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Philadelphia’s Post-ARPA Fiscal Reality.

Overview

The start of the COVID-19 pandemic in 2020 forced officials in cities throughout the country to deal with unexpected budget shortfalls quickly. To close a projected one-year gap of $649 million, Philadelphia was forced to take several steps—including drawing down its operating fund balance, postponing planned tax-rate reductions, temporarily increasing some taxes, and reducing spending.1 But that didn’t address the long-term fiscal issues.

Then, along came the American Rescue Plan Act (ARPA), which Congress adopted in 2021; ARPA provided Philadelphia with $1.4 billion to use through December 2024.2 Local officials decided to use all the money to help address what they said would have been a $1.5 billion cumulative budget shortfall without it.3

This brief—based on research and analysis that PFM Group Consulting, a Philadelphia-based public finance advisory firm, conducted for The Pew Charitable Trusts—focuses on the city’s financial prospects after the federal ARPA money is spent. It examines how economic downturns could affect city revenue and what budgetary strategies local officials could consider, whatever the city’s fiscal condition.

Continue reading.

The Pew Charitable Trusts

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