



CITY OF PHILADELPHIA

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CLARENCE D. ARMBRISTER
CHIEF OF STAFF

May 26, 2011

The Honorable Anna C. Verna
City Council President
City Hall, Room 400
Philadelphia, Pa. 19107

Dear Council President Verna:

In recent days a number of troubling misconceptions related to school funding and the city budget have been circulating. I'm writing to you today to set the record straight in the hope that it will better focus the current budget discussion.

First, there's been confusion concerning the 9.9 percent real estate tax increase that Council approved by ordinance and the Mayor signed last year for the City portion of the combined tax. Some members of the media and local activists have construed this rate increase for the City as a loss for the School District, pointing to the changed percentage split in the combined City/School District real estate tax rate. The facts are otherwise. The School District had no change in what really matters – the millage rate that helps fund its budget.

As a result of the tax rate hike for the City, the total millage rate changed – from 82.64 mills to 90.82 mills, with the School District's rate remaining at 49.59 mills.

Therefore the activists and media are correct that, prior to last year, the ratio of the overall real estate tax bill was 60 percent to the School District and 40 percent to the City. Last year's tax hike – which, again, only increased the City's millage and did not change the School District's – changed that division of the total amount collected to 55 percent for the schools and 45 percent for the City.

But, in light of the confusion that is circulating, it cannot be emphasized enough: **There was no change and no loss of funds to Philadelphia's schools.** In terms of tax dollars, the School District will receive roughly the same amount of funding through property taxes--approximately \$600 million--this fiscal year as it has in the last two years.

Second, I understand that there's been some discussion of using a shift in property tax millage in support of the Philadelphia School District's efforts to balance its FY12 budget and thereby maintain critical educational services to the city's children.

While the Mayor has been very clear in stating his support for additional resources in the range of \$75 million to \$110 million to preserve full-day kindergarten, restore transportation for students, maintain reduced class sizes and continue alternative education options for certain students, all of which will preserve quality education options for our students, the Administration believes that a millage shift is not a wise course for the city to pursue.

Even at the low end of this funding range, a millage shift would open a painfully large gap in the City's budget, requiring spending reductions that would create noticeable service impacts throughout city government.

Balancing the City's budget in the wake of a \$75 million millage shift would require the following kinds of unwanted annual cuts, first from the areas where new modest investments were proposed by the Mayor in his budget proposal. These cuts would total about \$20 million and include the following:

- Cancellation of the new police class of 120 recruits;
- Removal of funding for snow removal;
- Laying off of 52 probation officers;
- Reduced funding for the District Attorney;
- Reduced funding for Youth Violence Reduction Program and the Tobacco and Obesity Programs;
- Elimination of \$1 million for literacy efforts;
- Reduced funding for PHS Clean and Green;
- Reduced funding for a full pool season resulting in a shorter pool season;
- No funding for citywide rollout of PhillyRising;
- Elimination of increased funding for the Recreation Activities Fund;
- Elimination of \$500,000 public safety rewards fund, funding for pedestrian plazas and various other initiatives.

But even with these reductions, the City would need to identify at least \$50 million more just to keep the FY12 budget balanced. Before sharing that list of cuts, let me provide some additional context.

First, as you know, about 60% of the city's general fund budget is comprised of items beyond the city's direct control such as pension and other employee benefits, debt service, long term contracts, legal requirements (such as the school district payment) and costs for independently elected officials.

Second, budget reductions of \$50 million would represent a 3.7% cut to the remaining costs under the City's direct control.

Now, as part of the fiscal 2012 budget process, City departments were asked to prepare a budget scenario based on a 3.0% cut in funding. While the 3.0% cut scenario across departments would not be enough to achieve the additional \$50 million reduction in the city's budget needed to fund a proposed millage shift, the resulting fiscal impacts are considerable:

- Layoffs of 244 police officers
- Deactivation and/or brownouts of fire and EMS companies reducing number of uniform positions by 64.
- Reduced facility hours at recreation centers including all centers closed on Saturdays year round and all summer evening programs eliminated. Park restrooms would be closed on weekends, trash would be collected only Monday through Friday, and three mowing cycles would be eliminated reducing field availability.
- An estimated 84 bed reduction in emergency homeless shelter housing and 16 bed reduction in transitional housing at a time when OSH is getting cut by other levels of government.
- Reduction of 24 positions at libraries resulting in emergency closings of library branches.
- Approximately 50 positions eliminated in Streets resulting in neighborhood cleaning programs being discontinued, reduced recycling, and reduced street lighting maintenance.
- Cuts to Prison contracts resulting in triple celling.
- Cuts to Public Health would result in 11,000 fewer referrals of uninsured patients for follow up diagnostic and specialty care not available at health centers. These people would be at risk of not receiving the medical care that they need.
- Layoffs in various other departments.

I'm certain that you would agree that the deep cuts listed above would undermine the service levels that we've fought so very hard to maintain in the last two years. After working in partnership through the worst recession since the Great Depression, a millage shift would be a tragic action at a time when we're actively preparing for a brighter future as our city's economy begins to come back.

Thank you for all the work you have done with the Administration on the FY12 budget. I look forward to completing action on the City's budget while at the same time finding a sustainable and fair method of supporting the City's schools.

Sincerely,



Clarence D. Armbrister
Chief of Staff

cc: Michael A. Nutter, Mayor
All Members of City Council