Catalyzing Growth: Tracking Philadelphia's General Fund Investments in Economic Development

The City of Philadelphia invests hundreds of millions of dollars annually in economic development. The City's investments are coordinated by the Department of Commerce, whose mission as documented in the FY26-30 Five-Year Plan is to serve as the "economic catalyst for the City of Philadelphia, working to help all businesses grow and thrive." With high rates of poverty and relatively low median household income, these investments are intended to improve access to economic opportunity for all.

PICA Pennsylvania Intergovernmental Cooperation Authority

When effective, investments in economic development can catalyze growth that bolsters the City's fiscal stability by strengthening and diversifying the local economy and tax base, but the direct and indirect impacts of economic development spending can be difficult to measure. Understanding how effectively different investments generate impact to improve the lives of Philadelphians can allow policymakers to act strategically, especially when spending limited General Fund dollars. Without sufficient measurement and reporting, it isn't possible to directly compare the tradeoff in impact between one investment and another to maximize the positive effect on Philadelphia's economy and the City's tax base. Doing the challenging work to understand the impact of the City's General Fund investments in economic development would allow the City to better coordinate its efforts with local and regional partners to work towards shared goals of inclusive growth.

What is Economic Development?

The US Economic Development Administration defines economic development as "creat[ing] the conditions for economic growth and improved quality of life by expanding the capacity of individuals, firms, and communities to maximize the use of their talents and skills to support innovation, lower transaction costs, and responsibly produce and trade valuable goods and services." If this definition seems broad, it is. A wide variety of spending can fall under the umbrella of economic development:

- Investments in affordable housing
- Technical assistance for businesses and community groups
- Legal aid for residents with insecure housing
- Upskilling through workforce development
- Tax policy that lowers burdens to incentivize growth and job creation
- Investments in infrastructure
- Improvements to the built environment

Most people work to survive. Wage earnings are the backbone of local economies, with 85.8 percent of all wages paid in the US in 2024 coming from private employers. In Philadelphia, wage earnings are also the backbone of the City's fiscal stability. Revenues from taxes on wages and earnings generate more than half of the City of Philadelphia's annual General Fund revenue. In Philadelphia, economic development investments that result in more jobs or better jobs help to grow the City's primary tax base and strengthen its fiscal condition.

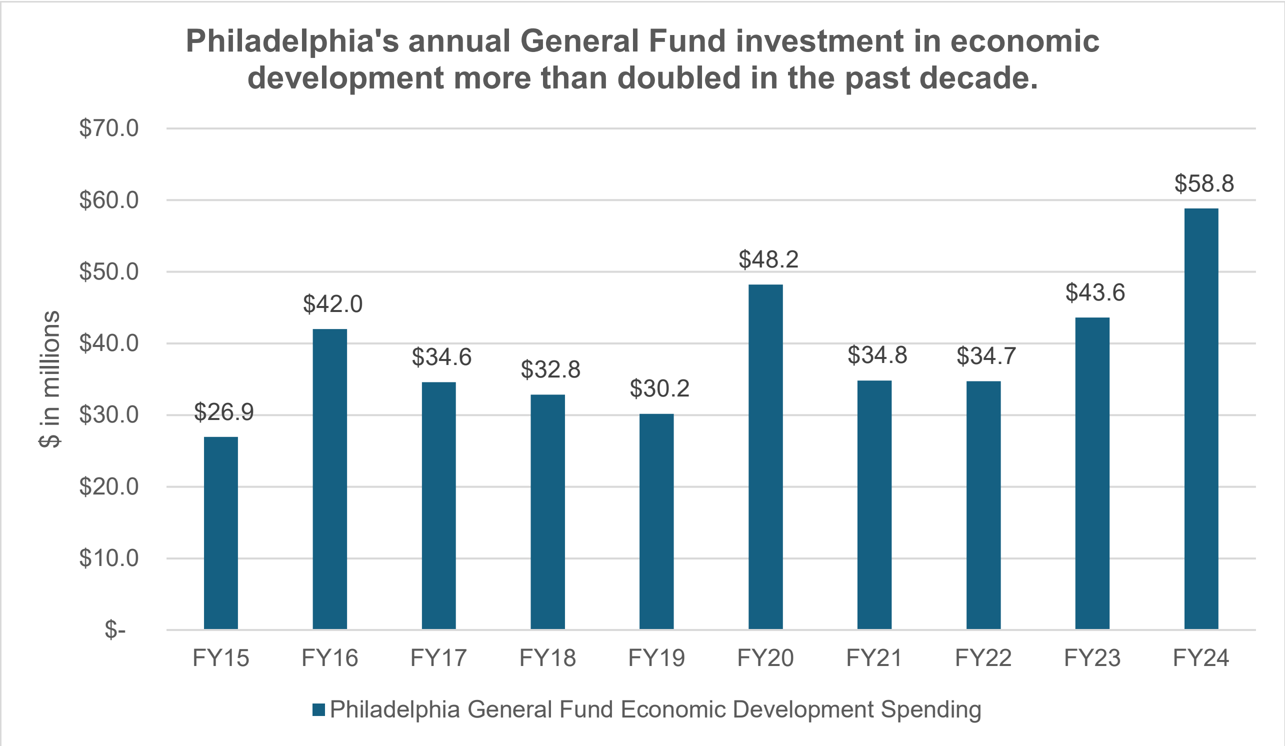
General Fund Investments in Economic Development

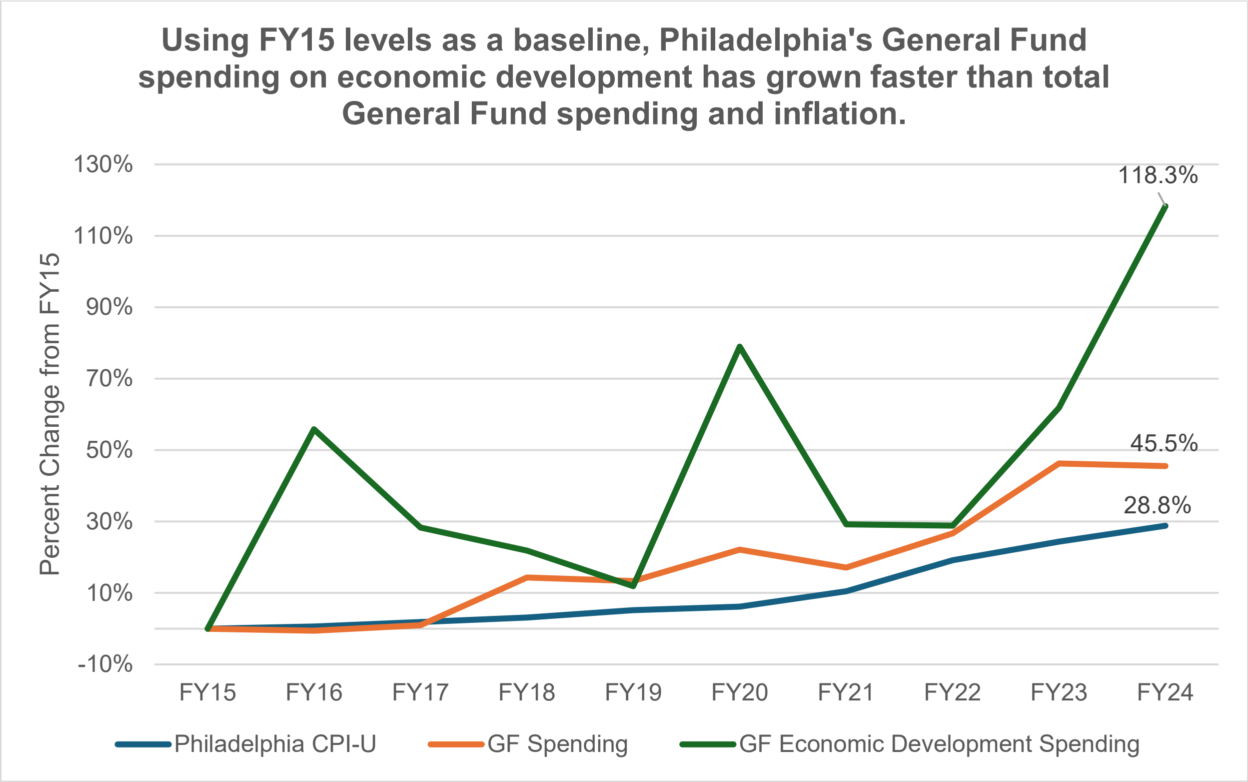
Because such a broad range of activities are considered investments in economic development, this analysis focuses specifically on General Fund spending that flows from municipalities to businesses. Non-General Fund investments in economic development, such as the following, are excluded from this analysis:

- State or federal funding allocations spent by the City
- Direct state or federal investments
- Philanthropy
- Capital expenditures
- Tax credits
- Tax abatements
- Tax policy
- Tax increment financing
- Affordable housing development
- In-kind donations
- Land assembly

Many cities use investments from their General Fund operating budgets as a flexible funding source to supplement tax expenditures, capital investments, or other incentives for economic growth altogether. Because these are locally generated funds that lack the spending constraints of grant guidelines or capital budget eligibility, General Fund spending can be used to fill gaps from other economic development funding streams or stand up entirely new programs.

General Fund spending on economic development as reported in the City's Annual Comprehensive Financial Reports (ACFRs) includes only the Commerce Department's spending and associated employee benefits. In the last decade, the City of Philadelphia has more than doubled its General Fund spending aimed at catalyzing economic growth, growing its General Fund economic development investment at a faster rate than total General Fund spending and inflation over the same period.





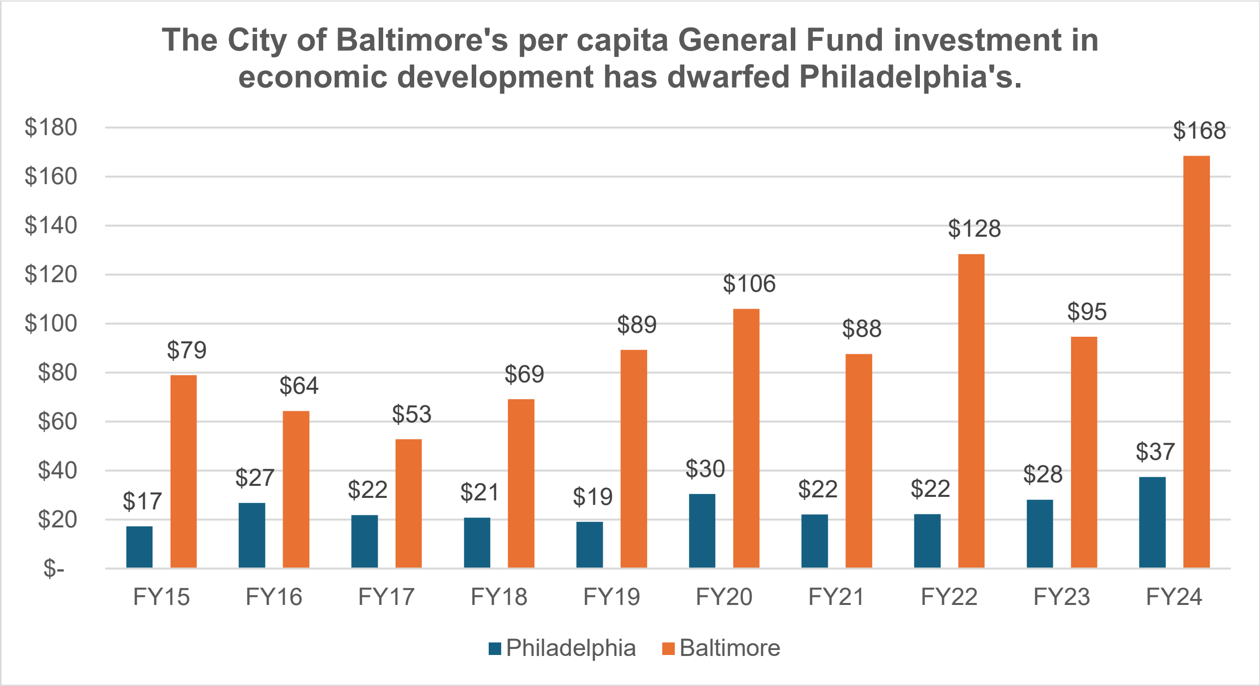
Sources: Annual Comprehensive Financial Reports for FY15-24; Bureau of Labor Statistics Annual CPI-U for Philadelphia Metropolitan Statistical Area

Reporting Economic Development Spending

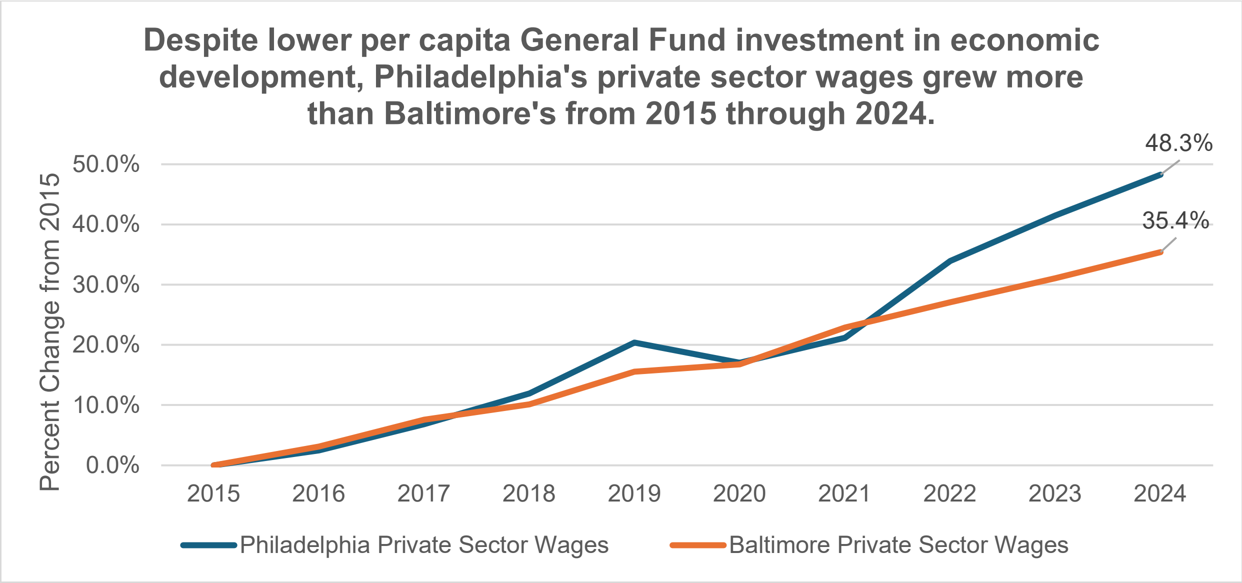
It's difficult to assess what an optimal level of spending would be, particularly absent adequate information on economic outcomes over time. One lens for evaluating Philadelphia's General Fund investments in economic development is comparison with other cities, although defining peers and standardizing fiscal data between them is not straightforward. Most cities in the US are required, by law or investor agreement, to file audited financial statements in the form of an Annual Comprehensive Financial Report . While guidelines from the Governmental Accounting Standards Board (GASB) detail the general information to be included and accounting approaches to be used when developing an ACFR, some aspects are defined locally. Displaying government-wide financial statements concisely requires sorting financial activities into discrete categories. Cities develop subcategories of governmental activity independently, which means that most large cities in the US group their governmental financial activities differently. This approach accommodates differences in history and legal structure but makes direct comparisons of spending on specific activities difficult.

Philadelphia reports economic development specifically as a category of General Fund spending in its ACFR. For the City of Philadelphia, this General Fund spending includes the activities of the Commerce Department and related employee benefit costs. Tax incentive programs and spending on economic development through other funds are not included in the reported General Fund figure. The City of Baltimore, which recently adopted a Comprehensive Economic Development Strategy, uses phrasing identical to Philadelphia's in its ACFR, reporting specifically on General Fund economic development spending. Exactly what the City of Baltimore includes in its definition of General Fund economic development spending is not publicly available information. Other cities report less-aligned activity names like "development," "property and development," or "economic and physical development." Absent detailed definitions of expenditures classified as economic development spending and a crosswalk between different structures and programs in each city, parallel reporting categories allows for a simplistic comparison of how much each City spends from its General Fund on what it considers economic development activity.

Data collected from ACFRs shows that the City of Philadelphia's per capita General Fund spending on economic development more than doubled from FY15 through FY24, growing from $17 per person to $37 per person. The City of Baltimore has invested General Fund dollars at a much higher level, ranging from $83 to $118 per capita. Without the exact types of spending included in Baltimore's definition of General Fund economic development spending, this is a general comparison that highlights how more detailed reporting would enable more in-depth comparison.



Higher levels of per capita General Fund investment in economic development don't automatically translate into higher levels of growth. Data from the Quarterly Census of Employment and Wages (QCEW) shows that private sector wages in Philadelphia grew more than private sector wages in Baltimore from 2015 through 2024, especially post-pandemic, despite lower per capita General Fund investment. This disparity between General Fund investment in economic development and levels of private sector growth highlights how nebulous the relationship between General Fund economic development investments and economic growth can be without well-crafted measures and reporting that cut through complexity to demonstrate the impact of public spending.



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, total wages from private establishments

With no external strings attached or externally-mandated reporting requirements, cities have significant flexibility when investing General Fund dollars in economic development. Because General Fund investments are only a small part of Philadelphia's economic development activity, having a comprehensive strategy and budget documentation for all economic development investments made by the City and other institutions would make it easier to be strategic and find the areas of investment where General Fund dollars are the best tool for the job. Without the guardrails of legally-mandated reporting or widely used, well-established program design, understanding the impact of General Fund economic development investments requires careful planning and measurement.

Measuring What Matters

To know if economic development investments are working as planned, it helps to start with a plan that can answer the following:

What goal is the investment working toward?

Investments should be aimed at advancing the economy toward a clearly defined and measurable goal. Goals can range from aspirational to all-but-certain; the most important aspect for evaluating impact is that they're measurable.

How is the investment intended to move towards its goal?

Program design should define how the planned investment is expected to achieve its goal. The *how* is often referred to as a "theory of change," which helps to make impact measurable by being clear about why a particular investment should be expected to progress towards its goal.

How will progress toward the goal be measured?

Establishing a goal and a theory of how to work towards it helps with measuring impact. Tracking both spending and outcomes (like number of jobs or median household income) related to an investment over time can reveal its impact. However, correlation is not causality, so care should be taken to understand what changes are more associated with trends in the economy than investments in economic development.

Goals + Theories + Measures	
Baltimore	
Goal	Build a thriving innovation and small business ecosystem.
Theory of Change	Increase job growth and investment in small businesses.
Measure	Dollar amount of venture capital invested in city businesses.
Denver	
Goal	Have abundant opportunities for economic and social upward mobility for residents of all ages, incomes, and abilities.
Theory of Change	Work with institutions of higher education, community colleges, and the business community to provide opportunities for collaboration with K-12 schools to form partnerships for mentoring, internships, and training programs.
Measure	Attainment of advanced degree or training by local high school graduates.
Dallas	
Goal	Create wealth and job opportunities for all residents to grow and diversify the tax base.
Theory of Change	Use public land in Southern Dallas in ways that create living wage jobs and accessible housing while mitigating negative impacts on local communities.
Measure	Rate of growth for the property tax base in Southern Dallas.

Baltimore, Denver, and Dallas are examples of cities that have developed an economic development strategy and share some characteristics with the City of Philadelphia. Baltimore is a mid-Atlantic city with legacy infrastructure, Denver is a city and county, and Dallas is included as a peer in comparisons of population. Each of these cities has an economic development strategy that ties specific measures of the economy or tax bases to their economic development goals with a theory of how their investments will move them towards their goals, enabling more strategic approaches to their investments in economic development. Baltimore developed its comprehensive economic development strategy in collaboration with local organizations and institutions active in economic development. Denver's comprehensive strategy was created in partnership with local governments across the region. Dallas's economic development policy was developed internally, setting 10-year goals with associated timelines and implementation strategies. Dallas also developed an evaluation matrix to help prioritize economic development investments best suited to making progress towards its goals.

Philadelphia	
Goal	Create equitable wealth-building opportunities, delivering on the Mayor's vision of access to economic opportunity for all.
Theory of Change	Use strategic investments and ecosystem partnerships to grow quality jobs, build capacity in historically underserved communities, and make it easy to launch and operate successful businesses in Philadelphia.
Measures	• Number of businesses engaged. • Number of job connections. • Number of business attraction wins.

The City of Philadelphia does not have a comprehensive economic development strategy defining long-term goals, theories of how municipal spending can help achieve them, or measures designed to evaluate progress. Instead, the primary publicly available document tracking the City's economic development goals and related spending is the Department of Commerce's section of the Proposed Five-Year Plan, which adopts an overarching goal of creating equitable wealth-building opportunities, lists an array of activities currently underway as the path to achieve growth, and measures outputs that are not explicitly tied to economic growth, like the number of job connections or businesses engaged in a fiscal year. In the Five-Year Plan, the City does not define what it means by "job connections" or "businesses engaged," or how it tracks those measures. Its count of business attraction wins tracks only companies that Commerce has "identified as a business attraction or retention opportunity" that select Philadelphia locations, regardless of whether the City's direct efforts resulted in the company's location selection or how wins relate to the overall number of enterprises and employees in Philadelphia.

This approach is mirrored in the Department of Commerce's annual By The Numbers publication, which lists City outputs without tying them directly to measures of impact. Unlike Dallas, Baltimore, and Denver, Philadelphia's economic development metrics focus on the activities of the Commerce Department rather than measuring economic growth. Key considerations for strategic decision making are left unanswered by the current approaches to reporting:

- Did the 3,899 job connections through Commerce in 2024 result in higher rates of employment or earnings in marginalized communities?
- Did $6.5 million invested in capital improvements on neighborhood commercial corridors increase the revenues of local small businesses?
- Did the support provided to 11,126 businesses (33.9 percent of all private establishments in Philadelphia according to 2024 QCEW figures) generate measurable economic growth?

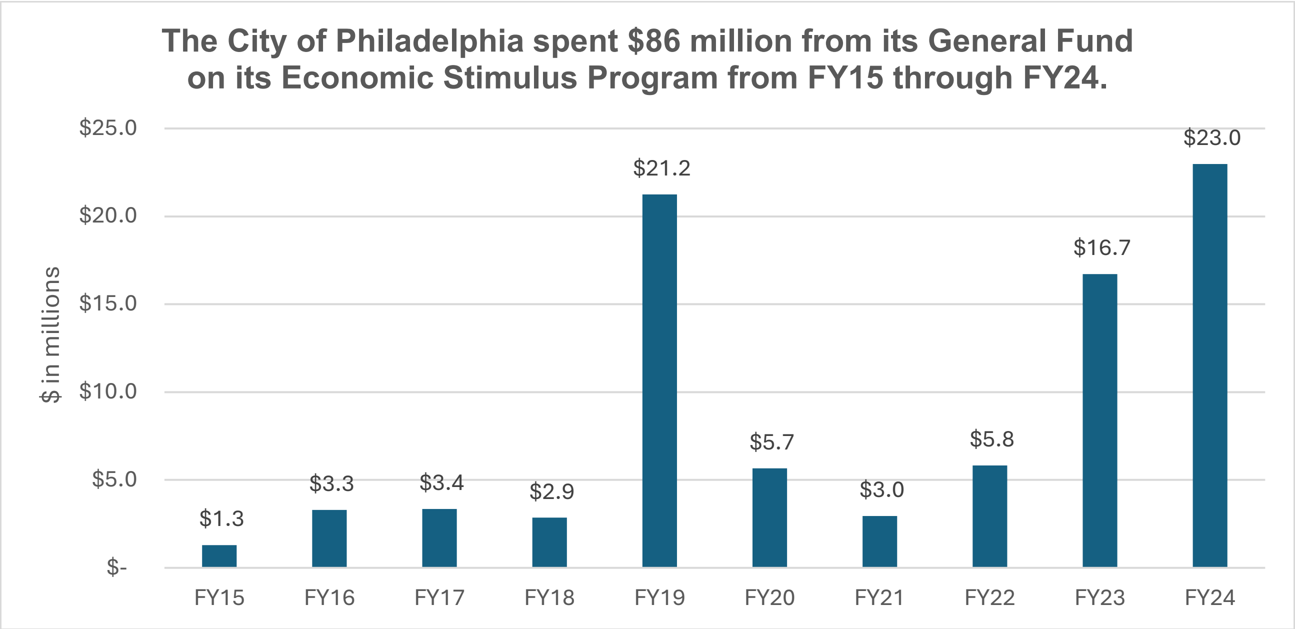
Evaluating Philadelphia's Economic Development Investments

Because spending General Fund dollars is always an exercise in tradeoffs, it is important to evaluate the relative impact of different possible investments. The City of Philadelphia has been investing General Fund dollars in an Economic Stimulus Program (ESP) since FY95. According to the FY95-99 Five-Year Plan, the ESP was designed to combat job losses, support local businesses, and rebuild neighborhood commercial corridors. When launched, ESP spending was accompanied by Quarterly Economic Spending Reports intended to measure the specific efforts and effectiveness of the Economic Stimulus Program, similar to the financial, budgetary, and performance reporting provided in the City's Quarterly City Managers Reports required by the PICA Act.

In PICA's FY00 report, *Good Policy Demands Better Measurement*, PICA noted that Quarterly Economic Stimulus Reports "frequently group[ed] information into charts that display numerical information such as the number of jobs created or retained for each year of a program. Rare [was] the instance when numbers for each respective year of a program actually add[ed] up to the number recorded as the cumulative ESP for the program." PICA stated that neither the Five-Year Plan nor Quarterly Economic Stimulus Reports laid out "an overall strategy for the program or document[ed] the existence of any pre-determined performance measures or evaluative tools to determine if spending decisions result[ed] in expected performance." Written in the sixth year of a program that is now in its 32nd year of existence, *Good Policy Demands Better Management* wrestled with issues that continue to exist today, observing that analysis that would enable more strategic decision making "remains limited because the City does not provide performance standards or expectations for the input of dollars prior to the allocation of money, and the City does not evaluate the results after the money has been used."

From FY15 through FY24, the City spent $86 million from the General Fund on its Economic Stimulus Program. These funds are allocated through the Department of Commerce directly for economic stimulus in the annual budget ordinance. These funds are primarily passed along to be leveraged by the Philadelphia Industrial Development Corporation (PIDC), which is Philadelphia's public-private economic development corporation. PIDC produces an annual By The Numbers report with information on its lending and grant making activities, but does not report directly on the impact, spending, or leverage of the City's General Fund Economic Stimulus Program.

Recent increases in ESP spending have been allocated to the City's Taking Care of Business Clean Corridors Program (TCB) through PIDC. According to its website, Taking Care of Business funds community-based nonprofits to sweep sidewalks and remove litter within neighborhood commercial corridors. The most recent impact report for TCB was published in July of 2024, for activities conducted in 2023. The report highlights outputs like grant dollars awarded, bags of litter removed, and cleaning ambassadors employed, but does not report how this Economic Stimulus Program spending has affected Philadelphia's economic growth. More outcome-oriented measures like changes in corridor vacancy rates or changes in property values and Use and Occupancy Tax collections in TCB corridors would give the City a better sense of how its efforts impact growth.



Making Evaluation Easier

As highlighted in *Good Policy Demands Better Measurement*, without a plan and associated performance measures, there is no way to gauge the effectiveness of an investment, evaluate alternative strategies, or determine if public dollars should be reallocated to other efforts. As was the case 25 years ago, the City of Philadelphia's investments in economic development are tasked with achieving a multitude of goals, from cleaning commercial corridors to advancing the biotechnology industry locally.

Philadelphia's economy and the City of Philadelphia's fiscal outlook have improved significantly since FY00. Since 2020, Philadelphia's job growth rate has exceeded the average of the 25 largest counties in the country. In 2024, Philadelphia's poverty rate dropped to 19.7 percent, falling below 20 percent for the first time since at least 1979. Decades of incremental tax reform, together with award-winning pension reforms and higher General Fund balances, have resulted in the

City's highest credit ratings in at least 40 years. How much of this improvement is due to the City's spending on economic development versus other factors like national economic trends or local tax cuts, is unclear with the City's current approach to measurement and evaluation.

In the past, the City has taken a "beggars can't be choosers" approach to economic development spending, spreading investment across a wide array of programs and incentives and hoping for broader impact without planning strategically for greatest impact. Building from today's less precarious economic footing, the City can and should be more strategic and targeted with its investments in economic development, as recommended in Brookings Metro's recent market assessment of Southeastern Pennsylvania. But without diligent measurement, management, and planning, sifting through confounding variables and understanding the impact of spending on numerous goals is much more difficult. Opportunities that would aid strategic and targeted investments include:

More Meaningful Measurement

The first step towards making it easier to evaluate the impact of General Fund economic development investments is to conduct better measurement. Measurements should be directly related to specific goals and conducted in a way that gives insight into how progress towards a goal would proceed without intervention or investment.

Robust Reporting

Consistent and regular reporting of economic development investments and related goals is another step that can help policymakers understand the tradeoffs involved in a particular investment. Reporting on some non-General Fund economic development spending has improved greatly since PICA's FY00 analysis. The implementation of GASB Statement 77 has generated more robust tax abatement reporting nationally. The City of Philadelphia now conducts in-depth studies on the impact of its economic incentives, assessing their relative effectiveness, demonstrating their comparative benefits and revenue implications, and providing a strategic, streamlined framework the City can use when determining if and how to deploy incentives going forward.

In Philadelphia, reporting on General Fund investments in economic development is lacking. In the past, the City produced Quarterly Economic Stimulus Reports, but no longer does so. Although, according to PICA's previous analysis, these reports often failed to tie investment to impact, regular reporting enabled a better understanding of how Philadelphia's disparate modes of economic development investment came together. The City's Commerce Department produces annual By The Numbers reports that describe metrics like the number of businesses engaged and grant dollars awarded, but these metrics are not tied to specific goals for the wider economy and track outputs rather than outcomes. There is no publicly available reporting on the impact of General Fund dollars spent by PIDC. Improving reporting on General Fund investments in economic development would help the City illustrate progress towards its goals. Because General Fund spending isn't the only investment in economic development the City makes, more comprehensive reporting across funds and activities would produce a better picture of the whole of the City's spending and impact.

System-wide Strategy

Measurement and reporting of economic development spending and its impact allows policymakers and elected officials to prioritize investments best suited to achieve their goals and consider tradeoffs with other policy areas. Having a coherent strategy for General Fund spending on economic development, with clearly defined goals and measures that track progress towards those goals, situated within a larger framework that shows the interplay between all of the regional actors and institutions investing in economic development would help ensure that General Fund investments are having the greatest impact possible and providing the best possible return on investment. Delineation of the kinds of economic development opportunities the City will or will not pursue can enable strategic decision making and inform the development of useful measures of progress and impact.

From Investment to Impact

The City of Philadelphia has made important strides toward fiscal stability and economic recovery in the decades since PICA's creation. Continuing that progress requires more than investment; it requires returns on those investments that yield sustained economic stability and growth. When the City measures how its General Fund economic development spending drives outcomes, it clarifies the value of each dollar and enables more strategic decision making. Linking spending to results transforms economic development from an act of faith into an accountable strategy for growth, helping to build a broader, stronger tax base that supports the City's fiscal health and Philadelphia's economy.

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