



Mayor Parker's "One Philly, One Future" FY27 Budget

FY27 Proposed Operating & Capital Budgets,
FY27-31 Proposed Five Year Plan, and
Recommended FY27-32 Capital Program

March 12, 2026



City of
Philadelphia



Mayor Parker's third budget proposes **\$2.2 billion in new, targeted investments** directed towards making Philadelphia the safest, cleanest, and greenest big city in the nation, with a particular **focus on access to economic opportunity for all as part of an Economic GPS: Growth, Prosperity, & Security**

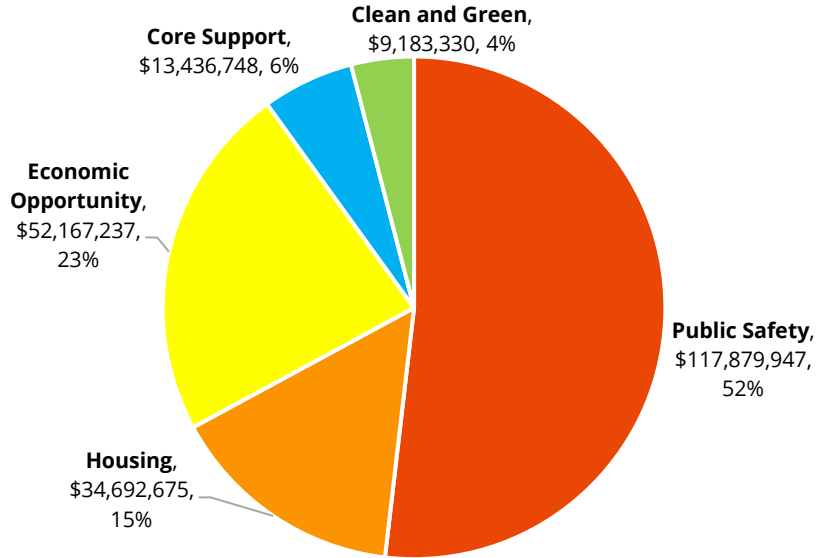
This budget proposal includes **bold, targeted investments in each of Mayor Parker's top priority areas, including public safety, clean and green, economic opportunity, education, workforce development, housing, wellness, and more**, building on the transformational investments started during the first two years of the Administration.

The Proposed FY27-31 Five Year Plan and Recommended FY27-32 Capital Program add the following:

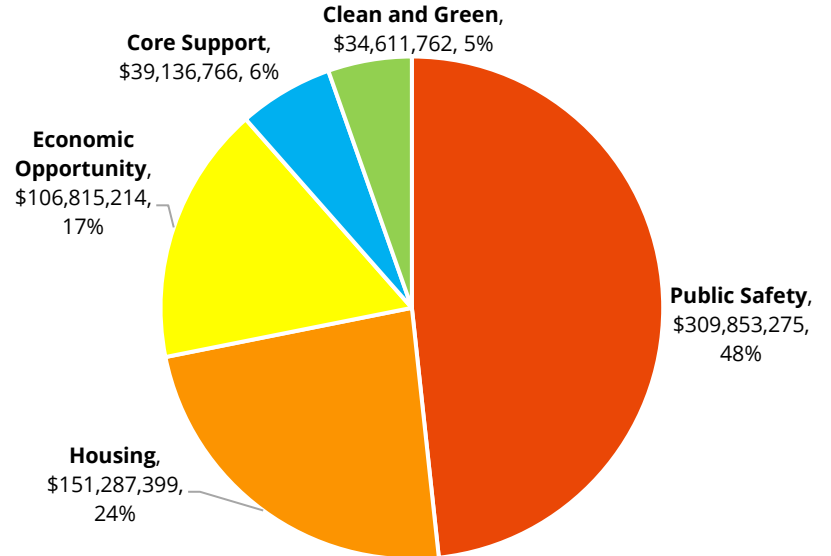
- **\$641.7M in new operating investments** through FY31, including investments to enhance **economic mobility and financial empowerment** for Philadelphians, **end street homelessness, sustain the wellness ecosystem, and expand access to quality education**, along with continuing our laser focus on **public safety, cleaning and greening**; and more
- An historic **\$1.51B in capital investments** over six years

New operating investments, by priority area

FY27 Proposed Budget (Operating)



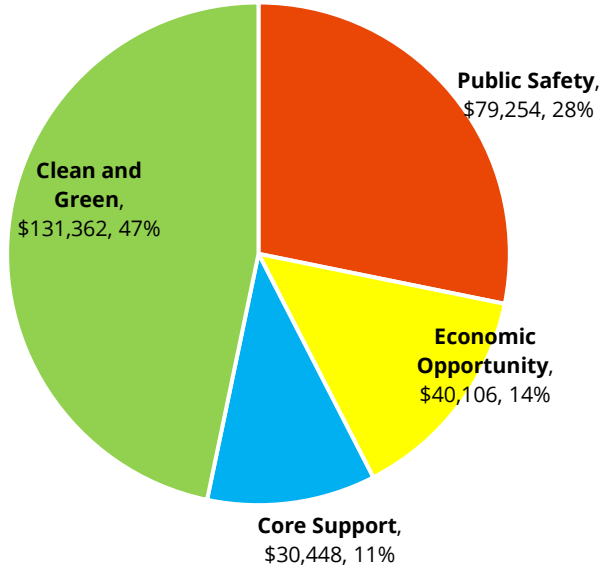
Proposed Five Year Plan (Operating)



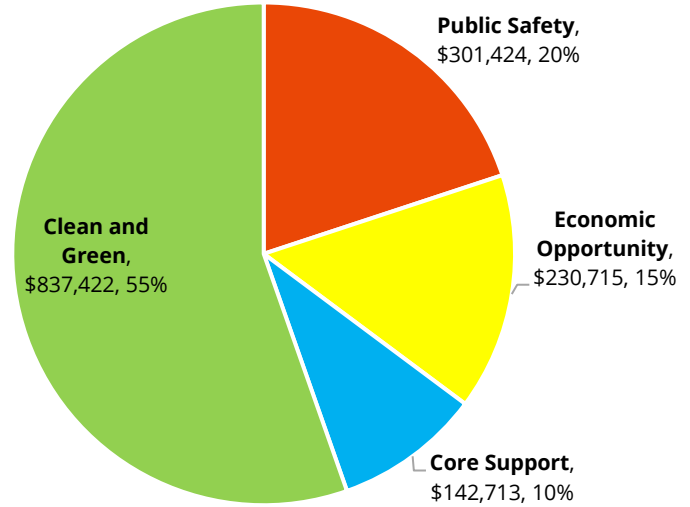
Note: The Labor Reserve (\$616M) and Federal Funding Reserve (\$91M) are omitted from these pie charts.

New capital investments, by priority area

FY27 Proposed Budget (Capital)



Recommended Program (Capital)



Note: The H.O.M.E. borrowings are not included in the Capital Program.



Major investments in the Proposed Plan

Focus on Economic Mobility and Workforce Development: creation of a new Economic Mobility Cabinet; \$15M over 5 years to create 1,000 new Career Connected Learning slots for city youth; \$14M over 5 years for financial counseling and empowerment services in alignment with the H.O.M.E. Initiative; \$10M in FY27 for workforce development investments; prioritizing “Small and Local” business enterprises

Adding 1,000 Shelter Beds to End Street Homelessness: \$22M in FY27 (\$110M over five years) to expand the number of shelter beds by 1,000 and providing wrap around services (to be funded by a proposed increase to the Hotel Tax), with an ambitious goal of ending street homelessness in Philadelphia; increased funding for Code Blue operations

Tackling the City’s housing crisis through the H.O.M.E Initiative: The Proposed Plan includes debt service for two \$400M borrowings for Mayor Parker’s \$2B H.O.M.E. Initiative; new housing investments, including new Land Bank support, a Proactive Rental Inspection Program, and targeted marketing funds; and the deployment of creative strategies to increase the housing supply (via \$10M in capital for new modular factory housing production, a 20-year tax abatement for residential conversions, and the transfer of vacant school buildings to the City)

Sustaining the Wellness Ecosystem: \$211M in opioid funds devoted to the Wellness Ecosystem over five years, with continued operations at the Riverview Wellness Village and Philly Home At Girard, housing support, Kensington Wellness Support Center, Wellness Court, and other programmatic supports

Responding Directly to Community Needs with Dedicated Staffing: adding new teams that can address community needs, including dedicated pothole crews (to be funded by a proposed retail delivery fee) and a Police Quality of Life team; dedicating resources to illegal dumping enforcement and maintaining new highway beautification investments



Major investments in the Proposed Plan, continued

Investing in Quality Education: \$6.5M to expand PreK seats to a total of 5,350 slots; the expansion of the Extended Day, Extended Year program to two additional charter schools, bringing the total number of participating schools up to 47; an additional \$1.6M/year in operating support for CCP + \$250K/year for dual enrollment; and \$50M/year in new proposed funding for the School District, via a local Transportation Network Company Tax and a modification to the Use & Occupancy Tax for cell towers

Continued Strategic Focus on Public Safety: building on the City's historic decrease in crime with \$25M in FY27 grants for community partners and grassroots organizations; \$30M throughout the Capital Program for Vision Zero investments for safer streets; and additional targeted investments in Police, Fire, and Prisons

Historic Level of Investment in Public Transit: nearly \$900M for SEPTA over the Five Year Plan and Capital Program (\$752M in operating support, \$79M in capital support, \$10M in FY27 for the SEPTA employee benefit, and \$25M in FY27 for Zero Fare)

Investing in the City's Greatest Asset, its Workforce: \$615M set aside in the Labor Reserve for collective bargaining agreements over the life of the Proposed Plan, the most funding ever allocated in a Five Year Plan





Major investments in the Recommended Capital Budget & Program

Streets and Transit: \$400M for paving and ADA ramps; \$57M in grant match for major infrastructure projects through OTIS and Streets; \$79M for SEPTA, unlocking state and federal grant funds

Public Safety & Vision Zero: \$30M through the Capital Program for Vision Zero investments for safer streets, continuing the Parker Administration's investment in Vision Zero; \$197M for vehicles, including Sanitation compactors and Fire vehicles; continued investment in the Fire Academy burn building, as well as Police, Fire, and Prison facilities; preparing to open new forensic lab

Health Centers: \$30M to construct two new health centers in Northeast Philadelphia, fully funding the capital needs associated with the health center projects and bringing the total amount of capital funding allocated to this work to \$115M to support both sites

Libraries and Parks & Recreation: \$33M over the Capital Program dedicated to Library HVAC investments; \$179M for Parks and Recreation

Investments in a Greener City: \$6M for electric vehicle charging; \$4M in supplemental capital support for a Guaranteed Energy Savings Act (GESA) to improve energy efficiency at City buildings, including Public Health and Homeless Services facilities

Cultural Institutions: support for cultural institutions, including increased capital (plus operating) funding for the Dell; continuation of the City's multi-year commitment of \$50M towards the African American Museum relocation project

Modular Housing: \$10M for modular factory projects to increase housing production and create jobs



Fiscal context

As the City closed out FY25 with a relatively high fund balance, due primarily to non-recurring factors, **Philadelphia's finances remain stable but face heightened risks.**

- External pressures, including inflation, a tight labor market, revenue volatility, sluggish job growth, and federal and economic uncertainties, present a **more uncertain fiscal outlook than the City has faced in recent years.**
- Additionally, all of the City's American Rescue Plan Act (ARPA) COVID relief funding has now been spent as required by the US Treasury deadline, meaning that this \$1.4B federal backstop is no longer available to support City operations. The **end of ARPA funding presents a major challenge that jurisdictions across the country are facing this year.**
- The City's persistent high poverty rate means that Philadelphia confronts **both high service demand and a relatively weak tax base with which to support those services.** That is exacerbated by Philadelphia's status as both a city and a county, which means that, unlike other cities that are parts of larger counties, it cannot share its costs with a larger jurisdiction.
- The **City's projected costs continue to increase substantially in line with national trends,** resulting in less discretionary funding available for new investments. In particular, non-pension fringe benefits are expected to increase by 61% from FY25 to FY31, resulting in substantially less funding available for new discretionary investments, while total revenues are only projected to grow 10.5% over the same period.



Fiscal context, continued

One of the most immediate risks to the City's financial position is the **uncertain future of federal funding**. In FY25, the City received over \$2B in federal grants, supporting a range of critical programs and services. Ongoing policy changes, however, create uncertainty around the timing and continuation of federal funding. **Any reduction in federal support would have significant budgetary implications, requiring difficult choices about service levels and investment priorities**. The City does not have the financial capability to compensate for a large-scale loss of federal funds.

Additionally, the **City's tax base is also uniquely vulnerable to federal actions**. Education, medical institutions, and government employment accounted for over \$1B in Wage Tax collections in FY25 (about 45%) of all Wage Tax revenue.

Reductions in federal employment in Philadelphia, along with potential cuts to research funding, could lead to job losses in these key sectors, further impacting City revenues.



Fiscal health

This Plan takes **proactive steps to set the City and future mayors up for long-term fiscal health**, maintaining positive fund balances, setting aside funds in the Budget Stabilization Reserve Fund, and allocating \$91M in a federal funding reserve while navigating the challenges federal uncertainty, economic volatility, and a legacy pension obligation bond balloon payment in FY29 (a nearly \$65M spike in FY29). This Proposed Plan also defers the transfer of roughly \$94M in ARPA interest earnings to FY29 as an additional hedge against federal risk.

The Plan also **continues the City's multi-year commitment to pension reform**.

- The Pension Board's actuary's projects that the Pension Fund will reach 100% funding in FY33. That means that the City will no longer be paying off an unfunded liability and the City's pension payments will drop by hundreds of millions of dollars per year, enabling other investments.

The Proposed Plan **ensures that the Fund Balance + Reserves total in each year is at least within the City's 6-8% internal target** while balancing fiscal challenges, including slow revenue growth and surging employee benefit costs.

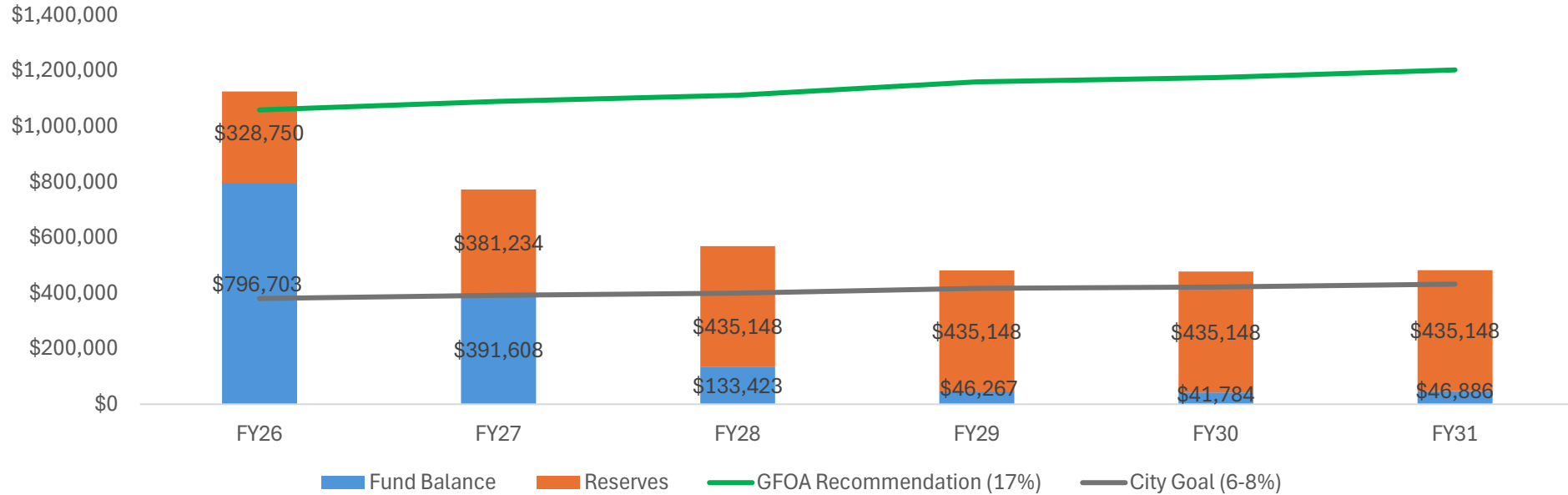
Fund balance and reserves in the Proposed Plan

Fund Balance and Reserves						
	Projected Year-End Fund Balance	Budget Stabilization Reserve Balance	Federal Funding Reserve	Total Reserves (FB+BSR+FFR)	Minimum City Goal (6% of revenues)	GFOA Recommendation (17% of revenues)
FY27	\$392M	\$290M	\$91M	\$773M	\$392M	\$1.099B
FY28	\$133M	\$344M	\$91M	\$569M	\$399M	\$1.112B
FY29	\$46M	\$344M	\$91M	\$481M	\$417M	\$1.159B
FY30	\$42M	\$344M	\$91M	\$477M	\$422M	\$1.175B
FY31	\$47M	\$344M	\$91M	\$482M	\$432M	\$1.203B

While the Plan remains balanced, the fund balance in FY28-31 is low. The City's internal **target is to have reserves that are at least 6-8% of revenues**. The Government Finance Officers Association (GFOA) recommends a 17% fund balance.

The City Charter requires contributions to the Budget Stabilization Reserve Fund (BSRF) when the fund balance is 3% of revenues or higher.

Fund balance and reserves in the Proposed Plan (000s)

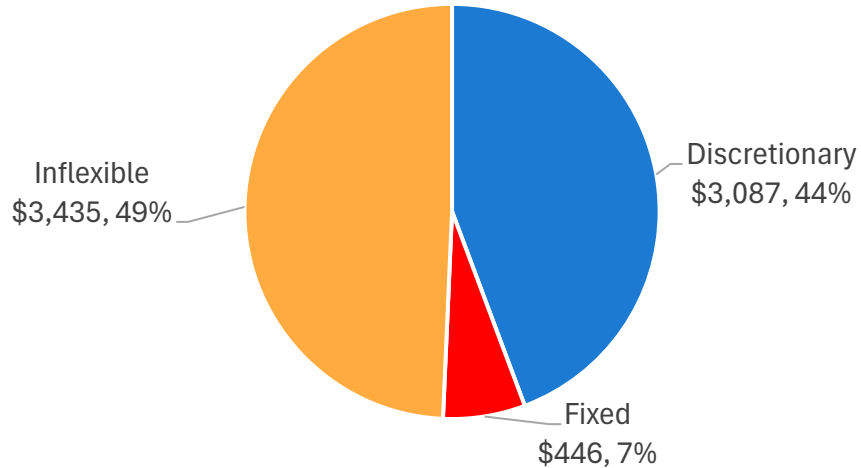


The City's internal target is to have reserves that are at least 6-8% of revenues. The Government Finance Officers Association (GFOA) recommends a 17% fund balance.

Balances above include the fund balance, Budget Stabilization Reserve, and the Federal Funding Reserve.

Fixed & Inflexible Costs = 56% of spending (\$3.9 billion)

FY27 Proposed General Fund Budget (in millions)



Fixed

- Cannot do anything to change the spending level in the short-term

Inflexible

- Limited ability to change and/or requires significant operational/spending changes elsewhere in the budget.

Discretionary

- All other spending
- Includes critical items like ongoing investments in core public safety operations



Proposed Revenues



City of
Philadelphia



New City Revenue to Support Investments

Following the end of the ARPA funding and as economic growth stagnates, new investments necessitate new funding sources. This Proposed Plan includes several proposed revenue-raising items, each closely tied to a specific investment.

Investment(s)

Tax/Fee

Proposed Change(s)

Support the addition of 1,000 beds with wrap around services to the city's shelter system

Hotel Tax

A 2% increase to the Hotel Tax starting August 2026, generating an additional ~\$20M annually. This change requires both State and local authorization.

Improvements to road conditions across the city

Retail Delivery Tax

The creation of a Retail Delivery Tax of \$0.25 per order on the delivery of certain goods within Philadelphia, charged to the retailer, starting July 1, 2027. It excludes food, baby products, drugs & medical devices, and wholesale goods. Revenue from the tax, estimated to be \$15M annually, would be directed to the Transportation Fund.

Leveling the playing field for local businesses

Sales & Use Tax

Closing a loophole in the Sales & Use Tax by requiring that out-of-city sellers that collect the 6% State Sales Tax also collect the 2% Philadelphia Sales Tax, starting July 1, 2026. This change, which is contingent on State authorization and does not require local legislation, is estimated generate an additional \$1.5M annually for the City and the Pension Fund.

Sustaining critical City services funded by fees as the costs of providing those services increases

Various Fees

Increases to certain Zoning Board of Adjustment filing fees and certain air management and asbestos fees, as well as to attorney fees on property tax matters, the commercial trash fee, and the accelerated plan review fee through L+I. Creation of a Certified Mail fee.





New Revenue for the School District

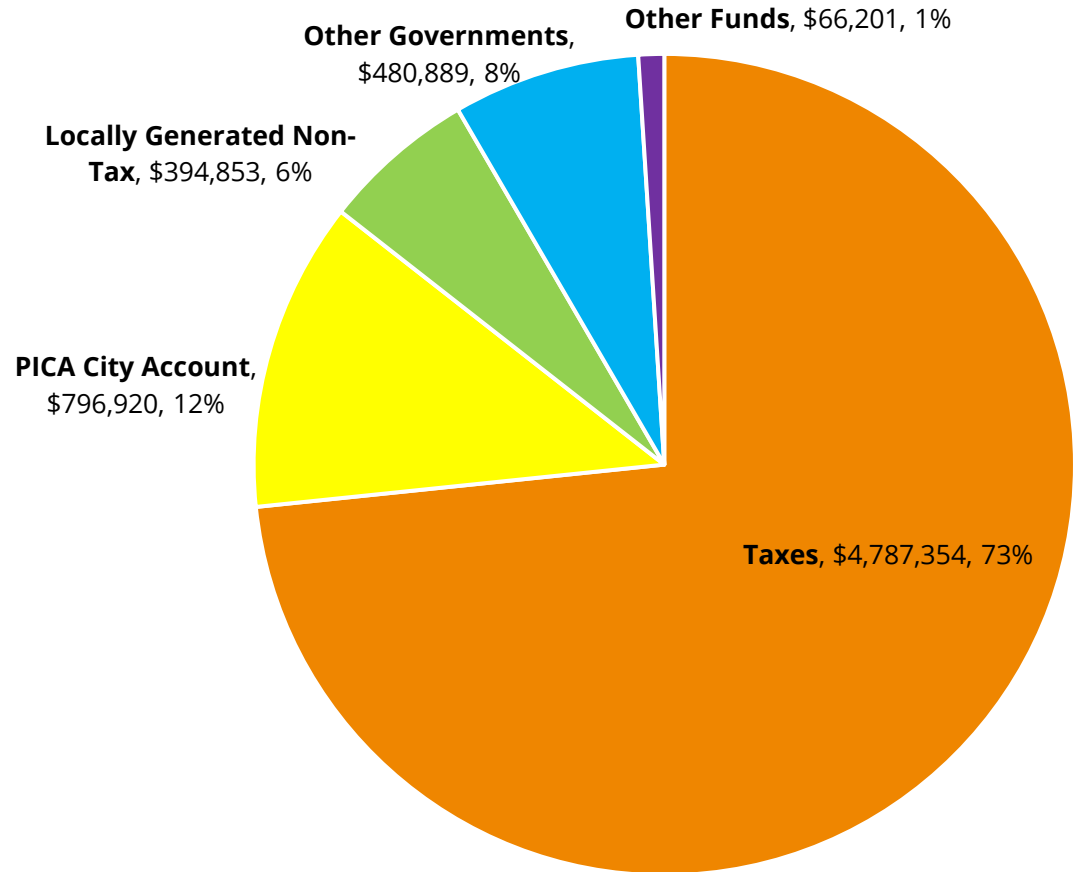
Combined, the proposed changes below would generate over \$50M annually for the School District.

Tax/Fee	Proposed Change(s)
Transportation Network Company Tax	<i>A \$1 per ride tax on rideshare rides originating in Philadelphia beginning January 1, 2027. This tax is estimated to generate \$48M annually, with all revenue dedicated to the School District.</i>
Use & Occupancy Tax	<i>Modifying the Use & Occupancy Tax for cell towers to calculate liability based on the assessed value of the tower rather than square footage. This change would better align tax liability with the business value generated by cell towers and is estimated to generate an additional \$2.4M annually for the School District.</i>

Revenues in the Proposed Plan (in 000s)

	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Taxes	\$4,412,575	\$4,584,645	\$4,787,354	\$4,945,362	\$5,097,355	\$5,236,595	\$5,367,446
Locally Generated Non-Tax	\$466,483	\$473,325	\$394,853	\$379,857	\$384,459	\$397,180	\$400,328
Other Governments: non-PICA	\$389,337	\$438,270	\$480,889	\$438,077	\$439,214	\$440,376	\$441,564
Other Governments: PICA	\$761,140	\$762,688	\$796,920	\$828,717	\$860,320	\$892,715	\$924,479
Sub-Total Other Gov'ts	\$1,150,477	\$1,200,958	\$1,277,809	\$1,266,794	\$1,299,534	\$1,333,091	\$1,366,043
Other Funds	\$487,953	\$79,786	\$66,201	\$66,228	\$160,418	\$67,003	\$67,421
Total	\$6,517,488	\$6,338,714	\$6,526,217	\$6,658,241	\$6,941,766	\$7,033,869	\$7,201,238

Proposed FY27 revenues, all sources (in 000s)



PICA City Account: Revenue from the portion of the Wage Tax that the Pennsylvania Intergovernmental Cooperation Authority (PICA) returns to the City



How the City Projects Revenues

The Pennsylvania Intergovernmental Cooperation Authority (PICA), the City's financial oversight authority, must approve the City's Five Year Plan each year. The Plan must be balanced and based on reasonable assumptions. If PICA does not approve the City's Five Year Plan, the State can withhold hundreds of millions of dollars in revenue from the City.

To project the impact of the national and local economy on the City's taxes, **the Budget Office utilizes an external economic forecasting consultant**, S&P Global Market Intelligence, as well as information gathered from an annual conference in February hosted by PICA, at the Federal Reserve Bank of Philadelphia.

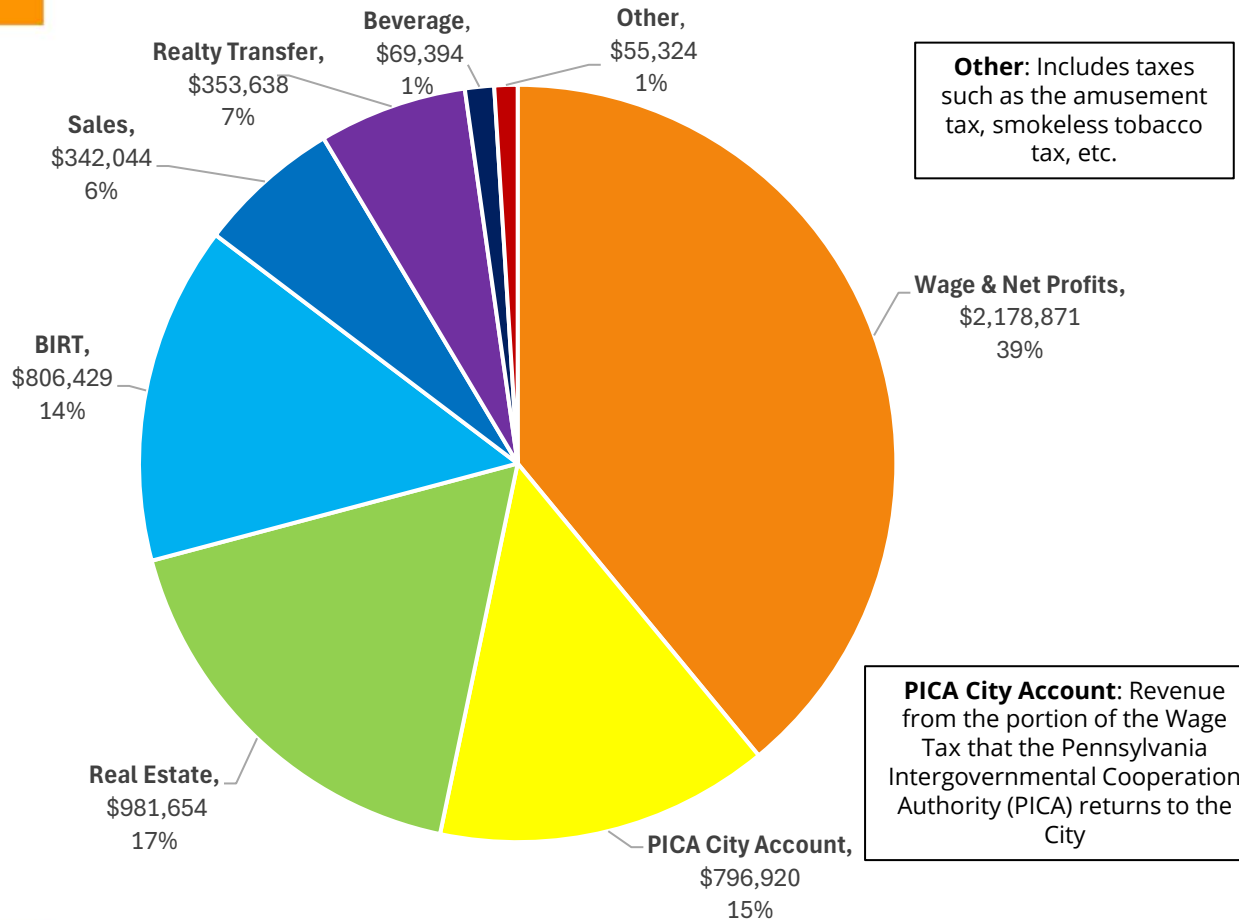
S&P forecasts that job growth will remain slow, but key sectors, including education, healthcare, and social services, are likely to continue to drive employment gains. The Wage Tax, including the PICA portion, makes up more than 45% of all General Fund revenue – a projected \$2.94B in FY27.

Tax revenues in the Proposed Plan (in 000s)

	FY26	FY27	FY28	FY29	FY30	FY31
Wage and Earnings	\$2,047,837	\$2,139,630	\$2,224,036	\$2,303,015	\$2,374,405	\$2,448,956
Wage and Earnings: PICA	\$762,688	\$796,920	\$828,717	\$860,320	\$892,715	\$924,479
Subtotal Wage, Earnings + PICA	\$2,810,525	\$2,936,550	\$3,052,753	\$3,163,335	3,267,120	\$3,373,435
Real Estate	\$936,062	\$981,654	\$1,017,191	\$1,052,511	\$1,074,847	\$1,109,353
Business Income and Receipts	\$779,316	\$806,429	\$811,621	\$818,391	\$834,942	\$826,330
Realty Transfer	\$334,125	\$353,638	\$369,976	\$383,776	\$395,097	\$406,199
Sales	\$323,170	\$342,044	\$358,306	\$374,902	\$391,578	\$408,360
Philadelphia Beverage	\$70,955	\$69,394	\$68,672	\$68,033	\$67,013	\$65,968
Amusement	\$46,183	\$47,259	\$47,859	\$48,606	\$50,132	\$51,862
Net Profits	\$39,074	\$39,241	\$39,505	\$39,866	\$40,272	\$42,065
Other	\$3,851	\$3,990	\$4,118	\$4,174	\$4,225	\$4,266
Smokeless Tobacco	\$572	\$575	\$578	\$581	\$584	\$587
Construction Impact	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Total	\$5,347,333	\$5,584,274	\$5,774,079	\$5,957,675	\$6,129,310	\$6,291,925

Proposed FY27 tax revenues, all sources (in 000s)

\$5.6 billion in FY27 (including PICA City Account)



Revenue from business taxes (Wage, PICA City Account, BIRT, and Net Profits) is over **\$3.7B** and makes up more than two-thirds of total revenue from taxes.



Proposed Investments

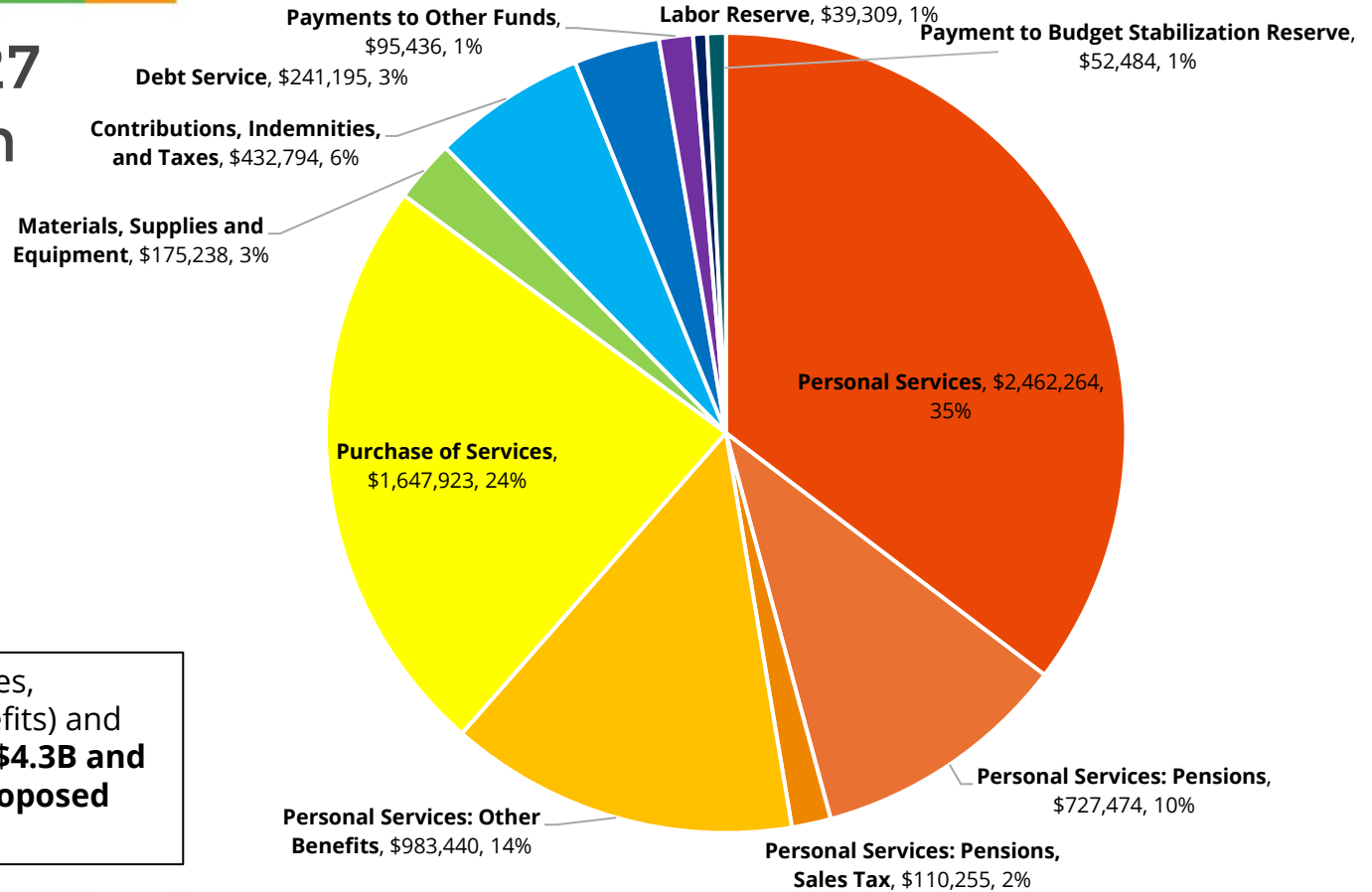


City of
Philadelphia

Obligations in the Proposed Plan (in 000s)

	FY26	FY27	FY28	FY29	FY30	FY31
Personal Services	\$2,412,989	\$2,462,264	\$2,491,353	\$2,497,378	\$2,502,846	\$2,502,846
Personal Services: Pensions	\$613,390	\$606,693	\$600,781	\$591,925	\$579,604	\$556,123
Personal Services: Pension Obligation Bonds	\$121,032	\$120,780	\$120,799	\$184,560	\$1,569	\$1,569
Personal Services: Pensions, Sales Tax	\$101,585	\$110,255	\$118,359	\$126,630	\$134,940	\$143,303
Personal Services: Other Benefits	\$886,858	\$983,440	\$1,013,814	\$1,070,185	\$1,133,449	\$1,202,658
Sub-Total Employee Compensation	\$4,135,855	\$4,283,433	\$4,345,086	\$4,470,678	\$4,352,409	\$4,406,499
Purchase of Services	\$1,578,071	\$1,647,923	\$1,546,064	\$1,546,820	\$1,603,311	\$1,616,658
Materials, Supplies and Equipment	\$170,901	\$175,238	\$140,447	\$142,014	\$140,955	\$180,883
Contributions, Indemnities, and Taxes	\$476,983	\$432,794	\$422,794	\$422,294	\$422,294	\$422,294
Debt Service	\$222,495	\$241,195	\$266,277	\$258,096	\$305,684	\$305,443
Payments to Other Funds	\$151,235	\$95,436	\$93,622	\$98,545	\$103,106	\$108,766
Labor Reserve	\$15,508	\$39,309	\$85,722	\$128,975	\$150,093	\$196,093
Federal Reserve	\$91,000	\$0	\$0	\$0	\$0	\$0
Payment to Budget Stabilization Reserve Fund <i>(set via a formula in the Charter)</i>	\$58,860	\$52,484	\$53,914	\$0	\$0	\$0
Total	\$6,900,908	\$6,967,812	\$6,953,926	\$7,067,422	\$7,077,852	\$7,236,636

Proposed FY27 obligations (in 000s)



Personal Services (Salaries, Pensions, and Other Benefits) and the **Labor Reserve** total **\$4.3B** and make up **62%** of total proposed obligations



Community priorities, as identified by NCACs

In preparation for the FY27 Proposed Budget, the Budget Office worked with Neighborhood Community Action Centers (NCACs) to communicate a Snapshot of Community Priorities to departments.

Mayor Parker's One Philly 1.0 & 2.0 budgets included substantial investments in many of these areas.

This *One Philly, One Future* budget continues to build on these priority areas, responding directly to Philadelphians' needs.

<u>Top 8 Issues from Residents</u>
Illegal Dumping
Abandoned Vehicles
Pothole/Street Damage
Inlet Cleaning
Sanitation & Recycling
Affordable Housing
Graffiti
Permits, Violations, Licenses