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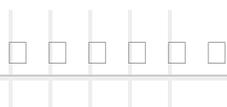
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Coronavirus could leave Philly's budget in the red next year, state board warns

by [Laura McCrystal](#), Updated: July 21, 2020- 5:43 PM



TOM GRALISH / FILE PHOTOGRAPH



The state board that oversees Philadelphia's finances approved the city's five-year plan Tuesday despite concerns that overly optimistic revenue projections amid [the coronavirus pandemic](#) could leave the city with a deficit.

The five board members of the [Pennsylvania Intergovernmental Cooperation Authority](#) (PICA) voted unanimously to approve the spending plan for fiscal years 2021 through 2025 but required the city to provide monthly reports on expenses and revenues.

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Harvey Rice, PICA's executive director, said the agency's economist predicted that Philadelphia will collect about \$90 million less than its budget projects in business income and receipts taxes in the fiscal year that began this month.

"You're going to be in a deficit of approximately \$50 million" if PICA's projection is correct, he said, adding that its projection for revenue from the same tax is \$111 million lower in the following fiscal year than the city's estimate.

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"Our economist doesn't think [economic recovery] will take effect until there's a vaccine," Rice said. "He doesn't think a vaccine will be coming until this time next year."

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City finance officials said they worked with their own economist to project tax revenues, and have acknowledged the budget may need adjustments as the fiscal year progresses.

Finance Director Rob Dubow said the city will meet its revised projection for the business income and receipts tax for the fiscal year that ended in June. But he committed to delivering monthly reports to PICA.

"More than usual, there are unknowns about what's going to happen with the economy," Dubow told the board.

[City Council approved a \\$4.8 billion spending plan](#) for this fiscal year in June. It filled an anticipated \$649 million spending hole due to the impact of the coronavirus by laying off employees, raising taxes, and cutting city services. The budget also eliminated Mayor Jim Kenney's proposed spending increase for the Police Department and shifted some additional police spending to other city departments.

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State law requires PICA, formed in the 1990s as an oversight board when the city was nearly bankrupt, to sign off annually on spending plans for the next five years.

Board members also voiced concern about city overtime spending — something PICA has often criticized. A PICA analysis found that the city's estimated overtime spending for the fiscal year that ended in June was almost \$214 million, 23% higher than the previous year, and more than the city had budgeted.

Board members suggested the city improve overtime budgeting and force departments to remain within those limits.

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But Dubow said many overtime costs cannot be anticipated, such as police coverage for protests or fire and emergency services.

Rice said PICA has requested plans from the city to reduce future overtime expenses.

Some of the overtime incurred during the last fiscal year is eligible for federal reimbursement, city officials said, if it was related to the city's coronavirus response. Budget Director Marisa Waxman said overtime spending for public safety and public health from March through June was \$12.8 million, and officials are still determining how much of it is directly related to COVID-19.

» **READ MORE:** [Philly police spent nearly \\$18 million in overtime during protests, according to preliminary data](#)



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[Laura McCrystal](#) | [@LMcCrystal](#) | lmccrystal@inquirer.com

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