



**City of Philadelphia
Office of the City Controller**

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Controller's Office Releases Recommendations for American Rescue Plan Funds

Controller Rhynhart urges the Kenney Administration to adopt a detailed spending plan and focus investments on key challenges.

Philadelphia, PA – The Office of the City Controller released a report with recommendations for using \$1.4 billion in American Rescue Plan (ARP) funds to fill revenue shortfalls and address Philadelphia's biggest challenges. In addition to replacing lost tax revenue as a result of the COVID-19 pandemic, ARP funds are intended to support the households, businesses, and communities most impacted by the pandemic, as well as address the systemic issues that contributed to the pandemic's unequal impact. As part of the report, the Controller's Office recommends the City develop a detailed spending plan with clear metrics of success and publicly track and evaluate progress toward its goals.

"If invested thoughtfully and strategically, the City's \$1.4 billion in ARP funds represents a once-in-a-generation opportunity to truly transform Philadelphia and make measurable progress in tackling issues like gun violence and poverty," said City Controller Rebecca Rhynhart. "However, the mayor's current budget proposal does not outline specific uses for ARP funds, raising concerns about how the funds will be spent. The Kenney Administration needs to develop a detailed spending plan for the ARP funds tied to addressing three to five challenges, measure outcomes related to the spending, and continue to fund only the programs that work. I am hopeful that my strategic vision is viewed as an alternative way forward that better utilizes these dollars to support our city."

The Mayor's Budget Office announced a projected budget shortfall of \$450 million for fiscal year 2022 (FY22). While the Controller's Office projected a tax revenue shortfall of only \$284 million for FY22, the City could still fill the larger \$450 million deficit in FY22 and set aside \$390 million for future tax shortfalls, with \$250 million reserved for FY23, \$100 million reserved for FY24, and \$40 million reserved for FY25. With the remaining \$554 million in ARP funds, the Controller's Office recommends the City prioritize investments to address Philadelphia's most pressing challenges. This includes gun violence, poverty, the opioid crisis, and business recovery and growth, as well as government efficiencies.

Specifically, the Controller's Office recommends the City make the following investments over the four-year life of the ARP funds:

\$181 million in additional funds to combat gun violence. Given Philadelphia's historically high homicide rate, the City should prioritize investing \$55 million annually to fund violence intervention programs and

support services with a proven track record of success. This investment is significantly higher than the mayor's proposed funding level for these types of strategies – \$45 million higher than the current budget and \$42 million higher per year than the mayor's FY22 proposed budget – and in line with similar levels of funding per shooting victim as successful efforts in cities like New York City and Los Angeles.

\$117 million in additional funds to address poverty. Philadelphia has the highest poverty rate of the top 15 largest counties in the country. ARP funding should be used to help low-income Philadelphians impacted by the pandemic access basic necessities like food and housing. Of the \$117 million, \$18 million should be used for a basic income pilot program in the first year, which could be continued, if proven successful. Other anti-poverty investments include \$40 million to fund housing repairs and \$5 million to continue funding the City's successful anti-eviction program for four years.

\$40 million to address the opioid epidemic. Philadelphia's opioid overdose death rate is among the highest in the nation. The City should allocate additional funding to address the opioid crisis, increasing access to treatment and services and understanding and addressing the dramatic year-over-year increase in overdoses within the Black community. Programs should be evaluated to direct funding to the most successful initiatives.

\$101 million for business recovery and growth. A total investment of \$70 million over the next four fiscal years should be made to provide direct relief to the city's small businesses. The City should also invest \$27 million to restore and expand the Commerce Department's budget to better support the industries hardest hit by the pandemic. An additional \$4 million could be used to launch a minority business accelerator, which has proven successful in Cincinnati.

Additionally, the City should fully restore funding for the Free Library and Parks and Recreation, two resident-facing departments crucial for an equitable recovery, to pre-pandemic levels. The City should also reverse cuts made in FY21 to essential back-office departments and focus on addressing longstanding government inefficiencies. For example, the Controller's Office estimates the City could save \$73 million a year through better overtime management. These improvements in operations would help to balance the budget as federal relief comes to an end in 2024 and help address other impacts of the pandemic on the City's revenue sources, such as the long-term effect of telecommuting on the wage tax base.

It should be noted that the City's \$1.4 billion in ARP funding does not include funding for the School District of Philadelphia. The School District will receive \$1.1 billion in ARP funding dedicated to education independent from the City.

Read the full, detailed analysis of recommendations for ARP funding by the Controller's Office [here](#).