

Legislation Text

File #: 000236, **Version:** 0

Authorizing a full and comprehensive joint investigation by Council's Committees on Law and Government and Commerce and Economic Development of the allegations raised in the PICA and Controller's Office reports concerning the Economic Stimulus Program and the use of quasi-governmental bodies to distribute public funds to private for-profit enterprises.

WHEREAS, In June 1994, the City's Department of Commerce entered into an agreement with the Pennsylvania Industrial Development Corporation to fund the Economic Stimulus Program [ESP] to combat the loss of jobs, support existing Philadelphia businesses and help rebuild neighborhood commercial districts; and

WHEREAS, The Street Administration has decided to continue to fund the Economic Stimulus Program without incorporating any criteria for performance measurement or accountability despite the fact that the program has not demonstrated specific quantifiable results; and

WHEREAS, The City has made and will continue to make a major financial commitment to ESP, contributing \$179.4 million of direct City funds to ESP for Fiscal Year 1999 and \$763.8 million of direct City funds for Fiscal Years 2000 to 2005; and

WHEREAS, The PICA report found that there is a "strong likelihood that the number of jobs claimed to be impacted by the Economic Stimulus Program is distorted" due to the duplication of services by different City agencies; and

WHEREAS, The Controller's Office found numerous irregularities with ESP reports, including inadequate and infrequent issuance of reports, lack of any independent program audits of ESP (financial and compliance), lack of any mention of ESP in the Commerce Department budget and failure to disseminate reports to members of City Council; and

WHEREAS, The Controller's Office additionally found that the lack of formal guidelines used in extending ESP loans and grants erodes "public confidence" and "creates the impression that the administration of ESP lacks objectivity"; and

WHEREAS, The Controller's report details various financial improprieties with ESP funds, such as the financing of a City agency, the Mayor's Business Action Team, "off the-books" and enlarging the Commerce Department budget without the approval of City Council; and

WHEREAS, The original focus areas of the ESP have never been altered since 1994 despite profound changes in the economic landscape such as the emergence of the biotech, high tech and e-commerce industries; and

WHEREAS, The City of Indianapolis, Indiana, incorporated performance measures such as Tax Abatements with Accountability, whereby every business awarded a tax abatement has to file an annual report on its progress towards meeting the jobs creation, jobs retention, average wage level, and investment goals

were set before its abatement was awarded; and

WHEREAS, Alternatives to ESP, such as a rainy day fund and across the board reduction of general business taxes may produce greater economic development benefits utilizing the same funds now appropriated for ESP; and

WHEREAS, The Controller's Office has also found gross improprieties in the City's 1997 Tax Lien Sale to the Philadelphia Authority for Industrial Development and estimates that collections may fall \$42 million short; now therefore

BE IT RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That it deplors the lack of accountability and financial mismanagement endemic to the Economic Stimulus Program and the use of quasi-governmental bodies to distribute public funds to private for-profit enterprises; and

RESOLVED FURTHER, That Council authorizes Council's Committees on Law and Government and Commerce and Economic Development to conduct a full and comprehensive joint investigation of the allegations raised in the PICA and Controller's Office reports.