
Peter Tobia for The Pew Charitable Trusts

The Future of Fiscal Oversight in Philadelphia

The state agency that monitors city finances may soon disappear

Overview

In the next few years, Pennsylvania—and Philadelphia—must determine whether a state agency should continue to oversee the city government's finances, as it has for nearly three decades.

Since 1992, Philadelphia's finances have been overseen by the Pennsylvania Intergovernmental Cooperation Authority (PICA), a state agency created in response to a fiscal crisis that left Philadelphia unable to borrow money. In its first several years, PICA issued bonds to fund the city's accumulated operating deficit, and in every year since its creation, it has required the city to submit a five-year financial plan. PICA has monitored city finances through two recessions and four mayoral administrations, and its oversight is backed by substantial enforcement power: The agency can withhold up to $500 million in local wage tax revenue if the city fails to create a five-year plan that PICA approves.

For Philadelphia, the PICA oversight era has consisted of nearly three decades of relative financial stability. The city's credit rating has risen, and its general fund has ended the fiscal year with a surplus in 23 of the past 26 years. However, PICA could soon disappear. Under the law that created it, the Authority will sunset no more than a year after the last of its bonds are paid off, unless the state Legislature renews it. And the bonds will be paid off in 2023.

As a result, state and local policymakers will soon face a choice. They can reauthorize PICA, possibly with additional bonding authority or other changes to its mission or powers—or they can allow the agency to go out of business, returning full responsibility for budgetary stability to the city. Philadelphia officials would then have to decide whether to retain five-year financial planning and quarterly reporting on revenue and expenditures, practices that have been required under the PICA statute, and whether to create a new, locally governed fiscal oversight body.

This decision point raises several related questions. How important a role has PICA played in the city's fiscal stability since 1992? What is the value of the independent oversight that the Authority has provided? Would PICA's disappearance increase the risk that the city's fiscal health might deteriorate?

In this report, The Pew Charitable Trusts examines these questions with a view toward informing the policy debate over PICA's impending expiration. The research is based on a review of official documents and interviews with state and local officials who have been involved with city finances over the past three decades.

How PICA came into being

In fall 1990, the city of Philadelphia faced severe fiscal problems. Despite years of personnel reductions, service cuts, and tax increases, the city was unable to balance its budget. It had ended fiscal year 1990 with a general fund deficit of $73 million, and it anticipated an additional deficit of $136 million for fiscal 1991.[1] It could no longer access the bond market for working capital or long-term borrowing, and it faced a cash crisis. By January 1991, the city's only option was to borrow money from local banks and city and state pension funds at an effective annual interest rate exceeding 24 percent.[2]

In spring 1991, at Philadelphia's request, the state Legislature created PICA to help the city address these problems.

The act that created PICA stated three broad goals: to help Philadelphia eliminate budget deficits, to enable it to access capital markets, and to facilitate sound financial planning and budget practices.[3] The specific provisions of the act were:

- PICA would be governed by a board consisting of five voting members, each a private citizen experienced in finance or management and appointed for a two-year term concurrent with the terms of members of the state House of Representatives.[4] Each of five state officials—the governor, the president pro tempore of the Senate, the Senate minority leader, the speaker of the House of Representatives, and the House minority leader—would name a member. The board also included two nonvoting, *ex officio* members: the city finance director and the state budget secretary.
- PICA was empowered to issue bonds and grant the proceeds to Philadelphia to fund its operating deficits and capital projects, and to refinance city debt. The bonds were to be secured by revenue from a tax designated by the city exclusively for PICA's use. Ultimately, city officials converted into the PICA tax the first 1.5 percent of the wage tax that city residents paid. The Authority uses this revenue, which now

amounts to nearly $550 million per year, to pay debt service on its outstanding bonds, then transfers the remainder to Philadelphia. The debt service peaked at $107 million per year from fiscal 1997 through 2002 and has since gradually declined; in fiscal 2020, it is projected at only $47 million, meaning that roughly $500 million of PICA tax revenue will be passed on to the city.[5]

- For as long as the bonds were being paid off, PICA was to oversee city finances through a five-year financial plan that Philadelphia would prepare and PICA would approve. Each plan was to project balanced budgets for five years based on reasonable assumptions and by reducing expenditures, increasing revenue, or boosting productivity. If the city failed to comply with five-year financial plan requirements at any time, PICA was authorized to withhold the proceeds of the PICA tax and some state grants.
- Philadelphia would be required to submit to PICA quarterly reports of actual revenue and expenditures.
- When awarding wages and benefits to uniformed employees, labor arbitrators were required to consider the five-year financial plan and the city's ability to pay for wage and benefit increases without raising tax rates or adversely affecting service levels.
- As long as PICA had outstanding debt, Philadelphia could not file for bankruptcy protection under Chapter 9 of the federal code.
- The city was authorized to levy a 1 percent local sales tax to garner additional funds to help balance its budget.

PICA's first move was to work with then-Mayor W. Wilson Goode Sr. and members of City Council to develop an intergovernmental cooperation agreement that would lay out roles and responsibilities. The pact took effect in January 1992, after newly elected Mayor Edward G. Rendell took office.

Rendell and his staff began working on the city's first five-year financial plan, which PICA approved. The plan represented a roadmap to fiscal stability based on over 100 potential initiatives to reduce costs and increase revenue. Its proposed changes included management efficiencies, improved tax collections, and modifications to union contracts—notably, a wage freeze, reductions in monthly payments to union health benefit funds, disability program reforms, and fewer paid holidays.

PICA issued its first series of bonds, for $475 million, in June 1992—including $153.5 million to fund the city's accumulated general fund deficit through fiscal 1991.[6] The Authority issued three additional series of bonds before its long-term bonding authority expired in December 1994. The additional bonds brought PICA's total bond issuance to over $1 billion.

By implementing the plan initiatives and negotiating new municipal union contracts, the city restored fiscal balance relatively quickly: It achieved a general fund surplus for fiscal 1993 and regained its investment-grade credit ratings from Moody's and Standard & Poor's in spring 1995. In December 1995, Philadelphia successfully issued long-term debt for the first time since the crisis.

How PICA has performed

For the most part, city government in Philadelphia has achieved fiscal stability since the early 1990s. During that period, the local economy has strengthened, particularly in the past decade, and the city has had a succession of mayors who have recognized the importance of sound fiscal policy. But the stakeholders interviewed for this study largely agree that PICA Act requirements have played a role as well in helping the city access capital markets, eliminate budget deficits, and adopt sound financial planning and budgeting processes, as the PICA Act envisioned.

Accessing capital markets

In 1992, when PICA began operating, the city government's financial situation was so dire that no one would lend it any money. Thanks to PICA's initial bond issues, Philadelphia was able to borrow money three years later.

In addition, PICA's very existence has had a positive impact on Philadelphia's bond ratings, with rating agencies consistently citing the five-year financial plan and PICA oversight in their reports on the city's fiscal situation. According to Lisa Schroeer, senior director at S&P Global Ratings, PICA's oversight "provides some additional comfort on the financial planning for the city. It's one more layer to … double-check and to question assumptions. … It gives some added support to the numbers we're looking at, knowing that a third party has also questioned the projections."[7]

In the view of most of the officials and other stakeholders interviewed for this study, PICA's oversight resulted in higher credit ratings and lower borrowing costs than would have been the case without PICA.

Still, Philadelphia's credit ratings remain relatively low compared with those of other large cities. Moody's Investors Service assigns Philadelphia a long-term rating of A2; among the 25 largest U.S. cities, only Chicago and Detroit have lower ratings. (See Table 1.) According to Moody's, the city's credit rating is limited by high poverty, reliance on relatively volatile revenue sources, limited financial reserves, an above-average debt burden in relation to the tax base, and a high unfunded pension liability.[8]

Eliminating budget deficits

Another PICA Act goal was to eliminate city budget deficits. As shown in Figure 1, Philadelphia's general fund has ended the year with a surplus in 23 of the 26 years since fiscal 1992—at least in part because of the fiscal discipline imposed by the PICA process, including the five-year financial plan, quarterly reporting, and PICA oversight.

Table 1

Moody's Credit Ratings for Large U.S. Cities

Ratings for general obligation debt of 25 most populous cities*

Cities	Credit rating
Austin, TX	Aaa
Boston	
Charlotte, NC	
Columbus, OH	
Denver	
Indianapolis-Marion County, IN	
Portland, OR	
San Antonio	
San Francisco	
Seattle	
Washington	
New York City	Aa1
Phoenix	
San Jose, CA	
Los Angeles	Aa2
Nashville-Davidson County, TN	
San Diego	
Fort Worth, TX	Aa3
Houston	
Dallas	A1
Jacksonville, FL	A2
Philadelphia	
Chicago	Ba1
Detroit	Ba3

* Among the 25 largest U.S. cities, Moody's rates the general obligation debt of all except El Paso, Texas, which is not included here.

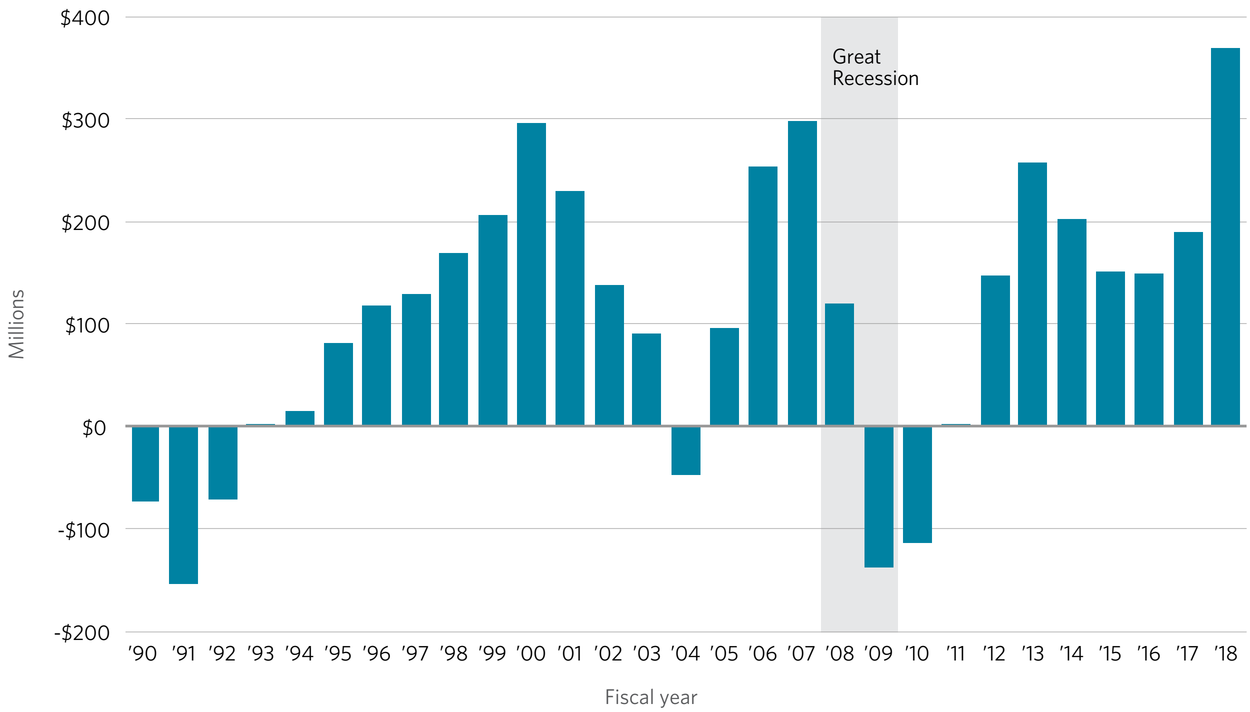
Note: Ratings shown are as of Aug. 12, 2019.

Source: Moody's Investors Service Inc.

Figure 1

City of Philadelphia General Fund Balance at Year-End

Fiscal years 1990-2018



Source: City of Philadelphia, Comprehensive Annual Financial Report, various years

Fostering sound financial planning and budgetary practices

The five-year financial plan and quarterly reporting required by PICA have become established features of Philadelphia's budget process. In conjunction with the measures mandated by the City Charter, these procedures have helped the city maintain fiscal discipline in several ways:

- *External validation of estimates.* The PICA Act requires that the revenue and expenditure projections in the five-year financial plan be "based on reasonable and appropriate assumptions and methods of estimation …"[9] PICA staff, in reviewing the plan, focus on assumptions such as projected tax base growth, employee wage and benefit costs, revenue from new tax sources, and expenditures on new programs. PICA's independent fiscal scorekeeping is valued by city officials.
- *Long-term perspective.* Because the financial plan must project balanced budgets for five years, the plan process compels city officials to take a long-term view of budgetary decisions. Any decisions to alter tax rates or other revenue streams, create new programs, modify labor contracts, or issue debt are viewed through the lens of the five-year plan. One benefit of this perspective is that it discourages reliance on temporary revenue sources. As the city's finance director, Rob Dubow, explained, the plan process "means you can't just balance for one year and do one-timers, because that will then show in the out years of the plan."[10] The plan requirement also affects decisions about implementing new programs. City Councilman Derek S. Green said that when council members are negotiating with city officials about new budgetary initiatives, the five-year plan is important because "the administration will say, 'Well, it's not just this year, it's about the five-year plan, which we've got to balance.'"[11]

- *Ongoing monitoring.* The PICA Act also requires the city to report quarterly to PICA on "actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures ..."[12] Philadelphia meets this requirement through its "Quarterly City Managers Report," which tracks fiscal performance in relation to budget; explains deviations; and provides information on personnel levels, leave usage, cash flow, and agency performance. PICA staff also monitor city finances throughout the year and publish analyses of both the "Quarterly City Managers Report" and tax revenue trends.

Estimating revenue

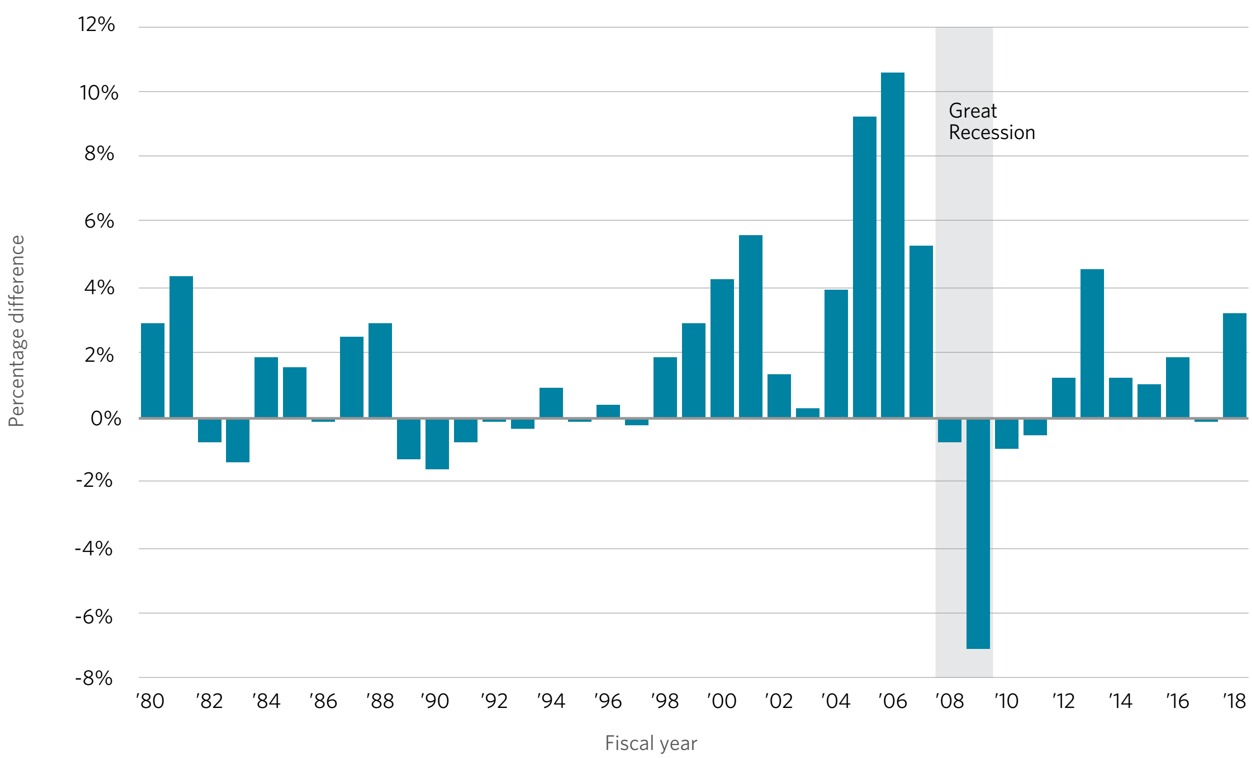
A cornerstone of the five-year plan process is revenue estimation, on which the city typically works closely with PICA. For the most part, the estimates have been reasonably accurate and generally conservative.

In the decade before PICA oversight—fiscal 1983 through 1992—actual general fund tax revenue came in below the budget estimate in six of the 10 years. Since then, revenue has exceeded the budget estimates in 18 of 26 years. (See Figure 2.) Revenue came in below estimates during the recession and in its aftermath, from fiscal 2008 to fiscal 2011.

Figure 2

City of Philadelphia General Fund Tax Revenue, Actual Versus Budget Estimate

Percentage difference, fiscal years 1980-2018



Source: City of Philadelphia, Comprehensive Annual Financial Report, various years

Before the proposed five-year plan is released each year, the Philadelphia city budget office, working with consultants, develops five-year projections of tax base growth for each of the city's major tax sources. External experts and city officials review these projections at a meeting convened by PICA, modifying them if necessary. Ongoing monitoring of tax collections by city officials also results in their periodically revising the projections.

Anna Adams, a former city budget director, said that the PICA process makes revenue estimates more reliable "because it takes away from any potential political interference in forecasting, as the forecasts are known to be reviewed by staff of the PICA board."[13]

Other PICA Act Provisions

The PICA Act includes other provisions, not directly related to the Authority's operations, with fiscal benefits for the city:

Labor contracts

The PICA Act requires that the arbitrators who determine labor contracts between the city and its uniformed employees take into account the five-year plan and the city's ability to pay for higher wages and benefits without raising tax rates or negatively affecting service levels. Although it is impossible to know what contract terms would have been like in the absence of the act, many of the people interviewed said this requirement has played a major role in keeping labor costs manageable. And this requirement is significant for city finances because employee wage and benefit costs represent 64 percent of the fiscal 2020 general fund budget.

David L. Cohen, chief of staff to then-Mayor Rendell, said the PICA Act provisions related to arbitration were "the most central element of the [financial] turnaround" of the early 1990s. Had the city not been able to reduce labor costs, he said, the Rendell administration would have been forced to implement service cuts that would have "destroyed the quality of life in the city."[14]

Bankruptcy prohibition

The PICA Act prevents the city from declaring bankruptcy under Chapter 9 of the federal code for as long as PICA has outstanding debt and its oversight powers are in force. This provision, according to Katherine Clupper, a city financial adviser, has been important to investors because it is a guarantee against Philadelphia defaulting on its debts.[15] The act also states that once PICA's oversight ends, the city may file for bankruptcy only with the governor's approval.[16]

PICA's limitations

PICA has generally succeeded at the broad goals outlined for it in the PICA Act. But the scope of its actions has sometimes fallen short of what critics and some board members would have liked.

Authority over city policy

State financial oversight boards are often said to be undemocratic, substituting their judgment for that of local elected officials.[17] The PICA Act, however, prohibits the Authority from making policy decisions regarding the allocation of public funds. PICA has enforced fiscal discipline but has not sought to evaluate the city's financial plans from a policy perspective.

Ron Henry, PICA's first executive director, said: "It's not our job to tell you what to do. It's our job to evaluate what you're doing."[18] Current Executive Director Harvey Rice noted: "We do not establish policy. We allow the elected representatives to put in the programs they think are best. Our job is to make sure they have the money to fund them."[19]

The statute permits PICA to make recommendations to Philadelphia officials regarding the city's "budgetary and fiscal affairs" and to the governor and Legislature regarding state policies that influence municipal finances.[20] The Authority has performed this advisory role periodically through staff reports, board resolutions, and testimony. The impact of this work is difficult to assess; some of the Authority's recommendations—on pensions, employee health benefits, budget stabilization, and property assessment—have been implemented by the city.

Enforcement options

PICA has never formally rejected a five-year financial plan. One reason has to do with the consequences: If the Authority rejects a plan, it must withhold PICA taxes and other state grants that would otherwise be due to the city. In the view of some current and former PICA board members, the severity of this penalty—the PICA tax alone generates approximately $500 million for the city treasury—has made it all but unusable, diminishing the Authority's ability to negotiate changes to the plan in exchange for approving it.

Drew Crompton, chief of staff to Senate President Pro Tempore Joseph B. Scarnati III, said: "I don't get the sense that PICA has any real play in the budgetary process. Any real seat at the table is nullified to a point because of this all-or-nothing paradigm that is set up in the statute."[21]

There have been several cases in which PICA has made an impact on city budgets. In the early 1990s, for instance, the Authority persuaded Philadelphia to alter revenue estimates in the five-year plan. And PICA's oversight and enforcement power played a key role during the 2007-09 recession, the time during the Authority's history when city finances were the most precarious.

In summer 2009, Philadelphia's five-year plan projection was based on passage of state legislation to increase the local sales tax and defer required pension payments—which had not happened when PICA received the plan from the city. PICA did not reject the plan but refused to approve it. The potential that the Authority would reject the plan increased the pressure on the Legislature to act. James Eisenhower, who was board chair at the time, said he believes that the prospect of PICA using its "hammer" and withholding hundreds of millions of dollars from the city "played a significant role in breaking that … logjam in Harrisburg."[22] Ultimately, the Legislature acted, and the plan was approved.

Labor cost projections

In the five-year plan, departmental personnel cost projections include only costs associated with union contracts in force at the time of the plan's adoption. So if one of those contracts expires after year two of the five-year period, the plan assumes no increase in wages and no changes in health benefit costs in years three, four, and five. As a result, any future labor contracts often result in costs higher than the plan projection.

City officials say that including any assumption about wage or benefit cost increases beyond current contracts would be counterproductive because the unions would assume they would get at least that much and bargain for more.

In recent plans, the city, at PICA's urging, has been including a financial reserve for future labor costs. And PICA staff analyze the potential impact of future labor contracts in their own reports on the plan.

Policy options

Policymakers at the state level will soon be faced with the issue of whether to keep PICA in existence. In addition, city officials must decide whether to ask that the Authority's life be extended—and, if so, whether its role or mission should be modified in any way. If PICA is not continued, local officials will need to consider whether to institutionalize the processes that will expire with PICA—particularly the five-year financial plan and quarterly reporting—and whether additional local institutions should be created to promote fiscal stability. Here are some options that key stakeholders have been discussing.

Maintaining PICA

Dubow, the city finance director, and other members of Mayor Jim Kenney's administration have expressed support for keeping PICA in some form, and many of the stakeholders interviewed for this report agreed, citing the benefits to Philadelphia in terms of fiscal management, labor cost controls, and credit enhancement.

Those who recommend continuing PICA point to the way in which its existence has brought fiscal discipline to the city via the five-year financial plan and the Authority's ability to enforce compliance. They also say that the requirement that labor arbitrators take the city's finances into account has helped produce contracts with workers that are consistent with fiscal health and stability.

Citing Philadelphia's poverty rate, high wage tax, and need to fund both city and county services, Cohen, Rendell's former chief of staff, said, "We are still a city at risk, and I believe it would be unwise for us to give up any tool that helps the mayor and the City Council to produce balanced and responsible budgets on a going-forward basis. … [A] continuation of the PICA ecosystem, including the Authority and the collective bargaining principles, … is in the strong, best interest of the city of Philadelphia."[23]

Henry, PICA's first executive director, said the Authority's existence has worked as both a sword and a shield for city officials concerned about the optics of fiscal responsibility: It's "a sword that could make them do something they wanted to do but didn't have the political support to do" and "a shield in the sense that it gives the mayor and council … the opportunity to say, 'Well, we were going to put on another 300 cops, but they [PICA] told us we couldn't afford it.'"[24]

Former Pennsylvania Lieutenant Governor Jim Cawley, a PICA board member, said the Authority's existence helps moderate the perennial strains between the city and state governments: "There is a constant competition for a finite amount of resources. … If there is even a modicum of assurance that someone is keeping an eye on the money that's being spent, I think that helps to create a better relationship between the two entities."[25]

And Dubow cited the Authority's impact on Philadelphia's bond ratings. "If PICA sunsets," he said, "one of the issues for us will be the loss of an entity that rating agencies and markets have come to rely on, and it's seen as a credit positive."[26]

Modifying PICA

If PICA is renewed, it will have to be modified; its current existence is tied to paying off bonds that will have been paid off, and the justification for the PICA tax, used to finance those bonds, will have disappeared. Other changes might be considered as well.

One proposal being discussed by some local officials is to renew PICA's authorization to borrow and use it for school construction or other long-term civic priorities. PICA's bonding authority, after all, is a powerful tool, tied as it is to a dedicated tax; its bonds are highly rated by the three major bond-rating agencies, giving it the ability to borrow at low interest rates.

Another potential modification has to do with PICA's enforcement power. PICA board member Cawley, for one, suggested that the board needs an option aside from rejecting the entire five-year financial plan and depriving Philadelphia of millions of dollars: "If we had the ability to be perhaps more surgical in the way we could bring attention to certain areas, I think that would only aid in helping the city to get better financially."[27]

Even without the bonding authority and the tax, PICA could retain the power to withhold some state grant funds from the city as a financial sanction for noncompliance.[28] The penalty would be more limited and, potentially, more usable.

Reflecting the financial progress that Philadelphia has made over the past three decades, a reauthorized PICA could be given an explicit mandate to examine goals beyond balanced budgets. Former PICA Executive Director Uri Monson would like to see the five-year plan used as a blueprint for improving government's internal operations and service delivery.[29] Or, as Councilman Green put it, PICA could be required to conduct fiscal analysis of policy proposals, to help "evaluate different ideas and suggestions that come from either the executive or legislative branch."[30]

Another issue likely to be raised is the board's makeup, in terms of both how members are named and what qualifications they must have. Former board chair Sam Katz said board members should be politically independent and free of conflicts of interest; currently, all members are named by state elected officials.[31]

More fundamental changes also are possible. For instance, New York City has a state oversight agency, the New York State Financial Control Board, that was established in 1975 to deal with a financial emergency. It continues to exist, but its oversight powers were placed on hold in 1986 and will remain there as long as the city maintains a balanced budget and meets other fiscal benchmarks.[32] Under this model, the city retains fiscal autonomy, but there's a mechanism in place, if needed, to prevent another crisis.

Eliminating PICA

The original justification for PICA was that Philadelphia's fiscal crisis threatened the city's ability to provide basic services. Because such a crisis no longer exists, some city leaders question whether PICA is still needed.

City Controller Rebecca Rhynhart favors allowing the Authority to sunset. "Governments across the country do five-year financial planning and quarterly financial reporting without being required by state law," she said. "It's about self-control, self-rule, and doing the right thing."[33] Rendell, the former mayor and governor, agrees: "We've demonstrated our ability as a city to manage ourselves and to make sure that we don't spend more money than we have coming in."[34]

Another concern among some stakeholders is the risk that a reauthorized PICA could become overtly politicized—and thus less effective.

An additional consideration is the cost of PICA operations, which would disappear if the Authority were not reauthorized. In the most recent fiscal year, the Authority's general fund operating cost totaled $1.25 million.[35]

If PICA expires, though, the PICA tax will expire as well. The wage tax on city residents would decline by 1.5 percentage points. Policymakers would have to decide whether to increase the wage tax by that amount—an action that would mean no change for city residents who pay the wage tax—or to find other revenue to make up all or part of the difference.

Maintaining PICA functions

Even if PICA is not reauthorized, Philadelphia could seek to retain the fiscal management practices and other aspects of the PICA Act. Long-term financial planning and quarterly financial reporting could be mandated by a city ordinance, charter amendment, or state legislation. So, too, could the city's practice of seeking external advice as part of its revenue estimation process in developing the five-year financial plan.

Or Philadelphia could create a new local agency charged with reviewing the city's finances and serving as an independent source of fiscal information and analysis. Such a body would not have PICA's enforcement power, and the challenge would be to ensure its political independence. But it could offer independent verification of the city's fiscal projections and perhaps play a broader role in providing fiscal analysis of legislation and other key issues. Other cities have created such agencies.[36]

Conclusion

City and state policymakers face an important decision about how to respond to PICA's expiration in 2023 or 2024. The PICA Act brought about important changes to Philadelphia's fiscal governance that have facilitated an era of fiscal stability. But the city still faces major fiscal challenges that will require continued discipline and creativity. Extending state oversight may play an important part in ensuring that Philadelphia is able to address these challenges. Alternatively, local institutions could fill the gap when PICA expires.

Ultimately, the lesson of three decades of PICA oversight is that institutions matter greatly to fiscal management and provide the structure within which sound policies are made.

About this brief

This report was researched and written by Steve Camp-Landis, an officer with The Pew Charitable Trusts' Philadelphia research initiative. It was edited by Larry Eichel, director of the initiative, along with Erika Compart and Bernard Ohanian.

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This report does not necessarily reflect the opinions of any of these individuals or their institutions.

Endnotes

1 R.P. Inman, "How to Have a Fiscal Crisis: Lessons from Philadelphia," *American Economic Review* 85, no. 2 (1995): 378-83.

2 M.D. Hinds, "A $150 Million Loan Buys Philadelphia Some Time," *The New York Times*, Jan. 18, 1991, https://www.nytimes.com/1991/01/18/us/a-150-million-loan-buys-philadelphia-some-time.html.

3 Pennsylvania Statutes Title 53 P.S. § 12720.102.

4 The original PICA legislation, Act 6 of 1991, specified that all board members would serve terms that were coterminous with their appointing official, meaning some were two years and some four. In 1994, the Legislature changed that provision to make all members' terms two years, coinciding with those of members of the state House of Representatives. The current PICA board members are James F. Cawley, Michael A. Karp, Alan C. Kessler, Kevin Vaughan, and Tina Byles Williams.

5 PICA Annual Reports, various dates, available at http://www.picapa.org/abou/annual-reports; City of Philadelphia, The Mayor's Operating Budget in Brief for Fiscal Year 2020, 10, https://www.phila.gov/finance/pdfs/Operating%20Budget/FY20%20BudgetinBrief_Adopted.pdf.

6 Pennsylvania Intergovernmental Cooperation Authority, Annual Report for Fiscal Year 1992, http://www.picapa.org/docs/OW/AR_FY92.pdf.

7 L. Schroeer (senior director, S&P Global Ratings), interview with The Pew Charitable Trusts, July 19, 2019.

8 Moody's Investors Service, "Credit Opinion Philadelphia (City of) PA: Update to Credit Analysis," April 19, 2019.

9 Pennsylvania Statutes Title 53 P.S. § 12720.209.

10 R. Dubow (director of finance, city of Philadelphia), interview with The Pew Charitable Trusts, June 18, 2019.

11 D.S. Green (councilman at large, city of Philadelphia), interview with The Pew Charitable Trusts, Aug. 13, 2019.

12 Pennsylvania Statutes Title 53 P.S. § 12720.209.

13 A. Adams (former budget director, city of Philadelphia), interview with The Pew Charitable Trusts, July 2, 2019.

14 D.L. Cohen (senior executive vice president and chief diversity officer, Comcast NBCUniversal, and former chief of staff to Mayor Edward G. Rendell), interview with The Pew Charitable Trusts, Sept. 19, 2019. Pew attempted to interview a representative of city employee unions but was unable to do so.

15 K. Clupper (managing director, PFM Financial Advisors LLC), interview with The Pew Charitable Trusts, June 3, 2019.

16 Pennsylvania Statutes Title 53 P.S. § 12720.211.

17 C.P. Gillette, "Dictatorships for Democracy: Takeovers of Financially Failed Cities," *Columbia Law Review* 114 (2014): 1373-1462.

18 R. Henry (senior consultant, Capitol Strategies Group, and former PICA executive director), interview with The Pew Charitable Trusts, June 7, 2019.

19 H. Rice (executive director, Pennsylvania Intergovernmental Cooperation Authority), interview with The Pew Charitable Trusts, June 24, 2019.

20 Pennsylvania Statutes Title 53 P.S. § 12720.203.

21 D. Crompton (chief of staff to Senate President Pro Tempore Joseph B. Scarnati III), interview with The Pew Charitable Trusts, July 1, 2019.

22 J. Eisenhower (of counsel, Dilworth Paxon, and former PICA board chair), interview with The Pew Charitable Trusts, Aug. 14, 2019.

23 Cohen, interview.

24 Henry, interview.

25 J. Cawley (board member, Pennsylvania Intergovernmental Cooperation Authority), interview with The Pew Charitable Trusts, July 24, 2019.

26 Dubow, interview.

27 Cawley, interview.

28 Currently, in the event of Philadelphia's noncompliance with the act, PICA may direct the state to withhold from the city any grant revenues except those related to capital projects, disaster relief, pensions, health and human services, revenue bonds, and courts or correctional programs.

29 U. Monson (chief financial officer, School District of Philadelphia, and former PICA executive director), interview with The Pew Charitable Trusts, Aug. 27, 2019.

30 Green, interview.

31 S. Katz (executive producer, History Making Productions, and former PICA chair), interview with The Pew Charitable Trusts, May 24, 2019.

32 In 1986, the New York State Financial Control Board entered a sunset mode under which its power to approve the city's financial plan was eliminated. However, the board continues to monitor city finances and must annually certify that the city's finances meet certain benchmarks. If the city were to fail these tests—which include maintaining a balanced budget and continuing to access the credit markets—the full oversight powers would be reinstated.

33 R. Rhynhart (city controller, city of Philadelphia), interview with The Pew Charitable Trusts, Aug. 21, 2019.

34 S.C. Walsh, "Does Philly Still Need Harrisburg to Oversee Its Budget?" *The Philadelphia Inquirer*, July 27, 2019, https://www.inquirer.com/news/future-of-philly-budget-oversight-debated-20190727.html.

35 Pennsylvania Intergovernmental Cooperation Authority, Annual Report for Fiscal Year 2018, http://www.picapa.org/wp-content/uploads/2018/10/FY2018-Annual-Report-FINAL-compressed.pdf.

36 See L.A. Weikart, "Monitoring the Fiscal Health of America's Cities," in *Handbook of Local Government Fiscal Health*, eds. H. Levine, J.B. Justice, and E.A. Scorsone (Burlington, MA: Jones and Bartlett Learning, 2013).

For further information, please visit:
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