

**TESTIMONY OF CATHERINE SCOTT**

**CITY COUNCIL 2011 BUDGET HEARING**

**Tuesday, May 4, 2010**

Good afternoon President Verna and members of City Council. My name is Catherine Scott, and I am President of AFSCME District Council 47. Thank you for the opportunity to provide testimony concerning the proposed fiscal year 2011 budget and 5 year plan.

Every year in its budget deliberations City Council and the administration get an opportunity to review its taxing policies and the services it provides to those who live, work and visit the City of Philadelphia. On the revenue side it comes down to who pays and how much do they pay. Philadelphia's taxing policies presently requires individuals to foot most of the bill. Businesses pay very little, some pay no taxes. In my testimony last year I pointed out that the reduction in wage and business taxes has resulted in a cumulative loss in those taxes for FY 2000 through 2009 of \$1.25 billion. I asked City Council and the administration to define what success is querying "How do you know if wage and business tax reductions are working?". At last year's community meetings most groups identified the 10 year tax abatement as another tax ripe for elimination or reduction. Why isn't the 10 year abatement being examined? Alan Heavens' Inquirer article entitled "City Living at Sky-High Prices" in yesterday's paper is exhibit A for why the 10 year abatement needs to

be revisited as the condo “niche market” expands in Philadelphia. As large universities expand, their real estate tax exempt status places a greater burden on individual homeowners who are concerned about their property taxes increasing. If Temple Hospital can pay up to \$10,000 per week to scab nurses, why can’t it make a payment in lieu of taxes (PILOT) arrangement with the City to make up for its failure to pay real estate taxes on its properties?

I would like to support Mayor Nutter’s budget premise concerning expenditures that city services cannot be cut any further. It is reckless to believe that because a position is vacant that it does not need to be filled.

Since there is an “alternative budget” circulating which provides details of specific positions to be eliminated, I would like to examine three departments slated for cuts. First, The Police Department where two (2) Graduate Chemists, the Laboratory Director, an Accounting Supervisor, and nine (9) Criminal Investigative Research Analyst trainee positions are on the chopping block for a total estimated savings of wages and benefits of \$721,072. Critical research and analysis which provide investigatory leads result in the apprehension of criminal suspects or identifying criminal enterprises. Criminal database management and providing centralized telecommunications for the safety of the public or officers is being compromised by not funding these positions. Insufficient chemists to

keep up with the increasing demands for service will result in an increase in backlogs. Criminals may be freed; perpetrators of cold case crimes will remain free. DNA analysis is expected by juries. A professional director for the lab is absolutely necessary for technical expertise and maintenance of standards. As there is more emphasis on efficiencies in bringing cases to trial thus reducing the Court backlog, incarceration costs and other criminal justice system costs, why would the City jeopardize a major component of that system being hampered to save less than \$725,000?

Second, the Prisons where six (6) social Workers, three (3) Social Work Supervisors, one (1) Accountant, and one (1) Industries Shop Supervisor are proposed for elimination for a total estimated savings of \$753,192. The accounting staff are responsible for the Inmate Account banking operation which has a daily population in excess of 8,400 inmates and over 39,961 admissions and 39,654 discharges in 2009. All inmates who have money at the Prison must be issued checks upon discharge. The Prisons has historically been understaffed when it comes to Social Workers and Social Work Supervisors whose work is an intricate part of American Correctional Association (ACA) accreditation. Persistently high caseloads increase the length of stay of inmates contributing to increased prison costs. Industry shops are a vital part of training and rehabilitating inmates and reducing prison costs by having services such as laundry done by inmates. These job eliminations are counter productive if the City wants to continue its focus on reducing criminal justice system costs.

Perhaps the most glaring reduction is the Parks and Recreation Department where 43 positions are targeted for elimination at a savings of \$2,173,724. These two combined departments have been the hardest hit in cutbacks over the past two decades and the recreation centers and park system show it. Recreation centers are badly in need of repair and caretaking. Well maintained rec centers send a message to the community that it is valued. Those centers reduce the acceptability of gang activity which supports the City's and Union's very successful efforts over the last two years to reduce violence at Recreation Centers. Volunteers are an important asset at rec centers. Reducing volunteer opportunities decreases the number of improvement projects. Last year the voters overwhelmingly passed a charter change which merged these two departments on the promise that there would be a renewed emphasis on our park and recreation department. It's time to make that commitment a reality, not the time to hamstring the vital services these departments provide especially to children and senior citizens.

Finally, in reviewing the budget I see that, even though it is down over 50 probation officers in Adult Probation alone, the First Judicial District is showing no vacancies. Most probation officers have over 450 offenders on their caseloads. With probation and parole saving millions in lieu of incarceration, it is shortsighted for the City not to invest money in diverting offenders from incarceration into rehabilitative services.

Last year City Council and the administration chose to kick the can down the road by going to the state legislature to lower its Minimum Municipal Obligation (MMO) pension payment and raise the sales tax.

The inconsistent positions taken on pension last year were mind boggling. The City employee pension plan funded at 53% was declared a catastrophe and needed a total revamping. However, the Transportation Workers' Union pension plan funded at 50% was just fine. Same issue, different rules. And to make matters worse, the City did not make its full payment to the plan. It is these types of situational ethics which anger people. So again this year the question presents itself what are fair tax policies? Will this be the year that business tax rates and real estate abatement are really evaluated or will it be the individual tax payer who will do the heavy lifting again? Will the large non-profits with huge endowments be expected to pay their fair share? We don't think that's too much to ask.

The Coalition for Essential Services has proposed changes to the business Privilege Tax (BPT) which would exempt small businesses with sales in the City of less than \$500,000 from paying the gross receipts portion of the BPT. These businesses would pay the net income portion of the tax. The basic rate of the Gross Receipt Tax (GRT) could be rolled back to its 1996 level of 3 mills or .003%. Since about 84% of all BPT taxpayers have receipts totaling less than \$500,000 per year as of 2007 figures and paid less than \$8 million,

the remaining 16% of the businesses paid \$83 million in BPT in 2007.

By returning to the 1996 rate with the exemption, small businesses would be protected and the richer businesses would pay an additional \$75 million. This could significantly close any revenue gap.

Thank you for the opportunity to testify today.