

COUNCIL OF THE CITY OF PHILADELPHIA  
COMMITTEE OF THE WHOLE

Room 400, City Hall  
Philadelphia, Pennsylvania  
Friday, June 10, 2011  
10:40 a.m.

PRESENT:

- COUNCIL PRESIDENT ANNA C. VERNA
- COUNCILWOMAN JANNIE BLACKWELL
- COUNCILMAN W. WILSON GOODE, JR.
- COUNCILMAN BILL GREEN
- COUNCILMAN WILLIAM K. GREENLEE
- COUNCILMAN CURTIS JONES, JR.
- COUNCILMAN JACK KELLY
- COUNCILMAN JAMES KENNEY
- COUNCILWOMAN DONNA REED MILLER
- COUNCILMAN BRIAN J. O'NEILL
- COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
- COUNCILWOMAN BLONDELL REYNOLDS BROWN
- COUNCILMAN FRANK RIZZO, JR.
- COUNCILWOMAN MARIAN B. TASCO

- BILLS 110135, 110136, 110137, 110138, 110139,  
110140, 110477, 110478, 110479
- RESOLUTION 110161

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COUNCIL PRESIDENT VERNA: May we have order, please. I know we're running late. Thank you very much.

This is a hearing of the Committee of the Whole, and I would ask Mr. McPherson to please read the number and titles of the bills that we will be considering.

MR. MCPHERSON: Bill No. 110135, an ordinance to adopt a Capital Program for the six Fiscal Years 2012 through 2017 inclusive.

Bill No. 110136, an ordinance to adopt a Fiscal 2012 Capital Budget.

Bill No. 110137, an ordinance adopting the Operating Budget for Fiscal Year 2012.

Bill No. 110138, an ordinance amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by revising certain taxes and making technical changes, all under certain terms and conditions.

Bill No. 110139, an ordinance

1           6/10/11 - WHOLE - 110135, ETC.  
2           amending Chapter 19-1800 of The  
3           Philadelphia Code, entitled "School Tax  
4           Authorization," by amending Section  
5           19-1806.

6                     Bill No. 110140, an ordinance  
7           amending Section 19-1801 of The  
8           Philadelphia Code, entitled  
9           "Authorization of Tax," to further  
10          authorize the Board of Education of the  
11          School District of Philadelphia to impose  
12          a tax on real estate within the City of  
13          Philadelphia.

14                    Bill No. 110477, an ordinance  
15          amending Section 19-1801 of The  
16          Philadelphia Code, entitled  
17          "Authorization of Tax," further  
18          authorizing the Board of Education of the  
19          School District of Philadelphia to impose  
20          a tax on real estate within the City of  
21          Philadelphia, and providing for a tax  
22          rate; all under certain terms and  
23          conditions.

24                    Bill No. 110478, an ordinance  
25          amending Chapter 19-1800 of The

1           6/10/11 - WHOLE - 110135, ETC.  
2           Philadelphia Code, entitled "School Tax  
3           Authorization," by adding a new Section  
4           19-1807, entitled "Authorization of  
5           Sugar-Sweetened Beverage Tax," under  
6           certain terms and conditions.

7                     Bill No. 110479, an ordinance  
8           amending Section 19-1301 of The  
9           Philadelphia Code, entitled "Real Estate  
10          Taxes," by revising the real estate tax,  
11          under certain terms and conditions.

12                    Resolution No. 110161,  
13          providing for the approval of the Council  
14          of the City of Philadelphia of a Revised  
15          Five Year Financial Plan for the City of  
16          Philadelphia covering Fiscal Years 2012  
17          through 2016. And today we will be  
18          concentrating testimony on Bill Nos.  
19          110477, 110478 and 110479, and our first  
20          witness is the School District of  
21          Philadelphia.

22                    COUNCIL PRESIDENT VERNA: I  
23          understand the Superintendent has to --  
24          she has another commitment, so we'd like  
25          to take her first.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   DR. ACKERMAN: Thank you.

3                   (Witnesses approached witness  
4 table.)

5                   COUNCIL PRESIDENT VERNA: Good  
6 morning. Welcome.

7                   DR. ACKERMAN: Good morning.  
8 How are you?

9                   COUNCIL PRESIDENT VERNA: Fine.  
10 Thank you.

11                  DR. ACKERMAN: Good morning,  
12 City Council President Anna Verna and  
13 City Council members. As Superintendent  
14 and the CEO of the School District of  
15 Philadelphia, I am privileged to be here  
16 representing almost 200,000 children who  
17 attend our city's public and charter  
18 schools and the many thousands of  
19 employees who are dedicated to their  
20 success and their well-being.

21                  To begin, I want to thank you  
22 for giving me and my staff the  
23 opportunity today to provide you with an  
24 update on how we're working to address  
25 our \$629 million budget gap. The entire

1           6/10/11 - WHOLE - 110135, ETC.

2           District appreciates your leadership and  
3           your genuine concern for the education of  
4           our children at all times, but especially  
5           as we face this unprecedented financial  
6           crisis, which threatens to impact our  
7           reform efforts and ultimately affect the  
8           economic health and well-being of the  
9           City.

10                         In addition, I want to thank  
11           Mayor Nutter's call for an Education  
12           Accountability Agreement and to say that  
13           we are grateful for the City's expressed  
14           concern and request for greater  
15           involvement. We view additional levels  
16           of accountability and transparency as  
17           positive and necessary steps to ensure  
18           the public and you that we are good  
19           stewards of public funds and trust.

20                         To this end, the School  
21           District -- the School Reform Commission  
22           passed a resolution on Wednesday, June  
23           8th authorizing Chairman Archie to sign  
24           an Education Accountability Agreement and  
25           deliver the documents and assurances

1           6/10/11 - WHOLE - 110135, ETC.

2           requested by the Mayor. I'm pleased to  
3           report that the agreement was  
4           hand-delivered yesterday and signed by  
5           the Mayor, Pennsylvania Secretary of  
6           Education Ronald Tomalis and Chairman  
7           Archie.

8                        Upon receipt of approval from  
9           the Pennsylvania State Department of Ed  
10          regarding the use of Title I funds, we  
11          are now planning to restore full-day  
12          kindergarten by redistributing Title I  
13          funding. As a result, though, Title I  
14          funds will be cut from other programs and  
15          services like professional development  
16          for our teachers and other staff, data  
17          specialists, some school counselors and  
18          our Summer Learning and More program for  
19          next summer, which we know helps to keep  
20          more than 40,000 of our young people  
21          engaged in learning and off the streets  
22          throughout the summer months, not to  
23          mention the economic value to parents.

24                        Last year, we estimated that  
25          parents saved approximately \$25 million

1           6/10/11 - WHOLE - 110135, ETC.

2           in childcare expenses because their  
3           children were enrolled in all-day summer  
4           school, thus allowing those dollars to be  
5           redistributed in the Philadelphia  
6           economy.

7                        The ability to restore full-day  
8           kindergarten by redistributing Title I  
9           funds is good news. We've also, though,  
10          been working with SEPTA to arrive at a  
11          deal on student TransPasses. We are  
12          optimistic that we will be able to  
13          continue to provide our students with  
14          access to public transportation to and  
15          from school each day. However, even with  
16          the restoration of the SEPTA passes, cuts  
17          to our yellow bus services remain on the  
18          table.

19                      In addition, millions of  
20          dollars of cuts remain, cuts that will  
21          have serious impact on our ability to  
22          close the persistent achievement and  
23          opportunity gaps that engulf our black  
24          and Latino children and might impede the  
25          progress that our schools have made with

1           6/10/11 - WHOLE - 110135, ETC.

2           all of Philadelphia's children.

3                   I want to reiterate that this  
4           School District has made consistent gains  
5           in the past eight years. We've made  
6           dramatic and accelerated progress last  
7           year in particular, with almost  
8           two-thirds of our schools making AYP --  
9           it's unheard of in other large school  
10          systems -- and almost 100 schools  
11          receiving the Keystone Awards for making  
12          AYP for two years in a row, a 29 percent  
13          cut in violence and 4 percent gains in  
14          the graduation rate, just to name a few  
15          of our progress -- some of our progress.

16                   However, I sincerely believe  
17          that this District is at a tipping point.  
18          We have put in place all of the programs  
19          that we believe will curve our future  
20          needs for accelerated programs by laying  
21          the foundation with strong K-12  
22          instructional programs and services that  
23          ensure our young people stay in school  
24          and graduate with the skills that prepare  
25          them to make post secondary choices.

1           6/10/11 - WHOLE - 110135, ETC.

2           Please understand that the  
3           staff and I have agonized over these  
4           proposed cuts for months. We know that  
5           our children deserve the best educational  
6           opportunities possible if they are going  
7           to compete in tomorrow's world. It is  
8           with these thoughts in mind that we urge  
9           all of us - the District, City government  
10          officials and elected state  
11          representatives - to work together in  
12          true partnership. The truth is, members  
13          of City Council, the children of  
14          Philadelphia need you. They need you  
15          more than ever. They need you to ensure  
16          the eight years of -- eight straight  
17          years of academic gains continue on a  
18          positive trajectory.

19          We realize that the decisions  
20          about how you grant us additional funding  
21          will require making tough choices, but  
22          Dr. Martin Luther King once said that the  
23          measure of a man or the measure of a  
24          person is not where he stands in times of  
25          comfort and convenience, but rather where

1           6/10/11 - WHOLE - 110135, ETC.

2           he stands in times of challenge and  
3           controversy.

4                       We are indeed in times of  
5           economic challenge, and we realize that  
6           any decision you make to grant this  
7           District additional funding will  
8           certainly involve controversy, but I want  
9           you to know that over 200,000 children  
10          and their families are counting on you to  
11          stand up for them while remembering the  
12          poignant words of Dr. King.

13                      I could go on, but I won't. We  
14          all know the seriousness of these times  
15          for our District. As I said in my last  
16          address to you, a friend once told me  
17          that when children fail, it's a systems  
18          failure, a failure both inside and  
19          outside of the School District. It is a  
20          failure of the adults charged with their  
21          academic, social and physical welfare to  
22          do no harm.

23                      The budget cuts we face -- are  
24          faced with will do irreparable harm to  
25          many of our children. I am here today to

1           6/10/11 - WHOLE - 110135, ETC.

2           plead with you to do no more harm by  
3           granting this District additional funds  
4           so that we can restore some of the most  
5           dire cuts. To this end, we, the School  
6           District of Philadelphia, respectfully  
7           request again from the City Council and  
8           the Mayor additional funding of 75 to 100  
9           million so that we can maintain some of  
10          the District's most important programs  
11          and initiatives. As you make this  
12          decision, please know that we are  
13          prepared to work cooperatively with you,  
14          because we believe, as you do, that our  
15          students deserve nothing but our best  
16          collective efforts.

17                    Thank you.

18                    (Applause.)

19                    COUNCIL PRESIDENT VERNA: Thank  
20           you.

21                    Mr. Archie, are you going to  
22           also testify?

23                    MR. ARCHIE: I'm going to give  
24           my time to Mr. Nunery and Mr. Masch.

25                    COUNCIL PRESIDENT VERNA: Fine.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. ARCHIE: I'll be here to  
3 answer questions, but I will --

4           COUNCIL PRESIDENT VERNA: Very  
5 well.

6           And, Mr. Masch, are you ready  
7 to testify?

8           MR. MASCH: Madam President,  
9 the SRC Chair and the Superintendent have  
10 asked me to put on the record what the  
11 highest restoration priorities of the  
12 School District are and what our  
13 estimates of their costs are so it will  
14 be clear to this body and to the citizens  
15 of Philadelphia what cuts to the budget  
16 we could restore with additional funding.

17           The Superintendent has already  
18 testified as to how we've managed since  
19 we were here last on May 24th to find a  
20 way to restore full-day kindergarten by  
21 making other cuts in Title I and through  
22 the loan arrangements we are negotiating  
23 with SEPTA. This still leaves us with  
24 deep and serious cuts to instructional  
25 programs and student services elsewhere

1           6/10/11 - WHOLE - 110135, ETC.

2           in the budget. We believe that we have  
3           reached the limit of the adjustments that  
4           we can make to the Title I budget and  
5           that we have cut as deeply as we  
6           prudently can in other areas of our  
7           operating budget without violating state  
8           and federal laws, without jeopardizing  
9           our ability to function as an entity or  
10          putting our most critical educational  
11          priorities at risk.

12                        When we appeared before you in  
13          May, we provided you with a priority list  
14          of the cuts in the current School  
15          District budget that we believe do the  
16          greatest harm to our instructional  
17          programs. These cuts still need to be  
18          addressed. Without additional funding,  
19          they will have to be implemented, and  
20          they include, first, bus transportation  
21          for regular education students --

22                        COUNCIL PRESIDENT VERNA:

23          Excuse me. Mr. Masch, do you have a copy  
24          of your testimony?

25                        MR. MASCH: Yes. I'm sorry. I

1           6/10/11 - WHOLE - 110135, ETC.  
2           didn't realize that it hadn't been -- can  
3           I ask that the...

4           COUNCIL PRESIDENT VERNA:  
5           Sergeant-At-Arms will distribute them.

6           MR. MASCH: I apologize, Madam  
7           President. Please tell me when you want  
8           me to proceed.

9           COUNCIL PRESIDENT VERNA: Let's  
10          wait for them to be circulated first.

11          MR. MASCH: Sure.

12          COUNCILMAN GREEN: Point of  
13          information.

14          COUNCIL PRESIDENT VERNA: Yes.  
15          The Chair recognizes Councilman Green.

16          COUNCILMAN GREEN: Thank you,  
17          Madam Chair. Just maybe Mr. Masch could  
18          tell us. Is this reflective of the  
19          charts that you gave us yesterday and  
20          that were handed out in connection with  
21          Mr. Archie's letter to the Mayor  
22          yesterday or is this a different set of  
23          priorities?

24          MR. MASCH: This is the same as  
25          the priority list that we reviewed

1           6/10/11 - WHOLE - 110135, ETC.

2           yesterday, that's correct.

3           COUNCILMAN GREEN: Not

4           reflective of our meeting?

5           MR. MASCH: Pardon me?

6           COUNCILMAN GREEN: It's the

7           same that you came into our meeting with

8           yesterday?

9           MR. MASCH: Yes. And we've

10          tried in these comments to reflect some

11          of the discussion that we've had, for

12          instance, on alternative education.

13          COUNCILMAN GREEN: Thank you.

14          COUNCIL PRESIDENT VERNA: All

15          right. Mr. Masch, please proceed.

16          MR. MASCH: I'm at the top of

17          Page 2.

18          The cuts that still need to be

19          addressed include the following:

20          Bus transportation for regular

21          education students in District-operated

22          schools and non-public schools: Without

23          26.5 million in additional funding, the

24          School District will be required to end

25          all school bus service for over 19,000

1           6/10/11 - WHOLE - 110135, ETC.

2           students in District-operated schools and  
3           non-public schools.

4           The second priority item is  
5           reduced class sizes. Without 21 million  
6           in additional funding, the School  
7           District will be required to increase the  
8           maximum class size by three students on  
9           average in every K to 3 classroom in the  
10          School District and in every 6th, 8th and  
11          9th grade classroom in our lowest  
12          performing schools. The total of these  
13          two items is 47.5 million.

14          Alternative education -  
15          accelerated programs: Without at least a  
16          \$16 million budget, of which we have 8  
17          million now -- so what we have provided  
18          to you right now is a program for 16.6  
19          million. So that would require an  
20          increase of 8.6 million in additional  
21          funding -- the School District will be  
22          unable to preserve contractor-provided  
23          accelerated programs as we -- in the  
24          alternative alternative education plan  
25          that we've presented to you. That

1           6/10/11 - WHOLE - 110135, ETC.

2           funding would provide for over 1,200  
3           students in contractor-provided programs,  
4           assuming that we are unable to negotiate  
5           a reduction in the cost of operating  
6           those programs. Council has indicated to  
7           us that it is the desire of the body that  
8           we work and engage with the contractors  
9           to try to find a way to operate those  
10          contractor-provided programs as  
11          efficiently as possible, lower the cost  
12          per student and serve additional  
13          students, but at the rates that have  
14          currently been negotiated, 8.6 million  
15          would provide for 1,200 students. And  
16          this is for programs for students who are  
17          at risk of dropping out or returning to  
18          school after having already dropped out.  
19          Those three items total 56.1 million.

20                 Early childhood: Without 7.3  
21          million in additional funding, the School  
22          District will be required to terminate  
23          services for 730 children now attending  
24          high-quality educationally enriched pre-K  
25          programs in what we call the Bright

1           6/10/11 - WHOLE - 110135, ETC.  
2           Futures program that the School District  
3           operates. Those four items total 63.4  
4           million.

5                    City services supported  
6           currently by the School District budget:  
7           Without at least \$11 million in  
8           additional funding, the School District  
9           will be unable to continue to support  
10          City-related activities currently  
11          included in the School District's budget,  
12          including school-based social services,  
13          property tax assessment, City use of  
14          District facilities for City recreational  
15          programs and other services. The total  
16          of those five items is 74.4 million.

17                   School nurses: Without 3  
18          million in additional funding, the School  
19          District will have to eliminate 41 school  
20          nurse positions and raise the ratio of  
21          nurses to students from where it is now,  
22          655 to 1, to 750 to 1. The total of  
23          these six items is 77.4 million.

24                   Extended-day programs: Without  
25          10 million in additional funding, the

1           6/10/11 - WHOLE - 110135, ETC.

2           School District will be required to  
3           eliminate its current after-school  
4           tutoring programs for 11,500 students  
5           that keep those students from falling  
6           behind in critical subjects. The total  
7           of these seven items is 87.4 million.

8                         Counselors: Without 7.6  
9           million in additional funding,  
10          counselor-student ratios will have to go  
11          to 400 to 1. The total of these eight  
12          items is 95 million.

13                        Art and music programs:  
14          Without 7.7 million in additional  
15          funding, the School District will be  
16          unable to provide K to 8 schools with  
17          sufficient funds to support art and music  
18          program offerings in all grades in all  
19          schools. The total of these nine items  
20          is 102.7 million.

21                        As the Superintendent has  
22          indicated, these are not the only  
23          significant cuts in instructional  
24          programs in the current version of the  
25          School District budget for next year.

1           6/10/11 - WHOLE - 110135, ETC.

2           There are also cuts to gifted programs,  
3           school police, instrumental music,  
4           English language learner programs,  
5           special education, athletics and more,  
6           all of which will deny critical services  
7           to our students and our schools. But you  
8           have asked us to set forth our highest  
9           priorities for restoration. If it is  
10          possible for the School District to  
11          receive additional funding in order to  
12          undo some of the worst cuts in the  
13          current budget, the items presented above  
14          represent the School District's highest  
15          restoration priorities.

16                 We want to note that despite  
17                 inaccurate claims from some of our  
18                 critics, School District spending has not  
19                 been growing at inappropriate levels in  
20                 recent years. In fact, the average  
21                 annual growth in the School District's  
22                 operating budget over the past two years  
23                 was 4 percent, and that incorporated a 17  
24                 percent annual growth rate in spending  
25                 for charter schools, so that the rate of

1           6/10/11 - WHOLE - 110135, ETC.

2           growth in the balance of the budget was  
3           actually lower than the 4 percent. The  
4           School District has had a balanced budget  
5           for three years and we have had modest  
6           surpluses for the past two. We were  
7           fortunate to receive additional stimulus  
8           funding over the past two years. These  
9           funds, which we knew were temporary and  
10          which could not be banked or saved,  
11          enabled us to invest in some very  
12          worthwhile programs that helped our  
13          students and contributed to our academic  
14          gains over the past two years. But we  
15          knew those funds were temporary and we  
16          had plans to operate without them.

17                 Our budget crisis today has not  
18                 been caused by the loss of stimulus funds  
19                 and it has not been caused by excessive  
20                 spending. Our crisis is a funding  
21                 crisis. At present, unless this Council  
22                 and the Pennsylvania General Assembly  
23                 take some corrective action, our School  
24                 District's revenues will decline next  
25                 year by 15 percent, \$400 million. That

1           6/10/11 - WHOLE - 110135, ETC.

2           loss of funding from one year to the next  
3           is unprecedented. It has never happened  
4           before.

5                     The key point we want to make  
6           is that the School District was not  
7           caught unawares. We anticipated this  
8           budget gap. We have prepared a plan to  
9           deal with the gap, and we are prepared to  
10          implement each facet of that gap-closing  
11          plan if the District does not receive  
12          increased funding sufficient to present  
13          the reversal of some of the most harmful  
14          cuts called for in our gap-closing plan.

15                    And we do want to note that  
16          that plan, as we have testified to you,  
17          includes other cost containment measures,  
18          including 57 million in charter school  
19          budget relief, which we are seeking from  
20          the Commonwealth, 75 million in  
21          adjustments to our wage and benefit costs  
22          through changes in our current collective  
23          bargaining agreements, and several  
24          hundred million other measures that don't  
25          cut school budgets but do contain costs

1           6/10/11 - WHOLE - 110135, ETC.

2           for the School District next year.

3                     But the School District, as you  
4           know, is legally obligated to maintain a  
5           balanced budget. If our funding is cut,  
6           our spending must be cut as well. So we  
7           have responded to this unprecedented  
8           situation in what we believe is the most  
9           responsible way possible, presenting a  
10          balanced budget within the limits of the  
11          funding currently proposed in order to  
12          ensure that there will be no deficit for  
13          the School District next year, while also  
14          advocating for additional funding so that  
15          the most injurious cuts to school  
16          programs can be avoided, if possible.

17                    We have closed a significant  
18          portion of our budget gap in ways that  
19          did not adversely affect students and  
20          instructional programs, but given the  
21          size of our gap, we could not get all the  
22          way there without having to propose cuts  
23          that are deeper than they should be in  
24          many areas. So for this reason, we  
25          respectfully request favorable action by

1           6/10/11 - WHOLE - 110135, ETC.  
2           this Council to increase funding for the  
3           School District for Fiscal Year 2011-12  
4           so that we can roll back the worst of the  
5           cuts currently before us.

6                   COUNCIL PRESIDENT VERNA: Thank  
7           you.

8                   The Chair recognizes Councilman  
9           Goode.

10                   COUNCILMAN GOODE: Thank you,  
11          Madam President.

12                   Let me start off where I  
13          finished before. So how much money do  
14          you really want? You presented us with  
15          options, several options here. So what  
16          are you really asking for?

17                   MR. MASCH: It's still 75 to  
18          100 million.

19                   COUNCILMAN GOODE: But the 75  
20          to 110 million was for four items. You  
21          now have, I believe, nine items. So the  
22          list has changed.

23                   MR. MASCH: Councilman, this  
24          was exactly the same list we provided to  
25          you on May 24th. With what we have been

1           6/10/11 - WHOLE - 110135, ETC.

2           able to do with full-day kindergarten and  
3           student TransPasses --

4                   COUNCILMAN GOODE:   That's not  
5           true.  I'm just going to stop you and I'm  
6           actually not going to direct my questions  
7           towards you today.  Okay?

8                   To Chairman Archie and to Dr.  
9           Ackerman, let's talk about the Education  
10          Accountability Agreement.  That agreement  
11          was between the Education Secretary, the  
12          Mayor and the School Reform Commission,  
13          none of which can approve funding at this  
14          point.  That requires lawmakers, the  
15          state and local level.  I am not clear on  
16          whether this list is a different list or  
17          not.  I believe it to be a different  
18          list, because we discussed 75 to 110  
19          million for four items, one being  
20          full-day kindergarten, another being  
21          smaller class size, accelerated schools  
22          and transportation.  There are a lot more  
23          things on this list, a couple taken off  
24          and then a number of things added.  Is  
25          that correct?

1           6/10/11 - WHOLE - 110135, ETC.

2           DR. ACKERMAN: Actually, when  
3 we were here before, we had a list of, I  
4 believe, \$180 million.

5           COUNCILMAN GOODE: But I asked  
6 you to narrow it down, and you narrowed  
7 it down to four items that cost \$75 to  
8 \$110 million. We then took a couple of  
9 those items off the list. There have  
10 been other items added to the list. The  
11 list has expanded. I'm asking, is that  
12 correct?

13          MR. ARCHIE: That's correct.

14          COUNCILMAN GOODE: Does the  
15 Mayor agree with this list?

16          DR. ACKERMAN: Yes.

17          COUNCILMAN GOODE: I'm going to  
18 ask his Administration that question when  
19 they come up, because the Mayor made a  
20 different request from us, both publicly  
21 through a letter and privately through  
22 conversations he's had with us. But in  
23 terms of the School Reform Commission  
24 itself and where we stand in terms of  
25 educational accountability and where we

1           6/10/11 - WHOLE - 110135, ETC.  
2           move forward, if this is a new vision, if  
3           this is a new partnership, I'm wondering  
4           how far it's going to go. So I have four  
5           questions, and the way you answer these  
6           four questions will determine how I will  
7           vote in terms of how much money you will  
8           get.

9                     The first is, do you support  
10           the concept of an elected School Board?

11                    DR. ACKERMAN: Are you talking  
12           to me?

13                    COUNCILMAN GOODE: I'm talking  
14           to anyone who wants to answer the  
15           question.

16                    DR. ACKERMAN: That's all I  
17           worked with before I came here, was  
18           elected School Boards, so...

19                    MR. ARCHIE: Your answer is?

20                    DR. ACKERMAN: My answer is  
21           yes.

22                    COUNCILMAN GOODE: Do you  
23           support control of the School District  
24           returning to the City?

25                    DR. ACKERMAN: I'm sorry?

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: Do you  
3 support control of the School District  
4 going back to the City?

5           MR. ARCHIE: I know that  
6 current legislation which enacted the  
7 School Reform Commission, when in fact  
8 there is -- the School Reform Commission  
9 has the ability, once it determined that  
10 the School District is fiscally sound, to  
11 vote itself out of existence. So in the  
12 event that occurs, we would have no  
13 choice but to say, yes, we're in favor of  
14 that returning back to the nine-member  
15 School Board.

16           We determine whether or not the  
17 School District has been fiscally sound.  
18 It was instituted in 1999 or 2001, the  
19 School Reform Commission, because the  
20 School District was determined by the  
21 Commonwealth of Pennsylvania to be a  
22 distressed school district, and  
23 consequently the School Reform Commission  
24 was imposed.

25           COUNCILMAN GOODE: It was

1           6/10/11 - WHOLE - 110135, ETC.  
2           distressed. Four years ago it was facing  
3           financial distress again.

4           MR. ARCHIE: Correct.

5           COUNCILMAN GOODE: We made a  
6           millage shift, and in the time since  
7           then, there have been balanced budgets  
8           and even surpluses, so --

9           MR. ARCHIE: For the last two  
10          years.

11          COUNCILMAN GOODE: So it could  
12          have been returned back to the City then.  
13          So the question is, do you support  
14          returning control back to the City?  
15          That's the second of four questions.

16          MR. ARCHIE: If we met the  
17          criterias for returning it, yes.

18          COUNCILMAN GOODE: Okay. I'll  
19          move to the third question. Who should  
20          have taxing authority?

21          MR. ARCHIE: You mean the  
22          School District or the City?

23          COUNCILMAN GOODE: Who should  
24          have taxing authority to provide funds to  
25          the School District? Should the School

1           6/10/11 - WHOLE - 110135, ETC.

2           Reform Commission have taxing authority?

3                   MR. ARCHIE: I mean, I'm not  
4           sure if -- in other jurisdictions, the  
5           school board does have -- the school  
6           district does have taxing authorities.  
7           I'd have to look at that, Councilman, to  
8           see whether or not that's been successful  
9           or unsuccessful.

10                   COUNCILMAN GOODE: So the last  
11           question is, what should City Council's  
12           role be in public education?

13                   MR. ARCHIE: Under the current  
14           structure is that you grant us the  
15           ability to impose taxes. You in fact  
16           impose taxes to fund the School District.  
17           That's the role it has been historically  
18           in place.

19                   COUNCILMAN GOODE: So our role  
20           is to authorize taxes?

21                   MR. ARCHIE: Correct.

22                   COUNCILMAN GOODE: And that's  
23           it?

24                   MR. ARCHIE: Well, no. Your  
25           role is to basically to participate in

1           6/10/11 - WHOLE - 110135, ETC.  
2           the governance, making suggestions to the  
3           School District, pointing out our success  
4           or failures and how to basically to  
5           transform the School District. You have  
6           an oversight.

7                   COUNCILMAN GOODE: We're not  
8           part of the Accountability Agreement,  
9           though.

10                   MR. ARCHIE: Yes, but the  
11           Accountability Agreement envisions that  
12           you would play an active role in it.

13                   COUNCILMAN GOODE: So I believe  
14           that there were four items on the table  
15           last time we met and there were new items  
16           that have been put on the table. Who  
17           decided new items would be put on the  
18           table?

19                   MR. ARCHIE: I think there were  
20           more than just four items on the table at  
21           that time, but we were --

22                   COUNCILMAN GOODE: There was a  
23           list of a total 200 million --

24                   MR. ARCHIE: Correct.

25                   COUNCILMAN GOODE: -- when you

1           6/10/11 - WHOLE - 110135, ETC.  
2           first came in. You reduced that list to  
3           four items.

4                   MR. ARCHIE: I think we  
5           prioritized that list. We didn't reduce  
6           that list. We said these are the four  
7           items that we consider of top priority.

8                   COUNCILMAN GOODE: You've  
9           answered the questions to my  
10          satisfaction. I understand exactly what  
11          you're saying, that you want as much  
12          money as you can get.

13                   Thank you.

14                   (Applause.)

15                   COUNCIL PRESIDENT VERNA: Thank  
16          you.

17                   The Chair recognizes Councilman  
18          Jones.

19                   COUNCILMAN JONES: Thank you,  
20          Madam President.

21                   Good morning.

22                   MR. ARCHIE: Good morning.

23                   COUNCILMAN JONES: As we start  
24          to move this forward, I think one of the  
25          big issues is the irony I had this

1           6/10/11 - WHOLE - 110135, ETC.

2           morning, I helped my granddaughter on her  
3           way to her first graduation from a public  
4           charter school. I also had the  
5           responsibility of taking a look at and  
6           being the judge for an art program at  
7           Lamberton School, and the irony of it is  
8           is that the art teacher who helped the  
9           students design the banners that are  
10          going to go on Haverford Avenue in my  
11          district received their notice that she  
12          won't be there next year.

13                 It is my understanding that  
14                 we're making serious choices about  
15                 whether or not to have art or music.  
16                 We're making serious choices about the  
17                 priorities. I watched my colleagues  
18                 yesterday struggle, I mean struggle,  
19                 literally about tough decisions that they  
20                 have to make. Clearly, what we want to  
21                 know is out of these choices, which ones  
22                 are you prioritizing and which ones are  
23                 you saying that we can live without.

24                 We struggled privately in some  
25                 of those choices about compromise. I

1           6/10/11 - WHOLE - 110135, ETC.

2           think it's time by way of the public to  
3           know these are the types of tough choices  
4           that we're making and here's where we  
5           make our stand. And so from you, I want  
6           some of the things that are the line in  
7           the sand, things we can live with, things  
8           we can live without. And some of those  
9           issues are how we administer summer  
10          school and how we deal with alternative  
11          schools.

12                        So I think we need to clearly  
13          start to begin that dialogue here so that  
14          at the end of the day, this body, as  
15          Councilman Goode alluded to, is going to  
16          be asked to do some of the heavy lifting,  
17          and some of my colleagues are going to  
18          have to go out and face their  
19          constituents about whether they choose to  
20          do real estate, sugar tax or combination  
21          of all of the above. So we really need  
22          to know what we are fighting about and  
23          for and where you stand by way of what  
24          those priorities are.

25                        DR. ACKERMAN: Councilman, we

1           6/10/11 - WHOLE - 110135, ETC.

2           have put together this list of  
3           priorities. There were other lists,  
4           180 -- even more than that. We had more  
5           than \$400 million worth of cuts. What  
6           we've put on this list are the items that  
7           we have heard either from you, members of  
8           Council, parents, who have been really  
9           clear of the kinds of programs that they  
10          have drawn the line in the sand, and the  
11          kinds of things that we believe will  
12          continue this District's positive trend  
13          upwards. We do not want to go backwards.

14                 So what we've put with the \$102  
15          million is the absolute what we believe  
16          we need, what we've heard from the  
17          Councilmembers, what we've heard from the  
18          Mayor and, more than anything, what we've  
19          heard from parents. We've been in the  
20          public now for the last three months and  
21          we've had 18 different hearings, and  
22          parents have been really clear about  
23          things like reduced class sizes, school  
24          nurses, early childhood education. So  
25          what you have is a composite of the

1           6/10/11 - WHOLE - 110135, ETC.

2           listening sessions from you, the bigger  
3           public, more importantly the parents and  
4           what we as educators believe we  
5           absolutely need.

6                     Actually, if we were to look at  
7           the list of things that have been cut, I  
8           can name you other things that I think if  
9           we put back on the table are essential,  
10          but here we've given you our best  
11          thinking here.

12                    COUNCILMAN JONES: All right.  
13          So at the end of this day when we have to  
14          consider this, and I'll repeat my  
15          colleague Councilman Goode's question,  
16          what are you asking us for totally?

17                    DR. ACKERMAN: We are asking  
18          you for the \$102 million.

19                    COUNCILMAN JONES: That's what  
20          you say is the line in the sand? It's  
21          not the 125 million, it's the \$102  
22          million and that is what --

23                    DR. ACKERMAN: That's what  
24          we're asking for.

25                    COUNCILMAN JONES: All right.

1           6/10/11 - WHOLE - 110135, ETC.

2           Thank you, Madam President.

3           COUNCIL PRESIDENT VERNA:

4           You're welcome.

5           The Chair recognizes

6           Councilwoman Blackwell.

7           COUNCILWOMAN BLACKWELL: Thank

8           you, Madam President.

9           I would like to introduce the  
10          Minister of Education of Monrovia,  
11          Liberia who is with us today. They're on  
12          a weekend visit with Stan Straughter,  
13          Chairman of the Mayor's Commission of  
14          African and Caribbean Immigrant Affairs,  
15          and our group, and they will be part of  
16          the Odunde celebration.

17          Certainly Minister Pangbai is  
18          here, and we ask him to stand and be  
19          recognized to --

20          (Applause.)

21          COUNCILWOMAN BLACKWELL: -- to  
22          consider our deliberations. And we will,  
23          as in other hearings, Dr. Ackerman, ask  
24          you to introduce the other members of the  
25          SRC, if you would.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   Thank you.

3                   MR. ARCHIE: You certainly may.

4                   DR. ACKERMAN: We have all four  
5 of our Commissioners - Commissioner  
6 Dworetzky, Commissioner Armbrister and  
7 Commissioner Irizarry. I'm sorry. Not  
8 in that order, but definitely goes this  
9 way.

10                  MR. ARCHIE: Can we give them a  
11 round of applause.

12                  (Applause.)

13                  COUNCIL PRESIDENT VERNA: Can  
14 you tell us what the average class size  
15 is today?

16                  DR. ACKERMAN: The average  
17 class size varies. In our empowerment  
18 schools -- those are our 110 schools that  
19 are our lowest performing schools. This  
20 year there are 110. There will be fewer  
21 next year. That's one of the cuts that  
22 we made. The average class size is  
23 anywhere between 23 and 20 students per  
24 class.

25                  COUNCIL PRESIDENT VERNA: And

1           6/10/11 - WHOLE - 110135, ETC.

2           you want that -- you're hoping to reduce  
3           that?

4           DR. ACKERMAN: We're hoping to  
5           keep it at that level.

6           COUNCIL PRESIDENT VERNA: I  
7           heard reduced class sizes. So what class  
8           sizes are --

9           DR. ACKERMAN: Well, our class  
10          sizes vary. We have from in our  
11          empowerment schools, because those are  
12          the schools with young people with the  
13          most challenges, is anywhere between 20  
14          and 23. In our traditional schools, it's  
15          anywhere between 24 to 26. In grades 6  
16          to 7 and 8 and 9, I believe -- 6, 8 and 9  
17          in empowerment schools, it is 20 to 23.

18          MR. MASCH: But next year's  
19          budget would raise all of those.

20          COUNCIL PRESIDENT VERNA:  
21          Mr. Masch, I can't hear you.

22          DR. ACKERMAN: He was just  
23          repeating what I said to you, that next  
24          year -- we're trying to maintain these  
25          class sizes for next year.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCIL PRESIDENT VERNA: I

3 know that we have heard that you were  
4 thinking of consolidating schools. Can  
5 you tell us what that process will be and  
6 when do you anticipate it to be  
7 completed?

8           DR. ACKERMAN: I'm going to let

9 Dr. Nunery talk about the process and  
10 what we've done with our Master  
11 Facilities Plan. We anticipate that it  
12 will be a two-year process and there are,  
13 I believe, about 40 to 50 schools that  
14 are under consideration, but I'm going to  
15 let him talk more explicitly about the  
16 Master Facilities Plan.

17          COUNCIL PRESIDENT VERNA:

18 Please.

19          DR. NUNERY: Good morning,

20 Madam President.

21          COUNCIL PRESIDENT VERNA: Good

22 morning.

23          DR. NUNERY: The process we've

24 gone through thus far is to gather

25 information about all of the schools, the

1           6/10/11 - WHOLE - 110135, ETC.

2           facilities' conditions, to determine what  
3           kind of deferred maintenance it would be,  
4           how well utilized those buildings are,  
5           how full they are or not full, depending  
6           on the circumstance. We've looked at all  
7           of our annexes.

8                       Based on what we've learned and  
9           going out to the public and finding out  
10          what their priorities are in terms of  
11          programming and what other types of  
12          facilities enhancements they would like,  
13          we've determined a three-phased process.  
14          The first phase is underway. We're  
15          looking at those buildings that have  
16          already been closed and have been  
17          shuddered for some time. Based on the  
18          SRC's actions that we expect will come  
19          through on Monday, we'll have those  
20          buildings appraised, and then they'll be  
21          represented by brokers for sale.

22                       We hope to be able to use that  
23          momentum to go into the fall and look at  
24          the remaining buildings that we've  
25          examined that are underutilized or have

1           6/10/11 - WHOLE - 110135, ETC.

2           poor facilities conditions.

3                       We have a number of options  
4           that we can pursue - consolidating some  
5           buildings, changing grade configurations,  
6           looking at neighborhood or boundary  
7           changes based on the catchment areas of  
8           the school, closure of some buildings,  
9           removal of annexes and trying to get out  
10          of expensive leases. So what we've been  
11          presenting all along is that range of  
12          options. That will start in the fall.  
13          The first wave of schools would likely be  
14          affected in the spring of next year, and  
15          then the second wave would start in fall  
16          a year from now, so that you'd have a  
17          two-year process beginning with this fall  
18          of '11.

19                      COUNCIL PRESIDENT VERNA: You  
20          certainly can't list them at this point  
21          in time?

22                      DR. NUNERY: No. No, we can't.  
23          I don't have them right in front of me  
24          anyway, but we'd certainly be glad to  
25          come back to Council to give you a sense

1           6/10/11 - WHOLE - 110135, ETC.  
2           of what information we've collected,  
3           certainly.

4                   COUNCIL PRESIDENT VERNA:  
5           That's fine. Thank you.

6                   Now, how many schools have been  
7           closed for some time? Have you had an  
8           appraisal taken? Do you intend to sell  
9           them? Give us an update on that, please.

10                   DR. NUNERY: There are six  
11           buildings that had already been closed.  
12           They've been shuttered. The process is  
13           to have them appraised. That's exactly  
14           what I was referring to. The SRC is  
15           going to hopefully approve a resolution  
16           to get those appraisers in to have them  
17           looked at for educational use or some  
18           type of other reuse. Hopefully they will  
19           be sold, or some other repurposing,  
20           depending on who shows up. In a  
21           difficult marketplace, it's hard to  
22           predict exactly what will happen. But  
23           that's the process for right now. That's  
24           what we're dealing with right now.

25                   COUNCIL PRESIDENT VERNA: When

1           6/10/11 - WHOLE - 110135, ETC.

2           do you think that would be completed?

3           Because I know I have a vacant school in  
4           my district.

5                     DR. NUNERY:   Yes, you do.

6                     COUNCIL PRESIDENT VERNA:   And  
7           there have been developers who have been  
8           saying why doesn't the School District  
9           put out an RFP on this.  I don't know why  
10          it's taking so long to go through this  
11          process.

12                    DR. NUNERY:   So, Madam  
13          President, the problem I think in the  
14          past was, there was no plan, and actually  
15          under Dr. Ackerman, this Facilities  
16          Master Plan finally has taken root.  So  
17          they will be seeing RFPs issued by our  
18          offices very soon for their interest in  
19          either private development or educational  
20          use or community development use.  We've  
21          got a tiering of potential uses.

22                    So we're sorry that it's taken  
23          so long to get that done, but I think  
24          instead of single one-by-one actions --

25                    COUNCIL PRESIDENT VERNA:   They

1           6/10/11 - WHOLE - 110135, ETC.

2           would be all done at one time.

3                   DR. NUNERY: -- the  
4           comprehensive way of doing it -- yes.

5                   COUNCIL PRESIDENT VERNA: That  
6           makes sense.

7                   Councilwoman Blackwell is  
8           saying you indicated this would be very  
9           soon. Does that mean it would be done by  
10          fall?

11                   DR. NUNERY: Absolutely. In  
12          fact, during the summer, this is when the  
13          RFPs will be going out. The appraisals  
14          will begin very soon, within the next  
15          couple of weeks, if not sooner than that.  
16          So we'll have some good information on  
17          what the potential market values are.  
18          And then we'll go out to the public with  
19          RFPs so that they'll have a chance to  
20          indicate what their interests are in  
21          particular buildings. That's right.

22                   COUNCIL PRESIDENT VERNA: So at  
23          this point in time, you have no  
24          indication whatsoever as to what those  
25          six buildings would sell for?

1                   6/10/11 - WHOLE - 110135, ETC.

2                   DR. NUNERY: That's correct. I  
3 think it would be a real speculation to  
4 do that, and we don't want to do that.

5                   COUNCIL PRESIDENT VERNA: Thank  
6 you.

7                   The Chair recognizes Councilman  
8 Green.

9                   COUNCILMAN GREEN: Thank you,  
10 Madam Chair.

11                   I just want to make a comment  
12 briefly about the testimony. I was  
13 surprised that a lot of time was spent  
14 discussing how we got here and how  
15 essentially the School District has no  
16 accountability, it's not their fault  
17 that -- it's not at all their fault for  
18 the situation we're in today, and I just  
19 think that that strikes the wrong tone.  
20 It's a debate we've been having for two  
21 weeks, but at this point, especially  
22 given the, I thought, very positive  
23 meeting we had yesterday, I don't  
24 think -- we should stop wasting time on  
25 how we got here. The story has been

1           6/10/11 - WHOLE - 110135, ETC.

2           told. People have different versions of  
3           it, and it seems rather pointless to  
4           spend time on it.

5                     I am exercising great restraint  
6           and am very proud of myself for not  
7           getting into that discussion. So let's  
8           talk about the events of the past three  
9           weeks.

10                    It's also surprising to hear  
11           testimony that the District is very  
12           similar to the testimony we heard three  
13           weeks ago. Over the past three weeks, in  
14           the past at the suggestion of Council in  
15           part, the District demonstrated  
16           successful problem-solving. First, the  
17           District determined how to preserve  
18           full-day kindergarten by repurposing  
19           Title I funds. Yesterday afternoon you  
20           reviewed with several Councilmembers how  
21           the Title I funds were being reallocated,  
22           and I think most, if not all of us, came  
23           away from the meeting impressed by the  
24           choices made and generally supportive of  
25           the changes.

1           6/10/11 - WHOLE - 110135, ETC.

2           Second, the District has worked  
3 with SEPTA to put in place a mechanism  
4 for preserving the student TransPass  
5 program. Again, this shows a  
6 collaborative, which we discussed during  
7 the initial School District hearings, a  
8 collaborative problem-solving,  
9 working-together approach.

10           The problem is now that we seem  
11 to be hearing from the District today  
12 something that I think was different from  
13 the impression we got in the room  
14 yesterday, and, that is, the universe of  
15 problem-solving has been exhausted and  
16 this is the bottom line. I don't share  
17 this pessimism. I think that there's  
18 additional problem-solving that we can  
19 do. And yesterday, for instance, we  
20 asked the District for specific data to  
21 help us solve some of these problems, and  
22 so I guess I'll start with some of that.

23           For example, yesterday one of  
24 the questions I asked is, with respect to  
25 class size, how much it would cost to

1           6/10/11 - WHOLE - 110135, ETC.

2           keep class size the same for only  
3           empowerment schools.

4                    I can't imagine anybody is  
5           surprised by these questions.

6                    MR. MASCH: We're not surprised  
7           by it, and we agree that for this and  
8           the -- there is a list of questions that  
9           we received yesterday. We will give you  
10          detailed answers to those. We don't want  
11          to enter a number on the record that is  
12          incorrect, and we haven't finished the  
13          analysis yet.

14                    COUNCILMAN GREEN: I  
15          understand, but it goes to the choices  
16          that we have to make in terms of how much  
17          resources to provide you, and some of us  
18          may completely agree that -- and I know  
19          some of us do -- that we have to reduce  
20          class sizes completely and provide the  
21          entire 16 million for K through 3.  
22          Others of us think we have to make  
23          choices even in that field in regard, and  
24          it's hard for me to sit here and even  
25          have a debate about providing additional

1           6/10/11 - WHOLE - 110135, ETC.

2           resources when I don't know how much I  
3           would want to provide given the answers  
4           to some of the questions that we had  
5           yesterday.

6                     If you just take a few of the  
7           items here so -- that's reduced class  
8           sizes, but we also asked what would be  
9           the average class size if we were to  
10          provide 8 million instead of 16 million  
11          for K through 3, for example. And I  
12          would like the answer to that question.  
13          Obviously the school could choose where  
14          to put those resources. So some schools  
15          where children are doing very well  
16          wouldn't have decreased class sizes,  
17          other schools would, but you'd be making  
18          a choice that is \$8 million instead of  
19          \$16 million.

20                    We also discussed -- I do have  
21          a question about City services supported  
22          by the School District. If we make the  
23          assumption, which is currently my  
24          position, that the resources should come  
25          from the City side and not by providing

1           6/10/11 - WHOLE - 110135, ETC.

2           the School District with its own taxing  
3           authority for any particular tax or by  
4           allowing an increase in millage on the  
5           School District side so that we can  
6           continue to maintain accountability, if  
7           the money is coming from the City, why  
8           does the School District want to keep in  
9           its budget the \$11 million related to  
10          support City services? I mean, if we're  
11          providing the money anyway, do you for  
12          some reason want this as a line item in  
13          your budget?

14                 MR. MASCH: No. Councilman, we  
15          want to be clear. We agree with the  
16          position that you've taken. What we  
17          wanted to make clear for the record is,  
18          there is no funding in the School  
19          District budget to provide for these  
20          services. So one way or another, they  
21          will have to be funded, and right now  
22          they are, to my knowledge, not in the  
23          City budget nor in the School District  
24          budget. So right now we have a \$9  
25          million school-based social service

1           6/10/11 - WHOLE - 110135, ETC.

2           program and it was expanded during the  
3           stimulus. To maintain even a program at  
4           half the size for four and a half million  
5           would require additional funding. That  
6           funding had been in the City's budget  
7           until two years ago, and the City had  
8           directly run that program. In the past  
9           two years, the School District has  
10          undertaken the burden of taking on the  
11          program. We don't have a problem with it  
12          reverting back to being a City-operated  
13          program.

14                    COUNCILMAN GREEN: Or cut by  
15          the City?

16                    MR. MASCH: And, again, we want  
17          to make clear for the record, if there is  
18          no additional funding provided, it's not  
19          in our budget anymore, so the program  
20          would be ended.

21                    COUNCILMAN GREEN: Okay. So we  
22          discussed summer schools yesterday, and  
23          you were going to provide data on how  
24          many children attended for 16 days or  
25          more. Do you have that data? In other

1           6/10/11 - WHOLE - 110135, ETC.

2           words, the SLAM program report said that  
3           there was great improvement among  
4           students who attended 16 days or more,  
5           but it said the only statistic about  
6           attendance was that 40,000 students  
7           attended five days or more. And so we  
8           were going to look at that as a potential  
9           area for savings.

10           DR. ACKERMAN: We will get you  
11           that information.

12           COUNCILMAN GREEN: The other  
13           thing we discussed is what would be the  
14           cost of just providing summer school for  
15           students who need it to -- essentially  
16           for credit recovery so that they can move  
17           on to the next grade as opposed to the  
18           SLAM program in its entirety. Do you  
19           have that data?

20           DR. ACKERMAN: I don't think --  
21           she's trying to get it. We don't know if  
22           it's here today or not. She's coming up.

23           I'd like to, though, talk about  
24           what we talked about in the room just as  
25           we were talking about accelerated

1           6/10/11 - WHOLE - 110135, ETC.

2           schools. Last year, in the first year  
3           for some of the providers, last year was  
4           the first year that we had all-day summer  
5           school for as many children as we did.  
6           The research is clear that -- and we  
7           believe it's part of the reason we have  
8           had accelerated achievement and improved  
9           progress, academic progress, with young  
10          people.

11                    The research is clear that  
12          those young people who are engaged in  
13          learning over the summer do not regress  
14          backwards. But young people who take  
15          summer school for catching up, then  
16          you're still -- at that point, you're not  
17          going to improve or accelerate the growth  
18          for all children. You're just trying to  
19          help those kids who are already behind  
20          stay sort of at a level playing field.

21                    What we're trying to do in this  
22          district is, we have outlined in Imagine  
23          '24, is to see dramatic progress as we've  
24          seen over the last few years, not just  
25          steady progress. Because we know that if

1           6/10/11 - WHOLE - 110135, ETC.

2           we don't show dramatic progress, it will  
3           take this District and this City until  
4           the year 2123 to get all of our children  
5           to grade level. I'm not willing at this  
6           point -- this is one of those things that  
7           I say is an essential for getting these  
8           young people, all of these young people,  
9           closing this gap, is giving these young  
10          people who don't have the opportunity for  
11          summer learning an opportunity, not just  
12          for those kids who are behind, because  
13          usually the children who are failing are  
14          already behind, so they still don't catch  
15          up in summer school. So this is one of  
16          those --

17                   COUNCILMAN KENNEY: Point of  
18                   information.

19                   COUNCIL PRESIDENT VERNA: I'm  
20                   sorry. The Chair recognizes Councilman  
21                   Kenney for a point of information.

22                   COUNCILMAN KENNEY: Excuse me.  
23                   I apologize for not being at that meeting  
24                   yesterday. I had a prior commitment.  
25                   Councilman Green raised the issue of

1           6/10/11 - WHOLE - 110135, ETC.  
2           summer SLAM. Could you please explain to  
3           me what it is?

4           DR. ACKERMAN: Summer --

5           COUNCILMAN KENNEY: What it  
6           costs and how many days.

7           DR. ACKERMAN: Last year it was  
8           22 days. It was all day, and it was for  
9           any young person whether they had failed  
10          a class or not, whether they were on  
11          grade level or whether they were trying  
12          to advance.

13          COUNCILMAN KENNEY: But it's  
14          not traditional summer school?

15          DR. ACKERMAN: The traditional  
16          summer school --

17          COUNCILMAN KENNEY: I'm sorry.  
18          When you fail a class, you have to take  
19          it in summer school. You're not talking  
20          about that?

21          DR. ACKERMAN: No. We're not  
22          talking just about that. That's what  
23          we've had in the past, and it was for  
24          young people who failed in high school to  
25          make up a class. But what we had as a

1           6/10/11 - WHOLE - 110135, ETC.  
2           result of last year's summer SLAM was 700  
3           young people who were able not only to  
4           take classes that they failed but to  
5           catch up, get ahead and graduate.

6                   COUNCILMAN KENNEY:   How much  
7           did that cost?

8                   DR. ACKERMAN:   It cost  
9           approximately 39 million, and we've cut  
10          it this year to 23 million.

11                   COUNCILMAN KENNEY:   I guess --  
12          again, I'm sorry to interrupt Councilman  
13          Green's line of questioning, but I guess  
14          it begs the question from me why 21 days  
15          at 24 million is more important than 180  
16          days of smaller class size.   Because if  
17          you --

18                           (Applause.)

19                   COUNCILMAN KENNEY:   And I'm not  
20          in any way discounting the progress  
21          that's made at these specially enhanced  
22          programs, but if I have a \$21 million  
23          cut, which increases class sizes for 180  
24          days during the school year, and a  
25          program that enhances kids' opportunities

1           6/10/11 - WHOLE - 110135, ETC.  
2           for 21 days in the summer, for me it's a  
3           no-brainer. I want to keep the class  
4           size.

5                     DR. ACKERMAN: I said I wanted  
6           to keep the class size, so --

7                     COUNCILMAN KENNEY: No, no, no.  
8           We all want to keep the class size, but  
9           if I can't sacrifice the 24 million for  
10          21 days as opposed to reduced class size  
11          for 180 days, how do I justify that?

12                    I mean, I would love to have  
13          three months of enhanced summer programs,  
14          but I also would not like to have 180  
15          days of increased class size in K to 3.  
16          So how does that balance?

17                    DR. ACKERMAN: Well, I don't --  
18          for me, I'm not saying that class size is  
19          less important. You haven't heard me say  
20          that, and I won't say that, than summer  
21          school. I'm giving you an argument for  
22          summer school. But I guess we can  
23          debate, because I would say that the more  
24          we do to give these young people the  
25          opportunity they need and a strong

1           6/10/11 - WHOLE - 110135, ETC.

2           foundation for them while they're in the  
3           pre-K through 12th grade, the fewer  
4           dollars we will need --

5                   COUNCILMAN KENNEY: I don't  
6           disagree with you.

7                   DR. ACKERMAN: But I'm now  
8           talking about for me, we are trying to  
9           keep them -- we're about to spend \$21  
10          million for accelerated schools. I  
11          understand. That's how we got here,  
12          because we didn't have these kind of  
13          programs in place.

14                   COUNCILMAN KENNEY: But  
15          hypothetically if you don't get the tax  
16          revenue for the 21 million in class size,  
17          are you going to -- you would rather  
18          increase the class size for 180 days than  
19          get rid of the 21-day program?

20                   DR. ACKERMAN: No.

21                   COUNCILMAN KENNEY: Oh, okay.

22                   DR. ACKERMAN: No. That was  
23          never -- I was just answering the  
24          question.

25                   COUNCILMAN KENNEY: So

1           6/10/11 - WHOLE - 110135, ETC.

2           hypothetically --

3                   COUNCILMAN GREEN:   That's the  
4           choice.

5                   COUNCILMAN KENNEY:   -- if no  
6           one wants to vote for the sugar tax and  
7           real estate tax and you don't get this  
8           \$21 million for class size, then there's  
9           a possibility you'll take the 24 million  
10          from the summer SLAM and keep the class  
11          size what it is?  I'm not asking -- is it  
12          possible, or would you go ahead and  
13          reduce class size regardless?

14                   DR. ACKERMAN:  No.  I mean, we  
15          certainly would -- if we had to make a  
16          choice and we didn't get this money or  
17          any of the other monies, we would have to  
18          make then even fewer -- I mean, we'd have  
19          fewer choices.  I certainly -- we have on  
20          our list as, I think, the second most  
21          important thing class sizes.  So I  
22          guess -- I'm not trying to argue for  
23          increased class sizes.  I was trying to  
24          make an argument for summer school.

25                   COUNCILMAN KENNEY:  But summer

1           6/10/11 - WHOLE - 110135, ETC.  
2           SLAM and the 24 million is not on the  
3           list for a possible cut. It's not a  
4           priority list of cuts. So it's not being  
5           intended to be cut.

6           DR. ACKERMAN: Excuse me.  
7           Because it's in this year's budget for  
8           this year, we've already allocated those  
9           dollars.

10          COUNCILMAN KENNEY: But they're  
11          not spent. Are they spent?

12          DR. ACKERMAN: Some of them  
13          have to -- I'm sorry.

14          MR. MASCH: Well, first of all,  
15          we cut the program 24 million already.  
16          The other funding is --

17          COUNCILMAN KENNEY: Excuse me.  
18          You cut it to 24 million. You didn't cut  
19          it 24 million, did you?

20          DR. ACKERMAN: I'm sorry?

21          COUNCILMAN KENNEY: Mr. Masch  
22          just said we cut the program 24 million  
23          already. You cut it to 24 million.

24          DR. ACKERMAN: We cut it to 24  
25          million.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN KENNEY: Again, it  
3 was a very long point of information. I  
4 apologize, Councilman Green's line of  
5 questioning, but I still don't understand  
6 what the priorities are when there's 180  
7 days of increased class size on the table  
8 as opposed to a 21-day cut of an enhanced  
9 summer program, and the enhanced summer  
10 program is not on the cut list but the  
11 increased class size is. That's really  
12 my concern.

13           DR. ACKERMAN: Actually --

14           COUNCILMAN KENNEY: I'll go  
15 back to Councilman Green.

16           DR. ACKERMAN: Actually, we did  
17 preserve cuts even for class sizes. We  
18 did not take them to where they were two  
19 years ago.

20           COUNCILMAN KENNEY: Again, I  
21 don't want to argue with you about it,  
22 because it's on the list. It's \$21  
23 million and increased class size, which I  
24 think -- and I'm not an educator or  
25 professional, but it would seem to me

1           6/10/11 - WHOLE - 110135, ETC.

2           that the increased class size is much  
3           more detrimental to the long-term  
4           advancement of these children than a  
5           21-day summer enhancement program.

6                     DR. ACKERMAN: That's true.

7                     COUNCILMAN KENNEY: I may be  
8           wrong.

9                     DR. ACKERMAN: No. I agree  
10          with you. Also, can I say something  
11          else, though? It's \$12 million that's on  
12          the table. It's not 21 million. The  
13          rest of it is specifically grant money  
14          being used for that, and you cannot use  
15          those for lowering class sizes.

16                    COUNCILMAN KENNEY: So then why  
17          is the 21 million -- you know what, I'll  
18          go back. I apologize.

19                    COUNCIL PRESIDENT VERNA: I  
20          know --

21                    COUNCILMAN KENNEY: I'm sorry.

22                    COUNCIL PRESIDENT VERNA: I  
23          know I was following your line of  
24          questioning. I just don't know what the  
25          answer is at this point. Do you?

1                   6/10/11 - WHOLE - 110135, ETC.

2                   COUNCILMAN KENNEY: No.

3                   DR. ACKERMAN: It would be 12  
4 million.

5                   COUNCIL PRESIDENT VERNA: The  
6 Chair recognizes Councilman Green.

7                   COUNCILMAN GREEN: Thank you,  
8 Madam Chair.

9                   Thank you, Councilman Kenney.  
10 I appreciate everything you just said and  
11 you, frankly, covered the points that I  
12 was --

13                   COUNCILMAN KENNEY: I didn't  
14 mean to.

15                   COUNCILMAN GREEN: No, no.  
16 That's fine -- that I was going to cover.  
17 I think there's a couple things. It's  
18 only 18 days, and the data that the  
19 School District has in their SLAM report  
20 says students who have attended 16 days  
21 or more show progress. We don't know the  
22 number of students that attended those  
23 number of days even, and so the only  
24 statistic we have is 40,000 appointed in  
25 five days.

1           6/10/11 - WHOLE - 110135, ETC.

2           So I'm not even having a policy  
3           debate on this issue. I think what the  
4           School District just heard loud and clear  
5           is that at least from Councilman Kenney's  
6           perspective -- well, I'll speak for  
7           myself. At least from my perspective, I  
8           agree with everything Councilman Kenney  
9           just said, so I won't belabor it.

10           COUNCIL PRESIDENT VERNA: First  
11           time.

12           COUNCILMAN GREEN: And so from  
13           my perspective, I'm not willing to  
14           provide additional resources for \$21  
15           million of SLAM as opposed to smaller  
16           class sizes. So, I mean, I think from my  
17           perspective, that reduces -- your ask  
18           list is reduced by 21 million simply  
19           because I think you're making a bad  
20           choice.

21           I will yield, Madam Chair. I  
22           have to --

23           DR. ACKERMAN: Well, we will  
24           still have to have summer school for  
25           19,000 children who are failing at a cost

1           6/10/11 - WHOLE - 110135, ETC.

2           of 13 million at least.

3                   COUNCILMAN GREEN: And it's  
4           amazing how those numbers appeared.

5                   DR. ACKERMAN: Somebody gave  
6           them to me from the back. I don't have  
7           all of those numbers in my head.  
8           Somebody had to give them to me, sir.

9                   COUNCILMAN GREEN: That's fine.  
10          So what does that constitute?

11                   DR. ACKERMAN: At a cost of  
12          approximately \$13 million. If we just  
13          have it for summer school for failing  
14          students, 19,000, will cost approximately  
15          \$13 million. That was one of the first  
16          questions you asked. Somebody had to get  
17          that information and bring it here.

18                   COUNCILMAN GREEN: No. I  
19          appreciate that. So is that the same  
20          number of schools being open that were  
21          going to be open for the SLAM program?

22                   DR. ACKERMAN: No.

23                   COUNCILMAN GREEN: Or is that  
24          consolidating the schools?

25                   DR. ACKERMAN: It would be

1           6/10/11 - WHOLE - 110135, ETC.

2           consolidating some of the school sites.

3                   COUNCILMAN GREEN:   And how much  
4           did summer school for those students cost  
5           before there was a SLAM program?

6                   DR. ACKERMAN:   About \$13  
7           million.   So what we've done is expanded  
8           it another seven to include another  
9           20,000 children.

10                   COUNCILMAN GREEN:   Okay.   So  
11           that's a savings compared to your  
12           proposal of about \$11 million, \$12  
13           million?

14                   DR. ACKERMAN:   About 9.   I'm  
15           sorry.   It's 13 million, so it's \$8  
16           million.

17                   COUNCILMAN GREEN:   Okay.   Thank  
18           you very much.

19                   The promise academy spending,  
20           what is the total promise academy  
21           spending?

22                   MR. MASCH:   Twenty-seven  
23           million dollars in increments to the  
24           budgets of the promise academy schools is  
25           what we estimate for next year.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GREEN: And how much  
3 of that is Saturday attendance?

4           MR. MASCH: I think we have  
5 that here. Hold on.

6           We're going to have our budget  
7 staff see if we have that here. We do  
8 have that schedule, but we can take some  
9 other questions and then we'll enter it  
10 in the record once we have it.

11          COUNCILMAN GREEN: The point of  
12 that question is that -- and I'm reading  
13 from the notebook here. The figures  
14 provided by the District for each school  
15 shows student attendance in the Saturday  
16 programming range from a high of 64  
17 percent at Dunbar Elementary, which is  
18 the smallest with 170 students, to a low  
19 of 48 percent at University City High.  
20 For several of the schools, District data  
21 showed tremendous variation from month to  
22 month. At Clemente Middle School, 71  
23 percent of students attended the first  
24 Saturday session. By May, however, that  
25 figured had dropped to 41 percent. And

1           6/10/11 - WHOLE - 110135, ETC.

2           then there's a teacher who says, The kids  
3           who have been coming are the ones who are  
4           your better students, but it's kids who  
5           aren't there who need the extra help.

6                     I asked the same question about  
7           Saturday attendance that Councilman  
8           Kenney and I were getting into with  
9           respect to summer school. Is Saturday  
10          attendance, given these statistics, more  
11          important than smaller class sizes?

12                    DR. ACKERMAN: Certainly. I  
13          mean, I don't know what I can say or we  
14          can say. Class sizes is a priority.  
15          It's number two, I believe. So if we had  
16          to make choices, that's going to be our  
17          priority, one of our priorities.

18                    I don't want to get into, you  
19          know, this, because we've tried to  
20          prioritize them. So obviously class  
21          sizes is important.

22                    COUNCILMAN GREEN: But the  
23          question is, is it more important to you  
24          than SLAM and Saturday attendance? And  
25          if not, shouldn't it be?

1           6/10/11 - WHOLE - 110135, ETC.

2           DR. ACKERMAN: It's number two  
3 on the list.

4           COUNCILMAN GREEN: Yes, but  
5 you're funding in your proposed budget  
6 SLAM and Saturday attendance at promise  
7 academies, and I'm suggesting that you  
8 de-fund that to pay for smaller class  
9 sizes.

10          DR. ACKERMAN: Well, we can  
11 de-fund certainly the -- your suggestion  
12 is noted.

13          COUNCILMAN GREEN: Okay. This  
14 is the process we engage in and, frankly,  
15 what we spoke about at the last session.  
16 We benefited during the recession in cuts  
17 from having the input of lots of  
18 stakeholders and not people just sort  
19 of -- well, so the City's budget benefits  
20 from involvement by the Controller, by  
21 PICA, by City Council making changes, and  
22 it's really kind of in that collaborative  
23 spirit that we're talking to you about  
24 what are obviously hard choices that none  
25 of us want to make. It's just a question

1           6/10/11 - WHOLE - 110135, ETC.

2           of what is going to be most efficacious  
3           and best for outcomes for kids.

4                        So that's all my questions for  
5           right now, Madam President.

6                        COUNCIL PRESIDENT VERNA: Thank  
7           you.

8                        The Chair recognizes Councilman  
9           Jones for a point of information.

10                      COUNCILMAN JONES: Point of  
11           information, and I'm learning as a  
12           freshman what a true point of information  
13           is. It is not a question, but a  
14           declarative statement, so I'm going to  
15           make one.

16                      Dr. Ackerman has to do the best  
17           job she can in making the points of what  
18           these alternative cuts/decisions actually  
19           mean in real terms of real students that  
20           go to real schools in our district.  
21           Granted -- and that's a hard job when  
22           you're facing us in an almost inquiring  
23           manner and every decision has a  
24           consequence to whether or not people vote  
25           for your budget. I get it. But you have

1           6/10/11 - WHOLE - 110135, ETC.

2           to say what these things mean, what a  
3           Saturday school means towards moving the  
4           dial in the right direction towards  
5           performance and what summer school,  
6           summer SLAM meant quantitatively towards  
7           moving those dials in the right  
8           direction. Because once -- you know, as  
9           Councilwoman Tasco always reminds us, we  
10          can act in haste and repent in our  
11          leisure, because summer SLAM also means  
12          that a kid isn't on a corner doing a bad  
13          thing or isn't in a place where they  
14          should not be for the summer since we  
15          don't often have jobs for them. So we  
16          have to account for those things and  
17          opportunity costs as well.

18                 So I can't tell her how to do  
19          her job, and I understand I wouldn't want  
20          to be in that seat being questioned by  
21          folk, but we have to say what it means to  
22          those kids.

23                 Thank you, Madam President.

24                 DR. ACKERMAN: Thank you.

25                 (Applause.)

1                   6/10/11 - WHOLE - 110135, ETC.

2                   COUNCIL PRESIDENT VERNA: The  
3 Chair recognizes Councilwoman Sanchez.

4                   COUNCILWOMAN SANCHEZ: Thank  
5 you.

6                   Good morning.

7                   MR. ARCHIE: Good morning.

8                   COUNCILWOMAN SANCHEZ: I too  
9 kind of want to reiterate some of what  
10 Councilman Green said. I think  
11 yesterday's and the discussions that  
12 we've had over the course of the last two  
13 weeks have been very productive in us  
14 understanding the tough decision  
15 processes that the School District has  
16 had to make.

17                   Notwithstanding that, I have to  
18 agree with Councilman Kenney that while  
19 we appreciate the priority order that has  
20 been established by the District, we're  
21 going to be asked to make and to do heavy  
22 lifting, and, therefore, we're going to  
23 have to make some of the adjustments in  
24 terms of priorities that are important  
25 for us if we're going to ask our voters

1           6/10/11 - WHOLE - 110135, ETC.

2           and our constituents to support us in  
3           this decision.

4                    And one of the things that  
5           concerns me is that some of the things  
6           that are not on the chopping block are  
7           things that are part of 2014, but things  
8           that we did not have two or three years  
9           ago and we were still making some  
10          progress. So this is about a bad choice  
11          versus a worse choice.

12                   In all cases -- and I think in  
13          defense of the Superintendent, I think  
14          she can defend every single thing on this  
15          table very eloquently. So we don't want  
16          to argue the points and the merits of  
17          this, and I don't want to put her in that  
18          situation, because I think every single  
19          thing in this is defensible.

20                   That said, I want to go through  
21          a similar exercise with alternative  
22          education, which we have been talking  
23          about for quite some time.

24                   (Applause.)

25                   COUNCILWOMAN SANCHEZ: And just

1           6/10/11 - WHOLE - 110135, ETC.

2           for the purposes of the record, because I  
3           think this is important that this be on  
4           the record, because it was a discussion  
5           that we had last year during the budget  
6           process and one where we continue to  
7           debate moving forward.

8                         In the year 2009 to 2010, how  
9           many slots in alternative education did  
10          we have in the District and how much did  
11          that cost us?

12                        (Witness approached witness  
13          table.)

14                       MR. WRIGHT: Good morning. I'm  
15          Benjamin Wright.

16                        The 2010 data cost us \$19,000  
17          in accelerated schools -- \$19 million in  
18          accelerated schools for a total of 2,305  
19          students.

20                        COUNCILWOMAN SANCHEZ: And then  
21          we increased those slots in 2010 to 2011  
22          by how much?

23                        MR. WRIGHT: That was the  
24          increase. Maybe I didn't understand your  
25          question.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILWOMAN SANCHEZ: I wanted  
3 to show the chronology over the last  
4 three years between 2009-2010 and what  
5 we're proposing in 2011-12.

6           MR. WRIGHT: In 2009 and 2010  
7 was the first time we introduced those  
8 increased slots. So they were the same  
9 number of students. The difference is,  
10 we no longer dealt with slots, we dealt  
11 with students, the total number of  
12 students. So we went from slots numbers  
13 to students numbers. And 2009 and 2010  
14 is the exact same numbers that we had put  
15 forth.

16           COUNCILWOMAN SANCHEZ: So there  
17 was 2,305 students at 19 million?

18           MR. WRIGHT: Absolutely.

19           COUNCILWOMAN SANCHEZ: And in  
20 2011 to 2012 -- and I know we've made  
21 some readjustments -- how much money do  
22 we have in alternative education for 2011  
23 to 2012?

24           MR. WRIGHT: We have --

25           COUNCILWOMAN SANCHEZ: In this

1           6/10/11 - WHOLE - 110135, ETC.

2           budget.

3                   MR. WRIGHT: Are you speaking  
4           of accelerated schools?

5                   COUNCILWOMAN SANCHEZ:  
6           Accelerated schools.

7                   MR. WRIGHT: Currently we had  
8           \$8 million, roughly \$8 million in the  
9           budget for accelerated schools.

10                  COUNCILWOMAN SANCHEZ: That's  
11           what we have budgeted?

12                  MR. WRIGHT: Yes.

13                  COUNCILWOMAN SANCHEZ: And how  
14           are you proposing to spend those \$8  
15           million?

16                  MR. WRIGHT: Our proposal had  
17           been different options for the students.  
18           And I think if you had a conversation --  
19           if you look at Option C that we submitted  
20           to you, three of those would be  
21           District-run schools and three of those  
22           would be contractor-provided schools.

23                  COUNCILWOMAN SANCHEZ: And so  
24           you're saying that in Option C -- let's  
25           talk about Option C in particular. You

1           6/10/11 - WHOLE - 110135, ETC.

2           would be going from 13 sites to four  
3           sites -- to six sites?

4           MR. WRIGHT: No, because the  
5           providers have more than three sites.  
6           We're talking about providers, not sites.

7           COUNCILWOMAN SANCHEZ: Okay.  
8           So your proposal is to do three providers  
9           at 1,200 slots and for the District to do  
10          1,200 slots, right?

11          MR. WRIGHT: Yes, students,  
12          1,200 students for the providers and  
13          1,200 students for the District.

14          COUNCILWOMAN SANCHEZ: You  
15          currently have a capacity of 180 in this  
16          year, right, District-managed?

17          MR. WRIGHT: Oh, yes.  
18          Crossroads.

19          COUNCILWOMAN SANCHEZ: So you  
20          propose that you're going to go from the  
21          capacity of 180 to the capacity of 1,200  
22          in three months?

23          MR. WRIGHT: Yes.

24          COUNCILWOMAN SANCHEZ: At a  
25          cost of?

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. WRIGHT: The cost for the  
3 District would be 4 million.

4           COUNCILWOMAN SANCHEZ: Which is  
5 how much per student?

6           MR. WRIGHT: We don't break it  
7 down per student.

8           COUNCILWOMAN SANCHEZ: We have  
9 to average it out. That's how you  
10 contract with your providers, so -- my  
11 point that I'm trying to make is that  
12 we're going to go from \$7,000 to \$8,000  
13 per student to 2,200, which is what your  
14 proposal calls for, which is not  
15 possible.

16           MR. WRIGHT: The cost per  
17 student in terms of the -- you have to  
18 remember that the District sites are  
19 supported by the Central Office. So it  
20 is possible. The provider sites are not  
21 supported by the Central Office. They do  
22 their own support stuff. So when you  
23 look at the cost per students, if you add  
24 it all together, it would be roughly  
25 \$7,000 per student because of the support

1           6/10/11 - WHOLE - 110135, ETC.  
2           that they receive from the Central Office  
3           as well as the support they receive from  
4           our Academic Division. So it may seem  
5           that it is not possible, but it is.

6           The providers, the cost would  
7           roughly be \$5,200.

8           COUNCILWOMAN SANCHEZ: For the  
9           provider sites?

10          MR. WRIGHT: Yes.

11          COUNCILWOMAN SANCHEZ: What we  
12          have been discussing -- and you haven't  
13          been part of these discussions,  
14          Mr. Wright, and, again, I appreciate the  
15          work that you currently do on your  
16          Hunting Park site. What we've been  
17          talking about is whatever restoration --  
18          and this is a deal-breaker for many of  
19          us. Whatever restoration we do will be  
20          based on our willingness to continue to  
21          support our provider sites for the next  
22          year until the School District, just like  
23          we ask our providers, can demonstrate  
24          capacity to do the other work. And I  
25          just want to make it clear, because I

1           6/10/11 - WHOLE - 110135, ETC.

2           keep hearing in today's testimony with  
3           Mr. Masch that the premise is that if we  
4           gave you \$8.6 million, that would give us  
5           Option C, and that is still not  
6           acceptable.

7                       MR. WRIGHT: I think Mr. Masch  
8           was talking about a different option that  
9           you spoke of yesterday, but I can't speak  
10          for him, but \$8 million would buy those  
11          providers at a different cost.

12                      COUNCILWOMAN SANCHEZ: So,  
13          Mr. Masch, can you --

14                      DR. ACKERMAN: So,  
15          Councilwoman, I guess I want to be clear,  
16          that what we talked about yesterday was  
17          my understanding, what was suggested or  
18          recommended by Councilmembers is that we  
19          keep the same number of providers, give  
20          them another year to meet performance  
21          targets and that they keep the same  
22          number of students, but we negotiate for  
23          a different cost per student.

24                      COUNCILWOMAN SANCHEZ: We  
25          agreed to that. The one part that I am

1           6/10/11 - WHOLE - 110135, ETC.  
2           not agreeing to is the fact that you want  
3           to still continue to expand your sites,  
4           your capacity, that quickly.

5                    (Applause.)

6                    DR. ACKERMAN: But we're not  
7           going to. I thought that's what we  
8           agreed to yesterday. We were going to  
9           reduce the number of sites that the  
10          District was going to increase next year  
11          and go back to the original provider  
12          list, include them all, and to negotiate  
13          with them at a lower cost per student.

14                   COUNCILWOMAN SANCHEZ: Okay.

15                   DR. ACKERMAN: So that's not  
16          Option C. That's Option now D.

17                   COUNCILWOMAN SANCHEZ: Okay.  
18          So can you for the record so that we're  
19          all clear, particularly my students --  
20          I'm trying to respond to the hysteria  
21          that is out for the students who  
22          participate in these programs, many who  
23          have now started expressing concern  
24          whether they will continue the programs  
25          in the summer because of all the

1           6/10/11 - WHOLE - 110135, ETC.

2           misinformation that's going out there.

3           So let's use this as an opportunity to  
4           clarify for the record what we're talking  
5           about, because I want to make sure that  
6           what we're going to have -- assuming we  
7           do not give you any additional money,  
8           this 8.6, what is it that we're going to  
9           have in alternative education, in the  
10          accelerated schools?

11                  DR. ACKERMAN:  If we get no  
12          additional dollars, we would have -- we'd  
13          use the \$8 million we were going to  
14          increase the number of school sites and  
15          we would renegotiate -- that's what we  
16          discussed yesterday.  We would  
17          renegotiate with all of the providers for  
18          a different amount, not to exceed though  
19          the \$16 million that we budgeted for.

20                  COUNCILWOMAN SANCHEZ:  Okay.  
21          You lost me.  If we only have \$8 million,  
22          what are we getting?

23                  DR. ACKERMAN:  I'm sorry.  The  
24          total program is \$16 million.

25                  COUNCILWOMAN SANCHEZ:  No.  I

1           6/10/11 - WHOLE - 110135, ETC.

2           get that. So I want to go -- assume we  
3           give you no money. What is the plan?

4           DR. ACKERMAN: We would have to  
5           go with -- if you want us to go with all  
6           of the providers, the only way we can do  
7           that is if they accept or agree to a  
8           lower per student rate.

9           COUNCILWOMAN SANCHEZ: But what  
10          I'm hearing here -- and this is the part  
11          that I want to clarify. Assuming we give  
12          you no money, there is still an  
13          administrative plan to bring all of that  
14          in-house. That's where I'm having the  
15          problem. I want to talk about getting  
16          you increased money, but I want to  
17          understand what the current budget allows  
18          you to do. And my understanding is that  
19          the plan is, assuming we didn't give you  
20          additional money, that this is going to  
21          be brought in-house.

22          DR. ACKERMAN: It allows us to  
23          keep three. We wouldn't have any  
24          additional sites. We'd just have three  
25          providers.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILWOMAN SANCHEZ: So if we  
3           only gave you what you have budgeted, you  
4           would have three providers at \$8 million?

5           DR. ACKERMAN: Yes.

6           COUNCILWOMAN SANCHEZ: Okay.  
7           Just for the record. Everybody clarified  
8           with that, so I don't keep getting my  
9           e-mails? For clarity.

10          DR. ACKERMAN: Yes. The  
11          problem -- I guess we want to be clear,  
12          though, that would require those three  
13          providers who we, again, identified  
14          because they met their performance  
15          targets, that would require for us to  
16          keep the number of students that they  
17          bring down the cost of their per-pupil  
18          expenditure.

19          COUNCILWOMAN SANCHEZ: And we  
20          all agreed in our discussions that the  
21          three providers would not be sufficient,  
22          so then we talked about the additional  
23          money. So we have \$8 million. The plan  
24          is -- I want to be clear on what Plan D  
25          is for me.

1           6/10/11 - WHOLE - 110135, ETC.

2           Plan D for me is, we have \$8  
3 million. We have three providers. We're  
4 at the \$8.6 million. So where do we end  
5 up?

6           DR. ACKERMAN: This is my  
7 understanding from yesterday. We go back  
8 to the original provider list. Again,  
9 we'll still have to negotiate with each  
10 one of them to bring down the cost to  
11 keep the same amount of students that we  
12 had this year.

13          COUNCILWOMAN SANCHEZ: So we  
14 would go back to the 2010-2011 provider  
15 list and try to keep the capacity at  
16 2,460. So we're going to -- I want to be  
17 clear. So we would be taking the 2,460  
18 slots at 20 million and trying to get it  
19 to 16 million. That's what we would be  
20 doing?

21          DR. ACKERMAN: This is if you  
22 add the 8?

23          COUNCILWOMAN SANCHEZ: Yes.

24          DR. ACKERMAN: Yes.

25          COUNCILWOMAN SANCHEZ: That's

1           6/10/11 - WHOLE - 110135, ETC.  
2           what I wanted for clarity purposes,  
3           because -- and I want to be clear. Let  
4           me say this, because in this, you got to  
5           be very clear.

6                        So I am very clear that we're  
7           moving in the direction that does not  
8           have the administration creating these  
9           regional sites in lieu of the provider  
10          system that we have?

11                       DR. ACKERMAN: What we agreed  
12          to is that we would look -- for this  
13          year, that's what we would do. We would  
14          not expand. We'd go back to the original  
15          provider list, give them another year to  
16          prove themselves, give the District  
17          another year to prove itself with its one  
18          site before expanding.

19                       COUNCILWOMAN SANCHEZ: Okay.  
20          Thank you. Thank you so much. That  
21          clarifies. I just want to put that stuff  
22          on the record because I think it's  
23          important. I think, again, we've had  
24          very productive discussions internally,  
25          and I want to make sure that any movement

1           6/10/11 - WHOLE - 110135, ETC.

2           that we make over the next week, we're  
3           very clear about alternative education  
4           and our provider system.

5                        So that said, I just want to  
6           end on this, because I think both  
7           Councilman Green and Councilman Kenney  
8           mentioned this. When we're making these  
9           decisions -- and, again, I don't want to  
10          second-guess you in your decisions. I  
11          know that you're doing this with the best  
12          possibility, but I want to go to the  
13          renaissance and promise academy. What  
14          was our promise and renaissance budget in  
15          2010-2011?

16                       MR. MASCH: Councilwoman, as we  
17          noted, our budget for promise academies  
18          for this current year, FY10-11, with six  
19          schools was a \$7.8 million budget, and as  
20          we had testified previously, our budget  
21          now adjusted for -- previously when we  
22          published the budget, it was 23.8 million  
23          for promise academies. Adding Martin  
24          Luther King High School to the promise  
25          academies instead of the renaissance

1           6/10/11 - WHOLE - 110135, ETC.  
2           charters category leaves us with a  
3           promise academies budget of 26.9 million,  
4           and that is serving 14 schools.

5           DR. ACKERMAN: Seventeen  
6           schools.

7           COUNCILWOMAN SANCHEZ: That's  
8           17 schools?

9           DR. ACKERMAN: Seventeen  
10          schools.

11          COUNCILWOMAN SANCHEZ: So if we  
12          kept just what we have this year, without  
13          the expansion of the promise academy  
14          side, how much money could we save?

15          DR. ACKERMAN: You mean if we  
16          don't have the new 11 promise academies?

17          COUNCILWOMAN SANCHEZ: Yes.

18          DR. ACKERMAN: Let's see. We  
19          would save \$19 million.

20          COUNCILWOMAN SANCHEZ: That is  
21          a huge ticket item and one that I am  
22          going to on the record strongly encourage  
23          the administration. Again, I have  
24          wonderful promise academies in my  
25          district, and as much as it pains me,

1           6/10/11 - WHOLE - 110135, ETC.

2           because I understand what we're trying to  
3           do, I think committing to something new  
4           versus keeping what we have and trying to  
5           sustain what we have is one of those  
6           decisions where we're going to have to  
7           respectfully disagree with you. I think  
8           that when we're talking about 100  
9           million, 150 million, you have line items  
10          like this one of \$20 million for  
11          something new that under normal  
12          circumstances all of us want to support,  
13          but we can't. We have to make those  
14          tough decisions. Herein again lies an  
15          item that would pay for the smaller  
16          classroom size, that would pay for the  
17          transportation piece, that would pay for  
18          the nurses, that would pay for some of  
19          the early childhood. Those are some of  
20          the things that, quite frankly, have to  
21          be revisited. That's for me -- the art  
22          and music, the \$7.7 million in art and  
23          music, the \$7.6 million in counselors  
24          could be paid for by just this line item  
25          and one that I'm going to ask you on the

1           6/10/11 - WHOLE - 110135, ETC.

2           record to reconsider, as much as it pains  
3           me, because I've seen the progress of  
4           promise academies. Those are big ticket  
5           items.

6                     DR. ACKERMAN: I thank you, I  
7           guess, again in defense of this. And I  
8           have to. I'm an educator. I'm not a  
9           politician. I'm here to educate these  
10          young people, and I want to see us have  
11          the best school system possible.

12                    When we cut programs like the  
13          promise academy where the schools have  
14          been failing young people, the very young  
15          people that we're attending to in the  
16          alternative schools came -- the lion's  
17          share came from the promise academies --  
18          then we will continue to see these young  
19          people in alternative schools, and I  
20          don't think that's where we want to go.  
21          I think we want to see the alternative  
22          schools work themselves out of business  
23          in this school system and in the City and  
24          that we provide young people with an  
25          opportunity to graduate.

1           6/10/11 - WHOLE - 110135, ETC.

2           So when we are doing this,  
3           we're actually going to pay a price on  
4           the other side and you'll see the  
5           alternative programs continue to go up  
6           and -- that's really hard, to turn these  
7           young people in their lives around.

8           COUNCILWOMAN SANCHEZ: I  
9           completely agree with you, except in this  
10          regard, I'm not asking you to cut. I'm  
11          asking you not to add. And so that's the  
12          difference between this line item. I'm  
13          not asking you to cut anything. I'm  
14          saying we can simply not afford another  
15          \$20 million for something new at the  
16          expense of cutting services that we  
17          currently have. And it's not a right or  
18          a wrong. It's just the choices we have  
19          to make. And so this is not a cut. This  
20          is -- you're adding \$20 million in a new  
21          line item. And unfortunately we make  
22          these decisions in Council every single  
23          day when we talk about prisons, do we  
24          monitor them, do we do the intervention  
25          or the other ones. So this is one of

1           6/10/11 - WHOLE - 110135, ETC.  
2           those line items that is very hard for me  
3           to again ask folks to pay more and do  
4           more for the School District on new line  
5           items versus existing line items.

6                     DR. ACKERMAN:  It's a new line  
7           item for sure, but it's a new line item  
8           intended to again --

9                     COUNCILWOMAN SANCHEZ:  I agree  
10          with you.

11                    DR. ACKERMAN:  -- deal with  
12          some of the social issues that you're  
13          dealing with in your budget, dealing with  
14          some of the prisons issued.  I mean,  
15          we're talking about 11 schools, and this  
16          is not given to the school system.  This  
17          is given to 11 schools with young people  
18          who are in them.  And so we're making a  
19          choice, but I can tell you that if we  
20          don't attend to these schools, you will  
21          see more of these young people and their  
22          families in social services.  You will  
23          see more of them incarcerated.  It is  
24          coming.

25                    (Applause.)

1                   6/10/11 - WHOLE - 110135, ETC.

2                   COUNCILWOMAN SANCHEZ: I have  
3 more questions, but I'll let some of my  
4 colleagues who haven't had an  
5 opportunity.

6                   Thank you, Madam President.

7                   COUNCIL PRESIDENT VERNA:  
8 Councilman Kenney, you would be next, but  
9 it was taken off because of your line of  
10 questioning.

11                  COUNCILMAN KENNEY: I'm okay.

12                  COUNCIL PRESIDENT VERNA: The  
13 Chair recognizes Councilwoman Brown.

14                  COUNCILWOMAN BROWN: Thank you,  
15 Madam President.

16                  Good afternoon, School District  
17 officials. First I need to go on record  
18 along with my colleagues to say thank you  
19 for the offline discussions we've had and  
20 for the meeting I thought yesterday which  
21 was a real breakthrough for a number of  
22 us in helping us understand how you  
23 arrived at holding harmless the full-day  
24 kindergarten and the transportation  
25 issue.

1           6/10/11 - WHOLE - 110135, ETC.

2           Now, where I differ a little  
3 with my colleagues is that I believe  
4 there is some -- not some, but a lot of  
5 merit in arguing the educational choices  
6 that you're making, and my interest has  
7 been and will remain on reduced class  
8 sizes and early childhood and what all  
9 the research tells us in those two areas.

10           So let me make sure I  
11 understand fully what we're saying about  
12 reduced class size. Currently in the  
13 system all young people in grades K to 3  
14 are in reduced class sizes, correct?

15           DR. ACKERMAN: All of the young  
16 people in K through 3 are in, and then  
17 it's 6, 8 and 9.

18           COUNCILWOMAN BROWN: And those  
19 in --

20           DR. ACKERMAN: And the  
21 empowerment schools.

22           COUNCILWOMAN BROWN: And the  
23 empowerment schools. And what we're  
24 trying to do as a result of today's  
25 discussions and ultimate vote is to hold

1 6/10/11 - WHOLE - 110135, ETC.

2 harmless reduced class size; is that  
3 correct?

4 DR. ACKERMAN: We are.

5 COUNCILWOMAN BROWN: Now, put  
6 that on the shelf. Help me with grades 9  
7 through 12. Is there research to support  
8 the notion -- and this is for my own  
9 understanding, because I was never at  
10 that level as an educator -- but reduced  
11 class size from 9 through 12 also yields  
12 stronger academic performance when you  
13 have reduced class size for high school  
14 students as well?

15 DR. ACKERMAN: The research is  
16 stronger at the early grades. That's  
17 where the body of the research is about  
18 class sizes, at grades kindergarten  
19 through 3rd grade, which is why we're  
20 trying to maintain it there. Six and 8  
21 and 9 are all transitional grades, young  
22 people either transitioning from 5th  
23 grade to 6th grade, which means middle  
24 school if they're going to middle school.  
25 So that's a critical year, which is

1           6/10/11 - WHOLE - 110135, ETC.

2           another grade level that we believe  
3           deserves attention in terms of smaller  
4           class sizes. Eighth grade because  
5           they're getting ready to go to high  
6           school, 9th grade because they're coming  
7           into high school and they need more  
8           attention. But the vast body of research  
9           is about small class sizes and the value  
10          of it and the impact on student  
11          achievement at the lower grades.

12                    COUNCILWOMAN BROWN: And I'll  
13           just add to that what we know also is  
14           that the early indicators of truancy  
15           start somewhere between 4th and 6th  
16           grade, because if a kid can't read, then  
17           they don't come to school, truancy kicks  
18           in, and they hit 9th grade and they never  
19           see the 12th grade door, because the  
20           fundamentals have not been put in place  
21           during those early school years.

22                    Twenty percent of the children  
23           in the early age groups are in preschool,  
24           and is it true that the Pennsylvania  
25           Accountability Block Grant also covered

1           6/10/11 - WHOLE - 110135, ETC.

2           pre-K?

3                     DR. ACKERMAN: Yes, some of it.

4                     COUNCILWOMAN BROWN: So in the  
5           new scenario you provided for us, does  
6           that grant cover pre-K as well or  
7           strictly kindergarten in the new  
8           scenario?

9                     DR. ACKERMAN: In the new  
10          scenario, it covers the pre-K also.

11                    COUNCILWOMAN BROWN: Okay. All  
12          right, then. So should we get to 66.1,  
13          because the numbers have fluctuated, that  
14          would capture the early childhood  
15          potential cut as well, correct?

16                    DR. ACKERMAN: Right; the 700  
17          children.

18                    COUNCILWOMAN BROWN: All right,  
19          then. So that speaks to my principal  
20          interests, which were kindergarten,  
21          reduced class size and early childhood  
22          education.

23                    Thank you, Madam President.

24                    COUNCIL PRESIDENT VERNA:

25          You're welcome.

1           6/10/11 - WHOLE - 110135, ETC.

2           The Chair recognizes  
3 Councilwoman Miller. Is she in the room?

4           (No response.)

5           COUNCIL PRESIDENT VERNA: We'll  
6 pass her.

7           Councilwoman Tasco, you haven't  
8 been recognized.

9           COUNCILWOMAN TASCO: And I came  
10 in late on the summer school discussion  
11 about this summer and next summer and  
12 what's in the budget, is it for this year  
13 or next year. I just want a  
14 clarification on if the dollars are  
15 appropriated for this year, the program  
16 is in place for this year, could you take  
17 those dollars and not use them and use  
18 them for next year or use them -- I want  
19 a clarification. I'm not sure that that  
20 was clear.

21           DR. ACKERMAN: The dollars that  
22 are in the -- for summer, this year's  
23 summer school, have already been  
24 identified in our Title I grant  
25 application. We'd have to get

1           6/10/11 - WHOLE - 110135, ETC.

2           permission, I believe, to make that  
3           change, especially since we're about to  
4           put in another -- our new Title I grant  
5           application goes in at the end of this  
6           month, but we would have to cancel the  
7           SLAM program if we are able to do that,  
8           and I'm not sure, because \$12.8 million  
9           that you see here came from Title I.  
10          Then we'd have to cancel this year's  
11          summer SLAM. It has nothing to do  
12          with -- SLAM is the summer program for --  
13          the summer program that we've had last  
14          year that had 40,000 young people.

15                 COUNCILWOMAN TASC0: And what  
16                 benefit was that for the record, why you  
17                 had that program?

18                 DR. ACKERMAN: Well, we had the  
19                 program because, again, what I said is  
20                 while we've been making progress, we've  
21                 been making steady progress, we have to  
22                 start making accelerated progress or it's  
23                 going to take this city until the year  
24                 2123 to get all of our children to grade  
25                 level. So the summer program was put in

1           6/10/11 - WHOLE - 110135, ETC.

2           place to make sure that young people,  
3           whether they were behind, at grade level,  
4           didn't slide back, because even the young  
5           people at grade level slide backwards if  
6           they don't have the summer experience,  
7           and that means we have to try to catch up  
8           again.

9                        So this is important if you're  
10           looking at again accelerating student  
11           achievement for all children to have a  
12           summer program, not just for the kids who  
13           failed a class. We're trying to  
14           accelerate this, the achievement of these  
15           young people in this city. We're making  
16           progress, and we're happy about that, but  
17           it's still too slow. Just barely half of  
18           our young people are at grade level in  
19           reading and math, only half. And we were  
20           celebrating half, but we got a long  
21           way -- we have a long way to go. And so  
22           summer -- the summer program was put in  
23           place so that young people who from K to  
24           12 would still have the opportunity to  
25           have this, and the research is clear here

1           6/10/11 - WHOLE - 110135, ETC.

2           about regression in the summer, but also  
3           to give young people who are  
4           under-credited and need extra time to  
5           graduate, they were there so they could  
6           get credits to graduate. We actually  
7           graduated 700 young people. Before that,  
8           it's always been 100 or less.

9                        So it's proven its worth and  
10          it's a new -- it was the first time we've  
11          done it. I would ask -- again, I'm  
12          looking at what's going to move this  
13          school system and to produce young people  
14          who are ready to be productive citizens  
15          either in the world of work or they go on  
16          to college. And half, while we're  
17          celebrating it again, half of the young  
18          people at grade level is not good enough.

19                       COUNCILWOMAN TASCO: Thank you.  
20          I'm just trying to figure out. So you're  
21          not sure you can use the money for that?

22                       DR. ACKERMAN: We're not even  
23          sure we can do it, because it's been in  
24          this year's application that we were  
25          going to use these grant funds for summer

1           6/10/11 - WHOLE - 110135, ETC.

2           school. So this argument should probably  
3           be for next year as we rewrite the Title  
4           I application. But we can't -- when  
5           we're rewriting the Title I application,  
6           we're putting in full-day kindergarten.  
7           So that's why we're able to do it for  
8           next year. But we'd have to take it out  
9           for the summer of 2012 and we'd have to  
10          get permission not to -- to revise it for  
11          this year. We already have that in our  
12          Title I application that's been  
13          submitted.

14                    COUNCILWOMAN TASCO: Thank you.

15                    Thank you.

16                    COUNCILWOMAN BLACKWELL: Thank  
17                    you.

18                    Councilwoman Miller.

19                    COUNCILWOMAN MILLER: Thank  
20                    you.

21                    Just for clarity purposes,  
22                    Title I dollars are for children that fit  
23                    a certain income, correct?

24                    DR. ACKERMAN: Yes.

25                    COUNCILWOMAN MILLER: However,

1           6/10/11 - WHOLE - 110135, ETC.  
2           when you do full-day kindergarten, that's  
3           district-wide irregardless to income.

4           DR. ACKERMAN: Well, our Title  
5           I application is district-wide. We have  
6           so many young people and they're  
7           distributed throughout the City so that  
8           all of our schools just about are Title I  
9           schools.

10          COUNCILWOMAN MILLER: That was  
11          my next question. How many students do  
12          you currently have in public schools, how  
13          many are Title I eligible?

14          DR. ACKERMAN: So all of our  
15          students are -- all of our schools, as I  
16          said, are Title I. We have enough young  
17          people in poverty that all of our schools  
18          and students in those schools benefit  
19          from Title I dollars.

20          COUNCILWOMAN MILLER: Okay.  
21          That just helps me get a little bit more  
22          clear on why we're able to use Title I  
23          monies across the board.

24          DR. ACKERMAN: Right.

25          COUNCILWOMAN MILLER: Okay.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. MASCH: We estimate that 78  
3 percent of all students in the  
4 Philadelphia public schools are low  
5 income, according to the federal  
6 definition.

7           COUNCILWOMAN MILLER:

8 Seventy-eight percent? Wow.

9           With the extended-day program,  
10 now that's a part of the SES, correct?

11          DR. ACKERMAN: Yes.

12          COUNCILWOMAN MILLER: I guess I  
13 always thought that the state actually  
14 funded that program.

15          DR. ACKERMAN: They do fund it.  
16 They do fund it. I'll let Michael.

17          MR. MASCH: Yeah. We offer a  
18 School District-run extended-day program.  
19 The federal government also requires that  
20 parents may access supplemental tutoring  
21 services, and we have to provide Title I  
22 dollars for that. So there are two  
23 different programs.

24          COUNCILWOMAN MILLER: So if a  
25 parent wants to access that program, that

1           6/10/11 - WHOLE - 110135, ETC.

2           has been cut? I understand that the  
3           School District portion has been cut.

4                   MR. MASCH: The School  
5           District-offered program was funded  
6           primarily from a state grant called the  
7           Educational Assistance Program Grant.  
8           That grant has been eliminated in its  
9           entirety by the Governor and we have --  
10          so we have eliminated that program,  
11          because we no longer have the funding for  
12          it.

13                   COUNCILWOMAN BLACKWELL: Excuse  
14          me. Point of information, please.

15                   Councilman Jones.

16                   COUNCILMAN JONES: Councilwoman  
17          Miller, just a question.

18                   Can you from the top -- there  
19          are two types of Title I money. One  
20          impacts food and other services like that  
21          for eligible young people. Can you give  
22          the definition of the two and then the  
23          funding sources of both.

24                   MR. MASCH: Well, there's only  
25          one -- we only get one Title I grant, but

1           6/10/11 - WHOLE - 110135, ETC.

2           the way we use the money, we allocate it  
3           in different ways. The larger portion of  
4           our funds -- and our Title I budget for  
5           next year is 246 million, and 115 million  
6           of that is allocated in school budgets by  
7           formula based on the number of low-income  
8           students in each school. There is, in  
9           addition to that, 18 and a half million  
10          that is set aside for non-public school  
11          programs. The rest is in these centrally  
12          administered programs, although they  
13          benefit kids in schools as well. So the  
14          SES program is an example of that, but  
15          that's one of several mandates we have.

16                 There are certain services we  
17          have to provide. We have to provide a  
18          certain minimum amount of professional  
19          development in order to ensure that we  
20          have highly qualified teachers. We have  
21          to provide a certain minimum amount of  
22          money to ensure parental involvement in  
23          schools, and we also have to make  
24          available funds if parents desire to  
25          purchase services from private providers

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2           of tutoring. Then they have a right to  
3           access Title I money for that purpose.

4           COUNCILMAN JONES: So none of  
5           those are breakfast. Where is breakfast?

6           DR. ACKERMAN: That's a  
7           different grant.

8           MR. MASCH: Our breakfast and  
9           lunch programs come out of the federal  
10          Child Nutrition Act. We receive about  
11          \$80 million a year from the Department of  
12          Agriculture. Title I is funding from the  
13          Department of Education.

14          COUNCILMAN JONES: Thank you.  
15          Thank you, Councilwoman Miller.

16          COUNCILWOMAN MILLER: Okay.  
17          Thank you.

18          So just to make sure I heard  
19          you correct, the entire program has been  
20          eliminated, so even if a parent wants to  
21          use a private provider, that's no longer  
22          available?

23          DR. ACKERMAN: That is  
24          available still with Title I dollars,  
25          because we have to put some money aside

1           6/10/11 - WHOLE - 110135, ETC.

2           for that. But in addition, we had the  
3           District after-school program, too.

4                     MR. MASCH: Serves 11,500  
5           students.

6                     DR. ACKERMAN: Serves a lot of  
7           children.

8                     COUNCILWOMAN MILLER: I do  
9           understand now. Thank you.

10                    I want to talk or get more  
11           information on what City-related  
12           activities specifically will be  
13           eliminated, and I'm just going to give an  
14           example. The Marcus Foster pool, even  
15           though millions was put in through the  
16           field -- and I've said this before -- I  
17           still can't figure out why nothing was  
18           done with the pool. So the pool is  
19           not -- we can't use the pool. So we  
20           moved the program where they train the  
21           young people to swim to Pickett Middle  
22           School's pool, but it sounds like with  
23           this, this pool is going to shut down if  
24           we can't use --

25                    MR. MASCH: No. All of the

1           6/10/11 - WHOLE - 110135, ETC.

2           cuts that we're talking about are in the  
3           operating budget. The problem with that,  
4           with the Foster pool, is a capital repair  
5           problem and the lack of funds -- the lack  
6           of capital dollars to be able to make  
7           those repairs because they're so  
8           extensive.

9                         These are -- what we have  
10           identified is four things that are in the  
11           School District's budget this year that  
12           are not in the School District's budget  
13           next year, and they add up to 11 million.  
14           They are 4.5 million of funding for  
15           school-based social services, which is in  
16           our budget this year, is not in next  
17           year; 4.3 million for property tax  
18           assessment to add to the funds that are  
19           in the City budget to support before the  
20           Board of Revision of Taxes and now the  
21           new City Office of Property Assessment;  
22           \$700,000 in the School District budget to  
23           support the City Controller's Office,  
24           which is in addition to the funds that  
25           you've appropriated for the City

1           6/10/11 - WHOLE - 110135, ETC.

2           Controller in the City budget; and about  
3           a million and a half of costs incurred  
4           through the City use of School District  
5           facilities for City recreation and  
6           department programs. That's the 11  
7           million.

8                   COUNCILWOMAN MILLER: Right.

9           And out of the 1.5 million I assume would  
10          be the inability for us to now continue  
11          to use any of the indoor pools that's in  
12          school facilities, correct?

13                   MR. MASCH: Well, this million  
14          and a half is for programs that this year  
15          the City is in the schools, the schools  
16          are incurring the cost and the School  
17          District has been assuming the cost. In  
18          all other cases when someone -- when some  
19          organization outside the City uses the  
20          School District's facilities after hours,  
21          we calculate how much additional cost we  
22          incur, because the building engineer and  
23          custodians have to stay, they have to  
24          clean up the building, and we charge the  
25          user. We have not been doing that when

1           6/10/11 - WHOLE - 110135, ETC.

2           the City runs recreation programs in our  
3           buildings. They have not been paying.  
4           We've been incurring the cost in our  
5           budget. In this budget, we don't believe  
6           we can continue to do that.

7                    COUNCILWOMAN MILLER: Okay. So  
8           I know you're trying not to say it, but  
9           it sounds like --

10                   MR. MASCH: Councilwoman, no  
11           facility is being cut off in terms of  
12           availability. The issue is for those  
13           programs being operated right now, will  
14           the City provide us with the funding if  
15           they want to continue to use the  
16           facilities, because we don't have the  
17           money in this budget to do it.

18                   COUNCILWOMAN MILLER: Okay.  
19           But if the money is available, then the  
20           facilities are available irregardless to  
21           whether it's a pool or --

22                   MR. MASCH: As long as the  
23           facility is available and operating right  
24           now.

25                   COUNCILWOMAN MILLER: Okay.

1           6/10/11 - WHOLE - 110135, ETC.

2           Thank you.

3                     Thank you, Madam President.

4           Thank you.

5                     COUNCILWOMAN BLACKWELL: Thank  
6           you very much.

7                     Councilman Jones.

8                     COUNCILMAN JONES: Thank you,  
9           Madam Chair. I'm good.

10                    COUNCILWOMAN BLACKWELL: Thank  
11           you very much.

12                    Councilman Green.

13                    (No response.)

14                    COUNCILWOMAN BLACKWELL:  
15           Councilwoman Reynolds Brown.

16                    COUNCILWOMAN BROWN: I need to  
17           make sure I understood what I think I  
18           heard around kindergarten, so forgive me  
19           for the same line of questioning, but I  
20           need to be able to report back to those  
21           of us who care about it.

22                    Kindergarten based on  
23           yesterday's discussion and this document  
24           has been taken care of under Title I?

25                    DR. ACKERMAN: Yes.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   COUNCILWOMAN BROWN: Early  
3 childhood education is a part of the ask  
4 today for whatever number we, Council,  
5 come up with to capture existing  
6 programs?

7                   DR. ACKERMAN: Yes. They were  
8 both paid for with the state's  
9 Accountability Block Grant. We could put  
10 the monies into this, for full-day  
11 kindergarten, into this year's  
12 application, which is due the end of this  
13 month. So that's how it's taken care of  
14 for next year.

15                  COUNCILWOMAN BROWN: Okay.  
16 Thank you.

17                  DR. ACKERMAN: You're welcome.

18                  COUNCILWOMAN BROWN: Thank you,  
19 Madam Chair.

20                  COUNCILWOMAN BLACKWELL: Thank  
21 you very much.

22                  Does any other Councilperson  
23 want to be recognized in this batch of  
24 questions?

25                  (No response.)

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILWOMAN BLACKWELL: Okay.

3           Then I believe that our next panel  
4           consists of Rob Dubow. We hope that  
5           you'll remain for a little bit.

6           DR. ACKERMAN: If you see me  
7           leave, it's just I'm leaving town. So I  
8           will stay for as long as I can,  
9           Councilwoman.

10          COUNCILWOMAN BLACKWELL: Thank  
11          you.

12          I believe we have Rob Dubow and  
13          Lori Shorr coming.

14          Thank you, everyone, for your  
15          patience.

16          (Witnesses approached witness  
17          table.)

18          COUNCILWOMAN BLACKWELL: Good  
19          afternoon. Thank you. Please identify  
20          yourself for the record and begin your  
21          testimony.

22          MR. DUBOW: Good morning,  
23          Councilwoman Blackwell and members of  
24          Council. I'm Rob Dubow, the Finance  
25          Director for the City. With me this

1           6/10/11 - WHOLE - 110135, ETC.

2           morning is Lori Shorr, the Chief  
3           Education Officer for the City, and other  
4           City officials are in the audience with  
5           us.

6                     Thank you for the opportunity  
7           to testify on behalf of the  
8           Administration on the various revenue  
9           proposals before Council for the purpose  
10          of providing additional support for the  
11          School District.

12                    In the testimony, there are a  
13          page and a half of kind of how we got  
14          here, but I think we've gone over that  
15          this morning, so I'm going to skip past  
16          that and I'm going to go to Page 3 of the  
17          testimony and the first full paragraph.

18                    As the Mayor stated in a letter  
19          to the School Reform Commission last  
20          weekend, there's no more important  
21          investment for the City than the  
22          education of our children. Our economic  
23          future prosperity depends in no small way  
24          on having an educated population with the  
25          skills needed to compete for

1           6/10/11 - WHOLE - 110135, ETC.

2           family-sustaining jobs.

3                       That said, we are in agreement  
4           with many of you who have that -- issues  
5           that many of you raised both publicly and  
6           privately about the need to have greater  
7           fiscal and operational accountability  
8           from the District and greater  
9           transparency in the District's  
10          decision-making process. In that regard,  
11          the Mayor's letter to the members of the  
12          School Reform Commission, which was also  
13          provided to each of you, laid out in  
14          great detail those accountability and  
15          transparency measures he is seeking from  
16          the District as a condition of his  
17          continued support for additional School  
18          District revenue.

19                      The School Reform Commission  
20          responded with a letter expressing an  
21          intent to fully comply with the requests  
22          of the Mayor, and we have submitted that  
23          letter to the Chair. With respect to the  
24          immediate need for additional funding,  
25          the District yesterday provided a

1           6/10/11 - WHOLE - 110135, ETC.

2           priority list of programs and services in  
3           order of preference that it would choose  
4           to restore, depending on the level of  
5           additional funding at its disposal. We  
6           have submitted that document to the  
7           Chair, and obviously that was the subject  
8           of some discussion this morning.

9                     A second aspect of the required  
10            accountability measures is the  
11            Educational Accountability Agreement that  
12            the School Reform Commission entered into  
13            with the City and the Commonwealth to  
14            commit the District to a variety of  
15            measures to ensure greater cooperation  
16            and information-sharing. Among the  
17            measures covered in the agreement are the  
18            guaranty of regular meetings between  
19            high-level School District officials and  
20            the City and Commonwealth administration  
21            officials to discuss financing, policy,  
22            programs, strategies and setting of other  
23            matters impacting the education of the  
24            students in the School District  
25            operations; the timely sharing of

1           6/10/11 - WHOLE - 110135, ETC.

2           documents with the Administration that  
3           are provided to the SRC by the District;  
4           access to and cooperation regarding  
5           financial data in the financial systems  
6           of the District and regular meetings  
7           between financial officials of the  
8           District with the City's financial  
9           officers and designees of the Secretary  
10          of Education; and continued cooperation  
11          of SRC members and the Superintendent  
12          regarding requests for direct meetings  
13          with the City Administration and the  
14          Commonwealth.

15                    A particularly significant  
16           component of that agreement is a  
17           requirement that the District annually  
18           prepare a five-year plan. That will  
19           allow the District to do multi-year  
20           financial planning.

21                    Lastly, the agreement provides  
22           that by the middle of next week, the  
23           District will provide to the City and the  
24           Department of Education information in  
25           six specific areas, including financial

1           6/10/11 - WHOLE - 110135, ETC.

2           accounting information, programming  
3           information and information regarding  
4           District facilities, vendors, personnel  
5           and senior staff.

6                         We are in full agreement with  
7           the Council regarding the importance of  
8           demanding and pursuing accountability for  
9           the use not just of additional funds  
10          provided by the City to the District but  
11          for how all public dollars are used to  
12          educate Philadelphia's public school  
13          children.

14                        Lastly, before we turn to the  
15          specific proposals before you, I want to  
16          note that as part of the need for revenue  
17          enhancement for the District, the  
18          Administration is planning a modest  
19          increase in on-street parking rates  
20          already authorized in The Philadelphia  
21          Code. Because of state law governing the  
22          Parking Authority's collection of funds  
23          related to on-street parking and the  
24          transfer of a portion of such funds to  
25          the School District, that increase would

1           6/10/11 - WHOLE - 110135, ETC.

2           likely generate about 6 million that  
3           would go directly to the School District.

4                     We also applaud efforts between  
5           the District and SEPTA to work out an  
6           agreement regarding financing of  
7           TransPasses in order to prevent the  
8           District's immediate fiscal crisis from  
9           jeopardizing this reimbursable  
10          transportation cost.

11                    So let me now turn to the  
12          revenue generation proposals in front of  
13          you. Bill No. 110479 is Councilman  
14          Clarke's proposal to increase the City  
15          portion of the real estate tax bill for  
16          one year in an amount that would result  
17          in a 3.8 increase in taxpayers' real  
18          estate tax bills. The stated purpose of  
19          this proposal is to increase funding  
20          available for a grant to the School  
21          District. The increase in real estate  
22          taxes would generate about \$36 and a half  
23          million.

24                    A second proposal before you,  
25          Bill No. 110477, would increase the

1           6/10/11 - WHOLE - 110135, ETC.

2           School District portion of the real  
3           estate tax such that the total tax bill  
4           would be increased by about 10 percent.  
5           That increase would be in the School  
6           District taxes. It would go directly to  
7           the District, and it would generate about  
8           \$95 million.

9                         Finally, Bill 110478 is the  
10           Administration's proposal to establish a  
11           two-cent-per-ounce sugar-sweetened  
12           beverage tax to be collected by the  
13           distributors of such beverages to  
14           Philadelphia retailers. Local retailers  
15           of sugar-sweetened beverages would be  
16           required to purchase those items only  
17           from distributors licensed by the City.  
18           The two-cents-per-ounce tax would be  
19           levied on the transaction between the  
20           retailer and the licensed distributor.  
21           The distributors would collect the tax  
22           and remit the funds to the City.  
23           Individual retailers, markets and  
24           restaurants would not be responsible for  
25           collecting the tax and paying it to the

1           6/10/11 - WHOLE - 110135, ETC.

2           City. It is anticipated that with an  
3           effective date of October 1st, the tax  
4           would generate about approximately \$60  
5           million in FY12 and then \$80 million  
6           annually thereafter.

7                         We actually have a technical  
8           amendment to offer in connection with the  
9           bill, and that's been submitted to the  
10          Chair.

11                        With respect to these various  
12          proposals, the Administration's preferred  
13          method of revenue generation is the  
14          sugar-sweetened beverage tax proposal.

15          In our view, this tax would be the least  
16          burdensome to Philadelphians as a whole  
17          and would be shared by visitors and  
18          non-Philadelphia residents who work here  
19          and who buy sugary drinks. We would  
20          expect some of the cost of this tax would  
21          be passed along to customers in the form  
22          of higher prices. But soda is a beverage  
23          of choice. If people are willing to pay  
24          more for their product, that's their  
25          decision. The tax, therefore, stands in

1           6/10/11 - WHOLE - 110135, ETC.

2           contrast to the proposal to raise  
3           property taxes. Homeowners and other  
4           property owners would have no choice but  
5           to pay increased real estate tax bills.

6                       Moreover, regarding claims of  
7           harm to the beverage industry and those  
8           who work hard to transport beverages to  
9           retailers, if prices for sugar-sweetened  
10          products are raised and consumption of  
11          those products declines, consumers may  
12          increase consumption of non-sugar  
13          beverage drinks, like diet soft drink and  
14          natural juices with no sugar added.

15          Although a tax on sugar-sweetened  
16          beverages is our preferred option, we  
17          recognize this is not the only option.

18          As the Mayor has stated before, our  
19          overarching concern is the provision of  
20          sufficient revenue to the School District  
21          to ensure that critical programs and  
22          services can be maintained for the School  
23          District of Philadelphia.

24                       Thank you for the opportunity  
25          to testify and we're available to answer

1           6/10/11 - WHOLE - 110135, ETC.

2           any questions.

3                   COUNCIL PRESIDENT VERNA: The  
4           Chair recognizes Councilwoman Blackwell.

5                   COUNCILWOMAN BLACKWELL: Thank  
6           you, Mr. Dubow. I wanted to ask you a  
7           question with regard to Page 4 and  
8           Parking Authority's collection of funds  
9           related to on-street parking. Have you  
10          identified those sites or are they as  
11          those referenced by the Mayor?

12                   MR. DUBOW: They are in Center  
13          City and University City.

14                   COUNCILWOMAN BLACKWELL: Yes.  
15          We did contact the Mayor with regard to  
16          University City, and I will say that the  
17          last time those fees were raised, they  
18          were raised to the maximum allowed under  
19          the legislation. Therefore, to raise  
20          them again, I would have to introduce  
21          legislation for my district to allow that  
22          increase. So I'll ask you to check into  
23          that and report back to me.

24                   MR. DUBOW: Yes. We'll check  
25          into that.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILWOMAN BLACKWELL: Thank  
3 you.

4           COUNCIL PRESIDENT VERNA:  
5 Mr. Dubow, will the proposed soda tax  
6 only apply to products that are in liquid  
7 form?

8           MR. DUBOW: Yes. Yes. It will  
9 apply to beverages.

10          COUNCIL PRESIDENT VERNA: Well,  
11 what non-liquid products will be taxed?  
12 I mean, there are liquids that we buy and  
13 then sugar added to it.

14          MR. DUBOW: Yeah. The  
15 legislation delineates what would be  
16 taxed, and it's beverages. So there's no  
17 non-beverages.

18          COUNCIL PRESIDENT VERNA: Well,  
19 if this tax were to be approved and it  
20 turned out that it had some unintended  
21 consequences, we could not change the law  
22 if the changes lowered the revenue  
23 estimates under Act 46; is that correct?

24          MR. DUBOW: I think we'd have  
25 to find a way to substitute additional

1           6/10/11 - WHOLE - 110135, ETC.  
2           revenue for it, and we'd probably have to  
3           get -- well, let me actually, instead of  
4           playing lawyer, defer to the Law  
5           Department on that.

6                         (Witness approached witness  
7           table.)

8                         MS. SMITH: Good afternoon,  
9           Council President. Shelley Smith, City  
10          Solicitor.

11                        I heard part of the question  
12          about unintended consequences, but not  
13          the whole thing. Could you please repeat  
14          it for me.

15                        COUNCIL PRESIDENT VERNA: If  
16          this tax were to be approved and it  
17          turned out that it had some unintended  
18          consequences, we would not change the  
19          law -- we couldn't change the law if the  
20          changes lowered the revenue estimates  
21          under Act 46; is that correct?

22                        MS. SMITH: I'm not sure I  
23          precisely understand the question. Is  
24          the question whether if the tax was  
25          overturned somehow? Is that the essence

1           6/10/11 - WHOLE - 110135, ETC.

2           of your question?

3                   COUNCIL PRESIDENT VERNA: We  
4           couldn't change the law, could we? And  
5           if it were proven that the revenue  
6           estimates were lowered, how would that  
7           affect us under Act 46?

8                   MR. DUBOW: You're saying if we  
9           collected less revenue than we  
10          anticipated?

11                   COUNCIL PRESIDENT VERNA:  
12          Right.

13                   MR. DUBOW: We're required to  
14          maintain the tax and the rate, but we're  
15          not guaranteeing a level of revenue. So,  
16          for example, to give the property tax as  
17          an example, if assessments went down and  
18          the revenue went down, we're not required  
19          to make up that revenue. So we wouldn't  
20          be able to reduce -- if we impose the  
21          two-cent rate here, we couldn't reduce  
22          the rate later, but we're not responsible  
23          for guaranteeing the revenue amount.

24                   COUNCIL PRESIDENT VERNA: I'm  
25          sorry. Repeat your last sentence.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW: We're not  
3 responsible for guaranteeing the amount  
4 of revenue that's generated by a tax. We  
5 can't change the rate of the tax. We  
6 can't lower the rate of the tax, but if  
7 collections go down, we're not  
8 responsible or compensating for that.

9           COUNCIL PRESIDENT VERNA: Under  
10 Act 46 we would not be responsible?

11          MR. DUBOW: That's right.

12          COUNCIL PRESIDENT VERNA: I'm  
13 surprised to hear that.

14          MR. DUBOW: So an example, if  
15 one of the existing taxes goes down, like  
16 the use and occupancy tax, if we had  
17 lower collections, we're not responsible  
18 for compensating for that.

19          MS. SMITH: We're not required  
20 to make it up some other way.

21          COUNCIL PRESIDENT VERNA: Could  
22 you tell us what the rationale for the  
23 automatic yearly CPI adjustment and what  
24 other taxes the City imposes that has  
25 such an adjustment?

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW: We don't have that  
3           in other taxes. The rationale is that as  
4           inflation goes up, we want revenues from  
5           the tax to go up with it. That's the  
6           rationale.

7           COUNCIL PRESIDENT VERNA: Oh,  
8           okay. We just keep adding.

9           Tell us, who will be  
10          responsible for the collection and  
11          enforcement of this tax?

12          MR. DUBOW: The Revenue  
13          Department.

14          COUNCIL PRESIDENT VERNA: What  
15          are the estimated costs for collection  
16          and enforcement activities, and are they  
17          budgeted?

18          MR. DUBOW: I don't think that  
19          there's much of an impact. The Revenue  
20          Department thinks they can do it within  
21          their existing budget.

22          COUNCIL PRESIDENT VERNA: They  
23          what?

24          MR. DUBOW: They can do this  
25          within their existing budget.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCIL PRESIDENT VERNA: Boy,  
3 that's surprising.

4           MR. DUBOW: They're efficient.

5           COUNCIL PRESIDENT VERNA: Okay.

6 If you say so, we'll believe you.

7           What is the Administration's  
8 tax policy rationale for the  
9 implementation of this tax?

10          MR. DUBOW: Well, we prefer  
11 this tax to a broad-based tax because  
12 it's a more targeted tax and we think  
13 would not have as broad an impact as a  
14 property tax, and it's also an item  
15 that --

16          COUNCIL PRESIDENT VERNA: I'm  
17 sorry. I was distracted.

18          MR. DUBOW: There are a couple  
19 of reasons that we prefer this to a  
20 broad-based tax. One is that it's more  
21 targeted. Also, it's imposed on  
22 something that's a matter of choice.  
23 People could buy different beverages that  
24 are not sugar-sweetened.

25          COUNCIL PRESIDENT VERNA: I'm

1           6/10/11 - WHOLE - 110135, ETC.

2           not a lawyer, but I do believe it's  
3           discriminatory. Would you say that it  
4           is?

5                     MR. DUBOW: I'm going to avoid  
6           getting into a legal discussion with you.

7                     COUNCIL PRESIDENT VERNA: I  
8           just --

9                     MR. DUBOW: I think the City  
10          Solicitor is coming to respond to that.

11                    (Witness approached witness  
12          table.)

13                    MS. SMITH: Hello.

14                    COUNCIL PRESIDENT VERNA: Hello  
15          again.

16                    MS. SMITH: The question is  
17          whether the tax is discriminatory?

18                    COUNCIL PRESIDENT VERNA: Yes.

19                    MS. SMITH: Based on any -- I  
20          mean, do you have a belief that it's  
21          discriminatory based on any particular --

22                    COUNCIL PRESIDENT VERNA: Well,  
23          last year we were asked to raise this  
24          tax, the soda tax, and at that time, it  
25          wasn't a matter of the taxes but obesity.

1           6/10/11 - WHOLE - 110135, ETC.

2           Now we don't hear anything about the  
3           obesity issue. We're just hearing about  
4           this tax. And I don't know how this  
5           could ever be implemented. If it's  
6           sugar, it's sugar, and there are many  
7           other items that have sugar. So are we  
8           just saying, Oh, well, we're going to go  
9           back to soda? Well, how about so many  
10          other items that have a sugar content?

11                   MS. SMITH: Well, to me that's  
12          not --

13                   (Applause.)

14                   MS. SMITH: To me that's not --  
15          from a legal perspective, that's not a  
16          discriminatory -- that's not an issue of  
17          discrimination in any way. Certainly  
18          classes of foods that contain sugar are  
19          not classifications that are suspect  
20          under the law such that they can't be  
21          treated differently. All the tax law  
22          requires is that there be a rational  
23          basis for a distinction, and there  
24          certainly is a rational distinction  
25          between sugar-containing beverages and

1           6/10/11 - WHOLE - 110135, ETC.

2           those that do not and between --

3                   COUNCIL PRESIDENT VERNA: Let  
4           me ask another question, if I may. If I  
5           were a member of this industry and this  
6           bill passed, do you think I would take it  
7           to court and do you think we would be  
8           involved in litigation for several years?  
9           And during that period of time, would you  
10          be able -- would we be able to collect  
11          the taxes?

12                   MS. SMITH: I think that, first  
13          of all, the fact that someone might  
14          threaten to sue us neither speaks to the  
15          actual legality of the issue over which  
16          they might sue us or the merit of the  
17          issue itself. So --

18                   COUNCIL PRESIDENT VERNA: But  
19          I'm sure they would find an attorney to  
20          think so.

21                   MS. SMITH: There's --

22                   COUNCIL PRESIDENT VERNA: And  
23          there would be litigation.

24                   MS. SMITH: Philadelphia has  
25          more lawyers per capita than almost any

1           6/10/11 - WHOLE - 110135, ETC.

2           city in the country. So there's no  
3           question in my mind that anyone who wants  
4           to sue us about anything could find a  
5           lawyer to take the case.

6                    COUNCIL PRESIDENT VERNA:

7           Certainly.

8                    MS. SMITH: I think based on  
9           the level of lobbying activity and legal  
10          activity that has surrounded the beverage  
11          industry in relation to this tax both  
12          here in Philadelphia and in other places,  
13          I think it's certainly more than possible  
14          that we might get sued, but I don't think  
15          that means that the tax would be  
16          overturned, and I don't think that  
17          necessarily means that the impact of the  
18          tax would be stayed while they figured it  
19          out. It's impossible to say that sitting  
20          here today. So I don't think -- but I  
21          believe the tax -- our opinion is that  
22          the tax is in fact legal, and so I think  
23          that ultimately --

24                    COUNCIL PRESIDENT VERNA: But

25          that's your opinion. It may be the

1           6/10/11 - WHOLE - 110135, ETC.  
2           Administration's opinion, but as I said,  
3           if you're a member of the industry,  
4           you're going to find an attorney who will  
5           take your case and --

6                   MS. SMITH:   Sure, but --

7                   COUNCIL PRESIDENT VERNA:   Can I  
8           finish?

9                   MS. SMITH:   I'm sorry.   I  
10          apologize.   I thought you were finished.  
11          I apologize.

12                   COUNCIL PRESIDENT VERNA:   And I  
13          just don't understand how we would be  
14          able to actually collect this tax while  
15          this particular case is under litigation.  
16          But you say it can be done?

17                   MS. SMITH:   Yes.

18                   COUNCIL PRESIDENT VERNA:   And I  
19          know you're an attorney and you would  
20          not -- I know you wouldn't -- lead us in  
21          the wrong direction.

22                   MS. SMITH:   I would not.   I  
23          have no interest in doing that.

24                   COUNCIL PRESIDENT VERNA:   But I  
25          suspect that that's possible, and I'm not

1           6/10/11 - WHOLE - 110135, ETC.

2           a lawyer.

3                     Did you want to say something?

4                     COUNCILMAN GREEN:   Yes.

5                     COUNCIL PRESIDENT VERNA:

6           Councilman Green.

7                     COUNCILMAN GREEN:   Thank you,  
8           Madam President.

9                     I just wondered if there are  
10           any comments on uniformity issues under  
11           Pennsylvania law with respect to such a  
12           targeted tax, and then also under the  
13           Commerce Clause of the U.S. Constitution  
14           targeting a particular tax and stopping  
15           the free flow of commerce between states.  
16           It's an issue that's been raised by the  
17           Law Department with respect to  
18           legislation I have that is trying to  
19           protect Philadelphians or put  
20           Philadelphia first, and I just want to  
21           make sure we've done a thorough U.S.  
22           Commerce Clause analysis and Pennsylvania  
23           Uniformity Clause analysis.  So that's my  
24           question.

25                     MS. SMITH:   We have done a

1           6/10/11 - WHOLE - 110135, ETC.

2           Commerce Clause analysis. We have -- we  
3           would obviously continue to research that  
4           issue, but we think that -- the Commerce  
5           Clause issue is essentially whether or  
6           not it imposes an unreasonable burden on  
7           interstate commerce, and this tax is not  
8           so unreasonably burdensome, from our  
9           perspective, that it does that.

10                         Secondly, as to the uniformity  
11           issue, Pennsylvania courts have explained  
12           that the Legislature actually has  
13           discretion in matters of taxation, and as  
14           long as there's some legitimate  
15           distinction between the classes that  
16           provides a non-arbitrary and reasonable  
17           and just basis for difference in  
18           treatment, there won't be a Uniformity  
19           Clause problem. And as to the  
20           sugar-sweetened beverage tax, we think  
21           the distinction between sugar-sweetened  
22           beverages and non-sugar-sweetened  
23           beverages is a legitimate and fair  
24           distinction.

25                         COUNCILMAN GREEN: Thank you.

1           6/10/11 - WHOLE - 110135, ETC.

2           So I think the point that the President  
3           was trying to make earlier, that it's not  
4           clear to this body that there is a  
5           distinction between orange juice which  
6           has sugar and a drink that where sugar is  
7           removed and then it is reconstituted, has  
8           sugar, from a Uniformity Clause  
9           perspective. It doesn't seem like -- it  
10          seems like we're taxing two drinks that  
11          sell sugar, one from a concentrate, one  
12          naturally or otherwise, and that that  
13          doesn't necessarily make -- I'm not  
14          trying to have the debate with you. I'm  
15          just trying to explain some of the  
16          concerns we have and get them on the  
17          record. It doesn't seem to be that much  
18          of a distinction.

19                   And then under the Commerce  
20                   Clause, do you have any written opinion  
21                   or memo regarding Commerce Clause  
22                   analysis?

23                   MS. SMITH: I don't believe one  
24                   has been requested, so, no.

25                   COUNCILMAN GREEN: And you

1           6/10/11 - WHOLE - 110135, ETC.

2           didn't do it internally. You didn't  
3           actually --

4           MS. SMITH: There's not been --

5           COUNCILMAN GREEN: There's no  
6           writing in the Law Department about a  
7           Commerce Clause?

8           MS. SMITH: I don't want to say  
9           there's no writing, but I've had  
10          discussions. I have not seen a -- I  
11          haven't discussed a written document on  
12          the issue. I've had oral discussions  
13          about it.

14          COUNCILMAN GREEN: Who in the  
15          Law Department has done the research on  
16          the Commerce Clause analysis?

17          MS. SMITH: Well, our Appeals  
18          and Legislation Unit would have done that  
19          research. If you would like an opinion  
20          on it, we're happy to give you one.

21          COUNCILMAN GREEN: I'm just  
22          asking. I'm trying to understand how  
23          much effort has been put into determining  
24          its legality.

25          How about the Uniformity Clause

1           6/10/11 - WHOLE - 110135, ETC.

2           analysis, who did that?

3                   MS. SMITH:   Our Appeals and  
4           Legislation Unit.

5                   COUNCILMAN GREEN:   And did they  
6           do a writing on that?

7                   MS. SMITH:   We issued an  
8           opinion to Councilman Jones who requested  
9           one and waived the privilege.

10                   COUNCILMAN GREEN:   Does that  
11           opinion include --

12                   MS. SMITH:   It includes the  
13           Uniformity Clause.

14                   COUNCILMAN GREEN:   Does that  
15           opinion include a Commerce Clause  
16           analysis?

17                   MS. SMITH:   It does not.

18                   COUNCILMAN GREEN:   Okay.

19                   Thank you, Madam President.

20                   COUNCIL PRESIDENT VERNA:

21           You're welcome.

22                   Mr. Dubow, what is the revenue  
23           estimate that this tax will generate and  
24           how was it calculated?

25                   MR. DUBOW:   It's estimated that

1           6/10/11 - WHOLE - 110135, ETC.

2           it would generate \$80 million in --

3                   COUNCIL PRESIDENT VERNA: I'm  
4           sorry.

5                   MR. DUBOW: It's estimated it  
6           would generate \$80 million for a full  
7           year and that it would generate \$60  
8           million this year, because it would not  
9           be in place for the full year. The  
10          estimate assumed that there would be  
11          about a 20 percent falloff in sales of  
12          sugary-sweetened beverages.

13                   COUNCIL PRESIDENT VERNA: And  
14          that's how you calculated that we would  
15          be generating 60 million?

16                   MR. DUBOW: Right. Yes.

17                   COUNCIL PRESIDENT VERNA: Could  
18          we have a copy of that calculation that  
19          you made?

20                   MR. DUBOW: Yes. We can get  
21          you that.

22                   COUNCIL PRESIDENT VERNA: Thank  
23          you.

24                   The Chair recognizes Councilman  
25          Goode.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: Thank you,  
3           Madam President.

4           Good afternoon, Mr. Dubow.

5           MR. DUBOW: Good afternoon.

6           COUNCILMAN GOODE: On Page 5 of  
7           your testimony, you refer to the  
8           Administration's preferred method of  
9           revenue generation. Without getting into  
10          how you are going to generate the  
11          revenue, can we talk about how much  
12          revenue you expect to be generated from  
13          it in Fiscal Year '12?

14          MR. DUBOW: From this tax?

15          COUNCILMAN GOODE: Total.

16          MR. DUBOW: Total, okay.

17          COUNCILMAN GOODE: The question  
18          more specifically is, what is your total  
19          request from this Council in terms of  
20          your preferred revenue generation for  
21          Fiscal Year '12?

22          MR. DUBOW: For '12, it's  
23          really that \$60 million. Locally we also  
24          include \$6 million from the parking  
25          increase.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: So your  
3 request to this Council is actually \$66.1  
4 million?

5           MR. DUBOW: In our preferred --  
6 that's for '12, that's right.

7           COUNCILMAN GOODE: Not the \$102  
8 million that the School District  
9 mentioned?

10          MR. DUBOW: The School District  
11 gave a range of 75 to 110, but we get --  
12 if you look, that 60 million plus the 6  
13 million from parking, plus the TransPass  
14 deal has about a \$25 million benefit.

15          COUNCILMAN GOODE: I understand  
16 the Administration's math and what it  
17 adds up to. That's still separate from  
18 the School District's request today. The  
19 School District essentially requested --  
20 they can correct me if I'm wrong -- they  
21 requested us to raise \$102 million in new  
22 revenue.

23          MR. DUBOW: Yes. That's right.  
24 So they're different.

25          COUNCILMAN GOODE: Shouldn't

1           6/10/11 - WHOLE - 110135, ETC.

2           the Administration and the School  
3           District be on the same page at this  
4           point?

5                   MR. DUBOW:   Yeah.  I think  
6           we're on the same page on the items that  
7           would be restored.

8                   COUNCILMAN GOODE:  I'm not sure  
9           we're on the same page with regard to  
10          that either, because Mike Masch gave us a  
11          list that had nine items.  We originally  
12          were at four items.

13                   MR. DUBOW:  Right.  In the --

14                   COUNCILMAN GOODE:  Actually had  
15          11 items when you count the full-day  
16          kindergarten and the other transportation  
17          costs.

18                   MR. DUBOW:  Right, but if you  
19          go to the list on Page 2, which is Option  
20          3(a), which is the two-cent sweetened  
21          sugar, and the School District's list of  
22          what they would restore, it starts with  
23          the \$11 million that they assume we would  
24          pick up, then it has transportation,  
25          reduced class size, alternate education,

1           6/10/11 - WHOLE - 110135, ETC.

2           early childhood. That's consistent with  
3           what were our top priorities, although I  
4           think there's a little difference on how  
5           alternate education would be structured.

6                    COUNCILMAN GOODE: They also  
7           include school nurses, extended-day  
8           programs, counselors, and art and music  
9           programs.

10                   MR. DUBOW: That's right.

11                   COUNCILMAN GOODE: So the lists  
12           are not the same.

13                   MR. DUBOW: Well, we had a list  
14           of our top priorities for what we wanted  
15           restored, and those are all here. We  
16           are --

17                   COUNCILMAN GOODE: And they're  
18           contained within their longer list.

19                   MR. DUBOW: Yes.

20                   COUNCILMAN GOODE: Let me end  
21           with this. I'll ask the question just  
22           one more time before I move to my second  
23           line of questioning. What is the  
24           Administration's request in terms of new  
25           revenue from this Council for Fiscal Year

1           6/10/11 - WHOLE - 110135, ETC.

2           '12?

3                   MR. DUBOW: Our request is or  
4 preferred request --

5                   COUNCILMAN GOODE: Your  
6 preferred request.

7                   MR. DUBOW: Is for  
8 sugar-sweetened beverage tax.

9                   COUNCILMAN GOODE: I'm talking  
10 about the dollar amount.

11                   MR. DUBOW: Sixty million  
12 dollars.

13                   COUNCILMAN GOODE: I'm talking  
14 about the dollar amount. What is the  
15 preferred request?

16                   MR. DUBOW: Sixty million, plus  
17 the parking rate increase, 6.6, and then  
18 the TransPass deal, assuming that they  
19 get the equivalent of 25 million from  
20 that.

21                   COUNCILMAN GOODE: I'm talking  
22 about new revenue you're asking from this  
23 Council. Is the number 66 million?

24                   MR. DUBOW: Yes, but I just put  
25 that in context. That assumes

1           6/10/11 - WHOLE - 110135, ETC.  
2           Accountability Block Grant comes back and  
3           the charter school funding is there,  
4           because if those items aren't in the  
5           state budget, it won't be possible to  
6           restore all these things, because this  
7           will be making --

8                   COUNCILMAN GOODE: It also  
9           won't be possible to raise new revenue,  
10          unless we find out by that time.

11                   MR. DUBOW: That's true.  
12          That's true.

13                   COUNCILMAN GOODE: So your  
14          request is what? I'll ask it one more  
15          time.

16                   MR. DUBOW: Again, it's the 66.  
17          I keep saying it's 66.

18                   COUNCILMAN GOODE: Let's move  
19          on, then. On the issue of accountability  
20          and transparency, in the Five Year Plan  
21          submitted to Council by the  
22          Administration, were there any new tax  
23          increases in the Five Year Plan?

24                   MR. DUBOW: There were not.

25                   COUNCILMAN GOODE: Were there

1           6/10/11 - WHOLE - 110135, ETC.  
2           any tax reductions in the Five Year Plan?

3           MR. DUBOW: There are tax  
4           reductions in the out years of the Five  
5           Year Plan, yes.

6           COUNCILMAN GOODE: And what are  
7           those tax reductions in the out years of  
8           the Five Year Plan?

9           MR. DUBOW: The tax reductions  
10          in the wage tax and the business  
11          privilege tax.

12          COUNCILMAN GOODE: What are the  
13          projected fund balances over the five  
14          years?

15          MR. DUBOW: One second. Let me  
16          just get that out.

17          You want it for each year?

18          COUNCILMAN GOODE: Yes. I have  
19          it in front of me, but I want it for the  
20          record.

21          MR. DUBOW: No. I understand.  
22          You usually do. I just want to grab the  
23          Plan, which I have in here somewhere.

24          The fund balances in the Plan  
25          were 51 million in '12, 63 million in

1           6/10/11 - WHOLE - 110135, ETC.  
2           '13, 69 million in '14, 42 million in '15  
3           and 46 million in '16.

4           COUNCILMAN GOODE: And the drop  
5           in the last two years are tax reductions;  
6           is that correct?

7           MR. DUBOW: I'm sorry?

8           COUNCILMAN GOODE: The drop in  
9           the last two years are tax reductions; is  
10          that correct?

11          MR. DUBOW: Well, I mean, the  
12          drop is the variety of kind of everything  
13          that's happened in the Plan, but there  
14          are tax reductions in the Plan that  
15          contribute to the change in the fund  
16          balance.

17          COUNCILMAN GOODE: But has the  
18          projected fund balance for Fiscal Year  
19          '12 changed? Is it still 51 million?

20          MR. DUBOW: Well, I think what  
21          I should do actually, we haven't updated  
22          those projections. We've updated '11,  
23          which was 13.5 million in the Plan that  
24          we've proposed back in March. It's now  
25          down to about 5 million.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: Okay. Are  
3 tax collections up or down in Fiscal Year  
4 '11?

5           MR. DUBOW: Tax collections are  
6 slightly up. Local generated non-tax  
7 revenues are slightly down. And revenue  
8 from other governments are down.

9           COUNCILMAN GOODE: In terms of  
10 net revenue, are tax collections up or  
11 down?

12          MR. DUBOW: Hold on one second.

13          COUNCILMAN GOODE: I believe  
14 they're up 9 percent.

15          MR. DUBOW: Nine percent? Did  
16 you say 9 percent? Total revenues are  
17 now --

18          COUNCILMAN GOODE: I'm working  
19 with the PICA April report.

20          MR. DUBOW: Total revenues are  
21 now projected to be thirty-nine  
22 twenty-eight. In the Five Year Plan they  
23 were projected to be thirty-nine  
24 thirty-three. So they're actually --  
25 they're slightly down.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: I'm  
3 referring to tax revenue, not revenue  
4 from other governments.

5           MR. DUBOW: Yeah, revenue --  
6 oh, tax revenues, yes. Tax revenues are  
7 slightly up.

8           COUNCILMAN GOODE: How much? I  
9 know as of April it was up \$174 million;  
10 is that correct? A hundred seventy-four  
11 million over Fiscal Year '10, not over  
12 projections.

13          MR. DUBOW: Oh, over Fiscal  
14 Year '10. I'm sorry. I was looking at  
15 projection.

16          COUNCILMAN GOODE: So the  
17 question is, how much are they --

18          MR. DUBOW: That's right.

19          COUNCILMAN GOODE: How much are  
20 they up over projections?

21          MR. DUBOW: They're roughly  
22 actually consistent with projections,  
23 because some taxes are up and some are  
24 down. So we didn't change that from the  
25 Plan.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GOODE: So what do  
3 you expect the fund balance for Fiscal  
4 Year '12 to be when adjusted?

5           MR. DUBOW: Well, probably not  
6 that much different from what's in the  
7 Plan. I mean, it will change slightly,  
8 but probably not that different.

9           COUNCILMAN GOODE: It might be  
10 higher?

11          MR. DUBOW: I don't think it  
12 would be higher. It may come down a  
13 little based on what's happening.

14          COUNCILMAN GOODE: So how much  
15 of a millage shift could the City afford  
16 in the Five Year Plan?

17          MR. DUBOW: Well, that's a  
18 broad answer. I think the first thing I  
19 would say is that the fund balances that  
20 are included in the Plan are much lower  
21 than what the Government Finance Officers  
22 Association recommends. They recommend  
23 that you have a fund balance that's at  
24 least 5 percent of your revenues. So  
25 from what they project, what they

1           6/10/11 - WHOLE - 110135, ETC.

2           recommend, we'd be looking more like at  
3           175 million in terms of a fund balance,  
4           and the reason they recommend that is  
5           because things go wrong during the year.  
6           You have a big snowstorm. The economy  
7           slows down like it's looking like it  
8           will. So fund balance --

9           COUNCILMAN GOODE: I understand  
10          that, but if your answer is going to be  
11          zero, that's fine, but last year you told  
12          us we were going to run out of cash  
13          because we didn't leave you enough of a  
14          fund balance. I believe we left you  
15          about 20 million.

16          MR. DUBOW: Well, we made -- we  
17          actually made changes to the budget to  
18          make sure that that didn't happen, and we  
19          had some cash conservation measures early  
20          in the year. So we did have some real  
21          cash constraints.

22          COUNCILMAN GOODE: Okay. So  
23          you believe with a \$50 million fund  
24          balance in Fiscal Year '12, a \$60 million  
25          fund balance in the two years and with a

1           6/10/11 - WHOLE - 110135, ETC.

2           fund balance healthy enough to restore  
3           tax reductions, there's no room for a  
4           millage shift at all?

5                   MR. DUBOW: I think if we did a  
6           millage shift, we would kind of just be  
7           setting ourselves up to have to make more  
8           cuts in our General Fund, and I think  
9           that's the choice we would be making.

10                   COUNCILMAN GOODE: But not  
11           necessarily. But you would make the cuts  
12           if you believe that you needed to?

13                   MR. DUBOW: Yes. We would have  
14           to go back and make cuts, the kind of  
15           cuts I think that we laid out what they  
16           would look like in one of the documents  
17           we gave to Council.

18                   COUNCILMAN GOODE: But if  
19           Council believed that we couldn't  
20           necessarily go to the 60 percent share  
21           that the School District got four years  
22           ago through my legislation but went to a  
23           59 percent share for the School District  
24           and added, let's say, roughly \$25 to \$30  
25           million, that that would create severe

1           6/10/11 - WHOLE - 110135, ETC.

2           cash flow problems.

3                   MR. DUBOW: Well, it would  
4           create fund balance problems.

5                   COUNCILMAN GOODE: It would  
6           reduce the fund balance.

7                   MR. DUBOW: Well, probably by  
8           if you're talking, yeah, 25 to 30 by  
9           FY -- probably in FY12, definitely in  
10          FY13 we could have real severe problems  
11          and we'd have to figure out how to  
12          compensate for that.

13                   COUNCILMAN GOODE: It would cut  
14          the fund balance in half for a few years.

15                   MR. DUBOW: Well, no. It would  
16          be recurring. It wouldn't just cut it in  
17          half. So if you did 30 million, for  
18          example, by the end of '13, assuming  
19          everything else went right, you've gone  
20          from 63 million to 3 million on a \$3 and  
21          a half billion budget. And then if  
22          anything else goes wrong, like we have  
23          another bad winter, we're negative.

24                   COUNCILMAN GOODE: Okay. I get  
25          that. I also get the fact that the tax

1           6/10/11 - WHOLE - 110135, ETC.

2           revenue projections are very  
3           conservative. I'm not suggesting that a  
4           millage shift can absolutely be done  
5           without any cuts. I am suggesting that  
6           it is an option and that as we talk about  
7           options and we talk about leadership  
8           moments, that everything should be on the  
9           table.

10                   MR. DUBOW: Right. It's a  
11           trade. You're going to trade whatever  
12           you're restoring in the School District  
13           most likely for cuts on the General Fund  
14           side.

15                   COUNCILMAN GOODE: Thank you.

16                   Thank you, Madam President.

17                   COUNCIL PRESIDENT VERNA:

18           You're welcome.

19                   The Chair recognizes Councilman  
20           Greenlee.

21                   COUNCILMAN GREENLEE: Thank  
22           you, Madam President.

23                   Good afternoon, everyone.

24                   MR. DUBOW: Good afternoon.

25                   COUNCILMAN GREENLEE: I just

1           6/10/11 - WHOLE - 110135, ETC.

2           want to get back on the sugar-sweetened  
3           beverage tax again. I have to say, I  
4           agree a lot with what the Council  
5           President said. I do have questions on  
6           the whole fairness of the tax, but,  
7           Ms. Smith, I don't want to get into a  
8           debate, because I'm not equipped to do  
9           that legally with you on the tax, but  
10          there is one thing --

11                   MR. DUBOW: I always say that  
12          to her, too.

13                   COUNCILMAN GREENLEE:  
14          Absolutely.

15                   But there is one thing that  
16          kind of jumps out a little bit to me on  
17          your opinion to Councilman Jones. On  
18          Page 2, as you're talking about the sales  
19          tax question that Cozen O'Connor raises,  
20          you say, Most critically, there is no  
21          City intent that the tax will be borne by  
22          the consumer, nor is there any evident  
23          proof that it will be borne by the  
24          consumer. Yet Mr. Dubow's statement, he  
25          says we would expect that some of the

1           6/10/11 - WHOLE - 110135, ETC.

2           cost of this tax will be passed along to  
3           customers in the form of higher prices.

4           MS. SMITH:   Yeah.

5           COUNCILMAN GREENLEE:   Wait.

6           And if people are willing to pay more for  
7           the product, that is their decision.

8           It seems like a little  
9           contradiction there.

10          MS. SMITH:   As soon as I heard  
11          him say that, I knew this question was  
12          coming.  I think that what we -- I think  
13          that we don't intend that the tax will  
14          necessarily be borne by the consumer.  I  
15          think we recognize that the tax was  
16          likely to be borne as a result of market  
17          forces by the consumer, among other  
18          entities.  It's also likely to be borne  
19          by the manufacturer, by the distributor,  
20          by the retailers as well.  And the point  
21          is -- and by consumers of other retail  
22          products, to the extent that the cost of  
23          the tax is spread around within the  
24          retailers' business or, for that matter,  
25          the distributors' or manufacturers'

1           6/10/11 - WHOLE - 110135, ETC.

2           business.

3                     The point, though, is that how  
4           the market allocates the tax is not  
5           really the point. The incidence of the  
6           tax is the point, and the tax is clearly  
7           imposed at the distributor/retailer level  
8           of the chain. It's not a sale on retail  
9           purchases. It's not conditioned on  
10          retail purchase. It's not imposed on  
11          retail purchasers, and it's not measured  
12          by the price of the product. Those are  
13          all the factors that determine whether  
14          something is a sales tax. It is not any  
15          of those things. And the fact that it  
16          incidentally might be reflected in some  
17          additional cost to the consumer, which  
18          might incidentally be a desired result  
19          for the purpose of collecting the tax,  
20          doesn't mean that it is in fact a sales  
21          tax.

22                     And while -- may I just clarify  
23          my answer to Councilman Green on the  
24          issue that he raised about the opinion.  
25          You asked me -- Councilman Green asked

1           6/10/11 - WHOLE - 110135, ETC.

2           whether or not the opinion addressed the  
3           Commerce Clause issue. The opinion was  
4           actually a response to Councilman Jones'  
5           request that we respond to the Cozen and  
6           O'Connor opinion. The Cozen and O'Connor  
7           opinion does not raise a Commerce Clause  
8           issue. So the opinion does not contain a  
9           reference to the Commerce Clause  
10          argument, because they didn't even make  
11          it, probably because the tax does not  
12          treat Philadelphia businesses any  
13          differently. It doesn't make a  
14          distinction or impose a preference. So  
15          there's no Commerce Clause problem.

16                    COUNCILMAN GREENLEE: I'm not  
17                    sure I followed all that, but okay.

18                    MS. SMITH: I just wanted to  
19                    take the opportunity while I was talking  
20                    to make that clarification.

21                    COUNCILMAN GREENLEE: I got  
22                    you.

23                    I guess you do bring up another  
24                    issue, and Council President touched on  
25                    this too, is this whole kind of intent or

1           6/10/11 - WHOLE - 110135, ETC.

2           who is going to pay the tax, because I  
3           remember last time Dr. Schwarz sat there  
4           for a long time saying one of the big  
5           goals was to have people consume less  
6           soda because of health reasons. As the  
7           Council President said, it's not being  
8           discussed right now or not being used as  
9           an argument why we should have this. I  
10          guess that leads to another question, to  
11          a general question.

12                        What's the difference between  
13          this year and last year as far as the  
14          tax, Mr. Dubow, either substantive or  
15          philosophical, or whatever?

16                        MR. DUBOW: Mechanically  
17          there's a difference in that it's applied  
18          on the transaction between the retailer  
19          and the distributor, and last year it was  
20          on the sale. I think that's kind of the  
21          key mechanical difference between this  
22          year and last year. And the purpose of  
23          the revenues is different between the two  
24          years, too. Last year the purpose was to  
25          help fund a City gap. This would be

1           6/10/11 - WHOLE - 110135, ETC.

2           dedicated to the School District.

3           COUNCILMAN GREENLEE: Right.

4           MR. DUBOW: So that's a  
5           substantial difference.

6           COUNCILMAN GREENLEE: But there  
7           was that whole health issue last time,  
8           which is not apparently --

9           MR. DUBOW: I mean, we  
10          obviously still think that there would be  
11          health benefits if the consumption went  
12          down, but our main focus in asking for  
13          the tax this year is to provide revenue  
14          for the School District.

15          COUNCILMAN GREENLEE: Okay.  
16          Now, you said there would be a 20 percent  
17          falloff. What, from people drinking less  
18          soda?

19          MR. DUBOW: Drinking less  
20          sugary, yes, sweetened drinks.

21          COUNCILMAN GREENLEE: Sugary  
22          drinks. Was something factored in also  
23          about the fact that there would be  
24          less -- that people might be buying  
25          elsewhere?

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW: Yeah. Right.

3           That's part of it.

4           COUNCILMAN GREENLEE: Because,  
5           I mean, if you look at the cost, I would  
6           think a lot of people might choose to go  
7           across the line somewhere and buy the  
8           soda or sugared-sweetened beverages for  
9           significantly less price, right?

10          MR. DUBOW: Depending on what  
11          the price of gas is.

12          COUNCILMAN GREENLEE: Well,  
13          yeah. True. But, I mean, it's not real  
14          far to get across the county line or  
15          across the bridge.

16          So that 20 percent falloff  
17          is --

18          MR. DUBOW: Includes people  
19          going to --

20          COUNCILMAN GREENLEE: --  
21          included in that? Okay.

22          I mean, just a quick statement,  
23          again, consistent with the Council  
24          President. I question the fairness of it  
25          just hitting like one section of an

1           6/10/11 - WHOLE - 110135, ETC.

2           issue, if you will, sugared-sweetened  
3           issue, if you will.

4                     And then, secondly, I think  
5           with all due respect, Ms. Smith, I think  
6           you make your argument, other people make  
7           their argument. I think to base helping  
8           the schools on something that's at least  
9           questionable, I think we could be putting  
10          ourselves in real trouble. Just my  
11          opinion.

12                    MS. SMITH: I don't think we  
13          think it's questionable. I think that's  
14          where we disagree. I don't -- we don't  
15          think it's questionable.

16                    COUNCILMAN GREENLEE: It's  
17          certainly questionable.

18                    MS. SMITH: It's questionable  
19          from an industry perspective, but from a  
20          legal perspective, we're very comfortable  
21          that the tax is -- we're very comfortable  
22          that the tax is defensible.

23                    COUNCILMAN GREENLEE: There's  
24          other lawyers that are very comfortable  
25          it's not. That's why, in my opinion, it

1           6/10/11 - WHOLE - 110135, ETC.

2           makes it questionable.

3                   MS. SMITH: As I said, the City  
4           gets sued over lots of things. It  
5           doesn't mean the issues have merit.

6                   COUNCILMAN GREENLEE: Okay.  
7           Well, there certainly seems to be enough  
8           of at least merit to make a question, but  
9           that's between us.

10                   (Applause.)

11                   COUNCILMAN GREENLEE: Thank  
12           you.

13                   MR. McPHERSON: Councilman  
14           Jones.

15                   COUNCILMAN JONES: Thank you.

16                   Solicitor Smith, I asked you  
17           for those opinions in anticipation of the  
18           possibility of a lawsuit. One thing I've  
19           learned as a freshman, that every time we  
20           pass something or propose something, some  
21           lawyer, some law firm benefits. Some  
22           consultants line up. We have bought  
23           summer homes based on the legislation  
24           that we have proposed.

25                   MS. SMITH: Summer homes for

1           6/10/11 - WHOLE - 110135, ETC.

2           other people, you mean?

3                   COUNCILMAN JONES: For other  
4           people. And I would say that to the  
5           credit of this body, we never make  
6           decisions based on the potential of a  
7           lawsuit. We make decisions based upon --

8                   (Applause.)

9                   COUNCILMAN JONES: -- the fact  
10          that it is either right or wrong. And  
11          I'll prove it to my colleagues and remind  
12          them about this process that we have.

13                   Yesterday we passed -- or this  
14          week we talked about the DROP amendment,  
15          and for sure there is a law firm and a  
16          lawyer somewhere lining up right now to  
17          challenge our rationale and theory.  
18          Would you agree, Counselor? Somewhere we  
19          are probably going to be sued at one  
20          point or another if we do nothing or  
21          something.

22                   MS. SMITH: That is correct.

23                   COUNCILMAN JONES: Correct. So  
24          when we pass that or when we did  
25          courageously the sick days/healthy family

1           6/10/11 - WHOLE - 110135, ETC.

2           bill, did it have the potential to be  
3           sued from a business perspective?

4           MS. SMITH: It certainly has  
5           potential.

6           COUNCILMAN JONES: But we did  
7           it anyway. And when we courageously  
8           looked at the Florida gun ban loophole,  
9           we moved forward, knowing full well that  
10          the powers that be that protect the right  
11          to bear arms could come down bearing on  
12          us, didn't we?

13          MS. SMITH: And have in fact  
14          sued us.

15          COUNCILMAN JONES: And have  
16          sued us, but we did it anyway. And we  
17          did those things because they were the  
18          right thing to do. So, Madam Solicitor,  
19          we have plenty of lawyers, don't we?

20          MS. SMITH: We do.

21          COUNCILMAN JONES: Not that we  
22          look forward to lawsuits or challenge and  
23          not that I say that we should in fact  
24          pass this tax, but I'm saying whatever we  
25          choose to do as a body, don't let it be

1           6/10/11 - WHOLE - 110135, ETC.

2           afraid of lawsuits and lawyers, because  
3           God loves lawyers, because he made so  
4           many of them.

5                    (Applause.)

6                    COUNCIL PRESIDENT VERNA: The  
7           Chair recognizes Councilman Rizzo.

8                    COUNCILMAN RIZZO: Thank you.

9                    Could you explain two points,  
10          Mr. Dubow. We're dictating to the  
11          industry that they must buy product from  
12          an approved distributor. I understand  
13          the big supermarket chains doing that,  
14          but what would stop a mom-and-pop  
15          retailer from going to Wyndmoor to  
16          purchase their product from a distributor  
17          at those locations?

18                   MR. DUBOW: I guess under the  
19          legislation, there would be penalties for  
20          not going through a licensed distributor  
21          that could lead up to suspension of their  
22          business privilege license.

23                   COUNCILMAN RIZZO: But that to  
24          me in itself is heavy-handed. If I have  
25          a store in Philadelphia and I want to go

1           6/10/11 - WHOLE - 110135, ETC.  
2           to an authorized distributor that sells  
3           Pepsi Cola and Coke, how can you tell me  
4           I can't do that?

5                   MR. DUBOW:   An authorized  
6           distributor -- you mean authorized under  
7           this act?

8                   COUNCILMAN RIZZO:   An  
9           authorized distributor of Coca-Cola or  
10          Pepsi Cola that's not in Philadelphia.

11                   MR. DUBOW:   They wouldn't have  
12          to be in Philadelphia.   If they're a  
13          licensed distributor, they don't have to  
14          be in Philadelphia.

15                   COUNCILMAN RIZZO:   So tell me  
16          then how are you going to tell an  
17          authorized distributor in Allentown to be  
18          cooperative with this tax process?

19                   MR. DUBOW:   If they want their  
20          product to be sold in Philadelphia,  
21          that's what we would expect, yes.

22                   COUNCILMAN RIZZO:   But you're  
23          licensing -- or you're deciding who is  
24          authorized and not, correct?

25                   MR. DUBOW:   No.   I think

1           6/10/11 - WHOLE - 110135, ETC.

2           anybody can be authorized. There's no --

3           MS. SMITH: That's right.

4           COUNCILMAN RIZZO: I can't  
5           figure how you're going to manage this.  
6           How are you going to manage a small store  
7           in one of our neighborhoods from going to  
8           an authorized distributor that they can  
9           buy product from and collect your tax?

10          MR. DUBOW: I mean, it's the  
11          same kind of enforcement we have to do on  
12          all of our taxes. We have to --

13          COUNCILMAN RIZZO: There's no  
14          paper trail. Other taxes,  
15          liquor-by-the-drink, it's on a receipt.  
16          I just don't understand that part of it,  
17          and I think we need to figure out or have  
18          more conversation about that.

19          The other is, could you explain  
20          for our record the tax on the syrup that  
21          is so popular today? The biggest bang  
22          for our buck when we go into a  
23          convenience store is the fountain soda.  
24          I understand the tax on that is going to  
25          be 18 percent. Could you explain how

1           6/10/11 - WHOLE - 110135, ETC.

2           that's going to work so we all  
3           understand?

4                     MR. DUBOW:   Why that's a  
5           different rate, you mean, from the sugar?

6                     COUNCILMAN RIZZO:   If you buy  
7           containers of syrup to make soda at the  
8           fountain in a Wawa, that's being taxed at  
9           18 percent, correct?

10                    MR. DUBOW:   Correct.

11                    COUNCILMAN RIZZO:   Is that why  
12           you shifted -- why did you shift -- why  
13           is this bill different than it was a year  
14           ago?  Is that one of the reasons, because  
15           you can capture -- what motivated you to  
16           make these changes?

17                    MR. DUBOW:   No.  I mean, I  
18           think really it wasn't that.  It was I  
19           think we had some more time to kind of  
20           look at it and think about how this would  
21           work in kind of the best way, and this  
22           was the result of that research.

23                    COUNCILMAN RIZZO:   So one of  
24           the significant changes in the bill we're  
25           dealing with today is the fact that it's

1           6/10/11 - WHOLE - 110135, ETC.

2           being taxed at the wholesale level,  
3           correct?

4                     MR. DUBOW:   It's being -- yeah.  
5           It's the transaction between the retailer  
6           and distributor.

7                     COUNCILMAN RIZZO:   That's a  
8           tax, right?

9                     MR. DUBOW:   That's the big  
10          difference.

11                    COUNCILMAN RIZZO:   Is that a  
12          tax?

13                    MR. DUBOW:   Right.

14                    COUNCILMAN RIZZO:   That's a  
15          tax.

16                    MR. DUBOW:   Yeah.

17                    COUNCILMAN RIZZO:   So did I  
18          hear somebody say that you don't expect  
19          that to have an effect at the pump, that  
20          that tax is not going to change the price  
21          that the consumer pays? Did somebody --

22                    MR. DUBOW:   No. I said the  
23          opposite of that in my testimony. I said  
24          it would have some effect.

25                    MS. SMITH:   And what I said was

1           6/10/11 - WHOLE - 110135, ETC.

2           we expect that it probably will -- the  
3           market will probably allocate the impact  
4           of it throughout the market of the  
5           distribution of the product, at the  
6           distributor level, at the -- just like  
7           other taxes are reflected throughout the  
8           course of our sort of -- hit the  
9           consumer, among other people, in lots of  
10          different ways, we expect that this tax  
11          likely will as well. But it won't only  
12          hit the consumer. It will hit the  
13          distributor, the retailer. It will hit  
14          in lots of places.

15                 COUNCILMAN RIZZO: So the fact  
16          is that -- and the President asked the  
17          question about other beverages or other  
18          mixes, let's say, that have sugar in  
19          them. If it's a powder that's sold in a  
20          container that has sugar in it, that is  
21          exempt because it's not liquid? Like  
22          some of the Gatorades and the Kool-Aid  
23          that is in a paper container.

24                         Again, we use the word  
25          unanticipated consequences. There's

1           6/10/11 - WHOLE - 110135, ETC.

2           still a lot of questions of what's in and  
3           what's out. So I think you really have  
4           to have a list of what's in and what's  
5           out.

6                       MS. SMITH: Well, there's a  
7           list in the ordinance actually. There's  
8           a description. There's the definition of  
9           a sugar-sweetened beverage in Section  
10          (1)(d), and then there's a list by  
11          example of what they include, and they  
12          include, but are not limited to, soda,  
13          non-100 percent fruit drink, sports  
14          drinks, which would get at the Gatorade,  
15          flavored water, energy drinks,  
16          pre-sweetened coffee or tea,  
17          non-alcoholic beverages intended to be  
18          mixed in an alcohol drink. So those are  
19          examples, and I think they do cover, for  
20          example, the Gatorade and the Kool-Aid.

21                      COUNCILMAN RIZZO: Not really.  
22          Is Kool-Aid on that list as a taxable  
23          item or non-taxable item?

24                      MS. SMITH: Non-100 percent  
25          fruit drinks. Any non-alcoholic

1           6/10/11 - WHOLE - 110135, ETC.  
2           beverages which -- no. I guess because  
3           Kool-Aid is the powder.  
4           COUNCILMAN RIZZO: Councilman  
5           Green, if you have something to add, go  
6           ahead, please.  
7           COUNCILMAN GREEN: Point of  
8           information.  
9           Thank you. The question that I  
10          think was on the table is, there are  
11          powders for Gatorade, there are powders  
12          for Kool-Aid, there are powders for iced  
13          tea, all that stuff, and that would be  
14          sold -- it is the same product when you  
15          add it to water and it would be sold not  
16          subject to the tax. And his question  
17          was, what impact does that have? I  
18          think. I don't know, but I just want to  
19          clarify.  
20          COUNCILMAN RIZZO: That's the  
21          question.  
22          COUNCILMAN GREEN: That is the  
23          question.  
24          COUNCILMAN RIZZO: That is the  
25          question. Is it taxable or not?

1           6/10/11 - WHOLE - 110135, ETC.

2           MS. SMITH:   What impact -- are  
3 those powered drinks taxable?

4           COUNCILMAN RIZZO:   That's the  
5 question.

6           MS. SMITH:   My understanding is  
7 that the tax applies to liquid beverages,  
8 but I think liquid beverages are very  
9 clearly definable and the ordinance  
10 empowers the Department of Health to  
11 promulgate regulations that clarify, to  
12 the extent that a clarification is  
13 required.   There is an enumerated list of  
14 examples that are not exclusive examples  
15 that provide, I think, guidance to  
16 someone who might, for example, be  
17 standing in front of a counter of  
18 beverages or selection of beverages and  
19 figuring that out, or the distributor who  
20 is distributing them.

21                   I don't think it's really as  
22 inscrutable as people might want to make  
23 it.   I think it's -- I think it is fairly  
24 self-explanatory.

25           COUNCILMAN RIZZO:   But I think

1           6/10/11 - WHOLE - 110135, ETC.

2           again to end this, that we don't want an  
3           unintended consequence to be the people  
4           are going to pay more for purchases that  
5           they shouldn't be. If that product, a  
6           Nestle tea, is not intended to be taxed  
7           and it turns out that the distributor  
8           thinks it's something that should be  
9           taxed, that Mrs. Jones in the  
10          neighborhood is going to wind up paying  
11          more for it. I think it's got to be  
12          clear as a bell of what's in, what's out,  
13          and right now it is not.

14                 MR. DUBOW: And that's the  
15          reason -- one of the things that the  
16          legislation includes is that the Health  
17          Department will put out regulations that  
18          will show exactly what is in and what  
19          isn't.

20                 COUNCILMAN RIZZO: But you want  
21          us to vote on something that we don't  
22          know what we're giving you authorization  
23          to include as a taxable item or not. I  
24          mean, that's not very -- I don't think  
25          that's a nice thing to ask us to do.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW: Well, I think  
3           that's why the legislation actually shows  
4           by category what's in and what's out and  
5           then shows a list of examples.

6           MS. SMITH: And specifically  
7           with respect to powder as opposed to the  
8           liquid form of the beverage, to the  
9           extent that that's not clear, we can  
10          amend the bill to include powder.

11          COUNCILMAN RIZZO: I think,  
12          again, you're asking me and my colleagues  
13          to be supportive of a new tax when we  
14          don't really know at the end of the day  
15          what's going to be taxable and what's not  
16          going to be taxable.

17          And the other final statement  
18          is that you've taxed the syrup, that you  
19          can't drink the syrup, at least I  
20          wouldn't recommend it without it being  
21          mixed with something else. So that's a  
22          perfect example of you want to tax a  
23          beverage, but the syrup that makes the  
24          beverage isn't a beverage until you  
25          actually put it through a process.

1           6/10/11 - WHOLE - 110135, ETC.

2           MS. SMITH: Right, but 18 cents  
3           an ounce on syrup was calculated to be  
4           comparable to the two cents an ounce of  
5           liquid. So the point of the tax was to  
6           equate the two different concentrations  
7           of the sugar sweetening.

8           COUNCILMAN RIZZO: Yes, but at  
9           the end of the day, in this bill, other  
10          than a beverage is being included in this  
11          tax. The syrup when it's a syrup isn't a  
12          beverage. It's a component, a part of a  
13          process. So you've added the syrup at 18  
14          percent, but it's not -- I don't know too  
15          many people that just drink straight Coke  
16          syrup.

17          MS. SMITH: Correct, but that's  
18          not a lack of clarity. That's simply an  
19          additional factor in the tax and  
20          explicitly an additional factor that's  
21          taxable.

22          So I understand you're raising  
23          sort of two issues. One is some lack of  
24          clarity with respect to things that fall  
25          into kind of a gray area that may not

1           6/10/11 - WHOLE - 110135, ETC.

2           explicitly be included here. One of them  
3           is powder. We're happy to address that.  
4           As I said, we can amend the bill, and  
5           we're happy to do that now if you'd like.

6                     With respect to the syrup,  
7           that's not a lack of clarity. That's  
8           just another taxable item in the category  
9           of sugar sweetening of beverages.

10                    COUNCILMAN RIZZO: Exactly.

11           And, again, you have to understand that  
12           when we walk around this City, that the  
13           first thing people ask, they'll say, Is  
14           this going to be included in this new  
15           tax? And I'll say, Well, you know, to  
16           tell you the truth, I don't really know,  
17           but I bet you it is. And, again, clarity  
18           is very important here. And that Health  
19           Department piece troubles me a little  
20           bit, because if this ever does become a  
21           law, to have that open-ended part of it  
22           where the Health Department can add or  
23           take away troubles me a little bit.

24                    MS. SMITH: Well, I was just  
25           going to say, I think, as I said, I

1           6/10/11 - WHOLE - 110135, ETC.

2           don't -- I would hate for the  
3           determination about this issue to get  
4           stuck on issues that really don't exist  
5           so much. I think that the list -- the  
6           list that is provided in the ordinance by  
7           example is representative enough of the  
8           category of beverages that are taxable,  
9           that 90 percent of them are covered, and  
10          I think it's fairly clear, and I don't --  
11          so I don't think that whatever the Health  
12          Department needed to implement  
13          regulations to cover would be so broad a  
14          category of beverages that are not  
15          covered by this that they would be  
16          completely -- that people would be  
17          flummoxed by figuring out how to apply  
18          the tax to them. So I don't want  
19          people -- for the sake of the record, I  
20          don't want people to think that this  
21          issue is more complicated than it is. I  
22          understand that it has enough components  
23          that trouble people, but I don't want to  
24          create complications that don't exist or  
25          read into the ordinance more difficulties

1           6/10/11 - WHOLE - 110135, ETC.

2           than might already be there.

3                   COUNCILMAN RIZZO:  But if we  
4           don't bring them up now, I think --

5                   MS. SMITH:  Sure.

6                   COUNCILMAN RIZZO:  -- six  
7           months from now, if you're fortunate  
8           enough to get this through -- you're  
9           fortunate.  That doesn't mean that I'm  
10          for it or against it at the moment.  But  
11          my point being is, we need to discuss --  
12          that's why we're here today.

13                  MS. SMITH:  Absolutely.

14                  COUNCILMAN RIZZO:  In the event  
15          there is something that we're missing or  
16          we haven't focused on, that we fix it  
17          now.

18                  MS. SMITH:  Absolutely.  And  
19          that's my point.  That's why I'm saying  
20          for the record I don't want to -- I just  
21          want things that aren't -- I don't want  
22          to unnecessarily complicate it.  We've  
23          got enough complications with it to not  
24          add more.  So I just want to make clear  
25          what is and isn't a complication.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN RIZZO: Thank you.

3           MR. DUBOW: And your questions  
4 are good questions.

5           MS. SMITH: Yeah.

6           COUNCILMAN RIZZO: Thank you,  
7 Madam President.

8           COUNCIL PRESIDENT VERNA:  
9 You're welcome.

10          The Chair recognizes Councilman  
11 Green.

12          COUNCILMAN GREEN: Thank you,  
13 Madam Chair.

14          I just have a few points on  
15 legal issues, not really -- you can feel  
16 free to respond to them. I guess the  
17 first is, I would add to my uniformity  
18 concern the fact that we're treating what  
19 is in the end an iced tea from powder and  
20 an iced tea from a different process of  
21 manufacture differently, et cetera, that  
22 applies to all powdered drinks like  
23 Gatorade, et cetera. I do think things  
24 like that are a problem. So I am asking  
25 you for an opinion dealing with those

1           6/10/11 - WHOLE - 110135, ETC.

2           issues and with the Commerce Clause  
3           issue, which I raised.

4           The other thing is, could you  
5           explain this -- I think you testified  
6           that there is absolutely no concern that  
7           this is perfectly legal. I have before  
8           me proposed amendments, Section (5)(d),  
9           which reads, "In the event a court of  
10          competent jurisdiction rules in a  
11          decision from which no further appeal  
12          lies that a Licensed Distributor is not  
13          liable to the City for the tax, then the  
14          Dealer to which the Licensed Distributor  
15          supplied beverages being associated with  
16          such transaction shall be liable to the  
17          City for the tax."

18           MS. SMITH: Yes.

19           COUNCILMAN GREEN: In case we  
20          lose a lawsuit?

21           MS. SMITH: That's what that  
22          paragraph says.

23           COUNCILMAN GREEN: Okay. Thank  
24          you.

25           MS. SMITH: That doesn't mean

1           6/10/11 - WHOLE - 110135, ETC.

2           we think we'll lose one. That's just --

3                   COUNCILMAN GREEN: I

4           understand.

5                   MS. SMITH: I mean, if that was  
6           your implication, since that was the  
7           predicate statement.

8                   COUNCILMAN GREEN: Well, it's  
9           an amendment introduced today -- well,  
10          not introduced yet. I guess somebody may  
11          introduce it on your behalf. I just  
12          wanted to make that point. That's all.

13                  MS. SMITH: And, again, it  
14          doesn't have anything to do with our  
15          evaluation of the soundness of the tax  
16          itself.

17                  COUNCILMAN GREEN: No, no. I  
18          understand. I think the one point that  
19          was made in response to the President's  
20          question was, it is possible that the tax  
21          could be stayed, although you think  
22          unlikely, possible that the tax could be  
23          stayed while this goes through the  
24          courts, and I do want to provide the  
25          School District with additional

1           6/10/11 - WHOLE - 110135, ETC.

2           resources, and if that happens, we won't  
3           be doing that. And so there are other  
4           options on the table to do that; for  
5           example, Councilman Goode's millage shift  
6           proposal, Councilman Clarke's proposal to  
7           put money from the City side in a School  
8           District Accountability Grant fund type  
9           scenario. So that's all. At any rate,  
10          removes uncertainty.

11                         Given the events -- I said this  
12          to the District. I say it to you. I  
13          really think that with the District over  
14          the last couple days, we've had very  
15          productive dialogue and we've talked  
16          about the different choices for funding  
17          the schools. They have made some choices  
18          that I would say a majority of  
19          Councilpeople don't agree with with  
20          respect to things they are currently  
21          funding as compared to things that they  
22          are not funding, like, for example, the  
23          expanded SLAM program, the increase in --

24                         COUNCILWOMAN BROWN: Point of  
25          information, Madam President.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCIL PRESIDENT VERNA: The  
3 Chair recognizes Councilwoman Brown.

4           COUNCILWOMAN BROWN: Thank you.

5           I am perplexed on how you can  
6 say majority about anything when it comes  
7 to --

8           COUNCILMAN GREEN: I'm not  
9 trying to speak for anybody else, Council  
10 Lady. I'm just trying to make a point.

11          COUNCILWOMAN BROWN: Well, you  
12 just speak for you.

13          Thank you, Madam President.

14          COUNCILMAN GREEN: Fine.

15          There were many questions from  
16 several Councilmembers this morning that  
17 implied that those of us who spoke on the  
18 issue agree that the summer SLAM funding  
19 at its full complement rather than  
20 children who need to just advance next  
21 grade, that the increase in the number of  
22 promise academies, which is a new  
23 spending item, not spending that was done  
24 last year, so nobody loses anything as a  
25 result of it, are funding choices that

1           6/10/11 - WHOLE - 110135, ETC.

2           are being made that we wouldn't make.

3           When I add up all those things that were

4           the process of discussion -- and I'll

5           provide you with detail later -- it's

6           about \$40 million. And so what you're

7           requesting is \$66 million for the

8           District, 6 of which are sort of within

9           your own domain and control, 60 of which

10          you want to raise taxes to provide. And

11          I think we have a basic agreement on what

12          the priorities are that everybody wants

13          to fund or at least you and the School

14          District do, although Councilman Goode

15          pointed out some differences. So I just

16          wanted to make sure I fully understood.

17                    I assume you're for restoring

18          bus transportation, yellow bus service?

19                    MR. DUBOW: Yes.

20                    COUNCILMAN GREEN: Is there a

21          possibility of us loaning them the \$8

22          million sort of the way SEPTA has, which

23          is what they'll be reimbursed from the

24          state for -- \$8 or \$9 million roughly

25          will be their state reimbursement for

1           6/10/11 - WHOLE - 110135, ETC.  
2           yellow bus service, so that once they get  
3           reimbursed, they can give us that money  
4           back?

5           MR. DUBOW: Right. We don't  
6           think so. We looked at that. We don't  
7           think that would work. We heard you ask  
8           the question, so we wanted to look into  
9           it, and we don't think that works.

10          COUNCILMAN GREEN: And we can't  
11          do that through a vehicle like PIDC or  
12          somebody else?

13          MR. DUBOW: I don't think -- I  
14          think we found out we couldn't. We  
15          can --

16          COUNCILMAN GREEN: So could you  
17          give me --

18          MR. DUBOW: We can get you  
19          more, yeah.

20          COUNCILMAN GREEN: -- a  
21          definitive answer, and if we can't, why  
22          we can't use a vehicle like PIDC or to do  
23          a loan guaranty at a bank. Many of our  
24          local banks want bond business and other  
25          things.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW: Yes, they do.

3           COUNCILMAN GREEN: Okay. So I  
4 bet if we're creative and collaborative,  
5 we can maybe find 8 million there.

6           So it seems to me like we're  
7 getting awfully close to \$50 million.  
8 Now, I'm not suggesting the  
9 Administration would make the same  
10 choices that we would make, but I just  
11 want to understand. Reduced class sizes,  
12 I assume --

13          MR. DUBOW: I want to make sure  
14 I'm understanding the basis of your  
15 question, is if we -- there are some  
16 things in the School District budget, if  
17 we cut those things, you're saying we  
18 would get closer?

19          COUNCILMAN GREEN: There are  
20 things that are currently funded --

21          MR. DUBOW: You're talking  
22 about shifting money within the School  
23 District budget?

24          COUNCILMAN GREEN: Within the  
25 School District budget.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. DUBOW:   Okay.

3           COUNCILMAN GREEN:   Would you  
4           agree with the premise that between the  
5           City and State's \$6.5 billion combined  
6           budget that we can probably find  
7           additional resources -- and it could be 2  
8           million, it could be 10 million -- we  
9           could probably find additional resources  
10          without impacting any significant  
11          services being provided?

12          MR. DUBOW:   I wish I could  
13          agree with that, but I don't think I can.

14          COUNCILMAN GREEN:   I wish you  
15          could, too.

16          MR. DUBOW:   Yeah.   I think you  
17          would be surprised if I said sure.

18          First, the School District  
19          budget assumes \$57 million in charter  
20          school funding, and the list that we've  
21          put out also assumed that what the House  
22          republicans put in for the Accountability  
23          Block Grant will actually make it through  
24          the process.   So we're actually counting  
25          on about \$80 million that's not in the

1           6/10/11 - WHOLE - 110135, ETC.

2           Governor's budget. So we are assuming  
3           additional resources from the state.

4           COUNCILMAN GREEN: I --

5           MR. DUBOW: On the City side --  
6           let me finish, sorry. On the City side,  
7           I mean, I think given where our fund  
8           balances are and the uncertainties we  
9           face, I don't think that it would make  
10          sense to shift money from the City over  
11          to the District.

12          COUNCILMAN GREEN: Okay. I'm  
13          going to say this for the record rather  
14          than for the purpose of engaging in a  
15          colloquy.

16          MR. DUBOW: Oh, come on.

17          COUNCILMAN GREEN: But you can  
18          feel free to respond.

19          MR. DUBOW: Okay.

20          COUNCILMAN GREEN: We received  
21          a letter last year from the Mayor that  
22          said -- or it could have been from you, I  
23          don't recall -- that said basically we  
24          need a \$20 million fund balance in order  
25          to deal with any cash flow issues or

1           6/10/11 - WHOLE - 110135, ETC.

2           other things that may arise during the  
3           year.

4                         We have within the  
5           Administration's budget 4 million for the  
6           winter, which we didn't have last year,  
7           for example, and so there's more of a  
8           cushion available to Streets in the case  
9           of emergency. And so I guess it's my  
10          premise that we have 30 million in the  
11          year-end surplus to apply to the schools  
12          next year.

13                        MR. DUBOW: I think the  
14          difference is that the money that we give  
15          to the District would be recurring. So  
16          it would be \$30 million a year, which  
17          would mean that by the second -- by 2013,  
18          we'd have given \$60 million and our \$63  
19          million fund balance would be 3 million.

20                        COUNCILMAN GREEN: I don't want  
21          to challenge the premise, but --

22                        MR. DUBOW: But you're going to  
23          challenge the premise.

24                        COUNCILMAN GREEN: But I'm  
25          going to challenge the premise. And,

1           6/10/11 - WHOLE - 110135, ETC.

2           that is, a bill passed the House two days  
3           ago that eliminated our  
4           maintenance-of-effort requirement for any  
5           funds that we pass this year in favor of  
6           the School District over to them. I  
7           understand that that will be well  
8           received in the Senate, so we are -- I'm  
9           working under the assumption that we're  
10          talking about a one-year obligation, and  
11          recognize that frankly given the state of  
12          the economy and the fact that it looks  
13          like things are leveling off and not  
14          growing or worse, we're going to be  
15          continuing to have these discussions,  
16          unfortunately, for the next few years and  
17          maybe even in the position of making hard  
18          choices again on the City side next year.

19                 MR. DUBOW: I think that's  
20                 absolutely right. Our challenge is that  
21                 we have to have a plan that's consistent  
22                 with current law. If current law changes  
23                 while we're in the middle of these  
24                 discussions, then I think it's a  
25                 different discussion, but right now it's

1           6/10/11 - WHOLE - 110135, ETC.

2           a recurring obligation.

3                   COUNCILWOMAN TASCO: Point of  
4           information.

5                   COUNCIL PRESIDENT VERNA: Yes.  
6           The Chair recognizes Councilwoman Tasco  
7           for a point of information.

8                   COUNCILWOMAN TASCO: The state  
9           did allow us to appropriate money to the  
10          School District without having to  
11          continue that appropriation. It does not  
12          take away the problem for the following  
13          years, right?

14                   MR. DUBOW: For the School  
15          District, that's right.

16                   COUNCILWOMAN TASCO: So what we  
17          need to kind of look at is what we're  
18          doing from here forward.

19                   MR. DUBOW: That's right.

20                   COUNCILWOMAN TASCO: Thank you.

21                   COUNCILMAN GREEN: That's  
22          absolutely a true statement, and we do  
23          budgeting every year and we don't know  
24          what resources the state is going to  
25          provide next year or if the current

1           6/10/11 - WHOLE - 110135, ETC.

2           District budget is already built on  
3           shifting sands because of the 57 million  
4           Mr. Dubow already mentioned.

5                     Okay. I have no more questions  
6           for Mr. Dubow. Thank you.

7                     COUNCIL PRESIDENT VERNA: Thank  
8           you.

9                     COUNCILMAN GREEN: Do I?

10                    MR. DUBOW: That was kind of a  
11           false promise there.

12                    COUNCILMAN GREEN: I apologize.  
13           I just wanted to ask about the CPI  
14           adjustment in the soda tax bill.

15                    MR. DUBOW: Right.

16                    COUNCILMAN GREEN: What is the  
17           purpose of -- I mean, CPI can be 3  
18           percent. We're about to maybe go under  
19           an inflationary period a lot of people  
20           say. It could be 15 percent.

21                    MR. DUBOW: It's really to have  
22           the tax kind of keep up with inflation,  
23           so that in five, ten years, we're not  
24           back saying we'd like to increase it. I  
25           mean, that's the rationale.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCILMAN GREEN:  Rather than  
3           having to come back to City Council and  
4           demonstrate that they've been accountable  
5           and need more money.

6           MR. DUBOW:  Well, I mean,  
7           really it's to keep up with what's going  
8           on with prices.

9           COUNCILMAN GREEN:  Thank you.

10          COUNCIL PRESIDENT VERNA:  Thank  
11          you.

12          Are there any other questions  
13          from members of the Committee?

14          (No response.)

15          COUNCIL PRESIDENT VERNA:  
16          Seeing none, thank you.

17          MR. DUBOW:  Thank you.

18          COUNCIL PRESIDENT VERNA:  Still  
19          love you, Rob.

20          MR. DUBOW:  We love you, too.

21          COUNCIL PRESIDENT VERNA:  At  
22          the request of the stenographer, we're  
23          going to have a 15-minute recess so we  
24          could all stretch our legs.  We'll be  
25          back in 15 minutes.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   Thank you.

3                   (Short recess.)

4                   COUNCIL PRESIDENT VERNA: We're  
5 now back in session. I would ask the  
6 Councilmembers to please come to the  
7 Chamber.

8                   (Pause.)

9                   COUNCIL PRESIDENT VERNA: Our  
10 next witness.

11                   MR. McPHERSON: Our next  
12 witness is Helen Gym.

13                   (No response.)

14                   COUNCIL PRESIDENT VERNA: Is  
15 Helen Gym here?

16                   (No response.)

17                   MR. McPHERSON: Anne Croisier.

18                   (Witness approached witness  
19 table.)

20                   COUNCIL PRESIDENT VERNA: Good  
21 afternoon. Please identify yourself for  
22 the record and proceed with your  
23 testimony.

24                   DR. CROISIER: My name is Anne  
25 C. Croisier, Ph.D., MBA.

1           6/10/11 - WHOLE - 110135, ETC.

2           We should really pass that soda  
3 tax for the sake of little children.

4           Doctors at the Hospital of the University  
5 of Pennsylvania Medical Center are really  
6 concerned about children drinking soda  
7 and sugary drinks. This is the main way  
8 that little children are gaining weight.

9           It is obesity -- obesity is like being  
10 really overweight -- that's the main  
11 cause of diabetes, and diabetes is much  
12 more common in the African American and  
13 Latinos and a few Caucasian races such as  
14 mine.

15           The African American population  
16 in Philadelphia is very large. All of my  
17 friends are African American. Black is  
18 beautiful.

19           About 20 or 30 years ago,  
20 people came down with diabetes in their  
21 50's or late 40's and serious  
22 complications would hit in their 70's or  
23 80's or late 60's. Now people are coming  
24 down with it, children, at the age of 14,  
25 13, 12, 11, 10, 9, 8. Little children

1           6/10/11 - WHOLE - 110135, ETC.

2           could experience these complications in  
3           their 30's, 20's or even their teens.

4                    I thought everybody knew the  
5           serious complications that can result  
6           from diabetes.  However, it's not true.  
7           You can lose your arms, lose your legs,  
8           go blind, end up on kidney dialysis or  
9           need a kidney transplant.  That could  
10          happen to those children.  That is why we  
11          should pass the soda tax, for the sake of  
12          little children.

13                   I don't want to see the  
14          delivery truck drivers from the soda  
15          companies lose their jobs.  We should  
16          encourage Coke and Pepsi to advertise  
17          Dasani, which Coke makes, and Aquafina,  
18          which Pepsi makes.  And I believe it's  
19          either Dole or Tropicana, which one of  
20          them makes -- and it's really yummy,  
21          fruit juice blends.  We should encourage  
22          soda companies to advertise and try to  
23          sell healthy drinks such as water, 100  
24          percent fruit juice, 100 percent fruit  
25          juice blends.  Perhaps also the economy

1           6/10/11 - WHOLE - 110135, ETC.

2           gets better, we can give them tax breaks  
3           for selling these healthy fruit drinks.

4                   And also skim milk and non-fat  
5           milk is also important for little  
6           children to drink. We should really tax  
7           all beverages other than skim milk,  
8           non-fat milk, water, 100 percent fruit  
9           juice and fruit juice blends.

10                   On the West Coast, citizens,  
11           especially in Southern California and  
12           definitely in Hollywood, everyone wants  
13           to eat right and have a perfect figure.  
14           So should everyone in Philadelphia. It's  
15           soda and sugary drinks that make you  
16           large at your midsection.

17                   Soda is also full of sodium and  
18           harsh chemicals. These are bad for your  
19           health. Sodium is bad for blood pressure  
20           and heart health. We should definitely  
21           tax soda. This is bad for your health.  
22           Even diet soda is full of sodium.

23                   We should also tax coffee and  
24           energy drinks. I say except perhaps  
25           green tea. Green tea helps you lose

1           6/10/11 - WHOLE - 110135, ETC.

2           weight. McDonald's coffee is mild and  
3           like the type you would have at home, but  
4           Dunkin Donuts and Starbucks coffee is  
5           really strong. That's really bad for  
6           your health. If you drink too much of  
7           that, you could come down with a heart  
8           attack.

9                         We should tax all beverages  
10           except water, 100 percent fruit juice,  
11           100 percent fruit juice blends, skim milk  
12           and non-fat milk. People should want to  
13           eat healthy. I learned from working at  
14           Independence Blue Cross that 50 percent  
15           of health conditions can be prevented by  
16           proper diet and exercise. Who wants to  
17           come down with diabetes or have a heart  
18           attack or stroke? People should want to  
19           eat healthy.

20                         Maybe I shouldn't mention this.  
21           My faith believes your body is God's  
22           temple. He wants you to care for it.  
23           Not everyone is a person of faith, but  
24           many people in Philadelphia are,  
25           especially African Americans. People of

1           6/10/11 - WHOLE - 110135, ETC.

2           faith should try to eat healthy and  
3           exercise, and even people who are not of  
4           faith should try to eat right and  
5           exercise for the sake of their health and  
6           well-being. And I think perhaps also we  
7           should tax all unhealthy foods. And it  
8           isn't just soda. Sodas have sugar.  
9           Perhaps we should tax desserts and  
10          chocolate and candy and things like that  
11          too, like chocolate cake, cherry pie,  
12          brownies, cookies, all that type of  
13          stuff, like that Christmas chocolate,  
14          Easter chocolate or Halloween chocolate.  
15          That's full of fat and full of sugar. We  
16          should tax -- and fried food is bad for  
17          your health, and so are white  
18          carbohydrates like white rice and white  
19          pasta. Maybe we should tax all unhealthy  
20          foods.

21                    COUNCIL PRESIDENT VERNA: Thank  
22                    you so much for coming here to testify.

23                    Our next witness.

24                    MR. McPHERSON: Wrenton Wright.

25                    (Witness approached witness

1           6/10/11 - WHOLE - 110135, ETC.

2           table.)

3                   COUNCIL PRESIDENT VERNA: Good  
4           afternoon. Thank you for your patience.  
5           Please identify yourself for the record.

6                   MR. WRIGHT: Good afternoon,  
7           Madam President and Councilmembers. I am  
8           Wrenton Wright and I am Director of  
9           Multi-Cultural Marketing and Community  
10          Relations at the Pepsi Beverage Company  
11          here in Philadelphia on Roosevelt  
12          Boulevard.

13                   I live, work, play and invest  
14          my time in Philadelphia. My son was  
15          educated here in the Philadelphia school  
16          system as well. So I have a vested  
17          interest in this sugar proposed tax.

18                   I am adamantly opposed to this  
19          sugar beverage tax proposal and want to  
20          express my position with facts that  
21          enlighten you on aspects of this complex,  
22          costly and confusing tax proposal.

23                   We have created visual charts  
24          that you'll see in the front of the room  
25          that really speak to the impact that

1           6/10/11 - WHOLE - 110135, ETC.

2           really is going to be on the end user,  
3           the consumer.

4                         What the sugar beverage excise  
5           tax purports to do is predictably raise  
6           supposedly needed funds. It won't. What  
7           this tax does do is raise two cents per  
8           ounce on a grocery product sold in this  
9           City and consumed daily in tens of  
10          thousands of homes and outlets across the  
11          City and beyond. The tax is even higher  
12          on fountain products like you buy at  
13          movie theatres and fast food outlets.  
14          These products are already subject to an  
15          existing 8 percent sales tax.

16                        The sugared beverage tax you  
17          propose is so over-the-top outrageous, it  
18          will be a game-changer on legal and  
19          illegal sales in distributions in this  
20          City, so close to many state and county  
21          boundaries.

22                        The proposed soda tax for  
23          factual reference is 32 -- yes, 32 --  
24          times higher than the existing  
25          Pennsylvania state beer tax of 8 cents

1           6/10/11 - WHOLE - 110135, ETC.

2           per gallon. At the proposed rate of  
3           \$2.56 per gallon; in other words, a 3,200  
4           percent increase more than the existing  
5           Pennsylvania beer tax, that's astounding.

6                     Fact: It would doubly raise  
7           the price of retail, what you and I, the  
8           consumer pay on the following family  
9           products: As our charts up front  
10          represent, a single two-liter bottle of  
11          soda will go from today's price of \$1.21  
12          to \$2.67. A 12-pack can of sugared  
13          beverages would go from on average \$3.55  
14          to an astounding \$6.66, and that's all  
15          before any likely retail markup. That's  
16          just the impact of the tax put on top of  
17          what the distributor already charges.

18                    In fact, we expect a massive  
19          markup of at least 88 to 121 percent that  
20          will in fact double the retail price of  
21          our favorite beverages and packages.

22                    Consumers already are very  
23          price sensitive, both because of the poor  
24          economy and they're just sensitive when  
25          it comes to beverage products as a whole,

1           6/10/11 - WHOLE - 110135, ETC.

2           and so are the retailers.

3                     In essence, we are a beverage  
4           brand refreshment station that sell  
5           products to consumers at various  
6           locations and at various prices.  
7           Consumers make many choices. What  
8           consumer will pay double for a product  
9           that they can get for half that price a  
10          short walk, drive or just five minutes  
11          away? So, for instance, the pricing in  
12          Philadelphia that we showed you is going  
13          to in some cases double. Just a mere  
14          drive to Montgomery or Bucks County, they  
15          can get that product at half the price.  
16          Few will pay that doubled price, and if  
17          they do pay it, they won't pay it for  
18          long.

19                    If the price in the City of  
20          Philadelphia's gas doubled from \$4 to \$8  
21          a gallon, I ask anyone, would you fill up  
22          your car in Philadelphia or take your  
23          business across the line or across the  
24          bridge, which would change your buying  
25          pattern, location and frequency?

1           6/10/11 - WHOLE - 110135, ETC.

2           If retailers and families could  
3           avoid the tax or through a third party  
4           manage to transfer their buying out of  
5           the area subject to taxation, would they?  
6           Surely they would, or they would be  
7           placed at a competitive disadvantage.

8           With about 35 percent of the  
9           industry sales occurring in small stores  
10          in the City, why would the owners, these  
11          small entrepreneurs, buy their 15 or 20  
12          cases a week at double the price from the  
13          Philadelphia manufacturer when they could  
14          easily drive ten minutes or so to a  
15          Costco or a Walmart, which are authorized  
16          distributors outside the City, stock up  
17          there and save? And then while they're  
18          there, they would buy other products as  
19          well.

20          So who does this hurt?

21          Initially our hard-working, tax-paying  
22          employees who sell and distribute in the  
23          City, like those at Pepsi at the  
24          Roosevelt Boulevard. Who else does it  
25          hurt? Small one-store bodega or family

1           6/10/11 - WHOLE - 110135, ETC.

2           grocery firms unable to spread the  
3           taxpaying in sales over outside the City  
4           locations. And not to mention our union  
5           workers, who we have supporting us today  
6           through their representation that you'll  
7           hear from later. It also hurts  
8           restaurant owners, families without cars  
9           and those who have to walk to shop. In  
10          the end, the analysis of the tax that's  
11          being proposed is poorly thought out.

12                    This tax will fail to get you,  
13          the City, the revenue that it desires.  
14          It will harm firms and neighborhoods in  
15          the process if enacted. Has anyone  
16          thought about the likely regular 8  
17          percent sales tax lost on our existing  
18          sales? A majority of our products are  
19          affected by this poor tax proposal, and  
20          thus if sales decline as expected, this  
21          sales tax revenue to the City and the  
22          State would decline and shift.

23                    Have you thought about what  
24          small army of City bureaucrats it would  
25          take to police this tax, the wage loss,

1           6/10/11 - WHOLE - 110135, ETC.

2           commission loss and jobs when the sales  
3           downsize occurs? It is reasoned that for  
4           every beverage production and  
5           distribution product lost, two jobs in  
6           retail are impacted.

7                         It will also have a perverse  
8           incentive to "game" the system. And by  
9           gaming the system, I mean having a white  
10          fleet of trucks that are non-branded and  
11          non-union workers dropping off our  
12          products to cash-selected stores that  
13          will be untaxed from nearby counties. In  
14          the end, the consumer will shift to avoid  
15          the tax, buying outside the City. Sales  
16          in the City will decline, and retailers  
17          and others will be hurt, and the City  
18          loses. A whole new buying pattern  
19          emerges and is embedded because of the  
20          tax, and the City does not get anywhere  
21          near the revenue it thought.

22                         If this tax passes into law, I  
23          doubt the long-term viability of the  
24          facility that I work at at Pepsi on the  
25          Roosevelt Boulevard, since it will force

1           6/10/11 - WHOLE - 110135, ETC.

2           the out-migration of sales from the City,  
3           then necessitating workforce reduction as  
4           our urban sales changes firmly decline.

5                     Finally I ask, more than  
6           likely -- finally I state, more than  
7           likely I will see each of you  
8           Councilmembers with our union employees  
9           of the two Pepsi facilities in the City,  
10          perhaps with some of our customers and  
11          other negatively affected suppliers  
12          during the next weeks in meeting and  
13          outreach. Please understand fully this  
14          beverage tax proposal you're voting upon  
15          and do no harm in this fragile economy.

16                    I recommend you read the  
17          various signs posted throughout the room  
18          on the actual cost of this outrageous tax  
19          idea and the full impact it will have  
20          upon stores, producers, unions, bodegas  
21          and other lawful wage-paying employers in  
22          the City. I urge your vote against this  
23          job-killing, poorly-thought-out tax.

24                    Thank you.

25                    COUNCIL PRESIDENT VERNA: Thank

1           6/10/11 - WHOLE - 110135, ETC.

2           you very much. We appreciate your  
3           testimony.

4                   (Appause.)

5           COUNCIL PRESIDENT VERNA: Thank  
6           you.

7           MR. McPHERSON: Our next  
8           witness, Mary Louise Butler and Jack  
9           Barry.

10                   (No response.)

11           COUNCIL PRESIDENT VERNA: I'm  
12           sorry. Councilman Green, did you want to  
13           be recognized?

14           COUNCILMAN GREEN: Thank you.

15           COUNCIL PRESIDENT VERNA: Do  
16           you want Mr. Wright back?

17           COUNCILMAN GREEN: Yes.

18           COUNCIL PRESIDENT VERNA:  
19           Mr. Wright, do you mind coming back to  
20           the witness table, please.

21           MR. WRIGHT: I'm sorry.  
22           Question?

23           COUNCILMAN GREEN: Thank you,  
24           Mr. Wright. Without getting into I think  
25           what the impact on sales or anything else

1           6/10/11 - WHOLE - 110135, ETC.  
2           was, Baltimore imposed a per-soda,  
3           per-bottle or per-can tax of two cents --  
4           MR. WRIGHT: Yes.  
5           COUNCILMAN GREEN: -- on  
6           sugared-sweetened beverage? And what was  
7           the reaction of Pepsi when that happened?  
8           MR. WRIGHT: We literally had  
9           to close facilities due to that impact.  
10          So it was job losses, plus also obviously  
11          sales declines. The sales declines  
12          preceded the job losses.  
13          COUNCILMAN GREEN: No. I  
14          understand. So how many jobs were lost?  
15          MR. WRIGHT: I don't know that  
16          number exactly.  
17          We lost 77 jobs in Baltimore  
18          because of that.  
19          COUNCILMAN GREEN: And you  
20          closed a manufacturing facility?  
21          MR. WRIGHT: Yes.  
22          COUNCILMAN GREEN: Okay. Thank  
23          you.  
24          COUNCIL PRESIDENT VERNA: Thank  
25          you.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   Our next witness.

3                   MR. McPHERSON: Is Mary Louise  
4 Butler and Jack Barry here?

5                   COUNCIL PRESIDENT VERNA: I'm  
6 sorry, Mr. Wright. I wasn't paying  
7 attention.

8                   Councilman Jones.

9                   COUNCILMAN JONES: Thank you.

10                  What was your gross receipts  
11 pre that per-can tax in Baltimore?

12                  MR. WRIGHT: I don't have that  
13 information. Let me see if someone does.

14                  COUNCILMAN JONES: What was the  
15 gross receipts upon the decision to close  
16 those facilities in Baltimore?

17                  MR. WRIGHT: That information I  
18 don't have.

19                  COUNCILMAN JONES: Thank you.

20                  COUNCIL PRESIDENT VERNA: Thank  
21 you, Mr. Wright.

22                  Our next witness.

23                  MR. WRIGHT: Thank you.

24                  MR. McPHERSON: Again, is  
25 Ms. Butler and Jack Barry here?

1           6/10/11 - WHOLE - 110135, ETC.

2           (No response.)

3           MR. McPHERSON: Joel Naroff.

4           (Witness approached witness  
5 table.)

6           COUNCIL PRESIDENT VERNA: Good  
7 afternoon. Welcome. Please identify  
8 yourself for the record.

9           MR. NAROFF: Yes. My name is  
10 Joel Naroff. I'm the President of Naroff  
11 Economic Advisors, and I want to thank  
12 you once again for the opportunity to  
13 discuss my views on the potential impact  
14 of the sugar beverage tax on the City of  
15 Philadelphia.

16           Previously I stated my  
17 skepticism about the revenue-raising  
18 abilities of this tax, as well as the  
19 negative message that imposing this tax  
20 could send to the broader business  
21 community. I want to reiterate those  
22 views.

23           First, I'd like to make it  
24 clear that this tax will indeed fall on  
25 the retail marketplace. While the tax is

1           6/10/11 - WHOLE - 110135, ETC.

2           being charged to the wholesaler, if you  
3           understand that -- this tax could raise  
4           wholesale costs by an amount equal to the  
5           value of the product, and the wholesaler  
6           only makes a margin. Even if they make  
7           20 percent, they'd still have to pass a  
8           minimum of 80 percent through just to  
9           break even. More than likely, they will  
10          pass 100 percent of the tax through to  
11          the retailer. So this tax will fall  
12          entirely on the consumer. The question  
13          then becomes, how does the retailer  
14          distribute that cost, and that's really  
15          where we'll ultimately get to the point  
16          that this is going to have a significant  
17          negative impact on sales as well as  
18          revenues and ultimately possibly jobs as  
19          well.

20                 Retailers have to make a  
21          decision how much they can pass through.  
22          It will depend upon their market power,  
23          location, customer base and the  
24          importance of sugared beverages in the  
25          mix of all products.

1           6/10/11 - WHOLE - 110135, ETC.

2           For larger retailers, the added  
3 costs, as has been suggested, could  
4 theoretically be spread across a wide  
5 variety of products, not just beverages,  
6 or across geographies. However, you have  
7 a situation right now that most retailers  
8 have limited pricing power, and when you  
9 consider the pressure that supermarkets  
10 are under from alternative sources of  
11 sales of these kinds of products, you see  
12 that their pricing power is relatively  
13 limited.

14           As a result of that, stores  
15 such as even the stores and chains will  
16 likely wind up what we call price  
17 discriminating; that is, they'll charge  
18 different prices in different stores  
19 where it's feasible, and they'll make  
20 every attempt to do that in order to  
21 recoup those prices. The result is that  
22 in some areas, there'll be extremely  
23 large increases in prices, and that will  
24 reduce demand dramatically.

25           If the Baltimore case is an

1           6/10/11 - WHOLE - 110135, ETC.

2           example of that, that was a reduction in  
3           demand that came from a relatively small  
4           increase in price. The negative result  
5           would be magnified by this very, very  
6           large increase in tax.

7                        Small and midsized retailers  
8           who depend upon sugared drinks for a  
9           significant portion of their revenue  
10          could not absorb the increase in these  
11          taxes. If they did so, they'd basically  
12          cut sharply into their earnings. Thus,  
13          the tax is likely to be passed through  
14          and fall heavily on their client base.  
15          Since the bodegas of the City tend to  
16          service the less affluent neighborhoods,  
17          the tax is likely to hurt the poorest  
18          residents. To the extent that demand  
19          would fall the most for small businesses,  
20          a major consequence of this tax is that  
21          the City could harm its small retail  
22          business base the most.

23                       Also, the thin-margin stores,  
24          whose earnings are greatly reduced, could  
25          face the prospect of going out of

1           6/10/11 - WHOLE - 110135, ETC.

2           business. Their earnings are reduced  
3           either by forcing them to reduce sales or  
4           to accept some of the higher taxes. And  
5           these may not be just smaller stores.  
6           The supermarket stores, even parts of  
7           chains that are under pressure right now,  
8           may wind up closing in the City as a  
9           result of this.

10                    But it's not just retailers who  
11           would be harmed. All the tax would have  
12           to be passed through by vending machine  
13           operators. There's no way basically that  
14           they could absorb the price, and this  
15           could price the product out of the  
16           market.

17                    And then there are restaurant  
18           owners who will face even larger  
19           increases of costs because of the syrups.  
20           Beverages sold in family restaurants are  
21           just about their highest margin products.  
22           A meal can be profitable if just a soft  
23           drink is purchased. A 16-ounce glass of  
24           soft drink will cost an additional 50  
25           cents just in taxes, making it a

1           6/10/11 - WHOLE - 110135, ETC.

2           high-cost item that would limit sales.

3                   The outside level of the tax  
4           would also create major marketing  
5           problems. A restaurant will no longer be  
6           able to afford free refills. The cost  
7           would be too prohibitive.

8                   Finally, there are those  
9           restaurants that use dispensers of soft  
10          drinks. That portion of the market could  
11          disappear, as the cost would be  
12          uncontrollable, forcing many firms to  
13          change their mode of operation. I don't  
14          think the City wants to be dictating the  
15          way a business is run, but with this tax,  
16          that is exactly what it would be doing,  
17          which brings us to the issue of  
18          avoidance.

19                   The City is proposing a tax  
20          that could sharply raise prices, and  
21          large increases in costs are what catch  
22          consumers' attention and cause large  
23          changes in purchasing behavior. Facing  
24          these higher prices, both consumers and  
25          retailers often employ extreme efforts to

1           6/10/11 - WHOLE - 110135, ETC.

2           avoid those costs.

3                       Basically the greatest impacts  
4           would result from the typical edge effect  
5           where sharp geographic price  
6           differentials are created. The mobile  
7           population will avoid the tax to the  
8           detriment of the City-based businesses.  
9           And since the poor and elderly have more  
10          restricted mobility, the tax is  
11          regressive.

12                      With such a large tax,  
13          enforcement becomes a major issue,  
14          especially for the smaller stores. The  
15          high tax creates a large incentive to  
16          avoid buying through normal channels.  
17          Will the City inspect all the smaller  
18          stores and fine them for bootlegging  
19          sugared soft drinks?

20                      The last, but clearly not the  
21          least, concern I have is with the issue  
22          of government being business friendly.  
23          The City by targeting one segment of one  
24          market, the tax, is effectively saying it  
25          is willing to choose which types of firms

1           6/10/11 - WHOLE - 110135, ETC.

2           who operate in the City which will be  
3           winners and which will be losers. A  
4           selective taxing program has to raise  
5           real questions about future tax actions  
6           in the minds of current businessowners as  
7           well as firms considering locating in  
8           Philadelphia. This tax will not build  
9           business confidence in the workings of  
10          government.

11                         We all understand the immense  
12          revenue problems facing the City.  
13          Nevertheless, instead of further  
14          complicating an already Byzantine tax  
15          structure, if your solution is to  
16          increase taxes, you should look towards  
17          ways that are more broader based, which  
18          are also more efficient than specific  
19          taxes. This is not -- this tax is not  
20          likely to raise the expected revenue,  
21          which may be why the estimates cannot be  
22          guaranteed. And so please don't send the  
23          wrong signal to the business community.  
24          I hope you find other means to close the  
25          school budget gap that you're facing.

1           6/10/11 - WHOLE - 110135, ETC.

2           Thank you.

3           COUNCIL PRESIDENT VERNA: Thank  
4 you very much.

5           Are there any questions from  
6 members of the Committee?

7           The Chair recognizes Councilman  
8 Green.

9           COUNCILMAN GREEN: Thank you.

10          I think I'm about to ask an  
11 economist questions to which you can give  
12 simple answers.

13          MR. NAROFF: I will try.

14          COUNCILMAN GREEN: So I just  
15 wanted to follow up some of the threads  
16 of your testimony like about, for  
17 example, if there's a McDonald's on one  
18 side of City Line Avenue and a Wendy's on  
19 the other side of City Line Avenue or a  
20 cheese steak place like Larry's Cheese  
21 Steaks on one side of City Line Avenue  
22 and a Wendy's across the street on the  
23 other side of City Line Avenue, where are  
24 people going to shop who want a soda with  
25 their meal?

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. NAROFF: Well, that's  
3 reasonably clear, but being an economist,  
4 it's never totally clear. Obviously the  
5 McDonald's in the City of Philadelphia  
6 would be under intense pressure to absorb  
7 as much of the tax as they possibly  
8 could. But if you keep in mind that they  
9 probably cannot sell very much of that  
10 product given the enormity of the tax --  
11 the problem is the size of the tax --  
12 that more than likely they would be  
13 priced out of that market, because  
14 anybody who would want a drink with their  
15 meal would not patronize the  
16 Philadelphia-based fast food restaurant.

17           COUNCILMAN GREEN: Right. What  
18 are the margins of a typical fast food  
19 restaurant, for example; do you know?

20           MR. NAROFF: I am not certain.  
21 I can give you a guess, but even if  
22 you -- even if you took like 20 percent  
23 or 25 percent --

24           COUNCILMAN GREEN: It's less  
25 than that, yeah.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. NAROFF: But even if you  
3 took that and you saw the size of that --

4           COUNCILMAN GREEN: And a large  
5 portion of the product they sell is  
6 sugared-sweetened beverages.

7           MR. NAROFF: Is sugar-sweetened  
8 beverages, and to the extent --

9           COUNCILMAN GREEN: So you're  
10 basically making a lot of businesses that  
11 are near the City line, whether they be a  
12 supermarket where there's another  
13 supermarket within a few miles, whether  
14 they be a fast food store when there's  
15 another fast food place within a few  
16 miles, whether they be a 7-Eleven inside  
17 the City limits and a Wawa just out,  
18 you're making all of those businesses  
19 that have great profits from  
20 sugared-sweetened beverages marginal or  
21 no longer profitable.

22           MR. NAROFF: That's exactly the  
23 point, and there's two things. The edge  
24 effect is real, because, again, the price  
25 increase is likely to be extremely large.

1           6/10/11 - WHOLE - 110135, ETC.

2           But it is also, as I pointed out, an  
3           issue for family restaurants even within  
4           the middle of the City. The beverage is  
5           a very, very high return.

6                    COUNCILMAN GREEN: No. I  
7           understand. You may be making  
8           restaurants whose typical margins I  
9           think, according to the Restaurant  
10          Association, are below 10 percent, like 6  
11          percent in the City of Philadelphia.  
12          You're making them marginal or not  
13          profitable.

14                   MR. NAROFF: All through the  
15          City. It's not just the edge impact.

16                   COUNCILMAN GREEN: As long as  
17          they comply with the law.

18                   MR. NAROFF: As long as they  
19          comply with the law, which gets to the  
20          avoidance issue.

21                   COUNCILMAN GREEN: And so when  
22          this is a situation you're faced with,  
23          going out of business or not having any  
24          profit for all your effort or very little  
25          profit, your choice is likely to be to

1           6/10/11 - WHOLE - 110135, ETC.

2           not comply with the law. Would you  
3           agree?

4                   MR. NAROFF: Well, obviously it  
5           depends on the restaurant. If you're a  
6           chain or a franchise -- if you're a  
7           franchise, then you're going to look for  
8           any way. If you're a chain, you probably  
9           go through your distributor. But more  
10          than likely, you're going to look for any  
11          way to do it.

12                   But I think what's important  
13          given Mr. Dubow's testimony is that it's  
14          limiting the suppliers. For smaller  
15          restaurants, for pizza places, for  
16          bodegas, if they want to go to a Kmart in  
17          Delaware County and buy 20 cases of soda,  
18          because that's the way they would want to  
19          do it because they could get it for \$2 a  
20          12-pack, you're limiting their legal  
21          ability to really lower their costs or  
22          minimize their costs of operation,  
23          because now you're forcing them into a  
24          certain supplier. So essentially what  
25          you're also doing is limiting the ability

1           6/10/11 - WHOLE - 110135, ETC.

2           of a purveyor of a beverage to find the  
3           lowest cost supplier possible.

4           COUNCILMAN GREEN: I just  
5           wanted to make the point that when you  
6           concentrate a tax on a single industry or  
7           product like this, the jobs that will be  
8           lost -- and I don't think we're talking  
9           about if jobs are lost. The jobs that  
10          will be lost are not just jobs of people  
11          who drive the soda or the people who work  
12          at the bottling plant, but also in  
13          neighborhood restaurants, in 7-Elevens,  
14          in McDonald's, in a lot of businesses  
15          that were profitable that are now  
16          becoming marginal.

17          MR. NAROFF: That's exactly  
18          right, and that's why I started off by  
19          making it clear that this tax falls on  
20          the retailer. It is not on the  
21          wholesaler. The wholesaler may collect  
22          it, but, again, because of the size of  
23          the tax and given profit margins of  
24          wholesalers, all of that tax is going to  
25          be passed through to the retailer. So it

1           6/10/11 - WHOLE - 110135, ETC.

2           becomes a retail issue, and the  
3           retailers, whether it's a store or a  
4           restaurant or --

5                   COUNCILMAN GREEN: Or it won't  
6           be passed through because the business  
7           won't exist.

8                   MR. NAROFF: That's right. And  
9           there will be -- well, what will happen  
10          is that the wholesaler will lose all its  
11          sales, and I think that that was the  
12          point from the Pepsi representative.

13                   COUNCILMAN GREEN: So how  
14          many -- I mean, we're talking thousands  
15          of jobs, aren't we?

16                   MR. NAROFF: Well, I don't have  
17          an estimate of that. I can't tell you  
18          how many it is, but I don't think it will  
19          be insignificant.

20                   COUNCILMAN GREEN: Thank you.

21                   COUNCIL PRESIDENT VERNA: Thank  
22          you.

23                   The Chair recognizes Councilman  
24          Jones.

25                   COUNCILMAN JONES: Thank you,

1           6/10/11 - WHOLE - 110135, ETC.

2           Madam President.

3                     Just as a point of  
4           clarification, my colleague asked you if  
5           there was a Larry's on the City Avenue  
6           side and some other brand name across the  
7           street, which one would survive, and I'm  
8           going to give you the answer. It is  
9           Larry's, because it's the unique cheese  
10          steak restaurant in my district. But on  
11          your point --

12                    MR. NAROFF: But Larry's may  
13          not if they have to pay the -- if they're  
14          in Philadelphia and they can't sell the  
15          sugared products, or they have to spread  
16          it across all their beverages and,  
17          therefore, the margin on all of their  
18          sales goes down significantly.

19                    COUNCILMAN JONES: But if we  
20          look at the Starbucks example on City  
21          Avenue, there were two Starbucks on the  
22          Bala Cynwyd side, which arguably has less  
23          operating costs than the Philadelphia  
24          side, the two on the suburban side.  
25          Actually, one reduced hours and the other

1           6/10/11 - WHOLE - 110135, ETC.

2           closed altogether and the City side  
3           Starbucks were successful and in fact are  
4           three still open. And one of the reasons  
5           when we dug beyond the layer of cost  
6           differential between City and suburban  
7           was more of factors of traffic patterns  
8           and other things that were impeding the  
9           other success of those.

10                    So for us to overdramatize what  
11           the cause and effect are, it's slightly  
12           an exaggeration to the point of the cause  
13           you're trying to represent, which I agree  
14           you should do.

15                    But one other thing, when you  
16           mentioned the Baltimore example -- I'm  
17           going to ask you the same question I  
18           asked the previous person that testified.  
19           What was the gross receipts in Baltimore  
20           before the tax and then after the tax  
21           that resulted in the closing of the  
22           factory? What were the gross receipts?  
23           What were those impacts?

24                    MR. NAROFF: I don't have gross  
25           receipts. What I was told was that

1           6/10/11 - WHOLE - 110135, ETC.  
2           sales -- and I wasn't told whether it was  
3           units or gross receipts -- were reduced  
4           by double-digit amounts.

5                   COUNCILMAN JONES:   So what were  
6           the exact --

7                   MR. NAROFF:   It was 10 to 14  
8           percent was the number that I was told,  
9           but I can't claim the accuracy of that.

10                   COUNCILMAN JONES:   We can't  
11           claim the accuracy of that number.   I  
12           think it is vital, vital in the  
13           determination of what cause and effect  
14           this will have.   And as serious  
15           legislators that have to contemplate that  
16           and as an economist, this isn't a  
17           guesstimate.   This is an exact science of  
18           math, and we need to know what cause and  
19           effect per unit, per can pre and post and  
20           the decision that led them to close.

21                   MR. NAROFF:   I agree --

22                   COUNCILMAN JONES:   Was it  
23           traffic?

24                   MR. NAROFF:   Clearly, there are  
25           other factors that go into closings of

1           6/10/11 - WHOLE - 110135, ETC.

2           any stores, but as economists and as the  
3           Councilman knows, if you hold the other  
4           factors constant and you have everything  
5           else the same, the difference -- and  
6           that's the only way you can start with an  
7           analysis -- the difference in the costs  
8           would be significant between the  
9           City-based store and the suburban-based  
10          store, and that's really ultimately the  
11          issue. And whether it's a Larry's or  
12          it's a store in the supermarket chain,  
13          supermarket chains will price the  
14          profitability of an individual store  
15          according to the cost of that store, and  
16          as we know, supermarket chains do shut  
17          down individual stores and individual  
18          locations, and the cost factor is a key  
19          element of it. It's not the only element  
20          of it, but if you have a marginal store,  
21          you have --

22                    COUNCILMAN JONES: I'm not  
23                    minimizing -- let me say this to you. I  
24                    don't want to give the impression that  
25                    I'm not sensitive to the plight of

1           6/10/11 - WHOLE - 110135, ETC.

2           business or sensitive to the edge effect  
3           or insensitive to the plight of smaller  
4           inner City stores, but when you make  
5           assertions, we need the exact numbers and  
6           when -- because what we are talking about  
7           is the difference between whether we make  
8           a decision or not.

9                       MR. NAROFF: I think we have  
10           some help on the gross receipts.

11                      COUNCILMAN JONES: Here we go.

12                      (Witness approached witness  
13           table.)

14                      MR. NAROFF: Is it okay?

15                      Why don't you just identify  
16           yourself.

17                      MR. BROCKWAY: Just to identify  
18           myself, my name is Bob Brockway and I'm  
19           President of the Honickman operations,  
20           Canada Dry operations and Pepsi operation  
21           in South Jersey. Part of my  
22           responsibility is the Canada Dry  
23           operation in the City of Baltimore, the  
24           State of Maryland, so I can testify based  
25           on a firsthand knowledge of the Canada

1           6/10/11 - WHOLE - 110135, ETC.

2           Dry sales gross receipts over the period  
3           of time that the two-cent container tax  
4           has been imposed in the City of  
5           Baltimore.

6                     Very specifically, our sales  
7           volume in the city has gone down 19.3  
8           percent, and outside of the city limits  
9           of Baltimore our sales volume has gone  
10          down 2.3 percent.

11                    COUNCILMAN JONES: Outside of  
12          the city? I'm sorry.

13                    MR. BROCKWAY: Outside of the  
14          City of Baltimore.

15                    COUNCILMAN JONES: So that's in  
16          your distribution area?

17                    MR. BROCKWAY: That's correct.  
18          Where we sell the exact same products to  
19          very similar stores, our sales have gone  
20          down 2 percent. Inside the City of  
21          Baltimore, that 19.3 percent represents  
22          over \$500,000 in gross receipts reduction  
23          over a ten-month period.

24                    COUNCILMAN JONES: If I  
25          understand you correctly, both in your

1           6/10/11 - WHOLE - 110135, ETC.  
2           urban stores and in your suburban stores,  
3           both of your sales went down in both?

4                   MR. BROCKWAY: They did. They  
5           did. The industry in total is down about  
6           5 percent in the Baltimore/Washington  
7           major market.

8                   COUNCILMAN JONES: Is it simply  
9           to say and would I be incorrect in saying  
10          that the disposable income in your  
11          suburban areas is greater than the  
12          disposable income in your urban areas?

13                   MR. BROCKWAY: I don't have  
14          exact numbers, but I would say  
15          intuitively, yes.

16                   COUNCILMAN JONES: So  
17          intuitively the suburban areas have a  
18          little more money than the urban areas,  
19          correct?

20                   MR. BROCKWAY: I would say  
21          that's correct.

22                   COUNCILMAN JONES: Thank you,  
23          Madam President.

24                   COUNCIL PRESIDENT VERNA:  
25          You're welcome.

1           6/10/11 - WHOLE - 110135, ETC.

2           Any further questions?

3           (No response.)

4           COUNCIL PRESIDENT VERNA: Thank  
5 you very much. We appreciate your -- I'm  
6 sorry. Councilman Green.

7           COUNCILMAN GREEN: I'm sorry.

8           For Mr. Naroff, if the impact  
9 of a two cents a can or I guess it would  
10 be 48 cents a case in Baltimore was a 19  
11 percent drop in sales, what could be  
12 anticipated -- would your guess that it  
13 would be in excess of 19 percent?

14          MR. NAROFF: I would have to  
15 guess that was the case. I haven't seen  
16 the city's estimates of a 20 percent  
17 decline. Most of the elasticity  
18 estimates, the estimates of price  
19 sensitivity, on the previous studies were  
20 done on small price increases similar to  
21 what you saw in Baltimore and they came  
22 out with a percentage decline such as 20  
23 percent. My guess is that since we're  
24 doing a number that's something like 12  
25 times that amount, you'll probably have a

1           6/10/11 - WHOLE - 110135, ETC.  
2           lot more than 20 percent. Again, as an  
3           economist, I hate to give you a number  
4           when I don't have the estimates, but I  
5           would be surprised if it's less than 30  
6           percent.

7                   COUNCILMAN GREEN: You're not  
8           under oath. Go for it.

9                   MR. NAROFF: I would say it's  
10          at least a 30 percent decline.

11                   COUNCILMAN GREEN: At least 30  
12          percent? So we wouldn't collect 60  
13          million; we'd collect 40 --

14                   MR. NAROFF: I would be  
15          surprised if you collected that full  
16          amount, if the pricing as it looks like  
17          it would likely appear would be the case,  
18          in combination with avoidance and  
19          everything else that would be involved.

20                   COUNCILMAN GREEN: Thank you  
21          very much.

22                   COUNCIL PRESIDENT VERNA: Thank  
23          you.

24                   Again I will ask, any further  
25          questions from members of the Committee?

1                   6/10/11 - WHOLE - 110135, ETC.

2                   (No response.)

3                   COUNCIL PRESIDENT VERNA:

4                   Seeing none, thank you again.

5                   MR. McPHERSON: Next witness,  
6                   Christine Carlson.

7                   (Witness approached witness  
8                   table.)

9                   COUNCIL PRESIDENT VERNA: Good  
10                  afternoon. Thank you for your patience.

11                  MS. CARLSON: Good afternoon,  
12                  Councilwoman Verna.

13                  COUNCIL PRESIDENT VERNA:  
14                  Please identify yourself for the record  
15                  and proceed with your testimony.

16                  MS. CARLSON: My name is  
17                  Christine Carlson. I'm a parent of  
18                  Philadelphia public school children.

19                  Congratulations on your  
20                  retirement. I've been a longtime  
21                  constituent of yours, and we're sorry to  
22                  see you go.

23                  COUNCIL PRESIDENT VERNA: Thank  
24                  you very much.

25                  MS. CARLSON: But we wish you

1           6/10/11 - WHOLE - 110135, ETC.

2           luck.

3                   COUNCIL PRESIDENT VERNA: Thank  
4           you.

5                   MS. CARLSON: I feel a little  
6           bit out of order here because I'm not  
7           going to talk anything about the soda  
8           industry or the soda tax or make any  
9           recommendation as to what taxes or City  
10          Council should pass or not pass. What  
11          concerned me this week is, initially the  
12          Mayor had offered help to have the City  
13          help the School District of Philadelphia  
14          through this crisis, and since the  
15          kindergarten issue was resolved last  
16          week, I'm afraid that some of the  
17          pressure has been taken off of Council to  
18          actually act.

19                   I know that there are a lot of  
20          people who are saying that the School  
21          District of Philadelphia does not deserve  
22          another dime. And given the egregious  
23          mismanagement by the School District  
24          Administration and the lack of oversight  
25          by the School Reform Commission, I

1           6/10/11 - WHOLE - 110135, ETC.

2           understand why some would voice that  
3           opinion. But if City Council doesn't  
4           provide the necessary additional funding  
5           for the coming year, the City will be  
6           cutting off its nose to spite its face.  
7           It's the City's children that need the  
8           funding, and they deserve it. And if our  
9           public education is allowed to  
10          deteriorate to the extent as planned by  
11          the District's current budget, the City  
12          will suffer immediate economic  
13          consequences as well.

14                        I am here as a representative  
15          of the parent leadership of Center City's  
16          four elementary schools - Bache-Martin,  
17          Greenfield, McCall and Meredith. We  
18          earnestly support strong public schools  
19          throughout Philadelphia, but as parents  
20          who have chosen to stay in the City as  
21          our children reach school age, we  
22          particularly value the four Center City  
23          public schools. They are among the few  
24          truly ethnically and economically  
25          integrated schools in the District and

1           6/10/11 - WHOLE - 110135, ETC.

2           deserve to be recognized as unique places  
3           that educate our children in preparation  
4           for this multi-cultural 21st century.  
5           And if you'd like the demographics of the  
6           schools to show what I'm talking about,  
7           I'm happy to provide them to you.

8                         We are committed to  
9           Philadelphia and we're committed to  
10          public education. Our families are one  
11          of the major reasons why the population  
12          of Philadelphia has finally begun to  
13          grow. But without quality teachers,  
14          manageable class sizes, well-rounded  
15          curriculum and security in knowing that  
16          our children are safe and healthy in  
17          school, we will have no choice but to  
18          leave the City.

19                        At last week's School Reform  
20          Commission meeting, I argued that we must  
21          close the budget gap by focusing on  
22          quality and we must enforce  
23          accountability. Recently, Council and  
24          the Mayor have taken significant steps  
25          toward addressing accountability, and

1           6/10/11 - WHOLE - 110135, ETC.

2           that's terrific. As parents, we are  
3           behind you 100 percent on this. But  
4           still goes, how can Council ensure that  
5           the funds given to the District are used  
6           to support the quality of each and every  
7           school?

8                         Earlier this morning you  
9           heard -- you got a list of suggestions  
10          from the School District. You heard  
11          suggestions from other members of  
12          Council. So that's already been  
13          discussed. But there is another way as  
14          well. Mr. Masch does not agree with me  
15          on this topic, but I will present it.

16                        The way to do this -- part of  
17          the way to do this, to make sure that the  
18          money goes to the schools, is to make the  
19          District restore the 29 percent cuts made  
20          to the school discretionary funds. When  
21          the District Administration unilaterally  
22          cut the \$61 million in funds, it was  
23          really hiding the magnitude of the number  
24          of teaching positions that would be cut.  
25          Discretionary funds are essential to the

1           6/10/11 - WHOLE - 110135, ETC.

2           operating budget of each school. In  
3           addition to purchasing needed supplies,  
4           school principals use these funds to pay  
5           for teachers not allocated to them by the  
6           District.

7                     For example, in my child's  
8           school, parents expressed the desire for  
9           more comprehensive science education in  
10          our primary grades, and our principal put  
11          part of his discretionary fund to pay for  
12          a science teacher, so our youngest  
13          children now have science three times a  
14          week.

15                    These funds are even more  
16          crucial for principals who have been in  
17          even greater need to supplement  
18          curriculum now that the District has  
19          eliminated art and music. By restoring  
20          these discretionary funds, Council will  
21          ensure that the School District -- that  
22          these funds benefit every school and that  
23          the principals will control the funds and  
24          work with parents to determine how the  
25          money is used to fill the most essential

1           6/10/11 - WHOLE - 110135, ETC.

2           needs of their specific school.

3                     It's important that we resolve  
4           this matter immediately so that our  
5           schools have the opportunity to retain  
6           good teachers who have received layoff  
7           notices before they exercise other  
8           options available to them.

9                     The School District  
10          Administration may not deserve additional  
11          funds, but the future of our children and  
12          the economic health of our City depend  
13          upon it.

14                    Thank you.

15                    COUNCIL PRESIDENT VERNA: Thank  
16          you.

17                    (Applause.)

18                    COUNCIL PRESIDENT VERNA: Just  
19          a moment, please.

20                    The Chair recognizes Councilman  
21          Green.

22                    COUNCILMAN GREEN: Thank you  
23          very much for your testimony. Do you  
24          have any idea how much that funding is  
25          for the --

1           6/10/11 - WHOLE - 110135, ETC.

2           MS. CARLSON: The cut was \$61  
3 million. That's my understanding from  
4 Parents United.

5           COUNCILMAN GREEN: That went to  
6 principals?

7           MS. CARLSON: No, no. The  
8 discretionary funds, the 29 percent cut  
9 equals \$61 million.

10          COUNCILMAN GREEN: Wow. Okay.  
11 And so I just find it interesting. Your  
12 testimony is that you'd rather see us  
13 restore that than the other things under  
14 discussion?

15          MS. CARLSON: Not necessarily  
16 the other things under discussion, but I  
17 agree with the points that you brought  
18 up, that the priorities that the District  
19 has put forth are not necessarily my  
20 priorities, but as far as keeping  
21 teachers and class size and a  
22 well-rounded curriculum, the  
23 discretionary funds are very important.  
24 It sounds deceiving, the word  
25 "discretionary," you think you might

1           6/10/11 - WHOLE - 110135, ETC.

2           throw a party with the money, but the  
3           teachers are using -- the principals are  
4           using these funds to buy teachers.

5           COUNCILMAN GREEN: Okay. So  
6           part of the problem that we're solving --  
7           and there may just be a difference in the  
8           way in what everybody is calling  
9           everything, but we are told by the  
10          District that it costs \$21 million for  
11          them to keep class sizes the same size  
12          they are in K through, I think, 9th  
13          grade. And so that's that, and I assume  
14          that's your highest priority item for the  
15          discretionary funds?

16          MS. CARLSON: It is.

17          COUNCILMAN GREEN: So if we are  
18          able to provide them with some resources,  
19          which I certainly want to do but not by  
20          raising taxes, and I think the money is  
21          there to do, we -- I'm sorry; I got in  
22          trouble for this earlier. I as a  
23          Councilperson believe that I would insist  
24          upon that smaller class size be a part of  
25          that equation.

1           6/10/11 - WHOLE - 110135, ETC.

2           So I hope that we are able to  
3           get the District to agree to that if we  
4           provide additional funds, and I want  
5           thank you for your testimony.

6           MS. CARLSON: Thank you. I  
7           agree. The reason I'm bringing up the  
8           discretionary funds is, I was feeling  
9           that there was starting to be resistance  
10          against the School District's management  
11          of the money, and if there's a concern  
12          about any money that Council will give to  
13          the School District, one way to consider  
14          doing this is if you gave it through the  
15          these funds, then you would be allowing  
16          the principals to make the choices that  
17          they need for their schools.

18          COUNCIL PRESIDENT VERNA: Thank  
19          you, Christine. We appreciate your  
20          coming in to testify.

21          MR. McPHERSON: Our next  
22          witness is Al Taubenberger.

23                         (Witness approached witness  
24          table.)

25          MR. TAUBENBERGER: Thank you.

1           6/10/11 - WHOLE - 110135, ETC.

2           COUNCIL PRESIDENT VERNA: Good  
3           afternoon. Welcome.

4           MR. TAUBENBERGER: Thank you,  
5           Madam Chair, Madam President, members of  
6           the Committee, City Council people. I'm  
7           the President of the Northeast  
8           Philadelphia Chamber of Commerce. We are  
9           a business association of over 900 member  
10          businesses in Northeast Philadelphia and  
11          throughout the region as well.

12          I'm opposed to the tax on  
13          sugar-sweetened beverages because  
14          Philadelphia can't afford it. It would  
15          result in the elimination of thousands of  
16          family-sustaining jobs. Few disagree  
17          with that.

18          I am opposed to the sugar tax  
19          because it will cost this City at least  
20          1,000 jobs in the beverage industry alone  
21          and countless others in the food service  
22          industry. Philadelphia cannot afford  
23          that.

24          This tax is a bad idea based  
25          purely on emotion. It's not based on

1           6/10/11 - WHOLE - 110135, ETC.

2           logic. It's bad public policy. Is it  
3           our goal to make it easier for businesses  
4           to open in neighboring New Jersey and  
5           Delaware? Because that's what we're  
6           prepared to do if we pass this tax, the  
7           highest of its kind in the nation.

8                       The Greater Northeast

9           Philadelphia Chamber of Commerce is  
10          dedicated to promoting growth and  
11          economic development in Philadelphia.  
12          Adding another tax to City businesses in  
13          a city and a state that already has some  
14          of the highest taxes in the nation  
15          achieve neither goal. It is why we rank  
16          dead last in the 15 largest cities for  
17          job growth and retention.

18                      The question becomes, where do  
19          we draw the line? Do we levy an added  
20          tax on doughnuts because they are also  
21          sugar-sweetened? We've seen this idea  
22          before, and it was defeated. The first  
23          time we saw it, it was distinguished as a  
24          health initiative. Nobody believed that.  
25          Today it is nothing more than a tax grab

1           6/10/11 - WHOLE - 110135, ETC.

2           that singles out the soft drink industry.  
3           How do we afford this? The answer is, we  
4           can't. Good-paying jobs are on the line.  
5           Unemployment nationally is at 9 percent.  
6           The City of Philadelphia, it's very close  
7           to 12 percent. We should be doing  
8           everything possible to protect jobs, not  
9           threaten them.

10                   The beverage industry in  
11           Philadelphia currently supports thousand  
12           of jobs and contributes millions of  
13           dollars in direct economic activity to  
14           the City of Philadelphia, as well as  
15           indirect activity.

16                   Moreover, even if this is  
17           adopted as law, it is certain to be  
18           challenged in court. If it is struck  
19           down, then what do we do? Where do we  
20           come up with the money we committed to be  
21           spending? If you think that sounds  
22           risky, it's absolutely true.

23                   In Northeast Philadelphia, we  
24           have two major bottling plants whose  
25           livelihood will seriously be impacted.

1           6/10/11 - WHOLE - 110135, ETC.

2           It doesn't take a rocket scientist to  
3           know that higher taxes on soda will mean  
4           less soda sold, and less soda sold means  
5           less jobs. Again, Philadelphia cannot  
6           afford that.

7                     Corner stores, diners and  
8           restaurants will be adversely affected.  
9           Most of the members of the Greater  
10          Northeast Philadelphia Chamber of  
11          Commerce are small businesses. The ones  
12          in the beverage industry and the food  
13          service industry have told me firsthand  
14          that this tax will cost jobs. Why?  
15          Because higher taxes will drive customers  
16          away from local businesses into  
17          surrounding suburbs to do their shopping,  
18          negatively impacting grocery and  
19          convenience store owners and their  
20          employees. Philadelphia cannot afford  
21          that.

22                     I'm very serious to the  
23          financial situation of the School  
24          District and I'm very sensitive to that.  
25          I am a product of the Philadelphia public

1           6/10/11 - WHOLE - 110135, ETC.

2           school system, as are my children. My  
3           wife is a public school teacher who has  
4           taken leave to care for her ailing  
5           parents. I have great respect for the  
6           mission, and as Chamber of Commerce  
7           President, I have always supported their  
8           needs. My opposition today is not to the  
9           public schools. I am opposed to bad  
10          public policy, and the school tax  
11          authorization ordinance is an example of  
12          bad public policy and should be defeated.

13                    Thank you very much.

14                    COUNCIL PRESIDENT VERNA: Thank  
15                    you.

16                    The Chair recognizes Councilman  
17                    Goode.

18                    COUNCILMAN GOODE: Thank you,  
19                    Madam President.

20                    Mr. Taubenberger, have you  
21                    lobbied your republican colleagues in  
22                    Harrisburg to restore education cuts?

23                    MR. TAUBENBERGER: I have, and  
24                    I've spoken out publicly.

25                    COUNCILMAN GOODE: And what was

1           6/10/11 - WHOLE - 110135, ETC.

2           their response?

3                   MR. TAUBENBERGER: Well, unless  
4           you've seen anything different in the  
5           papers, I guess they don't want to  
6           listen.

7                   COUNCILMAN GOODE: Okay. Thank  
8           you.

9                   Thank you, Madam President.

10                  COUNCIL PRESIDENT VERNA: Thank  
11           you.

12                  MR. TAUBENBERGER: Thank you,  
13           Councilman.

14                  COUNCIL PRESIDENT VERNA: Any  
15           other questions from members of the  
16           Committee?

17                   (No response.)

18                  COUNCIL PRESIDENT VERNA: Thank  
19           you again.

20                  MR. McPHERSON: Our next  
21           witness --

22                  COUNCIL PRESIDENT VERNA:  
23           Before we call upon our next witness, we  
24           just received a letter from the Greater  
25           Philadelphia Chamber of Commerce. A copy

1           6/10/11 - WHOLE - 110135, ETC.  
2           has been distributed to everyone. They  
3           indicate that they are -- they cannot  
4           support an increase in real estate taxes  
5           again this year. So I thought everybody  
6           would be interested in that. But they  
7           are silent on the soda tax.

8                     All right. Our next witness.

9                     MR. MCPHERSON: Yarelis  
10           Feliciano.

11                    (Witness approached witness  
12           table.)

13                    MR. RIVERS: Hello.

14                    COUNCIL PRESIDENT VERNA: Good  
15           afternoon. Welcome. Please identify  
16           yourself for the record.

17                    MR. RIVERS: My name is Ryan  
18           Rivers speaking on behalf of Yarelis  
19           Feliciano.

20                    COUNCIL PRESIDENT VERNA: Thank  
21           you.

22                    MR. RIVERS: My name is Yarelis  
23           Feliciano. I am a senior at El Centro  
24           High School. I used to go to Frankford  
25           High School. At Frankford I used to get

1           6/10/11 - WHOLE - 110135, ETC.  
2           into a lot of fights. I was always known  
3           as a troublemaker.

4                     What brought me to El Centro  
5           was a friend. She told me about the  
6           school, and it sounded too good to be  
7           true. I went for an interview, and it  
8           was just what I was looking for at El  
9           Centro.

10                    At El Centro, I have the  
11           opportunity to be who I am. I had the  
12           opportunity to prepare for my future.  
13           Being at El Centro opened my eyes to the  
14           real world and I had to start taking  
15           things seriously. I feel at home when I  
16           come to El Centro.

17                    I never thought that I would  
18           have the chance to get my high school  
19           diploma being a teen mom, and not having  
20           the right parent support that I needed  
21           made my dreams go downhill. But my  
22           teachers did not let that happen. My  
23           advisor was there for me all the way, and  
24           I was -- and I always had someone to talk  
25           to about my problems.

1           6/10/11 - WHOLE - 110135, ETC.

2           Seeing my daughter grow made me  
3 realize that I had to get my act  
4 together, so I did. I am so proud of the  
5 person who I have become. If you would  
6 see me about three years ago, you would  
7 not want to be around me. I was cocky  
8 and I thought I knew it all. I thought I  
9 was better than everybody else.

10           Coming to El Centro, I got the  
11 benefit to go to Community College in the  
12 summer and I took it up -- I took it  
13 up -- I took up intro to law, in which I  
14 received three college credits from them.  
15 During the summer they helped me get a  
16 summer job, which I am currently  
17 employed. I got the opportunity to work  
18 for my CDA, Childhood Development  
19 Associate certificate, and get CPR  
20 certified, so in the future, I can open  
21 my own daycare or work with kids.

22           I got so many opportunities  
23 being here at El Centro that if I name  
24 them all, I would be here for days. If  
25 El Centro closes, it will be a

1           6/10/11 - WHOLE - 110135, ETC.

2           devastating moment.

3                   I graduate this year, class of  
4           2011. You are probably thinking, well,  
5           if she's graduating, why does she care?  
6           Why is she here? I care because I want  
7           others to succeed the same way I did. I  
8           want others to get the high school  
9           diploma, because tomorrow is not  
10          promised.

11                   I am here at this very moment  
12          because I'm please asking that you do not  
13          close El Centro. If you have to close  
14          some schools down because of the budget,  
15          I understand, but can you please keep El  
16          Centro open, because in our school, we  
17          are family and that's our second home.  
18          We don't often find places like that. So  
19          if you can please give more money to the  
20          School District to help save alternative  
21          schools and accelerated schools, we will  
22          appreciate it.

23                   Please don't take away our  
24          education. Is it okay to raise the tax  
25          on soda? Because I want my education

1           6/10/11 - WHOLE - 110135, ETC.  
2           more, because a mind is a terrible thing  
3           to waste. So if you're waiting for  
4           someone permission, you have mine and all  
5           my fellow classmates at El Centro.

6                     Thank you for your time.

7                     COUNCIL PRESIDENT VERNA: Thank  
8           you.

9                     (Applause.)

10                    COUNCIL PRESIDENT VERNA:

11           Excuse me, sir. Would you come back.

12                    The Chair recognizes Councilman  
13           Jones.

14                    COUNCILMAN JONES: I just want  
15           to thank you for coming down and letting  
16           us know, reminding us, if you will, of  
17           what this debate is all about. And my  
18           colleague is reluctant to use "we," but  
19           I'm going to take some latitude and say I  
20           know we all in this Chamber care about  
21           your future education. The only thing  
22           we're debating is not you. The debate is  
23           about how we help you, and I think I can  
24           say "we" in that regard, all 17 members.

25                    I want you to know we take

1           6/10/11 - WHOLE - 110135, ETC.  
2           these deliberations seriously. We take  
3           these discussions seriously, because we  
4           know at some point you're going to take  
5           care of us, God willing, and so we want  
6           you to be prepared to do that.

7                   MR. RIVERS: Thank you.

8                   (Applause.)

9                   COUNCIL PRESIDENT VERNA: The  
10           Chair recognizes Councilman Green.

11                   COUNCILMAN GREEN: I just want  
12           to commend you for coming here and  
13           testifying. I've seen you speak. I  
14           think you spoke at a Youth United for  
15           Change press conference the other  
16           morning. You're very eloquent and  
17           passionate about your school. And I went  
18           to the SRC meeting where many students  
19           from El Centro were there. It is clear  
20           that they're doing a great job based on  
21           the students and the effort and  
22           everything that's going on.

23                   So I just want to thank you for  
24           coming in and testifying and let you know  
25           that Councilwoman Quinones-Sanchez had a

1           6/10/11 - WHOLE - 110135, ETC.

2           very detailed conversation with the  
3           School District this morning on the issue  
4           of accelerated schools, and we certainly  
5           are fighting on City Council -- or I am  
6           fighting on City Council. I'll say we  
7           also. We're fighting on City Council to  
8           make sure that your and all the other  
9           accelerated schools maintain their  
10          funding.

11                         So thank you for coming in.

12          It's important that you shared your voice  
13          with us. It's very helpful to get -- it  
14          helps us make the case for your funding,  
15          so thank you.

16                         MR. RIVERS: Thank you.

17                         COUNCIL PRESIDENT VERNA: We  
18          wish you every success.

19                         MR. RIVERS: Thank you.

20                         COUNCIL PRESIDENT VERNA: Thank  
21          you.

22                         MR. McPHERSON: Our next  
23          witness --

24                         COUNCILWOMAN BLACKWELL: We  
25          agree. Thank you again.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   MR. McPHERSON: -- Isabel

3 Rodriguez.

4                   (No response.)

5                   COUNCIL PRESIDENT VERNA: Is

6 Isabel Rodriguez here?

7                   (No response.)

8                   MR. McPHERSON: Shelly Yanoff.

9                   (Witness approached witness

10 table.)

11                   COUNCIL PRESIDENT VERNA: Good

12 afternoon. You too have been very

13 patient.

14                   MS. YANOFF: Good afternoon.

15                   COUNCIL PRESIDENT VERNA: Do

16 you have copies of your testimony?

17                   MS. YANOFF: I do, and here

18 they are.

19                   Before I launch into it, I want

20 to just say I think it is 28 to 30 years

21 that I have been coming here and arguing

22 for more support for kids, and much of

23 the time you've responded, and I wanted

24 to note that a lot of this conversation

25 and some of the very questions -- and,

1           6/10/11 - WHOLE - 110135, ETC.

2           Council President Verna, you will  
3           remember when you all passed the  
4           across-the-bar liquor tax, some  
5           colleagues who were always, always for  
6           the people were convinced that it would  
7           be bad and that taverns would close and  
8           that it wouldn't yield more than \$4 to \$5  
9           million. Well, it's up to 46 and the  
10          taverns didn't close.

11                        So I think we have to learn  
12          lots of different things. There are lots  
13          of disparate facts around, and I just  
14          wanted to remind us all that we've been  
15          through some of these before.

16                        But I wanted to then bring, if  
17          I could, my testimony.

18                        I am Shelly Yanoff --

19                        COUNCILWOMAN BLACKWELL: Excuse  
20          me, Ms. Yanoff. A lot of small clubs did  
21          close, and they closed because it was  
22          when Atlantic City opened and casino  
23          gambling took place. But it is not true  
24          that a lot of neighborhood bars and clubs  
25          did not close, because they did.

1           6/10/11 - WHOLE - 110135, ETC.

2           MS. YANOFF: Well,

3           Councilwoman, I would not criticize you.

4           I thought I had seen a study about three  
5           years afterwards and it was actually  
6           Councilman Cohen that I was thinking  
7           about, and, of course, it was isolating  
8           the factor of the across-the-bar tax  
9           being held responsible versus the  
10          gambling.

11          At any rate, I am the Director  
12          of the region's major child advocacy  
13          organization. I am here to say what you  
14          all feel and that we have to figure out  
15          some way to do something for the schools  
16          so that kids can learn, families can work  
17          and all of us can have a future, and, of  
18          course, we have to continue to spur the  
19          state to provide more for its biggest  
20          city, its biggest school system, its  
21          biggest charter school system.

22          We're not talking about a  
23          little impact here. We're thinking about  
24          laying off -- and those 1,500 teachers  
25          did get layoff notices this week. They

1           6/10/11 - WHOLE - 110135, ETC.

2           impact at least 45,000 kids, 45,000 kids'  
3           lives. We're talking about the flesh and  
4           soul of this City, the people who get up  
5           every day and go to work and hope their  
6           kids will be able to grow and learn and  
7           thrive.

8                         We're talking about the loss of  
9           work, of opportunity, of hope for growth  
10          and change, the City becoming not the  
11          City of Brotherly Love and Sisterly  
12          Affection but of loss. We're talking  
13          about losing some of the best and the  
14          brightest, losing the progress that we've  
15          finally begun to see in our kids, losing  
16          the new families that were going to stay  
17          in the City and take a chance on its  
18          schools, losing the hope of every family  
19          with kids in Southwest or Northwest,  
20          losing, losing, losing, losing numbers of  
21          people working in what was once  
22          considered a valuable and safe profession  
23          in North Philadelphia and Center City, in  
24          the Northeast, everywhere.

25                        I understand that people are

1           6/10/11 - WHOLE - 110135, ETC.

2           worried about taxes and how to keep up,  
3           but we have to. To people who still want  
4           to believe in the City and to not shatter  
5           the dreams of the five, ten-year-old or  
6           15-year-old who began to believe at last,  
7           who did not want to see any more scenes  
8           of kids weeping because a teacher had to  
9           tell the kids she won't be back in the  
10          fall. This happened a lot in this last  
11          week. Kids feeling kicked because they  
12          lose the art that makes school work best  
13          for them, lose the school they're finally  
14          succeeding in, the accelerated schools,  
15          for instance, lose the hope they finally  
16          can make it.

17                 Unless you act and the state  
18                 follows, we will be the city that looked  
19                 at evidence and nonetheless threw success  
20                 out, because 32 cents a day was too much  
21                 in property tax to help kids succeed over  
22                 the years. Is 32 cents a day really too  
23                 much for us?

24                 If everyone who argues against  
25                 the sugar tax - the corporations, the

1           6/10/11 - WHOLE - 110135, ETC.

2           drivers, the bottlers - had a child in  
3           our schools, would they still think that  
4           a few cents more on an unhealthy drink is  
5           too much to pay?

6                     If the business community could  
7           find its voice in support of kids and  
8           education, would they continue to watch  
9           silently, silently while the equivalent  
10          of all the players in all the four  
11          national sports leagues were laid off,  
12          impacting the number of folks who fill  
13          Citizens Ball Park at every game?

14                    Would people who feel they have  
15          no skin in the game because their kids  
16          are not in our schools really consider  
17          what happens when education closes down  
18          in a city still think they have no skin  
19          in the game? We all have skin in this  
20          game.

21                    To those who feel they don't  
22          want to do something because they fear a  
23          lawsuit, think of the history of doing  
24          the right thing being challenged by the  
25          threat of a lawsuit. Think of the people

1           6/10/11 - WHOLE - 110135, ETC.

2           who risk lawsuits when they integrated  
3           neighborhoods and were later proved  
4           right.

5                     Doing the right thing does take  
6           risk, but with accountability tied to the  
7           dollars -- and you must tie the  
8           accountability to the dollars -- it is  
9           the right thing.

10                    This isn't an easy decision,  
11           but you need to take it. Tens of  
12           thousands of kids and families urge you  
13           to.

14                    We agree that money needs to be  
15           spent on what works. We know there's  
16           strong evidence that says support early  
17           childhood and accelerated schools.  
18           Rehire those yellow buses. Save lives  
19           and lawsuits. Keep the programs and  
20           class sizes and counselors and arts and  
21           music. They work. And sacrifice summer  
22           programs and Saturday programs that don't  
23           have much attendance and that we don't  
24           know the results about.

25                    In this time and in this place,

1           6/10/11 - WHOLE - 110135, ETC.

2           declare a new day of real accountability.  
3           Insist that our schools get better, and  
4           stand ready to work for them and support  
5           them. You, Council, have the power to do  
6           it. Please do.

7                        COUNCIL PRESIDENT VERNA: Thank  
8           you.

9                        The Chair recognizes Councilman  
10          Green.

11                       (Applause.)

12                       COUNCILMAN GREEN: Thank you  
13          for your 28 to 30 years of advocacy on  
14          behalf of Philadelphia's children.

15                       MS. YANOFF: I'm getting tired.

16                       COUNCILMAN GREEN: Many of the  
17          children you have helped have grown up  
18          and gone to college and had kids of their  
19          own and here you are working for them.

20                       I appreciate your testimony. I  
21          just -- and we agree on the premise that  
22          we need to do something to help the  
23          schools, and so I want to make that  
24          clear, but from your perspective, it  
25          doesn't matter where the money comes from

1           6/10/11 - WHOLE - 110135, ETC.

2           as long as the City provides the  
3           resources to the schools; is that  
4           correct?

5                   MS. YANOFF: Yeah. That's  
6           correct.

7                   COUNCILMAN GREEN: Okay. Thank  
8           you.

9                   COUNCIL PRESIDENT VERNA: Thank  
10          you.

11                   The Chair recognizes  
12          Councilwoman Brown.

13                   COUNCILWOMAN BROWN: I too join  
14          the chorus of saying a huge thank you for  
15          your unwavering support on behalf of our  
16          city's children. In the 20, 25 years  
17          that you've been on this journey as a  
18          champion, can you think of any time in  
19          your experience where the City has faced  
20          or the School District has faced this  
21          type of picture with regards to funding?

22                   MS. YANOFF: No. I think in my  
23          lifetime and in many of our lifetimes,  
24          there's not been the kind of economic  
25          tsunami that we're in. So the City

1           6/10/11 - WHOLE - 110135, ETC.

2           itself, when the School District faced  
3           problems, the City could find easier ways  
4           to make up for it. And so I don't think  
5           I've ever seen -- I know I have never  
6           seen that.

7                     I also think, though, that over  
8           the course of this time, there have  
9           always been incredible challenges, and  
10          what is so frightening about this  
11          particular time is, we have finally  
12          discovered how to do things for a lot of  
13          kids that we didn't know how to do, and  
14          we're finally seeing progress in lots of  
15          different places, and it's just all  
16          subject to being lost.

17                    I got some e-mails yesterday of  
18          people describing their schools and  
19          teachers just getting notices and  
20          counselors getting notices and lots of  
21          people getting notices that they won't be  
22          back, and it's really just very moving to  
23          think about that was once a safe and  
24          valued profession and there was security  
25          there, and kids would go there and

1           6/10/11 - WHOLE - 110135, ETC.

2           parents would go and drop their kids off  
3           at schools and know that they would be  
4           okay, and that's just -- we're entering  
5           into a very perilous time.

6                        So I don't. I begin by saying  
7           these are not easy times. These are not  
8           easy decisions. But the kids of this  
9           City and the City's future need you.

10                      COUNCILWOMAN BROWN: And to  
11           your next-to-last paragraph on the second  
12           page, I believe the good news is that  
13           myself -- I don't want to step into where  
14           I went earlier today with my colleague --  
15           fully understand, get it, the notion and  
16           the urgency around figuring out how we  
17           preserve kindergarten and preschool  
18           programs, because all the data is too  
19           compelling. And the record should note  
20           that in the last Administration, it was  
21           actually David L. Cohen who led a study  
22           amongst business leaders, who also needed  
23           to know or discovered that when we make  
24           the investment during those early school  
25           years, we get a better, stronger yield of

1           6/10/11 - WHOLE - 110135, ETC.

2           a young person on the back end.

3                        So that needs to be noted for  
4           the record, that indeed there are members  
5           of the business community who fully  
6           understand the value of kindergarten and  
7           pre-K.

8                        MS. YANOFF: Thank you. And I  
9           do know that, but I also -- earlier when  
10          we discussed the earlier City Council  
11          hearing on the School District budget, we  
12          urged that at this time it's not easy for  
13          either the business community or John and  
14          Jane Q public or you all to make a  
15          decision. So we urged, okay, the Chamber  
16          of Commerce, raise some dollars, you take  
17          both the summer jobs and the summer  
18          programs and take that off the School  
19          District's plate and take -- all of you,  
20          let's figure out a way that SEPTA takes  
21          responsibility for the transportation to  
22          schools. So we knock it down, so it  
23          becomes more possible to move, and that  
24          the Accountability Block Grant may come  
25          in and that could do full-day

1           6/10/11 - WHOLE - 110135, ETC.  
2           kindergarten and then we could move and  
3           we make the nut smaller, and then we just  
4           have to act to do something about the  
5           nut.

6                    COUNCILWOMAN BROWN: Yes. And  
7           to reaffirm the questions stated by  
8           Councilman Bill Green, at the end of the  
9           day -- let me not speak for you.

10                   What that ultimate formula  
11           looks like, what that blend of solutions  
12           looks like is less important than us  
13           simply figuring it out on how we fill the  
14           gap, correct?

15                   MS. YANOFF: Right, as long as  
16           we don't step back on the progress that  
17           we've begun to make with kids.

18                   COUNCILWOMAN BROWN: Okay.  
19           Thank you for your testimony.

20                   MS. YANOFF: Thank you.

21                   COUNCILWOMAN BROWN: Thank you,  
22           Madam President.

23                   COUNCIL PRESIDENT VERNA: The  
24           Chair recognizes Councilman Goode.

25                   COUNCILMAN GOODE: Thank you,

1           6/10/11 - WHOLE - 110135, ETC.

2           Madam President. I'll be brief.

3                     Ms. Yanoff, I actually have a  
4           follow-up to a response you just made to  
5           Councilwoman Reynolds Brown. Did you say  
6           that past fiscal crises were easier to  
7           manage because the School District was  
8           under the City's control?

9                     MS. YANOFF: No. No. Because  
10          the City did have -- it never has a whole  
11          lot of extra dollars, but the City, it  
12          felt, wasn't as tight as it is now.  
13          Three years ago or four years ago when  
14          you did the switch, increased, that was  
15          very important and it saved a lot of  
16          programs, and we're very, very grateful.  
17          What I meant was the economic situation  
18          in the world, in the country, in the  
19          state, in the City is just worse than it  
20          was and it's been in our life.

21                    COUNCILMAN GOODE: What I  
22          thought I heard you say -- I won't put  
23          words in your mouth -- is that there's  
24          never been an economic tsunami like this  
25          we've experienced and in the past the

1           6/10/11 - WHOLE - 110135, ETC.

2           School District was in the City's  
3           control, so there were some things that  
4           we could manage.

5                   MS. YANOFF: No. No. That may  
6           be in the future, but it's not in the  
7           past.

8                   COUNCILMAN GOODE: Well, it  
9           sparked me to ask you the same questions  
10          that I asked the School District, which  
11          is, one, do you support the concept of an  
12          elected School Board?

13                   MS. YANOFF: I think that the  
14          management system that the Home Rule  
15          Charter developed in 1950 is no longer  
16          sensible for us. I definitely think that  
17          the City should have more control, and so  
18          I certainly am more than open to thinking  
19          seriously about an elected School Board.  
20          I don't think it makes a lot of sense for  
21          the taxing authority not to have real  
22          control over how it's spent.

23                   COUNCILMAN GOODE: That's where  
24          I'm going, so I'll just ask a series of  
25          questions. Should control be given back

1           6/10/11 - WHOLE - 110135, ETC.

2           to the City? Should the School Board be  
3           elected? Who should be the taxing  
4           authority? And what should City  
5           Council's role be?

6           MS. YANOFF: I think I would  
7           love to join you on a commission that you  
8           establish to come up with the answers to  
9           those questions. I think that I am  
10          interested in those questions and in that  
11          governance question, but I don't think  
12          that I should give a flip answer to a  
13          very serious question.

14          COUNCILMAN GOODE: Fair enough.

15          MS. YANOFF: Okay.

16          COUNCILMAN GOODE: Thank you,  
17          Madam President.

18          COUNCIL PRESIDENT VERNA: Thank  
19          you.

20          MR. McPHERSON: Our next  
21          witness --

22          COUNCIL PRESIDENT VERNA: The  
23          Chair recognizes Councilwoman Brown.

24          COUNCILWOMAN BROWN: Yes, Madam  
25          President. I have no additional

1           6/10/11 - WHOLE - 110135, ETC.  
2           questions for Ms. Shelly Yanoff. I am  
3           curious to know, is the Chamber still in  
4           the room?

5                   COUNCIL PRESIDENT VERNA: I'm  
6           sorry. I can't hear you.

7                   COUNCILWOMAN BROWN: Is the  
8           Chamber of Commerce still represented  
9           this afternoon?

10                   COUNCIL PRESIDENT VERNA: No.  
11           They just sent the letter. They sent the  
12           letter which was distributed to everyone.

13                   COUNCILWOMAN BROWN: I was just  
14           reading it. Okay. All right, then.  
15           Thank you.

16                   COUNCIL PRESIDENT VERNA: Thank  
17           you.

18                   Our next witness.

19                   MR. McPHERSON: Angel Ocasio.

20                   (Witness approached witness  
21           table.)

22                   COUNCIL PRESIDENT VERNA: Good  
23           afternoon.

24                   MR. OCASIO: Good afternoon.  
25           My name is Angel Ocasio and I attend El

1           6/10/11 - WHOLE - 110135, ETC.

2           Centro de Estudiante.

3                   I started at El Centro on  
4           January 31st, 2011. Before I came to El  
5           Centro, I was attending Mariana Bracetti  
6           Academy Charter School, but I got kicked  
7           out and eventually had nowhere else to  
8           go. I was out of school for about a  
9           month and a half, because I nor my family  
10          wanted me to go to Frankford High School.  
11          So while I was out of school, my mother  
12          and grandmother found this school for me  
13          and told me to sign up. I did, and I  
14          thought this school would be like a  
15          regular public high school, but as I was  
16          going through the semester in El Centro,  
17          I was surprised at the things I was  
18          doing. One reason why is because I was  
19          not being disrespectful. I was actually  
20          doing my work. I was growing into a  
21          student that I wanted to be in MBA.

22                   I love El Centro because I have  
23          freedom, like choosing projects I am  
24          interested in, but at the same time, I  
25          have responsibilities that I have to

1           6/10/11 - WHOLE - 110135, ETC.

2           handle by myself. Also I like El Centro  
3           because of the Real-World Learning and  
4           Learning-to-Internship programs they have  
5           for different categories that a student  
6           would like to get into.

7                         Since being in the school, the  
8           things I am most proud of is everything,  
9           as my music with the hip-hop rolo and my  
10          grades, all these things that I have  
11          become in this school that I had not done  
12          in MBA.

13                        I feel as though if you close  
14          El Centro, I will feel left out in the  
15          cold, feel like I have failed to try to  
16          help the school. Without this school, I  
17          don't know what will my future be. So I  
18          am asking the City Council to please not  
19          close El Centro and please give more  
20          fundings to El Centro and all the other  
21          13 alternative and accelerated schools  
22          that are open. So can you please help?

23                        Thank you.

24                        COUNCIL PRESIDENT VERNA: Thank  
25          you very much.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   (Applause.)

3                   COUNCIL PRESIDENT VERNA: Thank  
4 you.

5                   Our next witness.

6                   MR. McPHERSON: Our next  
7 witness, David Sculick.

8                   COUNCIL PRESIDENT VERNA: Is  
9 David Sculick here?

10                  MR. SCULICK: Yes. Thank you.

11                  (Witness approached witness  
12 table.)

13                  MR. SCULICK: Good afternoon.

14                  COUNCIL PRESIDENT VERNA: Good  
15 afternoon.

16                  MR. SCULICK: I thank you for  
17 the time today to speak in support of the  
18 urgent need to help the School District  
19 and the soda tax and the need for  
20 sustainable District support urgently. I  
21 am a lifelong Philadelphian, a product of  
22 the Philadelphia public school system, a  
23 civil trial attorney, a Board member of  
24 the Trial Lawyers, a Board member of  
25 Operation Understanding, and I am the

1           6/10/11 - WHOLE - 110135, ETC.

2           Chairman of the Judith B. Sculick  
3           Memorial Foundation for At-Risk Youth. I  
4           also serve as President of DVHS,  
5           otherwise known as Delaware Valley High  
6           School, serving at-risk Philadelphia  
7           students at the DVHS Kelly campus and  
8           dropout students at the Southwest campus.

9           Notably, DVHS is not affiliated  
10          with any charter school, but we are a  
11          43-year-old alternative education  
12          institution, serving both private  
13          families and public school districts and  
14          have earned the Pennsylvania Department  
15          of Education and Clemson University's  
16          highest award for alternative education  
17          services, graduating over 10,000 students  
18          in this City since 1969.

19          Unfortunately, the forces of  
20          this world - political, religious,  
21          financial and otherwise - constantly  
22          divide us. These forces cause us to  
23          forget about those who do not vote, but  
24          those who are the most vital resource we  
25          have, the children.

1           6/10/11 - WHOLE - 110135, ETC.

2           Everyone in this room  
3           recognizes that education is the only way  
4           to break the cycle of poverty, and in  
5           this City, this is an urgent problem.  
6           Everyone in this room knows full well  
7           that a 50 percent dropout rate is  
8           unacceptable. However, let's touch upon  
9           the consequences of not effectively  
10          addressing the educational, social and  
11          emotional needs of our at-risk youth in  
12          this City, more crime, more welfare  
13          costs, lower property values, more  
14          despair, a cancer that must be eradicated  
15          through education.

16          If time permitted, I would  
17          share my personal story about how my life  
18          was changed forever when my beloved  
19          mother, Judith Sculick, was killed in an  
20          auto accident caused by at-risk youth  
21          acting recklessly. These problems are  
22          real, and we as one great city must help  
23          the District, the students and our next  
24          generation. Nothing, absolutely nothing,  
25          is more vital.

1           6/10/11 - WHOLE - 110135, ETC.

2           From the day Mayor Nutter was  
3           sworn in, he pledged to us all that we  
4           will and must cut the dropout rate in  
5           half and try to resolve violence in our  
6           schools, on our streets and get  
7           Philadelphia to come together as one  
8           community.

9           Harrisburg's recent actions  
10          have the potential to destroy us or we  
11          can come together as a city and do what  
12          we have to do and now. I have watched  
13          firsthand the tireless efforts of Dr.  
14          Ackerman, Benjamin Wright, the  
15          Philadelphia Youth Network, Shelly Yanoff  
16          and many other stakeholders develop a  
17          system of both transition schools for  
18          disciplinary issues and small, intimate,  
19          nurturing accelerated schools to provide  
20          thousands and thousands of students on  
21          our streets who have dropped out with an  
22          option to return, secure their diploma  
23          and move on to vocational or higher  
24          education. The system is working.  
25          Tragically, the entire system is now



1           6/10/11 - WHOLE - 110135, ETC.

2           great city should be doing the same.

3                         Finally, what I have witnessed  
4           today is that we are represented by a  
5           Mayor and Council with insightful and  
6           progressive thinking. And even I will  
7           undoubtedly pay the tax, as I am addicted  
8           to Diet Coke in times of stress, which is  
9           frequent in my professional world, but  
10          alcohol, cigarettes and soda in times of  
11          crisis, like we are in now, do not  
12          deserve any support from this Council.  
13          We should discourage our citizens from  
14          their use, and I understand the arguments  
15          of our opponents, lose jobs, scare, no  
16          change. Let people make their own  
17          decisions. However, these are difficult  
18          times, and when our citizens can simply  
19          avoid the tax by making healthier choices  
20          or the industry can shift to sell  
21          healthier products and still maintain  
22          profits, we must look at all our options.

23                         When we as one city are forced  
24          by factors outside of our control to make  
25          difficult decisions, taxing soda should

1           6/10/11 - WHOLE - 110135, ETC.

2           easily overcome any other excuse. In  
3           addition to securing a critical stable  
4           funding stream for our public education,  
5           just perhaps we will have one less  
6           diabetic in our emergency rooms, on  
7           welfare or Medicaid.

8                        I am here to plead with you to  
9           support the soda tax, since it is a  
10          choice to buy more expensive soda versus  
11          cheaper or healthier options. Help this  
12          city. Keep the alternative education  
13          options that are working so well open for  
14          future and current students. Without  
15          your help, DVHS Southwest and many other  
16          dropout recovery schools around the City  
17          will close. The students served therein  
18          will undoubtedly be back on the street,  
19          hopeless and left with no future. We can  
20          avoid this. We must avoid this. And I  
21          implore you to support these taxes during  
22          this most difficult budgetary period.

23                        Thank you for your time.

24                        (Applause.)

25                        COUNCIL PRESIDENT VERNA:

1           6/10/11 - WHOLE - 110135, ETC.

2           You're welcome.

3                   The Chair recognizes Councilman  
4           Green.

5                   COUNCILMAN GREEN:   Good  
6           afternoon, Mr. Sculick.   How are you  
7           doing?

8                   MR. SCULICK:   Good afternoon,  
9           Mr. Green.

10                   COUNCILMAN GREEN:   I'm a great  
11           admirer of yours, and I'm pleased to hear  
12           your testimony today.   In the end, what  
13           you care about is that the children have  
14           the resources they need to go to the  
15           accelerated schools, to have early  
16           childhood education, to have yellow bus  
17           service?   That's your goal, right?

18                   MR. SCULICK:   Yes.

19                   COUNCILMAN GREEN:   So the  
20           means, as long as we meet that goal, you  
21           would be indifferent about?

22                   MR. SCULICK:   Yes.

23                   COUNCILMAN GREEN:   Thank you.

24                   COUNCIL PRESIDENT VERNA:   Thank  
25           you.   Thank you very much, sir.

1                   6/10/11 - WHOLE - 110135, ETC.

2                   Our next witness.

3                   MR. McPHERSON: Dorcus Laney.

4                   COUNCIL PRESIDENT VERNA: And  
5 our next witness will be Joe Bright.

6                   Please approach the witness  
7 table.

8                   So if Mr. Bright is here, maybe  
9 he could just come closer to the witness  
10 table.

11                   (Witness approached witness  
12 table.)

13                   COUNCIL PRESIDENT VERNA: Good  
14 afternoon. Please identify yourself for  
15 the record.

16                   MS. LANEY: Good afternoon. I  
17 am Dorcus J. Laney. I'm the ombudsman at  
18 John Wister Elementary School in  
19 Germantown, and I thank you for the  
20 opportunity to bear witness today, Madam  
21 Chairperson, Madam President, and to all  
22 Councilmembers.

23                   The weather is playing havoc  
24 with my postnasal drip.

25                   COUNCIL PRESIDENT VERNA: We

1           6/10/11 - WHOLE - 110135, ETC.

2           all have that problem.

3                   MS. LANEY: That's Philadelphia  
4           for us.

5                   COUNCIL PRESIDENT VERNA: I  
6           know.

7                   MS. LANEY: First and foremost,  
8           I'd like to say that I and a parent with  
9           me represent what we're talking about  
10          today, what the cuts mean and will mean.  
11          I am the -- I will not have my job come  
12          June 30th as the ombudsman at John  
13          Wister. I want to share with you what  
14          being at John Wister for the past three  
15          years has meant.

16                   Although John Wister met AYP  
17          prior to my coming, it made successive  
18          AYP for two years. That is tremendous.  
19          My children -- because I greet most of  
20          them every morning, because I sit at the  
21          front desk, speak to parents, have the  
22          children come in, say, Good morning,  
23          Mrs. Laney, give me hugs, making sure  
24          that I'm okay. Those are good things for  
25          me. I'm a social worker by training. So

1           6/10/11 - WHOLE - 110135, ETC.

2           I know all about children, what it takes  
3           to make them happy, and it doesn't take a  
4           whole lot.

5                         We have been fortunate to be  
6           able to provide music, physical  
7           education, special reading advances for  
8           the children, and those things are going  
9           to be lost because of the draconian cuts  
10          that are being proposed. I'm happy to  
11          say that last Friday, I was with Dr.  
12          Ackerman when she made the announcement  
13          that the dollars from Title I could be  
14          used for our kindergarten for all day.  
15          That's tremendous, because at my school,  
16          we also have Bright Futures. We have  
17          from pre-K up to the 6th grade.

18                        I'm also proud to say that I am  
19          the mother of a graduate of your School  
20          District through Masterman. My daughter  
21          graduated from college and is well on her  
22          way maintaining herself as a wonderful  
23          adult, making sure that she's giving back  
24          to society.

25                        I want to say to you that since

1           6/10/11 - WHOLE - 110135, ETC.

2           the Governor made that decision to put  
3           forward his budget which cuts our  
4           education funds, my parents have been  
5           just beside themselves. However, they  
6           have supported all that we have attempted  
7           to do, by speaking with legislators in  
8           Harrisburg, going on bus trips, doing  
9           rallies here locally, writing letters,  
10          making phone calls. Those are wonderful  
11          things.

12                        But today I especially hope  
13          that this Chamber will indeed provide  
14          funds to the public school system,  
15          because it's a glorious system, a system  
16          that we can ill afford to have chopped up  
17          in little bits and pieces, and the  
18          children will not benefit from what the  
19          outcome of all of this will be.

20                        I want to thank you for this  
21          opportunity for hearing what I have to  
22          say. I want to thank my parent for  
23          coming with me, for supporting me. This  
24          has been an education for both of us, and  
25          I pray that all of this that has been

1           6/10/11 - WHOLE - 110135, ETC.  
2           said here today -- and there has been a  
3           lot -- will be to the benefit of our  
4           children.

5                   I thank you.

6                   COUNCIL PRESIDENT VERNA: Thank  
7           you very much.

8                   COUNCILWOMAN BLACKWELL:  
9           Ms. Laney, I wanted to remark that I  
10          visited Longstreth School in my district  
11          just last week in Southwest Philly, and  
12          Linda Miller is your counterpart there.

13                   MS. LANEY: Yes.

14                   COUNCILWOMAN BLACKWELL: And  
15          she too was doing a wonderful job.  
16          Obviously it wasn't our idea. We didn't  
17          pick cuts, and we understand how  
18          important the parent ombudsmen are or the  
19          school ombudsmen, and we thank you for  
20          your service, and we are sorry.

21                   MS. LANEY: Thank you so much.

22                   COUNCIL PRESIDENT VERNA: Thank  
23          you again.

24                   Mr. Bright, I believe you're  
25          our next witness.

1           6/10/11 - WHOLE - 110135, ETC.

2           MR. BRIGHT: Madam President,  
3           I'm Joe Bright with the law firm Cozen  
4           O'Connor. I'm a tax lawyer. I was asked  
5           to look at this proposed bill and offer  
6           my view whether it is lawful. I think it  
7           is not and that it will be struck down by  
8           the courts for the following reasons.

9           The question initially and the  
10          most important question is, does this  
11          tax, would it duplicate the sales tax.  
12          If it duplicates the sales tax, it's  
13          struck down under the terms of the  
14          Sterling Act.

15          It is true that nominally it is  
16          not imposed on the consumer as is the  
17          sales tax. It is imposed on the licensed  
18          distributor. So the tax is moved up the  
19          chain of distribution.

20          The authorities that are cited  
21          in my testimony, including an opinion of  
22          the Pennsylvania Supreme Court, state  
23          that when you look at a tax like this and  
24          measure it on the preemption standard,  
25          you don't look at technically how it's

1           6/10/11 - WHOLE - 110135, ETC.

2           written. You look at the actual  
3           operative effect.

4           So what's the effect here? The  
5           ordinance states that the licensed  
6           distributor is required to itemize the  
7           tax in a sale to a dealer. Why should  
8           that be? The licensed distributor does  
9           not have to certify that it paid its  
10          federal income tax, state income tax,  
11          city business privilege tax, use and  
12          occupancy, anything. Only one tax has to  
13          be certified, and that would be this tax.  
14          Why? The reason is obvious. The  
15          intention of the ordinance is to push the  
16          burden of the tax economically down onto  
17          the consumer.

18          You've heard the testimony of  
19          Mr. Dubow, who said as much and discussed  
20          how the consumer would react to that.  
21          You've heard the economic testimony which  
22          confirmed that. Even Solicitor Shelley  
23          Smith said, Well, the market may mix it  
24          up a little bit. And all that says is,  
25          it's only half preempted.

1           6/10/11 - WHOLE - 110135, ETC.

2           The bottom line is, this tax is  
3 going to be imposed as a one-time charge  
4 down the distribution chain on the  
5 consumer, and that duplicates the sales  
6 tax. I think when the courts are  
7 presented with that issue, they will look  
8 at the prior authorities, they will agree  
9 and they will strike it down.

10           Even if you don't agree with  
11 everything I've just said and you take  
12 the City's view that this is really a tax  
13 on the licensed distributor and throw out  
14 the window all the economic testimony, it  
15 seems to me that it's still preempted.

16 Why? In Pennsylvania if the General  
17 Assembly occupies a particular field in  
18 legislation, it preempts other  
19 legislation in that field. There are  
20 lots of instances of that happening.  
21 That's essentially what's happened in  
22 Pennsylvania. There's one sales tax, and  
23 Philadelphia is authorized to impose  
24 essentially the same sales tax with very  
25 minor differences. That's what the

1           6/10/11 - WHOLE - 110135, ETC.

2           General Assembly said you can do in sales  
3           tax. This is a sales tax. There's no  
4           question about it. The question is on  
5           whom.

6                        So even if the City is able to  
7           jump over the hurdle of not only the  
8           consumer -- and I think they can't --  
9           it's still preempted.

10                      In addition, I think that  
11           Council President and Councilman Green  
12           hit the nail on the head as to  
13           uniformity. I do not see a legitimate  
14           distinction between taxing  
15           sugar-sweetened beverages as described in  
16           the ordinance and other things that have  
17           sugar in them or indeed any other  
18           products. I think the bill is fatally  
19           flawed.

20                      Several of the witnesses here,  
21           particularly the young people, gave  
22           moving testimony on the importance of  
23           education. That was quite touching, I  
24           found, and to me, it proved my case.  
25           City Council should not draw to an inside

1           6/10/11 - WHOLE - 110135, ETC.

2           straight. Don't pass a bill that has got  
3           serious problems and is likely to be  
4           struck down by the courts of this  
5           Commonwealth. And no matter how lawyers  
6           do on that, the fact is, you don't have  
7           the money. You need a tax that is  
8           dependable and that will work, and there  
9           are other choices.

10                   COUNCIL PRESIDENT VERNA:

11           Mr. Bright, are you finished with your  
12           testimony?

13                   MR. BRIGHT: Yes, ma'am.

14                   COUNCIL PRESIDENT VERNA: I

15           guess I'd like to ask you a question that  
16           I asked the City Solicitor. If the  
17           industry were to go to court and  
18           litigation lasted for a period of time,  
19           would they still be able to collect this  
20           tax?

21                   MR. BRIGHT: They would collect  
22           the tax unless a court prohibited it.  
23           Whatever lawyer might be hired/retained  
24           to attack it, should City Council pass  
25           the tax, they will ask for several

1           6/10/11 - WHOLE - 110135, ETC.  
2           things, and one of them will be an  
3           injunction, and they will surely also ask  
4           for a refund of all taxes if they don't  
5           get the injunction. So one way or  
6           another, you're short the money if they  
7           win.

8                    COUNCIL PRESIDENT VERNA: Thank  
9           you.

10                   Any questions from members of  
11           the Committee?

12                    (No response.)

13                    COUNCIL PRESIDENT VERNA: Thank  
14           you again, Mr. Bright.

15                    MR. McPHERSON: Our next  
16           witness is Danny Grace.

17                    (Witness approached witness  
18           table.)

19                    MR. GRACE: Good afternoon,  
20           Madam President.

21                    COUNCIL PRESIDENT VERNA: Good  
22           afternoon.

23                    MR. GRACE: Once again, we are  
24           here. Councilmembers, good afternoon.

25                    Madam President, I have

1           6/10/11 - WHOLE - 110135, ETC.

2           testimony on behalf of my members, and I  
3           also have testimony from my sister local  
4           in Baltimore to the effects of what  
5           happened to them in the City of  
6           Baltimore.

7                       Teamsters Local 830 is honored  
8           to stand with people from all walks of  
9           life in our firm opposition to the Nutter  
10          Administration's second wrong-headed  
11          attempt to slap a sugar-sweetened  
12          beverage tax on the overtaxed citizens of  
13          Philadelphia. One year ago, this  
14          coalition and a vast majority of  
15          Philadelphians made it clear to the Mayor  
16          and City Council that we had no taste  
17          whatsoever for this burdensome,  
18          regressive tax. One year later, nothing  
19          has changed and our resolve remains  
20          strong.

21                      If passed into law, the  
22          sugar-sweetened beverage tax will more  
23          than double the price of people's  
24          favorite sugar-sweetened beverage. Many  
25          retailers have already signaled that they

1           6/10/11 - WHOLE - 110135, ETC.

2           won't create a separate pricing category  
3           for all sugar-sweetened beverages, but  
4           will simply apply the tax to all  
5           beverages, including diet sodas and other  
6           beverages.

7                         With all due respect, the  
8           Nutter Administration has exhibited a  
9           lack of understanding of the economic  
10          consequences of this tax. If this  
11          ill-considered tax is passed, the cost of  
12          all sugar-sweetened drinks will double.  
13          People will stop buying the products or  
14          drive to the suburbs to purchase them.  
15          City stores will stop stocking them.  
16          Black markets will arise, and soda  
17          companies will move fewer products. And  
18          don't be surprised if City retailers  
19          apply the tax across the board on all  
20          beverages, sugar-sweetened or diet, to  
21          simplify their bookkeeping. Many people  
22          will lose their jobs.

23                         Beverage industry statistics  
24          prove that when soda prices rise 10  
25          percent, sales drop a corresponding 8 to

1           6/10/11 - WHOLE - 110135, ETC.

2           9 percent. Reduction in soda sales mean  
3           job losses. As many as 2,000 local jobs  
4           could be lost. There are thousands of  
5           family-sustaining middle-class  
6           Philadelphia jobs in the beverage  
7           production, supply, distribution, sales  
8           and retailing which depend on a healthy  
9           beverage industry.

10                 These job losses will also  
11           impact supermarket employees, convenience  
12           store workers and small businessowners  
13           who sell soda in their stores or  
14           restaurants. The loss of these jobs will  
15           only further erode the City's tax base,  
16           and how can that possibly help the City  
17           or the School District? It is yet  
18           another unfair tax burden that will  
19           disproportionately hurt hard-working  
20           middle-class families and the working  
21           poor of this City. Far too many  
22           Philadelphians are already struggling to  
23           make ends meet in this terrible economy.

24                 The so-called soda tax is also  
25           discriminatory. Taxing one product and

1           6/10/11 - WHOLE - 110135, ETC.

2           one industry to the exclusion of numerous  
3           items containing similar sugar-based  
4           ingredients is simply unfair.

5                     And what precedent would be set  
6           if this outrageous tax is imposed? What  
7           would stop the Mayor from taxing other  
8           foods that are perceived to be less than  
9           healthy, such as ice cream, candy,  
10          cookies, popsicles, doughnuts or other  
11          high sugar foods? This is a slippery  
12          slope towards a Big Brother society in  
13          which the government tells you what you  
14          should eat, drink, watch and think. No  
15          thank you.

16                    We Philadelphians are already  
17          burdened with among the highest taxation  
18          rates in the country. The soda tax would  
19          be an additional financial burden on  
20          families already struggling to make ends  
21          meet. It does not work for  
22          Philadelphia's residents or our workers.

23                    Thank you.

24                    COUNCIL PRESIDENT VERNA: Thank  
25          you.

1           6/10/11 - WHOLE - 110135, ETC.

2           (Applause.)

3           MR. GRACE: And I also have  
4 this to put on the record.

5           COUNCIL PRESIDENT VERNA: Do  
6 you want to read it?

7           MR. GRACE: If you'd like me to  
8 read it, I will.

9           COUNCIL PRESIDENT VERNA: For  
10 the record, rather than we wait for  
11 copies.

12           MR. GRACE: This letter is from  
13 Teamsters Local Union No. 570.

14           Dear Mayor Nutter, you're  
15 kidding yourself if you think passing a  
16 tax on beverages in Philadelphia won't  
17 impact jobs. Last year in Baltimore, a  
18 two-cent tax on beverage containers was  
19 imposed and shortly thereafter 77  
20 good-paying jobs in the beverage industry  
21 were gone. The tax in Philadelphia is a  
22 much steeper proposal at two cents per  
23 ounce on sugar-sweetened beverages. If  
24 77 jobs were lost in Baltimore partially  
25 because of a smaller tax, what do you

1           6/10/11 - WHOLE - 110135, ETC.  
2           think will happen in Philadelphia? And  
3           why are lawmakers signaling out the  
4           beverage industry?

5                     Taxing beverages is a very bad  
6           idea that will fail workers and their  
7           families, just like it failed us in  
8           Baltimore. We are very concerned for our  
9           colleagues who work for beverage  
10          distributors in Philadelphia. They are  
11          already seeing a shortage of work for  
12          their members. During these challenging  
13          economic times, the last thing we should  
14          be doing is causing jobs to be cut.

15                    The tax will make Philadelphia  
16          beverage companies and retailers less  
17          competitive and will hurt sales,  
18          ultimately costing jobs. Customers will  
19          drive away from the City's local  
20          businesses into the surrounding suburbs  
21          to do their grocery shopping just like  
22          they did in Baltimore. Less demand for a  
23          product means less production, shipping  
24          and stocking. In other words, it means  
25          less jobs. We will stand hand in hand on

1           6/10/11 - WHOLE - 110135, ETC.  
2           the issue with our fellow Teamsters in  
3           Philadelphia and the companies that we  
4           represent.

5                     Drive 100 miles down the road  
6           and visit us in Baltimore. We'll take  
7           you on a tour of the shut-down  
8           manufacturing and distribution  
9           facilities, and we will show you where  
10          the jobs used to be.

11                    Best wishes, Sean Cedenio,  
12          Teamsters Local Union 570.

13                    COUNCIL PRESIDENT VERNA: Thank  
14          you. Thank you very much.

15                    Are there questions from  
16          members of the Committee of Mr. Grace?

17                    (No response.)

18                    COUNCIL PRESIDENT VERNA: Thank  
19          you again, sir. We appreciate --  
20          Councilman Green.

21                    Mr. Grace, I'm sorry.

22                    COUNCILMAN GREEN: Thank you.

23                    I just wanted to thank you for  
24          coming in. I don't have any questions  
25          for you. Your testimony was clear and

1           6/10/11 - WHOLE - 110135, ETC.

2           compelling, and I hope we can save your  
3           jobs.

4                   MR. GRACE: Thank you.

5                   COUNCIL PRESIDENT VERNA: Thank  
6           you.

7                   MR. McPHERSON: Our next  
8           witness is Judy Grillo.

9                   (Witness approached witness  
10          table.)

11                  COUNCIL PRESIDENT VERNA: Good  
12          afternoon. Welcome. Please identify  
13          yourself for the record.

14                  MS. GRILLO: My name is Judy  
15          Grillo. I am an owner/operator of two  
16          Auntie Anne's in the City of  
17          Philadelphia, and I think maybe I'm the  
18          only small businessowner today that  
19          you've heard from. So I look forward to  
20          having the opportunity to speak to you  
21          today.

22                  As I said, I own two Auntie  
23          Anne's in the City of Philadelphia, and I  
24          have to tell you, I love doing business  
25          here. Thank you for that privilege. I

1           6/10/11 - WHOLE - 110135, ETC.

2           really enjoy the City of Philadelphia.

3           And I've really come to appreciate the

4           team members that work for me as well.

5           Because of that, I strongly oppose the

6           tax, because I do believe it's going to

7           affect my ability to give them hours and

8           pay increases in the future.

9                         Just as an example, you've

10          heard a lot of financial figures, but

11          I'll just make it a little bit more real.

12          A glass of lemonade will go up 72 cents

13          for a glass. That's how much this tax is

14          going to affect the price. A glass of

15          soda will go up almost 50 cents. That is

16          a significant amount of money that I'll

17          have to pass on to the consumer. I do

18          believe that the result of that will be

19          that the consumer will no longer purchase

20          as many of those products and my revenue

21          will decrease.

22                         Right now the products that

23          you're talking about taxing are about 23

24          percent of my total revenue. The impact

25          of losing a portion of 23 percent are

1           6/10/11 - WHOLE - 110135, ETC.

2           going to affect my ability to provide  
3           jobs to employees.

4                     Let me tell you about some of  
5           the employees that I do have. I have a  
6           lot of single moms. They enjoy the  
7           flexible schedule that I can provide  
8           them. They're part time, and they love  
9           the clean environment that we provide,  
10          the fun environment that we provide.  
11          They would be affected. I would have to  
12          reduce hours if my revenue decreased.

13                    I also hire disabled folks,  
14          and, again, if I don't have the revenue,  
15          I can't provide the hours. It would be  
16          very difficult to provide the flexibility  
17          for these team members that I do have.

18                    So, again, I do oppose this  
19          tax, and I hope that you will vote  
20          against it.

21                    COUNCIL PRESIDENT VERNA: I  
22          really enjoyed your testimony. I think  
23          it gave us a true light as to what a  
24          small business can be affected by this,  
25          and we certainly appreciate your

1           6/10/11 - WHOLE - 110135, ETC.  
2           patience. You've been sitting here  
3           practically all day. I personally want  
4           to thank you.

5                   MS. GRILLO: Thank you.

6                   COUNCIL PRESIDENT VERNA: Our  
7           next witness.

8                   MR. McPHERSON: Danilo Burgos,  
9           and it will be followed by Frank Maimone.

10                   (Witness approached witness  
11           table.)

12                   MR. BURGOS: Good afternoon,  
13           Madam Chair and members of the Committee.  
14           My name is Danilo Burgos. I am President  
15           of Philadelphia Dominican Grocers  
16           Association. The Philadelphia Dominican  
17           Grocers Association provides  
18           representation, education, leadership,  
19           community outreach, buying power and  
20           support to our members in order to  
21           improve their quality of life and  
22           facilitate prosperity in their  
23           neighborhoods that they serve.

24                   The Philadelphia Dominican  
25           Grocers Association serves all

1           6/10/11 - WHOLE - 110135, ETC.

2           independent Latino retailers.  
3           Philadelphia Dominican Grocers  
4           Association strongly believes that  
5           independent retailers are the cornerstone  
6           of the entrepreneurial spirit. This  
7           innovative spirit and drive comes from  
8           many family-operated independent  
9           businesses we proudly represent.  
10          Philadelphia Dominican Grocer Association  
11          does everything it can to help  
12          family-owned independent retailers.

13                 Taxing soft drinks, juice  
14           drinks and other non-alcoholic beverages  
15           will do little to make a dent in the  
16           City's budget deficit, let alone serve as  
17           a funding mechanism for the City school  
18           system.

19                 We are small business  
20           operators, and any tax which impact us  
21           not only impacts our customers, but it  
22           makes it more difficult for us to do  
23           business as well.

24                 This tax means we will have to  
25           pay more for the products we sell to our

1           6/10/11 - WHOLE - 110135, ETC.

2           consumers. The choices that leaves me to  
3           buy my products from another cheaper  
4           supplier outside of Philadelphia or to  
5           pass those costs along to my customers  
6           are both bad for the City.

7                     Many consumers rely heavily on  
8           stores like ours to provide them with  
9           their basic food staples and refreshment  
10          beverages that they enjoy. A beverage  
11          tax will increase cost to retailers and  
12          consumers. Independent retailers across  
13          the City will endure severe economic  
14          hardship from a discriminatory tax on  
15          soft drinks and other beverages.

16          Consumers can't afford yet another tax,  
17          particularly a discriminatory one.

18                     The majority of people don't  
19          want a tax on their juice drinks, soda  
20          and teas. Philadelphians don't want  
21          government in their grocery cart or  
22          kitchen. Families are already struggling  
23          in this difficult economy. There could  
24          not be a worse time to ask them to pay  
25          more for the price they consume by

1           6/10/11 - WHOLE - 110135, ETC.

2           raising grocery prices. If we as  
3           Philadelphians really want to have a  
4           significant effect on School District's  
5           financial problems, then we need to look  
6           at comprehensive solutions that will have  
7           a meaningful and lasting impact, not  
8           simplistic approaches targeting one  
9           portion of the items in our grocery cart  
10          for additional taxation.

11                        On behalf of our Philadelphia  
12          independent retailers, thank you for the  
13          opportunity to express our concerns about  
14          causing unnecessary harm to our industry  
15          and not truly fixing the School  
16          District's underlying financial problem.

17                        COUNCIL PRESIDENT VERNA: Thank  
18          you very much.

19                        Are there any questions from  
20          members of the Committee?

21                        (No response.)

22                        COUNCIL PRESIDENT VERNA: Thank  
23          you again.

24                        MR. BURGOS: Thank you.

25                        COUNCIL PRESIDENT VERNA: Our

1           6/10/11 - WHOLE - 110135, ETC.

2           next witness.

3                   MR. McPHERSON: Our next three  
4           witnesses are Frank Maimone, Wan Woo and  
5           Jonathan Kirch.

6                   (Witnesses approached witness  
7           table.)

8                   COUNCIL PRESIDENT VERNA:  
9           Gentlemen, good afternoon. Please  
10          identify yourself for the record.

11                   MR. WOO: My name is Wan D.  
12          Woo. I'm representing of the Korean  
13          Grocery Association, about 500 members in  
14          the Philadelphia city small business  
15          place.

16                   MR. LING: My name is Cheung  
17          Ling (ph). I'm the Chairman of Korean  
18          American Grocers Association.

19                   On behalf of Korean Grocers  
20          Association, we are against the  
21          Mr. Mayor's soda taxes, because it's  
22          going to hurt the small business, which  
23          is eventually a lot of small business is  
24          going to get hurt. For example, two  
25          cents an ounce, which means, let's say,

1           6/10/11 - WHOLE - 110135, ETC.

2           20 ounce soda, which is most people  
3           grabbing from the small business, that  
4           means 40 cents more than right now. In  
5           Center City, the average is \$1.50, \$1.75  
6           bottle of soda, which means it's going up  
7           to more than \$2. Would you pay more than  
8           \$2 for grabbing one 20-ounce sodas? Not  
9           like it used to be. It's going to hurt  
10          our businesses.

11                        Most of the small  
12          businessowners in Philadelphia is part of  
13          your revenue to increase the taxes. If  
14          they gone, how you going to raise the  
15          taxes?

16                        You may get taxes for the sodas  
17          from the Mayor's soda taxes, it's going  
18          to increase the revenue, but apparently  
19          it's going to reduce the sales volume,  
20          which means you go down again. So this  
21          is not the proper way to raise the money.  
22          That would be temporary.

23                        So I have to ask you, Mr. Mayor  
24          and City Council members, you have to  
25          think again, which is the better way.

1           6/10/11 - WHOLE - 110135, ETC.

2           I don't think anybody against  
3           to raise the money to give the School  
4           District. There's no question about it.  
5           But how? How, is the question. This is  
6           not a proper way to do it for long term.  
7           This is my opinion.

8           COUNCIL PRESIDENT VERNA: Thank  
9           you.

10          MR. WOO: I'm going to say -- I  
11          do have couple of words for the Mayor.

12          COUNCIL PRESIDENT VERNA: Pull  
13          the microphone closer to you.

14          MR. WOO: This taxes really  
15          going to be hurt for our -- I mean, our  
16          Korean Grocery Association. Also it's  
17          going to be hurt on the consumers and  
18          it's going to be manufacturers, because  
19          this will be all chain reactions, because  
20          the Mayor is going to raise the taxes to  
21          one of the manufacturer, but it end up to  
22          be coming to the consumer to pay every  
23          dimes, pennies. But right now it's  
24          all -- taxes is so high from everything,  
25          high for the property taxes, high for the

1           6/10/11 - WHOLE - 110135, ETC.

2           gas. Right now gases are so high. And  
3           there is -- even like for the  
4           Philadelphia sales tax is 8 percent, it's  
5           higher than the surrounding area. Now  
6           you going to be adding to the two more  
7           cents at the bottom of taxes. It's going  
8           to be really hurting to the community and  
9           the small business like ours, and that  
10          makes the manufacturers going to be  
11          struggling, and then somehow the  
12          manufacturers who were delivering to the  
13          City, maybe they losing jobs from cutting  
14          down the hours or so. It really going to  
15          be hurt.

16                 Also, they are -- I mean, this  
17          City is really lot of history area. We  
18          have business in Center City and we saw a  
19          lot of tourists coming in. These people  
20          going to remember a whole bunch of stuff  
21          in this (unintelligible) in Philadelphia,  
22          but also they going to be remember as the  
23          highest taxes, beverage tax.

24                 So I don't think it's not  
25          really going to be a good idea for right

1           6/10/11 - WHOLE - 110135, ETC.

2           now to be raising two cents per ounce for  
3           tax. So rethink about this, to your  
4           Mayor and the Councilmembers, about this  
5           situation until, I don't know, economics  
6           may be better. Then we might really be  
7           able to pay a little bit more, but right  
8           now everybody is really struggling. So  
9           really think about this again for that.

10                  Thank you.

11                  COUNCIL PRESIDENT VERNA: Thank  
12           you very much for coming in to testify.  
13           Thank you.

14                  I would ask Mr. McPherson to  
15           please read the names that were called  
16           earlier and that did not respond.

17                  MR. McPHERSON: Helen Gym.

18                  (No response.)

19                  MR. McPHERSON: Mary Louis  
20           Butler and Jack Barry.

21                  (No response.)

22                  MR. McPHERSON: Isabel  
23           Rodriguez.

24                  (No response.)

25                  MR. McPHERSON: Frank Maimone.



1           6/10/11 - WHOLE - 110135, ETC.

2           who testified that where the resources  
3           come from for schools and for children  
4           are not as important as getting the  
5           resources. This, combined with a \$30  
6           million increase or -- combined with \$30  
7           million from the year-end fund balance  
8           that Mr. Dubow testified would be 51  
9           million roughly this year, that would  
10          allow the City to provide a \$45 million  
11          grant roughly to the School District, in  
12          addition to the parking tax, which is \$6  
13          million.

14                   And we heard testimony today  
15          from the School District about a number  
16          of items where we don't all agree on  
17          priorities, but that could potentially  
18          result in \$40 million of shifted  
19          priorities within the School District,  
20          for a total of \$90 million being made  
21          available, without increasing taxes, for  
22          the priorities that are on the list the  
23          School District presented to us today,  
24          which totaled \$102 million.

25                   So I offer this amendment. I'm

1           6/10/11 - WHOLE - 110135, ETC.

2           not asking for any action on it today.

3           Thank you, Madam President.

4                        COUNCIL PRESIDENT VERNA: Thank  
5           you. We accept your amendments, which  
6           will be considered at a later date.

7                        Is there anyone else to testify  
8           on the bills before us?

9                        (No response.)

10                      COUNCIL PRESIDENT VERNA:  
11           Seeing no one, this hearing will be  
12           recessed until Thursday, June the 16th at  
13           10:00 a.m. -- oh, I'm sorry. I forgot we  
14           have Council sessions on Thursday. So we  
15           will recess this until 9 o'clock Thursday  
16           morning.

17                      Thank you all very much.

18           You've all been extremely patient.

19                      (Committee of the Whole  
20           recessed at 4:15 p.m.)

21                      - - -

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on June 10, 2011, and that this is a true and correct transcript of same.

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MICHELE L. MURPHY  
RPR-Notary Public

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