

Testimony on Proposed Fiscal Impact Statement Amendment

Philadelphia City Council

Finance Committee

Bill No. 170719

December 1, 2017

The Committee of Seventy supports the proposed amendment to the Philadelphia Code allowing any Councilmember to request Fiscal Impact Statements on non-appropriations bills and encourages this Committee to vote in favor of Bill No. 170719.

The addition of the Fiscal Impact Statement (FIS) as a tool for City Council in 2013 was a positive step forward in bringing Philadelphia closer in line with best practices used in other cities and states. According to the National Conference of State Legislatures, two thirds of states have offices that conduct fiscal analyses before legislation is passed. This includes Pennsylvania, one of 20 states where such an analysis is *required* for all legislation; in another 15, analyses are only performed when requested.

Fiscal analyses are also a prerequisite for approval of bills in numerous other cities including Boston, Los Angeles, San Francisco, New York City, Pittsburgh and Washington D.C. This is for good reason. These analyses provide important supplementary information for lawmakers and the public, providing a reliable estimate on how proposed legislation would impact expenditures or revenue levels in the near-term and several years out. Although Fiscal Impact Statements in Philadelphia do not include the possible economic or social impact of a bill, which can be significant, vigilance around the City's financial condition remains critical.

Philadelphia has come a long way since the financial crises of past decades, but major, long-term fiscal challenges still loom. The Philadelphia School District will see a near-certain



transition to local control in 2018; but a five-year deficit of nearly \$1-billion driven by pension obligations, health care costs and charter school reimbursements will make for difficult choices in City Hall. Meanwhile, there's been notable improvement in the management of the City's pension fund, but the projected \$11-billion in obligations are less than half funded.

Philadelphia and its tax base are growing, but prudent decisions by the administration and this Council will be essential for the future health of the City. The type of information provided by a Fiscal Impact Statement for proposed legislation should be an important part of this process.

Easing the threshold for its request, therefore, is a sensible step, as is the requirement that such statements be revised when bills are amended.

Seventy applauds Councilman Domb for taking up this issue, and we look forward to discussing with City Council other tools and safeguards that help ensure Philadelphia remains on sound fiscal ground.