

When is a Budget Cut Not a Budget Cut?



During the first day of Philadelphia's FY26 budget hearings, one line of questioning came up from several members of City Council – why was a department's budget being cut? In several instances, the Administration responded that even though the total dollars proposed for FY26 are lower than the approved amount for FY25, it wasn't really a cut. But in other instances, it was a cut. Councilmembers raised concerns about prominent departments, like Parks and Recreation and the Office of Homeless Service.

Examples of Departments with Proposed Budget Reductions in FY26

Department	FY25 Estimated Budget	FY26 Proposed Budget	Difference
Fire	\$441,188,963	\$431,721,835	(\$9,467,128)
Office of Homeless Services	\$89,243,868	\$84,188,038	(\$5,055,830)
Parks & Recreation	\$90,920,501	\$83,535,660	(\$7,384,841)

So, when is a reduction in appropriations not a cut? Generally, when the change in overall funding doesn't result in a reduced level or quality of services. Given inflation and expected increases in labor costs, this scenario is rarely because it has gotten less expensive to deliver a service. Instead, there are reasons that a department may be allocated less funding, but service levels remain the same. Scenarios include:

- **Funding has shifted to another department.** Sometimes funding hasn't disappeared but has shifted to another department deemed better suited to provide the service or manage the expenditures.
- **The prior year had one-time, non-recurring costs.** Just like a household may occasionally need to spend money on home repairs like a new hot water heater but not every year, City agencies occasionally need to make one-time purchases to continue the status quo or to launch a new program.
 - In FY25, most departments paid one-time bonuses to unionized employees based on contract terms. Those won't reoccur in FY26 (unless new contracts not yet signed require them, and the City has set aside funds in a Labor Reserve which could cover those payments).
 - Examples unique to individual departments include the Department of Revenue acquiring mail sorting equipment in FY25 for \$280,000. Revenue will be able to continue sorting mail in FY26 without buying another machine. The Parks and Recreation budget in FY25 included \$4.8 million to get Lemon Hill in Fairmount Park ready to host the FIFA fan fest in the summer of 2026. Those funds won't be needed in FY26 because the work will have been completed and won't need to reoccur.
- **Change in Service Level Demand.** In some instances, funding for programs is eliminated because there is not a need for the service in the coming year at the level previously provided.

- The FY26 budget for the City Commissioners is lower than FY25, reflecting that Philadelphia doesn't require the same level of service in the coming year. FY25 included a presidential general election, which requires more staff and;
- Over time, the number of individuals seeking care at the Philadelphia Nursing Home (PNH) declined as state law and funding changes made other locations for nursing care (including in-home) more desirable for many people leading to a reduction in demand for beds at PNH.

There have been occasions when the City is able to reduce costs for the same level of service – for example, during the pandemic the City was able to negotiate lower rents for leases of space in some location and sustainability initiatives have helped lower the City's utility bills.

There are instances where the proposed budget really does intend to reduce or discontinue a service or program. For example, the FY26 budget does not include funding for the Zero Fare SEPTA pass program for Philadelphians with low incomes, which had been available for the two prior years as part of a pilot. There can be many reasons to discontinue or reduce a service, particularly in a community with fiscal constraints and many needs which necessitates making trade-offs in the development of a budget. Some programs may not have proven effective or be as high a priority as others. In some instances, there may be outside constraints to continuing a particular program or initiative. Although not a problem in Philadelphia, some cities could not find an insurance company willing to provide cyber insurance (Philadelphia is still able to get this kind of coverage). Those cities wanted to spend funds on cyber insurance, but without a willing insurance company there was no reason to allocate funds for that purpose.

How To Tell What's Really A Cut?

Even with more than 5,000 pages of budget documents each year released by the City of Philadelphia, it can be challenging to sort out when a reduction will result in reduced services and when it isn't really a cut. Here are some places to check out:

- **Performance Measures in the Five Year Plan**

- Each department is divided into programs that group similar activities and the associated funding. For example, the Department of Public Health has different programs including HIV Health; Lead and Healthy Homes, and Chronic Disease and Injury Prevention. Each of those programs has performance measures associated with them. One way to determine if a reduction in funding is really a cut that will reduce the level or quality of services being provided is to check whether the performance measures indicate a change compared to current levels, like

the number of HIV patients served or the percentage of children immunized.

Schedule C in the Budget Details

- During the budget process, detailed budget documents are produced for each department providing more granular detail about funds that will be spent than is reflected in the budget ordinance. It includes the number and salaries for staff positions, lists of expected professional services contracts, and more. Within these budget details is a form called Schedule C, that highlights what is changing from one year to the next. The descriptions here may indicate which reductions are the result of a one-time, non-recurring expense in the prior year.

These sources can help shed light on the rationale for reductions in funds but won't always explain everything. As part of its work to evaluate the assumptions in the Five Year Plan about spending, PICA staff review budget documents, monitor Council hearings, and maintain ongoing communications with the Finance/Budget team and individual departments. For residents, what really matters is whether the services they count on—clean parks, safe recreation centers, shelter access, reliable elections, and more—will still be there when they're needed. Not every dollar cut means less service, and not every stable budget guarantees the same impact. Digging into the details, asking questions, and staying engaged in the process is essential to understand the connection between community needs and the resources allocated through the budget process.

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