### APPENDIX I
PHILADELPHIA CITY AND SCHOOL DISTRICT REVENUES

#### FIGURE 5.1
**CITY OF PHILADELPHIA**

**Selected Fund Revenues**

<table>
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<tr>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Property Tax*</td>
<td>$113.3</td>
<td>$144.7</td>
<td>$198.6</td>
<td>$107.9</td>
<td>$116.1</td>
<td>$180.5</td>
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<td>Personal Income Tax†</td>
<td>608.7</td>
<td>557.2</td>
<td>388.2</td>
<td>385.1</td>
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<tr>
<td>Business Activity Taxes†</td>
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<td>107.2</td>
<td>107.7</td>
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<td>511.1</td>
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<td>90.5</td>
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<td>97.8</td>
<td>84.2</td>
<td>113.3</td>
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<td>4.3</td>
<td>2.2</td>
<td>3.9</td>
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<td><strong>Total Intergovernmental</strong></td>
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<td>237.4</td>
<td>265.3</td>
<td>302.4</td>
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<td><strong>Total</strong></td>
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<td>1006.1</td>
<td>1040.8</td>
<td>1110.8</td>
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*Selected funds include the General Fund, County Liquor Fund, Tax Fund, Free Maintenance Fund, and Special Garbage Tax Fund for all years. Other selected funds are in 1970 the Model Cities Program Fund, Neighborhood Development Fund, and Office of Economic Opportunity Fund. In 1976 and thereafter the County Revenue Fund. In 1974 and thereafter the Aviation Fund, in 1976 and 1977 the Recreational Fund, Community Development Fund, and the Traffic Court share of the Parking Facilities Fund. Excluded in all years are the Enterprise Funds, Sewer Fund, and Water Fund.

**Property tax includes nonincome tax, miscellaneous taxes such as those of parking lots, amusement, bowling alleys, and parking lots.


‡Received through the County Liquor Funds Tax Fund, General Fund, Grants Revenue Fund, Special Garbage Tax Fund, and the Recreational Fund and Community Development Fund (1976 and 1977 only).

§Development Authority funds in 1976 ($16.1 million). 1973 ($204.4 million), 1974 ($228.2 million), 1975 ($227.0 million). 1976 ($13.4 million from Model Cities Fund, Neighborhood Development Fund, and Office of Economic Opportunity Fund. These last three funds, though special funds rather than operating funds, are included here because large portions of these revenues were shifted to the County Revenue Fund beginning in 1972.

||payments from other government agencies such as Philadelphia Housing Authority and Philadelphia Redevelopment Authority.

### SOURCES:

34


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<td>5.4</td>
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<td>120.2</td>
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<td>5.0</td>
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<td>214.5</td>
<td>263.5</td>
<td>314.6</td>
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<tr>
<td><strong>Total Intergovernmental</strong></td>
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<td>324.2</td>
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<td><strong>Total</strong></td>
<td>259.2</td>
<td>375.7</td>
<td>392.5</td>
<td>459.2</td>
<td>524.5</td>
<td>548.7</td>
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†Since 1974 includes Intermediate Unit.
‡Current and delinquent real estate taxes.
§Miscellaneous income tax and pari-mutuel taxes.
‖General business tax, corporate net income tax, and rental occupancy tax.
§Payments in lieu of taxes, public utilities tax, interest on temporary investments, personal property tax, and miscellaneous revenues.
‡Grant from City in 1973: payment from Cafeteria Fund in 1973 and thereafter.
‡‡Federal grants and funds from the Commonwealth directly as well as indirectly through the Intermediate Unit. Aid 180 and 195 nonpublic school programs and Exceptional Grants Fund excluded in all years.

**Since 1974 includes Intermediate Unit funds based separately.

Appendix II
Philadelphia City and School District Expenditures: Nominal and Real Dollars

The Deflator Links Nominal to Real Dollars

Nominal or current-dollar measures of expenditures balance or break the budget in any given fiscal year, but it is useful to be able to compare expenditures across time discounting the impact of price changes. A common method of adjusting for price changes is dividing current-dollar figures by a price deflator. These price-adjusted expenditure figures—real expenditures or constant-dollar expenditures—are expressed with reference to the price level in a base year. In this study, the base year is 1970.

Figures II.2, 3, and 4 present three views of expenditures for the City of Philadelphia: nominal dollars, deflated, and real dollars. Figures II.5, 6, and 7 present the nominal expenditures, deflators, and real expenditures for the School District of Philadelphia. The data are presented by major expenditure elements for six fiscal years, 1970 and 1973 through 1977.

Method of Constructing Deflators

A product's price deflator is the weighted average of the price changes for the inputs required to produce it—labor, goods, and services. In constructing deflators for the City and School District, the budgets of the major expenditure elements are divided into three appropriation groups: wages and employee benefits, purchases of goods and services, and payments to debt service. Indexes of price change are estimated for all three appropriation groups, and weighted averages are calculated for their indexes; each index is multiplied by the fraction of expenditures the appropriation represents in an expenditure element, and these products are summed. See Figure II.1 for expenditure element weights and the box in the text for corresponding price indexes.

The basic formula for calculating the deflator is:

\[ \text{Deflator} = \frac{\text{Materials Weight} \times \text{Materials Index}}{\text{Wage Weight} \times \text{Wage Index}} \times \frac{\text{Equipment Weight} \times \text{Equipment Index}}{\text{Services Weight} \times \text{Services Index}} \]

The value of a price index or deflator may be interpreted as a percentage with the base value in the series (in this case the 1970 value) equal to 100 percent. An index with a 1976 value of 150 with a base of 1970 = 100 says that what used to cost $100 in 1970 costs $150 in 1976. See Figure II.3 for the City deflators and Figure II.6 for the School District deflators by expenditure element.

Definitions and Sources of Price Indexes

The individual price indexes used for the appropriation groups and the other special expenditure elements come from a variety of sources.

Overall Deflators. The overall deflators for the City and School District budgets are calculated by dividing the total nominal expenditures by the sum of the real expenditure estimates for the individual expenditure elements.

Wage and Employee Benefits Deflators. Average salaries were calculated for each year, 1973 through 1976. Unless otherwise noted, the wage index for 1976 were used for 1977, consistent with the assumption, incorporated into the published budgets, that wages would not be
increased. All salary series were indexed to their 1970 base values. The wage and salary indexes were used for the personal services component found in the individual expenditure elements shown in Figure II.1. They were used also in deflating the Pensions and Employee Benefits elements whose expenditure requirements often are proportional to wages.

Two wage indexes were used for the City—one for uniformed workers (police and firemen) and one for nonuniformed workers. The City Employee Benefits deflator is a weighted average of these two indexes. The price index for uniformed City employees is the average of the maximum and minimum pay for a police patrolman. The same index is used for both police and firemen, whose salaries are negotiated together. The price index for nonuniformed City employees is based on a weighted average of the 1976 average salaries for District Councils 33 and 47, the two unions that negotiate for the City’s nonuniformed workers. The corresponding salaries for earlier years were derived from the standard negotiated wage increases for each union.

A single wage index was generated for the School District. An average salary for school employees was derived for each year by weighting the salaries for five typical positions by their shares of 1976 School District employment. If a raise took effect in the course of the school year, a weighted average of the two salary levels was used. For 1977, the only raise incorporated into the budget, and consequently into the wage index, were the provisions for the second year of the custodial workers’ 2-year contract.

Deflators of Goods and Services. The deflators used in the national income accounts for state and local government purchases of services, nondurable goods, and durable goods, were taken as price indexes for purchase of services, materials and supplies, and equipment, respectively. Quarterly series were used to calculate indexes for each year 1973 through 1976. Following the projections of price increases by the major econometric models of the U.S. economy, the 1976 indexes were increased by 6 percent to provide estimates for 1977.

Philadelphia Consumer Price Index. The Philadelphia CPI provides a measure of the overall trend in costs in the local economy. It was used as the deflator for the City’s Debt Service and its Special Payment to the Parking Fund (1977). For the School District, the local CPI was used to deflate Debt Service and Insurance and the Advance Funding Payback.

**CITY BUDGET DATA**

City data for 1977 are not strictly comparable with data for earlier years for two reasons: (1) The budget includes maximum expected receipts and expenditures from grants from other governmental units to ensure that the Director of Finance will not have to ask Council to raise the budgeted ceiling on expenditures during the year. (2) A large proportion of the Grants Revenue Fund and Community Development Fund is budgeted to administrative offices which apportion it among the various City departments during the year; these expenditures then appear under the spending agencies in the Finance Director’s report. The most important example of this is the CETA (Comprehensive Employment and Training Act) funds which were included in the proposed budget for the Commerce Department through 1976 and for the Managing Director in 1977. Actual expenditure figures in previous Finance Director’s reports suggest that, in practice, these funds will be spent by many different agencies.

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*The positions used were (1) Secretary II, twelve month, Step 7 (previously Step 8); (2) Principal, Class 3, Step 5; (3) Nonteaching Assistant I, ten month, Step 5; (4) Custodial Worker, paygrade 118, twelve month, Step 2; and (3) Teacher, bachelor’s degree, Step 10.*

### FIGURE II.1

WEIGHTS USED IN CALCULATING DEFATORS FOR 1976

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<tr>
<th>Expenditure Category</th>
<th>Personal Services [Wages]</th>
<th>Purchase of Services &amp; Supplies</th>
<th>Materials &amp; Supplies</th>
<th>Equipment</th>
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<td>.418</td>
<td>.540</td>
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<td>.011</td>
<td>.042</td>
<td>.003</td>
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<td>.425</td>
<td>.069</td>
<td>.004</td>
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<td>.051</td>
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<td>.072</td>
<td>.004</td>
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<td>Courts</td>
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<td>.033</td>
<td>.014</td>
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<td>.107</td>
<td>.092</td>
<td>.008</td>
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<tr>
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<td>.141</td>
<td>.856</td>
<td>.003</td>
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<td>School District</td>
<td></td>
<td></td>
<td></td>
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<td>Early Childhood</td>
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<td>.272</td>
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<td>.303</td>
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<td>.039</td>
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<td>.013</td>
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<td>.391</td>
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<td>Administration &amp; Support</td>
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*The City and School District budgets both have eight appropriation classes. In the present study, only the four largest City classes are considered; in computing weights—personal services (wages and salaries), purchase of services (from business firms or other governmental units), materials and supplies, and equipment—for the School District, only the first three classes were considered here. Contracted services for the School District include scholarships and the local share of Federal programs; materials and supplies include equipment as well as books. The expenditure figures used as the base for percentage calculations in the sum of only three-fourths (City) or three (School District) appropriation classes rather than the total of expenditures listed in the budget.

DEFINITION OF CITY EXPENDITURE ELEMENTS

The City budget agencies (as used in the annual reports of the Director of Finance) included in each of the Federal Reserve's expenditure elements are listed below. Not all of these agencies appear in every financial report.

General Government: Council, Mayor's Office, Managing Director, Public Property, Art Commission, Licenses and Inspections, Board of Licenses and Inspections Review, Board of Building Standards, Zoning Board of Adjustment, Records, Philadelphia Historical Commission, Office of Director of Finance, Bicentennial, Revenue (formerly Collections), Procurement, Tax Review Board, City Treasurer, City Representative, Commerce, Philadelphia Civic Center, Law, City Planning Commission, Committee on Human Relations, Civil Service, Personnel Director, Auditing, Board of Revision of Taxes, City Commissioners, Fair Housing, Emergency Snow Removal, Fire Loss, Here Award, Scholarships, Indemnities, Wage and Welfare Adjustment, Information and Complaints, Office of Civil Defense, Economic Development Unit, Development Coordinator.

Police: Police.
Health: Public Health, Philadelphia General Hospital, Advance for Hospital Authority.
Streets: Streets, Water.
Courts: Clerk of Quarter Sessions, Register of Wills, District Attorney, Sheriff, Traffic Court, Common Pleas and Municipal Courts, Commonwealth Court, Supreme and Superior Courts, Defender Association.
Fire: Fire.
Recreation and Cultural Services: Recreation, Fairmount Park, Atwater Kent Museum, Camp William Penn, Philadelphia Free Library, American Flag House and Betsy Ross Memorial, Community College.
### FIGURE II.2
CITY OF PHILADELPHIA
Selected Fund
Nominal Expenditures
(Millions of Dollars)

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<td>54.5</td>
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<td>90.8</td>
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<td>—</td>
<td>—</td>
<td>7.1</td>
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<td>762.2</td>
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### FIGURE II.3
CITY OF PHILADELPHIA
Deflators
\([1970 = 100]\)

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<td>Health</td>
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<tr>
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<td>139.1</td>
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<td>163.1</td>
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<td>141.3</td>
<td>157.1</td>
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<td>144.9</td>
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<tr>
<td>Special Payments‡‡</td>
<td>117.4</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>126.0</td>
<td>133.4</td>
<td>143.3</td>
<td>155.9</td>
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FIGURE II.4
CITY OF PHILADELPHIA
Selected Fund
Real Expenditures
(Millions of Dollars)

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<td>Recreation and Culture</td>
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<td>501.7</td>
<td>612.3</td>
<td>576.2</td>
<td>608.3</td>
<td>614.5</td>
<td>713.3</td>
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</tbody>
</table>

*For a list of the funds used in compiling these data, see Figure I.1, note **.

Certain interfund obligation transactions have been subtracted from obligations to avoid double counting. These are the instances in which the Fiscals Revenue, Aviation, County Liquor, or Special Gasoline Tax funds were charged for services and the General Fund was credited with revenue.

Revenue from Parking expenditures of $5.3 million have been shifted from Recreation (under the Pennsylvania Parking Commission) to Police in order to make 1970 comparable with preceding years.

See Figure I.1, note ** for details on adjustments required by the exclusion of Redevelopment Authority funds in 1970, 1973, 1974, and 1975 and special funds in 1970. Amounts equal to those added to Other Federal revenues have been added in Urban Development.

In 1973, adjustments were made to the School District. For 1977, a payment is budgeted from the General Fund to the Parking Fund.

### Figure II.5
**School District of Philadelphia**

#### General Fund

<table>
<thead>
<tr>
<th>Nominal Expenditures [Millions of Dollars]</th>
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<td></td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Early Childhood</td>
</tr>
<tr>
<td>Elementary</td>
</tr>
<tr>
<td>Junior High &amp; Middle</td>
</tr>
<tr>
<td>Senior High &amp; Technical</td>
</tr>
<tr>
<td>Special Education</td>
</tr>
<tr>
<td>Education total</td>
</tr>
<tr>
<td>Overhead</td>
</tr>
<tr>
<td>Plant Operations &amp; Maintenance</td>
</tr>
<tr>
<td>Administration &amp; Support</td>
</tr>
<tr>
<td>Debt Service &amp; Insurance</td>
</tr>
<tr>
<td>Advance Funding Payback</td>
</tr>
<tr>
<td>Employee Benefits</td>
</tr>
<tr>
<td>Undistributed Items</td>
</tr>
<tr>
<td>Overhead total</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

### Figure II.6
**School District of Philadelphia**

#### Deficit

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Elements</td>
</tr>
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<tr>
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<tr>
<td>Junior High &amp; Middle</td>
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<tr>
<td>Senior High &amp; Technical</td>
</tr>
<tr>
<td>Special Education</td>
</tr>
<tr>
<td>Education total</td>
</tr>
<tr>
<td>Overhead Plant Operations &amp; Maintenance</td>
</tr>
<tr>
<td>Administration &amp; Support</td>
</tr>
<tr>
<td>Debt Service &amp; Insurance</td>
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<tr>
<td>Advance Funding Payback</td>
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<tr>
<td>Employee Benefits</td>
</tr>
<tr>
<td>Undistributed Items</td>
</tr>
<tr>
<td>Overhead total</td>
</tr>
</tbody>
</table>

42
### FIGURE II.7
**SCHOOL DISTRICT OF PHILADELPHIA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Early Childhood</td>
<td>$8.0</td>
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<td>$8.4</td>
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<td>39.6</td>
<td>37.3</td>
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<td>34.5</td>
<td>47.3</td>
<td>50.0</td>
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<td>58.3</td>
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<td>12.7</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Plant Operations &amp; Maintenance</td>
<td>28.1</td>
<td>34.1</td>
<td>34.0</td>
<td>41.6</td>
<td>45.4</td>
<td>43.5</td>
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<td>Administration &amp; Support</td>
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<td>33.9</td>
<td>41.7</td>
<td>43.3</td>
<td>44.5</td>
</tr>
<tr>
<td>Debt Service &amp; Insurance</td>
<td>28.5</td>
<td>28.0</td>
<td>45.0</td>
<td>36.7</td>
<td>32.4</td>
<td>31.9</td>
</tr>
<tr>
<td>Advance Funding &amp; Payback</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10.3</td>
<td>10.7</td>
<td>36.8</td>
</tr>
<tr>
<td>Employee Benefits</td>
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<td>26.0</td>
<td>31.9</td>
<td>30.6</td>
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</tr>
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<td>Undistributed Items</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>B. Refunds</td>
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<td>0.3</td>
<td>0.3</td>
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<td>Overhead total</td>
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<td>141.3</td>
<td>139.4</td>
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<td>169.9</td>
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<td>Total</td>
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<td>290.5</td>
<td>311.3</td>
<td>344.6</td>
<td>353.6</td>
<td>401.4</td>
</tr>
</tbody>
</table>

*Budget for full-year operation.

1. Administrative costs of special education dedicated and assigned to administration and support.

2. Plant operations and maintenance has been reported as school facilities since 1974.

3. Plant operations, school services, career education, instructional services (curriculum and instruction), transportation, superintendent, administrative services, municipal services, services for other funds, subsidy to the libraries fund, and administration of special education.

4. Owed to Commonwealth in repayment of advance funding for Special Education and, for 1977, Vocational Education as well.

5. All employee benefits expenditures generally distributed by the separate functions in the School District budget, including payments to the Pennsylvania Employees Retirement System and Social Security as well as other employee benefits.

APPENDIX III
CITY AND SCHOOL DISTRICT OF PHILADELPHIA
EMPLOYMENT PATTERNS

FIGURE III.1
CITY OF PHILADELPHIA
Number of Full-Time Employees by Expenditure Element*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>4,734</td>
<td>4,490</td>
<td>4,684</td>
<td>4,885</td>
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<tr>
<td>Police</td>
<td>8,187</td>
<td>8,961</td>
<td>9,293</td>
<td>9,264</td>
<td>9,085</td>
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<td>Health</td>
<td>3,960</td>
<td>3,931</td>
<td>3,795</td>
<td>3,777</td>
<td>3,726</td>
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<tr>
<td>Welfare</td>
<td>1,658</td>
<td>2,128</td>
<td>2,078</td>
<td>2,445</td>
<td>2,410</td>
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<tr>
<td>Streets</td>
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<td>4,349</td>
<td>3,972</td>
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<td>Courts</td>
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<td>2,501</td>
<td>2,529</td>
<td>2,562</td>
<td>2,506</td>
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<td>324</td>
<td>319</td>
<td>319</td>
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<td>Debt Service</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Pensions and Employee Benefits</td>
<td>22</td>
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<td>20</td>
<td>20</td>
<td>21</td>
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<td>Total</td>
<td>30,682†</td>
<td>33,000</td>
<td>32,541</td>
<td>34,756</td>
<td>34,246</td>
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</table>

*Full-time employees include permanent and interim employees for 1973 and 1974. For 1970, only permanent employees paid by the General Fund are included; for 1973 and 1974, permanent employees paid by the General Fund, Aviation Fund, Parking Facilities Fund, Rendell 32, and Custodial and Print Shop Fund are included, along with "interim" full-time filled positions under full funding grants.

†Figures not available for 1970 employment expenditures by Model Cities Fund, Neighborhood Development Fund, Olliffed Economic Opportunity Fund, and mortgage portion of Redevelopment Authority funds. These exclusions affect both Urban Development and total calculation.

### FIGURE III.2

#### SCHOOL DISTRICT OF PHILADELPHIA Pupils and Staff by Education Elements:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Early Childhood</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pupils</td>
<td>25,200</td>
<td>23,300</td>
<td>22,600</td>
<td>22,500</td>
<td>22,300</td>
<td>22,500</td>
<td>22,800</td>
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<td>Staff</td>
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<td>434</td>
<td>428</td>
<td>554</td>
<td>546</td>
<td>546</td>
<td>599</td>
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<tr>
<td>Pupils per Staff</td>
<td>48</td>
<td>54</td>
<td>53</td>
<td>41</td>
<td>41</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Pupils</td>
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<td>112,000</td>
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<td>5,002</td>
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<td>7,222</td>
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<td>21</td>
<td>20</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td></td>
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<tr>
<td>Junior High &amp; Middle</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupils</td>
<td>59,700</td>
<td>62,600</td>
<td>59,000</td>
<td>54,000</td>
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<td>Staff</td>
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<td>3,656</td>
<td>3,065</td>
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<tr>
<td>Pupils per Staff</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational &amp; Technical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Pupils</td>
<td>62,300</td>
<td>63,100</td>
<td>64,800</td>
<td>65,500</td>
<td>65,200</td>
<td>66,400</td>
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<tr>
<td>Staff</td>
<td>3,702</td>
<td>3,781</td>
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<td>16</td>
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<td>Special Education</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupils</td>
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<td>1,692</td>
<td>1,651</td>
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</tr>
<tr>
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<td>263,100</td>
<td>235,700</td>
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<tr>
<td>Staff</td>
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<td>15,075</td>
<td>15,726</td>
<td>16,069</td>
<td>18,302</td>
<td>18,937</td>
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<td></td>
</tr>
<tr>
<td>Pupils per staff</td>
<td>18</td>
<td>19</td>
<td>17</td>
<td>16</td>
<td>14</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Pupils enrolled in November of the fiscal year in regular high and School District teaching and non-teaching staff educated by education element.

**SOURCES:** Budget Office, School District of Philadelphia; Proposed Operating budget for each succeeding year.

### FIGURE III.3

#### SCHOOL DISTRICT OF PHILADELPHIA REAL EXPENDITURES PER PUPIL BY PROGRAM

**Source:** Budget Office, School District of Philadelphia

![Graph](image)
APPENDIX IV
HOW PHILADELPHIA TAXES COMPARE

The feasibility of raising tax rates in one city depends in part on the size of the tax burden in other cities. The Finance Department of the City of Washington has estimated the 1974 combined state and local tax burdens of hypothetical families in the nation's 30 largest cities. According to these estimates, a Philadelphia family of four with an annual income of $15,000 paid less tax than comparable families in seven other cities. Such a family paid approximately 10.4 percent of its income to the major state and local taxes—property, income, sales, and auto.  

While the Philadelphia 1974 tax burden was well above that in Denver, Houston, and Jacksonville, among others, it was only slightly above the 30-city average reflected by Pittsburgh. It was below the average for such other large cities as Boston, New York, and Los Angeles. Rate increases for 1977 raised this Philadelphia family's tax bill from $1,555 to $1,871, or from 10.4 to 12.5 percent of its income. If taxes elsewhere had remained unchanged, Philadelphia's 1977 tax bills still would be below those of Boston, Milwaukee, New York, and Buffalo.  

The composition of Philadelphia's revenues is not typical. According to the Washington study, Philadelphians pay relatively low property taxes—much less than the 30-city average and about as little as the residents of Denver and Houston; even at this, the Washington study may have overestimated the property tax bite on Philadelphians. Further, sales and auto taxes are lower in Pennsylvania than in any of the other states represented. And, finally, the combined state and City income taxes paid by Philadelphia residents are the highest of all the cities sampled. They were more than twice the 30-city average even at the 1974 tax rates. For Philadelphians, then, lower property taxes appear to have been offset by higher income taxes [Figure IV.1].

---

2 Tax Burdens in Washington, Table A, p. 24. For the $15,000 income example, Philadelphia ranked eighth behind Boston, Milwaukee, New York, Buffalo, Los Angeles, Chicago, and Detroit. The $51,000 case was selected from among several examples as being closest to the estimate of Philadelphia's median family income in 1974. Philadelphia's ranking drops to ninth for the $20,000 case and to eleventh for the $30,000 and $40,000 examples. It rises to sixth and seventh for the $50,000 and $60,000 cases, respectively. This suggests that the state and local property tax system in Philadelphia is slightly more regressive than in other places with closely comparable tax burdens. A regressive tax system is one in which taxes take a larger fraction from lower incomes than from higher ones. Among all 30 cities, however, Philadelphia ranked as having the thirteenth most progressive tax system. See Tax Burdens in Washington, Table E, p. 33.
3 Federal taxes are assumed to be levied equally throughout the country and consequently do not affect the analysis of tax differences. The division of state and local responsibilities for the financing of certain services, however, may vary across states.
4 Including increases in property taxes of $150, in income taxes of $160, and in auto taxes of $16.
5 The Washington study estimated property taxes at $511 for a Philadelphia family with an annual income of $15,000 and a house valued at $16,240. But this estimate may not reflect the relatively low values of houses in Philadelphia, where a family with a $15,000 annual income may own a $17,000 house or a $16,000 house and thus have a lower property tax bill. Further, the Washington study based its calculation on an assumption made by Pennsylvania's State Tax Equalization Board that assessment ratios would be set at 62.5 percent, but the ratio in Philadelphia stands at only 41.6 percent. This lower ratio also reduces the tax bill estimate. Nevertheless, the Washington study's figure for Philadelphia has not been adjusted here, since the conditions that make for an overestimate of Philadelphia's tax bills may operate just as severely elsewhere in Pennsylvania and across the nation.
FIGURE IV.1
MAIN STATE AND LOCAL TAXES FOR A FAMILY OF FOUR EARNING $15,000 IN 1974: EIGHT CITIES AND A 30-CITY AVERAGE
THE FUTURE OF
AMERICAN

THOMAS BRADLEY
ANTHONY DOWNS
MARTIN MEYERSON
ANITA SUMMERS
DONALD RAIFF
LENNOX MOAK
CARLA HILLS

Last October, as part of the Philadelphia Fed's Bicentennial celebration, these seven authorities on urban economics and finance gathered here to discuss the future of American cities. The proceedings of that conference now are available.


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