

Good afternoon, President Verna, and members of Council. It's a pleasure to be back here and to see you all, but frankly I wish my first time testifying before you as a private citizen were not taking place under these circumstances.

I would much prefer being here to praise initiatives before Council, but with respect to Bill 040767, I cannot do so. On the contrary, in my view this bill represents a dangerous flirtation with fiscal and social catastrophe.

First a little about definitions. One of the first things legislative drafters are taught is that everything important is contained in the definitions. This is just as true in explaining legislation.

Bill 040767 has been described by its supporters as "tax reform". Unfortunately it is nothing of the sort.

The definition I've found that best captures the meaning of "reform" is an action that "improves by alteration or correction of errors or defects and puts into a better condition." This bill would not "improve" the Business Privilege Tax. It would not "alter or correct" the BPT. It would wipe out the Business Privilege Tax, along with the \$300 million in revenue it brings into the city every year.

One could accurately call the proposal in Bill 040767 a tax shift, that is, an inevitable shift in tax reliance from the BPT to the real estate tax. The Tax reform Commission was clear: if Council does not allow real estate assessments to rise, the repeal of the BPT would result in substantially less city revenue. So here is the choice that future councils will basically face: less spending for police and fire protection, fewer libraries, less street lighting, fewer kids in after-school programs, snow removed from fewer streets; fewer roads repaired with less frequency, and unknown cuts in other vital city programs, or . . . higher real estate taxes. There is no good selection from that menu.

It is true that bill 040767 would not abolish the BPT at once, but rather would phase it out over a period of years. Of course one could say something similar to a lobster if you put it in a pot of cold water and slowly turned up the heat. Unfortunately, soon enough, that lobster will be just as dead as if the water was boiling the minute you threw it in. So will be our essential city services, however slowly the General Fund is bled dry.

Unless, of course, this or future councils can, in the words of the Tax Reform Commission, “resist the political pressure” to keep real estate taxes low. I don’t think Council wants to resist that pressure, nor do I think it should.

Well, if we’re not going to lower the BPT, then what *should* we do, the supporters of this tax shift ask? That should be the subject of its own hearing, but the first principle in formulating an alternative is clear: “Do no harm”. Do not root around looking “just to do something.” People are teeming back into many parts of this city because it’s vital and on the move. Let’s not be a little version of our federal government which governs by scaring everyone to death. This city is not on the verge of collapse.

I must say bill 040767 would surprise me less if it were being proposed by the Bush administration for the city of Washington, D.C. The parallels between this bill and administration policy for the whole country are positively eerie. In Washington, the administration is hysterically promoting private accounts for social security as a cure for the social security “crisis”. Of course, there is no crisis, but all that matters is that people believe there’s a crisis. If you can create the belief, then the doors are open to anything, including a policy that creates the very crisis that the policy supposedly seeks to fix.

In Washington the Bush administration asks us to pretend that borrowing trillions to cut, not preserve benefits, is a wonderful step forward. In Philadelphia we are asked to pretend that if the City cuts its revenue, services will flourish. In both cases the proponents of change are, frankly, engaged in magical thinking. Or at best, riverboat gambling. Indeed, Senator Harry Reid has called the President’s social security plan Retirement Roulette. Here we could call the proposed BPT repeal a variety of things that would be apt: Revenue roulette comes to mind, along with twilight zone planning, and faith-based budgeting.

We are told not to worry because tax cuts can be repealed if services are really threatened. I worked at City Council for more than 22 years. I can’t remember a single case in which a tax cut was reversed in any of those years. Right now librarians are being laid off, fire responders are slated for cuts, and multi-month delays for appointments at health centers are common. We are facing draconian cuts from the federal government and a real crisis threatens to envelop SEPTA. Yet, no one is calling for slowing

down, not to mention repealing, any of the last decade's tax cuts. The greatest city in the world is New York. New York is a high tax city. Baltimore is a low tax city. People are not rushing to Baltimore, but they do continue to locate in, and love, New York, where the public sector is large and robust. Cut enough services here in Philadelphia, and that's when people and business will indeed flee from this town. New York will welcome them with a smile, and lots of taxes.

I believe strongly in the inherent wisdom of the legislative branch of government, the branch closest to the people. I served this Council with pride for 22 years seeing it often vindicate that core belief. I truly hope and trust that it will continue serving the interests of all of the City's people, and their future, by once and for all rejecting bill 040767 and the simplistic tax cutting ideology which it promotes.

Thank you very much and I will be happy to answer your questions.