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Cold Water for Overheated Merger Rhetoric

As the City tries to cope with its financial problems and the County grapples with property reassessments, the Mayor and Chief Executive have announced their support for merging City and County governments. They point to the “success” achieved when Louisville merged with Jefferson County to create Metro Louisville—the nation’s 16th most populous city. Before accepting the claims of success, we need to bear in mind that it took decades to finally get approval from voters in 2000 to carry out the Louisville-Jefferson County merger. Moreover, the merger vote in Louisville-Jefferson presented far fewer obstacles than a Pittsburgh-Allegheny County merger vote would have to overcome. Finally, and possibly most important, Metro Louisville has not provided substantial benefits or savings to its citizens.

Merger talks between the City of Louisville and Jefferson County began in the late 1940s and moved to previous referenda in 1956, 1982, and 1983. It was soundly defeated each time. Meanwhile, the City and County began merging services such as the water and sewer authorities in the late 1940s. Purchasing and planning departments, libraries, the public health departments, parks, and transit were combined in subsequent decades. The public school systems merged in 1975 to create a single county school system. To date the only consolidated city-county function in Pittsburgh-Allegheny County is the 911-call center, which took many years to complete.

In 1986, Jefferson County and Louisville signed a compact to share earned income taxes. Louisville officials, like those in Pittsburgh, complained they were losing residents and tax base to the suburbs while remaining the hub for jobs and cultural activities. Louisville had begun annexing unincorporated areas of the County to expand its tax base, prompting Jefferson County officials to agree to share a portion of its earned income tax collections in exchange for an agreement by the City to cease annexation. The City gets to keep its share of earned income taxes paid by its residents and the County would remit a portion of earned income taxes from County residents to the City (about \$9 million). The compact is still in existence despite the merger that took effect in 2003.

Notwithstanding all the combined services, tax sharing, and a county school district, it took a monumental effort to persuade the residents of Louisville and Jefferson County to approve the referendum in 2000. Many people agree that the catalyst for the Metro Louisville merger was a very popular former mayor—Jerry Abramson. Abramson was a

three-term mayor of Louisville who was “term limited” out of office. He spearheaded an effort, along with every living former mayor and county executive, to support the merger—for which he is now mayor. Neither Pittsburgh nor Allegheny County can boast of having such an overwhelmingly popular official who favors merger. Tom Murphy has alienated many in the Legislature and the suburbs while Dan Onorato has yet to complete his first term.

What are the major stumbling blocks to city-county consolidation in Pittsburgh? Three issues that come immediately to mind are debt, pension obligations, and an absence of unincorporated areas. When Louisville and Jefferson County combined, each brought general obligation debt that was assumed by the new government. Louisville’s debt level amounted to \$82.5 million or \$325 per capita. Jefferson County’s debt level was approximately \$175 million or \$255 per capita. The City of Pittsburgh has roughly \$890.6 million in debt or \$2,716 per capita, while Allegheny County has roughly \$621 million in general obligation debt or \$515 per capita—one-fifth the amount of the City.

Pittsburgh has a crisis in its pension funds that was not present in pre-merger Louisville. According to the 2003 Comprehensive Annual Financial Report, Pittsburgh’s pension plans are only 41 percent funded with \$453 million in unfunded accrued liability. By comparison, in Louisville nearly all government employees are enrolled in a statewide pension plan that is well funded. However, some police and fire employees (less than 600) are enrolled in other pension plans for which the Metro Government assumed control. It is highly unlikely that Allegheny County voters will be willing to assume the largely unfunded, generous pension plans of Pittsburgh’s employees.

Finally, Jefferson County had substantial areas that were unincorporated, which supported the merger in hopes of having representation and city services extended to them. In Allegheny County there are no unincorporated areas.

Even if these enormous obstacles were not present, we would still need to ask: what are the benefits of merging Pittsburgh and Allegheny County governments? The Louisville-Jefferson County merger was not touted as being cost effective or more efficient—many experts argue that costs tend to rise from government mergers simply from the equalizing of pay rates among workers in merged departments. The Kentucky law that allowed the merger vote retained county row officers, the county executive and commissioners (even though their powers are statutorily limited), and recognized any and all public employee unions that were recognized by the previously existing City or County governments. Furthermore, all taxing districts remain in place as do fire protection districts, sanitation districts, and water districts. The old Louisville retained its city boundaries and is called an “urban services district” that has maintained its own tax and service levels.

Proponents of the merger to create Metro Louisville promised only that a larger city would increase their economic development opportunities. The first two years of the merger, when the hype and promotional activity have been very intense, has not brought an economic development boom to Metro Louisville. In fact the Milkin Institute’s ranking of Best Performing Cities listed Louisville as the 118th best city in 2003 while

Pittsburgh came in at 96th. In 2004, one year after the merger, Louisville fell to 139th while Pittsburgh fell to 132nd.

Since the merged government came into being, no substantial new companies have announced they would be locating facilities in Louisville. The largest announcement of jobs came from Citigroup's plans to expand its call center by as much as 1,600 jobs in response to a government assistance package totaling \$20 million. Metro Louisville lost jobs as Papa John's downsized its headquarters, Pepsi-Frito Lay left entirely, and Brown and Williamson Tobacco closed its headquarters in a merger with RJ Reynolds. Doesn't say much for being the 16th largest city.

In short, the Louisville-Jefferson County merger offers little that would convince Allegheny County to approve a City-County government merger. During the first five years since approval, Metro Louisville has not brought demonstrable economic benefits and has not reduced significantly the cost of government. This was, to a large extent, a merger in name only that had been facilitated by decades of consolidation of services. If the City of Pittsburgh and Allegheny County want to begin the process of combining services to save taxpayers money, that is one thing. But an all out merger that dumps Pittsburgh's problems onto County residents will not sit well with County voters.

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