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## Council sours on sweet-drink tax, trash fee

### Mayor Nutter's proposals appear to have little support. Instead, property taxes could be going up.

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Mayor Nutter's proposed sweet-drinks tax appears dead, along with a \$300 residential trash-pickup fee.

Instead, City Council is committed to raising property taxes for the first time in two decades and eliminating hundreds of unfilled city jobs, according to Council members who attended closed-door meetings last week on Nutter's \$3.9 billion 2010-11 budget.

Council members said there was no support for the 2 cents-per-ounce beverage tax. "It's fair to say it's dead," said Councilman Frank Rizzo. The trash fee was viewed as a tax that would hurt lower-income residents.

Council and the mayor have until May 31 to agree on a budget and approve ways to close a spending gap of at least \$130 million. Negotiations with the Nutter administration have yet to begin in earnest.

"We've said all along we're willing to talk to Council about what ideas they have," said Finance Director Rob Dubow.

Council members met in shifts Thursday afternoon in Council President Anna C. Verna's office with staff and officials from Econsult, which is contracted to do budget analysis for Council. Members said they met in groups, each less than the nine members that would constitute a quorum and require it to be public.

Verna would not comment. But five Council sources, speaking on condition of anonymity because of the sensitivity of budget negotiations, said they saw no way the sweet-drinks tax could survive.

"Leadership is discussing these issues with the mayor and is going to take Council's agenda - a series of cuts and alternative revenue proposals," said Councilman Bill Green, who

addressed the question on the record but would not completely dismiss the two taxes. "In my view, it's highly unlikely that the proposals will include sugary drinks or a trash fee."

Council has already professed a preference for a property-tax increase over the proposed \$300 fee for residential trash pickup. Councilman Frank DiCicco last month introduced legislation to raise the property-tax rate by 12 percent to make up for the \$107 million that the new trash fee would generate. Members appear intent, however, on pushing any property-tax proposal below 10 percent.

Some critics have questioned whether a property-tax increase using admittedly flawed assessments would stand up to a legal challenge.

Council proponents have argued that a property tax, even under a flawed system, is more equitable than a trash fee, which hits wealthy and poor alike.

Council has not had to raise the property-tax rate for 21 years. It has depended on the Board of Revision of Taxes to raise money by hiking individual assessments. Nutter withdrew a steep, temporary property-tax increase of 19 percent last year after an Inquirer series called into question the accuracy of the BRT's property assessments. The fallout from that series resulted in a proposed ballot initiative on May 18 to dissolve the BRT and place assessments under the Finance Department.

A 9 percent tax increase, which has been discussed, would bring in about \$80 million, according to Council estimates, leaving an additional \$50 million to be raised through other fees and taxes and cutting positions.

Councilman Darrell L. Clarke, for instance, has proposed a tax on cigars and smokeless tobacco that could raise \$7 million. But that proposal could be superseded by a similar proposal at the state level by Gov. Rendell.

Council sources said they had identified nearly 870 unfilled city positions, but acknowledge that some of those empty slots reflect transitions between departures and new hires. Discussions over those positions will determine the severity of the cuts and how they affect city services and Nutter's agenda.

Dubow said it was not practical to simply cut employee positions across the board, as some represent vital roles.

"I don't think you can say, just because it's not filled, that it doesn't need to be filled," said Dubow.

Dubow said he had not seen a proposal from Council reflecting the death of the sweet-drinks tax, but stated, as he has before, that the administration was willing to negotiate.

Council members said they were concerned that the sweet-drinks tax could be challenged in court and leave the city without a revenue source it had planned for.

Daniel Grace, secretary-treasurer of Teamsters Local 830, which opposed the tax because of its potential impact on jobs, said he hadn't heard much about whether the tax was likely to succeed and was planning to testify against it at budget hearings Tuesday.

If the tax does not pass, "I would say it's a victory for the working poor in the city of Philadelphia," Grace said.

Nutter had promoted the drinks tax as a way to combat obesity, and offered \$20 million in anti-obesity initiatives beginning next year. The tax was to bring in \$38 million in 2010-11 and \$77 million annually after that.

Kelly Brownell, director of the Rudd Center for Food Policy and Obesity at Yale University, the chief proponent of sweet-drinks taxes as good public-health policy, said Philadelphia would be making a mistake if it did not pass some version of the sugared-beverages tax.

Brownell said Philadelphia was missing an opportunity to have a policy "that is a public-health and fiscal grand slam. You hit home runs with a tax that discourages sugared-beverage consumption because you reduce health-care costs, and then if you use at least some of the revenue for obesity prevention, the home run becomes a grand slam."

He said he hoped the city would still consider a smaller tax, such as a penny per ounce.

"There is room to compromise and still get considerable health benefits," he said.

Tony Crisci, executive director of the Pennsylvania Beverage Association, said: "We're not going to take anything for granted until the process is completely over."

Frank Keel, a spokesman for the Teamsters, said the beverage industry was not in a negotiating mood.

"Until we see a toe-tag on the corpse, we're going to continue to fight this thing with all our might," Keel said. "And there's no compromise."

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