

NEWS



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Mayor John F. Street's Opening Statement On the Budget and Tax Reform During the May 12, 2004 Press Availability

Good Afternoon,

When the voters of this city sent us back into office last November, they did it based on a promise and a vision. We promised to continue to improve the quality of life in our neighborhoods, make strategic investments in the city's future, deliver essential city services and maintain the fiscal discipline that has distinguished Philadelphia among American cities. Any citizen has the right to expect that local government will keep its people safe and its streets clean, remove snow and pick up the trash, protect abused and neglected children, and maintain library and recreational facilities for families to enjoy.

Our residents deserve a city that has a bright future and a decent present. We are prepared to make sacrifices. We are not prepared to place an unreasonable risk and responsibility of tax reform on the people in this city who can least afford it.

There is an important and vigorous debate going on in our city today over the fiscal year 2005 budget and 5 year financial plan and how much we can afford in the way of tax cuts. Included in my budget submission is \$375 million in tax reductions, plus \$65 million in tax recommendations made by the Tax Reform Commission. It is important to note that to show our support for the work of the Tax Reform Commission and commitment to accelerated tax reform our budget submission for FY05 incorporates the single factor tax adjustment for calculating Business Privilege Taxes. This required a \$13 million reduction in revenues and corresponding reduction in expenditures. Our original intent was to start this change in FY06.

I have always embraced and supported tax reform. Since 1995, the tax plan I helped to craft as President of City Council has provided \$930 million, NEARLY ONE BILLION DOLLARS IN TAX CUTS IN LESS THAN A DECADE. This program has been labeled "modest". A billion dollars in tax relief is not "modest" and it is disingenuous to say it is.

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This administration is proud of the fact that, unlike many other cities (New York, Los Angeles, Baltimore, Houston, Washington, DC and Pittsburgh) we have not halted our commitment to tax reform. Unlike New York, for example, we have not raised real estate taxes or taken some of the harsher medicine of other cities during the economic slump of the past several years.

The challenge that stands before us today is to create a Philadelphia where people want to live, work, visit and raise families. Continuing to reform our tax structure is important to that vision.

But let me be clear. We have offered a budget that supports responsible tax reform and gives us the best chance to create a Philadelphia that protects the future of all of our citizens while giving us the best chance to grow. We cannot in good conscience, go farther.

To fully fund all of the Tax Commission's recommended tax cuts being debated in City Council will threaten the quality of life we have worked hard to establish and would violate the promises I made to the people of this city as a candidate for re-election. To do more now in my judgment would be irresponsible.

To fully fund the Tax Commission's recommended tax cuts would cost the City 303 million dollars in lost tax revenue and one time loss of payments of \$81 million.

Let me give you a few examples of the service impact of fully implementing the tax commission's recommended reductions:

- We would have to cut personnel in the police department by 632.
- We would have to close an additional five engine companies and five ladder companies in the fire department.
- The Free Library would have to close 8 branches, or completely eliminate Saturday hours and close four branches.
- The Recreation Department would have to close an additional 20 facilities.
- We would no longer be able to remove snow from residential streets; only primary and secondary streets would be plowed.
- We would have to eliminate all bulk trash collections and all residential street sweeping operations.
- We would have to lay off 965 people in FY05.

These cuts would be totally unacceptable to the people of this City.

I am willing to make reasonable compromises in a budget that calls for tough decisions. The cuts we have proposed are painful and the tax reductions we propose are aggressive and reasonable, but we believe they can be achieved while improving the quality of life in our great city and without compromising essential city services.

During the campaign last year, I refused to make unreasonable commitments or promises that I knew we could not keep. As far back as November 2002 I went before City Council to outline the fiscal crisis looming in our future. It is now upon us.

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We can't hide behind speculative, supply-side economic predictions of tax revenues based on untested tax cuts. It is not acceptable with PICA or bond rating agencies, and more importantly to do so would be to abandon our responsibility of leadership.

For every additional dollar we lose in revenue to a tax reform proposal not already included in our FY05 budget proposal, there must be a corresponding cut in service. Even the tax reform commission did not expect to have its plan implemented without replacing that revenue.

On Monday, you heard members of the tax commission explain that their recommendations assume real estate tax revenues will be raised if spending cuts do not compensate for the revenue lost from their tax cuts. This is not a tax cut; it is an unacceptable tax shift to property owners.

Even my most ardent critics over the years have attested to my understanding of this City's budget and its financial affairs. Based on those years of experience and decision-making and unencumbered by any political responsibility for re-election I honestly believe we have prepared a budget and pace of tax reform that is best for our future.

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