

# Grants Revenue Fund Fact Sheet

## *What is the Grants Revenue Fund?*

The City of Philadelphia's Grants Revenue Fund (GRF) is a special revenue fund used to account for most of the City's operating resources granted from federal, state, and private sources. Grant revenue is typically more complicated than tax revenue, and often must be spent on a reimbursement basis and/or for a specific purpose. In FY23, the GRF accounted for \$1.5 billion in revenue, accounting for 16.7 percent of all City revenues. The City transferred \$371 million in American Rescue Plan funds from the GRF to the General Fund in FY23, about six percent of the General Fund's \$6.0 billion in revenue.

## *Where does Grant Revenue come from?*

Since FY21, the federal government has been the largest source of GRF revenue. Federal grant revenue increased by 75 percent in FY21 with the arrival of Coronavirus Relief Funds. American Rescue Plan Act (ARPA) funding, which was directed to the GRF beginning in FY22, has also contributed to the increase in federal dollars to Philadelphia. Of the \$1.4 billion total ARPA allocation to the City, \$585 million was used for revenue replacement through FY23, with the remainder spent in advance of the December 31, 2024 deadline. Federal funding in FY23 was \$978 million (67.4 percent) of total GRF revenue. Grant revenue from the Commonwealth of Pennsylvania made up an additional 29.8 percent (\$432 million) of FY23 GRF revenue. Just under five percent of the City's FY23 GRF revenue (\$71 million) came from Locally Generated Non-Tax sources like [the \\$1.95 surcharge on monthly cell phone bills](#) used to fund 911 call centers. Less than one percent of FY23 GRF revenues came from other, typically private, entities. The GRF's Other Revenue category is often negative, representing grant write-offs or the movement of revenue between funds.

FY23 GRF Revenue (Amounts in Thousands of Dollars)		
Source	Amount	Percent of Total
ARPA	\$335,000	23.1%
State	\$432,070	29.8%
Federal	\$643,332	44.3%
LGNT	\$70,866	4.9%
Other Entities	\$4,747	0.3%
Other Revenue	(\$34,786)	-2.4%
<b>TOTAL</b>	<b>\$1,451,229</b>	<b>100%</b>

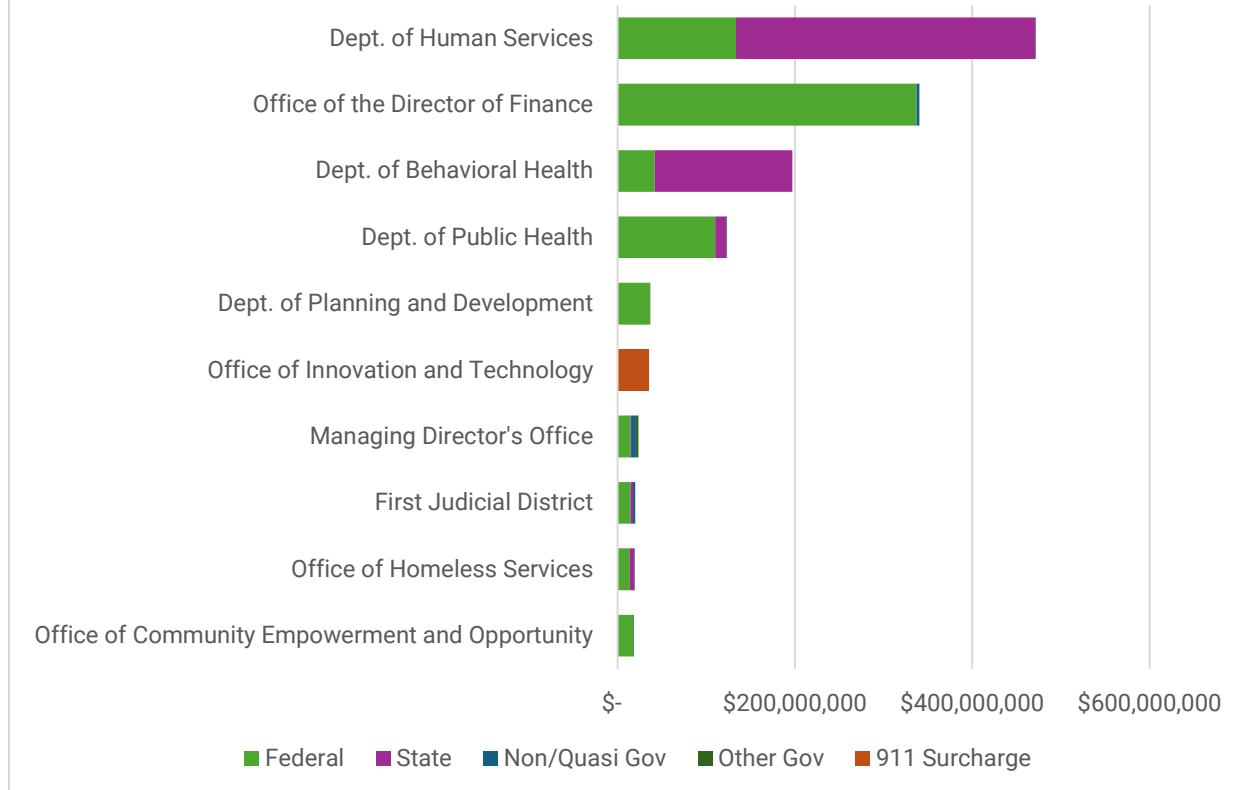
*How is Grant Revenue spent?*

Department	Percent of FY23 GRF Spending
Dept. of Human Services	35.38%
Office of the Director of Finance	25.55%
Dept. of Behavioral Health	14.78%
Dept. of Public Health	9.27%
Dept. of Planning and Development	2.75%
Office of Innovation and Technology	2.63%
Managing Director's Office	1.77%
First Judicial District	1.49%
Office of Homeless Services	1.44%
Office of Community Empowerment and Opportunity	1.36%
Other	3.58%

Source: City of Philadelphia grant expenditure detail FY14-24

In FY23, the City of Philadelphia spent \$1.6 billion from its Grants Revenue Fund. These funds were spent by 21 different City departments, with 10 departments responsible for 96 percent of all GRF spending. The Department of Human Services (DHS) was responsible for more than one third of that spending, with 70 percent of its spending coming from the state and used to reimburse costs associated with the City's child welfare, dependent placement, and juvenile justice services. The Department of Behavioral Health and Intellectual Disability Services (DBHIDS) is the only other department with most of its spending related to state funds, largely related to mental health and addiction services. The remaining departments, aside from the Office of Innovation and Technology (OIT), spent primarily federal funds in FY23. Aside from the ARPA funds that make up 99 percent of the GRF spending from the Office of the Director of Finance, federal funds spent through the GRF are tied to long-term federal initiatives in public health, community development, and homeless services. OIT's relationship with the GRF is unique. Rather than receiving reimbursements or block grants to spend down, OIT's GRF spending is comprised entirely of proceeds from Pennsylvania's surcharge for 911 services.

### FY23 Grant Revenue Fund Spending by Source and Department



When grants are awarded on a reimbursement basis – as most are – it can take years for the City to be reimbursed for grant-related spending. There are three general phases when accounting for grant revenue and expenditures. First a grant is awarded, which means a granting institution has agreed to fund a certain level of expenditures. Then the City spends against the award, dedicating funds in alignment with the goals and restrictions of the award. Finally, the City is reimbursed for that spending by the granting institution. Due diligence, accrual, and auditing timelines can cause the reimbursement process for some grants to take longer than an annual budget cycle. Because of these timing challenges, it is not uncommon for the GRF spending to outpace GRF revenue.

Grant revenue often comes with restrictions on how it can be spent. Awards are made to provide specific services or achieve certain outcomes. Additionally, personnel and administrative spending is often limited to a certain percentage of the award amount. These terms are reflected in the composition of the GRF's spending. Roughly 61 percent of General Fund spending in FY23 went to salary and benefit costs. In the same year, only 15 percent of the GRF total spending was on salaries and benefits. The bulk of spending from the GRF – 61 percent (\$992 million) in FY23 – goes towards professional services, with social welfare

services, like caseworkers for children in foster care and the 988 suicide and crisis lifeline, as the largest expenditures.

<b>FY23 GRF Spending by Class</b> (Amounts in Thousands of Dollars)		
<b>Class</b>	<b>Amount</b>	<b>Percent of Total</b>
Class 100 - Personal Services	\$240,259	15%
Class 200 - Purchase of Services	\$992,230	61%
Class 300/400 - Materials, Supplies, Equipment	\$28,945	2%
Class 500 - Contributions, Indemnities, Taxes	\$955	0%
Class 700 - Debt Service	0	0%
Class 800 - Advances and Misc	0	0%
Class 900 - Payments to Other Funds	\$371,071	23%
<b>TOTAL</b>	<b>\$1,633,460</b>	<b>100%</b>

Since FY22, the City has used the GRF to utilize \$1.4 billion in ARPA funds over multiple years. Owing to significant revenue losses due to the pandemic, the City opted to use the ARPA funds as revenue replacement, which allows the most flexibility in the use of funds for nearly all existing and new government spending. With this approach, Philadelphia has spent down its ARPA allocation before the December 31, 2024 deadline.

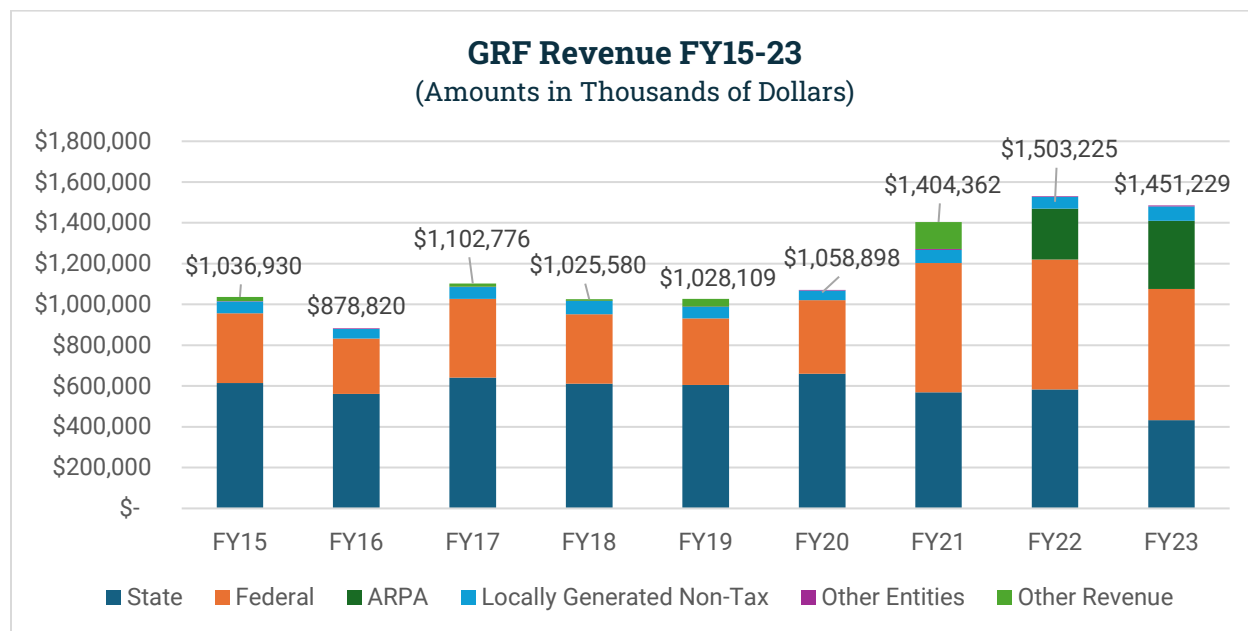
In FY23, the City's grant revenue came from approximately 580 different sources of funding, most with unique terms and conditions related to their expenditure. Granting institutions do not reimburse expenses that fail to comply with grant-specific terms and conditions. The City charges non-reimbursable costs to the General Fund, which can create unexpected expenses.

Another challenge of budgeting for grant revenue is that, in theory, there could always be more! From time to time, the City is awarded more grant revenue than it originally thought it would spend, either due to new funding opportunities or greater success than expected. To make sure there is always appropriation capacity for these positive variances, the City includes a contingency reserve in each year's Grants Revenue Fund budget.

### *Looking Back at the Grants Revenue Fund*

In the years leading up to the COVID-19 pandemic, state funding was a larger revenue source for the GRF than federal funding. Both state and federal funds typically aligned with long-standing programs meant to fund and reimburse the City for services that, generally, it had been mandated to provide. With the arrival of the Coronavirus Relief Funds (CRF) in FY21 and subsequent ARPA funds in FY22, the City started bringing more federal funds than state funds through the GRF. These federal funds have been tied to one-time federal initiatives like pandemic response and infrastructure renewal, rather than distinct funding streams aligned with individual operating departments. This influx of awarded grant funds led to a \$537 million increase in annual GRF spending from FY19 to FY23, growing at an average annual rate of 9.8

percent. Due to the lag between spending against a grant award and receiving reimbursement, revenues did not keep pace with spending from FY19 to FY23, growing by \$423 million at an average annual rate of 8.2 percent.



### *Looking Forward at the Grants Revenue Fund*

The City first incorporated ARPA funds into its FY22 budget. Because federal guidelines require ARPA funds to be obligated by December 31, 2024, the City's FY25 budget includes the final \$419 million of the original allocation. By holding the ARPA allocation in an interest-bearing account, the City generated \$58 million in interest earnings it plans to transfer from the GRF to the General Fund in FY26. The City does not include schedules for the GRF in the Five-Year Plan, but anticipated shifts in GRF funding are reflected in the General Fund Plan as reductions in Revenue from Other Funds. In the years during and since the onset of the COVID-19 pandemic, federal funding through the GRF has increased in volume and become more flexible in character. Whether those changes will be ongoing remains to be seen and may be heavily influenced by the outcome of the 2024 presidential election.

### *A Note on Other Funds with Grants*

The GRF is not the only fund of the City that receives grants from outside sources. Other funds receiving grant dollars include the City's Capital Fund, which included approximately \$1.4 billion granted by federal, state, and private sources in FY23. On the operating side, the Community Development Fund is used to fund activities related to the City's Community Development Block Grant (CDBG) dollars from the Federal Department of Housing and Urban Development (HUD), spending \$53 million in grant dollars FY23.