

## Philadelphia City and School District Budgets: A Year of Austerity

*By William A. Cozzens*

In the Philadelphia area, as in the nation, rapidly rising prices and spreading unemployment have been disrupting the economy. These disruptions can spell "hard times" not only for individuals and firms, but also for the City and School District of Philadelphia. Already, the fiscal 1974 (fiscal years run from July 1 to June 30) budgets of the City and the School District show strains from the worsening economic situation. For the City in 1974, costs rose faster than revenues, leading to a small budget deficit and to declines in real expenditures in several departments—most clearly in Streets, Recreation, and Health—and stable or slightly climbing expenditures in others. The School District fared a little better, showing a slight surplus. When its 1974 budget is compared to the 1973 pre-strike budget estimates, per capita real expendi-

tures grew slowly. In per capita real terms, elementary education, for example, grew 5 percent, while secondary education fell 3.8 percent.

Both the City and the School District were caught in the tightening squeeze of rising costs and limited and inflexible revenue sources. The softening economy, already at work in the last two quarters of fiscal 1974, heightened the squeeze by slowing the growth in revenue from the wage tax, the most flexible source which depends on the level of economic activity in the City. In short, fiscal 1974 was a year of austerity for the City and School District.

### **BUDGETARY CHANGES THROUGH FISCAL '74**

From fiscal 1973 to fiscal 1974, revenues and

TABLE 1  
CITY AND SCHOOL DISTRICT REVENUES AND EXPENDITURES

City Summary*	Fiscal 1973 (\$ Millions)	Fiscal 1974 (\$ Millions)
Revenue	\$730.0	\$725.4
Expenditures (Current Dollars)	<u>-729.3</u>	<u>-733.8</u>
Surplus (Deficit)	\$ 0.7	\$ (8.4)

School District Summary**	Actual	Pre-Strike Estimate	
Revenue	\$377.7	\$380.3	\$392.5
Expenditures	-340.1	-380.6	-393.0
Cancellation of Prior Year's Deficit	<u>- 36.2</u>	<u>-36.2</u>	<u>1.2</u>
Surplus (Deficit)	\$ 1.5	(\$ 36.5)	\$ .7

\*The City revenue and expenditure totals do not correspond to the balance sheet totals in the *Financial Report* because certain budget items, primarily Model Cities and the Economic Opportunity Program, were excluded to ensure comparability across years. Also the totals listed here include revenue and expenditures from Other Operating Funds as well as the General Fund. These various funds are reported separately in the *Financial Report*. For the General Fund the *Financial Report* shows 1974 revenue of \$676.0 million and expenditures of \$677.4 as compared to 1973 revenue of \$683.5 million and expenditures of \$677.8 million. See Appendices 1 and 3 for backup data on the City budgets.

\*\*Even without the school strike the pre-strike budget could not have been realized. The District would have had to close early to eliminate the deficit or find additional revenue sources. See Appendices 2 and 4 for backup on the School District budgets.

expenditures in current dollars for the City remained virtually constant. Expenditures inched upward; revenues dropped very slightly, producing a small net deficit. On the School District side of the ledger, both revenues and expenditures grew more substantially. (Table 1 summarizes the School District and City revenues and expenditures for 1973 and 1974.) This growth in the School District budgets can, however, be deceptive. In 1973, the District saved money from the long teachers strike. But the excess revenues of that year were absorbed by the large 1972 deficit. Much of the growth in the budget from 1973 to 1974 was a recovery to the level of expenditures in previous years. Thus, when

the School District's comparative budget position is adjusted for the strike, it becomes apparent that for both the City and the School District, the 1974 budgets represent no more than hold-the-line expenditure levels (Appendix 4 shows School District expenditures both with the strike and the estimated expenditures prior to the strike). This contrasts sharply with the pattern of large increases in expenditures for the City and School District between fiscal 1970 and 1973.<sup>1</sup>

<sup>1</sup>William A. Cozzens, "Philadelphia's Budgets: Past, Present, and Future," *Business Review* of the Federal Reserve Bank of Philadelphia, April 1974, pp. 3-19.

Just looking at these current dollar aggregates (dollars unadjusted for the effects of inflation on their purchasing power) tells us very little. On the revenue side, the important question is, what happened to the different sources of funds during the year? On the expenditure side, the important questions are, what impact did rising costs have on expenditures and how did City and School District administrators distribute the available funds?

**Revenues: No New Sources of Funds.** Compared to 1970 through 1973, which showed rapid growth in the City's revenues, fiscal 1974 proved to be sluggish. Local revenues climbed 5 percent, but this growth was more than offset by a 16-percent decline in revenue from Harrisburg and Washington. The City showed a six-tenths of 1-percent decline in net revenues (Appendix 1 shows these revenue totals). More instructive than these totals, however, was the behavior of some individual revenue sources (see Chart 1 and Appendix 1).

As in previous years, the wage tax kept pace with inflation, showing a growth of over 11 percent. The current recession could, however, lead to an erosion of revenue from this source since wage tax revenue is responsive to changes in the area economy (see Box 1). Local nontax revenues also jumped substantially, reflecting increased earnings from the Port, Civic Center, and Airport. In addition, higher charges for certain services (for example, billing for some public health services) and increased collections from fines and licenses bolstered local revenue. These improvements in the revenue picture were partially offset by a drop in real estate tax collections because of a transfer of four mills of taxing power from the City to the School District.

The City registered across-the-board declines in intergovernmental aid. One item, Federal Revenue Sharing, dropped \$17 million. The City, however, had anticipated this loss. In 1973, Philadelphia received a larger-than-normal allocation, including a delayed payment for several months of the previous fiscal year. But even without this loss the picture was pretty gloomy. Assistance from the Commonwealth as well as

other Federal aid also showed declines. Fiscal '74, then, temporarily halted the trend which had prevailed between 1970 and 1973 toward larger packages on intergovernmental aid.

As with the City, School District revenues in 1974 stabilized near their 1973 levels. Both local revenue and intergovernmental aid climbed slightly, generating a net revenue increase of just under 4 percent (see Chart 2 and Appendix 2 for the details). Again the only major revenue change came with the transfer of property tax revenue from City to School District.

The transfer of some property tax assessments from the City to the School District obscures the behavior of this tax as a revenue source. When the *total* City and School District property tax revenue in 1973 is compared to the total in 1974, the growth rate is only 2.9 percent. This relatively slow growth for the property tax reflects its dependence on the periodic reassessment of real property for any increases.

In summary, on the revenue side then, gains in intergovernmental aid, for the moment at least, have slowed. The real property tax is at best providing only small increments to revenue, while the recession may have hampered the revenue-generating capacity of the wage tax.

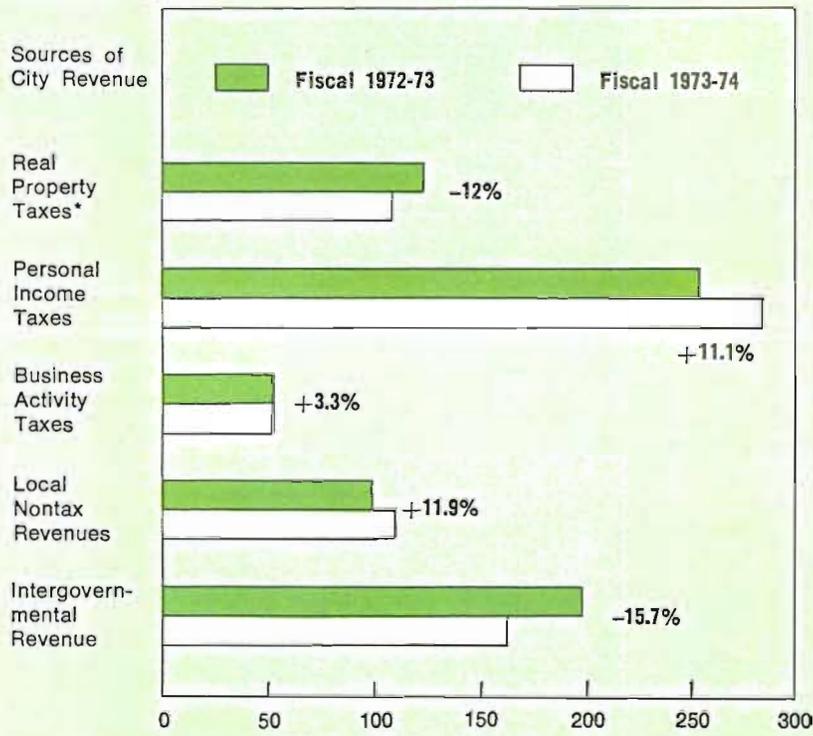
**Expenditures: Some Real Cuts.** The revenue side of the budget is only half the story. What the City and School District were able to provide in the way of services is the other half. In current dollars—that is, without correcting for any inflationary impact—City expenditures climbed about half of 1 percent. School District expenditures grew more—\$53 million, 15 percent above actual expenditures in 1973; \$12 million, 3 percent above the estimates of expenditures for 1973 prior to the strike.

But identifying changes in municipal and school service levels from one year to the next requires examining the expenditure side of the ledger in *constant* dollars. As everybody knows, personally as well as statistically, inflation has been a big factor over the last 18 months, reducing the purchasing power of all our dollars. The City and the School District are no exceptions. They must purchase labor and materials to pro-

**CHART 1**

**FOR THE CITY OVERALL REVENUE REMAINED STABLE AS GAINS FROM SOME SOURCES BALANCED LOSSES IN OTHERS.**

Millions of Dollars



SOURCE: Appendix 1.

\*The decline in real property taxes is directly attributable to a transfer of 4 mills assessment from the City to the School District.

## BOX 1

## THE RECESSION MAY CUT WAGE TAX GROWTH

With a recession looming large in the present picture, it is worth a moment's pause to consider the potential effect of the recession on local tax revenues. The City's wage and salary tax will feel the brunt of the recession. As production falls and economic activity declines, there will be higher unemployment, fewer people working, and cuts in overtime. Because revenue from the wage tax is tied directly to the total payments in salary and wages, all of these declines would lead to drops in revenue.

Pay increases among other workers would tend, of course, to counteract these declines. From 1970 through 1973 employment in the City dropped by 8 percent (see Table). Yet wage tax revenue continued to climb. Even in the present recession that pattern could continue. As employees in the more stable, recession-resistant sectors of the economy receive cost-of-living pay boosts, their increased wage tax payments may more than balance out the losses of workers who have been laid off or who have lost overtime. In this case, the effects of the recession would show up as a slower rate of growth in wage tax revenue rather than in an absolute decline.

## EMPLOYMENT TRENDS IN PHILADELPHIA COUNTY

	000s	Percent Change
1969	938.0	
1970	919.3	-2.0%
1971	881.7	-4.1
1972	881.0	0
1973	863.0	-2.0
1974	844.9	-2.1

SOURCE: U. S. Bureau of Labor Statistics, *Employment and Earnings*, Employees on Nonagricultural Payrolls.

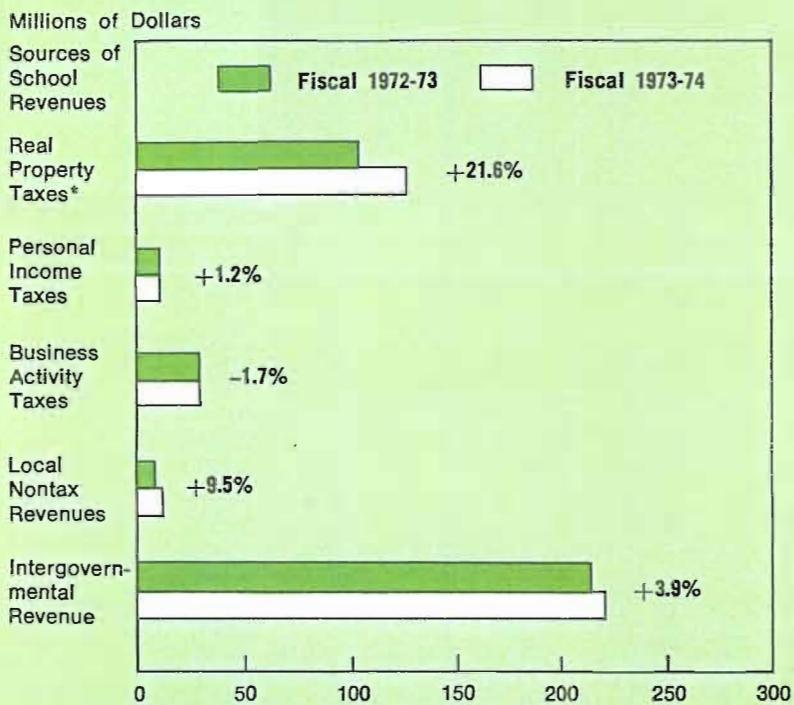
duce the services citizens demand. If these costs grow faster than revenue, then there are just two choices: cut the level of services or squeeze more services out of each dollar.

How have rising costs affected the City and School District budgets? For the City, the best estimate suggests that costs rose approximately 6.5 percent between fiscal 1973 and fiscal 1974. For the School District, the increases averaged 5.9 percent. (Box 2 details how these estimates were derived.) These cost increases have gener-

ally been lower than the run-up of costs and prices in the economy as a whole. In both the City and School District budgets, wages and salaries consume a lion's share of total expenditures—in some departments, as much as 93 percent. Between 1973 and 1974 the City and School District experienced wage and salary hikes between 3.5 and 5 percent. But, in the School District at least, a cut in teacher classroom hours has necessitated hiring additional staff, pushing costs up more than this 3.5-

CHART 2

WHILE FOR THE SCHOOL DISTRICT, PROPERTY TAXES SHOWED THE ONLY SUBSTANTIAL GAINS.



SOURCE: Appendix 2.

\*Real property taxes gained substantially because of a transfer of 4 mills assessment from the City to the School District.

## BOX 2

### THE CITY AND SCHOOL DISTRICT FACED HIGHER COSTS FOR LABOR AND SUPPLIES

The real or constant dollar budget is less than the current dollar budget by the amount absorbed in increasing costs. Between fiscal 1973 and fiscal 1974, these cost increases grew more slowly for the City and School District of Philadelphia than in the economy as a whole. The following Tables show the different major expenditure categories in the City and School District budgets, the rate of increase in costs for each category, the source of the estimate of the cost increase, and the weight each category occupies in the total budget. In Appendices 3 and 4 deflators are shown for individual departments and expenditure items. For more information on the construction of these cost estimates, consult William A. Cozzens, "Philadelphia's Budgets: Past, Present, Future," *Business Review* of the Federal Reserve Bank of Philadelphia, April 1974, Appendix 3, p. 15.

#### CITY COST INCREASES

Category	Source	Percent Change Fiscal 1973 to 1974	Weight
Wages			
Policemen and Firemen	{ Actual Wage Settlements	5.0%	53.0%
Nonuniformed Employees		4.3	
Purchase of Services	{ Estimated from Deflators for Government Purchases of Services, Nondurables, and Durables	5.6	17.6
Materials and Supplies		19.7	3.2
Equipment		5.1	0.6
Debt Service and Employee Benefits	{ Philadelphia Consumer Price Index	9.7	25.0
Social Security Payments		9.7	0.6
TOTAL		6.5%	100.0%

#### SCHOOL DISTRICT COST INCREASES

Wages	{ Actual Wage Settlements	3.5%	69.3%
Purchase of Services	{ Estimated from Deflators for Government Purchases of Services and Nondurables.	5.6	2.9
Materials and Supplies		19.7	5.8
Debt Service and Employee Benefits	{ Philadelphia Consumer Price Index	9.7	22.0
TOTAL		5.9%	100.0%

percent figure suggests. Other costs rose more rapidly, but proportionately these represent a much smaller share of City and School District expenses.

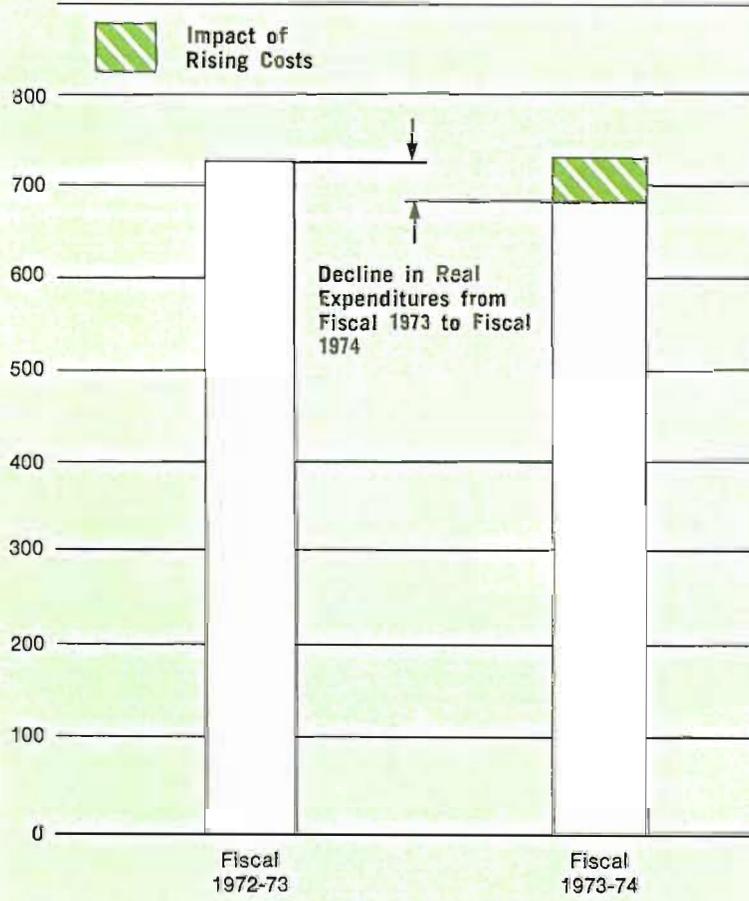
When 1974 City expenditures are reduced by the percentage increase in costs, the 1974 budget shrinks to \$689 million in terms of 1973

dollars, a 5.4-percent drop in real expenditures. The decline for departments involved in the delivery of services was 2.9 percent (see Chart 3). How was this budget cut distributed across departments and City activities? Every major expenditure category except the courts and "other" administrative activities registered de-

CHART 3

**INFLATION LED TO A REAL BUDGETARY DECLINE FOR THE CITY.**

Millions of Dollars



SOURCE: Appendix 3.

clines in real expenditures. Among the expenditure categories involved in the provision of services (that is, excluding Debt Service and Pensions and Employee Benefits), the declines ranged from a low of 1.8 percent for the Fire Department to a high of 9.9 percent for Streets and Sanitation. The remainder fell somewhere in between. (Table 2 and Appendix 3 show these budget changes in greater detail.)

With these declines in real expenditures in many departments of the City, the really important question for the quality of life in Philadelphia is what happened to the output of services. The output of any organization, whether private

or governmental, is a function of not only the inputs purchased—the real expenditures—but also the output per unit of input—the productivity of those real expenditures.

Measuring and achieving productivity gains are not easy tasks, even in the private sector. But in government agencies, without the incentives provided by the marketplace, it can be even harder. Moreover, except for some activities where there is an easy measure of output (tons of rubbish collected as a measure of output for sanitation, for example), it is hard to identify, define, and measure the product or output of a government agency. In Philadelphia there is little

**TABLE 2**  
**MOST CITY EXPENDITURE CATEGORIES**  
**SHOWED REAL DECLINES**

City Department	Percent Change 1973 to 1974
Pensions and Employee Benefits	- 21.8%
Streets Department	- 9.9
Recreation	- 8.8
Health Department, Philadelphia General Hospital	- 6.5
Debt Service	- 5.0
Welfare	- 3.7
Police	- 2.4
Fire	- 1.8
Other	2.7
Courts	3.5
Total Real Expenditure Change	- 5.4%
Total Real Expenditure Change (excluding Pensions and Employee Benefits and Debt Service)	- 2.9%

SOURCE: Appendix 3.

information available on the relationship between inputs and outputs, so it is hard to make precise statements about what has happened to productivity. Of course, everybody has a subjective impression of what is happening. To some people the streets may seem cleaner than last year, but then to others the streets may also seem to have more potholes. But it is hard to generalize from these individual impressions about what may be happening on a city-wide basis to the many activities that City agencies perform. Unfortunately, therefore, there is not much evidence on which to base a firm estimate of the City's possible increases in productivity.

Some rough approximations, however, can be made. The one comprehensive study of productivity in government agencies focused on the Federal Government. It found productivity increases on the order of 1.7 to 1.8 percent annually.<sup>2</sup> Service industries in the private sector have managed annual increases in productivity of about 2.5 percent.<sup>3</sup> With average real expenditures dropping 2.9 percent in the City departments involved in the delivery of services, an average productivity increase of, say, 2 percent would leave average service levels dropping just under 1 percent. In some departments (Streets, Recreation, and Health, for example) the large declines in real expenditures, therefore, make it difficult to see how service levels could have been maintained. In other departments (Courts, Fire, and Police, for example) basically stable real expenditures may have led to slight gains in the level of services provided. Overall, then, the City appears to have weathered a difficult economic period in fairly good shape, although some citizens might disagree with the distribution of these real budget cuts.

For the School District, with costs up 5.9 percent, real expenditures in 1974 were \$371 million. If this is compared with the actual 1973

budget (with an 11-week strike depressing expenditures), then real expenditures increased 9 percent. Compared to the estimates of 1973 expenditures made before the strike, 1974 expenditures dropped 2.5 percent (see Chart 4). Because school attendance dropped (from 279,400 to 272,900) between 1973 and 1974, real expenditures *per pupil* provide a better indication of service levels. With declining attendance (concentrated in the elementary schools), average real expenditures per pupil increased slightly. Elementary education and special education climbed, junior high and senior high/technical schools declined moderately, while early childhood education remained stable in per capita terms. (See Appendix 4, Table B.) Thus, the School District overall was able to maintain real expenditures per pupil during fiscal 1974, thanks mainly to a boost in revenue and a small drop in enrollment.

#### Revenues and Expenditures: A Tight Squeeze.

In summary, both the City and the School District faced steeply rising costs and sharply limited revenues. In combination these spelled double trouble. For the City the average level of real expenditures fell. In several departments these drops probably meant some reduction in particular services. For the School District real expenditure levels barely edged back up to the levels attained before the strike.

In one important respect 1974 seems to have been significantly different from the preceding years. In the early 1970s the substantial gains in both compensation and services were largely funded by revenue increases from state and Federal sources. Everybody benefited. The citizenry enjoyed higher real expenditures (and presumably increases in services), while teachers and municipal employees showed real wage gains. Philadelphians, of course, paid for these increases indirectly through state and Federal taxes, but because footing the bill took place indirectly, it was less burdensome than it otherwise could have been.

For the moment at least, these increases in state and Federal aid have slowed. Fiscal '74

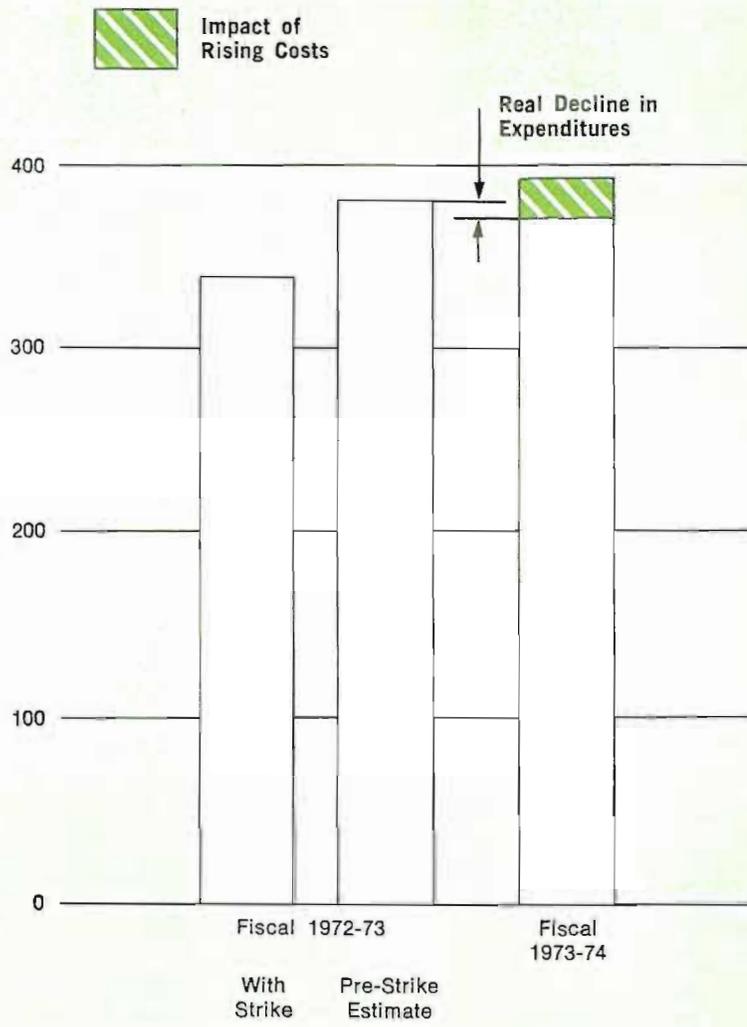
<sup>2</sup>Thomas D. Morris, William H. Corbett, and Brian L. Usilaner, "Productivity Measures in the Federal Government," *Public Administration Review*, November/December 1972.

<sup>3</sup>National Commission on Productivity, *Third Annual Report*, Washington, D. C., March 1974, p. 6.

**CHART 4**

**REAL SCHOOL DISTRICT EXPENDITURES RECOVERED TO NEAR PRE-STRIKE LEVELS.**

Millions of Dollars



SOURCE: Appendix 4, Table A.

showed a net drop in intergovernmental aid. Unless there is some new surge of state or Federal support for local government, the City and School District are faced with the prospect of funding wage hikes and other cost increases from local revenues. Such funding can take the form of local tax increases or cuts in real expenditures. And if real expenditures are cut, service levels will drop unless the cuts are offset by productivity gains. In '74, with local revenues growing slowly and no tax hikes, the City cut real expenditures to meet increasing costs. Resolving this three-sided dilemma—demand for services, limited revenues, and rising costs—provides the biggest challenge to policymakers in the periods ahead. Philadelphia, however, is not the only city with these problems. Virtually all large cities are facing similar budget difficulties.

## THE OUTLOOK

What are the budget prospects as the City and the School District near the end of fiscal 1975? Although the complete picture is not yet in for the current fiscal year, the revenue/cost pinch appears to be as tight as ever. To help School District revenues, City Council raised the property tax by 3 mills, and the Commonwealth came across with \$19 million to cover increased expenditures during fiscal 1975. Even with these revenue increases, the District anticipates a deficit of between \$7.5 and \$10 million in the current year, attributable to increases in program costs and to some very small expansions in programs.<sup>4</sup>

Preliminary indications for the City are that the same pinch applies there also. Wage tax revenues in the first six months of the fiscal year climbed only 4.3 percent over the same period in 1974.<sup>5</sup> When compared to the 11-percent growth from fiscal '73 to fiscal '74, this slow-

down suggests that the recession's impact on revenues is deepening. On the expenditure side, wage costs and the prices of other purchases continue climbing, restricting any growth in real expenditures. (See Box 3 for information on recent wage settlements.) Early indications are that the City will close the current year with a deficit close to \$20 million.

Fiscal '76 promises even more difficulties. The School District has provided an early look at its new budget. The numbers suggest rapidly climbing costs and consequently a large deficit unless new money is found. The City is also in difficult straits. Between the recession-generated demand for services (Welfare, for example), the large influx of Bicentennial visitors, and the continuing cost squeeze, whatever revenues are available will be desperately needed.

But new revenues will be hard to find. Projecting costs and revenues from existing sources, the proposed operating budget for fiscal 1976 comes up with a \$45 million deficit. To close this gap, the City is suggesting expanded coverage for the personal property tax, collection of past-due railroad taxes, increased court filing fees, a tax on premiums of life insurance policies from out-of-state firms, and accelerated property reassessments. The City is also banking on some increases in intergovernmental transfers. Realizing these revenue gains will probably be difficult.

Moreover, with elections coming up, it could be difficult for City Council to increase taxes. The Commonwealth will have its own fiscal woes as revenues from the sales tax and the income tax slump with the recession. So it will probably not approve any big new packages of aid. If anything is clear as Philadelphia approaches 1976, it is that municipal officials, the city's business, civic and community leaders, and labor face a series of difficult choices in the months ahead. One clear alternative—and the most attractive one from the perspective of both maintaining or improving services *and* holding taxes down—would be a clear commitment from City and School District leaders and employees to boost productivity in the provision of municipal and school services.

<sup>4</sup>Preliminary budget figures released in a February 27, 1975 meeting between School District administrators and the Board of Education.

<sup>5</sup>City of Philadelphia, *Financial Report*, December 31, 1974, p. 2.

## BOX 3

### WAGE SETTLEMENTS ARE BUILDING IN BIG COST INCREASES FOR THE CITY AND SCHOOL DISTRICT

Wages and salaries constitute as much as 90 percent of some City and School District department budgets. Knowing the pattern of wage settlements provides, therefore, a pretty good indication of the size of overall cost increases.

In Philadelphia several different organizations represent municipal and school employees. The Philadelphia Federation of Teachers is the main bargaining unit for School District employees. City employees are represented by several different organizations. The Fraternal Order of Police and the International Association of Firefighters represent uniformed employees. District Council 33, American Federation of State, County, and Municipal Employees, AFL-CIO, represents blue-collar and clerical employees, while District Council 47, AFSCME, AFL-CIO, represents administrative and technical employees.

Contracts between the workers these organizations represent and the City and School District are negotiated separately, so the timing and percentage rates of wage increases will vary. The accompanying Table shows recent settlements for the major bargaining groups.

The actual increase in the wage bill will depend on such factors as turnover and hiring practices. For example, with low turnover and little new hiring, average salaries will climb faster as employees are promoted and receive pay increases for experience.

Bargaining Group (Number of Employees Represented)	Effective Date of Settlement; Percentage Increase*			
	1972	1973	1974	1975
CITY				
Uniformed Employees (10,000)	7/1: 5.5%	7/1: 5.0%	7/1: 8.3%	7/1: 7.9%
Blue-collar and Clerical (17,000)	7/1: 4.2	7/1: 4.2	7/1: 4.2	†
Administrative and Technical (4,000)	7/1: 4.2	7/1: 5.0	7/1: 5.0	†
SCHOOL DISTRICT				
Teachers (13,500)**	††	4/1: 4	10/1: 2	4/1: 4 ; 12/1: 4

\*Some wage settlements are negotiated in terms of dollars instead of percent increases. These have been converted to average percent increases. To translate wage increases into cost increases, changes in the salary structure must be taken into account.

\*\*The wage settlements for the teachers also apply to counselors, paraprofessionals, assistants, and secretaries.

†As this was written, settlements had not yet been negotiated for nonuniformed City employees.

††Failure to arrive at a settlement in September 1972 led to the teachers strike, culminating in the April 1973 settlement.

## APPENDIX 1 CITY REVENUES

Revenue Source <sup>1</sup>	(1) 1969-70 (\$ Millions)	(2) 1972-73 (\$ Millions)	(3) 1973-74 (\$ Millions)	(4) Percent Growth in Revenue 1969-70 to 1973-74 (3) ÷ (1) × 100	(5) Percent Growth in Revenue 1972-73 to 1973-74 (3) ÷ (2) × 100
<b>LOCAL REVENUES</b>					
Real Property Taxes <sup>2</sup>	\$111.3	\$124.7	\$108.6	- 2.4%	- 12.9%
Personal Income Taxes <sup>3</sup>	201.9	257.2	286.2	+ 41.8	+ 11.1
Business Activity Taxes <sup>4</sup>	40.8	51.0	52.7	+ 29.2	+ 3.3
Local Nontax Revenues <sup>5</sup>	71.0	99.2	111.0	+ 56.3	+ 11.9
<b>TOTAL LOCAL</b>	<b>\$425.0</b>	<b>\$532.1</b>	<b>\$558.5</b>	<b>+ 31.4%</b>	<b>+ 5.0%</b>
<b>INTERGOVERNMENTAL REVENUES<sup>6</sup></b>					
Commonwealth	\$ 36.7	\$ 94.0	\$ 83.9	+ 128.6%	- 10.7%
Federal	—	67.9	51.1	—	- 24.7
Revenue Sharing	5.7	33.2	30.4	+ 433.3	- 8.4
Other Federal	2.0	2.8	1.5	- 25.0	- 46.4
Other					
<b>TOTAL INTERGOVERNMENTAL</b>	<b>\$ 44.4</b>	<b>\$ 197.9</b>	<b>\$ 166.9</b>	<b>+ 175.9%</b>	<b>- 15.7%</b>
<b>GRAND TOTAL</b>	<b>\$ 469.4</b>	<b>\$ 730.0</b>	<b>\$ 725.4</b>	<b>+ 54.5%</b>	<b>- 0.6%</b>

<sup>1</sup>1969-70 data from David W. Lyon, "The Financial Future of City and School Government in Philadelphia," *Business Review of the Federal Reserve Bank of Philadelphia*, March 1971, pp. 3-71; 1972-73 from Table 3, City of Philadelphia, *Financial Report* Fiscal Year 1973, Office of Director of Finance, October 1973, pp. 5, 105; 1973-74 from City of Philadelphia, *Financial Report* Fiscal Year 1974, Office of Director of Finance, October 1974, pp. 10-11, 67, 72, 78, 98-99.

<sup>2</sup>Includes real estate tax and personal property tax.

<sup>3</sup>Includes wage tax and earnings tax.

<sup>4</sup>Includes net profit tax, mercantile license tax, and other taxes.

<sup>5</sup>Includes (1) Licenses, fines, service charges, and other revenues; (2) Revenue from City-owned leased utilities; (3) Reimbursement for Debt Service; (4) Port, Civic Center, Sports Stadium; and (5) Aviation Fund revenues.

<sup>6</sup>In 1972-73 and 1973-74 intergovernmental revenue includes General Fund and Anticipated Grants Revenue Fund receipts. To maintain comparability with 1969-70 data, the Economic Opportunity Program and the Model Cities Program have been deducted from the 1972-73 and 1973-74 Federal revenues. Commonwealth revenues include receipts for the County Liquid Fuel Tax Fund and the Special Gasoline Tax Fund. Commonwealth revenues also include U.S. and Commonwealth combined grants.

## APPENDIX 2

SCHOOL DISTRICT REVENUES STABILIZED IN 1974  
AFTER A PERIOD OF RAPID GROWTH

	(1)	(2)	(3)	(4)	(5)
Revenue Source <sup>1</sup>	1969-70 (\$ Millions)	1972-73 (\$ Millions)	1973-74 (\$ Millions)	Average Annual Percent Growth in Revenue 1969-70 to 1973-74 [(3)÷(1)×100]-100	Percent Growth in Revenue 1972-73 to 1973-74 [(3)÷(2)×100]-100
<b>LOCAL REVENUES</b>					
Real Property Taxes <sup>2</sup>	\$ 95.2	\$ 105.1	\$ 127.8	+ 11.4 %	+ 21.6%
Personal Income taxes <sup>3</sup>	7.5	8.3	8.4	+ 4.0	+ 1.2
Business Activity Taxes <sup>4</sup>	28.8	29.2	28.7	- 0.1	- 1.7
Local Nontax Revenues <sup>5</sup>	2.9	7.4	8.1	+ 59.8	+ 9.5
City Grant	—	12.0	—	—	- 100.0
<b>TOTAL LOCAL</b>	<b>\$134.4</b>	<b>\$162.0</b>	<b>\$173.0</b>	<b>+ 9.6%</b>	<b>+ 6.8%</b>
<b>INTERGOVERNMENTAL REVENUES</b>					
Commonwealth <sup>6</sup>	\$140.0	\$210.7	\$214.5	+ 17.7%	+ 1.8%
Federal	6.0	5.0	5.0	- 5.6%	0
<b>TOTAL INTERGOVERNMENTAL</b>	<b>\$146.0</b>	<b>\$215.7</b>	<b>\$219.5</b>	<b>+ 16.8%</b>	<b>+ 1.8%</b>
<b>GRAND TOTAL</b>	<b>\$280.4</b>	<b>\$377.7</b>	<b>\$392.5</b>	<b>+ 13.3%</b>	<b>+ 3.9%</b>

<sup>1</sup>1969-70 data from David W. Lyon, op. cit.; 1972-73 data from the School District of Philadelphia, Annual Financial Report, Fiscal Year ending June 30, 1973, p. 3; 1973-74 data from "Financial Statements for the Year Ended June 30, 1974," School District of Philadelphia.

<sup>2</sup>Real estate and delinquent real estate taxes.

<sup>3</sup>Nonbusiness tax and pari-mutuel taxes.

<sup>4</sup>General business tax, corporate net income tax, and rental occupancy tax.

<sup>5</sup>Payments in lieu of taxes, public utilities tax, interest on temporary investments, personal property tax, and miscellaneous revenues.

<sup>6</sup>In 1973-74 the District listed Special Education funds separately in the revenue category "Intermediate Unit." For comparative purposes they are included in Commonwealth aid here.

APPENDIX 3

REAL CITY EXPENDITURES IN FISCAL 1974  
DECLINED SLIGHTLY FROM FISCAL 1973 LEVELS

City Department <sup>1</sup>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
	1969-70	1972-73 <sup>2</sup>	1973-74 <sup>2</sup>	1969-70 = 100	1972-73 = 100	1973-74 Expenditures in Constant Dollars (Millions)	Base 69-70 = 100 (3) ÷ (4)	Base 72-73 = 100 (3) ÷ (5)	From 69-70 (6) ÷ (1)	From 72-73 (6) ÷ (2)
	Actual Expenditures In Current Dollars <sup>1</sup> (Millions)			Price Deflators			1973-74 Expenditures in Constant Dollars (Millions)		Fiscal 1974 Percent Real Expenditure Change	
Courts	\$ 23	\$ 42.3	\$ 45.9	132.7	104.7	\$ 34.6	\$ 43.8		+50.4%	+ 3.5%
Debt Service	59	79.9	83.3	124.3	109.7	67.0	75.9		+13.6	- 5.0
Fire	30	39.9	41.4	144.6	105.6	28.6	39.2		- 4.7	- 1.8
Health, P.G.H.	45	78.9	78.1	127.9	105.8	61.1	73.8		+35.7	- 6.5
Pensions and Employee Benefits	43	84.8	72.7	124.3	109.7	58.5	66.3		+36.0	-21.8
Police	85.3	127.0	130.7	144.4	105.5	90.5	123.9		+ 6.1	- 2.4
Recreation	26.7	36.3	35.0	134.7	105.6	26.0	33.1		- 2.6	- 8.8
Streets	46.8	64.8	61.6	132.5	105.5	46.5	58.4		- 0.6	- 9.9
Welfare	39	54.4	55.4	124.9	105.8	44.4	52.4		+13.8	- 3.7
Other	72	108.1	117.2	128.2	105.6	91.4	111.0		+26.9	+ 2.7
Payment to School District	—	12.0	0	—	—	—	—		—	—
Social Security	—	—	12.5	124.3	109.7	10.1	11.4		—	—
TOTALS	\$469.8	\$728.4	\$733.8			\$558.5	\$689.2		+18.9%	- 5.4%
SERVICES										
SUBTOTALS <sup>3</sup>	\$367.8	\$551.7	\$563.3	133.6	105.5	\$423.1	\$535.6		+15.0%	- 2.9%

<sup>1</sup>City of Philadelphia, *Financial Reports for Fiscal Years 1970, 1973, 1974.*

<sup>2</sup>Each department's expenditures for 1972-73 and 1973-74 are the sums of obligations incurred in the General Fund, the Anticipated Grants Revenue Fund, and other minor operating funds such as the Aviation Fund, the Special Gasoline Tax Fund, and the County Liquid Fuel Tax Fund.

<sup>3</sup>See Appendices 3 and 4, William A. Cozzens, "Philadelphia's Budgets: Past, Present, Future," *Business Review of the Federal Reserve Bank of Philadelphia*, April 1974, pp. 15-19, for detailed information on the derivation of a municipal price deflator for the City of Philadelphia. Box 2 in text details the price and wage changes from fiscal 1972-73 to fiscal 1973-74.

<sup>4</sup>Appendix 4, Cozzens, *op. cit.*, contains specific notes on adjustments made in the 1969-70 and 1972-73 budget figures to ensure comparability across years.

<sup>5</sup>The services subtotals represent expenditures in City departments directly involved in the delivery of services. The adjusted totals subtract Debt Service, Pensions and Employee Benefits, Payment to School District, and Social Security from the totals.

**APPENDIX 4**  
**TABLE A**  
**DETAIL ON SCHOOL EXPENDITURE CHANGES**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
	Current Dollar Expenditure (\$ Millions)		Price Deflators		Constant Dollar Expenditures		Average Annual % Change		Percent Change		
	1969-70	1972-73	1974-74*	1969-70	1972-73	Base 1969-70	Base 1972-73	1960-70 to 1973-74	1972-73 to 1973-74	Based on Pre-Strike Estimates	Based on Actual on Expenditures
Program Elements	Pre-Strike Estimates	Post-Strike Actuals <sup>1</sup>	1974-74*	= 100	= 100	(4) ÷ (6)	(4) ÷ (6)	(7) ÷ (1) ÷ 4	(8) ÷ (2)	(8) ÷ (3)	(8) ÷ (3)
Education Elements											
Early Childhood Ed.	\$ 5.5	\$ 7.7	\$ 7.8	130.2	104.4	\$ 6.0	\$ 7.5	+ 2.3%	- 2.6%	0 %	
Elementary Ed.	66.6	75.4	78.4	127.5	104.2	61.5	75.2	- 1.9	- 0.3	+ 8.7	
Junior High and Middle Schools	37.4	51.4	49.6	130.1	104.2	38.1	47.6	+ 0.5	- 7.4	+ 22.7	
Sr. High and Technical Schools	47.7	56.7	59.2	130.3	104.2	45.4	56.8	- 1.2	+ 0.2	+ 25.4	
Special Education	14.6	17.2	20.6	128.7	104.2	16.0	19.8	+ 2.4	+ 15.1	+ 32.0	
<b>TOTAL EDUCATION ELEMENTS</b>	<b>\$171.8</b>	<b>\$208.4</b>	<b>\$215.8</b>	<b>129.2</b>	<b>104.3</b>	<b>\$167.0</b>	<b>\$206.9</b>	<b>- 0.7%</b>	<b>- 0.7%</b>	<b>+ 17.7%</b>	
Plant Operations and Maintenance	28.1	40.2	45.6	142.1	107.6	32.1	42.4	+ 3.6	+ 5.6	+ 6.3	
Administration And Support Areas <sup>2</sup>	33.5	40.3	42.6	135.3	104.8	31.5	40.6	- 1.5	+ 0.7	+ 9.4	
Debt Service	29.5	56.7	56.4	124.3	109.7	45.4	51.4	+ 13.5	- 9.3	- 8.2	
Employee Benefits	19.3	29.7	32.6	138.9	109.7	23.5	29.7	+ 5.5	0	+ 10.8	
Undistributed Items		5.5	4.6								
<b>GRAND TOTAL</b>	<b>\$282.3</b>	<b>\$380.6</b>	<b>\$393.0</b>	<b>131.2</b>	<b>105.9</b>	<b>\$299.5</b>	<b>\$371.0</b>	<b>+ 1.5%</b>	<b>- 2.5%</b>	<b>+ 9.1%</b>	

<sup>1</sup>Includes field operations, school services, curriculum and instruction, career education, municipal services, superintendent, administrative services, refund of prior years' revenues, and services for other funds.

<sup>2</sup>From the "Summary of the Proposed Operating Budget for the Fiscal Year Beginning July 1, 1973," School District of Philadelphia. <sup>3</sup>Proposed Revised 1972-73 Budget."

<sup>3</sup>Annual Financial Report, Fiscal Year ending June 30, 1973, School District of Philadelphia, pp. 5-8.

<sup>4</sup>Financial Statements for the Year Ended June 30, 1974," School District of Philadelphia, pp. 6-10.

<sup>5</sup>For the calculation of these price deflators see Box 2 in text and Appendix 3, Cozzens, op. cit., pp. 15-16.

**APPENDIX 4**  
**TABLE B**  
**REAL EXPENDITURES PER CAPITA**

	1972-1973		1973-1974		Percentage Change 1972-73 to 1973-74	
	Attendance <sup>1</sup> 000's	Expenditures Per Pupil <sup>2</sup>	Attendance <sup>1</sup> 000's	Expenditures Per Pupil <sup>2</sup>	Pre-Strike 72-73 to 73-74	Actual 72-73 to 73-74
Early Childhood Education	23.3	\$ 330	22.6	\$ 332	+0.6%	+ 3.1%
Elementary Education	121.1	623	114.2	571	+5.6	+15.2
Junior High and Middle School Education	62.9	817	60.8	617	-4.2	+26.9
Senior High Education	61.7	917	64.4	734	-3.8	+20.2
Special Education	10.5	1638	11.0	1429	+9.9	+26.0
TOTAL	279.4	\$ 746	272.9	\$ 629	+1.6%	+20.5%

<sup>1</sup>Average daily attendance during the month of November. Budget Office, School District of Philadelphia.

<sup>2</sup>Calculated by dividing the real expenditures in each direct educational unit (from Table A) by the attendance in that unit.