

Frequently Asked Questions for the Fiscal Year 2010 Budget Process

- Why does the City have another \$1 billion deficit projected over five years?
 - The country is in the midst of an unprecedented and accelerating financial crisis which has now caused a recession. The impact of the national economy on the City's budget cannot be overemphasized- sharp decreases in tax collections, including Real Estate Transfer and Sales taxes, combined with declining pension fund earnings (forcing the City to contribute more to the fund) and an inability to issue pension obligation bonds means that the City is being forced to do more with less.
- Do other cities have large budget gaps?
 - Yes. Cities and states across the US have been forced to take dramatic actions to address budget shortfalls. For example, New York City has projected a \$5.2 billion shortfall over two years and has implemented cross-departmental cuts, rescinded property tax reductions, and reduced the city workforce by 3,000. Chicago has slowed police hiring and increased parking and amusement taxes, fines and fees. However, most cities and states budget over one or two years whereas Philadelphia is required by law to have a balanced five year plan. This means that Philadelphia's annual losses are amplified over five years, which can make our projected losses appear larger than in other cities.
- Why does Philadelphia have a Five Year Plan?
 - Each year the City must balance the upcoming annual and five year budget plan. Philadelphia is required to balance a five year plan by a state law. The state law that requires those balanced budget also created a financial oversight board called the Pennsylvania Intergovernmental Cooperation Authority (PICA). PICA was established in 1991 when the City nearly went bankrupt. Each year PICA reviews the fiscal year budget and five year plan. Being forced to balance a five year plan means city managers must think beyond short term solutions to long term savings and efficiencies- this is a more responsible, but, more difficult way to budget
- Will the City's budget gap continue to grow?
 - Maybe. That is why we have incorporated over \$375 million in contingency losses in the \$1 billion of projected losses. Contingency losses are assumed losses based on economic indicators that would only be realized after the budget is finalized.
- Why not wait to see what help Philadelphia will get from the federal government under the Obama Administration?
 - Fiscal responsibility means taking appropriate actions to maintain a balanced budget. Understanding the many financial demands on the incoming Obama Administration it is unwise to count on federal bailout funds to fill Philadelphia's budget gap.

- Why did the City go through a budget process in November?
 - Philadelphia was, and continues to be, in a fiscal emergency. The budget rebalancing in November was critical to ensuring that the City did not run out of cash.

- Why is the City budgeting again, after balancing the budget in November 2009?
 - Since November, when the Administration announced a billion dollar budget gap in our five-year plan and a series of emergency budget reductions, our national economy has sunk deeper into recession. The City's most recent economic analysis projects an additional \$1 billion gap in the City's budget as a result of this recession.

- Will the public be involved in the budget process?
 - Yes. There are a series of scheduled meetings for citizen education, engagement and input into the FY2010 budget. Opportunities for involvement include PhillyStat sessions, community budget workshops, and stakeholder briefings. A full schedule and description of these opportunities is available on www.phila.gov.

- What information did you use from the Mayor's previous Town Hall meetings?
 - Data from the eight Town Hall meetings held in November and December have been analyzed and compiled. The feedback we received at the town halls has helped to guide the 2010 budget process and will be combined with input from our upcoming round of community engagement to identify citizen priorities to be incorporated into the FY2010 budget.

- What does "everything is on the table" mean?
 - When the Mayor says that "everything is on the table" he means that City officials and the public must consider all options as we work to fill a \$1 billion budget gap over five years. These options can include everything from revising tax policies to examining productivity, from workforce and program reductions to increased fines and fees. In other words, there are no sacred cows.

- Will there be across the board budget reductions?
 - The Finance and Budget staff is asking City managers to find efficiencies and develop options that save 10%, 20% and 30% of their budgets. This means that all city departments are being asked to tell senior officials what services, programs and personnel would have to be eliminated or scaled back or what fees or taxes would have to be raised in order to reduce the department budget by 10%, 20% and 30%. This is an important part of our enhanced public input process and helps to inform those who participate in it of the realities of potential courses of action. With public input, senior staff will determine which options are most appropriate and should be implemented.