

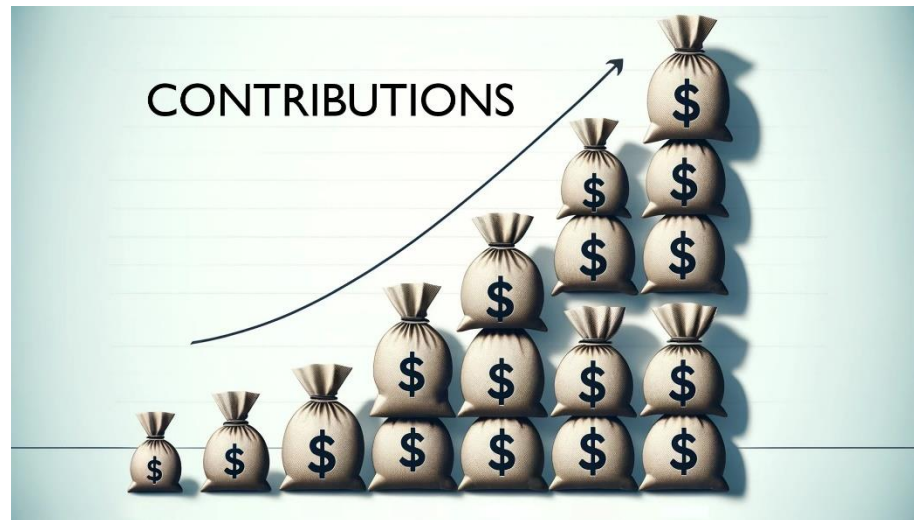
PICA Fact Sheet: Contributions Over a Decade

Key Takeaway

Contributions, a subset of Class 500 spending, grew from 4.3% of the General Fund budget in FY14 to an estimated 6.5% in FY23. Contributions include payments to the School District of Philadelphia and Community College of Philadelphia, which were 140% higher in FY23 than in FY14. Contributions to other nonprofits nearly doubled over this period, rising from \$25.6M to \$47.6M.

Why study contributions?

The Proposed FY25 General Fund budget, introduced on March 14, 2024, proposes \$414M in Class 500 (C500), with at least \$339M allocated to contributions, which are funds that the City gives to nonprofit organizations or other government entities. This includes the City's proposed \$284M contribution to the School District of Philadelphia (SDP) and \$51M to the Community College of Philadelphia (CCP), in addition to smaller contributions to nonprofit organizations, often directed by City Council. The Mayor's proposal comes after recent additional contribution commitments: the FY24 Fall Transfer Ordinance added \$18M in contributions and the Spring Transfer Ordinance allocated another \$10M for CCP. Given that growth for these expenditures has outpaced growth in revenues and spending from FY14-24, PICA analyzed C500 data over the last ten years.

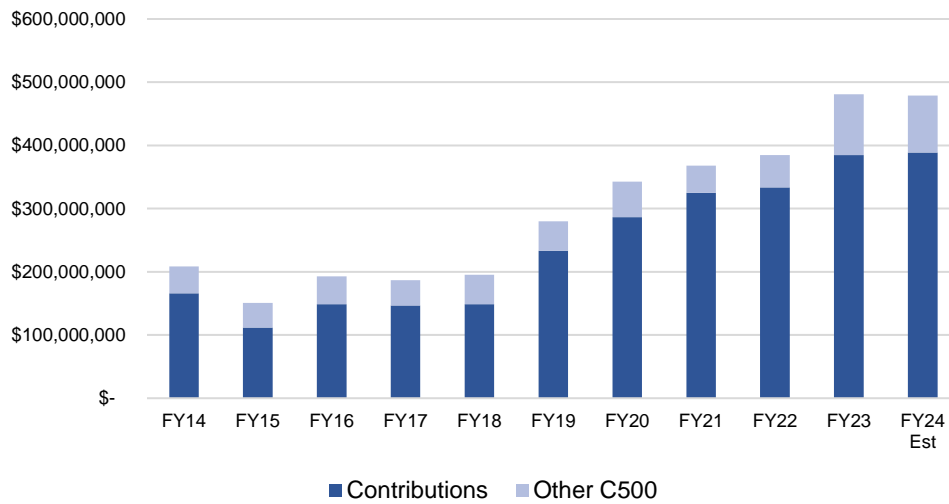


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Trends in Class 500 and Total Contributions

Class 500 is the spending category of the City's budget where contributions, indemnities (court-mandated payments and legal settlements), taxes, and refunds are appropriated. Since FY14, this part of the budget more than doubled, reaching \$481M in FY23. Even as the total budget has grown over time, actual C500 expenses have come to represent a greater portion, going from 5.4% of the total FY14 budget to over 8% in FY23. Higher contributions, a subset of Class 500, account for much of this increase, growing from 4.3% (\$166M) of the budget in FY14 to 6.5% (\$385M) in FY23.

C500 increases since FY14 are largely due to more contributions.



Trends in Contributions to SDP and CCP

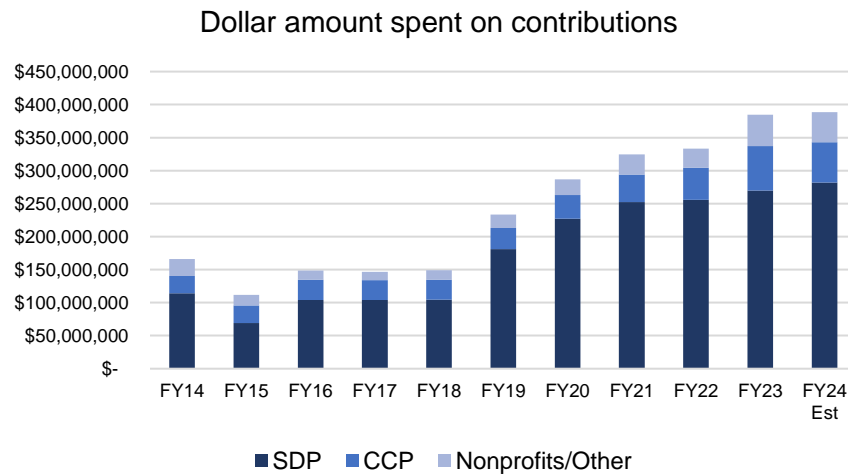
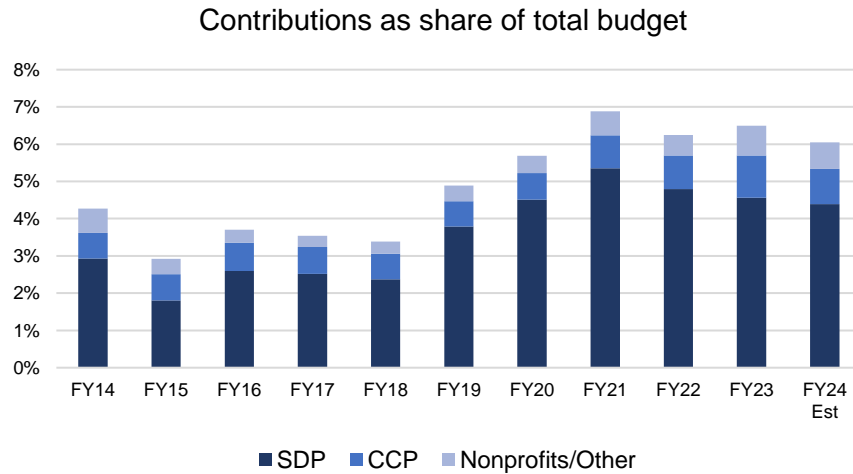
A decade ago, in FY14, the City expended \$114M and \$26M, respectively, on contributions to SDP and CCP; together this was 3.6% of the total budget. In FY23, contributions to SDP and CCP totaled \$337M, or 5.7% of the budget, with \$270M going to SDP and \$67M to CCP. In FY24, the City projects spending \$343M in contributions to SDP and CCP.

These increases are primarily the result of changes in SDP funding starting in FY19; that year, the City increased its contribution by over \$75M. The following fiscal years included significant funds on top of this, adding \$46M in FY20 and over \$25M in FY21. From FY14-18, the percentage of the City’s budget that went to SDP ranged from 1.8% to 2.9%; in FY19, it jumped to 3.8% and has since risen to 4.6% of the budget in FY23. Over the same period (FY14-FY23), the portion of the budget that went to CCP grew by 0.4%.

The Proposed FY25-29 Five-Year Plan adds \$2M to the City’s contribution to SDP in FY25, bringing the total up to \$284M, where it is projected to remain through FY29. With the introduction of [Bill No. 240180](#), the School District’s share of the Real Estate Tax is proposed to increase from 55% to 56% in FY25, adding funds separate from contributions. This reflects a shift in how the City is investing in SDP going forward. Because SDP is expected to benefit from growth in Real Estate Tax revenue over time, the City plans to maintain SDP contribution funding at its FY25 level through FY29.



Larger contributions to SDP account for majority of higher contribution spending



Trends in Contributions to Nonprofits/Other

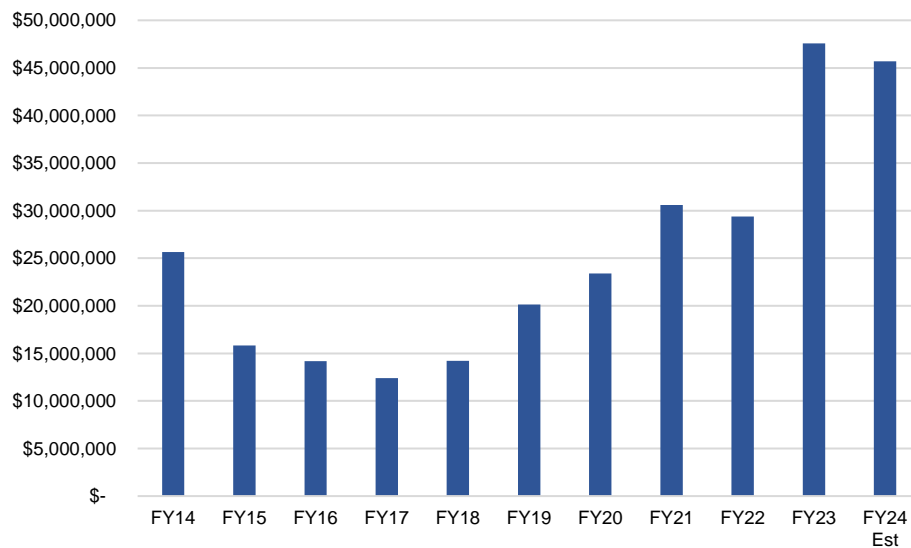
The City grants contributions to a number of nonprofit organizations in Philadelphia, ranging from large institutions like the Philadelphia Museum of Art to small local food banks, community theaters, and after-school programs. These contributions are either disbursed by the Office of the Director of Finance at the direction of City Council or the Mayor, or by specific departments like the Office of Arts, Culture, and the Creative Economy. The budget for non-SDP or CCP contributions has nearly doubled since FY14, going from \$25.6M to over \$47.6M in FY23. However, FY14 stands out as an unusually high year for contributions to organizations; funding levels as high as the one that occurred in FY14 weren't seen again until FY21. From FY15 to FY20, an average of \$16.7M was spent on these contributions, and spending in this category ranged from 0.3% to 0.5% of the total budget. For comparison, contributions to outside organizations represented 0.8% of the budget in FY23.

Though contributions to nonprofits are small compared to SDP and CCP contributions, they have grown 86% between FY12 and FY23, with little information on how exactly the funds are used. Funds approved

for Class 500 contributions to specific non-profits are typically either the result of negotiations between City Council and the Administration, or at the direction of the Mayor. Usually, nonprofits are not required to go through an application process or report back on the management of contributions received at the direction of Council and/or the Mayor, providing a W-9 form to enable payments to be made and an invoice that is not required to explain the use of funds. This process is distinct from the allocation of funds for non-profits from Class 200 – those are typically awarded through a competitive process and require a legal agreement outlining the services to be provided in exchange for the City dollars.

The Proposed FY25 Budget projects a \$65M decrease in C500 spending compared to FY24 full-year spending estimates, largely due to lower indemnities costs. The City’s contribution to SDP is projected to increase by \$2M and the CCP contribution is proposed at \$51M. The proposed budget allocates \$40M less for contributions to organizations, however, that may change before final adoption of the budget.

The amount spent on contributions to nonprofits has nearly doubled since FY14.



Questions to Explore

With the contribution increases that have occurred over the last decade, and a Proposed FY25-29 5YP that estimates over \$2B in C500 spending over the next five years, PICA poses the following questions for future exploration around the contribution award process:

- What is the process for determining the level of contribution funding each year?
- How does the City decide which organizations receive contributions and what amount? And how transparent is that process for non-profit organizations, City taxpayers, and other stakeholders.
- How is the impact of a contribution measured?
- How can the City cultivate and maintain equity and transparency in the allocation of contributions to non-profits?

About this Fact Sheet

The data in this fact sheet was compiled using FY14-FY22 actuals in the City of Philadelphia’s Operating Budget Detail for FY16-24, and using the available proposed FY25 departmental budget details for FY23 actuals and FY24 estimates. Graphics used in this report were generated by Suzanne Staherski using ChatGPT’s DALL-E feature, and all AI-generated content was checked by Marisa Waxman.