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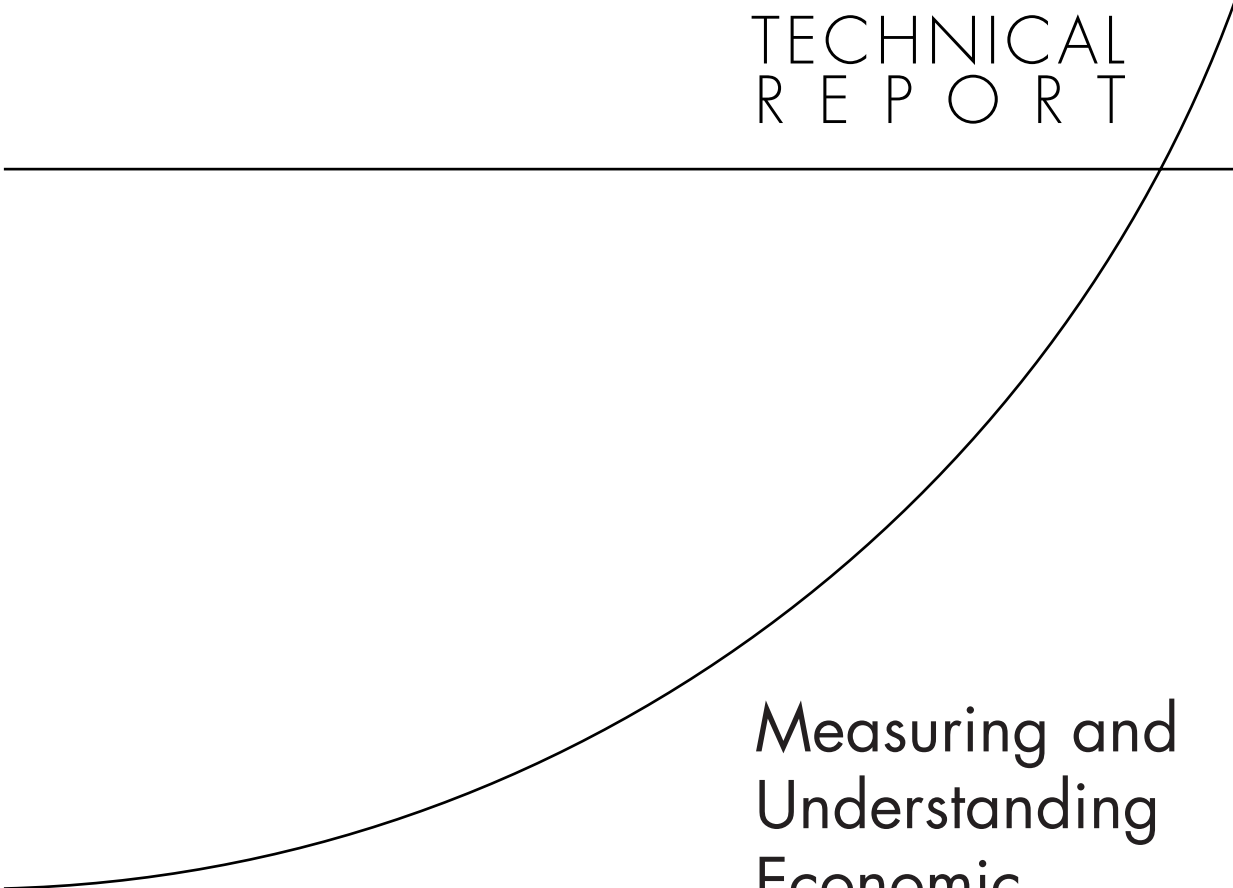
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TECHNICAL
R E P O R T



Measuring and
Understanding
Economic
Interdependence in
Allegheny County

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Prepared for the Heinz Endowments



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Summary

As part of its ongoing interests in economic development opportunities in southwestern Pennsylvania, the Program on Economic Opportunity at the Heinz Endowments asked RAND to explore the degree and nature of economic interdependence within Allegheny County.

This report characterizes economic interconnections through the flows of earnings of full-time workers who cross municipal boundaries in Allegheny County. Our analyses reveal a dense web of economic flows that closely tie the municipalities of Allegheny County to the City of Pittsburgh and to one another. We describe this economic interdependence among the municipalities in Allegheny County and examine how the municipalities are interconnected with the City of Pittsburgh.

The analyses of earnings are based on where people live and work. We construct simple metrics to estimate the amount of earnings from workers who live and work within their community and those workers who bring their earnings home from other jurisdictions. Our analyses show that ten municipalities have estimated *net* deficits in earnings of more than \$100 million, with the City of Pittsburgh at over \$5 billion. Another fifteen municipalities have *net* surpluses in earnings of more than \$100 million.

The flow of earnings across municipal boundaries is used to describe the degree of economic interdependence in Allegheny County. We find that 80 percent or more of the total earnings flowing into county municipalities are generated by jobs outside a municipality for 114 municipalities (88 percent). Further, 124 of municipalities (95 percent) in the county “export” 60 percent or more of earnings from jobs within their municipality to non-resident commuters. The amount of earnings flowing across the boundaries of municipalities is not surprising given that, on average, only 13 percent of residents work within their own municipality.

The City of Pittsburgh is the most financially distinctive municipality in the county in terms of the amount of earnings exported outside its borders. The city alone accounts for more than one-third of all exported earnings of the 130 municipalities combined. We find that 63 municipalities (49 percent) “depend” on the city for 30 percent or more of the earnings of all residents in a municipality. That means, for every dollar earned by residents in one of these municipalities, 30 cents is generated by jobs within the City of Pittsburgh. Only nine municipalities receive less than 15 percent of total earnings from jobs within the city.

This report describes the economic interdependencies among Allegheny County municipalities for earnings. The information is an important input into discussions about the economic viability of the region as municipalities struggle with budget issues and compete for the same workers and jobs. Understanding how, and the extent to which, municipalities depend on one another and the city can support the discussions currently under way about

city-county consolidation, issues of taxation and tax sharing, and more generally, how to make economic decisions as a region.