

# The Pennsylvania Intergovernmental Cooperation Authority: A Key to Philadelphia's Financial Stability

## Why Was PICA Created? A Look at Its History

The [Pennsylvania Intergovernmental Cooperation Authority \(PICA\)](#) was created in 1991 as a response to Philadelphia's severe fiscal crisis. The City of Philadelphia faced budget deficits, cash shortages, and the looming threat of default, and the City struggled to maintain essential services and meet its financial obligations. These fiscal troubles had dire consequences, which were a loss of investment-grade credit ratings, making it even harder to secure funding and borrow money. Recognizing the need for intervention, local and state-level stakeholders advocated for passage of the [PICA Act](#) by the Pennsylvania General Assembly that established an independent authority with a bi-partisan board to oversee financial planning and provide the City with a structured path to recovery. By creating a short-term path to accessing capital markets and implementing long-term financial oversight and ensuring responsible budgeting, PICA was designed to work cooperatively with City of Philadelphia leadership to prevent fiscal collapse and support restoration of Philadelphia's fiscal health.

## The Original Components of the PICA Act

At its core, the PICA Act was created to enforce financial discipline in Philadelphia. The Act created PICA as an independent oversight authority with a five-member governing board, each with expertise in finance and management, appointed by state officials. PICA's primary role is to require Philadelphia to develop financial recovery plans, ensuring balanced budgets and preventing future deficits. To support these efforts, the Authority was given the power to issue bonds and provide financial assistance while also overseeing municipal budgeting. Additionally, the Act allowed for the imposition of taxes to generate revenue for financial recovery. A powerful, and important part of the PICA act was guiderails regarding contract arbitration and wage increases. Under the PICA act, arbitrators of City labor contracts must consider the financial ability to pay the cost of increase in wages or fringe benefits without adversely affecting the levels of service the City provides.

Furthermore, the City of Philadelphia has financial requirements under the PICA Act. First, the City must prepare and develop a five-year plan that has a balanced budget and reasonable assumptions for future years. A five-year plan must be developed each year for the next five fiscal years. Along with the five-year plan, the City must submit a proposed operating budget and capital budget and submit quarterly managers' reports (QCMR) which reflect the current fiscal state of the City in each quarter and what they project the fiscal state of the City to be.

The operating and capital budgets must be consistent with the first year of the five-year plan. PICA, then must review and approve this plan through a qualified majority vote. If PICA does not approve of the plan, the City has 15 days to re-submit a revised plan for approval. If PICA still does not approve the plan, then PICA has the authority to deem the city as non-compliant. If the City is deemed non-compliant, they will be subject to serious consequences which include a withholding of State funds and revenue from the PICA Tax which provide hundreds of millions of dollars to the City's budget.

## PICA's Role in Philadelphia's Finances

Since its inception, PICA has played a vital role in Philadelphia's financial recovery and stability. By enforcing sound budgeting practices, the Authority has helped eliminate the City's budget deficits and restore its access to capital markets. PICA's oversight has also ensured that Philadelphia does careful financial planning, reducing the risk of future economic crises. Beyond its immediate fiscal impact, PICA has established a framework for long-term fiscal responsibility, guiding City officials in making sustainable fiscal decisions. By keeping a close eye on municipal spending, revenue raising, and enforcing accountability, PICA has helped Philadelphia maintain and improve fiscal stability and continue delivering essential services to its residents.

## The 2022 Amendments: Extending PICA's Authority

Recognizing that financial challenges evolve over time, lawmakers extended PICA's powers in 2022. PICA was originally designed to sunset one year after the last of the bond PICA issued was repaid, which happened in June 2023. Stakeholders in Philadelphia and Harrisburg agreed that the benefits of PICA's fiscal oversight warranted extending the Authority's existence until the later of 2047 or one year after all the Authority's liabilities are discharged. Aside from extending the life of PICA, two key changes in the 2022 amendments to the PICA Act were:

1. **Updated Legislative Intent and Findings:** The 1992 act showed the General Assembly's intent to provide Philadelphia with the legal tools to eliminate budget deficits and perform essential municipal services. In 2022, this was amended to affirm that PICA is an effective tool the City can use to access capital markets, eliminate budget deficits, and borrow money on the City's behalf, which will continue to allow essential municipal services and foster sound financial planning and budget practices.
2. **Re-establishing the Relationship Between the City and PICA:** The original Act acknowledges the legislative issues and financial difficulties that the City faced, and the revised amendments re-establish the relationship between PICA and the City of Philadelphia as a partnership with the goal to enhance the fiscal soundness of the City, and that it is important for the City to maintain its access to capital markets and favorable interest rates to meet the capital needs of the City. **Allowing Issuance of Additional Bonds:** In the original Act, the City's ability to receive bonds issued by PICA expired in 1996; however, in 2022 and beyond, bonds can be issued by PICA upon the City's request for critical infrastructure and other capital projects once every ten years.

The amendments in 2022 strengthened the partnership between the City of Philadelphia and PICA by allowing the two entities to continue to work together and expanding capital market opportunities for the fiscal stability and health of the City and its residents.

## Conclusion

The Pennsylvania Intergovernmental Cooperation Authority was created by the state government out of necessity, offering a lifeline to Philadelphia during one of its most challenging financial periods. Through ongoing financial oversight, structured planning, and the ability to issue bonds and manage tax revenue, PICA has played a crucial role in stabilizing the City's finances. The 2022 amendments extended PICA's existence as an effective tool for financial accountability and fiscal partner of the City of Philadelphia. As Philadelphia continues to grow and evolve, PICA remains a collaborative partner with the City to safeguard against fiscal distress, reinforcing the importance of sound budgeting and responsible financial planning.