

Policy Profile: Philadelphia, PA

Sweetened Drink Tax

In June 2016, Philadelphia, PA became the second, and largest, US city to pass an excise tax on sweetened drinks.

Tax Amount and Type

A 1.5 cents per ounce tax on distributors of drinks with added caloric and non-caloric sweeteners. Excludes infant formula; products with more than 50% milk, fruit, or vegetables; and drinks for medical use.

Revenue Use

Revenue funds anti-poverty measures, including:

- 8,500 new slots for Philly's pre-kindergarten programs
- 20 new community schools with health, behavioral, and social services to improve students' academic success
- Revitalizing neighborhood parks, recreation centers, and libraries throughout the city

Expected Health Benefits

- Over the next decade, 14,340 cases of obesity will be prevented and \$76.8 million will be saved in health care costs, according to Harvard's CHOICES report.
- Rate of diabetes will decrease by 8% (during first year after tax takes full effect).

Proponents and Campaign Spending

- Mayor Jim Kenney proposed the measure and the Philadelphia City Council passed it by a 13-4 vote.
- The coalition, Philadelphians for a Fair Future, was composed of a broad and diverse group of civic, labor, early education and faith organizations, community development corporations, and small business owners. The coalition spent \$2.5 million on ads to promote the tax.

Opponents and Campaign Spending

- The main opponent was the American Beverage Association (ABA) which funded a coalition of small businesses and organizations called "No Philly Grocery Tax."
- The ABA spent \$10.6 million to defeat the tax and offered

Tax Rate

- 1.5 cents/oz.

What is Taxed

- Sugary drinks (including soda, fruit drinks, energy and sports drinks, presweetened tea and coffee) and diet drinks

Revenue Raised

- \$78.8 million from January 1, 2017 - December 31, 2017.

Revenue Use

- Pre-k, schools, parks, recreation centers, libraries

More Information

www.phillybevtax.com

PHILLY AT A GLANCE

- Population: 1.5 million (5th largest US city)
 - Black: 42%
 - Latino or Hispanic: 12%
 - Asian: 6%
 - White: 37%
- 26% below poverty level
- 21% of 5-18 year-old children are obese
- 15% of adults have diagnosed type 2 diabetes
- 24% of 9-12th graders drink one or more sugary drinks per day

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the city \$7 million to help fund one year of universal pre-k, in exchange for dropping the tax proposal.

Highlights

- In June 2016, Philadelphia, PA joined Berkeley, CA as the second, and largest city to pass a tax on sweetened drinks, despite Big Soda outspending Philly's pro-tax coalition by about 5 to 1. The tax was implemented on January 1, 2017.
- The campaign was framed as a source of funds for anti-poverty projects rather than as a public health measure, although health benefits were included as a secondary frame.
- Philadelphia's Mayor, Jim Kenney, created a win-win model for other large cities. At 1.5 cents per ounce, the tax will raise significant funds and is projected to prevent chronic disease cases and reduce health care costs.



Proponents' Main Messages

- The tax is a much-needed source of revenue to fund anti-poverty programs, many for children, which the public wants: universal pre-k, new community schools, and improved parks, libraries, and other public amenities.
- Beverage companies target poor and minority communities with advertising, making substantial profits. Big Soda should do the right thing by giving back to those communities.

What Worked in Philly

Each community has unique circumstances that dictate how it will frame and design its campaign. Here are some lessons learned from Philadelphia:

- Tie the tax to **tangible, measurable initiatives** that the public and council members want, and for which government can be held accountable; health benefits will follow.
- **Focus on local priorities.** These taxes can be an effective and popular solution to address local budget challenges and provide revenue for priority projects.
- Maintain a **communications strategy** that creates an ongoing buzz of earned and social media to inform the community and bolster support for the tax.
- **Build a strong and diverse coalition.** Include partners focused on health impacts, as well as civic, labor, and faith organizations, small businesses, and those who support specific initiatives that will be funded with the new revenue.

Challenges to the Tax

Since the tax was passed, Big Soda has waged an aggressive campaign to overturn it. ABA sued to repeal it and after losses in the lower courts, the case is now in the hands of the Pennsylvania Supreme Court. ABA is also trying to pass statewide legislation that would preempt the city's authority to impose the tax, and lobbying City Council members to repeal the tax. Tax advocates are countering all of these attacks.

Mayor Kenney:

“Tie your efforts to tangible initiatives that people care about. When it comes up, acknowledge that it is a good thing to drink less SSBs, but tie it to things that people care about.”

* Please contact HFA for citations. Last updated May 2018.

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