

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 181116)

RESOLUTION

Authorizing City Council's Committee on Finance to conduct a full and comprehensive public hearing on the Philadelphia beverage tax to review whether the tax is achieving its goals and to analyze potential solutions to stabilize beverage tax funding for critical investments such as approved pre-K programs, community schools, and rebuilding neighborhood-sustaining parks, recreation centers, and libraries.

WHEREAS, On June 16, 2016, City Council approved a special tax of 1.5 cents per ounce on sweetened beverages levied at the distribution level; and

WHEREAS, As a result of this tax the City will be able to fund approved pre-K programs and community schools while also paying for costs associated with rebuilding important neighborhood-sustaining parks, recreation centers and libraries; and

WHEREAS, Proponents of the tax initiative argued that jobs created as a result of the tax in construction, schools and communities would offset job losses in the grocery business; and

WHEREAS, According to Pennsylvania Intergovernmental Cooperation Authority ("PICA"), the per ounce sugar-sweetened beverage tax has brought in \$77.3 million in new revenue in the first full-year; and

WHEREAS, However, the new tax has consistently fallen short of monthly projections and is currently \$15 million short of initial projections, and still \$13.5 million short of revised projections as put forth in the Quarterly City Manager's Report; and

WHEREAS, A consequence of the tax has been that supermarkets and beverage companies have had to cut jobs or reduce hours for their workforce over the last year; and

WHEREAS, These lost jobs result in lost wage, business and sales tax revenues; and

WHEREAS, According to a paper from the National Bureau of Economic Research, taxable beverage sales declined roughly 38 percent in the months immediately following the

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implementation of the tax, and 10 to 11 months after the tax was implemented sales of taxable beverages were down approximately 26 percent; and

WHEREAS, According to an Oxford Economics report commissioned by the American Beverage Association, bottling companies saw sales drop 29 percent in 2017. The report also predicts the loss of roughly 1,200 jobs – 70 percent of which are in grocery retail; and

WHEREAS, According to a September 2017 Wall Street Journal article, grocery store soda sales were down 52 percent; and

WHEREAS, A comprehensive hearing on the beverage tax to review whether the tax is achieving its goals will provide insight on three key areas: 1.) data on how many jobs have been created as a result of the tax including the wages of such jobs and the taxes they generate, as well as the number of jobs lost; 2.) data on whether the City is collecting more or less sales tax revenue overall; and 3.) data on alternative tax levels to determine if the loss of tax revenue and jobs can be reversed; and

WHEREAS, The City needs to be as serious about assuring sustainable funding as we are about the programs – Pre-K, Community Schools, Rebuild – and the future of Philadelphia; and

WHEREAS, A public hearing is necessary to determine whether adjusting the tax rate on sugar-sweetened beverages would still accomplish the goal of collecting the dollars we need to adequately fund critical programs while also keeping more of our sales and jobs in the City; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Authorizes City Council's Committee on Finance to conduct a full and comprehensive public hearing on the Philadelphia beverage tax to review whether the tax is achieving its goals and to analyze potential solutions to stabilize beverage tax funding for critical investments such as approved pre-K programs, community schools, and rebuilding neighborhood-sustaining parks, recreation centers, and libraries

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CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the thirteenth of December, 2018.

Darrell L. Clarke
PRESIDENT OF THE COUNCIL

Michael A. Decker
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Domb

Sponsored by: Councilmember Domb