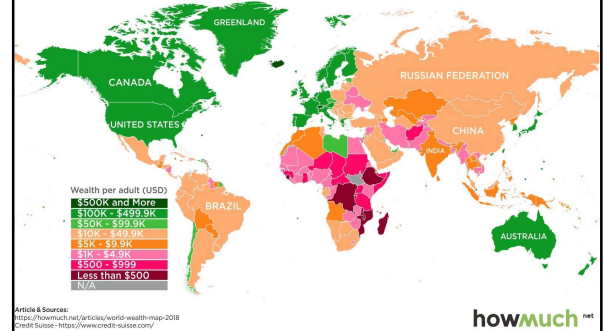


How extremes of wealth & poverty; Shape politics & policy in cities: Mumbai

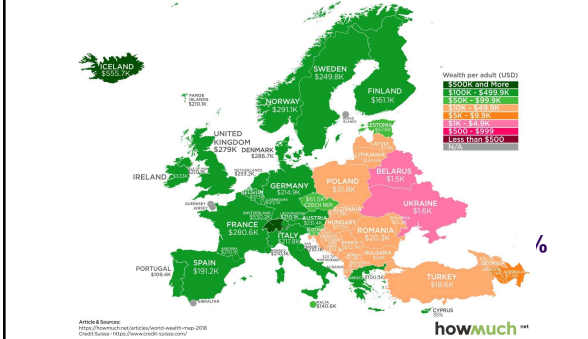


We can look at this through global disparities

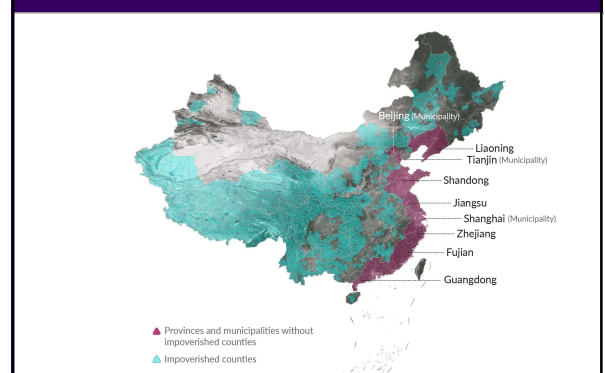
World Wealth Map 2018



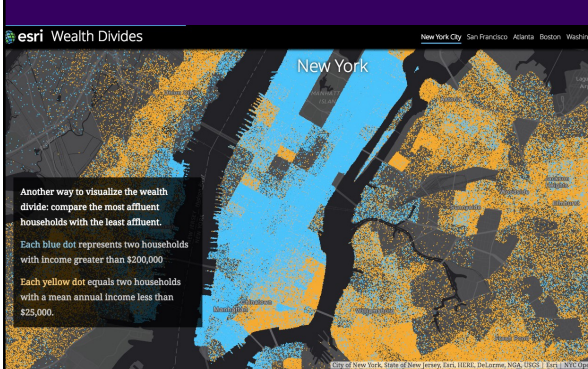
Differences within the same continent Europe Wealth Map 2018



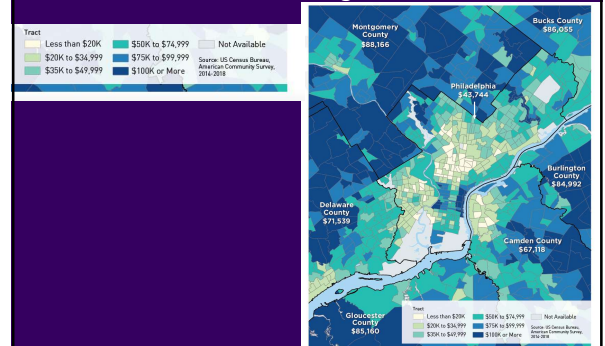
Within individual countries

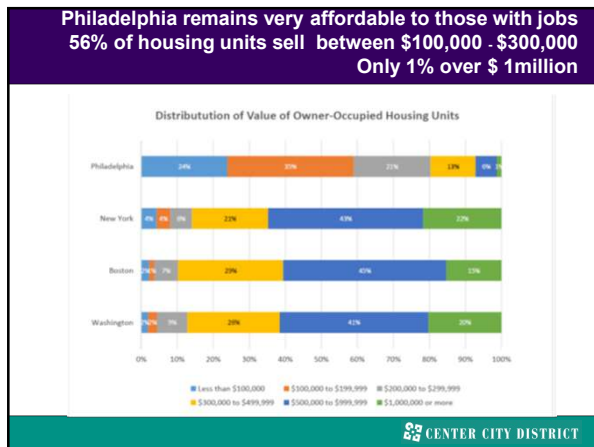


Within cities



Income disparities between downtown, neighborhoods & suburbs





Challenge concentrated among households <\$35,000

36.4% of all city households

TOTAL HOUSEHOLDS	TOTAL HOUSEHOLDS	COST BURDENED	PERCENT COST BURDENED
Total Households with Income	601,337	228,227	38%
Less than \$20,000	127,325	108,493	85%
\$20,000 to \$34,999	91,972	61,001	66%
\$35,000 to \$49,999	75,180	32,638	43%
\$50,000 to \$74,999	93,805	18,782	20%
\$75,000 or more	184,240	7,313	4%
Zero or Negative Income	17,913	17,913	100%
No Cash Rent	10,902	0	0%

Source: US Census Bureau, American Community Survey, 2019 five-year estimates

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- ### Responding to extremes of wealth & poverty in cities
- (1) Global trends: Milanovic
 - (2) What can be done at the level of the nation-state
 - (3) What can be done at the local level city and/or region
- CENTER CITY DISTRICT

Branko Milanovic

Early chapters (not assigned) make the following argument:

In agrarian, rural economies, with very slow growth, level of income inequality is not great

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Colonial America at time of Declaration of Independence
a world of primarily agrarian & urban artisan equality
for white, male residents; southern economy built on slavery



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Emergence of urban equality



When European & American cities
first industrialized in 19th century

industrialization meant the
concentration of capital (wealth) in
entrepreneurs & industrialists hands

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Results in income extremes



with movement of workers
from farms to cities – huge
income disparities emerged
between capitalist owners &
working class laborers

Step up from rural poverty
To urban hourly worker

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But rather than result in class warfare,
as Marx predicted following Paris 1848



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After decades of labor organizing & strife in US



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In the United States
Unions formally recognized as representatives of workers

Progressive era in US (1900-1914)

- regulating of monopolies & business
- recognition of labor unions/collective bargaining
- Shorter work-week
- Their bargaining power raised wages

1930s: Social welfare benefits were put in place
at the national level in the United States during Depression

- unemployment compensation
- retirement/pension systems: social security
- Minimum wage

Europe in 1880s and 1890s

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Branko Milanovic



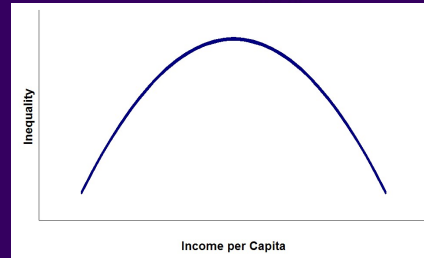
Simon Kuznets Russian born American economist; joined Wharton's faculty in 1931,

National Income and Its Composition, 1919-1938, published in 1941 developed first measures of the Gross National Product

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Won Noble prize for economics in 1971

Kuznet's curve: hypothesis that as an economy develops market forces first increase inequality, but then decrease economic inequality



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In early stages of development, investment opportunities for those who have money within cities multiply, while an influx of cheap rural labor to cities holds down wages.

Return on capital creates huge disparities in wealth

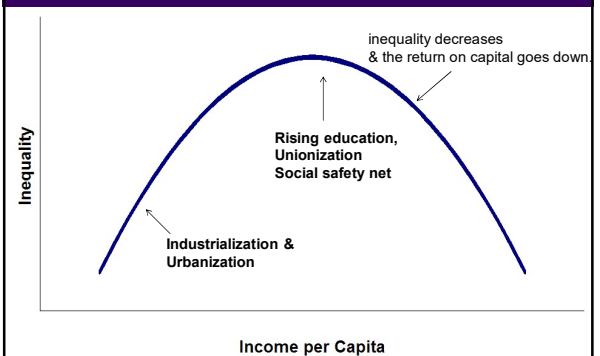
But then gradually as education & skill level rise among workers, unions form & strengthen bargaining power

social safety net-

social security, unemployment compensation
aid to families with dependent children (welfare)
Minimum wage (politics are about adjustments)
Creating a floor under income

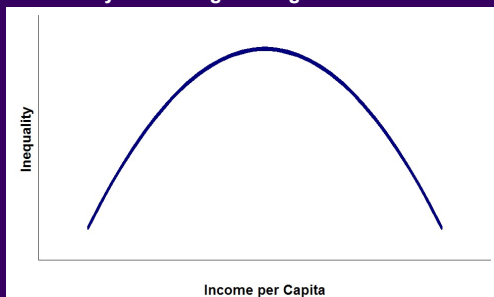
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Kuznets curve



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Long-term: capitalism tends toward equality & stability
Partially describes the US in 1945-1980
Labor peace & strong growth
Very reassuring message in middle of Cold War



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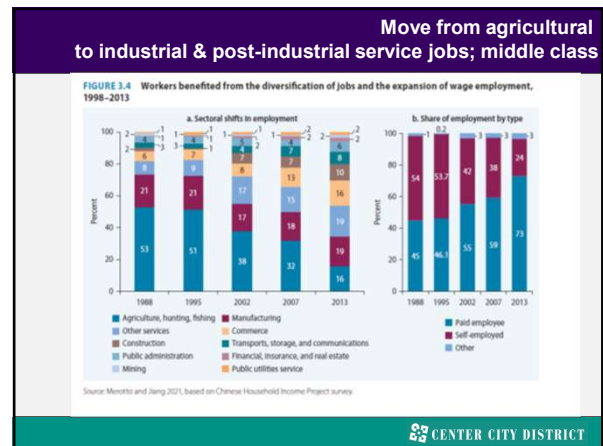
Similarly the industrial revolution in Europe & North America, created global disparities between Atlantic economy & rest of the world (age of European colonialism)

Post WW 2 independence movements challenge European control
& as 3rd world economies: Middle East, China, India, Brazil
Go through a similar process of industrialization, urbanization, they go through a similar process of inequality & then greater equality

So global inequality will also decline

Huge reduction of poverty & formation of a giant new middle class in China's cities

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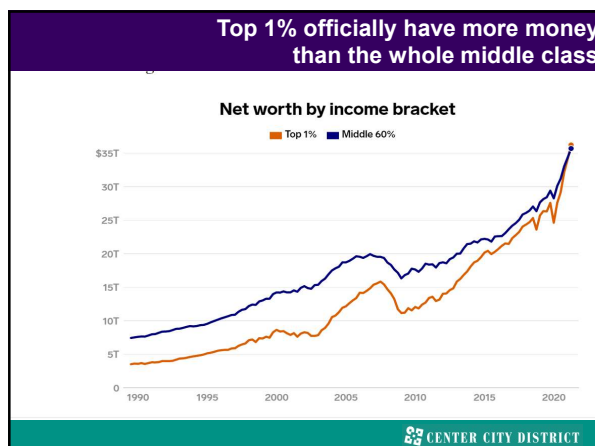
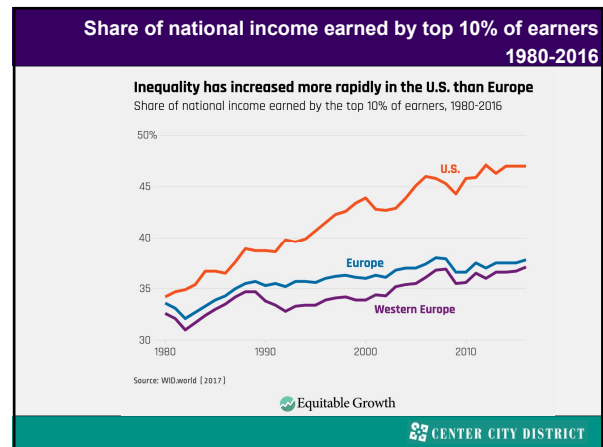


In Europe & North America Kuznet's curve ceases to bend downward

This theory seemed to hold until 1980s when we experienced rapid growth in inequality in Atlantic economies – Europe & North America –

this wasn't supposed to happen

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Thomas Piketty, Capital in 21st century

French Marxist economist
Published in France in 2013; English, 2014

Decrease in 20th century disparities in wealth is a special case (Kuznets is wrong):

- driven by two world wars which destroyed capital & wealth
- high-rates of taxation to finance the wars
- rise of democratic socialist & new deal policies

But in 1980s, the “normal” tendency of capital to yield higher returns resumed

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Change most visible in tax policy

Progressive income tax introduced in US in 1913

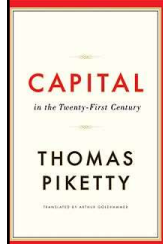
70% top tax rate highest income brackets between 1919-1922

Cut in the 1920s to 25%

FDR -1933 63%; 79% in 1937

88% in 1942 - World War 2

90% thru 1950s, period of greatest prosperity in US; tax policy is what achieves relative equality



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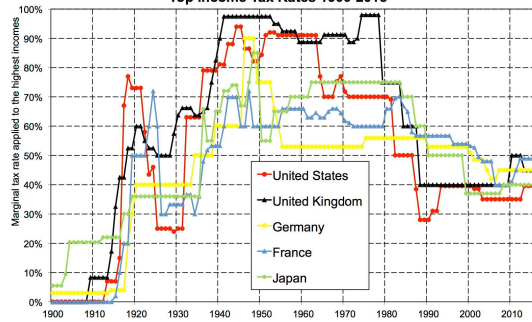
U.S top marginal tax rate on individual income

Tax rates: 1913-2017



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Top Income Tax Rates 1900-2015



In the U.S., the top marginal income tax rate (applying to the highest incomes) dropped from 70% in 1980 to 28% in 1988.

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Piketty

Beginning in 1980s, the "normal" tendency of capital to yield higher returns has resumed, unions have been weakened, tax rates have gone down & the influence of money in politics has gone up.

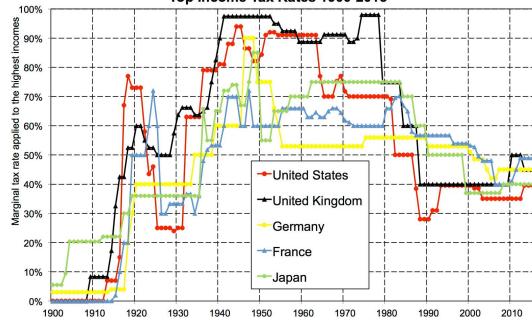
Marginal tax rates fell to 30%-40% 1980-2010
Climate in which executive compensation skyrockets

Currently 37%

It's not structure of economy, but national tax policy that accounts for inequality

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Top Income Tax Rates 1900-2015



In the U.S., the top marginal income tax rate (applying to the highest incomes) dropped from 70% in 1980 to 28% in 1988.

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Piketty does calculation of total taxes that pay for education, health and pensions as a percent of national income

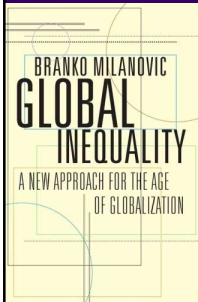
Total taxes as a percent of national income
Dedicated to social welfare functions

US	30%
Britain	40%
Germany	45%
France	50%
Sweden	55%

Argues for a political solution: redistribution

Proposed a European scale estate tax
higher marginal tax rates on high income earners
Would need to get all EU countries to agree

Milanovic offers different explanation for inequality



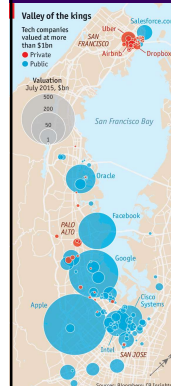
1980s ushered in new (2nd) technological revolution: information technology & rise of a diversified service sector.

This occurred simultaneously with the emergence of major Asian economies.

Increase in inequality happened because once again new technologies in innovation industries strongly rewarded a new generation of entrepreneurs & highly skilled labor, and this drove up the share of & return on capital



Dominant innovation clusters



Apple, Cisco, Dropbox, Entel, Facebook Google, Oracle, Salesforce, Uber

Information technology/digital connectivity unleashes *creative destruction* (Schumpeter)

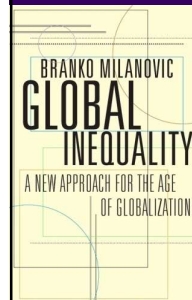
Taxi cabs; newspapers; hotels



Moretti; the *great divergence* Dominate innovation cities pull ahead, others fall behind



Milanovic



The combination of IT concentrating wealth & the process of globalization opened affluent, Atlantic economies to competition from rapidly industrializing China & India, with much lower labor costs.

Both China & former Soviet block nations entered the global labor market, weakened labor's bargaining position & decreased earning power of working & lower-middle class.



Milanovic: 3 overlapping explanations

Political: Reduction in marginal tax rates increases inequality

Globalization: Heightened mobility of capital also makes it much harder to tax at national level & puts downward pressure on the wages for the working class & this exacerbated inequality

Social: Women entering workforce in increasing numbers & tendency of high-skilled, high-wage individuals to marry each other, or same-sex marriages, only reinforces income concentrations.



Branko Milanovic

At same time: growth of Asian middle class;

Flattening out of earnings of working & lower middle class in Europe & America

Compounded by immigration from Africa & the Middle East into EU & from Mexico into the U.S.

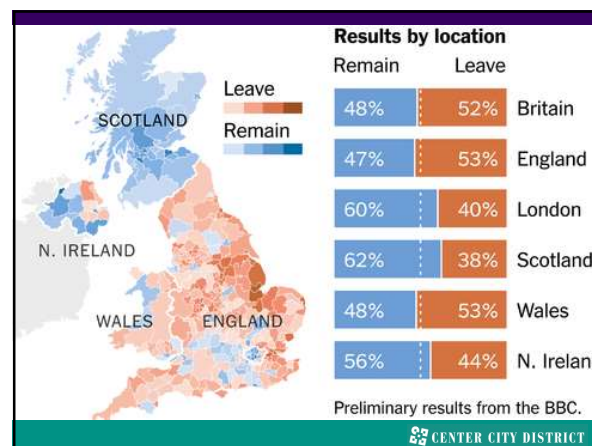
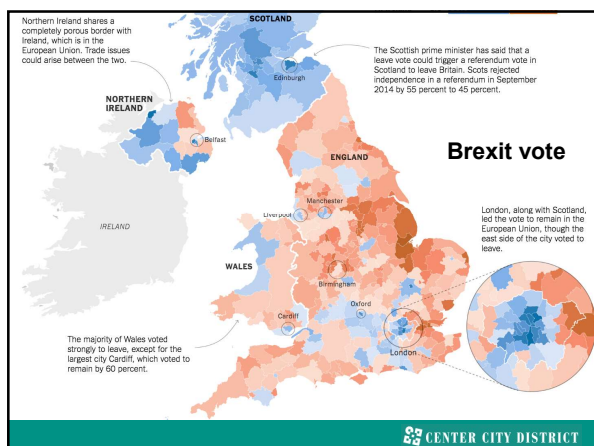
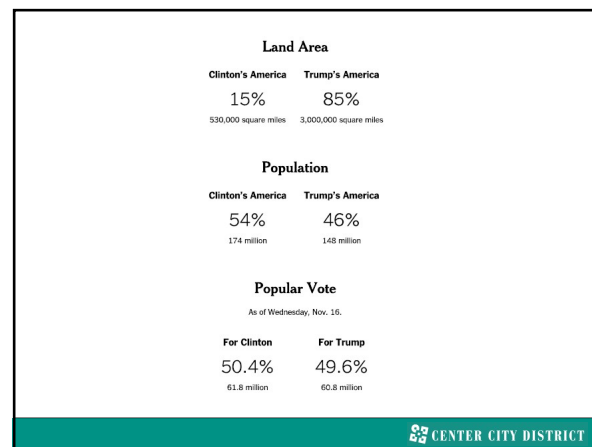
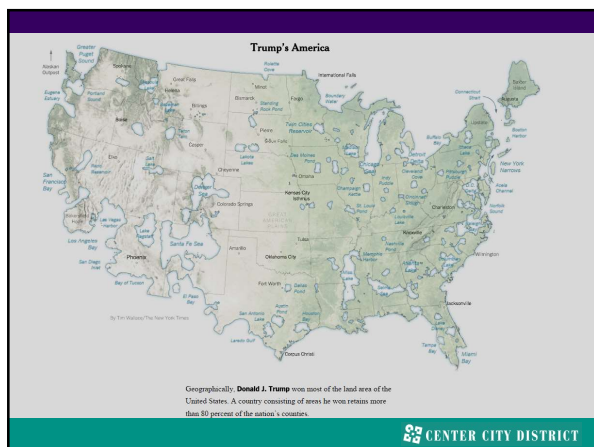
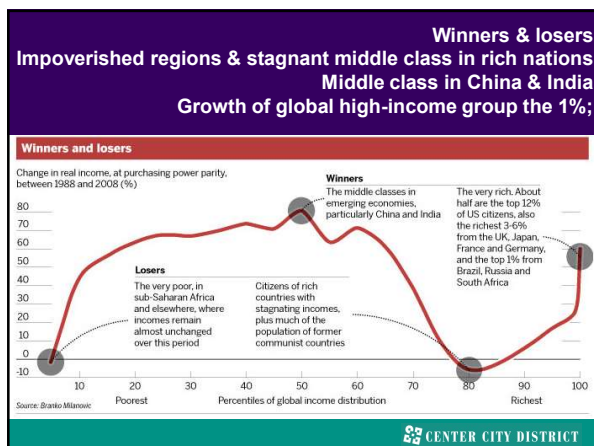
Low-skilled labor usually taking jobs that existing residents don't want but prompting anti-immigrant sentiment; political exploitation

Global income disparities decreased during 2008-2011 Recession, due to high growth rate that was sustained in China while there was a slowdown in Atlantic economies: Europe & North America

Reaction:

Nationalist opposition to free-trade; domestic opposition to immigration "Occupy Movement"





Addressing inequality

(1) Global trends

(2) What can be done at the level of the nation-state

(3) What can be done at the local level city and/or region



Branko Milanovic: Possible solutions

(1) increase marginal tax rates (mobility of capital makes this hard)

(2) education/skill level rise for working & lower middle classes

(3) lower returns on capital – in technology & other service sectors – through higher business taxation – capital gains

(4) rising wages in China & India – cause companies to bring jobs back to US (but downward pressure from Indonesia, Vietnam or Ethiopia); (or tariffs, national *Buy America* provisions)

(5) new technologies improve productivity of lower skilled workers without making them redundant



National political trends

America's main political parties and many European political parties began fragmenting or unravelling
In wake of Great Recession

20th century Republican party

Since the 1950s/1960s

Small government, except for defense & aerospace
minimal intervention in the marketplace
tax reduction to support entrepreneurial activity
free trade, internationalist policy,
moral and religious conservatism
traditional family values
Given new momentum by Ronald Reagan



Party of Trump: continued focus on tax reduction

1989 Anti-communism ceases to be an organizing principal
Post-911: anti-terrorism replaces it; but then weariness w/ war

Added opposition to immigration; opposition to free-trade,

Focus on the adverse impacts of globalization -
nationalist in focus, reinstating tariffs shelter domestic industry

So did Bernie Sanders from the left

"Globalism" as the ideology of winners,
Moretti's coastal, urban technocratic elite
Party of Trump – supporters of Brexit
Focused on the losers from globalism



Democratic Party

1930s to 1970s: New Deal, Great Society

Pro-labor; strong social safety net funded by progressive income tax;
inequality address thru government action: "old democrats"

1990s: "new democrats" Hart, Clinton, Gore

Market as powerful driver of growth

Accept much Reagan's deregulation, lower tax rates to prompt investment

Support for innovation economy; global free trade

Growth as means to create resources for redistribution

Education & training: "build a bridge to 21st century"

Great Recession: Obama, health care, pro-market



Bernie Sanders & Elizabeth Warren Resurgence of democratic left

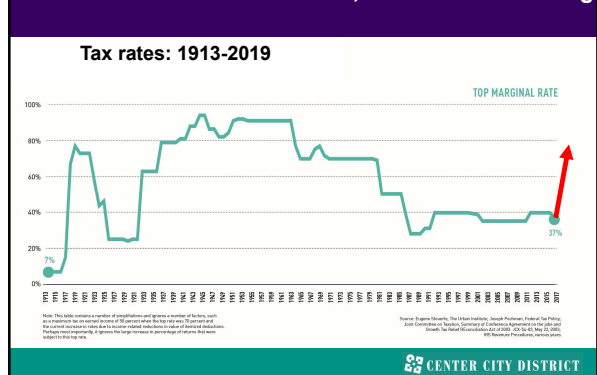
As a democratic socialist, Sanders was not calling for public ownership of means of production

Keep capitalism in place, but raise tax rates on the wealthy at the national level; increase taxes on large businesses

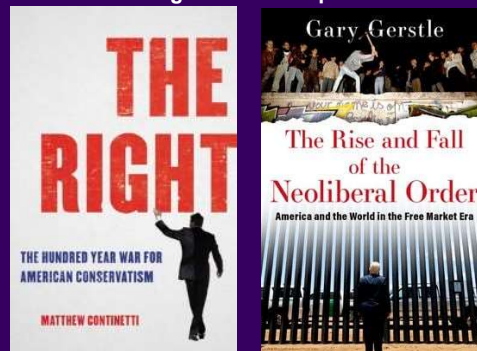
To fund universal health care; free college;
Affordable housing



**Proposals at national level to raise marginal tax rates
To fund health care, education & housing**



- Transformation of American political parties
- Unravelling of American political consensus



Biden: old democrat pulled left



The Philadelphia Inquirer

BUSINESS

A Philly wealth tax could raise more than \$200 million, sponsors say. But critics call it a disaster.

The bill seeks to remedy the growing inequality in wealth by taxing richer residents. It takes a different approach from President Biden and Sen. Elizabeth Warren who have both proposed a wealth tax.

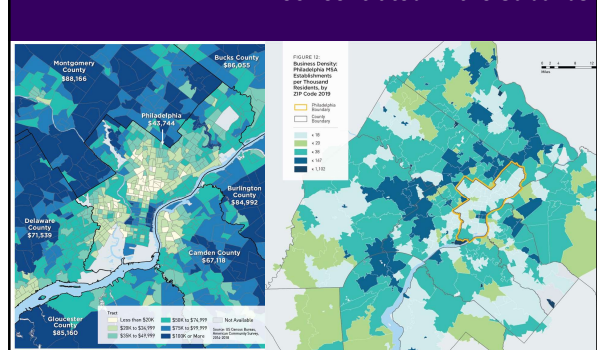


Kendra Brooks

Tax on “intangible wealth” — directly held stocks and bonds by city residents

The tax would total 0.4% of their value, or \$4 for every \$1,000 of holdings

Regional wealth & regional jobs are highly concentrated in the suburbs

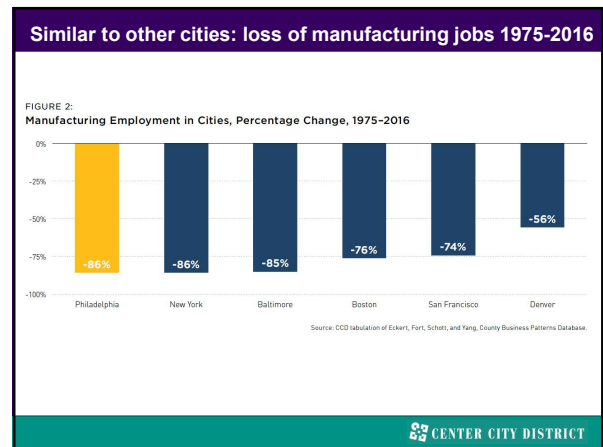
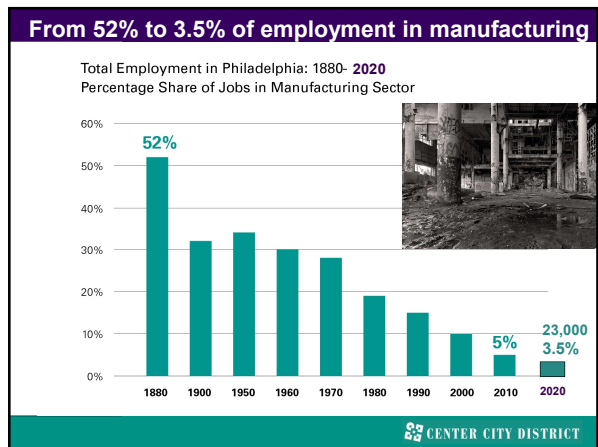
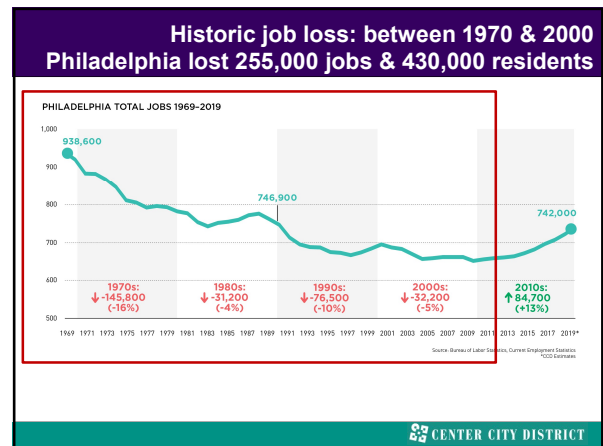


Some cities with greater wealth have greater tax capacity to redistribute

At what point does local taxation become counter-productive

Median Household Income

San Francisco	\$104,552
Washington DC	\$82,000
Boston	\$65,883
NYC	\$60,762
Chicago	\$55,198
Philadelphia	\$43,744



How decline impacted municipal government

In 19th & early 20th century,
local government was funded by property tax

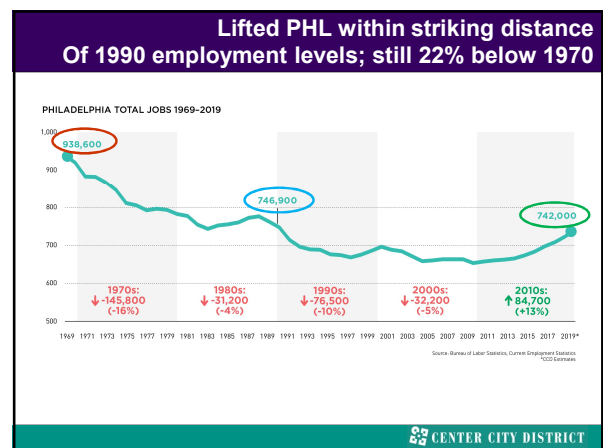
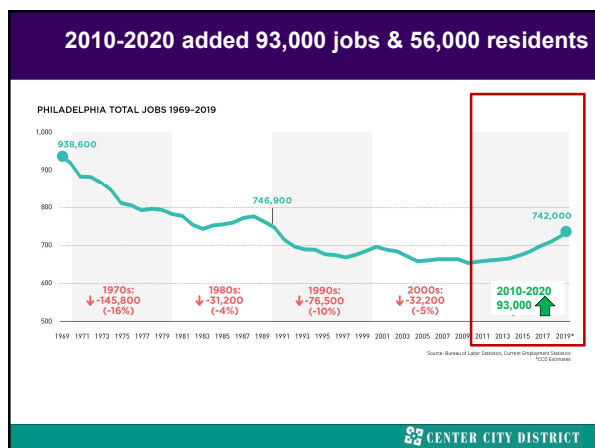
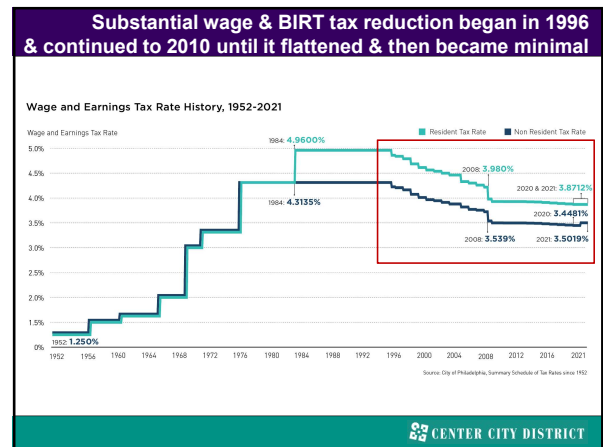
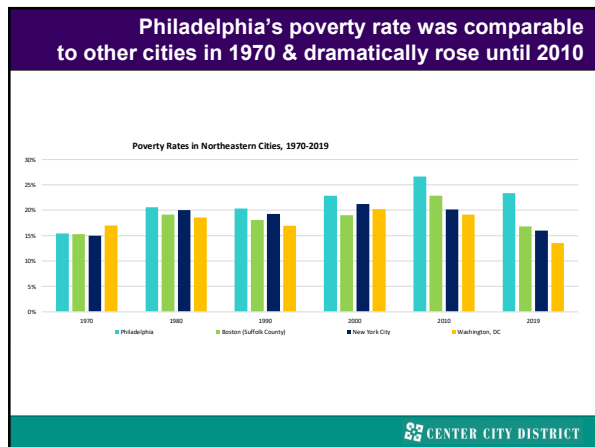
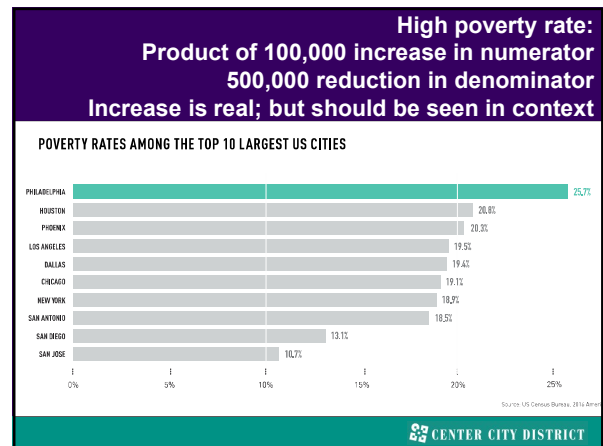
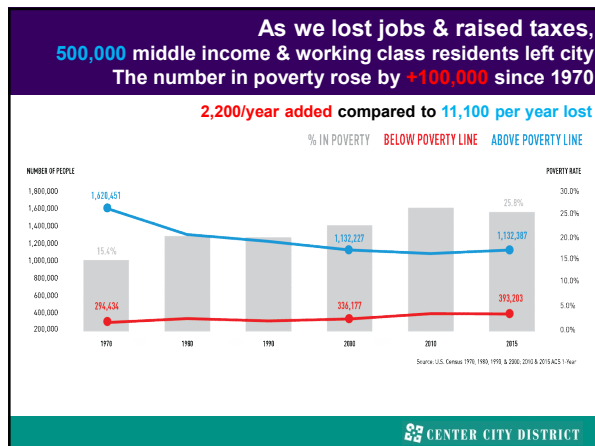
Loss of business & residents during the Depression =
declining property taxes

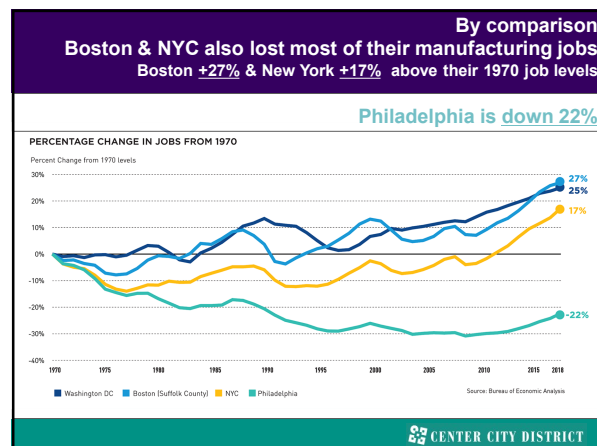
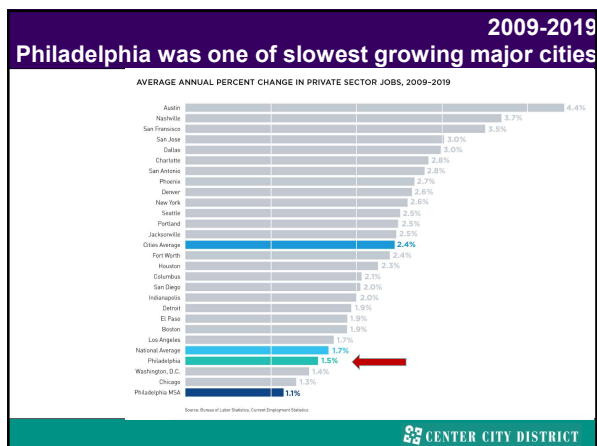
Philadelphia got state authorization for 1% wage tax in 1939
when Depression eroded tax base of city, but when 70% of
regional jobs were still in Philadelphia

It was meant to be temporary

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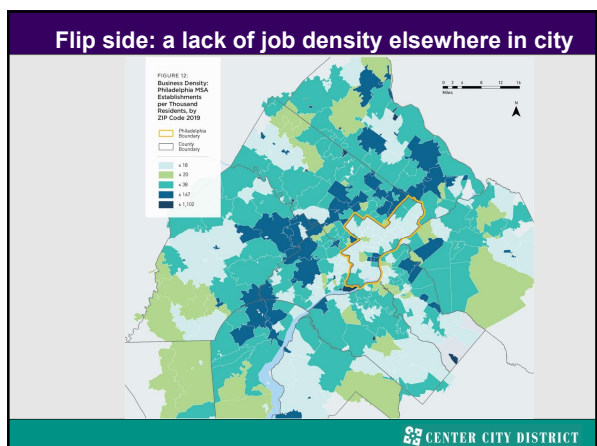
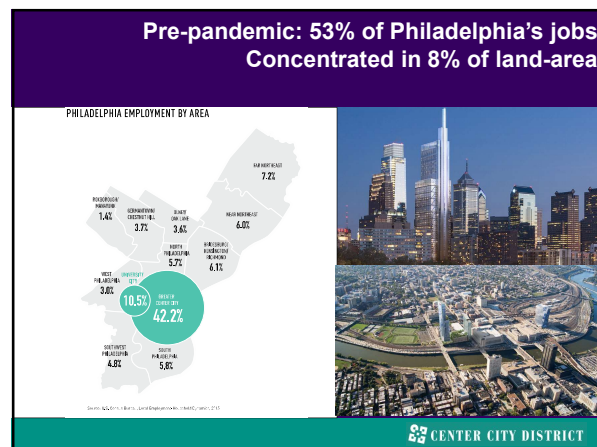


Very few for-profit, taxable businesses in city

Philadelphia County 4th Quarter, 2021

Rank	Employer	Rank	Employer
1	University of Pennsylvania	26	Excell Computer Care LLC
2	Federal Government	27	Alameda Care LLC
3	City of Philadelphia	28	Wawa Inc.
4	School District of Philadelphia	29	Accretion LLP
5	The Children's Hospital of Philadelphia	30	Target Corporation
6	Temple University	31	Prime Now LLC
7	Thomas Jefferson University Hospital	32	ACME Markets Inc.
8	Conestoga (Coburn Corp.)	33	ACE American Insurance Company
9	Southeastern PA Transportation Authority	34	Philadelphia Gas Works
10	Temple University Hospital Inc.	35	Armed Forces Home Care LLC
11	American Airlines Inc.	36	West Support Home Health Care Agency
12	Drexel University	37	Fidellum Airlines Incorporated
13	Thomas Jefferson University	38	Emek & Young OSLP
14	Universal Protection Services LLC	39	Allegheny of Pennsylvania Inc.
15	State Government	40	FMC Bank NA
16	Albert Einstein Medical Center	41	Recreation for Human Development Inc.
17	Providence Medical Center	42	PECO Energy Power Company
18	Independence Blue Cross LLC	43	Phonemasterhouse/Coopers LLP
19	Pharmacia Hospital	44	Wells Fargo NA
20	Parish Home Care Inc.	45	Bayada Home Health Care Inc.
21	United Parcel Service Inc.	46	Pharmacia CVS Pharmacy LLC
22	Wal-Mart Associates Inc.	47	Community College of Philadelphia
23	Alex Health	48	The American Osteopathic Hospital
24	Jefferson University Physicians	49	Saint Joseph's University
25	Marshall's Distribution Center	50	HPMCO LLP

Source: Bureau of Economic Analysis, Current Employment Statistics



Methodology

Using data from U.S. Census Bureau's 2018 Annual Business Survey (ABS), most recent year for which data is available, CPDC analyzed total number of firms in Philadelphia & number of Black, Hispanic, Asian & white owned firms & compared this to 4 other cities: Boston, New York, Washington & Atlanta.

Given substantial differences in geographic size & population among these cities, we created a simple measure of "business density" – the ratio between the number of firms in a city & its population.

Enabled a shorthand estimate of **opportunity**: the higher the ratio of firms to residents, the more potential opportunity exists within the boundaries of a city.

Focused on the ratio of Black-owned firms to total number of Black residents.



Calculated number businesses per resident for 5 cities; More businesses = more job opportunities More black-owned business = more jobs for African Americans

FIGURE 1: TOTAL BUSINESSES AND BLACK-OWNED BUSINESSES PER 1,000 RESIDENTS, MAJOR CITIES, 2017

	ATLANTA	NEW YORK	BOSTON	WASHINGTON	PHILADELPHIA
Total Businesses ¹	11,968	192,867	12,697	11,843	19,113
Total Population	486,299	8,422,698	683,015	693,972	1,580,863
Businesses per 1,000 Population	24.6	22.4	18.6	17.1	12.1
Black-Owned Businesses	1,208	7,191	444	1,594	1,174
Black Population	256,888	2,094,132	176,868	318,228	663,708
Black-Owned Businesses per 1,000 Black Population	4.7	3.4	2.5	5.0	1.8
Black Business Density as a Percent of Total Business Density	19.1%	15.4%	13.5%	29.4%	14.6%

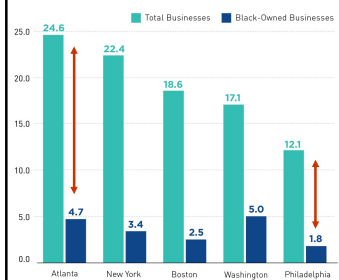
¹ Includes only employer businesses where the ownership is classified by race.

Source: US Census Bureau, Annual Business Survey, 2018; American Community Survey, 2017 one-year estimates.



Problem compounded for Black owned businesses Number of all businesses per resident compared to Black businesses to Black residents

FIGURE 2: TOTAL BUSINESSES AND BLACK-OWNED BUSINESSES PER 1,000 RESIDENTS, MAJOR CITIES, 2017



(1) Disparity between Black owned businesses & all businesses in all 5 cities

(2) Disparities are greater in Philadelphia: we have lowest number of Black businesses per Black resident

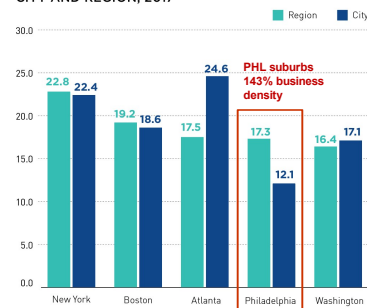
Black business density in Atlanta 2.5 x PHL

(3) Philadelphia has lowest number of all businesses per resident of all 5 cities: Atlanta's business density 2 x PHL; Boston = 1.5 x PHL



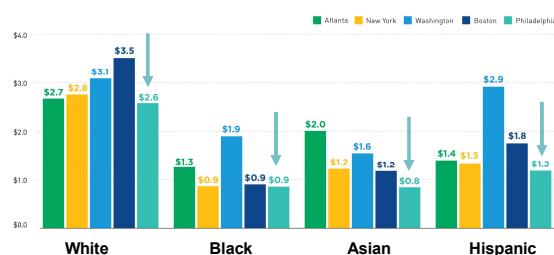
Have less business density in city compared to suburbs Atlanta city has 140% the business density of its suburbs

FIGURE 6: BUSINESSES PER 1,000 RESIDENTS, CITY AND REGION, 2017



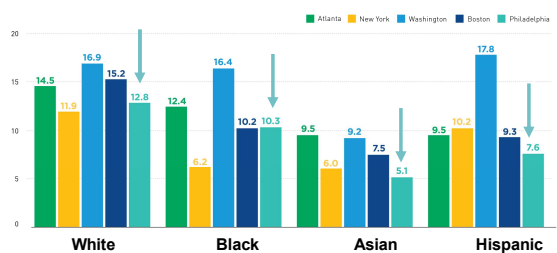
All our businesses make less money than their peers in other cities Black, brown, Asian businesses lag behind white

FIGURE 4: AVERAGE REVENUE PER BUSINESS, BY RACE AND ETHNICITY, MAJOR CITIES, 2017 (\$ IN MILLIONS)



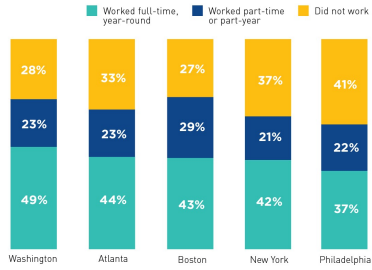
All trail in average number of employees They create fewer jobs

FIGURE 5: AVERAGE EMPLOYEES PER BUSINESS, BY RACE AND ETHNICITY, MAJOR CITIES, 2017



As a result: our workforce participation is lowest

FIGURE 8: WORK STATUS OF POPULATION AGE 16 AND OVER, 2017



Source: Census Bureau, American Community Survey 2017 five-year estimates.

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- Black & minority owned business don't exist in vacuum
- Retailers generate business by serving their local communities; but incomes in many minority communities are low.
- Professional & service firms; small & medium-sized businesses expand & succeed when they contract with & provide services to larger businesses & ultimately sell to customers & businesses outside the city & region
- Deliberate diversification of supply chains is critical step
- Access to capital is key
- Philadelphia's slow growth & low density of all firms limits growth of Philadelphia's Black & minority owned businesses.
- Insufficient demand. Both/and strategy

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Conclusion

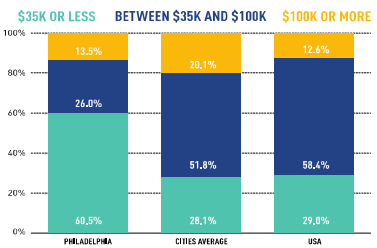
The pandemic caused a huge spike in unemployment across the nation. To reduce unemployment & poverty as health crisis ends & recovery begins, Philadelphia requires far more than a return to status quo before Covid. We need a sustained effort to increase the number of Black & minority-owned businesses as well as much greater attention to business growth overall.

Black residents are disproportionately challenged by this crisis, which has been exacerbated by centuries of structural disparities in the nation. Black-owned businesses in the city face the double barriers of racism & limited business density in Philadelphia among all firms.

Recovery will require a significant increase in Black-owned businesses & far more robust job growth and business formation among all groups than we experienced during the last 10 years, if we are going to create opportunity for all Philadelphians.

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In recovery of the last decade Philadelphia grew Insufficient family sustaining jobs



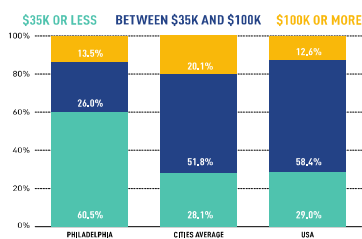
Source: BLS, Quarterly Census of Employment and Wages

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Of all jobs created in PHL 2009-2018 60.5% were in sectors that pay on average \$35,000 or less;

Only 26% in sectors that pay \$35-\$100,000

FIG 7: PROPORTION OF JOB GROWTH 2009-2018 BY AVG WAGE IN SECTOR

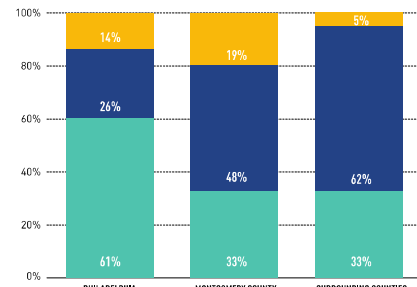


Source: BLS, Quarterly Census of Employment and Wages

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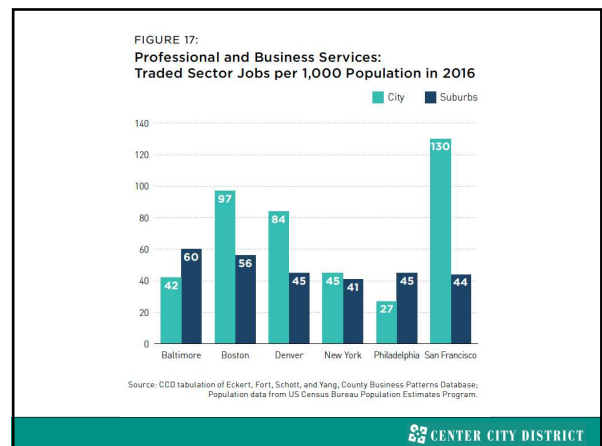
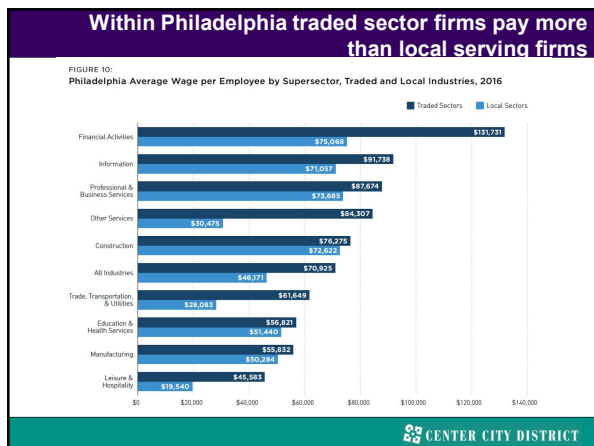
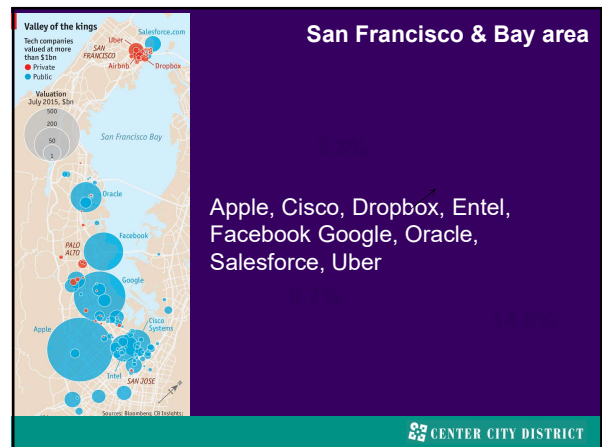
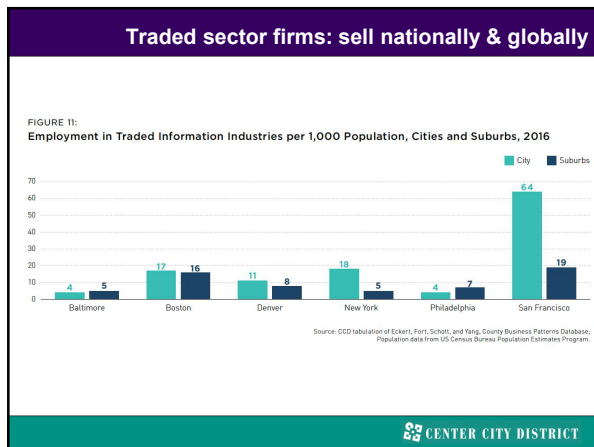
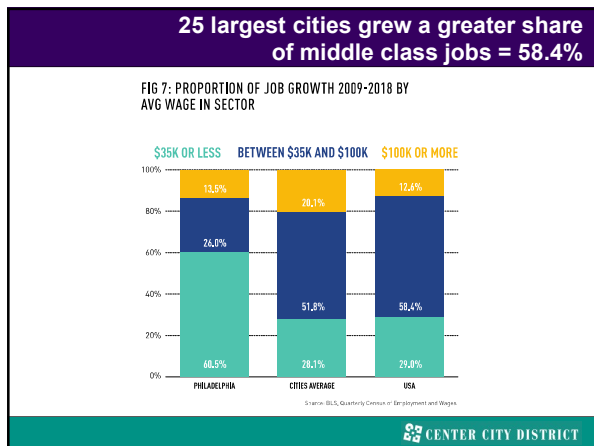
Our suburbs grew more family-sustaining jobs PHL = 26% Suburbs = 62%

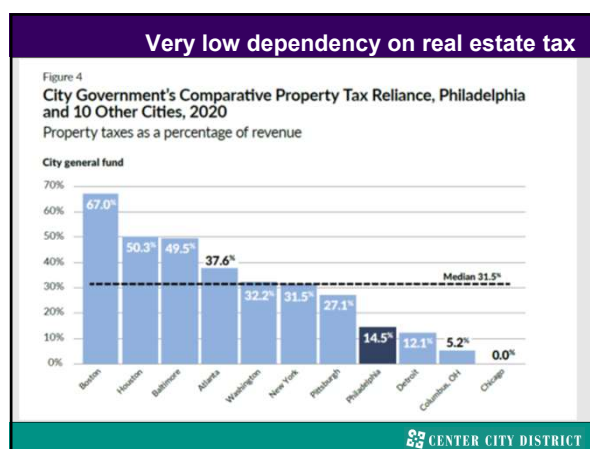
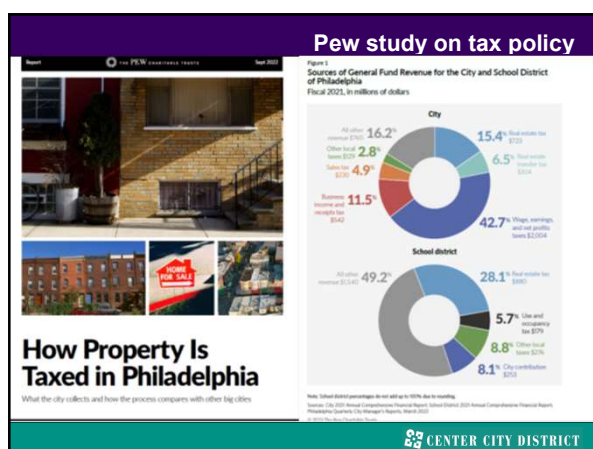
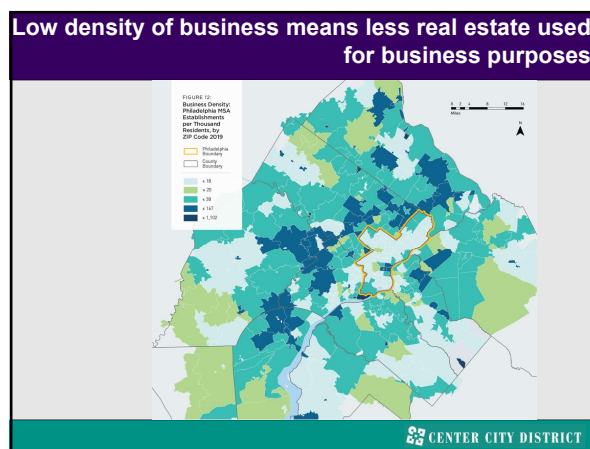
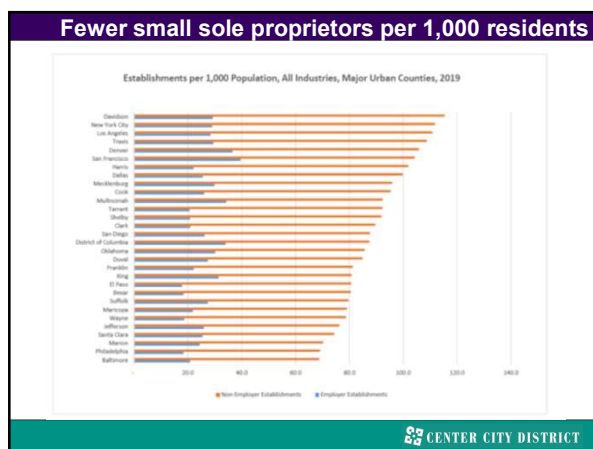
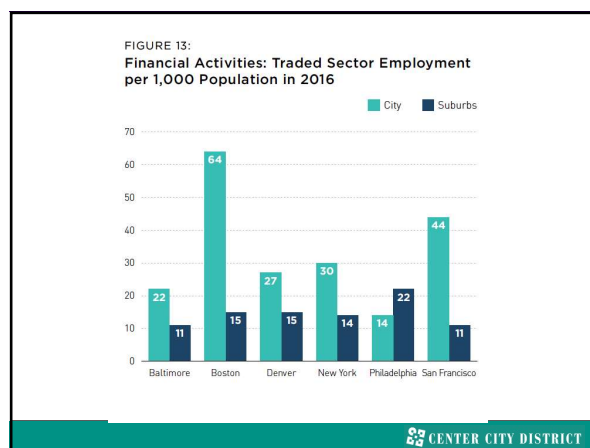
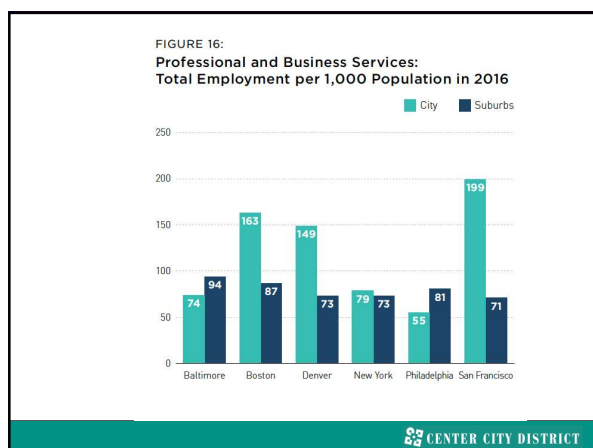
\$35K OR LESS BETWEEN \$35K AND \$100K \$100K OR MORE



Source: BLS, Quarterly Census of Employment and Wages

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Residential carries greater share of RE tax burden

- Seventy-one percent of Philadelphia's property tax revenue came from residential parcels, the highest share among the comparison cities. In fiscal 2021—well above both the median of 56% and the 37% levels in Boston and Washington, which had the lowest share among the 11 cities.

Figure 6

Residential Property as a Percentage of Tax Base and Taxes Levied In Philadelphia and comparison cities, 2021

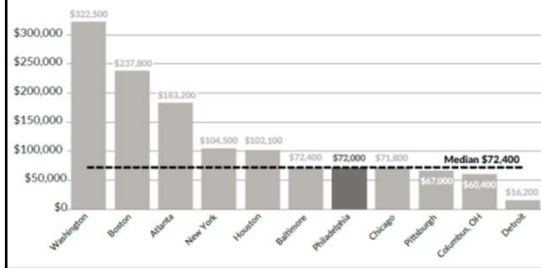


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Low property tax base per capita

Figure 7

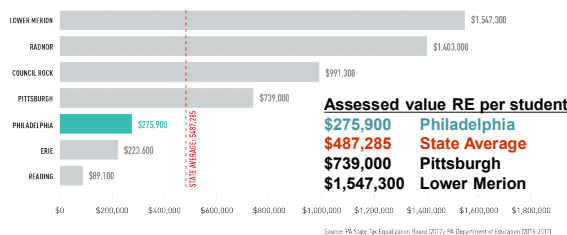
Property Tax Base per Capita in Philadelphia and Comparison Cities, 2021



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Diminished city tax base Inadequate to support our public schools

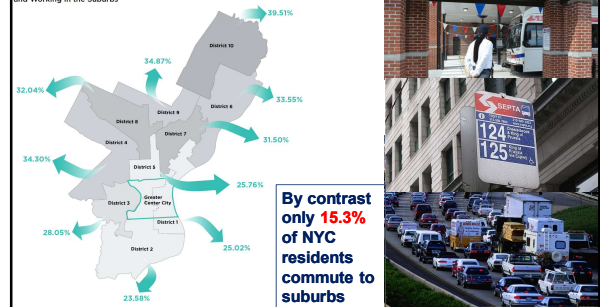
TAX BASE PER PUPIL: 2016-17 PUBLIC SCHOOL & CHARTER ENROLLMENT/ 2017 STEB MARKET VALUE



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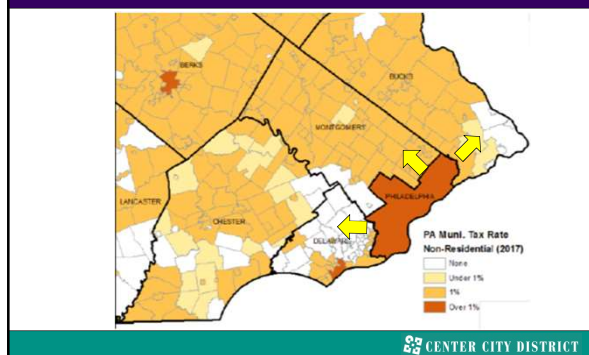
Lack of jobs in city = 34% of workforce (224,000) reverse commute to suburbs

Figure 2: Percentage of Employed Population Living in the Council District and Working in the Suburbs



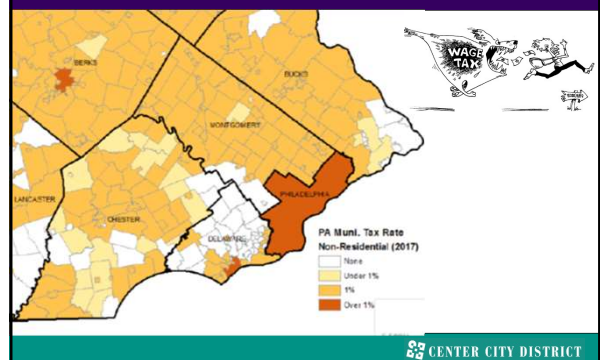
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They work alongside suburban peers paying 0-1% wage tax Philadelphia withholds 3.8% from city residents



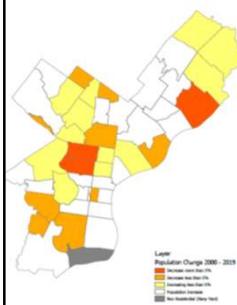
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Find a home near suburban job; get a raise Philadelphia's 3.8% wage tax drops to 0%-1%



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20% of zip codes in city were still losing population



Between 2009 & 2018, 75,000 more residents of city neighborhoods left for homes in suburbs than moved from suburbs into city

Tide may be coming in young downtown But in many areas old trends persist

In both black & white neighborhoods outside downtown more households who make over \$125,000/year are moving out of the city than moving in

81% of households that left Philadelphia 2010-2018 do not have children

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Impact on low income workers who remain

Philadelphia has highest combined state & local tax burden for a family earning \$25,000/year, among 51 major US cities. Total income taxes were \$1,738, including PA 3.07% personal income tax & City 3.8809% resident wage tax.

In many other cities families earning \$25,000/year paid no income taxes due to personal exemptions or earned income tax credits that actually resulted in a net payment from the state or locality to the taxpayer.

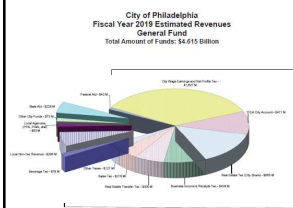
Seattle, Los Angeles, Nashville, Houston & Jacksonville, low-income residents pay no state or local income taxes. In New York, Boston, Denver, Providence, Baltimore, Newark, Milwaukee, & Washington, residents earning \$25,000 not only pay no income tax, but in fact received a payment from state or local government as a result of refundable earned income tax credits.

Low income Philadelphia workers face total taxes (City +State) of 15%, before federal income taxes. This directly reduces take home pay for low-income workers.

Chief Financial Officer of the District of Columbia

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Tax Policy is not just about revenue generation It is about creating a climate that rewards work & helps business grow



• Philadelphia wage tax is almost 4 x regional median.

• Pushes out working class; takes disproportionate share from lower income workerse

• BIRT has no counterpart & adds 20% to 50% premium

• Only large city to tax both gross & net income of business

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Detailed study on BIRT from Revenue Dept data

CLASS A OFFICE COMPARISON

\$3.00/SF
REAL ESTATE TAXES
INCLUDED IN RENT

\$32.65
SF

\$29.82
SF

PHILADELPHIA CBD

SUBURBS

Then add

Use & Occupancy

\$2-3/sf

BIRT

\$6 to \$16/sf

Try to move suburban tenant into the city & cover the impact of wage tax on compensation

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Occupancy costs nearly double

CLASS A OFFICE COMPARISON

\$16.98/SF
IN BIRT
+
\$12.35/SF
IN CITY WAGE TAX
+
\$2.78/SF
USE & OCCUPANCY
+
\$3.00/SF
REAL ESTATE TAXES
INCLUDED IN RENT

TOTAL
\$64.76/SF

\$32.65
SF

PHILADELPHIA CBD



This is what KOIz
compensate for;
But KOIz's expire

\$29.82
SF

SUBURBS

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Public spending priorities: underfunding economic development & tax reform



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Three broad strategies for city expenditures

Strategy 1: Enlarge share of tax revenues devoted to crime, criminal justice & city's substantial social needs & disparities.

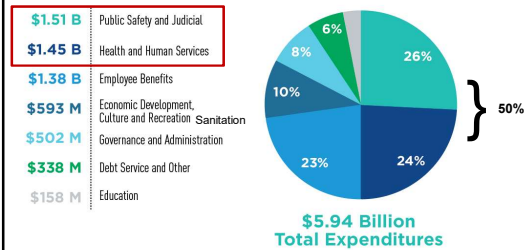
Strategy 2: Place greater emphasis on quality of life - cleaning, parks, infrastructure, education & economic development to retain & attract more residents & businesses with the means to choose many other regional or national locations.

Strategy 3: Invest more of proceeds of growth in tax reduction, lowering cost of working & doing business in Philadelphia, to prompt more widespread & inclusive, private-sector job growth.

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50% Philadelphia municipal budget spent on Public Safety, Courts & Social services; Employee benefits= 23%

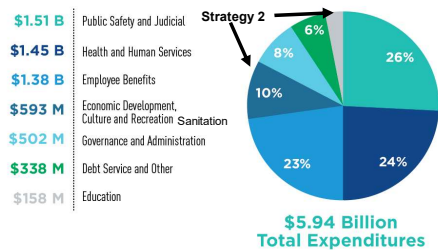
FIGURE 9: CITY OF PHILADELPHIA EXPENDITURES BY PROGRAM CATEGORY MAJOR FUNDS, FY 2018



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Only 13% of budget on Strategy 2 Economic dev., quality of life, parks, sanitation & education

FIGURE 9: CITY OF PHILADELPHIA EXPENDITURES BY PROGRAM CATEGORY MAJOR FUNDS, FY 2018



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Spending on economic development & on small & minority business development

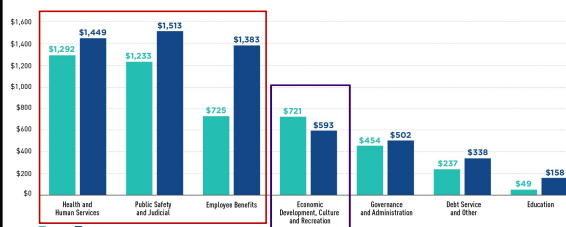
In fiscal year 2021 spending per capita on programs for small and minority business development

Washington	\$6.60
Boston	\$3.43
New York	\$0.92
Philadelphia	\$0.59

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In the last 20 years spending on Social services, police & courts + employee benefits rose Economic dev., culture & recreation expenditures declined

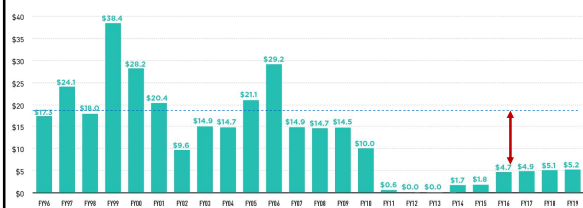
FIGURE 11: CITY OF PHILADELPHIA EXPENDITURES BY PROGRAM CATEGORY MAJOR FUNDS, FY 1998 AND FY 2018 (2018 DOLLARS IN BILLIONS)



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#3: 1996-2010 spent between \$9m-\$38m lowering Wage & BIRT Average commitment of \$19.3m/yr to tax reduction 0.47% of general fund expenditures; In 2019 1/10th of 1%

FIGURE 16: FISCAL IMPACT OF WAGE AND EARNINGS TAX RATE REDUCTIONS (2019 DOLLARS IN MILLIONS)

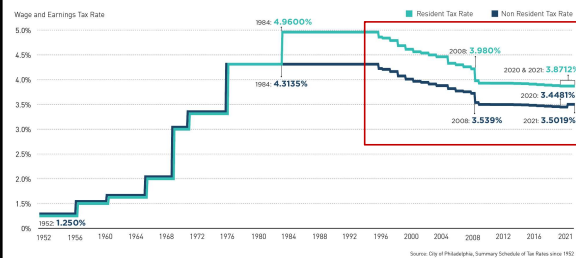


Note: The most significant wage cuts over this period occurred at the beginning of FY09, when the resident wage tax declined from 4.21% to 3.98% and the non-resident tax from 3.7242% to 3.5392%. The FY09 reductions were financed primarily by a large infusion of \$86.5 million in state gaming proceeds, a funding stream that the City has continued to receive at a much reduced rate over the past decade. (In the figure, the \$14.5-million reduction in FY09 represents the amount of the reduction financed by local taxpayers.) In all other years, the primary source of reductions came from the decision not to spend every tax dollar collected for services.

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Expenditures for tax reduction produced this schedule

Wage and Earnings Tax Rate History, 1952-2021



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City needs to invest in all 3 strategies
But current allocation is out of balance

Strategy 1: Social need/public safety - 50%
(If the federal government pick up more strategy 1 costs, Philadelphia could devote more to strategy 2 and 3)

Strategy 2: Economic development/quality of life/ education = 13%

Strategy 3: Tax competitiveness = 0%.

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