

Mayor Nutter Announces Unprecedented Budget Shortfall & Plan for Citizen Education and Engagement on Budget Choices

Since the FY09 budget revision two months ago, the national and local economy have further declined dramatically:

- More than 1 million Americans lost their jobs in November and December (and more gave up looking or are now underemployed)
- Congressional Budget Office now projects this will be the longest, and perhaps the deepest, recession since World War II
- The City's pension fund has outperformed the market but still declined 22% between July 1 and Nov 30, requiring an additional \$530 million in contributions over 5 years
- City tax revenues declined another \$64 million as economic activity and the tax revenues they generate have dropped. Philadelphia's unemployment rate reached 8% in November, and experts expect it to rise further.

The deepening recession has created another unprecedented City budget shortfall:

- After closing a \$1 billion gap two month ago, another \$1 billion gap has emerged—even after assuming the economy begins to grow again next year
- The FY09 Mid-Year Budget Revision used economic estimates consistent with national and local expert projections at that time
- This new shortfall stems from the precipitous economic decline since November and the latest economic projections
- Cities, States and businesses across the nation are facing similar shortfalls although unlike most cities, Philadelphia must balance its budget for each of 5 years

Mayor Nutter's plan for unprecedented public education and input on City's stark budget choices:

- PhillyStat sessions on City's condition and key budget drivers
- Four community budget workshops in February in cooperation with the Penn Project for Civic Engagement to get input on which items to prioritize over others
- Periodic meetings with stakeholders on the challenges and choices
- Public City Council briefings leading up to the Mayor's March 19 budget proposal

Scale of the problem means everyone will be affected and the choices will be even more painful than those steps taken to close the last \$1 billion budget shortfall, including

- Delayed business and wage tax reductions until 2015 saving almost \$230 million
- Achieved \$91 million in efficiencies and revenue enhancements, including \$10 million from reductions in the City's vehicle fleet and \$13 million from reducing overtime
- Eliminated 800 positions and 2,000 part-time and contractual positions
- Imposed salary cuts for Cabinet-level officials and Managing Director's Office and Mayor's Office staff and required five furlough days for some exempt employees.