

CITY OF PHILADELPHIA

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REBECCA RHYNHART
Budget Director

May 8, 2015

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke:

This letter is in response to questions raised at the March 30th, 2015 hearing before the Committee of the Whole on the Fiscal Year 2016 proposed Operating budget and FY16-FY20 Five Year Financial and Strategic Plan. The questions were recorded as follows:

From Council President Clarke:

- 1. Can you provide information on legal requirements for setting the Housing Trust recording fee? Can we enact a percent fee instead of a flat fee?**

While the City has the authority to set the fee on a percentage basis, rather than as a flat amount, doing so would raise "uniformity" issues, as the Housing Trust Fund fee is essentially in the nature of a tax, and is not a true user "fee." The state law that authorizes the Housing trust Fund fee, however, limits the fee to no more than 100% of the amount charged by the City for recording deeds and mortgages and other related documents. 53 Pa. C.S. sec. 6021(b). Currently, the Housing Trust Fund fee is at 100% of the fee charged for recording deeds and mortgages, and it always has been set at 100% of recording fees. Phila. Code § 10-1001 (\$214 for deed recording - \$107 for basic fee and \$107 for HTF fee). So the issue of whether the City could charge fees on a percentage basis would only be relevant if either the City was considering lowering the Housing Trust Fund fee for some filers or the City was planning to increase its base recording fees.

From Councilman Goode:

- 2. What is the amount of tax cuts in the current plan that were already approved by PICA?**

Under the current PICA-approved Five Year Plan dated October 14, 2014, the value of Wage Tax and BIRT rate and legislation reductions is estimated at \$360,411,000 (realized between FY14 and FY19).

3. What are the amounts of tax cuts in the proposed Five Year Plan?

Under the proposed FY16-20 Five Year Plan, the value of Wage Tax and BIRT rate and legislation reductions is estimated at \$506,153,000 (realized between FY15 and FY20) - representing a net difference between the plans of \$145,742,000. The largest reason for that increase is the difference between the amount of tax reductions in FY20, the new year added to the Plan, and the amount of tax reductions in FY14, the year that is no longer included in the Plan.

4. What is the amount of tax increases in the current Five Year Plan that were already approved by PICA?

The 1% local sales tax was extended and this was incorporated into the current Five Year Plan approved in October 2014. The first \$120 million of this 1% goes to the School District annually with the remainder going to the City's General Fund to pay debt service on a four year borrowing for the District (\$15 million annually through FY18) and then any remaining funds go to the Pension Fund. The current PICA-approved Five Year Plan includes \$95.1 million over the life of the Plan for debt service on the borrowing (\$60 million) as well as to benefit the Pension Fund (\$35.1 million) The full value of the 1% local sales tax is \$132 million in FY15, rising to \$151 million by FY19 for a total of \$695 million through FY19.

While not a component of the City's Five Year Plan, the Cigarette Tax went into effect on October 1, 2014. For FY15, the tax is projected to generate \$49 million for the School District, and then \$60 million in FY16, and declining thereafter, until it expires at the end of FY19. This would total \$270 million over the five-year period. In total, the extension of the 1% sales tax as well as the imposition of the cigarette tax is expected to generate \$965 million through FY19. It is important to note that only \$95 million of this is accounted for in the City's General Fund with the bulk of the revenue, \$870 million, going to the School District.

5. What is the amount of tax increases in the proposed Five Year Plan?

The City's FY16-20 proposed Five Year Plan does not include any new tax increases; however, a property tax increase is proposed for the School District from the rate of 1.34% to 1.4651%. The value of this increase in the millage rate is expected to generate \$105 million annually, for a total of \$525 million over the five year period.

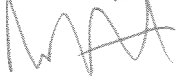
From Councilman Squilla:

6. Last year, what did the School District get from delinquent tax collections?

Last year the School District received \$88,129,737 in delinquent tax collections after adjustments.

Please feel free to contact me with any questions you may have about the information provided in this response.

Sincerely,



Rebecca Rhynhart
Budget Director

cc: Everett Gillison, Chief of Staff
Rob Dubow, Director of Finance
Cintya Ramos, Deputy Budget Director