

**DEPARTMENT OF REVENUE
FISCAL YEAR 2023 BUDGET TESTIMONY
APRIL 6, 2022**

INTRODUCTION

Good Afternoon, President Clarke and Members of City Council. I am Frank Breslin, Revenue Commissioner. Joining me today are Kathleen McColgan, First Deputy Revenue Commissioner – Taxes and Fees, Susan Crosby, Deputy Revenue Commissioner – Water and members of my executive team. I am pleased to provide testimony on the Department of Revenue’s Fiscal Year 2023 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Revenue collects tax and non-tax revenue due to the City and tax revenue due to the School District of Philadelphia promptly and efficiently by increasing on-time payments and decreasing delinquency, while providing excellent service to customers that is fair and efficient.

Plans for Fiscal Year 2023: The Department of Revenue is committed to making it easier for customers to do business with the Department through electronic solutions, virtual services, and compassionate enforcement in FY 2023 as services and functions that were halted or reduced due to the COVID-19 pandemic resume. Additionally, the Department is committed to meeting the financial needs of its customers with a DEI focus using auto/cross enrollment assistance program strategies and tools.

Technology Modernization and Electronic Solutions:

- Implement phase two of the City’s new tax system. This phase includes Real Estate, Use and Occupancy, and all other taxes not included in phase one. This rollout is accompanied by additional functionality for the public-facing Philadelphia Tax Center and comes after a successful launch of phase one in FY22. The system will improve the customer experience and data analytics.
- The tax system will leverage data analytic capabilities for more efficient delinquent collections.
- The Philadelphia Tax Center will also include online Real Estate Tax assistance program applications in both English and Spanish.
- Realize additional processing savings as more water/sewer and tax customers enroll in e-bill and e-pay options by using outreach campaigns to residential and commercial customers.
- Expand Call Center functionality to include an online chat feature to communicate with customers.

Compassionate and Streamlined Enforcement:

- Continue voluntary compliance initiatives using early intervention outreach and flexible payment plan options as restrictions on enforcement due to the pandemic are lifted.
- Expand and develop new methods to alert taxpayers early on about their debt and provide clear steps to resolve the debt quickly.
- Continue Offer in Compromise efforts with taxpayers who owe delinquent business taxes on a case-by-case basis which allows settlement of delinquent business taxes for less than the total amount owed.

Racial Equity Strategy – External and Internal Focus:

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- To support the financial well-being of vulnerable Philadelphians, Revenue will continue and expand cross-enrollment strategies to ensure that all communities of color are enrolled in water affordability programs like TAP and the Senior Citizen Discount, and all tax assistance programs like the Owner-Occupied Payment Agreement, Homestead Exemption, and the Senior Citizen Tax Freeze.
- Continue to partner with BIPOC community organizations to expand outreach and communication strategies ensuring that BIPOC customers know about all review services and assistance programs.
- Focus inwardly and implement strategies to provide a platform for employees to address their experiences around race and provide resources to address their needs. The expectation is this strategy will produce positive outcomes for the employees and the customers served.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Please refer to attached FY23 Budget Hearing Summary Charts in section 1: Staff Demographics Summary, section 2; Employment Levels, section 3: Financial Summary by Class, section 6: Participation Rate and Goal.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2023 General Fund budget totals \$26,852,520, an increase of \$237,638 over Fiscal Year 2022 estimated obligation levels. This increase is primarily due to raises negotiated with District Council 33 and, District Council 47, and raises provided to Non-Represented personnel.

The proposed Fiscal Year 2023 Water Fund budget totals \$17,510,943, an increase of \$68,784 over Fiscal Year 2022 estimated obligation levels. This increase is primarily due to the raises negotiated with District Council 33, District Council 47, and raises provided to Non-Represented personnel.

The proposed Fiscal Year 2023 Grants Fund budget totals \$19,650,000, no change from Fiscal Year 2022 estimated obligation levels.

The proposed budget includes:

- \$21,756,185 in General Fund Class 100, a \$237,638 increase from FY22. This funding will support payroll costs for 399 budgeted positions. \$10,911,443 in Water Fund Class 100, a \$68,784 increase from FY22. This funding will support payroll costs for 221 budgeted positions.
- \$4,321,359 in General Fund Class 200, no change from FY22. This funding is for the purchase of Professional Services in support of delinquent collections. \$5,165,000 in Water Fund Class 200. No change compared to FY22. This funding is for the purchase of Professional Services in support of water collections. \$19,650,00 in Grants Fund Class 200. No change compared to FY22. This is funding for the Professional Services contracts for delinquent tax and water collections contracts.
- \$774,976 in General Fund and \$1,434,500 in Water Fund Class 300/400. No change compared to FY22. This funding will allow for the procurement of supplies, services furniture and equipment needed to support Department programs and initiatives.

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STAFFING LEVELS

The department is requesting 620 budgeted positions for FY23, no change from FY22.

NEW HIRES

Please refer to attached FY23 Budget Hearing Summary Charts in section 8: New Hires Information.

PERFORMANCE, CHALLENGES, AND INITIATIVES

Policy, Analysis, Executive Direction, and Administration

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent of budgeted positions filled	87.80%	92.00%	90.00%

Program FY23 Strategic Goals

- Continue efforts to modernize the Department’s technology and processes with a successful launch of phase 2 of PRISM, which includes some of the property-based taxes: Real Estate and Use and Occupancy. The PRISM project is a multi-year project that will eventually affect every resident and business in the city. This effort will further improve the customer experience and self-service options while increasing efficiency. This project will be completed in FY23.
- The Data and Research unit will support the PRISM project and system implementation while maintaining full reporting and data analysis throughout the transition period. The reporting and analysis will continue to be utilized to monitor the impacts of the pandemic on the City’s tax collections. Revenue will leverage PRISM and data analytics software to increase analytical capabilities, improve work processes, and generate additional revenues through more efficient collection and enforcement initiatives.
- Due to COVID-19 safety protocols and the digital divide in Philadelphia, Revenue will continue to utilize alternative methods to outreach that go beyond social media and digital messaging.

Delinquent Tax Collections

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent change in delinquent principal outstanding - Real Estate Tax	8.00%	0.00%	0.00%
Percent delinquent real estate tax accounts in payment agreements	24.70%	25.00%	25.00%

Program FY23 Strategic Goals

- Reduce delinquent active principal for Real Estate and Business Taxes.
- Continue to encourage voluntary compliance through early intervention outreach, flexible payment plans, and taxpayer self-service via the Department’s new tax system.

Tax Billing, Accounting, and Customer Service

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent of real estate tax collected within calendar year	95.80%	96.00%	96.00%
Total dollar amount collected (General Fund)	\$4.28B	\$3.94B	\$3.94B
Total dollar amount collected (School District)	\$1.19B	\$1.17B	\$1.17B

FY23 Program Strategic Goals

- Develop and streamline processes to align with new PRISM functionality to improve internal efficiencies and the customer experience.
- Support all customers, practitioners, and staff throughout the second phase of PRISM.
- Increase e-billing adoption for all taxes and fees.
- Expand Call Center functionality to include an online “chat” communication with customers.

Taxpayer Assistance and Credit Programs

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent of eligible homeowners receiving relief	79.10%	80.00%	80.00%

FY23 Program Strategic Goals

- Continue timely processing of 10,000 applications received annually.
- Expand auto-enrollment efforts by collaborating with other departments.
- Collaborate with internal and external stakeholders to increase awareness and access to Revenue assistance programs.

Water Assistance Programs

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent of applications reviewed within 30 days	100.00%	100.00%	100.00%

Program FY23 Strategic Goals

- In cooperation with the Commonwealth, provide direct relief to low-income customers through the new federal Low Income Household Water Assistance Program (LIHWAP).
- Increase TAP enrollment for eligible customers through focused outreach, specifically within BIPOC communities.
- Continue to streamline the application process to make it more convenient for customers to access assistance.

Water Billing, Accounting, and Customer Service

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent of water bills paid in 90 days	84.60%	84.00%	84.00%
Dollar amount of water bills collected	\$684,694,664	\$683,767,340	\$683,767,340

Program FY23 Strategic Goals

- Revenue will support water customers as they continue to experience pandemic challenges through ongoing assistance program outreach and expansion of e-pay services, to maintain the percentage of water bills paid on-time.
- Continue reduction of internal billing costs by increasing e-pay and e-bill adoption.
- Assess the lifespan of the current water billing system (Basis2), define replacement requirements, and prepare a Scope of Work for a future Request for Proposals to update the billing system.

Water Collections

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent change in delinquent principal outstanding (excludes current charges not yet overdue/delinquent and city bills)	2.00%	0.00%	0.00%
Percent of Delinquent Water Accounts in Payment Agreements or TAP	10.00%	11.00%	11.00%

Program FY23 Strategic Goals

- Maintain current levels of delinquent principal outstanding considering current enforcement constraints due to the pandemic.
- Continue to bring delinquent landlords into compliance using Consolidated Actions and Sequestration.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The Department continues to publish guidance for the Philadelphia tax treatment of COVID-19 related grants and loans from federal, state, and local governments as it is necessary.

Additionally, we continue to monitor policies at both the federal and state levels. Beyond potential changes to corporate income taxes and other tax provisions proposed by both Governor Wolf and other state legislators, other proposed legislation could affect the City's revenues:

- HB 949 - amends the Sterling Act to require that Non-Resident Wage Taxes be remitted back to the home jurisdiction of the commuter working in Philadelphia, continues to loom in committee, and could have a negative impact estimated at \$180 million annually if passed and surrounding jurisdictions all implemented a 1% Earned Income Tax.
- HB 2366 – allows local jurisdictions to enact specific taxes to fund maintenance, operations, debt service or specific transit projects or transportation projects such as road and bridge construction, maintenance, and repair related costs. If the legislation were enacted, Philadelphia could raise an unknown amount of additional revenue to supplement Streets Department capital projects and maintenance costs.
- HB 324 - Amends the First-Class City Business Tax Reform Act to allow businesses in Philadelphia to carry-forward Net Operating Losses for 20 years. The estimated budget impact is nominal.
- HB 581 - Allows taxpayers who are income-eligible for PACENET to qualify for a refund or forgiveness of property tax liabilities due to rate or assessment value increases. Also authorizes the City to provide tax exemptions in different schedules for new construction and improvements. The budget impact is unknown at this time as the value of the benefit is tied to assessment increases.

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CONTRACTING EXPERIENCE

Please refer to attached FY23 Budget Hearing Summary Charts in section 4: Contracts Summary.

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EMPLOYEE DATA

Please refer to attached FY23 Budget Hearing Summary Charts in section 7: Staff Demographics.

LANGUAGE ACCESS

1. Provide the name of your language access coordinator, the date of your last department training, and a link to the posting of your language access plan.

Although this position is currently vacant, language access procedures are part of the Department’s Communications Manager’s duties. Currently, these duties are supported by Rebecca Lopez Kriss, Deputy for Policy and Outreach until the position is filled.

The Department is working with the Office of Immigrant Affairs to update its language access plan. Once reviewed, and approved, this will be posted here: <https://www.phila.gov/documents/language-access-plans/>

2. Breakdown new hires and existing staff by race and language. Breakdown how many front-line personnel are trained to provide language access services.

No new hires in the first two quarters of the fiscal year speak a foreign language.

The following table shows language information for existing employees. Note: some employees speak more than one language, meaning that a single employee may show up more than once in this table.

Existing staff language statistics (from 7/1/2021 to December 2021)						
	Black or African American	Asian	Hispanic or Latino	White	Other	Total
Spanish		1	18	1		20
French	2		1	2	1	6
ASL	1					1
Arabic	1				1	2
Malayalam		10				10
Hindi		7				7
Tamil		1				1
Korean		3				3
Chinese		1				1
Mandarin		1				1
Marathi		1				1
Vietnamese		1				1
Tagalog		2				2
Italian				2		2
German				1		1
Portuguese				1		1
Nederlands				1		1
Yiddish				1		1
Russian				1		1
Baoule					1	1
Total Number of Employees	4	20	18	10	3	55

3. How many requests for language access services did your department receive in the past year? How many language access services were delivered by staff? Breakdown language access services provided, by language, including but not limited to the language line, translation of public notices and documents, website language services, and advertisement/publication services.

Language Access Data for FY21 (July 1, 2020 - June 30, 2021)					
Department/Agency	Revenue				
Language	Type of Services Provided to LEP Customers (# of Interactions)				Total # of LEP Interactions
	In-Person and/or Remote Interpretation (Non-Staff)	Telephonic Interpretation (OPI)	Bilingual Staff Interactions	Other (please specify):	
Albanian (including Gheg)		1			1
Amharic					0
Arabic					0
Bengali (including Sylheti)					0
Cambodian (including Khmer)					0
Chinese (Cantonese)		12			12
Chinese (Mandarin)		129			129
French					0
Haitian Creole					0
Indonesian (Bahasa Indonesia)					0
Portuguese		4			4
Russian		14			14
Spanish		1172			1172
Swahili					0
Ukrainian		1			1

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Vietnamese	5	5
Other, Burmese		0
Other, Ethiopian (Harari, Oromo, Oromifa, Tigrinya, Tigrigna)	2	2
Other, Italian	1	1
Other, Japanese		0
Other, Korean	4	4
Other, Laotian		0
Other, Malayalam		0
Other, Nepali	1	1
Other, Polish		0
Other, Serbian		0
Other, Taiwanese		0
Other, Uzbek	1	1
Total	0	1347

4. Explain what your department has done to improve language access services over the past year.

In the past year Revenue launched a new public website, the Philadelphia Tax Center, which is mobile-enabled and completely translated into Spanish. This site vastly improves customer service options for taxpayers and includes functionality to enable taxpayers to apply for payment agreements and file and pay business taxes.

In addition, the Department published 22 multi-lingual videos and 24 multi-lingual blogposts in the past year, including step-by-step instructions to apply for a low-income Wage Tax refund in Spanish.

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

At this time, climate change has not affected Revenue's provision of services.

2. How might worsening climate change increase costs and demands for your department?

Like all departments, climate change increases the likelihood of disruptive severe weather events and poor air quality (and higher incidents of asthma related illness), which would affect productivity of department staff.

3. How does your department intend to mitigate and adapt to climate change?

We will comply with City's policies and efforts to mitigate and adapt to climate change.

1. Staff Demographics Summary

Staff Demographics Summary (as of December 2021)				
	Total	Minority	White	Female
Number of Full-Time Staff	511	414	97	366
Number of Exempt Staff	34	18	16	16
Number of Executive Staff (deputy level and above)	7	3	4	4
Average Salary, Full-Time Staff	\$55,859	\$55,223	\$64,804	\$53,923
Average Salary, Exempt Staff	\$95,033	\$87,024	\$101,865	\$89,293
Average Salary, Executive Staff	\$136,378	\$131,124	\$140,318	\$133,856
Median Salary, Full-Time Staff	\$46,024	\$46,221	\$56,809	\$47,287
Median Salary, Exempt Staff	\$85,257	\$78,412	\$99,465	\$75,201
Median Salary, Executive Staff	\$131,124	\$131,124	\$136,587	\$131,124

2. Employment Levels

Employment Levels (as of December 2021)		
	Budgeted	Filled
Number of Full-Time Positions	620	511
Number of Part-Time Positions	0	2
Number of Exempt Positions	36	34
Number of Executive Positions (deputy level and above)	7	7
Average Salary of All Full-Time Positions	\$55,772	\$55,859
Median Salary of All Full-Time Positions	\$47,387	\$46,024

3. Financial Summary by Class

Some departments may also want to provide financial summary tables for other funds, such as the Grants Fund. Departments should delete any budget lines that have \$0 in every year (i.e. if a department has no Class 500 appropriations, actuals, or proposed appropriations, the Class 500 row should be deleted).

General Fund Financial Summary by Class						
	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 100 - Employee Compensation	\$22,648,673	\$22,277,095	\$20,380,549	\$21,518,547	\$21,756,185	\$237,638
Class 200 - Purchase of Services	\$5,787,749	\$4,900,593	\$5,787,749	\$4,321,359	\$4,106,407	(\$214,952)
Class 300/400 - Materials, Supplies & Equipment	\$774,976	\$746,196	\$774,976	\$774,976	\$774,976	\$0
Class 500 - Contributions		\$301				\$0
	\$29,211,398	\$27,924,185	\$26,943,274	\$26,614,882	\$26,637,568	\$22,686

4. Contracts Summary

This table focuses on large professional services contracts with for-profit vendors.

"Large" is defined as meaning that an RFP was required.

Departments should focus on contracts that have been conformed to date.

Any departments that have large contracts with non-profit providers are encouraged to provide board makeup information in the optional "Non-Profit Vendor Demographics" table below.

M/W/DSBE Participation on Large Professional Services Contracts

Top Five Largest Contracts, FY22

Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % Participation - All DSBEs	Total \$ Value Participation - All DSBEs	Local Business (principal place of business located within City limits) [yes / no]	Waiver for Living Wage Compliance ? [yes / no]
Example	Example	\$100	12/1/2020	1/1/2020	MBE: 20% WBE: 20% DSBE: 60%	20%	\$20	100%	\$100		
Goehring, Rutter & Boehm	Real Estate Tax Collection	\$4,500,000	6/30/2020	10/1/2021	MBE: 16 - 19% WBE: 12 - 15% DSBE: 0%	16%	\$720,000	28%	\$1,260,000	No	No
Linebarger Goggan Blair & Sampson, LLP	Real Estate Tax Collection	\$4,500,000	6/30/2020	10/1/2021	MBE: 16 - 19% WBE: 12 - 15% DSBE: 0%	100%	\$4,499,550	100%	\$4,504,050	Yes	No
Pioneer Credit Recovery, Inc	Discovery and Delinquent Collections	\$2,750,000	4/9/2021	7/1/2021	MBE: 13 - 16% WBE: 12 - 15% DSBE: 0%	13%	\$357,500	25%	\$687,500	No	No
Revenue Collection Bureau, Inc	Discovery and Delinquent Collections	\$2,400,000	4/9/2021	7/1/2021	MBE: 13 - 16% WBE: 12 - 15% DSBE: 0%	88%	\$2,112,000	100%	\$2,400,000	Yes	No
Goehring, Rutter & Boehm	Discovery and Delinquent Collections	\$1,200,000	4/9/2021	7/1/2021	MBE: 13 - 16% WBE: 12 - 15% DSBE: 0%	13%	\$156,000	25%	\$300,000	No	No

Non-Profit Vendor Demographics

Community College of Philadelphia	Minority %	Female %
Workforce	46.47%	55.42%
Executive	55.00%	64.00%
Board	62.00%	38.00%
LaSalle University	Minority %	Female %
Workforce	26.00%	58.00%
Executive	17.00%	54.00%
Board	12.00%	24.00%

6. Participation Rate and Goal

The Contracts Summary table is for **professional services contracts only**.
 The Contract Participation Goal table is for **all contracts (Public Works, SS&E, and Professional Services, combined)**.

Contracts Summary (Professional Services only)

	FY19	FY20	FY21	FY22	FY23	FY22 YTD (Q1 & Q2)
Total amount of contracts	\$23,855,000	\$24,680,205	\$7,006,000	\$18,185,000	\$19,000,000	\$12,725,000
Total amount to M/W/DSBE	\$11,671,165	\$13,698,465	\$3,009,000	\$9,710,500	\$8,740,000	\$8,464,500
Participation Rate	49%	56%	43%	53%	46%	67%

*Current Participation Rate as of 3/16/22 - 54%

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)

	FY21	FY22	FY23
M/W/DSBE Contract Participation Goal	46%	46%	46%

7. Staff Demographics

Totals in this table should tie out to numbers in tables 1 and 2 above.
 Biracial employees should be included under "Other."
 The number of employees who identify as non-binary (i.e. employees who do not identify as either female or male) should be included in the text box below the table, along with salary detail.

Staff Demographics (as of December 2021)

	Full-Time Staff		Executive Staff	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	70	255	0	1
<i>% of Total</i>	14%	50%	0%	14%
<i>Average Salary</i>	\$45,928	\$51,935	\$0	\$131,124
<i>Median Salary</i>	\$46,221	\$46,221	\$0	\$131,124
	White		White	
<i>Total</i>	38	59	2	2
<i>% of Total</i>	7%	12%	29%	29%
<i>Average Salary</i>	\$71,763	\$60,322	\$144,051	\$136,587
<i>Median Salary</i>	\$61,746	\$48,681	\$144,051	\$136,587
	Hispanic		Hispanic	
<i>Total</i>	9	16	1	1
<i>% of Total</i>	2%	3%	14%	14%
<i>Average Salary</i>	\$66,005	\$57,725	\$131,124	\$131,124
<i>Median Salary</i>	\$57,798	\$45,394	\$131,124	\$131,124
	Asian		Asian	
<i>Total</i>	21	16	0	0
<i>% of Total</i>	4%	3%	0%	0%
<i>Average Salary</i>	\$62,583	\$62,211	\$0	\$0
<i>Median Salary</i>	\$42,870	\$58,466	\$0	\$0
	Other		Other	
<i>Total</i>	7	20	0	0
<i>% of Total</i>	1%	4%	0%	0%
<i>Average Salary</i>	\$47,400	\$51,318	\$0	\$0
<i>Median Salary</i>	\$44,141	\$46,021	\$0	\$0
	Bilingual		Bilingual	
<i>Total</i>	8	13	1	0
<i>% of Total</i>	2%	3%	14%	0%
<i>Average Salary</i>	\$67,712	\$46,943	\$131,124	\$0
<i>Median Salary</i>	\$60,032	\$42,870	\$131,124	\$0
	Male	Female	Male	Female
<i>Total</i>	145	366	3	4
<i>% of Total</i>	28%	72%	43%	57%
<i>Average Salary</i>	\$56,632	\$50,725	\$115,488	\$130,591
<i>Median Salary</i>	\$47,387	\$47,287	\$117,266	\$127,926

Detail for non-binary employees, if applicable:

8. New Hire Information

Date range is 7/1/21 to December 2021 increment run. Detail for any hires since then can be added in the text box below the table.

New Hires (from 7/1/2021 to December 2021)

	Total Number of New Hires	[language 1]	[language 2]	[language 3]	[language 4]	[language 5]
Black or African American	10					
Asian	4					
Hispanic or Latino	0					
White	3					
Other	0					
Total	17	0	0	0	0	0

Detail for new hires since December 2021, if applicable:

	Total Number of New Hires	Spanish	Indonesian	Vietnamese	[language 4]	[language 5]
Black or African American	16					
Asian						
Hispanic or Latino	1	1				
White						
Other	5		1	1		
Total	22	1	1	1	0	0