



# PENNSYLVANIA

## Budget and Policy Center

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Testimony on the Philadelphia Beverage Tax  
Senate Local Government Committee  
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Mr. Chairman and members of the committee,

My name is Marc Stier. I'm the director of the Pennsylvania Budget and Policy Center. PBPC is an organization that works for broadly shared prosperity in the Commonwealth by means of research, advocacy, and organizing on public policy issues.

### **Why we supported the Philly Beverage Tax**

We had intense discussion among our staff members about how to view the beverage tax. We typically oppose taxes that are narrowly focused or that fall more heavily on those with low incomes than those with high incomes. While we believe that the benefits of the programs funded by the tax—in particular, pre-k education and rebuilding community centers and playgrounds—also particularly benefit those with low incomes in the city, that was not enough for us to support it. Other taxes could be used to pay for these important public goods.

The question for us became, are there any positive benefits that comes from a tax on sugar-sweetened beverages, like there are for taxes on tobacco.

I spend weeks reading a wide range of medical research and consulting with experts in the field. On the basis of that research, and my extrapolations of it to Philadelphia, it became clear that a tax that not only raised revenues but led to a decline in the consumption of sugar-sweetened beverages would dramatically reduce the incidence of diabetes and heart disease in the city and save a great deal in lost wages and health care costs for individuals, employers and the taxpayers of the city.

Soon after we published our research paper, a paper based on the same research, but using more sophisticated methods than those available to me, released by a group from Harvard University. It came to similar conclusions and found that the benefit of a tax on sugar-sweetened beverages would be even greater than I had predicted. Over ten years the tax would prevent 36,000 cases of obesity, prevent 730 premature deaths, and save \$200 million in health care spending.

Let me parenthetically note that Philadelphia does tax beverages that are sweetened by sugar as well as those that use artificial sweeteners. That does not change our predictions. Everywhere taxes of this sort have been put in place at the distributor level, prices have gone up for both sugar-sweetened and artificially-sweetened beverages.

## **How has the Philly Beverage Tax worked in practice?**

So far, the tax appears to be working well. It has brought in less revenue than expected as there has been a decline in the purchase of soda and related beverages. But tax revenue is high enough for the purposes for which the tax was adopted. Tax revenue is likely to increase as the practical difficulties in collecting it and the sticker shock of higher soda prices is overcome. Moreover, if soda purchases decline more than predicted, that is not necessarily a bad outcome. It may mean that the tax is doing a better job in addressing the public health dangers of consuming sugar sweetened beverages.

When we think about the impact of the tax on the city's economy, we should remember two things: First, when the American economy is on track it is very dynamic. Businesses rise and fall as competition provides new goods and services and customer tastes change. Second every tax and indeed every public policy has some economic impact. It is important to look at both the benefits and costs of those public policies.

In this case, it is possible that the beverage tax is having an impact on the grocery store business by leading people to purchase fewer drinks or purchase them across the city border. For a few reasons, I'm inclined to think that impact is highly overstated.

First, wild claims that groceries stores are losing 10% or more of their sales seem incredible on their face when a survey of grocery stores by their own trade magazine, [Progressive Grocer](#), shows that only 6% of food sales and 2% of total sales come from all beverages, including those taxed and not taxed in Philadelphia.

Second, there are many possible sources of a decline in sales in some grocery stores and corner stores that have nothing to do with the beverage tax. I have enormous respect for the work of Controller Butkovitz, but I find his study flawed. A survey of businesses at a time when the beverage industry is whipping up hysteria about the beverage tax is not likely to give us accurate results. And, even more importantly, it does not take into account two sources of reduced sales in ongoing grocery stores and corner stores: changing consumer tastes which was leading to a decline in soda sales before the soda tax and the development of new grocery stores in the city that was no doubt cutting into the sales of existing grocery and corner stores. If one holds up a map of where the Aldi company recently re-opened Bottom Dollar stores and where the Controller found declines in sales, the overlap is quite striking. I also want to note that while many of us are sympathetic to the plight of corner store owners, public policy in Pennsylvania and Philadelphia has long encouraged the development of supermarkets in food deserts. I'm a huge admirer of Jeff Brown and I do some of my grocery shopping at his Shop-Rite in East Falls. But it is fair to mention that public subsidies have helped him open that and other stores and the intended result of those public policies was to give Philadelphia consumers an alternative to the limited options and high prices found in corner stores.

Third, one of the striking features of the Controller's study is that it appears to undermine the claim that Philadelphians are crossing city lines to purchase beverages. The largest losses are in parts of the city that are actually farther from the city border.

Finally, we need to consider the positive impact on jobs and the economy. Pre-K centers have already created over 250 new jobs. Community school programs have created many others. And the Rebuild program will create hundreds if not thousands more and play a vital role in helping Philadelphians enter the Building Trades.

In sum, we believe that the Philadelphia beverage tax is working well. It is raising sufficient money for pre-k and community centers. Far from costing jobs, it is most likely increasing them. And by discouraging people from drink sugar-sweetened beverages, it will have a dramatic positive effect on the health of Philadelphians over the next generation.

Thank you for the opportunity to testify today.