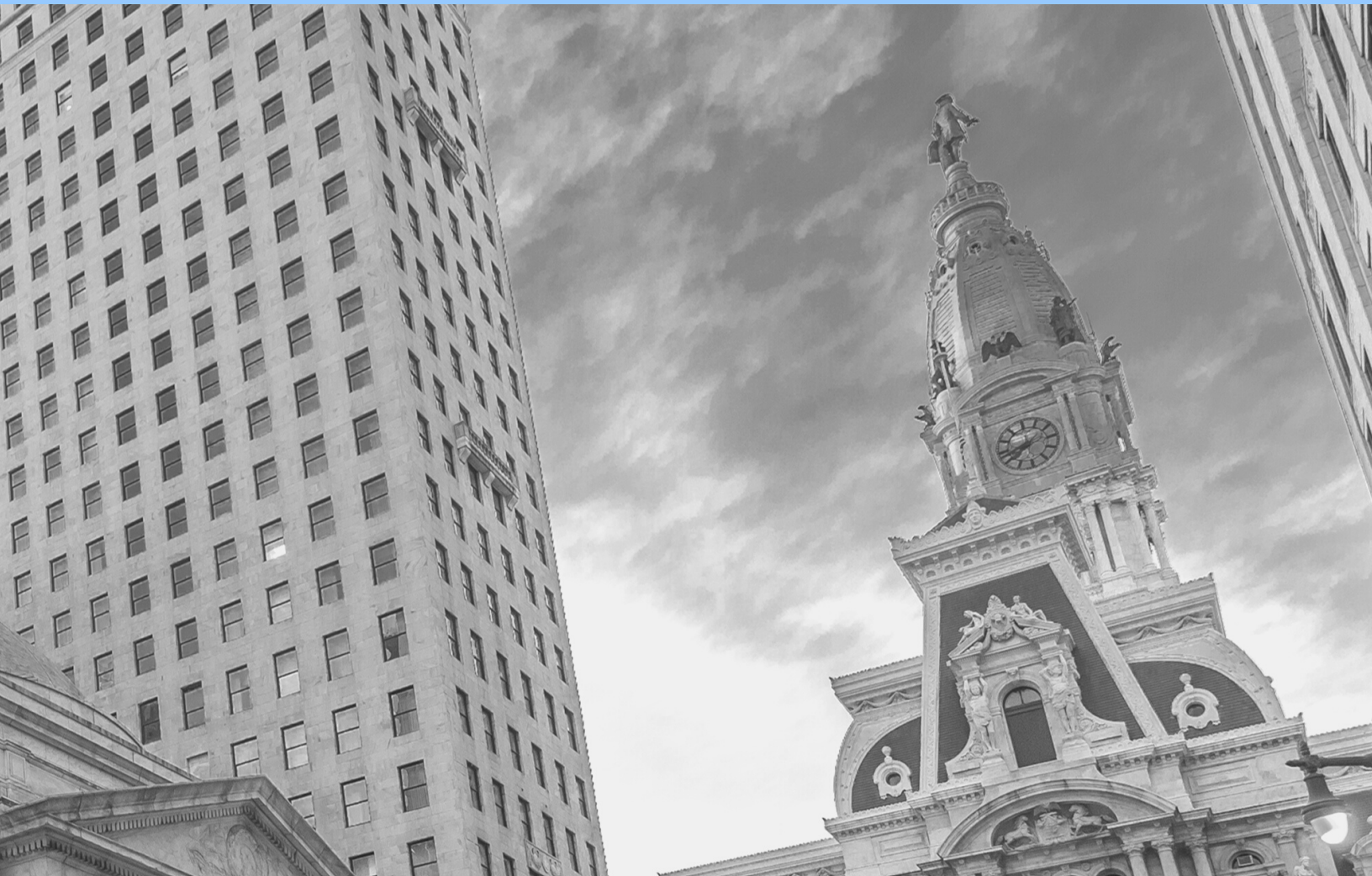


# Budget Primer: Part Two



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## Budget Primer, Part 2

### How Philadelphia Spends Your Tax Dollars

Part two of our Budget Primer series looks at the proposed fiscal year (FY) 2023 budget for the City's General Fund. It focuses on what the City spends money on and how spending priorities have changed since 2016 when Mayor Kenney took office. As outlined in [part one of the series](#), the General Fund supports core municipal functions and is funded primarily through local taxes.

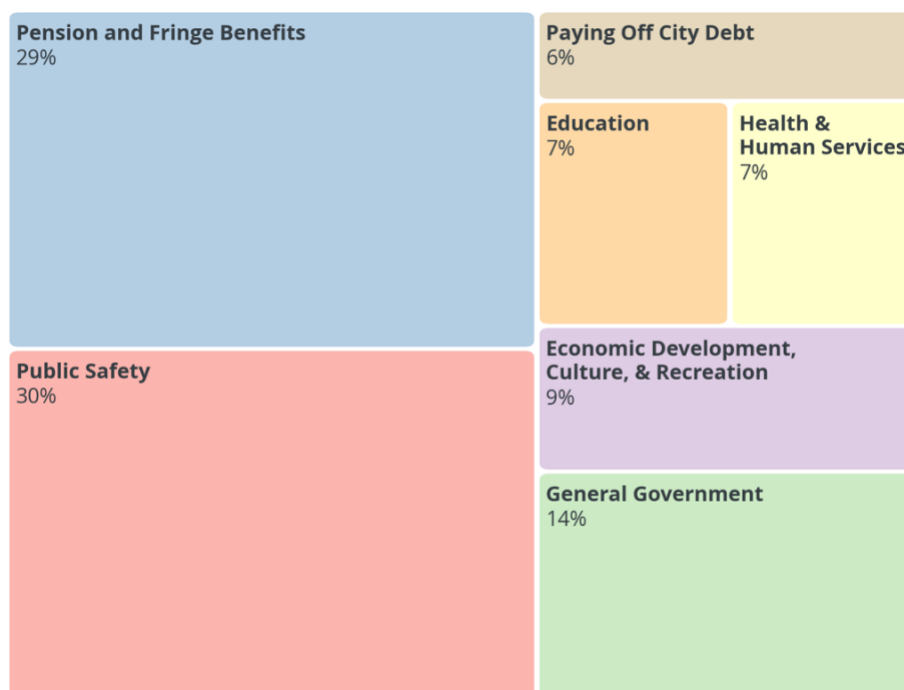
On March 31, 2022, Mayor Kenney proposed a \$5.61 billion [budget for FY 2023](#), the seventh budget proposal of his administration. This analysis presents data from the proposed budget, broken down into broad categories that capture each budget item's general purpose (for example, public safety, education, or health and human services).<sup>1</sup>

The analysis has two parts:

- In this section, we introduce the spending categories and examine broad trends around City spending since FY 2016.
- The **Budget Explorer** presents the proposed FY 2023 budget totals normalized by Philadelphia's population. This per-person budget better visualizes the scale of the City's budget and how much the City spends on each category.

Here's how the proposed FY 2023 budget breaks down across different spending categories.

#### The Proposed 2023 General Fund Budget: \$5.61 Billion



Source: Controller's Office categorization of FY 2023 proposed budget items

<sup>1</sup> Spending categories are based on prior work by the Center City District, "[Investing the Proceeds of Growth](#)".

Public Safety				
	FY 2023		Change Since FY 2016	
Name	Budget Allocation	Budget Share	Budget Allocation	Budget Share
Police	\$782M	13.9%	+\$139M	-2.2%
Fire	\$381M	6.8%	+\$162M	+1.3%
▸ Court System	\$249M	4.4%	+\$38M	-0.9%
Prisons	\$246M	4.4%	-\$8M	-2.0%

Pension and Fringe Benefits				
	FY 2023		Change Since FY 2016	
Name	Budget Allocation	Budget Share	Budget Allocation	Budget Share
Pension Payments	\$843M	15.0%	+\$231M	-0.3%
▸ Fringe Benefits	\$764M	13.6%	+\$203M	-0.4%

General Government				
	FY 2023		Change Since FY 2016	
Name	Budget Allocation	Budget Share	Budget Allocation	Budget Share
▸ Internal Services	\$273M	4.9%	+\$62M	-0.4%
▸ Other Administration	\$190M	3.4%	+\$122M	+1.7%
▸ Financial Administration	\$115M	2.0%	+\$43M	+0.3%
▸ Utilities & Rental Leases	\$56M	1.0%	+\$3M	-0.3%
Lawsuit Settlements	\$49M	0.9%	+\$11M	No Change
▸ Regulatory	\$44M	0.8%	+\$10M	No Change
▸ Governance	\$26M	0.5%	-\$21M	-0.7%
Budget Reserves	\$20M	0.4%	+\$20M	+0.4%

Economic Development, Culture, and Recreation				
	FY 2023		Change Since FY 2016	
Name	Budget Allocation	Budget Share	Budget Allocation	Budget Share
Streets	\$213M	3.8%	+\$87M	+0.6%
SEPTA Subsidy	\$101M	1.8%	+\$26M	No Change
Parks & Recreation	\$68M	1.2%	+\$10M	-0.2%
Libraries	\$56M	1.0%	+\$16M	No Change
▸ Economic Development	\$55M	1.0%	+\$24M	+0.2%
▸ Arts & Culture	\$8M	0.1%	-\$260K	No Change

Education				
Name	FY 2023		Change Since FY 2016	
	Budget Allocation	Budget Share	Budget Allocation	Budget Share
School District Contribution	\$270M	4.8%	+\$191M	+2.8%
Pre-K & Community Schools	\$69M	1.2%	+\$69M	+1.2%
Community College of Philadelphia	\$50M	0.9%	+\$20M	+0.1%
► Other Scholarships	\$150K	< 0.1%	-\$75K	No Change

Health & Human Services				
Name	FY 2023		Change Since FY 2016	
	Budget Allocation	Budget Share	Budget Allocation	Budget Share
► Health	\$186M	3.3%	+\$56M	No Change
Human Services	\$120M	2.1%	+\$17M	-0.4%
Homeless Services	\$69M	1.2%	+\$23M	No Change
► Community Services	\$4M	< 0.1%	+\$2M	No Change

Debt Service				
Name	FY 2023		Change Since FY 2016	
	Budget Allocation	Budget Share	Budget Allocation	Budget Share
Debt Service	\$309M	5.5%	+\$63M	-0.6%

Spending on public safety is the single largest spending area in the budget, accounting for 30% of the overall budget. This includes spending on the Police Department (14% of the total budget), the Fire Department (7%), the courts (4%), and the prison system (4%). While public safety spending has remained the largest single category in the budget, its share of the budget has fallen by about 4 percentage points since FY 2016.

Spending on pensions and fringe benefits for City employees accounts for another 29% of the budget.<sup>2</sup> This spending is hard to change in the short term — it includes the mandatory annual payment into the Municipal Pension Fund, payments for pension-related debt, and collectively bargained fringe benefits, e.g., health and medical insurance, for City employees.

Spending on general government, such as administrative offices and internal services like IT services and the management of the City's vehicles and buildings, accounts for the next largest share: 14% of the budget. The remaining categories all account for 10% of the budget or less:

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<sup>2</sup> Note that spending on fringe benefits for employees is separated out into its own category rather than included in the budgets for individual departments.

economic development, culture, and recreation (9%); education (7%); and health and human services<sup>3</sup> (7%). The budget shares for nearly all these categories have remained flat since FY 2016, except for education. Education spending has grown from 3% of the budget in FY 2016 to 7% of the budget in FY 2023, an increase of 4 percentage points.

The City typically borrows money to make investments in facilities and infrastructure throughout the city and is legally required to pay back this money (with interest) over time. These debt service payments account for 6% of the proposed budget.

→ *For an in-depth breakdown of the budget items in each spending category, check out the per-person budget data in the **Budget Explorer**.*

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<sup>3</sup> Note that General Fund spending is only a small part of the total amount spent on health and human services by the City. The majority of funding in this area comes from state and federal grants, which are not included in the General Fund.



## The Budget Explorer: The Per-Person Budget

To better explain the scale of the City's budget and the change in funding levels since FY 2016, we've visualized the City's spending across departments on a per-person basis. This section presents the per-person spending level proposed for FY 2023 as well as the change in per-person spending since FY 2016. For each budget item, we've divided the total by Philadelphia's population and sized the per-capita amounts proportionally.

When comparing the per-person budget over time, data has been adjusted for changes in population and inflation over time. Inflation reflects the increase in prices and bills faced by the city's residents.

### Key Budget Facts

Overall, the mayor's proposed budget for FY 2023 totals \$3,499 per Philadelphia resident, an increase of \$631 or 22% since FY 2016.

**Pension payments** are the costliest obligations in the FY 2023 budget at \$525 per person. This includes the City's mandatory annual payment into the Municipal Pension Fund, which funds pension benefits for active and retired City employees. Since FY 2016, the funded status of the Municipal Pension Fund has increased from 45% to 52%.

Spending related to **public safety**, including spending on police, fire, prisons, and the court system, makes up four of the top seven largest budget items.

- The per-person budget for the **Police Department**, the City's largest department, has increased by 6% from \$461 to \$487. This per-person increase has translated to a smaller share of the overall budget. The Police's budget share is 14% in the proposed FY 2023 budget, down from 16% in FY 2016.
- Since FY 2016, the **Fire Department's** budget has increased by 51%, from \$157 to \$237 per person. With this increase, one of the largest of any department, the Fire Department has seen its share of the budget increase from 5% to 7% since FY 2016.
- Spending on **prisons** has declined since FY 2016, one of the few categories to do so over this period. The budget for the Prisons Department has declined by 16% from \$182 to \$153 since FY 2016. Over this same period, the prison population in Philadelphia has declined by about 80%.

The City's **education** spending has more than tripled since FY 2016, growing from \$78 per person in FY 2016 to \$242 per person in the proposed budget. This increase has been driven by:

- The City's **annual payment to the School District** has increased from \$57 per person in FY 2016 to \$168 per person in FY 2023. This contribution is separate from [the School District's own budget](#), which is projected to spend \$2,681 per Philadelphia resident in FY 2023.
- The City's creation of the **Pre-K and Community Schools initiatives**, which were added to the budget in FY 2017, now account for \$43 per person in spending in FY 2023.

Other key budget facts include:

- With a proposed per-person funding level of \$42, the budget for the **Parks and Recreation** department has remained nearly unchanged since FY 2016, with an increase of only \$1.
- The proposed per-person budget for **libraries** (\$35 per-person) has increased by \$6, or about 20%, since FY 2016.
- Per-person spending on **arts & culture** departments has decreased by \$1 since FY 2016, from \$6 to \$5. This includes the budgets for Mural Arts, the Art Museum, and the Office of Arts and Culture, which was eliminated in FY 2021, although most of its funding was transferred to the Managing Director's Office.
- The budget for the **Managing Director's Office** (MDO), categorized as "non-financial administration", has nearly tripled since FY 2016 from \$26 to \$75 per person. MDO oversees and supports the City's operating departments and is responsible for ensuring effective and efficient City services. Since 2016, its budget has grown from an increase in anti-violence funding and new spending related to the Police Department.

THE PROPOSED FY 2023  
GENERAL FUND BUDGET

**\$3,499** per person  
+\$631 since FY 2016

\$525

+\$87 since  
FY 2016

**Pension Payments**

PENSION AND FRINGE BENEFITS

The City's legally required pension-related payments, which are difficult to change from year to year. These include the annual payment to the Municipal Pension Fund, which funds pension benefits for active and retired City employee, as well as payments towards paying down debt from past pension-related bond borrowings.

\$487

+\$26

**Police Department**

PUBLIC SAFETY

Funding for the Police Department, the single largest department in the City's budget.



\$476

### Benefits for City Employees

#### PENSION AND FRINGE BENEFITS

Fringe benefits for the current City workforce, including health, medical, and disability insurance, among others. These benefits are collectively bargained and difficult to adjust from year to year.

+\$74

\$237

### Fire Department

#### PUBLIC SAFETY

The Fire Department's budget, which has increased by 51% since FY 2016.

+\$80

\$193

### Paying off City Debt

#### DEBT SERVICE

Costs related to paying off City debts. The City typically issues debt in the form of bonds to maintain its infrastructure and fund investments in roads and public facilities. The City is required to make these debt service payments each year.

+\$16

\$168

### School District Contribution

#### EDUCATION

The City's annual payment to the School District of Philadelphia, which has more than tripled since 2016 and now totals \$168 per person in FY 2023.

+\$112

This contribution is separate from the School District's own budget, which is projected to spend \$2,681 per Philadelphia resident in FY 2023.

\$156

### Court System

#### PUBLIC SAFETY

Spending related to the court system and criminal justice agencies.

+\$4

This includes the budgets for the First Judicial District (courts), the Defender Association, the District Attorney's Office, the Sheriff's Office, and the Register of Wills.

\$153

### Prisons

#### PUBLIC SAFETY

The budget for the Prisons Department, which operates four prison facilities in Philadelphia.

-\$29

\$152

### Internal Services

#### GENERAL GOVERNMENT

Funding for departments that support internal City operations. This includes human resources, IT services, management of City facilities, and maintenance of City vehicles.

\$133  
+\$43

## Streets

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

The budget for the Streets Department, whose primary responsibilities include trash and recycling collection and the maintenance of the city's roadways.

\$116  
+\$23

## Health

HEALTH & HUMAN SERVICES

The budgets for the Department of Public Health and the Department of Behavioral Health and Intellectual Disability Services.

These departments often leverage their budgets to receive outside funding from matching external state and federal grants.

\$116  
+\$67

## Non-Financial Administration

GENERAL GOVERNMENT

Internal non-financial administrative offices, including the Managing Director's Office, the Law Department, the Records Department, and others.

The large budget increase since FY 2016 has been driven by the Managing Director's Office (MDO), which oversees and supports the City's operating departments. Since 2016, the MDO's budget has grown from an increase in anti-violence funding and new spending related to the Police Department.

\$75  
+\$1

## Human Services

HEALTH & HUMAN SERVICES

The budget for the Department of Human Services (DHS), which is the county child welfare and juvenile justice agency.

DHS often leverages its budget to receive outside funding from matching external state and federal grants.

\$72

+\$20

## Financial Administration

GENERAL GOVERNMENT

The budgets for departments who are responsible for the City's finances, including the Finance Department, Revenue Department, Procurement Department, City Controller's Office, Office of Property Assessment, and the City Treasurer's Office.

\$63

+\$10

## SEPTA Subsidy

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

Philadelphia's annual contribution to SEPTA, which is mandated by state law.

\$43

+\$10

## Homeless Services

HEALTH & HUMAN SERVICES

The budget for the Office of Homeless Services, which works with city, state, and federal partners to provide emergency housing and aid to people who are experiencing homelessness.

\$43

+\$43

## Pre-K & Community Schools

EDUCATION

New programs that began under Mayor Kenney in FY 2017 that are focused on improving educational opportunities for the city's youth. These programs are supported through Beverage Tax revenue.

\$42

+\$1

## Parks & Recreation

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

The budget for the Parks and Recreation Department, which manages the city's parks, trails, and recreation facilities.

\$35

## Utilities & Rental Leases

GENERAL GOVERNMENT

-\$3

Payments for the utilities and rental leases associated with City facilities. These are inflexible costs that are difficult to adjust from year to year.

\$35

## Libraries

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

+\$6

The budget for the Free Library of Philadelphia.

\$35

## Economic Development

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

+\$12

The budgets for the Commerce and Planning and Development departments. This also includes the annual payment for the Convention Center, which is mandated under an agreement with the Commonwealth.

\$31

## Community College & Other Scholarships

EDUCATION

+\$9

The City's annual contribution to the Community College of Philadelphia, as well as other smaller education scholarships.

\$31

## Lawsuit Settlements

GENERAL GOVERNMENT

+\$3

Spending mandated as part of settlements for lawsuits against the City.

\$28

## Regulatory

GENERAL GOVERNMENT

+\$3

The budgets for department who are responsible for enforcing City regulations, including Licenses and Inspections, the Board of Ethics, and the Office of the Inspector General.

## **\$18 911 Services**

+\$18

GENERAL GOVERNMENT

Spending by the Office of Innovation and Technology for the City's emergency 911 response service.

## **\$16 Governance**

-\$17

GENERAL GOVERNMENT

The budgets for City Council and the Mayor's Office.

## **\$12 Budget Reserves**

+\$12

GENERAL GOVERNMENT

Funding held in reserve to weather the effects of a potential economic recession.

## **\$5 Arts & Culture**

-\$1

ECONOMIC DEVELOPMENT, CULTURE, AND RECREATION

The budget for Mural Arts as well as the annual contribution to the Art Museum. It also includes the budget for the Office of Arts and Culture, which was eliminated in FY 2021, although most spending was transferred to the Managing Director's Office.

## **\$3 Community Services**

+\$1

HEALTH & HUMAN SERVICES

The budgets for the Office of Community Empowerment and Opportunity and Commission on Human Relations.