgh

Bureaus Share of Total Public Safety Budget (\$254 million)



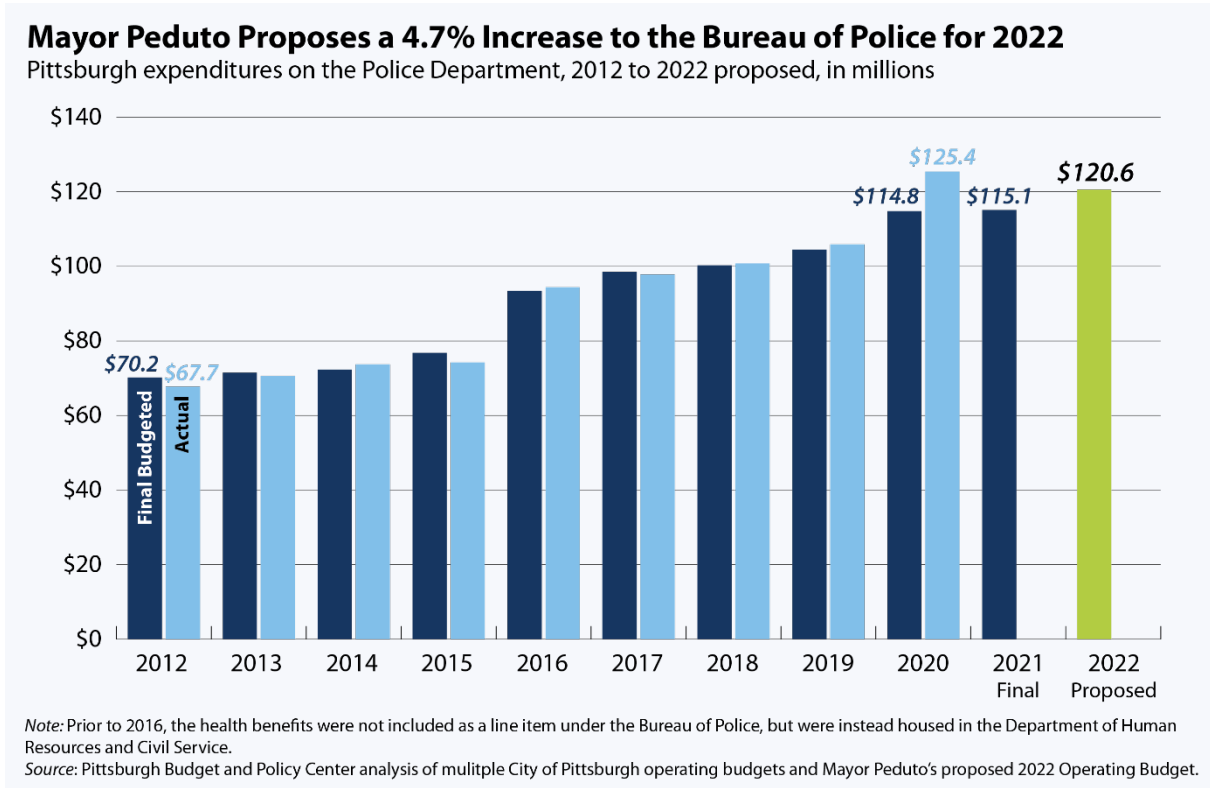
Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto's proposed Operating Budget, 2022

As figure 16 shows below, the mayor is proposing a 4.7% increase to the Bureau of Police budget for 2022. Most of this increase is due to increases in salaries and wages and benefits, which Mayor Peduto’s chief of staff says were primarily driven by negotiated pay increases in the police union contract.³⁷ (We discuss personnel changes further below.)

An important thing to note about figure 16 below: spending increased substantially from 2015 to 2016 due to health and other benefits for the Police Bureau being transferred from the Department of Human Resources and Civil Service to the Bureau of Police. Because of this transfer, the total Police Bureau budget shows an increase of 71% since 2013, the year before Mayor Peduto was inaugurated. Since this jump is misleading because of the transfer of benefit funding, a better gauge of recent changes in police funding is the trend since 2016. There is a 28% increase from 2016 (actual) to the 2022 proposed budget. Had the Bureau of Police just kept up with inflation since January 2016, the total police department budget would only be \$110 million this year.³⁸

Also note in figure 16 that the final budgeted amounts are close to each year’s actuals (only available through 2020) in most years, with the exception of 2020 when actual police spending was more than \$10 million over budget. This was due to higher than budgeted police spending for personnel—salaries, wages, and overtime. The share of operating funds spent on the Bureau of Police has been increasing over time. In fact, the Bureau of Police will account for its largest share of the total operating budget

Figure 16



³⁷ Charles Wolfson, “Mayor Bill Peduto’s 2022 budget forecasts long recovery as he leaves office,” *PublicSource*, November 9, 2021, accessed at: <https://nextpittsburgh.com/features/mayor-bill-pedutos-2022-budget-forecasts-long-recovery-as-he-leaves-office/#:~:text=The%20Bureau%20of%20Police%20budget%20rose%204.6%25%20from,reporter%20and%20a%20Report%20for%20America%20corps%20member>.

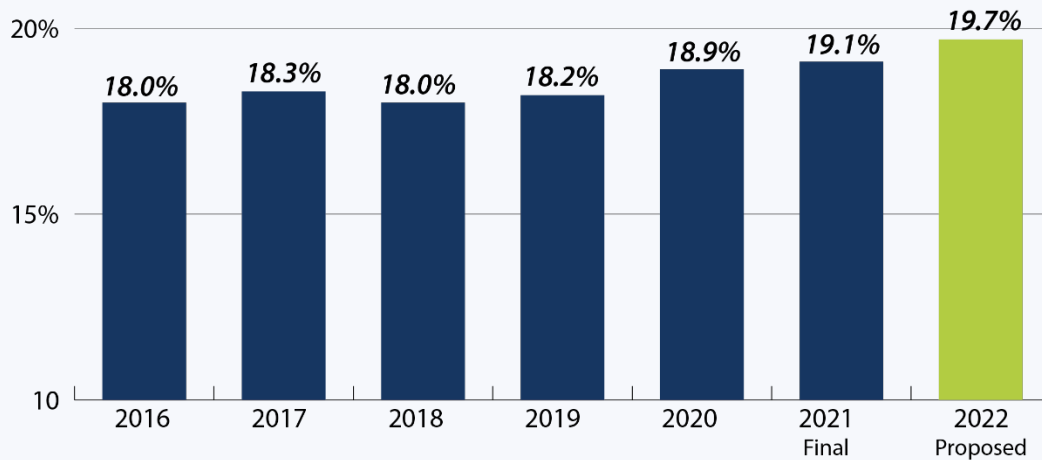
³⁸ Inflation calculator here: <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=94.40&year1=201601&year2=202110>.

since 2016³⁹ if Mayor Peduto’s plan is passed this year. If the Police Bureau budget remained at its 2016 level, 18% of the operating budget, it would be funded at \$110.4 million (rather than \$120.6 million).

Figure 17

In the Mayor’s Proposed 2022 Budget, the Police Bureau Would Receive Nearly One-Fifth of Pittsburgh’s Operating Budget, the Largest Percentage Over the Last Six Years

Share of Police Bureau in Operating Budget

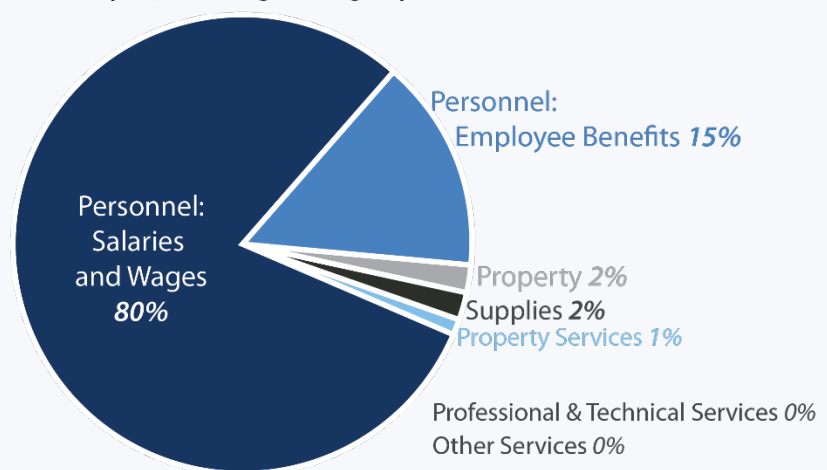


Note: This figure is the Police Bureau share of the whole operating budget proposed this year, compared to the previous year’s share in each year’s final passed budgets.
 Source: Pittsburgh Budget and Policy Center data analysis of Mayor Peduto’s proposed 2022 budget and past budgets.

Figure 18

As figure 18 shows, salaries and wages make up 80% of the police budget—when you include employee benefits, these funds make up 95% of the proposed Police Bureau budget.

City of Pittsburgh’s Police Budget Proposed Expenditures for 2022, by Spending Category



Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto’s proposed Operating Budget, 2022

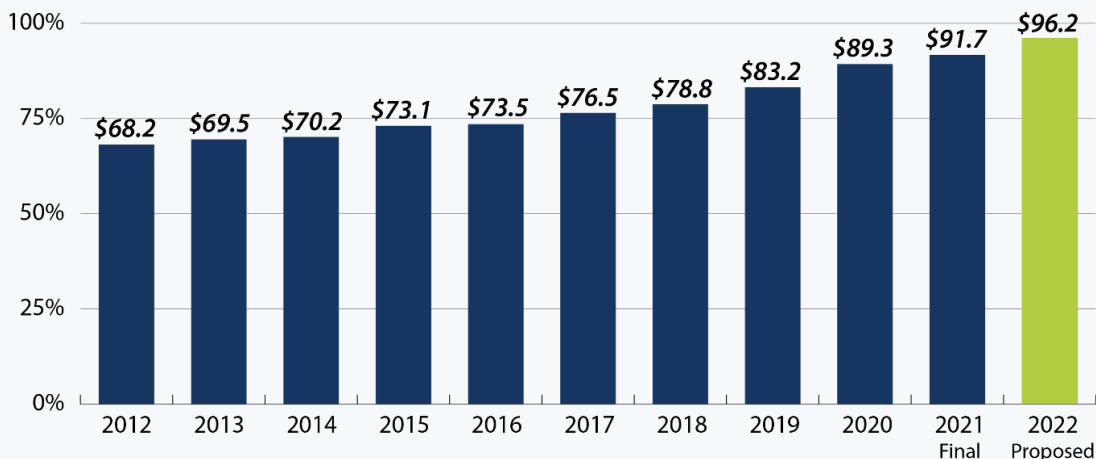
³⁹ In years 2016 through 2021, this is the Police Bureau share of each year’s final passed operating budget for each year.

Figure 19 shows yearly budgeted “personnel—salaries and wages” spending by year. This year, Mayor Peduto is proposing a 4.8% increase for salaries and wages for the Police Bureau.

Figure 19

The Mayor Proposes to Increase Spending on Salaries and Wages for Police Bureau by 4.8%

2012 to 2022, in millions



Source: Pittsburgh Budget and Policy Center analysis of multiple City of Pittsburgh operating budgets and Mayor Peduto’s proposed 2022 Operating Budget.

There are a number of personnel changes proposed in the 2022 budget. New this year is the creation of five new high-level positions of colonel in the Bureau of Police—previously there had been no such position—which would cost just over \$600,000. In the city council hearings on the Police Bureau budget (11/18/21), police officials reported the need for additional high-level administrative positions to better coordinate different staff and offices. The proposal to create five new, high-level policing positions (colonel) has many police reform advocates, city councilmembers, and the mayor-elect concerned and supportive of examining whether this move is the best use of resources at this time.⁴⁰ As table 1 below also shows, the 2022 budget proposes one less commander (from 13 to 12) and eight fewer police officer positions; and six new positions for detective.

While wages and salaries would increase by 4.8% in the Police Bureau overall, police officers will receive a roughly 4% pay raise this year because of increases negotiated by the Fraternal Order of Police (FOP) in its union contract.⁴¹ This raise impacts 878 out of 900 (97.6%) uniformed police officers in the city. More senior-level uniformed police officers—the police chief, the deputy chief, the three assistant chiefs of police, and the 12 commanders—are expected to receive a higher raise of 7.3%.

⁴⁰ Lauren Rosenblatt, “Peduto’s 2022 budget proposal includes more supervisory positions—and more funding—for police bureau,” *Pittsburgh Post-Gazette*, November 24, 2021, accessed at: <https://www.post-gazette.com/news/politics-local/2021/11/24/Pittsburgh-mayor-Bill-Peduto-2022-budget-new-positions-funding-for-police-bureau-colonel/stories/202111230113>.

⁴¹ Rich Lord, “Police union says arbitration award unfair, ‘compromised’,” *Pittsburgh Post-Gazette*, January 10, 2020, accessed at: <https://www.post-gazette.com/local/city/2020/01/10/Pittsburgh-police-arbitration-decision-awarded-Swartzwelder-Peduto/stories/202001100103>.

Councilman Anthony Coghill reported that 248 Pittsburgh police officers are eligible for retirement this year. This raises pipeline issues for the Bureau of Police, especially because last year (2021) there was a hold on new-recruit classes. In the budget, it appears that there is an increase of about \$289,000 for police recruits in 2022 and an increase of \$233,422 for first-year police officers.⁴² The potential retirement of large numbers of Pittsburgh police officers creates an opportunity moving forward to lessen the number of police officers per 10,000 residents to be more in line with other medium-sized cities and to create new opportunities for social workers and other civilian positions that can aid in the work of the Pittsburgh police.

On the civilian side, there is a proposal for an additional crime analysis position to meet increasing data reporting requirements on the local, state, and federal levels.

Table 1: Change in Police Personnel 2021 to 2022 Proposed

	2021 total staff	2022 proposed	NOTES
Uniformed Police Officers			
Police Chief	1	1	
Deputy Chief	1	1	
Assistant Chief of Police	3	3	
Colonel	0	5	New this year is the creation of 5 new Colonel positions (no such position existed in previous years).
Commander	13	12	One less Commander (from 13 to 12)
Police Lieutenant	30	30	
Police Sergeant	102*	102	
Police Officer - Detective	197*	203	Six new police officer-detective positions.
Police Officer	551	543	Eight less police officers.
Uniformed police officers	898*	900	In 2021, there was a halt on new police recruits. In 2022 there is a \$850,000 budget line item for new recruits and first year officers*
Civilian Positions			
Crime analysis positions	5	6	
Support Services Shift Supervisor	1	1	
Administrative Assistant	1	1	
Real Time crime specialist	1	1	
Secretary	1	1	
Administrative specialist	5	5	
Cashier	2	2	
Dispatcher	3	3	
Specialist 1, Admin	32	32	
Assistant 1, Admin	1	1	
Total Police Civilian Positions	52	53	
Total Police Bureau Personnel	950	953	

* In 2021 there was one sergeant and one detective that were grant funded by the Hillman Foundation and now must be publicly funded. This was a project aimed at addressing domestic violence and the work happened in coordination with women shelters. Total uniformed strength was 900 in 2021.

Source: Pittsburgh Budget and Policy Center analysis of Mayor Peduto's 2021 Proposed Operating Budget and information shared at City Council's Public Safety budget hearing, 11/19/20

⁴² City of Pittsburgh, Mayor Bill Peduto's "2022 Operating Budget and Five Year Plan," p. 185, accessed at: https://apps.pittsburghpa.gov/redtail/images/16355_2022_Operating_Budget_-_November.pdf.

An important discussion came up during the city council hearings on the Bureau of Police 2022 budget about the challenges surrounding hiring and retention for civilian positions within the Bureau due to low pay in the City of Pittsburgh. As a result, police officials report having to rely on and use police officers for jobs and tasks that civilian support staff should be performing. Police officials report that the city has a poor ratio of uniformed police officers to civilian positions compared to other places. As table 2 shows, this ratio has gotten worse during Mayor Peduto’s tenure. Since 2013, there has been a 1% increase in the number of uniformed police officers and a 20% decrease in civilian positions. That means that in 2013 there were 13.5 uniformed police officers to every one civilian support staff. In 2022, there are 17 police officers to every one civilian position. As figure 20 shows, Pittsburgh has, by far, the lowest percentage of civilian police staff, 4.8%, as a share of total law enforcement personnel. In the 77 other medium-sized cities, the median is 24.1%. At the other end of the spectrum, 39% of all law enforcement personnel in Santa Ana, California, are civilian police staff.

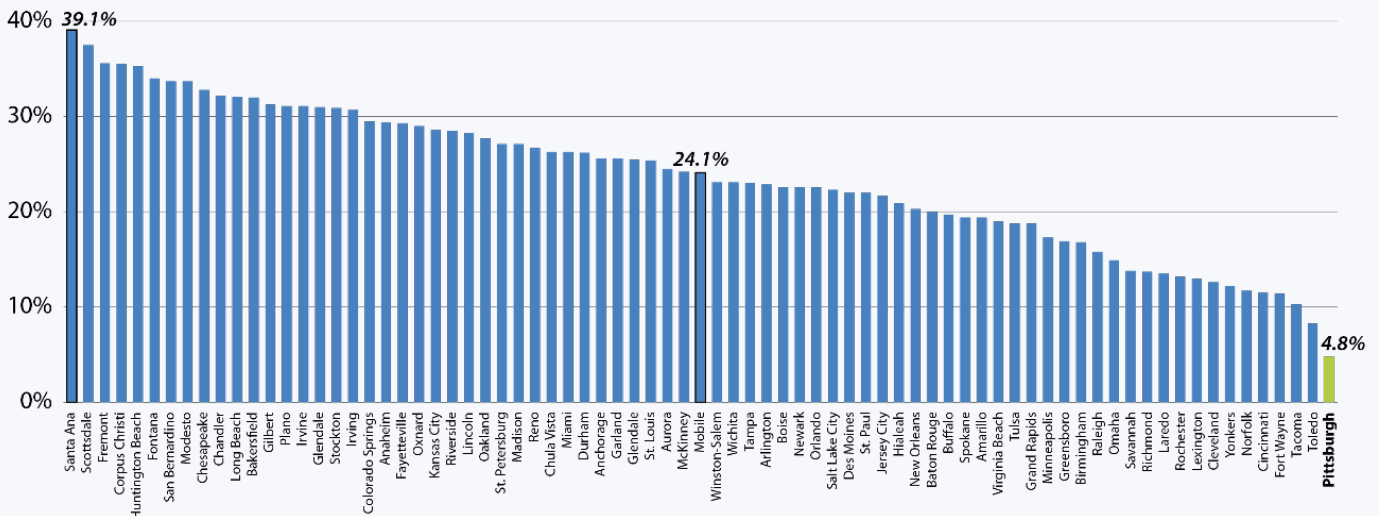
Table 2: Bureau of Police Staffing Changes in Mayor Peduto’s Tenure: 2013-2022 Proposed			
	2013	2022 Proposed	% Change
Uniformed police	892	900	0.9%
Civilian positions	66	53	-19.7%
Crossing guards	134	137	2.2%
Ratio of uniformed police to civilian staff	13.5	17.0	

*Crossing guards were in the Bureau of Police until the 2021 budget and were transferred to the Public Safety Bureau of Administration.
Source: Pittsburgh Budget and Policy Center analysis of the 2013 Operating Budget (p.171) and the Mayor’s proposed 2022 Operating Budget.

Figure 20

Pittsburgh Has, by Far, the Lowest Percentage of Civilian Police Staff Out of All Law Enforcement Employees Compared To Other Similarly Sized Cities

Percentage of civilian staff out of all law enforcement personnel for medium sized cities, 2019



Note: Medium sized cities are considered cities with a population between 200,000 and 500,000.

Source: Pittsburgh Budget and Police Center analysis of FBI Uniform Reporting database, Table 78: <https://ucr.fbi.gov/crime-in-the-u.s/2018/crime-in-the-u.s.-2018/tables/table-78/table-78.xls/view>

Because civilian positions currently pay less than \$40,000 per year, compared to police officers who typically make about \$70,000-\$80,000/year plus overtime, Pittsburgh could raise the wages of civilian support staff to be competitive and still spend less than it does now.⁴³ Also, civilian positions don't require police training, which would save additional dollars. The Bureau of Police is having a staffing assessment performed, which should have recommendations on how best to proceed. Another way to decrease the number of uniformed police officers is to raise wages for civilian positions so the city's police don't need to perform jobs better suited to trained civilians.

Office of Community Health and Safety

There are dangers that come with having armed police officers respond to certain crises, especially those related to mental illness. *The Washington Post* reported that about 1 in 4 fatal police shootings involve someone with a mental illness.⁴⁴ Several other cities have had success with a civilian first-responder program through which health care workers or social workers respond to certain emergencies alongside, or instead of, police officers. Denver, Colorado, started a pilot program called Support Team Assistance Response (STAR), which created a third track for directing emergency calls to civilian two-person teams (medic and clinician). The teams respond to crises related to mental health, poverty, homelessness, depression, or substance misuse. In the first six months of the program, the city received more than 2,500 emergency calls—STAR was able to respond to 748 calls. Out of these 748 responses, no one was arrested, and no one needed police assistance.⁴⁵ In 2019, Olympia, Washington, implemented a program that sends civilian crisis responders instead of armed police officers. Eugene, Oregon, has had a similar program since 1989, which today handles about 20% of all emergency calls. The program, called Crisis Assistance Helping Out on the Streets, or CAHOOTS, sends an EMT or nurse alongside a mental health worker to respond to calls related to welfare checks, public intoxication, mental health episodes, or death notices. This program has saved the city millions of dollars in police and emergency room resources.⁴⁶

To move in a similar direction, the City of Pittsburgh announced in the summer of 2020 the creation of the Office of Community Health and Safety, responding to public calls for police reform following protests after the killing of George Floyd.⁴⁷ The Office opened in January 2021 and hired staff in the summer of 2021 with a plan to hire six social workers by the new year. Staff have not yet started responding to emergency calls but are building relationships with first responders and the Allegheny

⁴³ In interviews for this report, several people mentioned that, compared to other cities, the City of Pittsburgh pays very poorly, creating challenges for hiring and retaining talented personnel across city departments.

⁴⁴ Mark Berman, John Sullivan, Julie Tate, and Jennifer Jenkins, "Protests spread over police shootings. Police promised reforms. Every year, they still shoot and kill nearly 1,000 people," *The Washington Post*, June 8, 2020, accessed at: https://www.washingtonpost.com/investigations/protests-spread-over-police-shootings-police-promised-reforms-every-year-they-still-shoot-nearly-1000-people/2020/06/08/5c204f0c-a67c-11ea-b473-04905b1af82b_story.html.

⁴⁵ Grace Hauck, "Denver successfully sent mental health professionals, not police, to hundreds of calls," *USA Today*, February 6, 2021, accessed at: <https://www.usatoday.com/story/news/nation/2021/02/06/denver-sent-mental-health-help-not-police-hundreds-calls/4421364001/>.

⁴⁶ Christie Thompson, "This City Stopped Sending Police to Every 911 Call: Riding along with the civilian "crisis responders of Olympia, Washington," *The Marshall Project*, July 24, 2020, accessed at: <https://www.themarshallproject.org/2020/07/24/crisisresponders>.

⁴⁷ Bob Bauder, "Pittsburgh to create Office of Community Health and Safety," *TribLive*, June 12, 2020, accessed at: <https://triblive.com/local/pittsburgh-allegheny/pittsburgh-to-create-office-of-community-health-and-safety/>.

Health Network's homelessness outreach program, which conducts outreach to the homeless population and connects them to needed services.⁴⁸

The Office of Community Health and Safety will have social workers who can be called in during a crisis get people the help and support they need. This would move the city away from police having to handle all crisis calls, many of which involve individuals with mental illness or who are experiencing homelessness. Pittsburgh police officials have reported that their officers are not trained to support some individuals in crisis, including the knowledge, ability and time to connect them with needed services related to homelessness or addiction and then follow up after the initial interaction.⁴⁹ Training social workers to deescalate crises and to help individuals get connected with services can lead to more individuals getting the help they need without being funneled into the criminal justice system. Trauma-informed responders who are trained in conflict resolution, harm-reduction, mental health, and substance misuse can utilize their unique skillset to make sure our Department of Public Safety is keeping everyone safe and helping to strengthen communities.

Laura Drogowski, who manages the Office of Community Health and Safety, said it is still unclear how many calls the office will get. She did say, however, it is likely to be "a very large number" each year, and that there "could be 3,000-5,000 engagements with people, that's a rough guess."⁵⁰ While six social workers is a start, Drogowski said this will only provide staff coverage for two zones, daylight and weekday hours only. She would like to see the city move towards hiring more social workers to be able to cover more zones for longer periods of time and mentioned in the budget hearings that a total of 16 social workers would be ideal.⁵¹

In the mayor's proposed 2022 budget, the Office of Community Health and Safety is its own office with a \$5.067 million budget, but is also funded through the Stop the Violence Trust Fund.⁵² The \$5.067 million in the OCHS budget for 2022 includes \$5 million in American Rescue Plan funds, which is a pass-through for the Allegheny Health Network's Urban Health and Street Medicine program, focused on helping individuals who are at the nexus of homelessness, substance use, and untreated mental health issues.⁵³ The other \$67,000 is budgeted for training, recertification, harm-reduction consulting, supplies, uniforms, and other costs. The Stop the Violence Trust Fund funds salaries for the Office of Community Health and Safety (a total of 12 staff are budgeted for 2022) and provides funding for the Community

⁴⁸ Ariel Worthy, "City's Office of Community Health and Safety hopes to be fully operational by end of year," WESA, October 29, 2021, accessed at: <https://www.wesa.fm/identity-community/2021-10-29/citys-office-of-community-health-and-safety-hopes-to-be-fully-operational-by-end-of-year>.

⁴⁹ Pittsburgh City Council Budget Hearing (Department of Public Safety), November 19, 2020. See hour/minute 2:16 through 2:20 in this hearing, accessed at: <https://www.youtube.com/watch?v=7GMHUelJoys>.

⁵⁰ Ariel Worthy, "City's Office of Community Health and Safety hopes to be fully operational by end of year," WESA, October 29, 2021, accessed at: <https://www.wesa.fm/identity-community/2021-10-29/citys-office-of-community-health-and-safety-hopes-to-be-fully-operational-by-end-of-year>.

⁵¹ See City Council budget hearing on the Office of Community Health and Safety at this link: <https://www.youtube.com/watch?v=whwQ66i1xgk>.

⁵² There was a budget of \$5.3 million for 2021, but only \$3 million was used in 2021, leaving an additional \$2.3 million for the office in 2022 that is not budgeted (listed as a 2022 "projected ending balance." P. 260 of mayor's proposed 2022 budget, accessed at https://apps.pittsburghpa.gov/redtail/images/16355_2022_Operating_Budget_-_November.pdf).

⁵³ Allegheny Health Network, "Allegheny Health Network Urban Health and Street Medicine, City of Pittsburgh Office of Community Health and Safety Partner to Open Three Community Outreach Hubs," WFMZ, November 24, 2021, accessed at: https://www.wfmz.com/news/pr_newswire/pr_newswire_health/allegheny-health-network-urban-health-street-medicine-city-of-pittsburgh-office-of-community-health-safety/article_d92183cc-71cd-5dc0-9473-ffa92973b02b.html.

Services and Violence Prevention program. The Stop the Violence Trust Fund is funded at \$7.2 million or 6% of the \$120.6 million Police Bureau budget this year.

While the Office is officially under the Office of the Mayor, police officials said during the city council budget hearing that they would eventually like it to be moved to Public Safety for better coordination.

Recommendations

The current moment allows us the opportunity to reimagine how Pittsburgh approaches public safety. A safe and secure public means not only the ability to respond to a fire or a crime—it also provides safe housing, nutritious food, an accessible public transportation system, access to needed services, and a strong social safety net. The incoming mayor-elect, Ed Gainey, has an opportunity to build upon the first steps made by the Peduto administration and City Council and deepen Pittsburgh’s commitment to reimagining public safety.

Redirect funds from the Police Bureau to other community priorities like affordable housing or the Office of Community Health and Safety.

If the Police Bureau were funded at the same level as 2016—that is, 18% of the operating budget—Pittsburgh could redirect more than \$10 million to the Office of Community Health and Safety or to other pressing needs like affordable housing.

Pittsburgh is much more heavily policed (with 34 police officers for every 10,000 residents) than other mid-sized cities with a median of 17 officers per 10,000 residents—half that of Pittsburgh. This is despite the fact that Pittsburgh’s crime rate ranks in the middle of the pack (47th percentile) for other mid-sized cities. While we don’t expect the Pittsburgh Police Bureau to cut its uniformed police officers in half, there is room for savings here that can put Pittsburgh more in line with other cities’ police personnel. With 248 of our police officers eligible for retirement this year, there is an opportunity for City Council and the incoming mayor to rethink how to best staff our Bureau of Police, Public Safety and Office of Community Health and Safety to make all our communities safe and secure.

Continue to improve and update progress on the recommendations from the Community Task Force on Police Reform priorities. As mentioned above, the [webpage](#) listing all of the Task Force’s recommendations, including steps taken, proposed actions, and an anticipated timeline, is a step forward towards greater transparency and accountability by the city and the Bureau of Police. This information should be expanded upon and regularly updated. There should also be ways for the city to engage with the public about the progress of these recommendations and to receive feedback and suggestions for next steps.

Continue to build the Office of Community Health and Safety. As detailed above, there are a number of other cities that have implemented civilian emergency response programs and been successful in 1) taking the pressure off of uniformed police officers to have to respond to every emergency, 2) increasing public safety by helping those in crisis get connected with needed resources, and 3) decreasing instances of police violence (like in the case of Jim Rogers) and of individuals getting funneled into the criminal justice system when better options are available. Getting the Office of Community Health and Safety up and running should be a major priority in early 2022 so that we can pilot the program, iterate, and grow from there. Expectations are that more resources will be needed for the Office to meet the anticipated high call volume.

Increase transparency on the budget regarding police expenditures. The City of Pittsburgh and the Bureau of Police should continue to strive for more transparency in the police budget, including details on police weapons; vehicles; work time, including time spent in court and overtime; 911 calls, arrests, and cases solved. The Police Bureau is the second-largest city department, yet not all police spending is done through the department in the operating budget—other spending is funneled through the Capital Budget, including funds for major projects or facilities. Regardless of where it comes from, however, all police spending should be disclosed to the public in a comprehensive police budget.⁵⁴

Strengthen civilian positions, including higher pay, to hire and retain civilian staff so that uniformed officers do not need to perform jobs that should be performed by civilians. Since Mayor Peduto took office, uniformed police officers increased by 1% while civilian positions decreased by 20%. Today, uniformed police officers are now having to take on and perform the work that should be performed by civilians, which is more expensive for the city, especially when considering overtime costs. Raising civilian pay will result in being able to hire and retain civilian staff to support the Police Bureau, which will ultimately save the city money in officer wages and overtime. The incoming Perhaps fewer officers will be needed if we strengthen out civilian jobs and get the Office of Community Health and Safety up and running.

Affordable Housing

Affordable housing has become a bigger challenge for the city over the past decade—although there are signs of some progress since the city ramped up its efforts to address housing affordability in the mid-2010s. One driving force behind reduced affordability has been the persistent poverty and stagnant incomes of residents on the front lines of unequal growth. A second has been the city’s new prosperity, which began in the late 2000s. This prosperity brought with it greater housing demand and the first sustained increases in housing prices and rents in decades.

In our budget analysis of the 2021 proposed budget, we concentrated on the Affordable Housing Task Force creation in response to housing affordability highlighted by advocates, Pittsburgh City Council, and Mayor Peduto. To support the Affordable Housing Task Force (AHTF), the city commissioned a housing needs assessment.⁵⁵ Currently, an updated housing needs assessment survey is being conducted with the results expected early next year. While it is expected that the shortage of affordable housing has decreased, preliminary analysis shows it may be largely due to: 1) increased subsidized housing supply; 2) increased median income as more high-end earners move into the city raising the area median income; and 3) low-income residents moving out of the city and into the suburbs of Allegheny County.⁵⁶

While repeating the analysis of the soon-to-be published housing needs assessment is not the intention of this budget analysis, we do examine several income and housing variables in Pittsburgh. In Table 3, using the same data sources as the AHTF⁵⁷, the data show that the median income rose (in nominal

⁵⁴ City of Pittsburgh, Mayor Bill Peduto’s “2022 Operating Budget and Give Year Plan,” November 8, 2021, accessed at: https://apps.pittsburghpa.gov/redtail/images/16355_2022_Operating_Budget_-_November.pdf.

⁵⁵ “Housing Needs Assessment,” Mullin & Lonergan Associates, Inc., May 2016, 2020, accessed at <https://pittsburghpa.gov/dcp/ahtf/index.html>.

⁵⁶ Based on interviews with City of Pittsburgh housing experts.

⁵⁷ Mullin & Lonergan Associates, Inc., “Housing Needs Assessment.”

terms not adjusted for inflation) by nearly over \$10,000 or roughly 28% from 2012 to 2019, the last seven years of the long economic expansion, which began in 2009. Poverty rates declined two percentage points to 20.5% during the same period.

Table 3: Pittsburgh Income and Housing Variables			
Variable	2012	2019	% Change
Population	306,430	302,205	-1.4%
Median Household Income	\$ 38,029	\$ 48,711	28.1%
Poverty Rate	22.50%	20.50%	-8.9%
Owner-Occupied Housing Unit Rate (share of people in owner-occupied housing)	49.0%	47.2%	-3.8%
Renter-Occupied Housing Units	51.0%	52.83%	3.6%
Median Gross Rent Per Month 2015-2019	\$ 794.00	\$ 958	20.7%
Homeowner Vacancy Rate	2.6%	1.7%	-34.6%
Rental Vacancy Rate	6.1%	4.7%	-23.0%

Sources: All data are based on American Community Survey (ACS) Public Use Micro-sample, 2012 means 2008-12. The median gross rent for 2012 is from Mullin & Lonergan Associates, Inc. Housing Needs Assessment, May 2016, <https://pittsburghpa.gov/dcp/ahtf/index.html>, p. 26 (median gross rent).

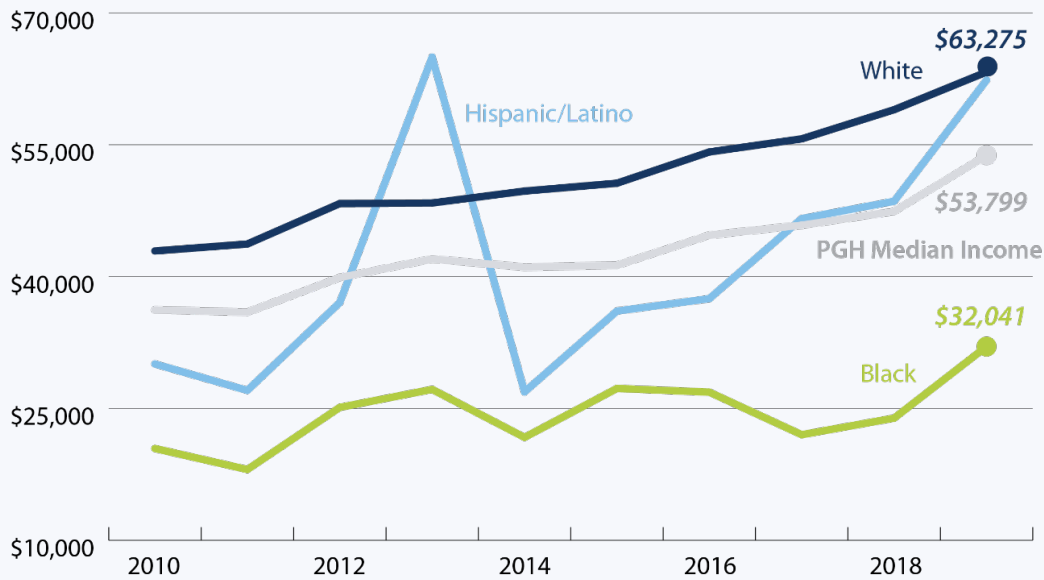
Population Movement: Pittsburgh has decreased in population by less than 1% over 10 years according to the 2010 and 2020 censuses. The decline in populations has not been equal across racial groups. According to the 2020 census the Black population accounted for 23% of people residing in Pittsburgh. Black residents are moving out of the city. “Pittsburgh lost about 10,700 Black residents from 2010 to 2020, a drop of more than 13%. Meanwhile, Allegheny County’s Black population grew by about 12,500, with 97 of its 130-plus municipalities seeing increases.”⁵⁸ In the same 2010 to 2020 time period, the Asian population has grown by more than 47% with over 6,300 new Asian residents living in Pittsburgh according to the 2020 census.

Income Disparity: There continue to be racial disparities by income, poverty status, and the percentage of renters in Pittsburgh. While the median income for all residents has increased by 31% from 2010 to 2019 this increase was not equal across racial groups. Black median incomes increased by only 17% during the same period; this is compounded by the fact that Black households continue to have lower median incomes. In 2019, the median income for Black households (\$32,041) was the lowest median income of all racial groups and was roughly half the median income for white households of \$63,275 (figure 21).

⁵⁸ Julian Routh, “Census data likely shows Black residents are leaving Pittsburgh but staying nearby, top economist says,” *Pittsburgh Post-Gazette*, <https://www.post-gazette.com/local/city/2021/08/16/census-data-2020-pittsburgh-black-flight-allegheny-county-baldwin-marshall-mckeesport-munhall-penn-hills/stories/202108160085>.

Figure 21

Black Pittsburgh Median Incomes Have Historically Been Lower Than the Median Incomes in Pittsburgh

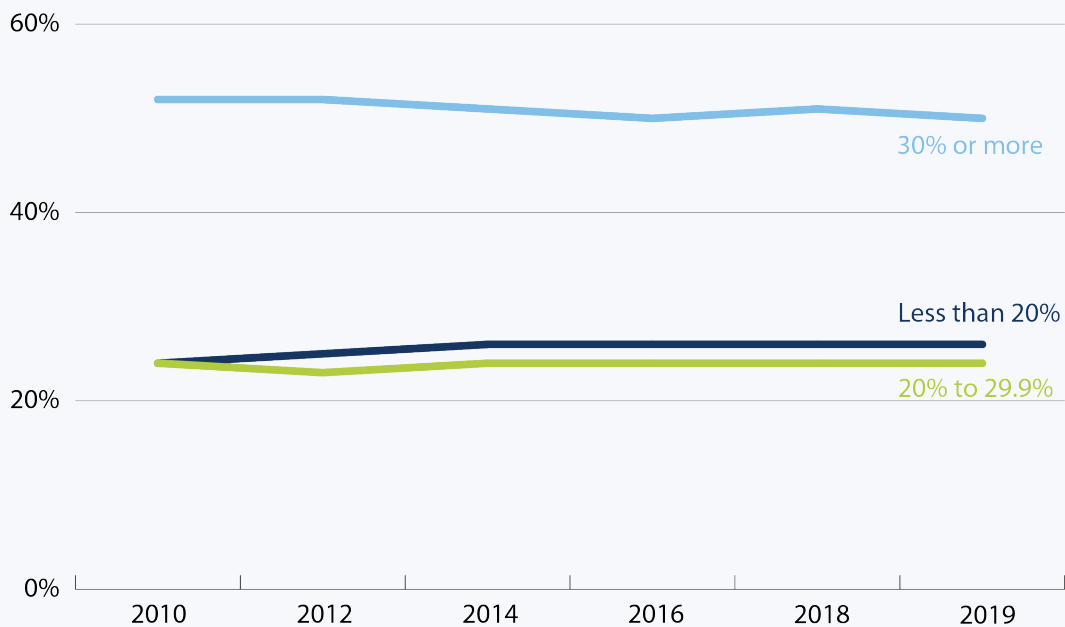


Source: Analysis of data retrieved from <https://data.census.gov/cedsci/table?q=&t=Income%20%28Households,%20Families,%20Individuals%29&g=0600000US4200361000&tid=ACST11Y2019.S1903>.

Figure 22

The Share of City of Pittsburgh Renters Who Are “Cost-Burdened” Declined Only Slightly in the 2009-2019 Economic Expansion

Share of renters paying less than 20%, 20% to 29.9%, and 30% of income or more in rent



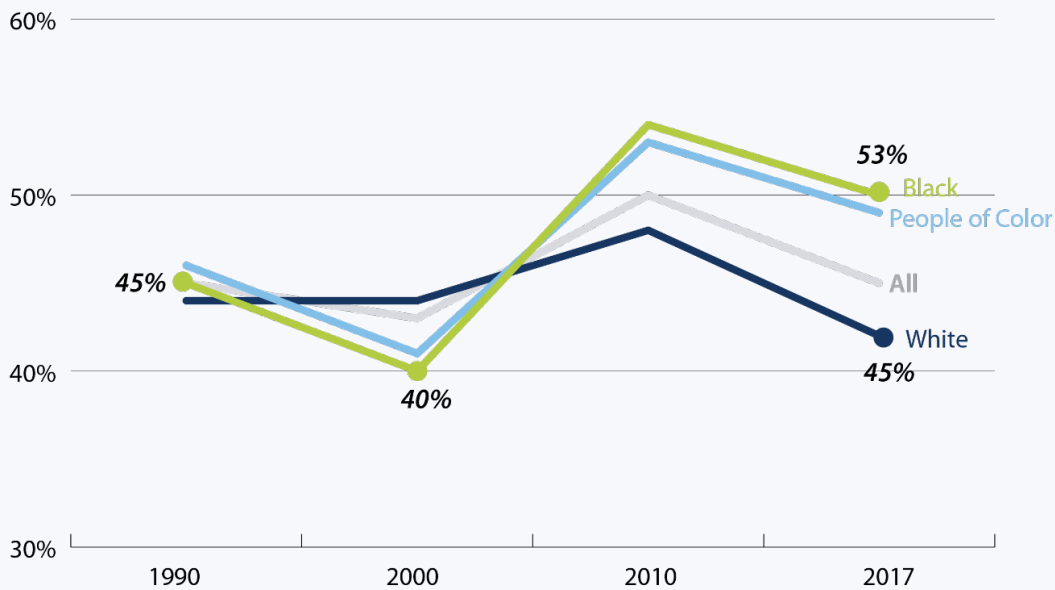
Source: American Community Survey 5-year estimates; each year means the five-year period ending in that year; downloaded from https://data.census.gov/cedsci/table?q=cost%20burdened&g=0400000US42_1600000US4261000&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2018.DP04&hidePreview=true.

More than half (53%) of Pittsburgh residents are renters; this is a slight increase from 51% in 2012 (table 3). The U.S Department of Housing and Urban Development (HUD) defines “cost-burdened” households as those paying more than 30 percent of their income for housing.” Figure 22 shows that about half of renters in the city are cost-burdened. Moreover, that share fell only slightly during the entire decade of the economic expansion that ended in 2019.

Much higher shares of Black households and households of color are cost-burdened. Figure 23 shows this for the metropolitan area. About 37% of the metro area’s Black population lives in the City of Pittsburgh and 29% of the city’s non-white population.

Figure 23

The Percent of Pittsburgh Renters That Are Cost Burdened Has Decreased Since 2010 but Black Renters Had the Highest Housing Burden (50%) in 2019



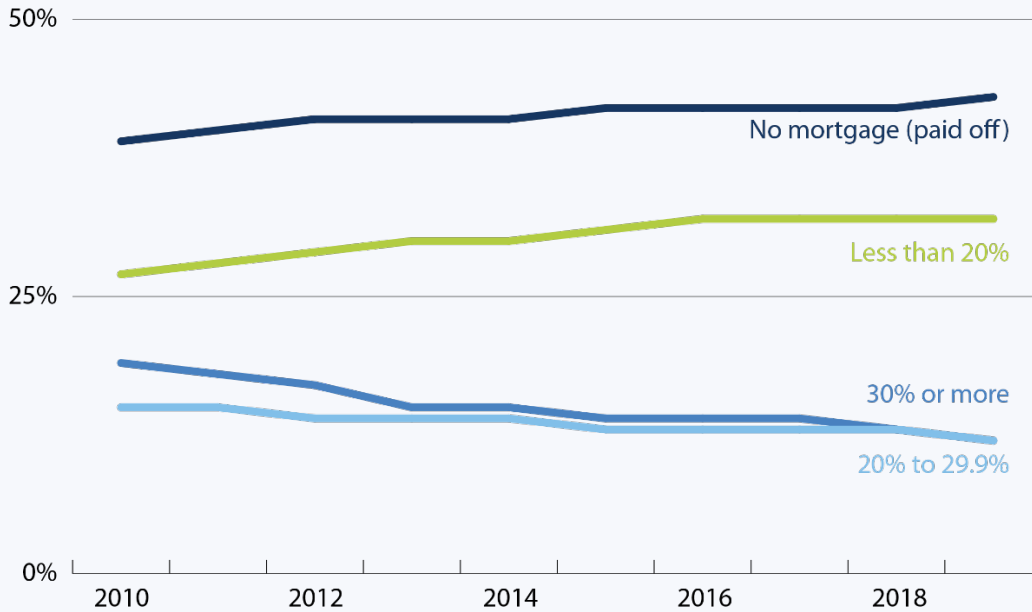
Source: Analysis of Data retrieved from the National Equity Index https://nationalequityatlas.org/indicators/Housing_burden/#?geo=07000000004261000&year=1990&rentown01=2

Looking now at homeowner affordability, the figure below shows that the share of homeowners who are cost-burdened continued to fall more substantially from 2010 to 2019 by about 35% from 19% to 12%.

Figure 24

The Share of City of Pittsburgh Homeowners Who Are “Cost-Burdened” Declined Steadily in the 2009-2019 Economic Expansion

Share of homeowners with no mortgage and mortgage payments in three ranges



Source: American Community Survey 5-year estimates; each year means the five-year period ending in that year; downloaded from https://data.census.gov/cedsci/table?q=cost%20burdened&g=0400000US42_1600000US4261000&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2018.DP04&hidePreview=true.

The Threat of Evictions

Pre-pandemic Pittsburgh Evictions Concentrated in Pittsburgh’s Black Neighborhoods

Evictions have destabilizing effects on renters and communities which is reflected in harmful reductions in health, childhood development, and future work.⁵⁹ In our report “[There’s No Place Like Home](#)” we outlined the disproportionate impact of evictions on Black residents and the failure of some early rental relief programs to provide aid to those most in need.

The expiration of the CDC moratorium on August 26, 2021 and subsequent expiration of the Allegheny County moratorium on October 31st currently leaves Allegheny County renters with few court protections. The moratoriums aimed to prevent imminent evictions and decrease the spread of COVID-19, while rental relief programs sought to provide financial stability for individuals and families who lost jobs and income as public health protocols required people to stay in their homes.

The impact of eviction moratoriums can be seen in the decreases in eviction filings when moratoriums are enacted. Since the expiration of the Allegheny County moratorium there has been an increase in

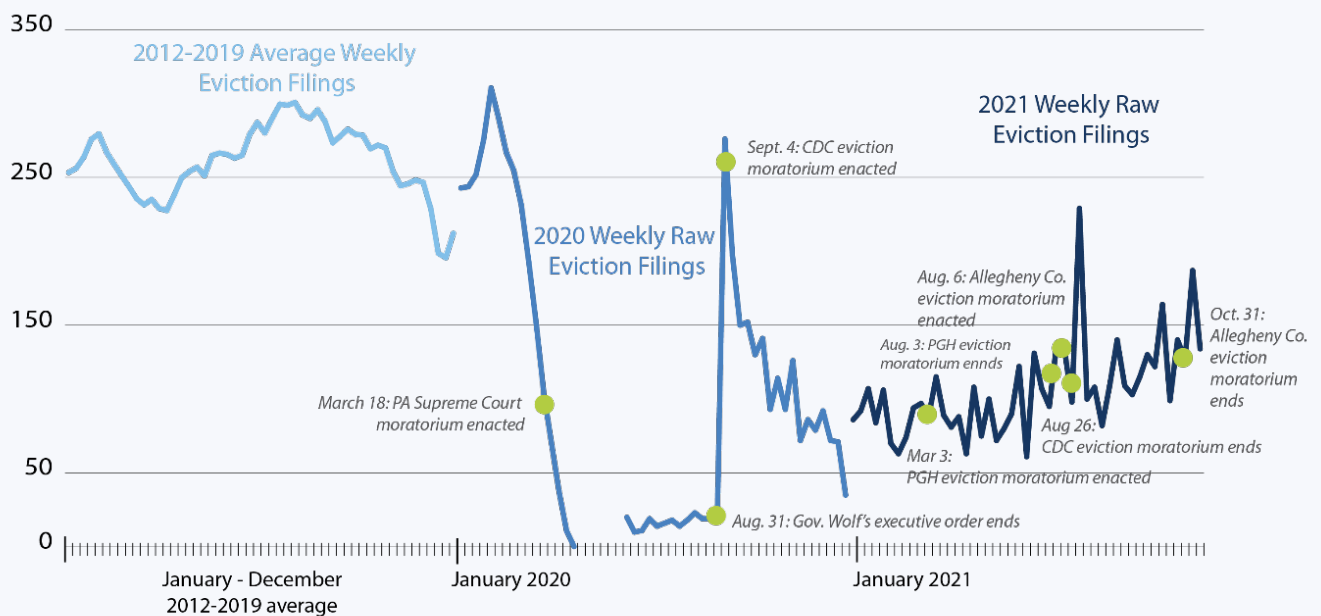
⁵⁹ National Low Income Housing Coalition, “New Evidence Shows Evictions Have Lasting Negative Health Outcomes,” October 26, 2020, accessed at <https://nlihc.org/resource/new-evidence-shows-evictions-have-lasting-negative-health-outcomes>. Also see Robert Collinson and David Reed, “The Effects of Evictions on Low-Income Households,” accessed at https://www.law.nyu.edu/sites/default/files/upload_documents/evictions_collinson_reed.pdf.

eviction filings. In the second week of November, eviction filings in Allegheny County climbed to 187 or 75% of the historical average (2012-2019). This was a 47% increase in filings from the prior week after the expiration of the Allegheny County moratorium, which is clearly concerning. Earlier, at the start of September 2021, more than 100 evictions were filed in Allegheny County in the 3-day gap between the expiration of Governor Wolf’s executive order and the enactment of the CDC moratorium. (See the spike in the line at the end of August/beginning of September 2020 in figure 25.) By contrast, only 30 evictions were filed in the entire month of August 2020 when the state eviction moratorium was still in place.

Figure 25

The Pennsylvania and CDC Moratoriums (Excluding the Pittsburgh Moratorium) Sharply Reduced Evictions

Weekly eviction filings in Allegheny County pre-pandemic to November 2021



Source: Pittsburgh Budget and Policy Center analysis of data from CMU CreateLab.

Emergency Rental Assistance

Rental relief programs have been important to helping people stay in their homes throughout the crisis. Without such programs, those who have experienced a decrease in their income during the pandemic have accumulated additional deficits in unpaid rent, increasing the risk of eviction.

The Allegheny County Department of Human Services (ACDHS) is recognized nationally for its robust data tracking and commitment to distributing rental relief to those most in need. To date, ACHDS has distributed over \$54 million in rental relief funds or 69% of ERA1 funds. This is more than double the percentage of funds distributed by Pennsylvania (32%)⁶⁰. Renters applying for assistance received aid at a rate of 44%—and at a rate of 47% for Black applicants. The effective distribution of ERA1 funds has

⁶⁰ National Low Income Housing Coalition Emergency Rental Assistance Dashboard, accessed November 29, 2021, at <https://nlihc.org/era-dashboard>.

prevented many renters from being evicted over non-payment of rent—however, with no moratoriums in place, renters are now at risk again for being evicted for non-payment of rent even if they have pending applications with ACDHS.

Affordable Housing Spending in the City of Pittsburgh

The City of Pittsburgh addresses housing issues through several offices and spending categories. The following is a breakdown of spending in the operating and capital budgets along with trust funds and some of the federal money dedicated to affordable housing. In our “Budgeting Our Values” report last year, we concentrated on capital budget spending that directly addressed affordable housing. This year, we expanded our analysis to include some operating budget positions that interact with affordable housing and trust fund expenditures. While there are many other departments that impact housing, including zoning, city planning and permits, and license and inspections, this analysis concentrates on these departments’ policy impacts rather than the funding amounts. We recognize that for new policies to be implemented, it is likely that an evaluation of roles and responsibilities in these departments may also shift. Our analysis shows that the City of Pittsburgh plans to spend \$39 million, or 5%, of the combined operating and capital budget on affordable housing based on the 2022 proposed budgets (figure 26).

Figure 26

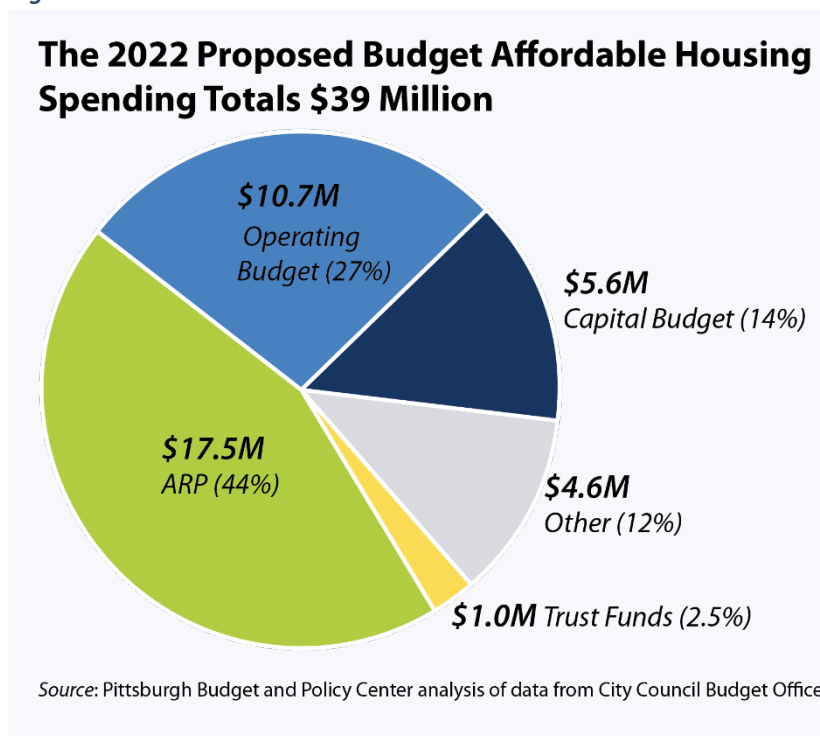


Table 4

	2022 FUNDING PROPOSED	FUNDING SOURCE	DESCRIPTION
American Rescue Plan			
Land Bank	\$ 3,000,000	ARP	Funding will allow for the hiring of Land Bank-specific staff.
Land Maintenance	\$ 1,500,000	ARP	The account that pays to maintain vacant, City-owned properties is out of funds.
Lead Paint	\$ 2,000,000	ARP	A companion project to PWSA's lead line replacements.
OwnPGH	\$ 10,978,811	ARP	Renovate vacant homes and sell them to low & moderate income residents and families
Total	\$ 17,478,811		
Operating Budget			
HOF	\$ 10,000,000	Transfer from the operating budget to the HOF operated by the URA	Fund that was established to support the development and preservation of affordable housing as well as the prevention of homelessness in the city
Real Estate Division	\$ 376,616		**We are not selling expensive homes
HRC (50%)	\$ 276,949		Commission on Human Rights Enforcement
Total	\$ 10,653,565		
Capital Budget			
Housing Development - Affordable and Workforce For-Sale Development	\$ 900,000	CDBG	This project provides funds to the Urban Redevelopment Authority to manage programs that offer grants and financing to homeowners, developers, and community development
Housing Development - Affordable and Workforce Rental Development	\$ 1,500,000	CDBG	
Housing Development - Assistance to Homeowners for Repairs	\$ 1,100,000	CDBG	
Housing Development - Home Accessibility Program for Independence	\$ 500,000	CDBG	
Major Developments - Affordable Unit Activation	\$ 500,000	CDBG	This projects funds major economic development initiatives in various city neighborhoods.
URA Property Maintenance	\$ 337,000	PAYGO	For securing and maintaining Urban Redevelopment Authority-owned property
CDBG ULOs	\$ 75,000		About 10% is going to affordable housing initiatives
Neighborhood Initiatives Fund	\$ 125,000	PAYGO	Provides grants for community organizations and ~25% for affordable housing related issues
URA Personnel	\$ 300,000	CDBG	60% for affordable housing programs
OMB - Urban League Housing Counseling	\$ 100,000	CDBG	Funds comprehensive housing counseling services to low-and moderate-income City residents
OMB - Fair Housing Training	\$ 64,750	CDBG	Provides for the salaries and benefits necessary for the operation of the CDBG program.
Total	\$ 5,501,750		
Trust Funds			
3TB	\$ 895,815		"Maintenance and disposition of properties owned by 3TB"
HRC TFs (50%)	\$ 87,665		Commission on Human Relations
Total	\$ 983,480		
Other			
Housing Opportunity for People with AIDS	\$ 1,150,000	Other	Provides for tenant-based rental assistance, emergency short-term mortgage assistance, utility assistance, and information referrals.
Emergency Solutions Grant	\$ 1,200,000	Other	provides housing and support services for homeless persons and persons at risk of becoming homeless.
HOME INVESTMENT PARTNERSHIP PROGRAM	\$ 2,222,000	Other	The HOME Program provides funds for the acquisition, construction, or rehabilitation of affordable housing for low income individuals
Total	\$ 4,572,000		
Grand Total	\$ 39,324,856		

Source: Pittsburgh Budget and Policy Analysis based on 2022 Proposed Operating and Capital Budgets

Operating Budget Affordable Housing Spending

Most of the affordable housing spending in the operating budget consists of the transfer of \$10 million to the Housing Opportunity Fund (HOF) operated by the Urban Redevelopment Authority (URA). This year, we expanded our analysis to also include the Commission on Human Relations and the Real Estate Division within the Finance Department. A detailed breakdown of the operating budget departments and trust funds can be found in Appendix B.

Housing Opportunity Fund

Outside of the pending ARP money to be transferred to the URA, the \$10 million for the Housing Opportunity Fund (HOF) is the most substantial source of funding for affordable housing projects in the city for 2022. In 2015, the City of Pittsburgh created the Affordable Housing Task Force (AHTF) to make recommendations to the city about how best to address Pittsburgh's housing problems, the creation of the HOF was one of many recommendations. Below is the HOF spending plan as approved on November 22, 2021.⁶¹ The 2022 allocation plan makes some changes in response to the COVID-19 pandemic and the needs of renters compared to the 2022 proposed allocations (see Table 5 below).⁶² The most notable changes are the elimination of Demonstration Dollars, a \$400,000 line item meant to assist with housing emergencies and expanded legal services. These monies were reallocated to the legal assistance line item, which is increasing by \$150,000 and the addition of a "small landlord fund." The HOF continues to follow the AHTF's recommendations and is allocating half of the funds for families and individuals earning at or below 30% of area median income and a quarter each to families and individuals earning at or below 50% and 80% AMI.

⁶¹ City of Pittsburgh – Legistar, "File #2021-2145," accessed at <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=5208642&GUID=E50384D4-4FD6-45AA-A623-E24A89D329E5&Options=ID|Text|&Search=housing+opportunity+fund>.

⁶² City of Pittsburgh – Legistar, "File #2020-0935," accessed at <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=4706078&GUID=27741DA8-C46C-46DB-BB75-B20348DDF464&Options=ID|Text|&Search=housing+opportunity+fund>.

Table 5: Exhibit A - 2022 Housing Opportunity Fund Annual Allocation Plan

HOUSING OPPORTUNITY FUND PROGRAMS	30% AMI OR BELOW	50% AMI OR BELOW	80% AMI OR BELOW	TOTAL
Rental Gap Financing (RGP) <i>Building more affordable housing for rent</i>	\$3,000,000	\$800,000		\$3,800,000
Housing Stabilization Program (HSP) <i>Short-term financial help for renters in an emergency</i>	\$150,000	\$375,000		\$525,000
Down Payment Assistance (DPCCAP) <i>Helping people buy their first homes</i>			\$700,000	\$700,000
Homeowner Assistance Program (HAP) <i>Helping people make home repairs</i>	\$1,050,000	\$700,000	\$400,000	\$2,150,000
For-Sale Development Program (FSDP) <i>Building more for-sale affordable housing</i>			\$950,000	\$950,000
Legal Assistance Program (LAP) <i>Helping people with legal housing issues</i>	\$300,000	\$100,000	\$50,000	\$450,000
Small Landlord Fund <i>Increase availability of affordable rental units/housing eligible for Housing Choice Voucher holders</i>		\$275,000	\$150,000	\$425,000
Administration (up to \$1m) <i>Per legislation, up to \$1M must be set aside for administration</i>	500,000	250,000	250,000	\$1,000,000
Total	\$5,000,000	\$2,500,000	\$2,500,000	\$10,000,000

Capital Budget Affordable Housing Spending

As outlined above, affordable housing spending is scattered throughout the budget. Table 6 shows the affordable housing initiatives within the capital budget. Capital projects are defined as projects funded by public monies that provide long-term benefit or physical improvements in an element of the City’s infrastructure. They have a minimum value of \$50,000 and a minimum useful life of five years. Included in the chart below are housing measures found in the capital budget that include Community Development Block Grant (CDBG) funds along with the “Other” funding sources that includes funds from HUD and other federal and state entities for a total of \$10.7 million.

Table 6

Pittsburgh's Affordable Housing Initiatives in the 2022 Proposed Capital Budget			
	2022 funding proposed	Funding	Description
Office of Management and Budget			
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	\$ 1,150,000	Other	This project funds housing-related services for those with HIV/AIDS in the City of Pittsburgh. Funding provides for tenant-based rental assistance, emergency short-term mortgage assistance, utility assistance, and information referrals.
URBAN LEAGUE - HOUSING COUNSELING	\$ 100,000	CDBG	This projects funds comprehensive housing counseling services to low-and moderate-income City residents
EMERGENCY SOLUTIONS GRANT	\$ 1,200,000	Other	ESG provides housing and support services for homeless persons and persons at risk of becoming homeless.
FAIR HOUSING TRAINING	\$ 64,750	CDBG	Provides for the salaries and benefits necessary for the operation of the CDBG program.
OMB Total	\$ 2,514,750		
Urban Redevelopment Authority			
<i>Home Investment Partnership Program</i>			
AFFORDABLE FOR-SALE DEVELOPMENT	\$ 200,000	Other	These programs provide funds for the acquisition, construction, or rehabilitation of affordable housing for low income individuals. The program is also intended to support capacity building of Community Housing Development Organizations (CHDO's).
AFFORDABLE RENTAL DEVELOPMENT	\$ 1,800,000	Other	
HOME INVESTMENT PARTNERSHIP PROGRAM AND PROJECT DELIVERY	\$ 222,000	Other	
<i>Housing Development</i>			
AFFORDABLE AND WORKFORCE FOR-SALE DEVELOPMENT	\$ 900,000	CDBG	These programs provide funds to the Urban Development Authority to manage programs that offer grants and financing to homeowners, developers, and community development corporations
AFFORDABLE AND WORKFORCE RENTAL DEVELOPMENT	\$ 1,500,000	CDBG	
ASSISTANCE TO HOMEOWNERS FOR REPAIRS	\$ 1,100,000	CDBG	
HOME ACCESSIBILITY PROGRAM FOR INDEPENDENCE	\$ 500,000	CDBG	
AFFORDABLE UNIT ACTIVATION	\$ 500,000	CDBG	This projects funds major economic development initiatives in various city neighborhoods.
URA PROPERTY MAINTENANCE	\$ 337,000	PAYGO	For securing and maintaining Urban Redevelopment Authority-owned property
NEIGHBORHOOD INITIATIVES FUND	\$ 125,000	PAYGO	Provides grants for community organizations and ~25% for affordable housing related issues
URA PERSONNEL	\$ 300,000	CDBG	60% for affordable housing programs
URA Total	\$ 7,484,000		
City Council and the Mayors Office			
CDBG Public Service Grants	\$ 75,000	CDBG	About 10% is going to affordable housing initiatives
Grand Total	\$ 10,073,750		

Within the capital budget (not including the HOF), more than 74% of the funds dedicated to supporting affordable housing is allocated to the URA. Thus, the URA has the primary responsibility for the city's long-term efforts to preserve existing affordable housing and provide protections to homeowners and tenants. Affordable housing accounts for only 6.3% of the proposed 2022 capital budget, \$10.07 million (figure 27).

Figure 27

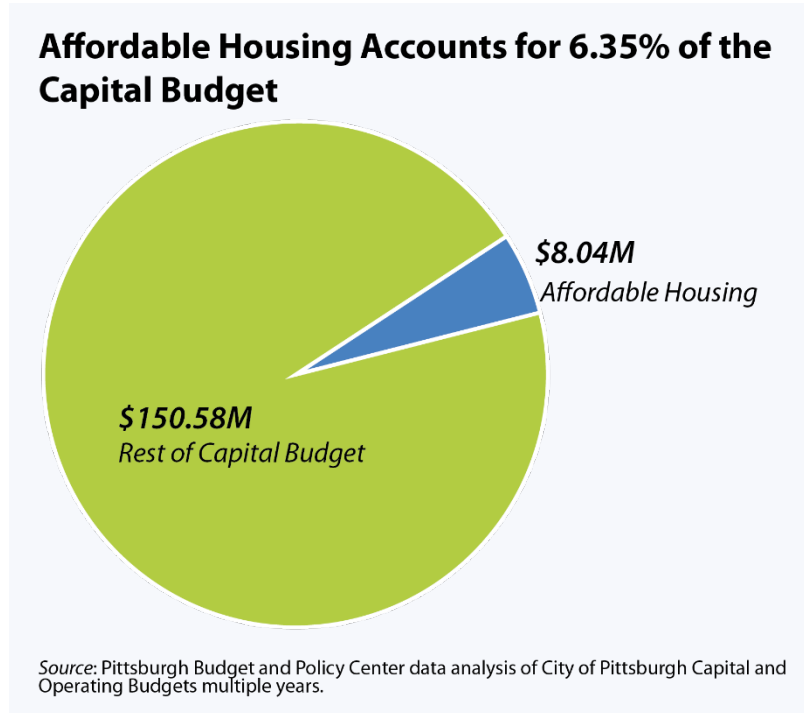
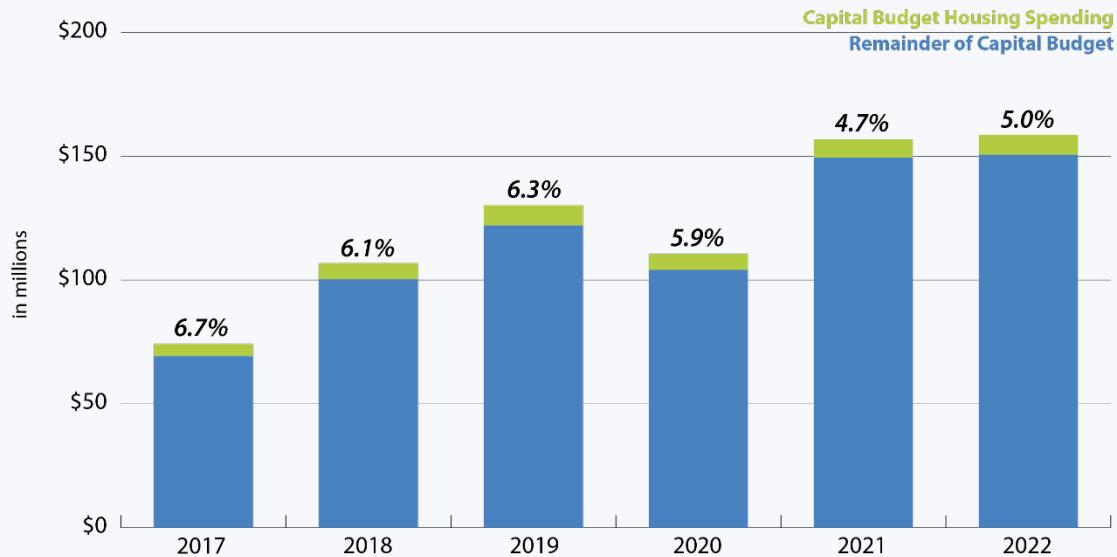


Figure 28

The Percent of Capital Budget Spending on Housing Has Increased Slightly For the 2022 Proposed Budget



Note: This does not include CDBG staffing amounts, property maintenance or Emergency Solutions Grants through OMB as they were not included in the years previous to 2022. This chart represents more direct developments and housing counseling programs.
Source: : Pittsburgh Budget and Policy Center analysis based on the 2022 Proposed Capital Budget released 11.8.21.

American Rescue Plan Act Housing Funds

The American Rescue Plan Act, passed in March 2021, was a \$1.9 trillion federal stimulus package that provides a tremendous opportunity for Pittsburgh to address long-standing inequities made worse by the COVID-19 pandemic and recession. The City of Pittsburgh received \$335 million in direct aid from the ARP. While there are concerns around transparency, community input, and the extent to which the ARP funds address those most in need, this analysis will concentrate on the funds dedicated to housing as outlined in the spending plan approved by Pittsburgh City Council in July 2021. We also acknowledge that the incoming Gainey administration will have the opportunity to revisit unspent ARP funds and address community and equitable spending concerns.

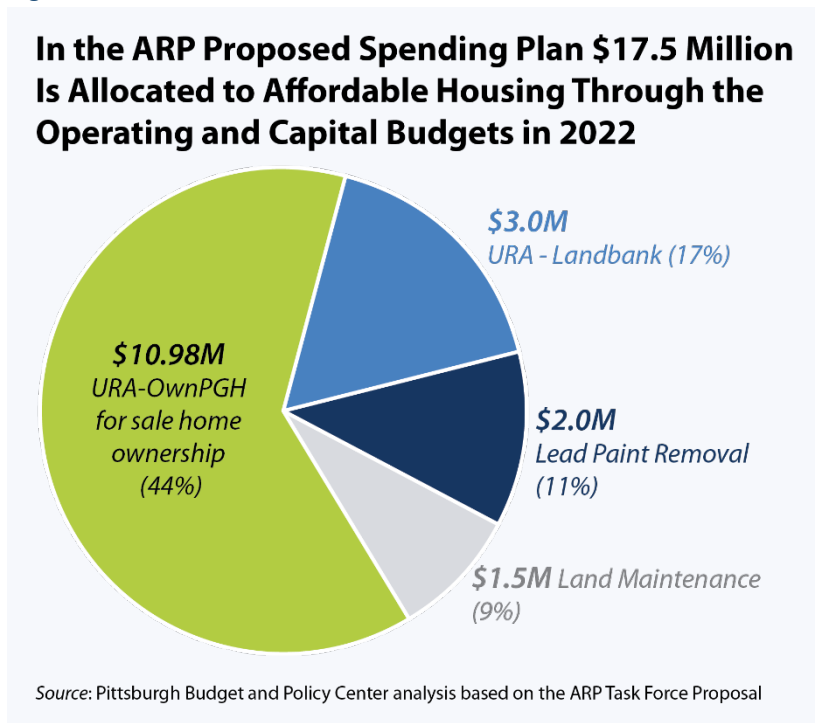
Currently, none of the ARP money budgeted to the URA and other authorities has been transferred and cooperative agreements between the city and authorities are awaiting to be approved by the city controller. The 2022 proposed funding for affordable housing includes allocations to the Land Bank, Land Maintenance for City and 3 taxing bodies-owned properties, lead paint removal, and OwnPGH for-sale home ownership totaling \$17.5 million in 2022. Since ARP funds are waiting to be transferred to the URA and Land Bank only funds for lead paint removal and land maintenance totaling (\$3.5 million) are currently set to be spent. If the transfer of ARP funds to the URA, Land Bank, and other authorities were to be transferred, the 2022 ARP proposed affordable housing spending would total \$17.5 million or 5% of the total ARP funds.

- **Land Bank.** The Land Bank is currently staffed by the URA so this staffing will make the Land Bank a more effective entity.

- **Land Maintenance.** The city would be unable to board up vacant properties or perform basic landscaping without these additional funds.
- **Lead Paint Removal.** Older homes with peeling lead paint are a significant source of lead poisoning and this would support legislation to lower this risk citywide.
- **OwnPGH.** Renovate vacant homes and sell them to low- and moderate-income residents and families.

The current four-year spending plan for all ARP money allocates approximately \$62 million or 19% of the total ARP funds towards housing.⁶³ With only \$5 million dedicated for renters through the preservation of existing affordable housing, ARP funds are weighted more towards homeowners. The city has, in part, indicated its willingness to spend ARP funds to address affordable housing through its ARP 4-year plan. However, more steps can be made to increase the stock of long-term, deeply affordable housing. A local affordable housing recovery fund detailed by Regional Housing Legal Services and Pittsburgh United details how an investment of \$70 million can create more than 1,700 affordable units. The funding would come from a both the City of Pittsburgh and Allegheny County ARP funds, increasing investments to preserve naturally occurring affordable housing, community land trusts, and project-based vouchers can assist in increasing the affordable housing stock.

Figure 29



Housing Solutions

Our recommendations around affordable housing build upon recommendations made last year in our “Budgeting Our Values” report, which relied heavily on data from the AHTF report. As some of those recommendations have yet to be implemented, the city should work towards the following:

Create a housing czar position. The position would be housed in the Mayor’s Office and would be responsible for ensuring that city departments and authorities responsible for housing and community

⁶³ The housing ARP items include the Land Bank (\$10 million), Land Maintenance (\$6 million), Lead Paint (\$2 million), OwnPGH (\$21.5 million), Protection of naturally occurring affordable housing (\$5 million), Community Land Trust (\$5 million), Homeownership Utilities program (\$10 million), Lexington/Homewood Development (\$2 million), and Jasmine Nyree campus (\$1 million). This is an approximation that may vary based on the percent of funds dedicated to housing for projects like the Lexington/Homewood development and Jasmine Nyree Campus development, which may provide housing to disabled residents and does not include the money for the Avenues of Hope.

development (city planning, BBI, URA, HACP) work together to achieve a unified vision. The position would have to carry the authority of the mayor in order to be effective and position should be separate from the director of economic development because the two areas involve different and sometimes competing interests.

Increase funding to the Housing Opportunity Fund. The Realty Transfer Tax (RTT) that was implemented, in part, to fund the Housing Opportunity Fund, is levied at 3% and projected to generate more than \$45.4 million. The additional 1% enacted to fund the HOF is projected to generate \$15.1 million.

An increase in funding transferred to the Housing Opportunity Fund (HOF)—specifically, the Housing Stabilization Program, For-Sale Development Program, and the Homeowner Assistance Program—from the operational budget would ensure meaningful advancements in housing and help Pittsburgh’s low-income residents to continue living in the city.

Use ARP funds to invest in long-term affordable housing. While the ARP spending plan allocates \$5 million to the preservation of affordable housing a local affordable housing trust fund would increase this amount to \$30 million. With this increase, the city would be able to preserve at least 850 units and be brought under new long-term (20 years or longer) affordability controls over a four-year period. ARP money directed to community land trusts totals \$5 million, but a \$30 million investment could create 100 permanently affordable homes over a 4-year period. Currently, no city ARP money is being allocated for project-based vouchers although an investment of \$10 million could create 595 highly affordable units.

Leverage the Land Bank and increase funding. Pittsburgh Community Reinvestment Group (PCRG) and other community development stakeholders need a well-funded PLB partner to streamline the title process to move properties out of property reserve and eliminate the blight that is plaguing many of our neighborhoods and stripping the residents’ wealth. Furthermore, PCRG would like to urge the city to consider alternatives to demolition as a solution for neighborhood blight. While the city does invest in vacant property maintenance, PCRG believes the city is not able to meet the growing maintenance demands of its properties and has shifted to a demolition-first policy.

Establish a pre-filing eviction diversion program like Philadelphia’s. The City of Philadelphia’s Eviction Diversion Program enables landlords and tenants to arrive at an agreement that works for both parties, without having to go to court. This program is for landlords with tenants who have had difficulty paying rent due to a COVID-19-related hardship. Benefits of mandated diversion and mediation include helping tenants avoid an eviction while also helping landlords avoid vacancies and unit turnover costs.⁶⁴

Implement citywide inclusionary zoning. Approving the expansion of the inclusionary zoning in Lawrenceville to surrounding neighborhoods was a good step in rethinking new development. The city should implement the Exploratory Committee’s full recommendation by adopting a 10% inclusionary affordability requirement citywide with a 15% requirement in strong market areas.

⁶⁴ City of Philadelphia, “PHL Eviction Diversion.”

Workforce Development

Workforce development is a priority because of (a) the enormous overall and racial inequity in the city and (b) the exacerbation of those inequities in the pandemic. The city's workforce development programs cannot solve those structural inequalities—but they can ameliorate them and help clarify when other policies with greater force must be enacted in the city, county/region, state, multi-state region, or nationally.

The City Funds Only a Small Portion of Workforce Development Delivered to City Residents

Most funds for workforce development activities in the city come from the federal government and, to a lesser extent, the state government. These include:

- Federal Workforce Innovation and Opportunity Act (WIOA) funds, managed jointly for the city and the county by the local workforce development board (LWDB), Partner4Work.
- The city's EARN (Employment Advancement and Retention Network) program, the workforce component of federal Temporary Assistance for Needy Families (TANF) program. The city manages EARN for city residents while Partner4Work manages the EARN program for the rest of the county.
- Partner4Work administers the Learn & Earn summer youth employment program on behalf of the City and County. The \$1.5M contributed by the City to the program is to fund summer jobs. Partner4Work leverages TANF Youth and WIOA Youth funding to serve both in-school and out-of-school youth.

The City Workforce Development Budget

Partner4Work, the local workforce development board for both the city and the rest of Allegheny County, receives most of the funding used to deliver publicly funded workforce development services in the city.⁶⁵ Partner4Work's revenue in its 2020-21 budget equaled \$29 million:

- roughly a third from the federal Workforce Investment and Opportunity Act program—\$4.4 million in formula funding for the city and \$5 million in formula funding for the county;
- another third from the federal Temporary Assistance for Needy Families (TANF) program—\$9.4 million that includes Adult TANF funds to the county and city and county TANF youth funding;
- just over \$4 million from "Learn and Earn" for summer jobs and year-round opportunity youth programming;
- over \$3 million from "Midwest Urban Strategies," a non-profit collaborative of Midwest and Pittsburgh workforce boards; and
- approaching \$2 million in grants for sector strategies.

The last two revenue sources leverage federal, philanthropic, and government grant resources to complement Partner4Work's formula funding from the federal government.

The city's Human Resources/Civil Service department administers the workforce programs that the city itself manages, in part using the Pittsburgh Partnership Trust Fund. This fund has a budget about one tenth the size of Partner4Work's and roughly five times Partner4Work's budget to deliver services in the city: \$3.06 million in 2021 and a proposed \$3.065 million in 2022. The Human Resources/Civil Service

⁶⁵ This paragraph is based on "Memo from Kristin Kramer," CFO to Partner4Work Board of Directors Re FY 20-21 budget, June 26, 2020; <https://www.partner4work.org/uploads/budget-memo.pdf>.

department had 20 FTEs (full-time equivalents) in 2021 and 2022, plus \$1.15 million in grant funds in the budget each year.

The City and County Workforce Board—Partner4Work—Embraces a Sector Partnership Approach

A common critique of workforce programs is that they tend to be fragmented and siloed from each other and have weak connections to the demand side of the job market. This has been well known in the Pittsburgh region at least since late 1990s sectoral convenings supported by The Heinz Endowments. For much of the period since then, philanthropy in Pittsburgh has been a champion for addressing program fragmentation and demand-side-disconnect challenges through one primary strategy: organizing industry-driven partnerships or intermediaries. For example, the Pittsburgh Foundation, with help from Keystone Research Center, organized a field trip for about 20 community, business, and Pittsburgh labor leaders in 2008—including now mayor-elect Ed Gainey—to visit the nation’s leading nonprofit organizer of regional sectoral partnerships, WRTP/BIG STEP (Wisconsin Regional Training Partnership/Building Industry Group Skilled Trade Employment Program).

The key to the potential of sectoral partnerships in industries with good jobs is that, if employers, and unions where they exist, are engaged and supportive—and guarantee that people who meet employer standards will be given jobs or at least a fair shot at one—then workforce recruitment, training, and support services for transportation, tools and boots, childcare, etc. can be designed to give participants a real chance to access family-sustaining employment. More traditional workforce programs—sometimes lampooned as “train and pray”—have difficulty helping large numbers and diverse groups of workers gain access to anything other than low-wage, high-turnover positions.

The “theory” of organizing employers with good jobs into sectoral partnerships with jobs for which workforce providers can then prepare candidates who want jobs is straightforward. The practice of building such partnerships is difficult. This work is also foreign to many workforce and social service providers, including nonprofits. These providers tend to be “mission-driven” and committed to the individuals they support, and a values-based inclination to focus on the “hardest to serve.” While laudable and understandable, focusing on the hardest to serve can make it difficult to find candidates that meet the requirements of employers with good jobs. Deep engagement with the demand side of the job market—and deep understanding of the minimum requirements employers will accept—can help workforce providers realize they have no choice but to deliver candidates that DO meet employer standards. Otherwise, employers will stop hiring referrals from those providers. This does not mean abandoning the harder-to-serve. It means assisting them, over time, in acquiring the work experience, educational credentials, driver’s license, or other qualifications needed to advance to better jobs.

A major advance in the city’s approach to workforce development under Mayor Peduto took place in 2018. In that year, the city and county recruited and hired as CEO of the Allegheny/Pittsburgh Workforce Development Board a national best-practice leader in organizing sector partnerships, Earl Buford. Buford previously headed the Milwaukee Workforce Board and, before that, WRTP-BIG STEP. Under Buford’s leadership, and with the support of the city and county, Partner4Work sought to restructure its activities to focus on building industry (employer-led or employer-union led) partnerships in sectors with good jobs and then organizing sector-specific partnerships of service providers focused on enabling diverse, low-income, and other populations with barriers to obtain family-sustaining jobs. Buford left Partner4Work in mid-2021 to become the president of the Council for Adult and Experiential Learning. Partner4Work recruited as his successor another Wisconsin and Milwaukee workforce leader, Robert L. Cherry, who shares a commitment to building strong industry partnerships.

Partner4Work’s implementation of a sector approach is currently most advanced in the construction and banking industries. In construction (Box #), prior to the pandemic, employers were hungry for new workers because of high industry demand and large-scale retirement of baby boomers. With the economy growing stronger, the passage of the bipartisan infrastructure framework federally, and the possibility of additional investment in climate infrastructure (if the Build Back Better act passes), demand for new trades workers will likely be robust for the next several years. New federal funding in construction is likely to come with strong labor and community standards that (a) increase the share of construction built by unionized trades and (b) encourage local and diverse hiring.⁶⁶ Because of the Builders Guild construction partnership program profiled in Box #, the Pittsburgh city and region and Partner4Work are well positioned to attract federal funding for projects that would create trades jobs including for a diverse workforce.

In the banking industry, Partner4Work, in collaboration with the PA Bankers Association and several of the region’s leading financial institutions, recently launched the nationally recognized BankWork\$® training program in the Pittsburgh region.⁶⁷ Developed by the industry itself, BankWork\$® prepares individuals with barriers to employment to become qualified candidates for tellers, customer service representatives, and personal banker positions. In addition to the technical skills needed to succeed on the job, BankWork\$® students receive soft-skills training, coaching, and mentoring, information about career pathways, interview prep, and other hands-on activities. Classes are offered at no cost for qualifying students and run for eight weeks. As was the construction industry partnership, the training for BankWork\$® is being delivered initially by the Energy Innovation Center. To date, out of 103 participants in BankWork\$, 88 (85%) graduated and the banking/financial industry hired 67 (76%) of graduates. In some cohorts, Partner4Work CEO Cherry notes, industry partners have hired every single participant.

Partner4Work has also begun to collaborate more closely with employers in the technology industry and health care. In the tech sector Partner4Work supported the development of the first Pennsylvania registered apprenticeship in information technology, using a national model and curriculum developed by Apprenti. The first cohort of nine apprentices employed at two businesses— CGI and Wolfe Consulting—completed its first related-instruction module this month. In health care, Partner4Work has partnered with UPMC, a single employer but a substantial part of the industry in the region, to launch an emergency medical technician (EMT) training program.

In addition, a task force with city, community, and Partner4Work members has been exploring the potential of a public sector industry partnership which could help local residents, including EARN participants who start in short-term, subsidized positions (“transitional jobs”), access family-sustaining city jobs. Another partnership in the janitorial and hospitality industries, in which unions in Pittsburgh raise entry level pay and benefits, was set to launch prior to the pandemic but has been stalled because of the collapse of business travel and reduced demand for downtown office space.

⁶⁶ For more detail on labor and community standards, including specific examples from Ohio (as well as a short version of the Pittsburgh construction partnership case), see Amanda K. Woodrum, Kathleen Mulligan-Hansel, Stephen Herzenberg, Anna McLean, “Maximizing Value: Ensuring Community Benefits,” ReImagine Appalachia, May 2021, accessed at https://reimagineappalachia.org/wp-content/uploads/2021/05/Community-Benefits_Whitepaper_05-28-2021.pdf.

⁶⁷ This paragraph is based on an interview with Partner4Work CEO Robert Cherry. For additional information on BankWork\$® in Pittsburgh, see <https://www.partner4work.org/programs/bankworks-pittsburgh>.

A common element of Partner4Work’s sectoral work, ramped up further this year, has been amplifying employers’ voice at the table, including to vet training. Achieving employer buy-in, says Chief Program Officer Susie Puskar, makes employers more likely to hire or give hiring preference to training program participants.

The Need to Assist Communities Historically Left Behind and Hurt Further by the Pandemic

The pandemic has hurt historically disadvantaged labor market groups, including women and people of color, in multiple ways.⁶⁸ Women and people of color are concentrated in jobs with high unemployment rates such as in restaurants, hospitality, and retail. They also make up large shares of low-wage essential workers who put their lives on the line delivering services (e.g., in health care, supermarkets, take-out/delivery) on which the rest of us depend. Further, the drop in jobs for low-wage workers in the pandemic recession far exceeded the fall for moderate- and high-wage workers, and the recovery of employment in low-wage jobs has been much slower.

The economic realities described above make the efforts of Partner4Work and the city to enable diverse and low-wage workers to access better jobs that much more important. Over the past year, to assist these populations, Partner4Work has sought to align workforce development with human services and to eliminate systemic barriers to accessing family-supporting employment. This effort includes alignment of services provided by the Allegheny County Department of Human Services such as childcare and home crisis services (e.g., for families with mental health challenges, who are dealing with COVID, or who are falling behind on their rent). In another example, Literacy Pittsburgh has collaborated with the Builders Guild to integrate literacy education with the construction industry partnership pre-apprenticeship program. “We need sustained and flexible investment in populations that have weaker connections to the labor market,” says Puskar.

Partner4Work also aims to support the pipeline from high school to the continuum of future employment and educational opportunities, career as well as college. One element of this effort is to enrich young people’s exposure to different careers. Another component is to expand use of the “old apprenticeship model—work and learn at the same time.” In line with a state government expansion of apprenticeship since 2015-16, Partner4Work has supported new apprenticeships in health care as well as in the technology sector.

Improving Job Quality/Supporting Employers to Become More Employee-Friendly

Another Partner4Work initiative that benefits both lower-wage workers and employers supports employers interested in becoming more employee-friendly. For example, Partner4Work is currently building a toolkit that includes guidance on ways employers can make it easier for single-parent employees to thrive or to create a “recovery-friendly” workplace. The current shortage of low-wage workers increases the number of employers who are open to adopting effective practices that expand the categories of workers who can succeed in their workplaces.

The City Budget Appears to Provide Minimal Support for Minority Entrepreneurs

⁶⁸ For additional details, see Stephen Herzenberg, Maisum Murtaza, and Claire Kovach, “The State of Working Pennsylvania 2021,” Keystone Research Center, September 1, 2021, accessed at https://krc-pbpc.org/research_publication/the-state-of-working-pennsylvania-2021/.

Some advocates for minority-owned businesses see the city as providing too little support for minority-owned businesses. To expand such support, in August 2020, PNC announced its investment of \$10 million in three programs managed by the URA and targeting underserved neighborhoods and struggling businesses.⁶⁹ According to the city, a portion of these funds will provide up to \$1 million for an incubator specifically designed to support Black businesses with a focus on Black women-owned companies. A community nonprofit leader, however, notes that most (two-thirds) of the PNC funds are emergency loan funds that have to be repaid—unlike, for example, federal Paycheck Protection Program (PPP) funds that qualify for conversion to a grant. A recent report on the first anniversary of the launch of one of the three PNC-funded programs, a low-interest loan initiative, found that it had supported 41 businesses and given out \$2.7 million.⁷⁰

Workforce Development Recommendations

- The city should, in partnership with Partner4Work and the county,
 - deepen and expand sectoral workforce strategies so that more low-income and diverse populations can access family sustaining jobs and be great workers for Pittsburgh businesses; and
 - leverage federal infrastructure and climate dollars to grow more good union jobs for a diverse workforce, including in construction and manufacturing.
- Partner4Work should expand its support for businesses eager to embrace better organizational practices and improve their job quality, including to attract and retain people with barriers who can nonetheless succeed with more understanding and support.
- The city, county, and Partner4Work should continue to integrate sectoral workforce development efforts with the delivery of workforce and social services to help populations with barriers obtain family-sustaining employment with partnership employers.
- The city and Partner4Work should build on efforts to implement a strategic and innovative recruitment plan for city employment. This should incorporate lessons from the industry partnership movement and expand work-based learning opportunities (apprenticeships, paid internships, summer jobs, and co-op programs) within the city for youth and to onboard more city employees.
- The city and Partner4Work should consider incorporating the county and anchor institutions (e.g., in higher education and health care) into collaborative recruitment and placement efforts that enable more low-income people in the city to access family-sustaining careers in the city.
- The city should expand and take a holistic approach to supporting minority-owned businesses and entrepreneurs. This could start with an inventory of existing support and a survey of best practices in other small cities. Mentoring and technical assistance could also support minority entrepreneurs to expand their own minority and female recruitment.

⁶⁹ For details on the use of the PNC \$10 million, see “PNC Supports \$10 Million To Support Small Business In Pittsburgh,” August 13, 2020, accessed at <https://pnc.mediaroom.com/2020-08-13-PNC-Commits-10M-To-Support-Small-Businesses-In-Pittsburgh>.

⁷⁰ Urban Redevelopment Authority of Pittsburgh, “Minority Business Recovery and Growth Loan Fund Program Marks One-Year Anniversary,” October 7, 2021; <https://www.ura.org/news/minority-business-recovery-and-growth-loan-fund-program-marks-one-year-anniversary>.

Box 1: The Pittsburgh Construction Workforce Partnership

The Construction Workforce Partnership (CWP) in Pittsburgh brings together Partner4Work and seven providers of construction training and support services. The CWP aims to place a diverse workforce from low-income communities into good-paying careers in construction, including the unionized building trades. The CWP is one of two key components in the Pittsburgh area's construction workforce development ecosystem; it meets industry needs on the people, or supply, side of the labor market. The Construction Industry Partnership (CIP), the other key component of the ecosystem, meets industry needs on the business, or demand, side of the labor market. The CIP brings together construction companies. Its members include large, unionized construction companies in Pittsburgh and the surrounding county. The CIP is co-convened by Partner4Work (P4W) and the Builders Guild of Western PA (Builders Guild), a labor-management partnership for the area's construction industry.⁷¹

In addition to establishing the CIP, Partner4Work (P4W) took other steps to enable the CWP to place community members in good construction jobs. P4W developed a model for First Source Hiring Agreements with large developers and established the first one with PAR on a 28-acre development site in Pittsburgh's Hill District. Provisions of the agreement include commitments to collaborate on filling construction and end-use jobs and related training. Additionally, P4W obtained the Builders Guild's agreement to operate a pre-apprenticeship program called "Introduction to the Construction Trades."

Two key features help the CWP and the CIP avoid the pitfalls of failed efforts to help community members access high-paid construction careers. On the front end, there is a proprietary screening system that enables the CWP to select participants with a good chance to succeed in the pre-apprenticeship—and then in apprenticeship or in construction jobs—once they receive other supports. After their selection, participants receive pre-employment training (typically for about six weeks), adapted in many cases from an apprenticeship readiness curriculum developed by the national building trades—"MC3" or the Multi-Craft Core Curriculum.⁷² On the back end, the Builders Guild, as a labor-management partnership, has strong relationships with construction contractors and unionized building trades. These relationships, combined with the Builders Guild's history of delivering good candidates through its pre-apprenticeship program, have led to commitments from contractors and Joint Apprenticeship Training Councils to interview, place into apprenticeships, and often hire graduates of the Introduction to the Construction Trades program. In addition, prior to COVID, the Laborers union (LIUNA, the Laborers International Union of North America) had agreed to hire qualified program completers with the understanding that those candidates might later enter an apprenticeship in another trade. Introduction to the construction trades has achieved success overall and with Black participants. As of late 2021, 12 cohorts had been through training, a total of 162 participants, 80% identified as African American/Black, 44% under 26, 48% with a HS diploma or GED; and 76% placed in unsubsidized employment.

Introduction to the construction trades is designed to avoid pitfalls that other programs have identified: when training or pre-apprenticeship programs do not have good access to unionized construction jobs, and take people up front who cannot meet entry requirements for apprenticeships or construction jobs (e.g., they have no HS diploma or GED, do not have a driver's license, or are not drug-free), they are set up for failure—trainers and service providers may get paid, but workers don't get jobs, employers don't get qualified candidates, and minority communities and unions confirm their negative views of each other.

Partner4Work and seven organizations that provide construction training and related services came together to establish the CWP. CWP members recruit candidates who are unemployed, underemployed, and low-income workers, with the goal of increasing the number of women and minorities who access jobs, apprenticeship, and

⁷¹ Information about the Builders Guild of Western PA can be found on its website: <https://www.buildersguild.org>.

⁷² On the MC3 and the Pittsburgh "Intro to the Construction Trades" curriculum, see the profile of the Energy Innovation Center Institute construction program in Keystone Research Center, "An Inventory of Pre-Apprenticeship Programs Across Pennsylvania," January 7, 2019, p. 29.

careers in construction. CWP members coordinate recruitment, screening, and selection, deliver training and other supports to participants they select, and provide coordinated post-employment retention services. Other components of the CWP model: recruitment and training of current journey-workers to provide workplace mentoring, and creation of peer advisor networks, including from the ranks of existing women and minorities in the trades.

APPENDIX A

City of Pittsburgh American Rescue Plan 4-year Allocations⁷³

APPENDIX B

Real Estate Division – Housed in the Department of Finance - \$376,616

The Real Estate division manages the entire real estate inventory online for the public to search and apply for properties that are for sale. The division works with property buyers, delinquency collectors, the School District, the County Assessor’s Office, the Urban Redevelopment Authority, and the Law department to return property to the tax rolls and expedite the sales processes.

This includes salaries and benefits for the following positions in the Real Estate Division:

- assistant real estate supervisor
- land care & maintenance coordinator
- real estate senior assistant
- real estate assistant

Commission on Human Relations – \$276,949

The Commission receives and investigates complaints of discrimination in the areas of housing, employment, and public accommodations within the jurisdiction of the city. The Commission also provides outreach and education services regarding rights and responsibilities under the Fair Practices Ordinances.

The CHR budget is increased by 2.5% in the 2022 proposed operating budget to \$553,898.

*Assume that 50% of the Office is dedicated to enforcement—housing spending in the office can then be approximated to be \$276,949.

Trust Funds

Three taxing bodies: \$895,815

The three taxing bodies are the City of Pittsburgh, Allegheny County, and Pittsburgh Public Schools. The City acts as trustee/agent for properties owned jointly by the three taxing bodies. The Three Taxing Bodies Trust Fund was established to pay for costs relating to the administration of these properties.

HUD Fair Housing Program Trust Fund: \$64,510

This grant from the Department of Housing and Urban Redevelopment gives funds to the Commission on Human Relations to adjudicate housing discrimination cases as a Fair Housing Assistance Program (FHAP). The 2022 proposed budget expected expenditures for this trust fund totals \$129,021. The city approximates half of the trust fund, or \$64,510.50, can be classified as affordable housing spending measures.

⁷³ City of Pittsburgh – Legistar, “File #2021-1652,” accessed at <https://pittsburgh.legistar.com/LegislationDetail.aspx?ID=5008869&GUID=C42FEECB-80A2-4F35-9ED6-585BEC45EB0B&Options=ID|Text|&Search=american+rescue+plan>

EEOC Trust Fund: \$447,907

This grant from the Equal Employment Practices Agency (FEPA) established the EEOC trust fund to adjudicate discrimination cases as a certified Fair Employment Practices Agency. The 2022 proposed budget projects \$895,815 in 2022 spending. The city approximates half of the trust fund, or \$447,907.50, can be classified as affordable housing spending measures.

Other Programs and Grants: \$4.6 Million

These include the Housing Opportunities for Persons with Aids (HOPWA), Emergency Solutions Grants (ESG), and HOME grants.

In addition to city funding there are also several non-city sources. A deeper analysis of the Pittsburgh Housing Authority (PHA); the Allegheny County Housing Authority (ACHA); the URA; and other city, county, state, and private sector investments.