

Chris Bordelon  
Philadelphia, PA  
Testimony for the June 23, 2017 Beverage Tax Hearing

I heard about the beverage tax hearing on the afternoon of Wednesday, June 21, less than 48 hours before it was to be held. I learned of it secondhand, and in a brief search, I could not find any announcement of it other than a notation on the calendar on the Pennsylvania Senate Local Government Committee's webpage. The notation did not include, and I could not readily find on the Internet, any description of how a person could participate in the hearing either as a live witness or by submitting written testimony. I called the office of the Committee's Chairman around 1:30 PM on June 21 to ask about this. At that time, a representative of the Chairman's office explained that there would be no opportunity for people not already scheduled as witnesses to present live testimony, as a full slate of witnesses had already been arranged. I asked whether there was any possibility of submitting written testimony, and was told that there was. But the time to submit a statement was very short. It had to be emailed by noon on Thursday, June 22, in order to be before the Committee when it met. On the evening of June 21, with 16 hours to go before this deadline, I wrote an email to members of a civic association with membership confined to one neighborhood covering a single zip code in Philadelphia. The text of that message is copied below this statement.

I'm supplying this background not to criticize the Committee, which may have organized the hearing quickly, but to suggest that the written submissions the Committee is likely to receive won't come close to reflecting the true depth of feeling on the beverage tax. I would suggest to the Committee that it publicize an opportunity for people in Philadelphia to offer written comments for a period of time after the date of the hearing to supplement the record before it. Doing that would provide the Committee with a fuller picture of what people who confront the tax directly think about it.

With only a few minutes to write this statement, I will rapidly set out my own thoughts in the hope that the Committee will consider my suggestion that it provide an opportunity for a fuller expression of views. If you offered that opportunity, I think that you would find a fairly heavy preponderance of opinion against the tax.

That's with good reason. The tax was pitched in a way that linked it to pre-K education or child care. But the City administration revealed belatedly that less than half of the money would be spent for that purpose. That was deceptive. The quality of the City's pre-K offerings is questionable, given the haste with which they were organized and staffed, and the relatively small amount of money put into them.

I doubt that many people believe that the tax is primarily aimed at providing education or improving health. The tax was merely an effort to garner more revenue to let the City administration spend more. It may also have been intended to set a precedent for other, similar taxes. As shortfalls occur, people wonder what item will be the next one subjected to a tax. The effect is to drive people who want to take the initiative to start a business outside the City.

I question whether the City has the legal authority to levy this tax. But that is a matter of interpretation for the courts. Clearly, though, the state legislature can have a role to play here. It can and should make the law clear that the City does not have authority to levy a beverage tax or other similar taxes on selected goods. The legislature needs to ask itself whether it really makes sense to allow municipalities to levy taxes that distort economic incentives as badly as the soda tax does. City governments, as smaller entities, are likelier than the state legislature to become captives of narrow

lobbying interests whose money and pressure will prompt them to make bad policy choices. That seems to have taken place here. And the effect of levying taxes like the beverage tax is to turn municipal borders into foolishly drawn economic borders.

The City's extra 2% sales tax is bad enough, leaving businesses within City borders at a real disadvantage. If the opportunity arises, it should be removed. But the addition of extra levies like the beverage tax makes the distortion of incentives intolerable. Such taxes guarantee that many people will leave the City for the taxed products. When they do so in the context of grocery shopping, they may take their whole grocery orders with them, depriving essential businesses in Philadelphia of needed customers.

The effect must be especially severe near the borders of the City, including in the Far Northeast where I live. But I know of no attempt by the City administration to assess how different parts of the City might be affected in different ways. Such a study should be done, and changes made in the application of the tax to mitigate the harm done, if the City is to be allowed to continue imposing it at all. A better solution, though, would be to eliminate the tax. I hope that the Committee will advance legislation to clarify that the City lacks authority to impose the beverage tax.