

**DEPARTMENT OF REVENUE
FISCAL YEAR 2027 BUDGET TESTIMONY
MARCH 25, 2026**

INTRODUCTION

Good morning, Council President Johnson and Members of City Council. I am Kathleen McColgan, Revenue Commissioner. Joining me today are Delores Davis, First Deputy Revenue Commissioner and Rebecca Lopez Kriss, Deputy Revenue Commissioner for Policy, as well as other members of the executive team. I am pleased to provide testimony on the Department of Revenue’s Fiscal Year 2027 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Revenue is committed to the accurate and timely collection of revenue to support City services and the School District of Philadelphia, while also striving to enroll all eligible customers in available assistance and relief programs. The Department is committed to providing customers with services they can see, touch, and feel by being accessible, transparent, and responsive.

Plans for Fiscal Year 2027: The Department of Revenue remains committed to investing in technology, strengthening customer service, expanding access to assistance programs, and maximizing revenue collections through data-driven strategies. In FY27, we will continue modernizing core systems, improving operational efficiency, and deepening our outreach to ensure that all Philadelphians can access the services and relief they need. We will also continue leveraging cross-departmental partnerships to streamline processes, enhance compliance, and support the City’s long-term fiscal stability.

Invest in technology and workforce development to improve service delivery that customers can see, touch, and feel

- Enhance the Philadelphia Tax Center by expanding self-service tools, improving refund processing through increased direct deposit, or “ACH,” functionality, and strengthening internal customer contact features. These improvements will reduce processing time, improve accuracy, and support better customer experiences.
- Advance the replacement of the legacy water billing system, in collaboration with the Philadelphia Water Department, the Law Department, and the Office of Innovation and Technology. In FY27, we will complete vendor selection and begin system design and development, supported by a comprehensive change management and operational readiness plan. The new system is planned to launch in FY29.
- Continue to improve interdepartmental collaboration, working with partner departments to streamline business services, and improve customer experience, through initiatives like PHL Open for Business.

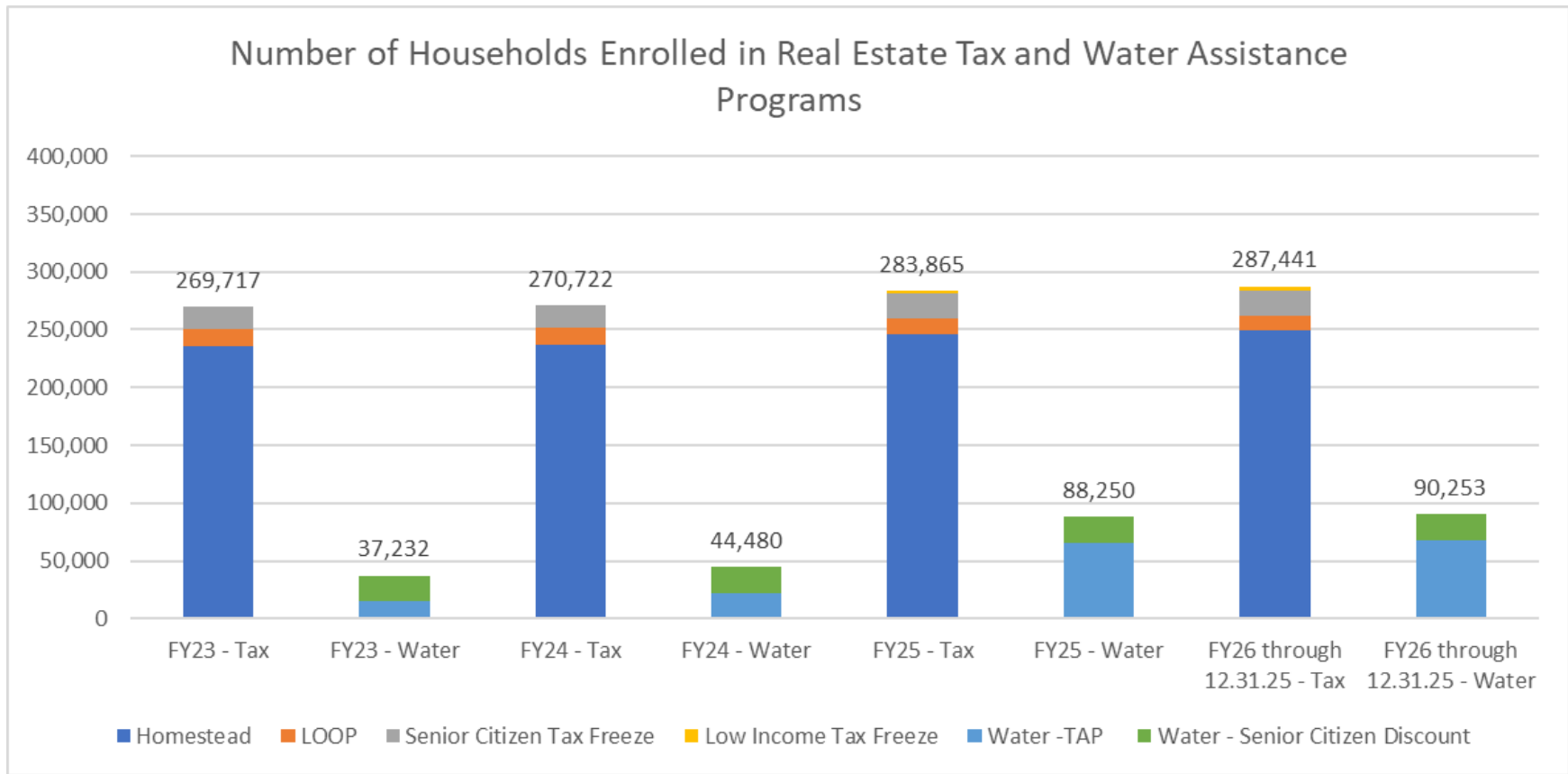
Utilize data-driven strategies to increase collections and compliance

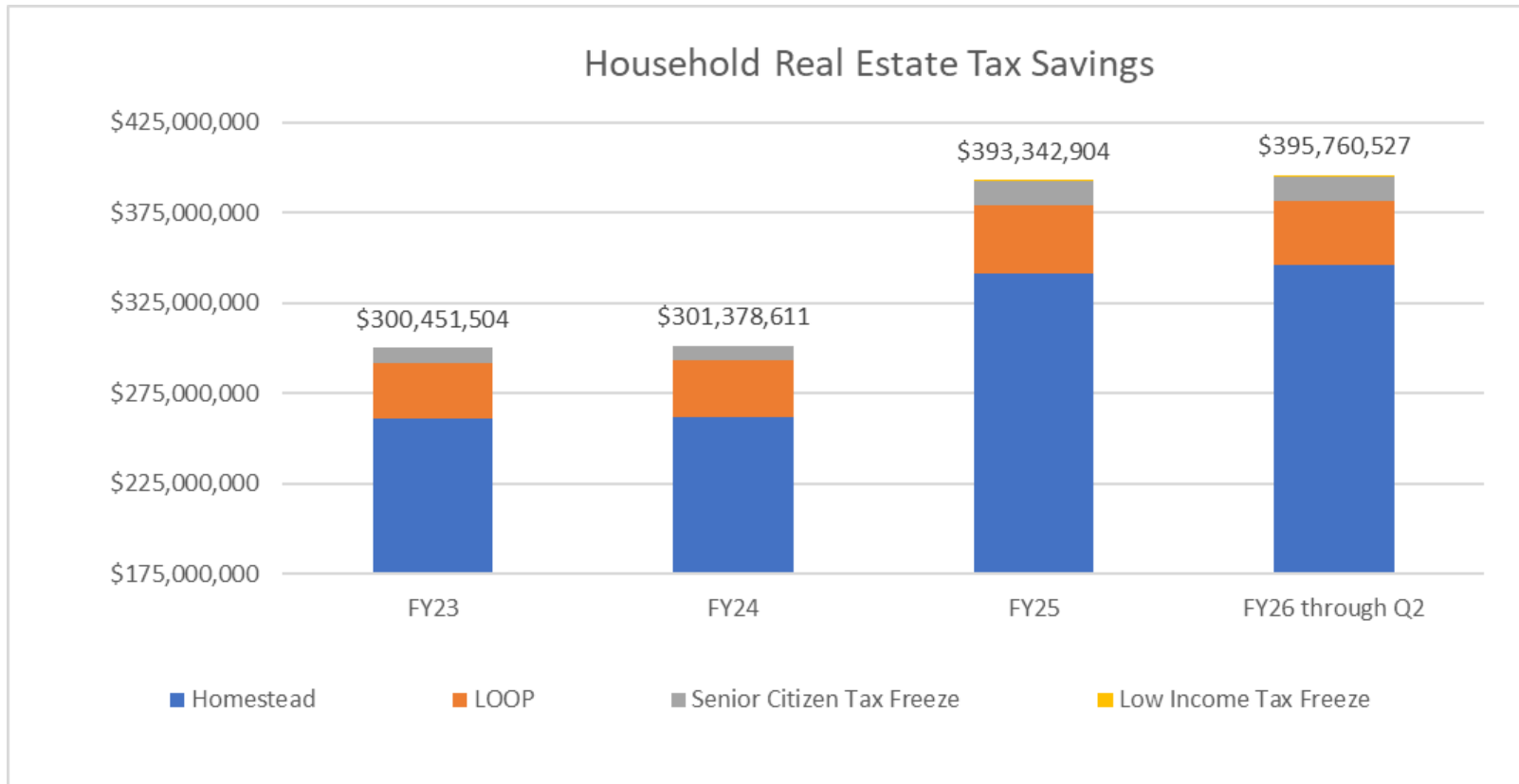
DEPARTMENT OF REVENUE

- Improve operational efficiency in compliance workflows by refining and streamlining processes that support core functions such as account creation, audit lead generation, and lien management. In FY27, Revenue will continue improving these systems and workflows by reducing manual steps and strengthening system-driven processes. These improvements will allow staff to manage compliance activities more efficiently, improve accuracy, and focus resources on higher-value enforcement work.
- Strengthen data-driven enforcement by automating the process of linking delinquencies across multiple debt types. This integrated approach will allow the Department to identify patterns of noncompliance, coordinate enforcement actions, and prioritize accounts that pose the greatest risk to City revenues.
- Continue focused enforcement initiatives, including Sheriff's Sales and Sequestration, to drive collections on delinquent commercial, vacant, and stormwater-only properties, in partnership with the Law Department.
- Improve oversight of Real Estate Tax assistance programs through continued expansion of the Tax Benefit Review Unit, ensuring accurate billing and removal of ineligible accounts.
- Advance consolidated lawsuits and multi-property enforcement, supported by staff development and improved data accessibility. This approach strengthens our ability to address chronic noncompliance and collect all debt owed by multi-property owners.

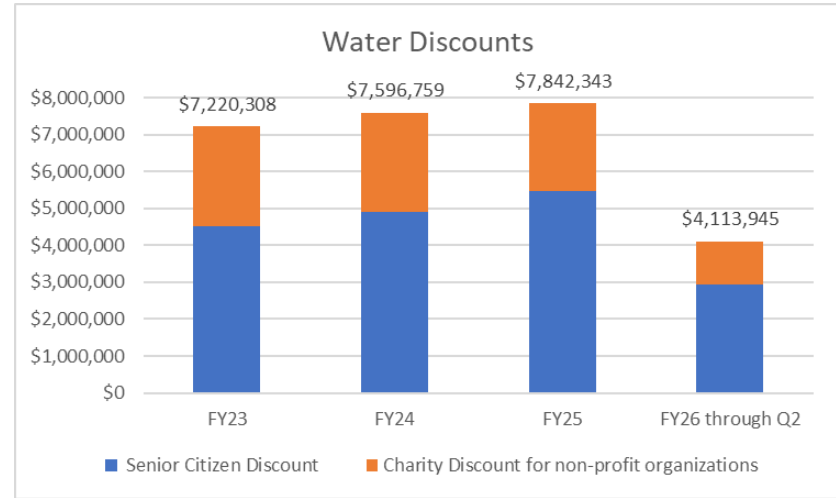
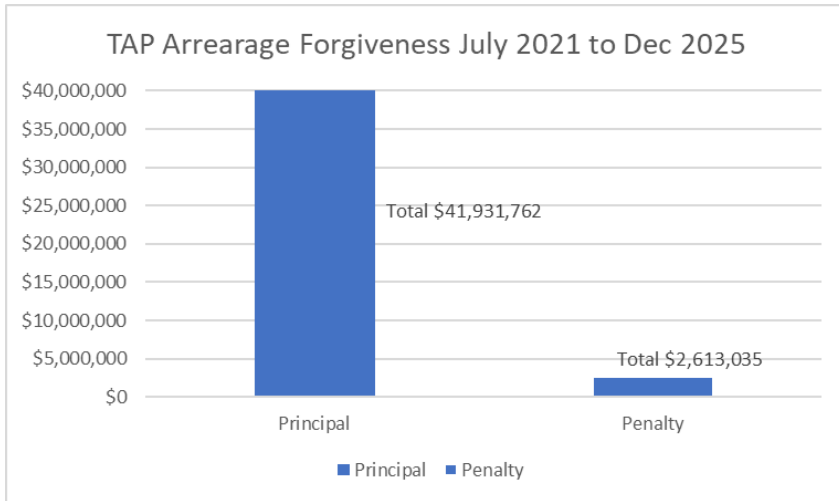
Expand participation in assistance programs

- Promote and expand use of the combined Real Estate Tax Assistance Application, launched in FY26 Q1, which consolidates five programs into a single bilingual application. Revenue will continue refining the application based on user feedback, improving usability, language access, and navigation.
- Increase enrollment in Real Estate Tax assistance programs through refined outreach informed by the Real Estate Tax Assistance Outreach Map.
- Expand water assistance enrollment and support, building on record participation of more than 83,000 customers in TAP and the Senior Citizen Discount. Revenue will resume recertification in FY27 to ensure customers receive the appropriate level of support and implement a revised penalty forgiveness policy that allows TAP participants to earn incremental penalty forgiveness when their monthly TAP bill is paid in full.





DEPARTMENT OF REVENUE



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PROPOSED BUDGET OVERVIEW & OTHER BUDGET DRIVERS

General Fund Financial Summary by Class						
	FY25 Original Appropriations	FY25 Actual Obligations	FY26 Original Appropriations	FY26 Estimated Obligations	FY27 Proposed Appropriations	Difference: FY27 Proposed-FY26 Estimated
Class 100 - Employee Compensation	\$23,701,664	\$24,127,629	\$23,679,845	\$24,093,067	\$25,083,695	\$990,628
Class 200 - Purchase of Services	\$5,946,686	\$5,947,686	\$5,064,649	\$5,714,649	\$6,627,649	\$913,000
Class 300/400 - Materials, Supplies & Equipment	\$2,349,045	\$1,852,659	\$2,069,045	\$2,069,045	\$1,290,545	(\$778,500)
	\$31,997,395	\$31,927,974	\$30,813,539	\$31,876,761	\$33,001,889	\$1,125,128

Contracts Summary (Professional Services only)						
	FY23	FY24	FY25	FY26	FY26 YTD (Q1 & Q2)	FY27 Projected
Total amount of contracts	\$19,053,437	\$20,954,931	\$20,079,642	\$22,801,623	\$8,227,706	\$23,800,200
Total amount to S/LBE	N/A	\$3,830,375	\$6,207,200	\$7,613,277	\$2,556,435	\$6,219,000
Total amount to M/W/DSBE	\$9,875,052	\$10,413,026	\$6,740,814	\$10,077,936	\$2,776,209	
S/LBE Participation Rate	0%	18%	31%	33%	31%	26%
M/W/DSBE Participation Rate	52%	50%	34%	44%	34%	

FY23 S/LBE data not available.

Total S/LBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY25	FY26	FY27 Projected
S/LBE Contract Participation Goal	28%	31%	26%

DEPARTMENT OF REVENUE

Proposed Funding Request:

The proposed Fiscal Year 2027 General Fund budget totals \$33,001,889, an increase of \$1,125,128 over Fiscal Year 2026 estimated obligation levels. This increase is primarily due to higher postage costs, outreach initiatives for Real Estate Tax Assessments, and additional funding for wage increases, partially offset by the removal of one-time funding for concourse renovations expected to be completed in FY26.

The proposed Fiscal Year 2027 Water Fund budget totals \$21,402,515, an increase of \$814,235 over Fiscal Year 2026 estimated obligation levels. This increase is primarily due to additional funding for wage increases.

The proposed Fiscal Year 2027 Grant Fund budget totals \$22,650,000, with no change from the Fiscal Year 2026 estimated obligation levels.

The proposed budget includes:

- Class 100
 - \$25,083,695 in General Fund Class 100, a \$990,628 increase from FY26. The net increase includes an increase for employee wages and a reduction in funding for the one-time only employee contract bonuses in FY26. This funding will support payroll costs for 404 budgeted positions including salaries, overtime, and related personnel costs.
 - \$14,946,515 in Water Fund Class 100, a \$1,414,235 increase from FY26. The net increase reflects employee wage increases and a reduction in funding related to one-time employee contract bonuses in FY26. This funding will support payroll costs for 241 budgeted positions.
- Class 200
 - \$6,627,649 in General Fund Class 200, a \$913,000 increase from FY26. This increase reflects higher postage costs, outreach initiatives for Real Estate Tax Assessments, partially offset by the removal of one-time funding for concourse renovations expected to be completed in FY26.
 - \$4,847,000 in Water Fund Class 200, a \$558,000 decrease from FY26. The decrease in funding is due to one-time funding for concourse renovations, repair and maintenance, and professional services that will be completed in FY26.
- Class 300/400
 - \$1,290,545 in General Fund Class 300/400, a \$778,500 decrease from FY26. This net decrease reflects the removal of one-time funding for furniture related to concourse renovations and the purchase of scanners for the payment processing unit in FY26, partially offset by outreach initiatives for Real Estate Tax Assessments.
 - \$1,609,000 in Water Fund Class 300/400, a \$42,000 decrease from FY26. This net decrease reflects the removal of one-time funding in FY26 for furniture related to concourse renovations and scanners for the payment processing unit.

DEPARTMENT OF REVENUE

STAFFING LEVELS

The Department is requesting 645 budgeted positions across all funds for FY27, which is consistent with FY26.

Employment Levels (as of November 2025)			
	FY26 Budgeted	Filled as of November 2025	FY27 Proposed
Number of Full-Time Positions	642	533	645
Number of Exempt Positions	49	45	49
Number of Executive Positions (deputy level and above)		6	
Average Salary of All Full-Time Positions		\$63,366	
Median Salary of All Full-Time Positions		\$53,799	

NEW HIRES

New Hires (from 7/1/2025 to November 2025)				
	Total Number of New Hires	Russian	Arabic	Malayalam
Black or African American	18			
Asian	3		1	1
Hispanic or Latino	1			
White	3	1		
Other	1			
Total	26	1	1	1

DEPARTMENT OF REVENUE

New Hires (from November 2025 to 3/2/2026)	
	Total Number of New Hires
Black or African American	13
Asian	
Hispanic or Latino	1
White	4
Total	18

VACANCY RATE AND ALLOWANCE

Vacancy Rate Summary (General Fund)						
	FY25 Actual Vacancy Rate	FY26 Budgeted Vacancy Allowance	FY26 Vacancy Rate	FY26 Budgeted Vacancy Allowance Rate	FY27 Budgeted Vacancy Allowance	FY27 Budgeted Vacancy Allowance Rate
Departmental Total	13.5%	(\$1,627,720)	84.4%	7.3%	(\$3,793,685)	13.8%

DEPARTMENT OF REVENUE

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY26											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE and SBE Participation Achieved	\$ Value of M/W/DSBE and SBE 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]
Goehring, Rutter & Boehm	Real Estate	\$2,000,000	3/31/2025	7/1/2025	MBE: 16-19%	14%	\$280,000	18%	\$360,000	No	No
					WBE: 12-15%	4%	\$80,000				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	14%	\$280,000				
Harris & Harris	Discovery & Delinquent Collections	\$2,350,000	4/9/2021	7/1/2025	MBE: 13-16%	13%	\$305,500	25%	\$587,500	No	No
					WBE: 12-15%	12%	\$282,000				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
Revenue Collection Bureau	Discovery & Delinquent Collections	\$4,000,000	4/9/2021	7/1/2025	MBE: 13-16%	88%	\$3,520,000	100%	\$4,000,000	Yes	No
					WBE: 12-15%	12%	\$480,000				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	100%	\$4,000,000				
Pioneer Credit Recovery, Inc	Discovery & Delinquent Collections	\$2,750,000	4/9/2021	7/1/2025	MBE: 13-16%	8%	\$220,000	20%	\$550,000	No	No
					WBE: 12-15%	12%	\$330,000				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
AllianceOne Receivables Management, Inc.	Discovery & Delinquent Collections	\$3,350,000	4/9/2021	7/1/2025	MBE: 13-16%	13%	\$435,500	28%	\$938,000	No	No
					WBE: 12-15%	15%	\$502,500				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				

Non-profit Vendor Demographics not applicable.

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Policy, Analysis, Executive Direction, and Administration

Program Number: 1

FY27 Proposed: General Fund \$10,515,922 **Water Fund** \$6,987,696

Program Description: The Policy, Analysis, Executive Direction, and Administration program provides leadership for the Department, conducts analyses, sets and informs policy, ensures that Revenue has the resources it needs, and includes fiscal and information technology functions as well as an outgoing mail processing center.

FY27 Strategic Goals:

- Revenue will improve customer service and compliance through coordinated service delivery. Revenue will continue to participate in the PHL Open for Business cross-departmental collaboration to streamline City services, enhance customer experience, and increase taxpayer compliance.
- Revenue will continue expanding enrollment in assistance programs through focused outreach. Through a comprehensive outreach strategy, Revenue will promote the combined Real Estate Tax assistance application in coordination with the Office of Property Assessment to connect eligible residents to available resources.
- Revenue will strengthen collections through integrated data and compliance strategies. The Data and Research Unit will improve compliance and collections by linking delinquencies across multiple debt types, creating a more unified and efficient collection approach.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent of budgeted positions filled	86.0%	87.0%	87.0%

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Water Billing, Accounting, and Customer Service

Program Number: 2

FY27 Proposed Water Fund: \$11,763,501

Program Description: The Water Billing, Accounting, and Customer Service program determines what water, sewer, and stormwater charges customers owe, notifies customers of their balances, and processes payments as they are received.

FY27 Strategic Goals:

- Revenue will develop and implement a structured plan to sunset the legacy water billing system, ensuring a smooth migration for customers and staff.
- Revenue will conduct an analysis to evaluate how service disconnection protections affect payment patterns and collections, informing future operational strategies. Revenue expects to complete this analysis in FY27 Q2.
- Revenue will use current e-billing participation data to inform focused outreach strategies to expand paperless billing by 7.5 percent and AutoPay enrollment by 10 percent over end of year FY26 levels in FY27.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent of water bills paid in 90 days	85.2%	85.0%	85.0%
Dollar amount of water bills collected	\$876,691,024	≥ Current budget estimate	≥ Current budget estimate

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Water Assistance

Program Number: 3

FY27 Proposed Water Fund: \$1,900,377

Program Description: Revenue provides discounted water bills to vulnerable residential customers through the Senior Citizen Water Discount and the Tiered Assistance Program (TAP) for low-income customers.

FY27 Strategic Goals:

- Revenue will expand outreach to customers with high water usage to promote conservation practices and available tools that help reduce consumption and lower bills.
- Revenue will resume the recertification process for water assistance program participants to ensure continued eligibility and connect customers to the most appropriate level of support based on updated household information.
- Revenue will implement an adjusted penalty forgiveness policy, allowing TAP participants to earn incremental penalty forgiveness each month their TAP bill is paid in full. Previously, TAP participants only received monthly principal forgiveness, and penalty forgiveness required 24 consecutive monthly payments of full payments.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent of applications reviewed within 30 days	100%	100%	100%

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Delinquent Water Collections

Program Number: 4

FY27 Proposed: Water Fund \$750,941 Grant Fund \$7,625,000

Program Description: In partnership with the Law Department, Revenue uses various tactics to encourage and compel payment of delinquent water and sewer charges. Enforcement tools, listed in escalating order, include making phone calls, sending letters, administering payment agreements, placing liens on properties, referring accounts to outside collection agencies, filing suits in both Municipal and Common Pleas courts, shutting off delinquent accounts, conducting sales of property through Sheriff's Sales, and landlord Sequestration. Sequestration is a court-authorized process in which a neutral third party is appointed to collect rental income from a property and apply it toward resolving the property's outstanding debt.

Before initiating enforcement actions and throughout enforcement notifications, Revenue conducts targeted outreach to connect vulnerable customers with available assistance programs. These efforts aim to prevent households from additional enforcement actions by helping them access grants, payment plans, and other forms of financial relief.

FY27 Strategic Goals:

- Revenue will enroll chronically delinquent customers, who are entering into new payment agreements with the Law Department, into AutoPay to promote continued compliance and improve collections.
- Revenue will continue to refine account selection for Sequestration and other enforcement initiatives through expanded data accessibility to ensure the most effective collection tool is applied to each delinquent account.
- Revenue will provide staff with training and educational support to expand the use of consolidated lawsuits and multi-property actions, enabling more effective collection of all debt owed by multiple property owners and prioritizing enforcement against persistently noncompliant customers.

DEPARTMENT OF REVENUE

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent change in delinquent principal outstanding (excludes current charges not yet overdue/delinquent and city bills)	0.3%	-1.0%	-1.0%
Percent of delinquent water accounts in payment agreements or TAP	31.9%	32.0%	32.0%

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Tax Billing, Accounting, and Customer Service

Program Number: 5

FY27 Proposed General Fund: \$15,831,087

Program Description: The Tax Billing, Accounting, and Customer Service program determines what taxes, fees, and fines people owe, notifies taxpayers of their balances, and processes payments and tax returns received.

FY27 Strategic Goals:

- Revenue will continue to improve customer service through enhancements to the Contact Center, including expanded call history integration and automated guidance for common taxpayer issues to direct users to existing self-service tools.
- Revenue will expand access to electronic refunds by enabling taxpayers to request ACH refunds directly within their tax returns, reducing reliance on paper checks and separate refund petitions.
- Revenue will strengthen oversight of Real Estate Tax assistance programs through continued expansion of the Tax Benefit Review Unit, improving identification of ineligible accounts and ensuring accurate billing of prior-period tax liabilities.
- Revenue will automate identification of properties subject to the Parking Tax using updated land use, class, style, and structure codes from the Office of Property Assessment, replacing manual account creation processes.

DEPARTMENT OF REVENUE

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent of Real Estate Tax collected within calendar year	94.9%	96.5%	96.5%
Total dollar amount collected (General Fund)	\$5,146,528,154	≥ Current budget estimate	≥ Current budget estimate
Total dollar amount collected (School District)	\$251,665,555	≥ Current budget estimate	≥ Current budget estimate

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Taxpayer Assistance and Credit

Program Number: 6

FY27 Proposed General Fund: \$622,032

Program Description: Revenue provides tax relief to individual homeowners and business taxpayers through the Taxpayer Assistance and Credit program. The Department administers multiple business tax credit programs, as well as seven different Real Estate Tax assistance programs, such as the Homestead Exemption and the Owner-Occupied Payment Agreement.

FY27 Strategic Goals:

- Revenue will expand strategic outreach efforts to increase participation in Real Estate Tax assistance programs and promote the combined assistance application through community partners and targeted engagement.
- Based on user feedback, Revenue will continue to enhance the combined Real Estate Tax assistance application with a focus on usability, language accessibility, and reducing barriers for eligible property owners.
- Revenue will continue processing Real Estate Tax assistance applications within 30 days to ensure timely and reliable access to relief for eligible taxpayers.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent of eligible homeowners receiving relief	76.9%	81.5%	81.5%
Count of properties enrolled in Homestead or Longtime Owner Occupants Program (LOOP)	259,300	275,225	276,000

DEPARTMENT OF REVENUE

PROGRAM BASED BUDGETING:

Program Name: Delinquent Tax Collection

Program Number: 7

FY27 Proposed General Fund: \$6,032,848**Grant Fund:** \$15,025,000

Program Description: In partnership with the Law Department, Revenue employs various enforcement tools to compel payment of delinquent taxes, fees, and fines. These include sending letters and emails, placing liens on properties, referring accounts to collection agencies, closing non-compliant businesses, requiring tax clearance for refunds, payments, and permits, conducting Sheriff’s Sales, filing suits in Municipal and Common Pleas Courts, sequestering rents from delinquent properties, and administering payment agreements. Before initiating enforcement actions and throughout enforcement notifications, Revenue conducts targeted outreach to connect vulnerable customers with available assistance programs. These efforts aim to prevent households from additional enforcement actions by helping them access Real Estate tax assistance programs or enter into payment agreements.

FY27 Strategic Goals:

- Revenue will strengthen its tools to improve Realty Transfer Tax compliance through enhanced data sharing with partner departments and updated regulations that align with current law and departmental policy.
- Revenue will further automate compliance processes to ensure that chronically delinquent property owners face coordinated legal action across all properties they own, including properties located outside Philadelphia. Automated referrals to outside co-counsel will support lien placement on properties outside the city.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent change in delinquent principal outstanding - Real Estate Tax ¹	12.3%	8.0%	10.0%
Percent delinquent Real Estate Tax accounts in payment agreements	11.9%	15.0%	15.0%

¹Revenue expects 2027 property revaluation and pending appeals to affect collections. The target reflects measures reached during the last revaluation period.