

**TESTIMONY PRESENTED TO:**

**The Honorable Scott Wagner, Chair  
Senate Local Government Committee**

**The Honorable John Blake, Chair  
Senate Local Government Committee**

**Committee Members:**

**The Honorable James Brewster  
The Honorable Michele Brooks  
The Honorable John Eichelberger  
The Honorable Vincent Hughes  
The Honorable Scott Hutchinson  
The Honorable Wayne Langerholc  
The Honorable Scott Martin  
The Honorable Thomas McGarrigle  
The Honorable Judith Schwank**

**and The Honorable Senator Anthony Williams,  
who requested the public hearing**

**BY:**

**David McCorkle, President Emeritus  
Pennsylvania Food Merchants Association**

**HARRISBURG, PA  
STATE CAPITOL  
ROOM 8 A-E EAST WING  
9:00 A.M.  
TUESDAY, OCTOBER 17, 2017**

**TESTIMONY OF THE PHILADELPHIA BEVERAGE TAX PRESENTED ON BEHALF OF THE MEMBERS OF THE PENNSYLVANIA FOOD MERCHANTS ASSOCIATION**

**BY**

**DAVID MCCORKLE, PRESIDENT EMERITUS**

Thank you for the opportunity to share comments about the passage of the Philadelphia Beverage Tax in June 2016 and the impact of the taxation beginning on January 1, 2017.

The Pennsylvania Food Merchants Association (PFMA) is a statewide trade association advocating the views of convenience stores, supermarkets, independent grocers, wholesalers and consumer product vendors operating in Pennsylvania.

PFMA's membership consists of national chain stores, regional chains and locally owned independent retailers of all sizes. Our 800 + corporate members operate more than 3,200 retail food stores and employ more than 150,000 Pennsylvanians.

Comments on the Beneficiaries

Attached for your information is a summary of how beverage tax funds will be spent. The document was published in 2016 based on information from the Mayor's office. The funding plan is evolving and I am sure that a new plan is forthcoming in light of revenue shortfalls for the initial five months of taxation.

The food industry, from retailers to the farm community, supports the expansion of Pre-K services, funding for education from K-12, financial support for rebuilding Philadelphia and improvement of parks and recreation programs that make up about 73% of the 2016 funding plan. However, the tax is falling far short of anticipated collection as demonstrated by City Controller Alan Butkovitz's testimony today. In my opinion, if the tax continues, it will stop food store development in Philadelphia. The result will be store closings, additional job losses and the loss of convenient city shopping locations where healthy and affordable food will be available.

Projected Impact on Philadelphia's Food Sales

Since the implementation of the Pennsylvania Fresh Food Financing Initiative in 2003 public and private investment in food store development in Philadelphia has exploded. New stores have opened, neighborhoods have changed and employment has expanded. The average supermarket provides over 150 full-time jobs for individuals often hired from the immediate area. In 2016/17, the following stores opened. Many were in development stages for years and others reopened after several Pathmark and Super Fresh locations closed.

Wyncote Fresh Grocer  
Grays Ferry Fresh Grocer  
3<sup>rd</sup> & Oregon ShopRite  
Washington Lane Save-a-Lot

Monument Road Fresh Grocer  
69<sup>th</sup> Street Fresh Grocer  
Cheltenham Market  
Glenolden ShopRite

Had the current owners of those stores known that the Philadelphia Beverage Tax would pass in 2016, I don't believe any would have opened. Testimony today from PFMA's chairman Jeff Brown and written testimony from the Fresh Grocer Executive Vice President, Grant McLoughlin, provides insight into how the new locations are doing and what the future will bring if the beverage tax continues. Testimony from Daniel Grace, Secretary/Treasurer of Teamsters Local 830 and union members will document the devastating impact of the tax on beverage industry associates.

### The Impact of the Tax on Philadelphia Families

Philadelphia has the highest percentage of citizens living in poverty of any major city in America. About 25% of Philadelphians receive SNAP (Supplemental Nutrition Assistance Program) benefits. They use SNAP and other federal and state funded assistance programs to put food on the family table. Most recipients are elderly, disabled or children.

City Council members who voted for the beverage tax and Mayor Jim Kenney know that the tax is regressive and discriminatory. When Ed Rendell became Philadelphia's mayor in 1992 he faced what was termed by author Buzz Bissinger as a crisis of faith in his book *A Prayer for the City*. The mayor and his exceptional staff began the task of restructuring the city government to effectively address economic and non-economic issues.

Mayor Kenney began his tenure with similar challenges and ran on a platform that included plans to reduce spending and taxes in order to increase economic growth and employment while improving services.

Now, as the mayor approaches mid-term, the beverage tax controversy has chilled growth in the retail food sector. Moreover, the long term management and fiscal challenges facing the City and the Philadelphia school system have been lost in the debate over an unsustainable tax that will never cover the cost of important human services promised by Philadelphia's elected municipal leaders.

I urge Mayor Kenney and City Council to work with members of the Senate Local Government Committee, Governor Wolf and the members of the House of Representatives to identify sustainable funding sources for programs that we all support like Pre-K.

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# Infographics

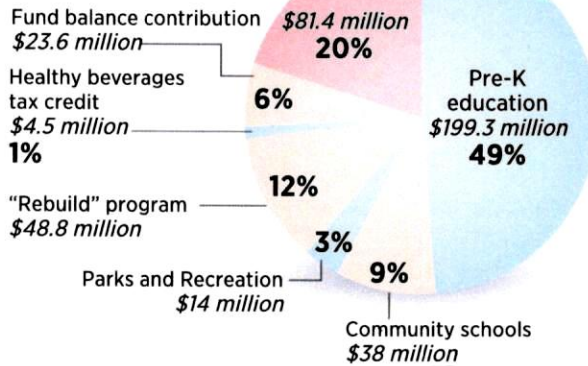
(mailto:?subject=Philly.com: Graphic: New Recipients of Drinks-Tax Revenue&body=Read the full story here:  
<http://www.philly.com/philly/infographics/382844231.html>)

## New Beneficiaries of Tax on Sugary and Diet Beverages

In addition to funding early childhood education, about 20 percent of the projected revenue from the tax on sugary and diet beverages would help pay for other city programs and employee benefits.

### Proposed spending from drinks-tax revenue, fiscal 2017 through 2021

#### New funding beneficiaries in 2017



#### New funding beneficiaries in fiscal 2017

Employee benefits	\$6,700,000
Health and Human Services	\$4,375,000
Juvenile Lifers Without Parole	\$1,600,000
Community College	\$1,000,000
Cultural institutions	\$915,000
Community Life Improvement Programs	\$700,000
Internal Services	\$420,000
City Commissioners - presidential election	\$365,000
Recreation Activities Fund	\$215,000
Community Development	\$210,000
Community Legal Services	\$150,000
Board of Revision of Taxes	\$100,000

SOURCE: Mayor's Office

Staff Graphic

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