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Mayor Delivers Budget Address to City Council

PHILADELPHIA - Mayor Jim Kenney delivered his first budget address to City Council on Thursday morning. The Mayor began by outlining several budget priorities that resulted from collaboration between the Kenney Administration and City Councilmembers, including the citywide expansion of the Community Life Improvement Program (CLIP) and funding for Vision Zero initiatives. The Mayor then discussed his plan to expand quality pre-k, create 25 community schools, inject \$26 million into the pension fund, improve City buildings' energy-efficiency, and invest \$350 million in neighborhoods parks, recreation centers and libraries through a three cent sugary drink tax. Throughout the address, the Mayor spoke of the importance of investing in policies that would change the status quo and tackle the issues that have long held Philadelphia back, including its struggling education system. The text of the Mayor's speech follows.

Remarks as prepared

Thank you to the Council President and for all of my colleagues in Council for welcoming me to speak today

It feels really good to be home.

I've spent just about half of my life in this Chamber.

I started in 1992 under then-Council President Street, and I've since had the privilege to work with two more great Council Presidents: Anna Verna and, now, Council President Clarke.

I've also had the distinct pleasure, over the years, of getting to learn from all of you.

Through the work we've done together, you have helped shape me, and I believe you will see that impact reflected in our first budget together.

In this budget, we continue to try to protect the rights of our most vulnerable.

Councilman Greenlee has been a consistent advocate for the rights of Philadelphians, both through paid-sick-leave and battling wage theft.

I am proud that this budget proposes an additional position to assist with the enforcement of those laws.

Councilwoman Quinones-Sanchez has also been a critical partner in advancing the rights of our city's undocumented.

Over the next year, I look forward to working with her and the rest of City Council to develop a plan for a municipal ID.

Councilmembers O'Neill and Henon have also both gone to bat many times to get our firefighters the life-saving tools that they need.

This year, thanks in no small part to their efforts, I'm excited to announce that our six-year plan will provide over \$80 million for the replacement of old, malfunctioning vehicles and desperately needed facility improvements, like roof replacements.

Our police officers will also be getting more resources to protect and serve the citizens of Philadelphia under this budget proposal.

In addition to repairing infrastructure in our Police District stations, this budget equips our police force with body-worn cameras.

As Councilman Jones pointed out passionately during hearings last year, body-worn cameras have been extremely successful in reducing use of force as well as police abuse allegations across the country.

I'm confident that the expansion of body-worn cameras in Philadelphia will further the admirable community policing efforts being led by Commissioner Ross.

This budget also increases community safety by dedicating resources to preventing traffic-related fatalities.

As Councilwoman Bass has consistently pointed out, it is unacceptable that we treat these deaths as a fact of life in Philadelphia.

Working with key stakeholders, our new Office of Complete Streets and the Managing Director's Office will identify changes we can make - whether it be better lining or signage or a change in traffic flow -- to protect the child walking to school and the cyclist just trying to get to work.

The Streets Department and L&I will also work to advance our vision zero goals by enhancing their 'Right of Way' activities.

The recent explosion of development has significantly increased sidewalk and street closures.

This budget would allow us to ensure safe travel around these closures, and to better enforce penalties against those that are illegal -- raising revenue for the City and preventing these dangerous encroachments in the first place.

This budget would also continue City Council's efforts to ensure that the 22nd and Market collapse can never happen again.

Today we're proposing funding for additional Code Enforcement Unit staff and for two additional L&I district offices.

These offices would be strategically located in areas of the city that are experiencing the most construction activity, so that we're increasing oversight of construction projects and allowing businesses to get permits more efficiently.

This budget also supports small businesses and commercial corridors by expanding the Community Life Improvement Program citywide.

As many of you already know, CLIP manages graffiti, vacant lot clean ups and other instances of

blight that can make the difference between a community on the rise and one mired in crime.

This investment will specifically increase vacant lot and exterior property abatements by 5,000 over the next year.

CLIP also serves as a critical workforce development tool, allowing folks who have gone astray to pay back their debt to the community while gaining professional experience and skills.

Additionally, this investment would bring in \$100,000 in new revenue for the City through the collection activities of CLIP employees.

As Councilmembers Parker and Squilla have been saying for a long time, CLIP has a pretty incredible return on investment for both the City and our neighborhoods.

Thanks to the efforts of Councilmen Henon and Taubenberger, this budget also supports our small businesses by establishing a line item for the Storefront Improvement Program - which will help fund 100 upgrades this year alone.

Research shows that façade improvements lead to additional foot traffic, increased revenue, and to the creation of new jobs.

But our commercial corridors almost lost this successful, long-standing program after a change in federal regulations.

While Councilmembers Henon successfully fought last year for a temporary funding measure, the City's commitment to our commercial corridors should never be in doubt - which is why we're so proud to introduce a stable funding source in this new budget.

In addition to growing local businesses, we will also continue to expand Philadelphia's international profile.

I thank Councilman Oh, in particular, for all of his work promoting Philadelphia globally.

We will soon be hiring a Director of International Investment who will build on the Councilman's efforts, increasing export activity and attracting new businesses to locate in Philadelphia.

The budget also proposes several measures in line with Councilmembers Squilla and Domb's focus on decreasing tax delinquency.

I'm proud to say that we already expect to collect \$69 million in additional delinquent tax revenue over the next five years.

And to help address this problem further, we're proposing to increase the number of taxpayer service representatives, and to add technical programming to Revenue's IT system.

The budget also addresses systemic issues in the City's Mail Room, which, as Controller Butkovitz recently brought to light, have wasted taxpayer dollars and delayed critical communication to Philadelphians on everything from subpoenas to water bills.

While the backlog of mail has been eliminated, funding will be allocated to consult with industry experts and to hire additional staff, so this issue does not reoccur.

These programs are important but, by themselves, they don't change the status quo.

I've been listening to budget addresses in this chamber for over two decades, and while we've had great mayors who have done many important things, the core challenge facing our City hasn't changed --- and that's just unacceptable.

While over the past five years, City funding for our schools has gone up by nearly \$400 million annually, funding cuts from Harrisburg continue to deprive our children of the education they deserve.

Councilmembers Gym and Blackwell's recent hearings on the state of our schools have unearthed some shocking and troubling statistics.

Nearly 80% of all Philadelphia schools, including charters, are in Pennsylvania's lowest performance tiers.

And, currently, 46% of kids enter Kindergarten unprepared.

Our failure to properly educate our children has reverberated throughout our economy.

Two-thirds of Philadelphians currently looking for work test at the 4th to 8th grade level in reading, writing, and math - leaving them largely unable to secure family sustaining jobs.

And that's just the people who haven't given up the job search all together.

Philadelphia has the second highest percentage of work-age residents who are out of the labor force.

Only Detroit has a higher percentage.

A report that just came out Tuesday, also found that nearly half of Philadelphians live in what are classified as "distressed" zip codes.

In these zip codes, there is high poverty, few people with high school degrees, and marginal if any increase in businesses in recent years.

If we ever want the Mayor's budget address to be about something other than our failing school system and its repercussions, then we need to implement serious, radical, ambitious policies.

So, this year, I'm proposing five, interlinking programs that together will create the real change Philadelphians want and deserve.

The first is pre-k.

Through an investment of \$256 million dollars, in combination with state and federal funding, we could have 25,000 quality pre-k seats in Philadelphia over the next five years.

Councilwoman Reynolds-Brown was among the first to educate me on the importance of affordable, quality pre-K, especially for our low-income communities.

Because most of a child's brain development occurs in the first five years of life, quality early education gives our most vulnerable children the tools to compete with their wealthier peers.

In fact, a range of studies show that children who participate in quality pre-K are far likely to succeed than those who don't.

A study by the William Penn Foundation found that the percentage of 4-year-olds with strong academic and social skills more than tripled after participating in the state's pre-K program.

A Chicago based study found that children who participated in high-quality preschool were 20% less likely to be arrested for a felony or be incarcerated as young adults than those who did not attend.

By age 30, individuals served by a North Carolina early learning program were four times more likely to graduate college and 42% more likely to be consistently employed.

In addition to improving our School District's academic outcomes, quality pre-K also has positive fiscal benefits for our entire school system by reducing the need for special education services.

The School District currently spends an average of \$23,000 for one child to receive special education

services for just one year.

According to the City's Pre-K Commission, Philadelphia could save approximately \$5.6 million per grade cohort, if all children were enrolled in quality pre-K.

There are also very real economic benefits for both small businesses and overall job creation.

A report frequently cited by the Economy League found that for every \$1 spent on pre-k, at least \$1.79 is generated in local spending.

That same study also found that for every 20 jobs created in Pennsylvania's early education industry, five unrelated jobs were also created outside the sector.

Pre-k is also essential for stabilizing our existing work force.

If working parents do not have reliable childcare, then they can't be reliable employees. And if they can't be reliable employees then they can't properly care for their child.

The second policy we're proposing to bring real change to Philadelphia is the creation of 25 community schools, And I thank the Council President for his leadership on this issue, and for working with me to advance this initiative.

As many of you are already aware, community schools are public schools, where a dedicated coordinator directly integrates largely already existing social services into the school, so students can access them easily.

In many cases, these services are also available to the larger community, making the school a neighborhood hub.

This helps increase parental engagement, and community investment in the success of the school.

The services provided in each school will vary based on the needs of that community, but the idea is the same: if we can address the things happening outside the classroom that keep our students from learning - whether that be poverty or hunger or healthcare - then we can improve the lives and futures of our children.

The effectiveness of the community school strategy, particularly in low-income, low-performing districts, can be seen all over country.

There is a community high school in one of Los Angeles' highest-need neighborhoods where 99% of students graduate and go onto college.

And, Cincinnati closed its racial and socioeconomic achievement gap by 10 percent thanks to the community school model.

The third policy that will make a real difference for both our education system and our neighborhoods is a \$350 million investment in our community infrastructure.

There's not a councilmember here who hasn't seen firsthand the devastating impacts of our underinvestment in parks, rec center in libraries.

On Monday, I was at Vare with Councilman Johnson, listening to parents who had lost their children to gun violence, and I couldn't help but think that if we'd had the resources to actually make Vare a center of the community, then these parents wouldn't even be here -- they'd be in the other room watching their kids play a basketball game.

And the facts back that up.

Study after study shows that we can improve the public safety of our neighborhoods, expand

educational opportunities for our children and create jobs all by just investing in our existing parks, libraries, and rec centers.

The Department of Parks and Recreation, including the Free Library, are the largest provider of afterschool programs in the City.

And, according the National Center for Education Statistics, students who do extracurricular activities are more likely to have a higher attendance rate and GPA than those who do not.

Investments in parks have also been shown to reduce crime.

When the City and the Fairmount Park Conservancy invested \$5 million in Hunting Park, crime went down 89% within a half mile radius of the park over the next three years.

These investments also help create jobs & find employment.

A third of the visits our libraries see each year are Philadelphians seeking assistance in the job application process.

Additionally, fixing these facilities and parks will create hundreds of construction jobs for working families, and the improved infrastructure may also support additional programming jobs for people in the community.

Investing in community infrastructure also builds on the Council President's proposal to spend \$150 million on increasing energy efficiency in City-owned buildings.

As the Council President has rightly pointed out, investments in energy-efficiency create middle-class jobs and help the City save money that can be reinvested in other critical initiatives, like education and public safety.

So as our fourth policy initiative, I'm proposing issuing \$100 million in bonds to make energy efficient infrastructure improvements to branch libraries, police stations, fire houses, and other City properties.

The fifth and final policy I'm proposing is an additional \$26 million investment in our pension fund over the next five years.

Currently, our pension fund is less than fifty percent funded

Over the next five years, we will spend 3.4 billion trying to address that deficit. That's nearly the cost of our current annual budget.

And as a result, we'll have significantly less to spend on other programs Philadelphians need and want.

Now, I won't pretend that this \$26 million investment will solve all our pension fund's underlying problems.

Councilman Derek Green and I have talked about this at length, and I know that we still must commit ourselves to working with all of our unions.

The first test of that will come this June, and we are committed to negotiating a fair and equitable contract with DC33.

But making this \$26 million investment is still an important indication to the credit agencies, our lenders, and, most importantly, to the city workforce that the Mayor and City Council are committed to addressing this serious problem.

I am proposing to pay for this pension investment as well as for quality pre-k, community schools, and investments in community infrastructure and energy efficiency, by levying a 3 cent tax on sugary drink

distributors.

As some of you may have already heard, Big Soda isn't thrilled about that at all.

Now, I don't have anything against our City's large distributors or even the Big Soda companies.

I think they're good people - we just disagree on this issue.

See, the problem is that Big Soda charges our citizens, small businesses, and distributors much, much more than what it costs for them to make the soda

And then, they use some of those profits to fund lobbyists, who come here and say that a tax on sugary drinks will cost jobs and devastate small businesses.

And they're pretty persuasive.

So persuasive, they even got me to believe them.

And I'll tell you, the line that really got me four years ago was the claim that this tax would hurt low-income, minority communities.

That's a really concerning claim; but, the truth is that soda companies are the ones actually targeting their advertising at low-income, minority communities.

A 2009 study found that lower-income African American and Latino neighborhoods have far more outdoor ads for sugary drinks than higher income neighborhoods or white, low-income communities.

Researchers at Yale also found that African-American youth see 80 to 90 percent more ads for sugary drinks than their white counterparts.

The other concerning claim about this tax is that it will cause an employment crisis, but we know that's false because we just went through this with the liquor tax.

Employment did not slow down after the liquor tax was instated. In fact, Philadelphia's restaurant and bar scene has grown.

Now, the two largest unionized beverage truck-driver employers in Philadelphia are Pepsi and Coke.

So it's easy to think that when demand decreases for Pepsi & Coke, those drivers will be out of a job but Pepsi & Coke drivers deliver all products under the Pepsi and Coke label, which includes not only sugary drinks, but also bottled water and the dozens of other products they have created that would be exempt from these taxes.

This tax also won't hurt the restaurant industry because restaurants are already trending away from a reliance on soda profits.

Applebee's was the first family-dining restaurant chain to remove soda from its children's menus, joining fast-food chains McDonald's, Burger King, Wendy's, and Dairy Queen.

And furthermore, this tax won't wipe out small businesses.

Small grocers, bodegas and convenience stores are already stocking and selling non-sugary beverages.

And they are doing that because customers preferences are already changing, even without a tax.

During the last two decades, U.S. full-calorie soda sales have dropped by over 25 percent, while sales of bottled water, which both Pepsi and Coke also sell, have shot through the roof

Just in Philadelphia, between 2007 and 2013 daily soda intake dropped by 16 percent.

Additionally, the programs this tax will fund, like pre-k and investments in parks, libraries and rec centers, will actually help small businesses.

Child care and early learning professionals generally spend most of their earnings locally.

As I mentioned earlier, for every \$1 invested in pre-K in Pennsylvania, a total of \$1.79 is generated in total spending within the state.

Furthermore, most childcare centers are small minority-women owned businesses, and this investment will go a long way towards helping them grow and expand.

The budget I'm proposing today also contains other policies to help small business.

In addition to the Storefront Improvement Program I spoke of earlier, I'm also proposing the reduction of the Business Income and Receipts Tax to 6.15%, and including an exemption of \$100,000.

During that same time, we also plan to reduce the wage tax to 3.33% for non-residents, and 3.73% for residents, bringing that tax to its lowest rate since 1975.

But none of that can happen, not the stimulus, not the reduction in taxes, not pre-k, not community schools, not desperately needed investment in parks, rec centers and libraries, if we don't pass a sugary drink tax.

There is simply nowhere else to find this revenue.

We all know we can't raise property taxes again.

We've already raised them four times in the last five years.

And, it's simply not fair to ask our homeowners or any other Philadelphian for that matter to pay more while large soda companies and wealthy distributors are making incredible profit margins

We also know we can't find this money in the budget.

While we have combed the budget for savings and even recovered additional tax delinquent revenue, our budget is so tight due to cuts made during the Recession and the size of our pensions obligations, that the money just isn't there.

PILOTs, while still worth exploring, are also not going to get us the recurring revenue we need to fund such large scale programs.

Even in Boston where PILOTs are very successful, the city receives just half of what we'd need to operate Pre-K here on an annual basis

But the most persuasive argument of all for the sugary drink tax is that Philadelphians elected us to implement the very programs this revenue will fund.

Last year was the education election.

The voters approved a Pre-K Commission with an 80% mandate - dramatically outperforming any other ballot measure.

And at forum after forum, we listened to Philadelphians beg for safe community spaces, family-sustaining jobs and quality neighborhood schools.

We can give our citizens all of those things with just one tax.

And I know that one tax can make some very wealthy and very powerful people very upset, but I've seen this Council take on special interests before.

And I know, together, we can do it again.

Thank you.

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