



City of Philadelphia
Office of the City Controller

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Controller's Office Releases Report on City's Spending Trends

Report details 13.2% spending increase between FY17 and FY19.

Philadelphia, PA – As part of its commitment to transparency, the Office of the City Controller released an analysis of the City of Philadelphia's General Fund spending trends in anticipation of the Fiscal Year 2021 (FY21) budget. The report discusses broader trends in actual spending from FY06 to FY19 and provides a more detailed analysis of major spending drivers from FY17 through FY19.

"As the City's revenues have increased, so has its spending. In fact, spending has increased 13 percent over the last two fiscal years. Ultimately, each investment the City makes is a choice. At the end of the day, residents should see a return on this investment, whether in an increase or improvement in services or outcomes for the people of our city," said City Controller Rebecca Rhynhart. "This is particularly important during a time when the City continues to benefit from increasing revenue generation, but faces critical challenges, like increasing rates of gun violence, a much too-high poverty rate, the opioid epidemic, and a local tax structure that boasts some of the highest wage and business tax rates in the country."

Spending Trends

Since the City's post-Great Recession spending low in FY12, General Fund spending has increased by more than \$1 billion. A substantial portion of that increase occurred over the last two fiscal years, growing by an average annual rate of 7.1 percent each fiscal year. Payroll costs consistently make up about two-thirds of all General Fund spending. Overall, General Fund positions increased by 1,800 over the post-Recession employee low in FY11. Spending on purchase of services (contracts and leases with outside vendors) has increased, however its share of overall spending has decreased. The shares of total spending for contributions and indemnities, payments to other funds, and debt service have all had large relative increases since 2006. Spending on materials and equipment decreased after the Great Recession and still has not recovered to pre-Recession levels.

Major Spending Drivers Since FY17

From FY17 through FY19, spending increased by 13.2 percent, the sharpest increase in spending in recent years. The majority of the increased spending was in the following areas:

- Payroll costs, excluding pensions (+\$170 million);
- City contributions to the Municipal Pension Fund (+\$87 million);
- Contributions to the School District (+\$77 million);
- Payments to the Capital Fund (+\$72 million);

- Payments to the Housing Trust Fund (+\$29 million);
- Debt service obligations (+\$19 million); and
- Mayor's Office of Education contracts (+\$15 million).

Increased spending on payroll, excluding pension costs, increased by 8 percent between FY17 and FY19. Over this time period, total City employees paid from the General Fund increased by 589. (Please note, an additional 356 employees were added in the first two quarters of FY20, bringing the total number of new employees to 945 since FY17.) Despite adding these employees, the City's overtime spending per employee was higher in FY18 and FY19 than in FY17. Overall spending on personal services (all payroll costs for City employees) accounted for about half of the overall growth in spending.

Not included in the list above is an increase of about \$88 million in non-payroll spending spread across several departments, including spending in Public Property (\$14 million), Streets (\$9.3 million), the Office of Innovation and Technology (\$8.6 million), Human Services (\$8.2 million), the Managing Director's Office (\$7.7 million), Homeless Services (\$6.6 million), the Finance department (\$6.3 million), and Licenses and Inspections (\$3.5 million). Of note within this spending: Streets department's increase reflects the rising costs of waste removal and recycling services, as well as spending on materials and equipment for street resurfacing efforts; Finance's increase includes additional contributions to the Community College of Philadelphia, Philadelphia Authority for Industrial Development (PAID), and the Philadelphia Housing Authority; the bulk of the spending increase in the Managing Director's Office, \$5 million of the \$7.7 million, is on legal services through contracts with the Defender Association of Philadelphia and Community Legal Services; about one third of Public Property's spending increase is for the increase in state mandated funding for SEPTA; and IT-related professional services spending nearly doubled since FY17.

Controller Rhyhart added, "The goal of this report is to improve transparency around the City's spending priorities. By helping the public understand what their tax dollars are funding, we push for greater accountability and ensure the efficient and effective operation of City government."

The report also highlights a significant reduction in spending by the Department of Prisons. Since FY17, Prisons reduced its staff by 226 positions and overall payroll spending by \$10 million. Prisons spending on contracts also decreased over this time period by \$18 million. These decreases are largely attributable to the decrease in prison population and the closing of the House of Corrections.

Read the full report [here](#).