

**DEPARTMENT OF REVENUE
FISCAL YEAR 2017 BUDGET TESTIMONY
MAY 11, 2016**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Commissioner Frank Breslin. Joining me today are Marisa Waxman, First Deputy Revenue Commissioner and Michelle Bethel, Deputy Revenue Commissioner. I am pleased to provide testimony on the Department of Revenue's Fiscal Year 2017 Operating Budget.

DEPARTMENT MISSION/PLANS

Mission: The Department of Revenue collects a variety of 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.

Plans for Fiscal Year 2017: The Department of Revenue will expand, develop and implement the following plans in support of the Mayor's goals around education and efficiency over the next fiscal year. The Department will increase on-time payments, delinquent collections, and enrollment in tax and water discount and payment plan programs. The Department will achieve this through:

Improved Customer Service:

- Additional customer service staff and expanded customer service training to improve the speed and quality of interactions.
- Expanding our newly launched queuing system for in-person customer service which allows customers to receive text updates about wait times and appointments.
- Launch a new website for enhanced communication in partnership with OIT.

Technological Enhancements:

- Finalize the new cashiering system for more efficient processing of payments.
- Expand the Modernized Electronic Filing program enabling taxpayers to pay Business Income and Receipts and Net Profits Taxes electronically.
- Increase the number of e-Check transactions (which became free starting in April 2016) and decrease the processing time resulting in faster bank deposits.
- Introduce e-Billing for water bill customers to save on postage costs, improve mail-related inefficiencies and collect revenue more quickly.
- Implementation of the Data Warehouse and Case Management System to provide more accurate analysis of taxpayer information from internal sources, other City Departments, and other agencies like the Pennsylvania Department of Revenue and the Internal Revenue Service. This system will enable the Department to match the right enforcement strategy with the right account at the right time to maximize collections.

Expansion of Collection Strategies:

- Improving delinquent tax collections by billing more frequently.

- Sustaining successful enforcement programs, including CAL revocation, Sequestration, and Sheriff Sales.
- Evaluating the results of tax lien sales and conducting a feasibility study for future lien sales.
- Fully implementing of the out-of-county lien program.

Financial Assistance Programs:

- Provide tax and water discounts to Philadelphians and their families, including over \$100 million in direct tax relief through programs such as the Homestead Exemption.
- Support free tax preparation and public education around the Federal Earned Income Tax Credit, which averages \$2,400 per eligible Philadelphia taxpayer.

BUDGET SUMMARY AND OTHER BUDGET DRIVERS

**Staff Demographics Summary
(as of January 2016)**

	Total	Minority	White	Female
Full-Time Staff	566	452	114	423
Executive Staff	9	4	5	3
Average Salary - FTS	\$41,921	\$40,715	\$46,704	\$40,586
Average Salary - ES	\$110,503	\$97,736	\$120,717	\$92,365
Median Salary - FTS	\$38,767	\$38,767	\$38,913	\$38,742
Median Salary - ES	\$113,422	\$111,048	\$120,000	\$108,675

**Employment Levels (as
of January 2016)**

	Budgeted	Approved	Filled
Full-Time Positions	612	612	566
Part-Time Positions	0	0	0
Executive Positions	10	10	9
Overall Average Salary	\$41,921	\$41,921	\$41,921
Overall Median Salary	\$38,767	\$38,767	\$38,767

Financial Summary by Class - General Fund

	Fiscal 2015 Actual Obligations	Fiscal 2016 Original Appropriations	Fiscal 2016 Estimated Obligations	Fiscal 2017 Proposed Appropriations	Difference FY17-FY16
Class 100 - Employee Compensation	\$17,661,208	\$19,617,564	\$19,725,564	\$22,142,214	\$2,416,650
Class 200 - Purchase of Services	\$4,693,401	\$5,352,949	\$5,847,949	\$7,038,149	\$1,190,200
Class 300 - Materials and Supplies	\$535,724	\$723,391	\$528,391	\$873,391	\$345,000
Class 400 - Equipment	\$75,385	\$77,585	\$77,585	\$150,085	\$72,500
Class 500 - Contributions	\$57,000	-	-	-	-
Class 700 - Debt Service	-	-	-	-	-
Class 800 - Payment to Other Funds	-	-	-	-	-
Class 900 - Advances/Misc. Payments	-	-	-	-	-
TOTAL	\$23,022,718	\$25,771,489	\$26,179,489	\$30,203,839	\$4,024,350

Contracts Summary (as of December 2015)

	FY11	FY12	FY13	FY14	FY15	FY16*
Total amount of contracts	\$3,955,993	\$10,945,906	\$12,350,027	\$30,710,421	\$24,630,191	\$17,078,292
Total amount to M/W/DBE	\$145,000	\$4,297,960	\$6,260,800	\$17,202,201	\$10,852,058	\$3,656,900
Participation Rate	4%	39%	51%	56%	44%	21%**

** as of December 2015*

***3rd Quarter Participation Rate is 35% and Estimated 4th Quarter Participation Rate is 39.49%*

PROPOSED BUDGET OVERVIEW

PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 general fund budget totals \$30,203,839, an increase of \$4,024,350 over Fiscal Year 2016 estimated obligation levels. This increase is primarily for the implementation of the Sugary Drink Tax and for an increase in staffing levels for improved revenue collection.

The proposed budget includes:

- \$22,142,214 in Class 100, a \$2,416,650 increase over FY16. This funding will provide for District Council #47/Non-Represented salary increases and for increased staff dedicated to increasing delinquent tax collections and implementation of the Sugary Drink Tax.
- \$7,038,149 in Class 200, a \$1,190,200 increase over FY16. This funding will be used mainly for programming costs to add the Sugary Drink Tax to the Taxpayer Information Processing System and for postage costs associated with increasing tax billing cycles.
- \$873,391 in Class 300, a \$345,000 increase over FY16. This funding is required for paper and outbound/inbound envelopes to increase the frequency of mailing delinquent tax bills and supplies for staff implementing the Sugary Drink Tax.
- \$150,085 in Class 400, a \$72,500 increase over FY16. This funding is for renovating office space to allow for the hiring of additional attorneys and associated staff dedicated to delinquent collection activities.

STAFFING LEVELS

- The Department's current budgeted staffing level is 612. As of January 2016, 566 positions were filled. We are actively filling positions and expect to reach staffing levels of approximately 96% by the end of FY16.
- 32 New Hires since 7/1/15:
 - 23 African-American
 - 5 White
 - 3 Asian
 - 1 Other
- 5 New Hires since 7/1/15 with the following languages:
 - 3 Spanish
 - 1 Chinese
 - 1 Finnish
- See appendix for Bilingual Employees Chart.

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Performance Measures	FY15 Actual	FY16 YTD	FY17 Target	FY21 Target
Real estate bills paid within 12 months	92.2%*	N/A	93%	95%
Water bills paid within 90 days	82%	N/A	84%	87%
Eligible population enrolled in City tax and water discount programs	N/A	78%**	+3%	+10%
Number of EITC filers using free tax preparation	5,000***	17,112***	+10,000	TBD

**Most recent historical data for 12-month period is for tax year 2014 (92.2%)*

***This is the number of households enrolled in Homestead and LOOP (plus known homeowners in abated properties ineligible for either program) as a percent of the number of owner-occupied residences per the Census*

****Returns prepared at Department of Revenue-sponsored free tax prep sites (preliminary)*

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

If the Sugary Drink Tax does not pass, the new initiatives in the Five Year Plan would be seriously impacted.

Potential state legislation altering the Sterling Act to require that non-resident Wage Taxes be remitted back to the home jurisdiction of the commuter working in Philadelphia could have a negative impact if passed.

CONTRACTING EXPERIENCE

**M/W/DSBE Participation on Large Contracts
FY16 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Local Business	Living Wage Compliant?
Goehring, Rutter & Boehm	Real Estate Tax Collection	\$8,000,000	7/30/12	1/1/13	MBE: Best Efforts	0%	\$0	Y	Y
					WBE: Best Efforts	2%	\$160,000		
					DSBE: Best Efforts	0%	\$0		
Linebarger Goggan Blair & Sampson, LLP	Real Estate Tax Collection	\$4,000,000	7/30/12	1/1/13	MBE: Best Efforts	23%	\$932,000	Y	Y
					WBE: Best Efforts	77%	\$3,068,000		
					DSBE: Best Efforts	0%	\$0		
Revenue Collection Bureau, Inc.	Discovery & Delinquent Tax Collection	\$2,400,000	2/26/13	10/1/13	MBE: Best Efforts	98%	\$2,352,000	Y	Y
					WBE: Best Efforts	0%	\$0		
					DSBE: Best Efforts	0%	\$0		
Pioneer Credit Recovery, Inc.	Tax and Debt Collection	\$1,500,000	5/21/12	9/1/12	MBE: Best Efforts	5%	\$75,000	N	Y
					WBE: Best Efforts	5%	\$75,000		
					DSBE: Best Efforts	0%	\$0		
AllianceOne Receivables Management, Inc.	Discovery & Delinquent Tax Collection	\$1,000,000	2/26/13	10/1/13	MBE: Best Efforts	20%	\$200,000	N	Y
					WBE: Best Efforts	0%	\$0		
					DSBE: Best Efforts	0%	\$0		

EMPLOYEE DATA

Full-Time Staff				Executive Staff			
		Male	Female			Male	Female
		African-American	African-American			African-American	African-American
Total		82	326	Total		1	2
% of Total		14.5%	57.6%	% of Total		11.1%	22.2%
Average Salary		\$42,270	\$39,826	Average Salary		\$113,850	\$84,211
Median Salary		\$38,742	\$37,694	Median Salary		\$113,850	\$84,211
		White	White			White	White
Total		42	72	Total		4	1
% of Total		7.4%	12.7%	% of Total		44.4%	11.1%
Average Salary		\$51,547	\$43,879	Average Salary		\$123,728	\$108,675
Median Salary		\$40,057	\$38,767	Median Salary		\$123,206	\$108,675
		Hispanic	Hispanic			Hispanic	Hispanic
Total		5	13	Total		1	0
% of Total		0.9%	2.3%	% of Total		11.1%	0.0%
Average Salary		\$51,000	\$37,170	Average Salary		\$108,675	N/A
Median Salary		\$38,767	\$36,664	Median Salary		\$108,675	N/A
		Asian	Asian			Asian	Asian
Total		14	6	Total		0	0
% of Total		2.5%	1.1%	% of Total		0.0%	0.0%
Average Salary		\$48,631	\$44,340	Average Salary		N/A	N/A
Median Salary		\$45,329	\$39,059	Median Salary		N/A	N/A
		Other	Other			Other	Other
Total			6	Total		0	0
% of Total		0.0%	1.1%	% of Total		0.0%	0.0%
Average Salary		N/A	\$46,033	Average Salary		N/A	N/A
Median Salary		N/A	\$39,459	Median Salary		N/A	N/A
		Bi-lingual	Bi-lingual			Bi-lingual	Bi-lingual
Total		13	21	Total		3	0
% of Total		2.3%	3.7%	% of Total		33.3%	0.0%
Average Salary		\$47,745	\$45,713	Average Salary		\$112,862	N/A
Median Salary		\$43,942	\$39,059	Median Salary		\$108,675	N/A
		Male	Female			Male	Female
Total		143	423	Total		6	3
% of Total		25.3%	74.7%	% of Total		66.7%	33.3%
Average Salary		\$45,870	\$40,586	Average Salary		\$119,573	\$92,365
Median Salary		\$39,848	\$38,767	Median Salary		\$116,925	\$108,675

APPENDIX (Other Relevant Data and Charts)

	Water Revenue Bureau	Tax Revenue Bureau	Law Revenue Bureau	Total - All Divisions
Spanish	5	5	2	12
French	0	5	0	5
Hindi	1	5	0	6
Malayalam	0	4	0	4
Gujarati	1	1	0	2
Chinese	0	2	0	2
Yoruba	0	1	0	1
Marathi	0	1	0	1
Vietnamese	0	1	0	1
Creole	0	1	0	1
Dutch	0	0	1	1
Italian	0	0	1	1
Portuguese	0	0	1	1
Greek	0	0	1	1
Arabic	1	0	0	1
Afrikaans	1	0	0	1
Baoule'	0	1	0	1
Yiddish	0	1	0	1
Tamil	0	1	0	1
Medumba	0	1	0	1
Finnish	0	1	0	1
Russian	0	1	0	1
Total- # of Bilingual Employees		37		
Total- # of Languages Spoken		22		