



# CITY OF PHILADELPHIA

## OFFICE OF BUDGET & PROGRAM EVALUATION

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May 25, 2016

Anna Adams  
Budget Director

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 May 11, 2016 hearing before the Committee of the Whole on Revenue Bills 160170, 160171, 160172, 160173, 160174, 160175, 160176. At this hearing, the following questions were asked:

### **From Councilwoman Reynolds-Brown:**

**Please provide the numbers that you came up with for a container tax alternative to the proposed sugary drinks tax.**

The Department of Revenue utilized 3 methodologies to estimate the potential annual revenue to be generated from a \$0.05 plastic bottle tax. The annual collections estimates ranged from \$19 million to \$25 million for Philadelphia. If we didn't assume any fall off in consumption, our projection would be 55% higher, but we know that assuming no fall off isn't realistic for either proposed tax. For comparison, Baltimore's annual collections from this tax are \$11 million from a \$0.05 tax.

**Arkansas and West Virginia have tried similar proposals and are currently in appeals. Why does the City Solicitor believe that Philadelphia wouldn't be subject to similar legal issues?**

Our research cannot confirm the premise of the question. Arkansas and West Virginia have had soft drink taxes on the books since, respectively, 1993 and 1951, and the only published record we can find of any litigation concerning the validity of these taxes is a 2001 decision of the Arkansas Supreme Court upholding the tax against an equal protection challenge. (If Council staff has uncovered reports of litigation that we could not find, we would welcome any information about such cases.) Interestingly, both States' taxes impose the tax at the distributor level, in a manner roughly comparable to the proposal currently before Council. Of course, the legal issues presented by any particular tax are going to be largely dependent on the specifics of the tax and the particulars of local law; nonetheless, the dearth of

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public reports of litigation provides some additional comfort to our conclusion that the Philadelphia proposal will survive any potential legal challenge, should one be brought here.

**When you ran the container tax numbers in reference to Baltimore, what rate did you use per container?**

\$0.05 – the same rate in place in Baltimore and Chicago.

**From Councilman Domb:**

**In reference to both the liquor-by-the-drink and the cigarette taxes, what were the projected and subsequent actual revenues collected?**

We are still looking for this information. Revenue collection estimates for these two taxes were not part of City budgets at the time of introduction, as they benefit the School District. However, please note that these taxes are stable sources of revenue.

**From Councilman O'Neill:**

**Does the City tax anything else in this way (voluntary taxation outside the state)?  
Is this the first time this has been done?**

The City is unaware of the City previously imposing a tax of this nature.

**From Councilman Squilla:**

**Please provide a similar breakout for delinquent water and sewer bills.**

See attached document "Delinquent Accounts March 2016."

**From Councilwoman Quinones-Sanchez:**

**Please provide a department-by-department list of realignments and adjustments made to adjust to the Mayor's priorities, with a particular focus on programs and services touching children and families.**

Please see attached document "FY17-21 Five Year Plan Executive Summary." The Executive Summary addresses the major realignments and adjustments to the budget as a result of the Mayor's priorities and includes a section on investments in children and families.

Sincerely,



Anna Adams

Budget Director

Attachments:

Delinquent Accounts March 2016

FY17-21 Five Year Place Executive Summary