

# **FY17 KENNEY BUDGET PRIORITIES**

**INVESTING IN OPPORTUNITY FOR ALL**

It is time for the City of Philadelphia to tackle our largest and most crippling problems head-on. Poverty, an inadequate education system, and struggling neighborhoods have held back Philadelphia for too long. To address these challenges, Mayor Kenney is proposing the following investments:

## Quality Pre-Kindergarten

Forty-six percent (46%) of Philadelphia Kindergarteners show up unprepared to learn. On Day 1, they have already fallen behind their peers. These kids then stay behind for their entire academic careers, and the effects reverberate throughout our economy. Two-thirds of current Philadelphia job seekers have eighth grade skills or below. We can improve our schools and prepare our children for success throughout their entire lives. In just three years, we will be able to provide quality pre-K to 25,000 children annually.

## Rebuilding Community Infrastructure

Philadelphia currently invests less in its parks, rec centers and libraries than most other big cities. And that's a tragic mistake because these investments improve community safety, continue learning and healthy recreation after school hours, and create jobs. It's time for Philadelphia to invest in all its neighborhoods.

## Community Schools

Nearly half of Philadelphians live on \$35,000 or less. That means far too many of our students come to school unable to learn because of challenges they face outside the classroom, whether that be inadequate access to healthcare, food or shelter. Community schools address those barriers to academic achievement by bringing resources directly into our public schools, where students and their families can access them most easily.

## Philadelphia Energy Campaign

Making our City buildings more energy-efficient, whether it be a local rec center or City Hall, creates middle-class construction jobs and helps the City save significant funds on utilities that can be reinvested in other critical initiatives, like education, public safety, economic development or our pension fund.

## Pension Responsibility

Our pension is currently less than fifty percent funded and consumes an ever increasing portion of our budget, preventing us from investing in other things our citizens need. By directing \$26 million to our pension fund, we can send an important signal to credit agencies, lenders and most importantly our workforce that the City is serious about addressing this problem.

## Quality Pre-Kindergarten

### *Quality Pre-K is critical to the future of our city.*

By committing \$256M in local revenue, combined with state funding, we can have 25,000 quality pre-K seats in Philadelphia in the next 3 years. In addition to the City's investment in the future of our children, our greatest corporate and philanthropic partners will support the facilities upgrades and necessary workforce development, because they know how critical this investment is to Philadelphia's future.

### *Quality pre-K is a proven equalizer.*

Neuroscientists attest that 80-90% of a child's brain is developed in the first five years of life. Quality early education can enable our most vulnerable children to break the cycle of poverty by capitalizing on the tremendous learning potential of three and four year olds during this critical time period in their development.

### *Pre-K is a stabilizing fiscal force.*

Countless studies demonstrate the effectiveness of quality pre-K to reduce the need for special education services, thus saving millions of dollars in costs over the long term. According to the City's Pre-K Commission, the School District of Philadelphia could save approximately \$72 million over the length of a grade cohorts' K-12 school years, if all children participated in quality pre-K.



### *Quality pre-K makes our K-12 system more successful.*

According to the William Penn Foundation, the percentage of 4-year-olds with proficient academic and social skills more than tripled after participating in the state's pre-K program. Other research indicates that quality pre-K contributes to increased high school and college graduation rates. For example, children who participated in the Chicago Child-Parent Center were 29% more likely to graduate from high school.

### *Pre-K creates jobs and increases local spending.*

The economic benefits are far reaching as well. Quality pre-K investment is a powerful economic engine on par with transportation and infrastructure investments. A ReadyNation report frequently cited by the Economy League studied the multiplier effect of quality pre-K investments and found that for every \$1 spent, at least \$1.79 is generated in local spending. It also found that for every 20 jobs created in Pennsylvania's early education sector, five additional jobs are created outside the sector.

## Rebuilding Community Infrastructure

### *Equitable investment in every community of our City.*

By investing \$300M in infrastructure improvements for our existing parks, libraries, and recreation centers, we can have an incredible and immediate impact on public safety, our children's education and job creation.

### *Support for our largest providers of afterschool programming.*

The Department of Parks and Recreation and the Free Library act as the largest providers of after school programming for Philadelphia's children. Students who participate in extracurricular activities have a 15% higher school attendance rate than non-participating students, and are more likely to have a higher GPA because many activities require attendance and a certain level of academic performance to participate.



### *Rebuilding our facilities means reducing crime.*

Studies show that proximity to nature and green spaces may reduce violence. When the City and the Fairmount Park Conservancy invested \$5 million in Hunting Park, crime went down 89% within a half mile radius of the park over the next three years. Burglaries and thefts in a Philadelphia district also dropped after police helped neighborhood volunteers clean up vacant lots and plant gardens -- falling from 40 crimes each month before the cleanup to an average of only four per month afterward. Additionally, our recreation centers also provide a safe and constructive alternative for our youth. 19% of all juvenile crimes are committed in the afterschool programming hours between 3 and 7 p.m.

### *Making rec centers and libraries the center of communities again.*

In areas where rec centers or libraries are co-located with public schools, these infrastructure investments will allow these community spaces to serve as a hub for community school services as part of the Mayor's effort to establish community schools throughout Philadelphia. Fortifying this infrastructure can also create space for pre-K classes as part of the Mayor's effort to expand access to quality pre-K in low-income communities.

*This effort will create jobs today and prepare us for jobs of the future.*

The City expects the rebuilding efforts will create hundreds of construction jobs. Improved infrastructure may also support long-term computer programming jobs in our communities. Additionally, The Free Library is a critical resource for Philadelphians looking for employment. A third of its yearly visits are people who need access to a computer or general assistance in applying for a position.

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*“Stop by so many of our city's perpetually underfunded recreation centers, and these are the things you see. Soiled carpets and broken furniture. Leaky roofs and tattered playgrounds. Bare supply closets. Crud-covered floors. Stoves that reek of gas. Toilets that spill sewage. And countless dedicated workers and volunteers doing all they can with the little the city can give them - and doing the rest on their own.” - Philadelphia Inquirer*

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## Community Schools Program

### *Integrating essential services into existing schools.*

By investing \$36.8 million, we can create 25 community schools over the next five years. Community schools are public schools where a dedicated coordinator strategically aligns largely already-existing services—provided by the government or other service providers—and integrates them directly into the school where students can access them most easily.

### *Tailored services match community needs.*

The services provided in each school will vary based on the needs of that community, but the goal is the same: allow educators to focus on teaching, and students to focus on learning instead of concentrating on hunger, healthcare or even in some cases shelter. In many cases, these services are also available to parents and the larger community, making the school a neighborhood center and increasing parental engagement and community investment in the success of the school.



### *The results of community schools are clear.*

Effectiveness of community schools can be seen all over country: In one of the most high-poverty areas of Los Angeles, there is a community high school where 99 percent of graduates go to college. The city of Cincinnati was able to shrink its racial and socioeconomic achievement gap from 14.5 percent to 4.5 percent. In Texas, two schools located in Austin's most high-poverty neighborhood went from the brink of closure to becoming two of the highest performing schools in their city.

### *This investment yields a real return.*

The Children's Aid Society (CAS) of New York found that New York City's Community Schools have a return on investment of between \$10.30-\$15 for every dollar invested. These results are corroborated by those of a 2012 economic-impact study by EMSI, a leading economic-modeling firm, which showed that every dollar invested in the network of more than 100 schools operated by the nonprofit organization Communities in Schools generated \$11.60 of economic benefit for the community.

## The Philadelphia Energy Campaign

*Save millions and create jobs by creating energy efficiencies.*

The Campaign's \$22.7M commitment will allow the City to finance \$100 million in bonds to be used make city buildings sustainable and energy efficient. The plan calls for reducing energy costs by 20% through energy efficiency retrofits, which will result in \$16M of savings per year. Currently, the City spends approximately \$78 million a year to heat, cool, and operate its facilities. Dollars saved by these efficiencies can be shifted from avoidable building operating costs to other critical needs.

*Efficiencies affecting all Philadelphians.*

The Campaign will tackle energy efficiency projects in five key sectors: City buildings, Schools, Low-Income Residential, Small Businesses, and Manufacturing in the city of Philadelphia. This first investment of \$100 million will be in City buildings.

*The evidence is in.*

The Campaign's model for the municipal building sector is the City's Quadplex Guaranteed Energy Savings project. Under the leadership of the Office of Sustainability and Energy Office, the City installed energy conservation measures in four buildings: City Hall, the Municipal Services Building, the Criminal Justice Center, and One Parkway. These buildings made up roughly 7% of municipal energy spending (or roughly \$5.2 million). Annual savings are guaranteed by (Energy Savings Company) ESCO partners at \$1.4 million per year or better (or roughly 11% of spend). The project is on track to be cash flow positive in Year 1 of the performance period.

## Dedicating New Funds to our Pension

*Being fiscally responsible while addressing our City's biggest needs.*

Whenever we're able, we must address our pension obligations. While alleviating poverty, improving educational outcomes, and creating new jobs are not priorities that can be put off, neither is our pension fund. We will inject over \$25M into our pension fund over the next five years. While the Mayor will continue to work towards more systemic reforms with our unions and pension fund managers, it is also important to broadcast to our lenders that we take our obligations seriously. We are committed to putting every dollar we can towards addressing the shortfall.

## Funding our Priorities

*New revenue is needed and we must raise it in the fairest way possible.*

Funding the above mentioned programs requires revenue. Increasing property taxes again for the fifth time in six years would be incredibly unfair to Philadelphians who already pay more than their fair share. PILOTs could not cover the cost of these broad-reaching programs. Instead, we will fund these programs with a sugary drink tax of 3 cents per ounce on the distributor. A sugary drink tax is a tax on beverages with added sugar.

*Citizens and employees will not suffer from this effort.*

The tax will be levied on licensed beverage distributors. Licensed beverage distributors are distributors that are certified through Philadelphia's Department of Licenses and Inspections and act as an intermediary between the beverage producer and retailer.

Point of sale transactions in retail stores, such as in local small businesses, will not be subject to this sugary drink tax. Because the tax is levied on licensed distributors, rather than being levied at the point of sale, prices of sugary drinks may stay the same at the store level. When the City of Berkeley, California initiated their Sugary Drink Tax, sugary drinks saw different rates of price increase while some stores kept prices the same.

Small businesses may actually see an increase in sales for non-sugary drinks. In Mexico, consumption of bottled water increased by four percent after a sugary drink tax was enacted. The two largest unionized beverage truck driver employers in Philadelphia are Pepsi and Coke. Their drivers deliver all products under the Pepsi and Coke label which includes not only sugar-sweetened beverages, but also water. Quantity of items delivered depends on the demand of the item. If the soda tax results in a lower demand for soda, the beverage companies and truck drivers will still have overall demand for beverage items, and may even see an increase in demand for water.

*Soda companies can afford to help our kids, our schools and our communities*

Taxing soda at the point of distribution and not at the point of sale means that distributors will be responsible for paying that tax. Additionally, these companies, along with their largest partners, are already following the national trend of diversifying their products beyond reliance on soda profits.

Traditionally, soda and other sugary beverages were the most important segment of products for industry profits. However, due to product diversification, profits generated from snacks, water, and alternative beverages such as coke zero and diet coke have been on the rise over the past decade. These drinks will be exempt from the proposed sugary beverage tax.



*A sugary drink tax has passed in other localities.*

On November 4, 2014, Berkeley resoundingly approved Measure D, becoming the first city in the country to successfully levy a tax on sugary drinks. That same year, a majority (55%) of San Francisco residents voted to approve a tax on sugary drinks, but the ballot measure needed 66% of the vote to be enacted.

The Navajo Nation Council established the Healthy Dine Nation Act in November 2014. The law taxes foods of minimal to no nutritional value, including sweetened beverages and snacks. Revenue generated by this tax is allocated to a Community Wellness Development Fund to fund local government projects.

*Soda companies target poor communities of color and children.*

Coca-Cola placed 38 million ads for products or promotions on children's websites in 2013. African American children and teens saw more than twice as many television ads for sugary drinks than white peers in 2013. Lower-income African American and Latino neighborhoods had more outdoor ads (billboards, bus and bus shelters, store window posters) for sugary drinks than lower-income white and higher income neighborhoods in 2009.

In 2013, Hispanic youth were 93% more likely to visit beverage company websites compared with all youth, while African American youth were 34% more likely to visit those websites.

*Our programs target investments aimed at reducing poverty and providing valuable investments in our most vulnerable underserved communities.*

The revenue from the sugary drink tax will invest in programs that will provide opportunity directly to our struggling neighborhoods and underperforming schools: quality pre-k, community schools, and improved rec centers, parks and libraries.

Investments in programs that will provide opportunity for children and adults alike are the kinds of investments we want to see in the 21st century.