

Revenue Fact Sheet:

Locally Generated Non-Tax

Understanding Locally Generated Non-Tax

Locally Generated Non-Tax (LGNT) revenue includes proceeds from the sale of City assets, and various fines, fees, permits, and other charges assessed by the City. It is a catchall category for every dollar collected that does not come from another government, from another City fund (like the Water Fund), or taxes.

Where does LGNT revenue come from?

LGNT revenue is collected by 32 out of 54 City departments for hundreds of different reasons. The fees and fines, which cannot exceed the cost of providing the service, can be used to achieve policy outcomes (like safer buildings and improved road safety) and can be targeted at individuals or businesses taking specific actions or needing a particular service rather than spreading the cost of service delivery across all taxpayers. Like the City's tax collections, LGNT revenues can be affected by local and national economic conditions. Since FY23, the departments with the most revenues are City Treasurer, Licenses and Inspections, and Fire.

Examples of LGNT revenue sources



- **What?** Earnings from City investment portfolio
- **Department:** City Treasurer
- **Who Pays?** Returns from investments of City funds
- **Cost:** How much the City receives varies on investment decisions, cash balances, and economic conditions
- **Revenues FY16-FY25:** \$331.6 million
- **Projected Revenue FY26-30:** \$97.4 million



- **What?** Fees for violating traffic laws
- **Department:** First Judicial District
- **Who Pays?** Person who broke traffic law
- **Cost:** Can range from \$35 driving over the speed limit to \$200 for the first time offenders who are driving without a license
- **Revenues FY16-FY25:** \$37.5 million
- **Projected Revenue FY26-30:** \$12.5 million



- **What?** Permits are required for construction projects, for administrative actions such as obtaining a certificate of occupancy, for special events that involve police or fire services, and for various other regulated activities. Fees apply to all permits
- **Department:** Licenses and Inspections
- **Who Pays?** Any individual or organization seeking a permit
- **Cost:** Construction-related permit fees depend on factors like project size and square footage of work while administrative and other permit fees vary by specific permit type
- **Revenues FY16-FY25:** \$725.3 million
- **Projected Revenue FY26-30:** \$443.4 million

10-Year Trend

In the past decade, LGNT revenue had a compound annual growth rate of 5.4 percent from FY16 to FY25. This rate is within range of other revenue categories that saw compound annual growth rates between 4.5

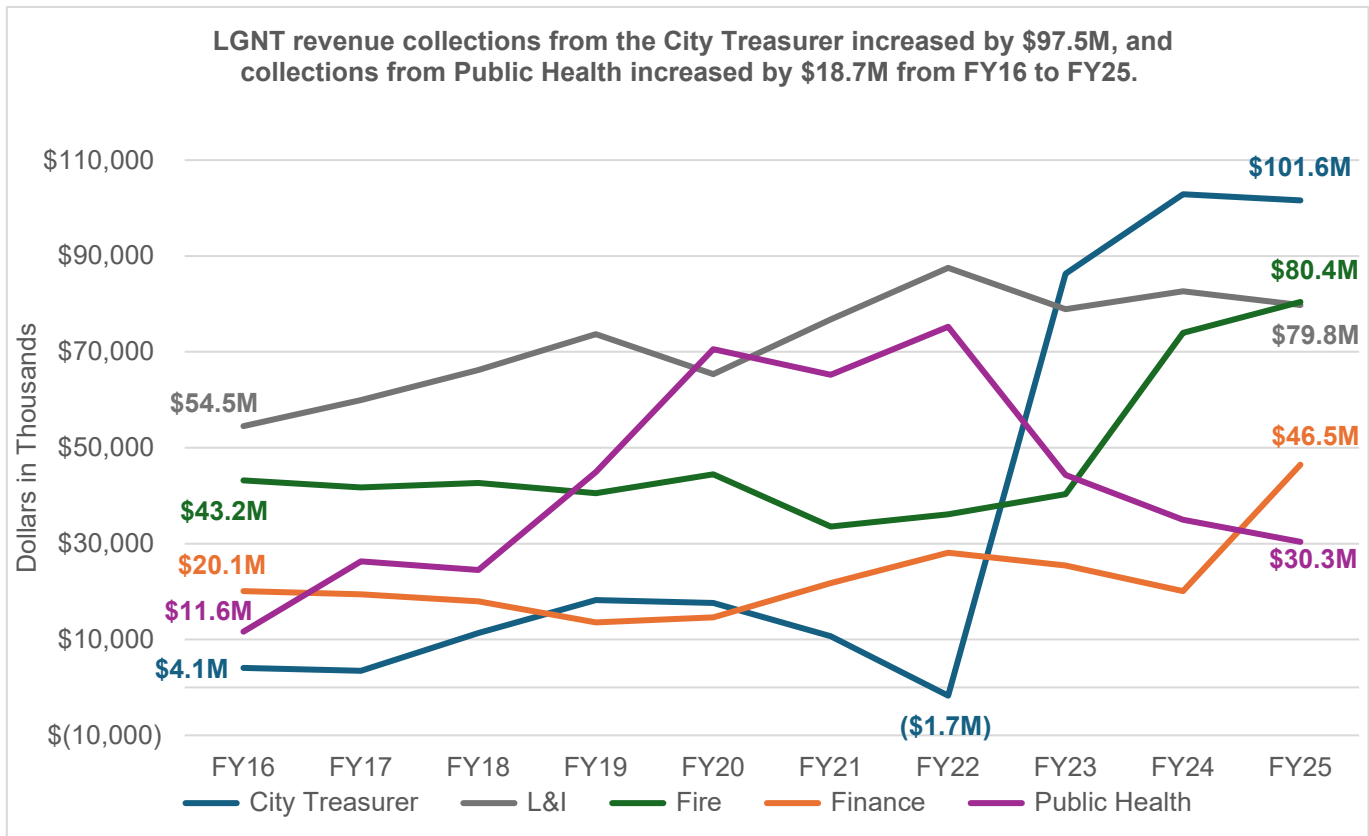
LGNT fluctuated less than overall General Fund revenues in the last decade, which were affected by COVID-related relief funding.

to 5.9 percent over the past decade, except for Revenue from Other Funds (ROF), which had a compound annual growth rate of 31.5 percent over the same period, far surpassing other revenue categories. This increase was due to the American Rescue Plan Act (ARPA) dollars from the federal government during the pandemic, which also boosted LGNT interest earnings. Revenue from LGNT increased steadily over the past 10 years, aside from a COVID-related decrease in FY21.

Over the past ten years, General Fund revenues have been stable overall, with slight year-to-year changes, except between FY20 and FY21, due to the COVID-19 pandemic. LGNT revenue collection volatility was 5.5 percent over the past decade, like other revenue categories which had volatility rates between 5.8 and 7.0 percent. Revenue from Other Funds (ROF) had large fluctuations due to COVID-related relief funds with volatility of 70.5 percent over the past decade.

Departmental Drivers and Changes

In FY25, the five City departments with the highest estimated LGNT revenue collections were: **City Treasurer, Licenses and Inspections (L&I), Fire, Finance, and Public Health**. COVID-19 and the pandemic started affecting the City's economy in FY20, and since then three out of the top five experienced large changes in revenue collections: **City Treasurer, Fire, and Public Health**.



- Interest earnings are the vast majority of revenue for the **City Treasurer's Office (CTO)**. Overall, the market value of the City's investment holdings managed by the CTO increased from negative \$1.7 million in FY22 when there was a decline in the valuation to \$86.2 million in FY23—a \$88.0 million gain driven by multiple, rapid increases in interest rates and higher cash balances. Because the City holds investments to maturity, the City did not experience actual investment losses at fiscal year-end FY22 but the point in time market value reflected the rapid period of interest rate hikes.
- The **Philadelphia Fire Department's** LGNT revenue is primarily fees from Emergency Medical Services (EMS). Ambulance services that are reimbursed by state Medicare and Medicaid programs, or third parties, have

increased by \$36.6 million between FY16 and FY25 from \$42.3 million to \$79.9 million.

- Most of the **Department of Public Health's** LGNT revenue comes from payments received for patient care and pharmacy fees. Payments for patient care increased by \$7.2 million, and pharmacy fee revenues rose sharply—up 406.2% from FY16 to FY25, including an increase of \$5.3 million between FY20 and FY25.
- Revenue from permits for health and sanitation make up about a quarter and construction make up about a half of LGNT revenue collected from the **Department of Licenses and Inspections** in FY25. This is consistent with LGNT revenues for these permits in FY16, which were 30.3 percent or \$16.5 million (health and sanitation permits) and 46.4 percent (construction permits) or \$25.3 million out of a total of \$54.5 million in LGNT revenue from L&I in FY16.
- Changes in the LGNT revenue collected by the **Office of the Director of Finance**, for Solid Waste Education and Enforcement Program (SWEEP) fines, burglar alarm licenses, and false alarm fines generated roughly \$10M per year before being transferred to CAO in FY18. Since FY18, Finance saw increased revenue collections from reimbursements going from \$12.0 million in FY19 to \$44.4 million in FY25.

Looking Ahead

Largest LGNT Sources (FY26-30 Projections)				
Source	Amount	Department	Percent of LGNT Revenue	Percent of General Fund Revenue
EMS Fees	\$433.1M	Fire	21.4%	1.3%
Building & Equipment Permits	\$227.9M	Licenses and Inspections	11.2%	0.7%
Payments for Patient Care	\$153.1M	Public Health	7.6%	0.5%

The City projects \$5.7 million less LGNT revenue in FY30, compared to the start of the Plan, and a compound annual revenue decline of 0.4 percent, while General Fund revenues are projected to grow at a compound annual rate of 2.3 percent. Two major drivers of the LGNT projected decline are cable franchise fees and interest earnings. As cable television subscriptions decline, the City expects less funds from these agreements negotiated with cable providers to allow them access

to the Philadelphia market. With less cash on hand following the spending down of federal COVID-relief funds and lower interest rates than in recent years, interest earnings are expected to produce fewer dollars for the General Fund in the coming years. FY28 stands out as an anomaly; the City plans to sell the former Police headquarters (the Roundhouse) and the Medical Examiner's Building, which are expected to generate significant one-time revenues.

The Big Picture

Locally Generated Non-Tax revenue plays an important role in Philadelphia's fiscal stability. It encompasses a diverse range of sources from permits to interest earnings – all of which help diversify the City's financial portfolio. Over the past decade, LGNT revenue was steady and weathered economic fluctuations like the COVID-19 pandemic. Future projections show a decline in LGNT revenue overall and are projected to be a smaller share of General Fund revenues, largely due to lower expectations for interest earnings. LGNT revenue is a crucial element of a broad fiscal foundation that is somewhat insulated from policy changes at other levels of government, allowing the City to continue to maintain services and respond thoughtfully to economic uncertainty and changes.

Where to Learn More

For additional details on **Locally Generated Non-Tax (LGNT)** revenue and the City's financial outlook:

- See PICA's [Staff Report on the Five-Year Plan for FY26-30](#) and past Staff Reports at picapa.org.
- Visit the City of Philadelphia's [Office of the Director of Finance](#) website for City budget documents.