Mayor Parker's One Philly 2.0 Budget:
FY26 Proposed Operating & Capital Budgets, FY26-30 Proposed Five Year Plan, and Recommended FY26-31 Capital Program

March 13, 2025

City of Philadelphia

Mayor Parker's second budget proposes **$3.77 billion in new, targeted investments** directed towards making Philadelphia the safest, cleanest, and greenest big city in the nation, with access to economic opportunity for all

This budget proposal includes **bold, targeted investments in each of Mayor Parker's top priority areas, including housing, the City workforce, tax reform, wellness**, and more.

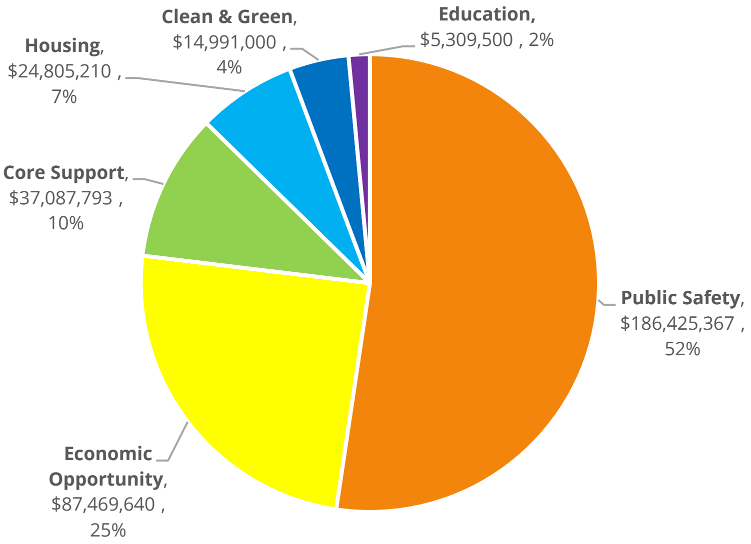
The Proposed FY26-30 Five Year Plan and Recommended FY26-31 Capital Program add:

- **$2.30 billion in new operating investments** through FY30, including debt service on **$800 million in new borrowing** to support Mayor Parker's Housing Opportunities Made Easy (H.O.M.E) initiative, **multi-year collective bargaining agreements**, **unprecedented tax reform**, **wellness**, and more

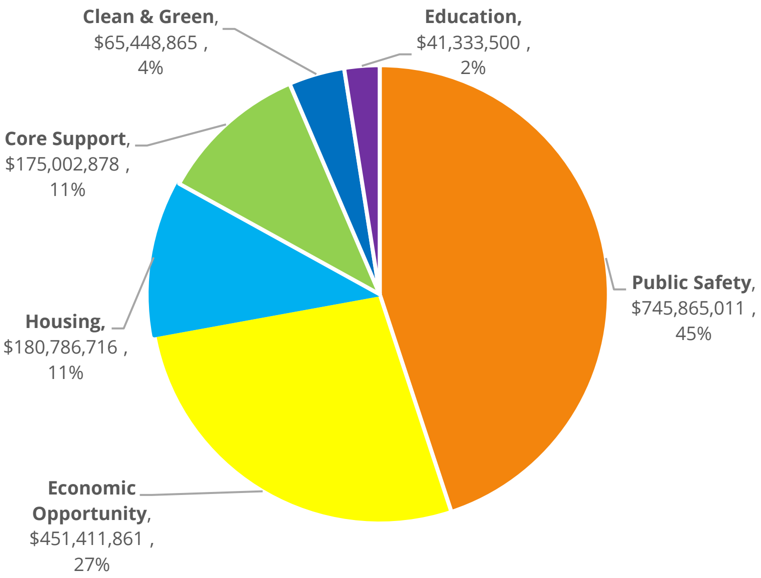
- **$1.47 billion in capital investments** over six years

New operating investments, by priority area

FY26 Proposed Budget (Operating)



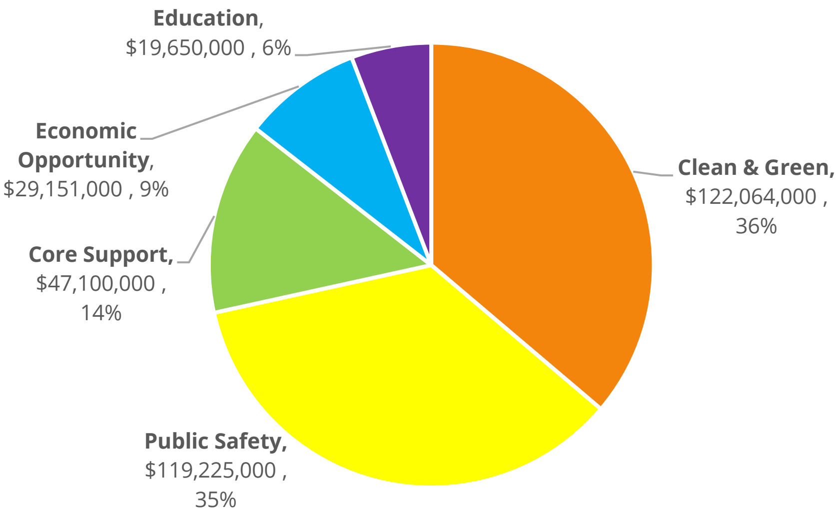
Proposed Five Year Plan (Operating)



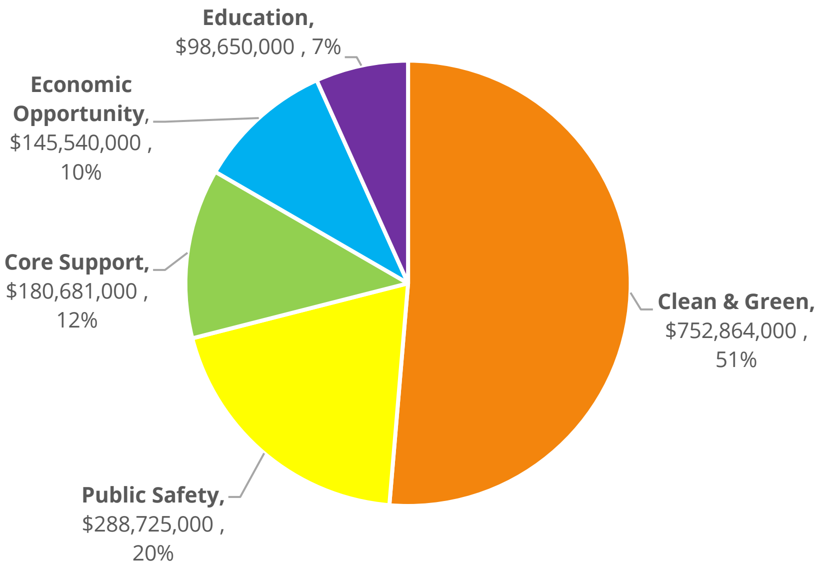
Note: the Labor Reserve ($550M) and Federal Funding Reserve ($95M) are omitted from these pie charts.

New capital investments, by priority area

FY26 Proposed Budget (Capital)



Recommended Program (Capital)



Note: Housing borrowings are not included in the capital program.

Major investments in the Proposed Plan

Housing: $166M in debt service over five years to support two $400M borrowings ($800M) total, part of Mayor Parker's Housing Opportunities Made Easy (H.O.M.E.) initiative, + $11M over five years for 32 new positions and consultant support in Planning and Development to support implementation

Investing in Our City Workforce: $550M set aside in the Labor Reserve for collective bargaining agreements over the life of the Proposed Plan

Tax Reform: $210M in targeted investments in tax reform as part of an historic and unprecedented plan to eliminate the Gross Receipts portion of the Business Income and Receipts Tax (BIRT) and reduce the Net Income rate of the BIRT to less than half of its current rate by FY39, seven years after the pension fund reaches full funding + resumption of Wage Tax reductions starting in FY26. This plan is being codified via legislation.

Major investments in the Proposed Plan, continued

Wellness: $216 million in operating funds from FY26 through FY30 for the wellness ecosystem (via General Fund + opioid settlement funds) + an added $75 million capital investment in Riverview facilities through FY26, bringing the total capital investment through FY26 up to $175 million

2026: additional targeted investments in 2026 preparedness, bringing the City's total General Fund investment in 2026 special events to $100M (+ another $500M investment via the Airport)

Workforce: $10M for workforce development initiatives + consolidation of workforce initiatives under the City College for Municipal Employment (CCME) under the Chief Administrative Officer (moving 3 positions and adding 5 more)

Extended Day, Extended Year expansion: expanding from 25 to 40 schools (30 School District-operated and 10 Charter-operated), adding 5,000+ new slots for a total of 12,000+ slots in the EDEY program.

Fiscal context

As the City closed out FY24 with a relatively high fund balance, **Philadelphia's finances remain stable but face heightened risks**.

- External pressures, including inflation, a tight labor market, revenue volatility, and federal and economic uncertainties, present a **more uncertain fiscal outlook than the City has faced in recent years**.
- Additionally, with all American Rescue Plan Act (ARPA) funds required to be obligated by the end of 2024, 2025 marks the first year since the pandemic without this federal support that provided a crucial lifeline during and after the pandemic, allowing the City to avoid devastating cuts to services.

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.

Fiscal context, continued

One of the most immediate risks to the City's financial position is the **uncertain future of federal funding**. In FY24, the City received $2.8 billion 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 could have significant budgetary implications, requiring difficult choices about service levels and investment priorities.**

Additionally, the **City's tax base is also vulnerable to federal actions**. Education, medical institutions, and government employment accounted for over $1 billion in wage tax collections in FY24 (nearly 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

In addition to making bold, targeted investments, this Plan **sets the City and future mayors up for long-term fiscal health**, maintaining positive fund balances and setting aside funds in the Budget Stabilization Reserve Fund and in a $95M federal funding reserve while navigating the challenges of the expiration of ARPA funding after calendar year 2024, federal uncertainty, and a legacy pension obligation bond balloon payment in the penultimate year of the Plan (an $80M spike in FY29, $230M total).

The Proposed Plan **ensures that the Fund Balance + Reserves total in each year is at least within the 6-8% internal target**. This is an improvement over the FY25-29 PICA-Approved Plan.

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

- In FY33, according to the Pension Board's actuary's projections, the Pension Fund will reach 100% funding. That means that we will no longer be paying off an unfunded liability and our pension payments will drop by at least $430 million per year, enabling other investments.

- This timeline for paying off the unfunded pension liability informed our long-term tax reform proposal.

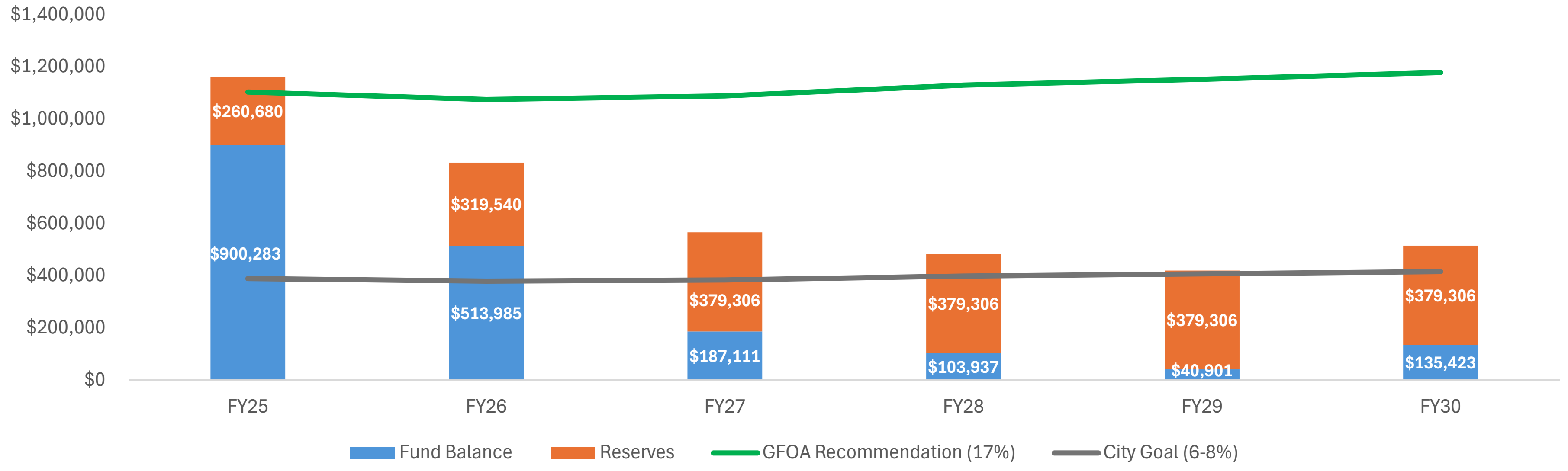
Fund balance and reserves in the Proposed Plan

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)
FY26	$514M	$225M	$95M	$834M	$379M	$1.056B
FY27	$187M	$284M	$95M	$566M	$384M	$1.069B
FY28	$104M	$284M	$95M	$483M	$399M	$1.110B
FY29	$41M	$284M	$95M	$420M	$407M	$1.132B
FY30	$135M	$284M	$95M	$515M	$416M	$1.157B

While the Plan remains balanced, the fund balance in the out years is low. Our internal target is to have a fund balance that is 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)



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Balances above include the fund balance, Budget Stabilization Reserve, and the Federal Funding Reserve. There is a projected increase in FY30, following the POB payment in FY29.