COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, October 18, 2007
1:20 p.m.

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PRESENT:
COUNCILWOMAN JANNIE BLACKWELL, CHAIR
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN JUAN RAMOS
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DANIEL SAVAGE
COUNCILWOMAN MARIAN TASCO

BILL 070541 - An ordinance amending Chapter 19-1400 of The Philadelphia Code, entitled "Realty Transfer Tax"...

BILL 070693 - An ordinance creating the Philadelphia Re-Entry Employment Program ("PREP") for Ex-offenders...

BILL 070673 - An ordinance authorizing the issuance of one or more series of general obligation bonds to provide funds to refund certain outstanding general obligation bonds...

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COUNCILWOMAN BLACKWELL: Good afternoon. With regard to the Finance hearing today, we will hear three bills. They are Bills Nos. 070673, 070541 and Bill No. 070693.

Thank you all for being here. We have a quorum. To my left, Councilman Greenlee, Councilwoman Tasco. To my right, Councilman W. Wilson Goode and Councilman Dan Savage.

We will now ask the Clerk to read the title of Bill No. 070673.

THE CLERK: An ordinance authorizing the issuance of one or more series of general obligation bonds to provide funds to refund certain outstanding general obligation bonds of the City of Philadelphia; authorizing the Mayor, City Controller and City Solicitor or a majority of them to sell the bonds at public or private negotiated sale; setting forth the purposes for which the proceeds of the bonds will be expended;

providing for the maturities and for other terms and conditions and for the form of the bonds; providing that bonds may be redeemable prior to maturity; providing sinking funds for the bonds and for appropriations to the Sinking Fund Commission for the payment thereof; authorizing agreements to provide credit enhancement or payment or liquidity sources for the bonds, and agreements to manage interest costs and certain other actions.

COUNCILWOMAN BLACKWELL: Thank you very much.

We understand mayoral candidate Michael A. Nutter will testify on this bill. We'll call on him when he arrives.

Is there someone here from the Greater Philadelphia Chamber of Commerce who would like to testify?

Sorry, Mr. Jannetti. They're witnesses, but not for your bill.

We will call on Vince Jannetti, Acting Director of Finance.

MR. JANNETTI: Good afternoon, Councilwoman Blackwell and members of the Committee on Finance. I'm Vince Jannetti, the Acting Director of Finance for the City of Philadelphia. I'm here today to testify on behalf of Bill No. 070673.

Bill No. 070673 will authorize the City to refinance certain outstanding general obligation bonds, including Series 1994B, Series 1995, Series 1998, Series 1998 Refunding, Series 2001, Series 2003 and Series 2006, in a principal amount not to exceed $956,345,000, exclusive of the original issue discount and certain other items. The amounts of those bonds are articulated in the handout.

The current plan of finance is to issue traditional fixed-rate refunding bonds. However, in order to potentially take advantage of favorable market conditions and enhance debt service savings, we intend to further consider investigating the use of -- the option of utilizing an interest rate swap for some of these bonds.

The authorization to utilize an interest rate swap shall be for agreements approved by the Bond Committee as part of the plan of finance for the initial series of bonds issued pursuant to the ordinance. Any additional agreements or other derivative financial instruments to be entered into with respect to any subsequent series of bonds issued pursuant to the ordinance will require further action of City Council.

If all of the bonds are issued as traditional, fixed-rate bonds, the City will not execute the transaction unless we achieve at least a net present value savings of three percent of the principal amount of the bonds to be refunded. If we execute an interest rate swap for all or a portion of the bonds, the City will not execute this transaction unless we can achieve a combined net present value savings of at least 3.5 percent of the principal amount of the bonds to be refunded.

This concludes my testimony. I'd be happy to answer any questions the Committee may have.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair notes that Councilman Juan Ramos is in attendance, as well as Councilman Frank DiCicco.

Are there questions from members of this Committee with regard to this bill?

Councilman Ramos.

COUNCILMAN RAMOS: Thank you, Madam Chair. Sorry for being a few minutes late.

Mr. Jannetti, was there a benefit for the City in getting this done now financially? We're looking to bring more money into the City coffers. We're not looking to get ourselves in much further debt. Our overall health of the

City is not bad. What do we stand to gain by moving on this?

MR. JANNETTI: Well, any refunding is subject to market conditions. The market on these bonds moves in our favor and away from our favor. Currently, on a fixed-rate basis, we are at about $12 million in savings if we execute the transaction with the bonds that would have three percent savings. So at a minimum, if we execute it today, it will be about $12 million, and that would be taken over the life -- over five years, the life of the Five-Year Plan.

COUNCILMAN RAMOS: So we will save $12 million plus for the next five years?

MR. JANNETTI: Yes, Councilman. We'll save $12 million over the course of the Five-Year Plan. So we spread -- in other words, we spread the savings out.

COUNCILMAN RAMOS: Okay. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

Are there further questions for Mr. Jannetti?

Councilwoman Tasco.

COUNCILWOMAN TASCO: Just explain that in a little more detail, how you spread it out. How does it impact the Five-Year Plan?

MR. JANNETTI: Well, Councilwoman, the debt service, the net present value of the debt service, instead of being taken in one year, say, in the current year, at $12 million or whatever, the refunding proceeds, the benefit, is spread out over the course of five years.

COUNCILWOMAN TASCO: And the total is 12 million or is it 12 million per year?

MR. JANNETTI: No. Total is $12 million.

COUNCILWOMAN TASCO: For the five years?

MR. JANNETTI: Yes. And that's at a minimum today.

COUNCILWOMAN TASCO: What is the makeup of the underwriters and bond counsel and management underwriters? What's the diversity of those companies?

MR. JANNETTI: Sure. On co-bond counsel, there's two firms, Blank Rome and Booth and Tucker. Booth and Tucker is a minority firm.

On the financial advisors, Public Financial Management and Phoenix Capital Partners. Phoenix Capital is a minority firm.

COUNCILWOMAN TASCO: Are they local?

MR. JANNETTI: Yes. Actually, all four firms are local that we've just mentioned.

On the managing underwriters, there's RBC Capital America, who is the lead underwriter, A.G. Edwards and Sons and Popular Securities. Popular Securities is a minority firm, Hispanic firm. And on the co-underwriters counsel, there's Cozen O'Connor and TME Law. TME Law is Tonya Evans, who is a female minority.

COUNCILWOMAN TASCO: In the participation, what is the rate of split of the participation? Blank Rome, Booth Tucker, is it 50/50, 10/90?

MR. JANNETTI: It's about -- I can't say clearly, but it's usually about 35/65, somewhere in there, depending on what work is done by whom.

COUNCILWOMAN TASCO: Do you determine how much the split would be? How is that determined?

MR. JANNETTI: That's determined by, as I said, the work that each of the firms does, and we get together and discuss it and come to a conclusion on the fee, on the spread.

COUNCILWOMAN TASCO: In terms of the actual participation, how do the minority firms fare in participation relative to other firms? Do they all tend to come out with the lower end of the participation?

MR. JANNETTI: Not necessarily. I mean, we do transactions where we have the lead underwriter is a minority firm. We have transactions where the lead FA is a minority firm, depending on the transaction.

COUNCILWOMAN TASCO: On the series of bonds that are being refinanced, this refinancing only covers the five-year term. Would any of them mature before the five-year term is up?

MR. JANNETTI: Councilwoman, it covers the term of the original bonds. Those bonds are taken off the books. These new bonds are substituted basically. So the term mirrors itself. The issue here is to gain interest savings.

COUNCILWOMAN TASCO: So the new bonds go on?

MR. JANNETTI: Yes.

COUNCILWOMAN TASCO: Do they go

on for a longer period of time?

MR. JANNETTI: No. We can't --

COUNCILWOMAN TASCO: They're the new bonds and they cover the term that the old bonds would have?

MR. JANNETTI: Right. You can't extend the term out.

COUNCILWOMAN TASCO: Have any of these been swapped before?

MR. JANNETTI: No, Councilwoman, they have not.

COUNCILWOMAN TASCO: Thank you.

Thank you.

COUNCILWOMAN BLACKWELL: You're welcome.

Are there any further questions for Mr. Jannetti?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. JANNETTI: Thank you.

COUNCILWOMAN BLACKWELL: Certainly.

Are there others who would like

to testify with regard to this bill?

(No response.)

COUNCILWOMAN BLACKWELL: Any further questions?

(No response.)

COUNCILWOMAN BLACKWELL: Then we will proceed to discuss and hear testimony with regard to Bill No. 070541.

We will ask the Clerk to read the title of the bill.

THE CLERK: An ordinance amending Chapter 19-1400 of The Philadelphia Code, entitled "Realty Transfer Tax," by exempting transactions between certain financially interdependent persons, including, but not limited to, domestic partners, whether of the same or opposite sex; all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

We would like those who are here to testify with regard to this bill. Will Stacy Sobel, Equality Advocates of

Pennsylvania, come forward. If there are others, we invite you to come forward.

Good afternoon.

MS. SOBEL: Good afternoon, Madam Chairwoman and members of the Committee. My name is Stacy Sobel. I'm the Executive Director of Equality Advocates Pennsylvania. Some of you may know us from our previous name, the Center for Lesbian and Gay Civil Rights. And I'm here today to speak in support of Council Bill 070541.

My organization has been very interested in its progress. In fact, I think my organization probably would not exist if it were not for the activities that started occurring in the mid 1990s to pass the domestic partnership bill in Philadelphia. That series of ordinances -- there were three of them -- gave a variety of rights to same sex registered domestic partners, and my organization was then very involved in the litigation that followed after that, first as co-counsel for the amici curiae, the friends of the court, and then in 2003, I actually received a call from Mayor Street asking us to be co-counsel with the City of Philadelphia and to help represent them before the state Supreme Court in this matter as well.

We were very pleased that the legislation, the ordinance, related to employee benefits was upheld by the court, but, frankly, we were quite shocked that the provision related to the realty transfer tax was struck down. We have expressed to members of City Council that we felt that this was an important and a good benefit to give members of our City, their constituents, and we were very pleased to see that Councilman DiCicco and Councilman Greenlee offered this piece of legislation this session.

I feel that this legislation would not only address the issues that the Supreme Court raised in their decision Devlin versus City of

Philadelphia, but I'm also pleased to see that it is inclusive of even more people who would be in need of these types of protections.

What the exemption to the realty transfer tax does for some Philadelphians is, it gives them an opportunity to sometimes stay in their homes when they might not be able to and gives them those basic rights to home ownership that they might not be able to afford. This has a definite impact on lower-income Philadelphians and, in particular, on same sex couples who may not have any other ways to achieve this type of home ownership.

This most often occurs when one person in a same sex relationship owns a home, has their name on a deed. They enter into a relationship or want to add their partner to the deed and then all of the sudden, especially as home prices in Philadelphia have increased so much over the last few years, they find that they now would have to pay thousands of dollars, as if they were selling their home to a stranger, just to add their domestic partner to their deed. This is prohibitive for many people in Philadelphia. And what that means is if the person who owns the home, for example, passes away, their partner might not have any legal right to the home that they've lived in for many years. And even if the person who passed away did have a will, that remaining spouse or, I should say, spouse/partner would not be able to pay the transfer tax or the inheritance taxes that would result from passing it on through inheritance. So this really gives people an opportunity to stay in their homes where they might not otherwise.

I feel that this legislation is very beneficial to not only the individuals that it impacts but also to the City of Philadelphia as a whole. There's a strong culture of home ownership in Philadelphia. I don't have a fact for it or a footnote, but my understanding is that Philadelphia has one of the highest rates of home ownership in the country, and I think that's a unique part of Philadelphia's greatness, and this bill will help to strengthen and promote that culture. And as we see the City continue to grow and thrive, we have to work to attract new residents and to ensure that the people that are already here are as secure as possible.

This legislation makes me very proud to be a Philadelphian. I moved here six years ago, and when I see that Philadelphia not once but twice has taken steps to ensure that its citizens are taken care of, when some other cities don't take these steps for some of their most vulnerable citizens, it makes me very proud to know that I live here and that I'm a citizen of Philadelphia.

So I ask your support for this

legislation today. I'm also very pleased that hopefully layered today that former Councilman and our candidate for Mayor, Michael Nutter, is also supportive of this legislation.

And if you have any questions, I'm happy to answer them.

COUNCILWOMAN BLACKWELL: Thank you very much.

Nancy Kammerdeiner isn't here, at least not yet, but in her testimony, she refers to an affidavit with the Department of Revenue, filing as financially interdependent persons. Do you support that?

MS. SOBEL: Yes.

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Ms. Sobel, obviously as a co-sponsor, I support this legislation. Could you just maybe briefly say what the problem was that the Supreme Court raised, just for the record, what the problem was?

MS. SOBEL: Sure. The Supreme Court in Devlin versus City of Philadelphia stated that they believed that the problem with this part of the so-called domestic partnership ordinances was a matter of uniformity; that if the goal of the City was to provide the ability to have an exemption for the transfer tax for people who were not married and could not get it otherwise and were financially interrelated, that it only accomplished that for some people, those people who are in same sex relationships, but not for other people who are financially interdependent upon each other. And so I believe that with the language in this bill where it just talks about people who are financially interrelated, that it would cure that defect that the Supreme Court raised.

COUNCILMAN GREENLEE: Okay.

Thank you.

MS. SOBEL: You're welcome.

COUNCILWOMAN BLACKWELL: We have written testimony from our Revenue Commissioner, Nancy Kammerdeiner. If she gets back, we will have her read it. It's only a few pages. If she does not, then we will submit it for the record, unless, Mr. Jannetti, are you prepared to make her statement?

Thank you very much.

Are there any other questions for this witness?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

MS. SOBEL: Thank you, Madam Chairwoman.

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Jannetti.

Thank you very much.

MR. JANNETTI: Good afternoon, Councilwoman Blackwell and members of the

Committee on Finance. I am Vince Jannetti, Acting Director of Finance for the City of Philadelphia and standing in for Nancy Kammerdeiner, the Revenue Commissioner. I'm pleased to be with you today to present testimony regarding Bill No. 070541.

This bill will amend Chapter 19-1400 of The Philadelphia Code, entitled "Realty Transfer Tax," to exempt transactions between certain financially interdependent persons from the tax.

At the present time, transfers of real estate between husband and wife, parent and child, brother and sister, grandparent and grandchild are excluded from the realty transfer tax. This ordinance would extend the exclusion to transfers between financially interdependent persons. The legislation establishes a definition for "financially interdependent persons" as persons who have lived together as a single household for at least six months and have agreed to share the common necessities of life and to be responsible for each other's common welfare. In order to receive the exemption from the realty transfer tax, they must file a sworn affidavit with the Department of Revenue certifying their status as financially interdependent persons, following guidelines that are to be established by Revenue in regulations.

At this time, the Department of Revenue has no way to estimate the number of exclusion transactions that might occur as a result of the addition of this exclusion or the value of the transactions that might be excluded. The closest we come to experience in this regard is with the 1998 legislation that was enacted to exempt "life partners"; that is, same gender persons who registered their partnerships with the Philadelphia Commission on Human Relations from the realty transfer tax. The Pennsylvania Supreme Court invalidated this exemption approximately four years later. Unfortunately, neither the Department of Records that processes the exemption certification forms and collects the realty transfer tax, nor the Department of Revenue that audits these records maintained statistics on the number of life partner exemption transactions and/or the value of those transactions. The general recollection of staff involved is that there were very few requests for this exemption and the dollar impact was nominal.

The definition of "financially interdependent persons" proposed in Bill No. 070541 is broader in scope and specifically states that it is not limited to domestic partners, whether of the same or opposite sex. This would undoubtedly increase the potential number of persons who might apply for the exemption, but, again, the number of persons who might qualify for this exemption is unknown. However, the number who actually wish to transfer a property from one party in such a relationship to another or from one party to both parties is likely to be a very small percentage of those who might meet the definition for eligibility.

I must note that any time a class of taxpayers is established for different treatment under tax laws, there is a possibility of challenge under the Pennsylvania Constitution that requires taxes to be uniform upon the same class of subjects. The class proposed here could be subject to such a challenge.

There are a couple of technical amendments that I would like to suggest for your consideration. The first would be to remove the, quote, "life partnership" language from Section 14-1405, Subsection (6). As indicated earlier in my testimony, the Pennsylvania Supreme Court struck down this exemption and it should be removed from the Code. The new provision identified here as Section 19-1405, Subsection (27) should be renumbered as Subsection (28). Subsection (27) is already in use for the exemption of leases associated with the Fairmount Park Historic Preservation Trust. I would also suggest that you use the term, quote, "life partners" instead of "domestic partners" in this subsection to be in line with the language defined and used in Title 9 of The Philadelphia Code.

Should this legislation move forward and Revenue be required to draft implementing regulations, it would be helpful to understand your legislative intention with regard to the definition of "financially interdependent persons." The definition does not limit the relationship to just two people. Do you foresee a limit or should it be open-ended so long as the persons live within the same household? Do you envision strict guidelines that would help to ensure that persons do not declare their financial interdependence for the sole purpose of obtaining the realty transfer tax exemption? Any guidance in this regard would be greatly appreciated.

This concludes my testimony. We'd be happy to answer any questions that you may have.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Jannetti.

I note that in the bottom of the first page, it refers to "financially interdependent persons," quote/unquote, following guidelines that are to be established by Revenue in regulations.

I then assume that this document or statement is not yet prepared. Would you know?

MR. JANNETTI: I believe that it is not, Councilwoman, but I will check and get back to you.

COUNCILWOMAN BLACKWELL: Thank you.

Are there questions from members of the Committee or comments?

Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Madam Chair.

I distributed an amendment a few minutes ago and it was just brought to my attention that an additional technical change needs to be made. In the bottom of the amendment in parentheses "No. 27" should read "No. 28." And having listened to Mr. Jannetti's testimony, I believe that Mr. Jannetti's concerns are addressed in this amendment. If anyone thinks differently, please advise us immediately.

COUNCILWOMAN BLACKWELL: Do you have copies of the amendment, Mr. Jannetti?

MR. JANNETTI: I'll get them, Councilwoman.

COUNCILWOMAN BLACKWELL: Are there other questions or statements with regard to this bill?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. JANNETTI: You're welcome. Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

So my colleagues here at the table note and in the room that "No. 27" should read "28" on the amendment. Thank you very much.

Councilman Nutter, Mayor-Elect Nutter, would you like to speak with regard to the realty transfer bill, No. 070541?

Welcome, and we're very glad to have you in our Chambers.

MR. NUTTER: Thank you. Madam Chair and members of the Committee, it's --

COUNCILWOMAN BLACKWELL: Maybe we can pay you back. We can get you on that side and grill you, as you've done to so many others.

MR. NUTTER: It could be a long

afternoon. I understand.

COUNCILWOMAN BLACKWELL: Thank you.

MR. NUTTER: Thank you, Madam Chair, members of the Committee. My name is Michael Nutter, N-U-T-T-E-R, and I'm here to testify in support of Bill 070541.

I first want to thank Councilman DiCicco for his introduction of this legislation. We had a wonderful opportunity to work on this together. This, of course, comes out in the aftermath of some legislation I worked on when I was a member of City Council around issues of domestic partnership and fairness to all of our citizens. The bill is relatively straightforward. I know the Councilman talked about some amendments, which, of course, I'm also in support of.

So I just wanted to lend my voice to this particular effort. I think it helps to bring to a proper conclusion this issue in making sure that we treat all of our citizens with fairness and dignity and without discrimination. So my testimony is that I am supportive and would certainly encourage the passage of this legislation.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions for Mr. Nutter?

Thank you very much.

Councilman DiCicco.

MR. NUTTER: All the lights went on.

COUNCILMAN DiCICCO: I think it's important that the record reflect that while I myself and Councilman Greenlee are getting credit for introducing this bill, it was actually then-Councilman Nutter who was able to get this matter clear that the Supreme Court had raised prior to me getting that done. So we were both working on it at the same time and, no surprise, Michael got there first, but he had left to run for Mayor, which we all congratulate you, by the way, on your victory.

MR. NUTTER: Thank you.

COUNCILMAN DiCICCO: But we get to sit in the spotlight of glory today, but it was really all because of former Councilman Nutter, soon-to-be Mayor Nutter.

Thank you.

MR. NUTTER: Thank you, Councilman.

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. NUTTER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

We will now consider the final bill of the day, and that is Bill No. 070693, and we'll ask the Clerk to read the title of the bill.

THE CLERK: An ordinance creating the Philadelphia Re-Entry

Employment Program for Ex-offenders; in particular, amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," to provide a PREP tax credit for businesses that hire ex-offenders; directing various City officials to take certain actions with respect to the employment of ex-offenders by the public and private sector; and requiring those who contract with the City or who receive certain financial benefits from the City to identify job opportunities that may be available for ex-offenders and to take other action with respect to the hiring of ex-offenders; all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair recognizes again the Honorable Michael A. Nutter. We ask you to testify with regard to the PREP tax credit bill, Philadelphia Re-Entry Employment Program.

MR. NUTTER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

MR. NUTTER: I'd also wish to testify in support of this legislation and first, again, acknowledge the great efforts on previous occasions of Councilman W. Wilson Goode, who has provided leadership with regard to the issues of re-entry and ex-offenders.

In this particular situation, given the nature of the campaign, mayoral race, I had started talking about the issue of re-entry and put forward a number of ideas during the course of the campaign and subsequently decided to write a piece of legislation. Of course, I have no ability to introduce it, so Councilman Goode was kind enough to agree to introduce this piece of legislation.

I have a few remarks that I'd like to put on the record, and I'd be pleased to respond to any questions.

Madam Chair and members of the Committee, jobs are crucial to a comprehensive public safety plan in this City. We will never achieve sustainable decreases in crime without substantial improvements in the job prospects for ex-offenders. Ex-offenders with steady work are significantly less likely to return to incarceration. Re-entry programs have been proven to significantly reduce recidivism.

The federal government has two financial incentive programs that benefit employers who hire ex-offenders. One program gives an employer a federal tax credit or tax break of $2,400 once the ex-offender has been hired and has worked for a certain number of hours. The other program provides fidelity insurance bonds as an incentive to hire an ex-offender who might normally be considered high risk for mainstream insurance companies.

Some employers have reported that they were, quote/unquote, "on the fence" about hiring an ex-offender, but after a series of financial incentives were offered, they've indicated that those help to seal the deal.

The state legislature is also considering several proposals to increase hiring for ex-offenders, including the Second Chance bill offered by State Senator Shirley Kitchen. These proposals would change state rules about the employment restrictions that are currently blocking the path of ex-offenders to employment.

This current bill, the City bill, provides a local counterpart to the federal and state programs. The bill in front of you would provide a tax credit against the business privilege tax liability up to $10,000 per year for up to three years for any ex-offender hired by a Philadelphia business. This bill would cover 1,000 employees and formerly incarcerated persons.

The bill also requires City

contractors to be in compliance with the legislation, as well as anyone receiving financial assistance from the City for their project. The bill also provides for incentives for employers to support training and education programs for ex-offenders that will enable them to increase not only their earning power but improve their life skills training and life circumstances.

I've called on the business community and asked them to support this kind of initiative as a part of the business community's commitment to helping Philadelphia lower our crime rate and provide more economic opportunity. The response has been tremendously supportive, and I commend our business community here in Philadelphia for recognizing that all of us can play a role in crime reduction.

All of these initiatives taken together I believe are important steps in not only creating economic opportunity for all Philadelphians but also significantly reducing the crime rate here in our City. We can no longer just expect the law enforcement community alone to work on the issue of violent crime in Philadelphia, because at its heart, all of these issues revolve around economics, job opportunities and education. This bill, I believe, seeks to address those three critical areas, and I would greatly appreciate this Committee's support for this legislation and I commend you for taking up this issue at this point in time.

Madam Chair and members of the Committee, thank you very much.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Mr. Nutter.

Mr. Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon, sir.

MR. NUTTER: Good afternoon.

COUNCILMAN GREENLEE: And,

again, I join in congratulating you and Councilman Goode. This is, I think, an excellent bill. But I think you might be qualified to answer this question, as somebody who sat in Council and is quite likely to be in another position soon.

Do you have any doubt that Council is within its powers to pass this bill and that it is completely within the law for them to do that? I think I know the answer, but we want to get something on record.

MR. NUTTER: Well, you know, they say where you stand depends on where you sit.

COUNCILMAN GREENLEE: Well, you're in the middle now.

MR. NUTTER: I'm just an unemployed guy from West Philly at the moment.

Councilman, I understand the question and I think this is one of these unique circumstances where should things work out, I'll be the next Mayor of the

City of Philadelphia and I certainly sit here this afternoon as a candidate in support of this legislation. If I were the Mayor of this City, it's the kind of bill that I would send here and ask the Council to take up.

I think that often we find ourselves in these situations where our respective and honored lawyers will give us a variety of pieces of advice. I think we're in a situation where just doing the right thing is what's important in this particular regard.

COUNCILMAN GREENLEE: I second that. Thank you.

COUNCILWOMAN BLACKWELL: Are there more questions or comments for the Mayor-elect?

The Chair notes that Councilwoman Blondell Reynolds Brown is here, and we invite her to ask a question or make a comment.

COUNCILWOMAN BROWN: Good afternoon, and let me join again my colleagues in saluting you and Councilman Goode for what might seem an overdue effort in how we better face the issue of violence.

Could you please tell us briefly what the nature of the deliberations were with the Greater Philadelphia Chamber of Commerce? Besides the tax incentive, might there have been other items in the bill which suggests is the right thing to do given or in spite of the tax incentives and what the scale of the participation might be with the Greater Philadelphia Chamber of Commerce?

MR. NUTTER: The discussion, if you will, with the Greater Philadelphia Chamber of Commerce really came, I guess I would say, somewhat late in the process. I've been talking about this particular issue during the course of the campaign and more formalized, I guess, my thinking around it shortly after -- around about the time that I released my public safety plan called Safety Now and just started talking about this particular issue.

It's been well received in the broader business community, not solely within the membership organization known as the Greater Philadelphia Chamber of Commerce. I think that many business leaders -- you may have seen the commentary in the -- it may have been Tuesday's Business section. Governor Schweiker was in the Business section on Monday and the gentleman who runs Health Partners was in the Business section on Tuesday. I spoke at a Health Partners employees event either last year or the beginning of this year and asked Health Partners specifically at that forum to consider changing their hiring practices as it relates to ex-offenders. I think that the gentleman's commentary in the paper on Tuesday is directly reflective of the conversation we had. He didn't need permission from the Chamber of

Commerce and he didn't need a bill or a piece of legislation to do that. I think he recently --

COUNCILWOMAN BROWN: And he also didn't need an incentive as such.

MR. NUTTER: Well, he didn't talk to me about any incentives, but I think he'll be pretty happy about it.

I think that this is one of those situations where we have to make strategic and wise investments, and we also have to put our money where our mouths are. It cost us $32,000 a year to keep someone in jail. And, again, should I be fortunate in 19 days, I'm more than willing to spend $10,000 to keep somebody in a job.

So I think that there is certainly no direct requirement that companies hire. I think that this is a leadership issue for what I would -- again, not wanting to be presumptuous, I think it's for the 18 elected officials in the City to speak out on these particular issues, and whether it is an incentive program or not, I think there are ways to inspire the business community to do certain things, but I thought based on my experience and some of my work on the tax side, that often it is helpful to provide those incentives, especially given the population that we're talking about.

COUNCILWOMAN BROWN: Thank you.

MR. NUTTER: Sure.

COUNCILWOMAN BLACKWELL: Are there further questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. NUTTER: Madam Chair and members of the Committee, thank you so much. I appreciate it.

COUNCILWOMAN BLACKWELL: Thank you.

Greater Philadelphia Chamber of Commerce, Joe Mahoney, Executive Vice-President.

Good afternoon.

MR. MAHONEY: Good afternoon. Good afternoon, Chairwoman Blackwell and members of the Finance Committee. For the record, I am Joe Mahoney, Executive Vice-President of the Greater Philadelphia Chamber of Commerce. I am pleased to offer comments on Bill 070693, known as the Philadelphia Re-Entry Employment Program, which would encourage the hiring of ex-offenders. This legislation, which offers a $10,000 annual tax credit for up to three years, provides an attractive incentive for employers to consider hiring pre-qualified ex-offenders.

The Greater Philadelphia Chamber of Commerce applauds Councilman Goode and former Councilman Nutter for their work on this legislation and supports the concept and approach that is outlined in the bill. The Chamber believes that offering businesses incentives to participate, rather than inflict penalties for non-participation, is the appropriate way to address the issue of employment. A punitive approach, we believe, sends the wrong message.

We recognize that the problem of violence within the City is complex and will require a number of steps in order to reach a long-term solution. This past summer, the business community in partnership with the Philadelphia Youth Network and United Way stepped up and provided 1,049 employer-paid internships for City youth through our Working Solutions initiative. It is our belief that this program helped to demonstrate the economic opportunities that are available to young people if they remain in school and complete their educations.

We found it interesting to note that 54 percent of Philadelphia area inmates had not finished high school. We also hope that Working Solutions kept those young people from either participating in or becoming victims of violent acts by being off the streets and earning a paycheck.

We are currently working on a tax credit in Harrisburg to provide an added incentive to other businesses, particularly small businesses, to participate in the Working Solutions program.

The legislation before you today can serve as the other bookend to this process by providing incentives to bring those who have committed crimes back into society in a productive way. By developing a skill and earning a paycheck, ex-offenders will be able to provide for themselves and their families and, through the training provided, will gain the necessary life skills to hopefully avoid the path to reincarceration.

It is important to note that not all employers will be able to hire ex-offenders. Some may face regulatory obstacles given the nature of their companies. Some occupations may have restrictions due to security concerns and regulations at either the state or national level. For instance, new security cards are being issued to longshoremen at the Port of Wilmington by the Department of Homeland Security as a result of federal legislation resulting from the 9/11 attacks. According to the Wilmington News Journal, and I quote, "offenses such as robbery, smuggling, drug distribution and firearm possession would disqualify a person from working at the Port for seven years," end quote.

It is our understanding that Wilmington is the first court for these federal regulations to be affected.

Other employers may have significant perception issues to overcome prior to making the decision to employ former inmates.

For those businesses who are

willing and able to provide opportunities for these individuals, the rewards outlined in the bill are significant. In return for investing 2,000 in training in each of the first two years and a thousand in the third, those businesses will enjoy the opportunity for a $10,000 business privilege tax credit each year for up to three years. Perhaps even more importantly, the participating businesses are providing the individual with an economic opportunity which all hope will prevent that individual from returning to the criminal justice system.

Not the least reason why we support this legislation is because, if successful, this could help address one of the key cost drivers which have been identified in the Administration's Five-Year Plan, that of increasing costs of prisons.

The Prisons budget has burgeoned from 131.4 million in Fiscal Year 2000 to 194.3 million in FY06, a 48 percent increase, $63 million. The January 2007 census hovered around 8,700, which is a 1,950 inmate increase over January 2000 population, adding approximately $172,000 per day to the cost of Prison operations.

The legislation before you sparked a number of questions on our part, and many of them have been answered or clarified by the amendments which have been offered. For instance, the definition of "adequate healthcare" has been addressed in the amended version of the bill.

Some questions remain, such as what incentives could be provided for not-for-profit institutions to entice their participation in this program. As you know, Philadelphia has a rich array of not-for-profit institutions which may be able to become part of this mix.

Issues like the timeliness of certification for individuals and City intrusion into the policies and procedures of the participating businesses appear to be issues that will be addressed in the drafting of the regulations. We hope to have input into those regulations, as they will be key to our continued support and we believe to the long-term success of the program.

In conclusion, we applaud the approach which is being offered to attempt to provide for the re-entry of ex-offenders into society. Nationally, a staggering 57 percent of inmates released from prison will be rearrested and 31 percent reincarcerated within three years. While we believe that this program will not be a quick fix, over the long term it is our hope that it will begin to address the needs of this population and open doors of opportunity that had been previously firmly shut. Finally, it will reduce the cost of incarceration that the City is facing.

As the sponsor of the bill told me in our meeting last month -- and, Councilman Goode, I hope I'm quoting you correctly -- "we're going to pay one way or the other." We believe that training and employment is a much more cost-effective way to go.

Thank you for the opportunity to testify today.

COUNCILWOMAN BLACKWELL: Thank you very much, Mr. Mahoney.

Are there questions or comments?

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Let me thank the Chamber of Commerce for their testimony and for their support of the bill. And in our meetings and discussions, we did take all the points very seriously. We've made attempts in the past at trying to create incentives for the hiring of ex-offenders, and even trying to create this new one, we didn't just want a better tool, we wanted a tool that was definitely going to be utilized. Creating a good tool is one thing. Creating a tool that's going to be utilized in another.

To that end, I think the other major concern raised in your testimony will be addressed through amendments, and in addition to offering a tax credit to businesses of $10,000 per year, we will actually be offering a $10,000 grant to non-profit institutions equal to that tax credit over the three-year period.

MR. MAHONEY: We had questions from a number of our not-for-profit numbers, as we spoke about when we met, about their interest in looking at possible positions within their businesses as well, and I thank you for taking that into consideration.

COUNCILMAN GOODE: In the end, it made complete sense. The program is currently capped at 1,000 employees, so the cost will be the same. It's the same $10 million cost. So we thought it was important to open up the opportunity of employment within both the for-profit and non-profit sectors equally.

MR. MAHONEY: Thank you, Councilman.

COUNCILWOMAN BLACKWELL: And might I note, the bill sponsor said something very, very important. After I had hired another staff member -- and we work very, very hard on legislation -- one day he came back and asked, Do we do this for the hearing or are we trying to change things? And we work really, really hard. It takes a lot to get this far, but as Councilman Goode so rightly said, we do it to make a change, not just to introduce legislation and have it fill up our file cabinets. Very, very important.

Any comments or questions for Mr. Mahoney?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. MAHONEY: Thank you, Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you. Thank you both.

Is Paul Levy here, President and CEO of Center City District?

(No response.)

COUNCILWOMAN BLACKWELL: Is there someone else here to give his testimony?

(No response.)

COUNCILWOMAN BLACKWELL: Reverend Robert Shine. Welcome. We're very happy to see you.

Good afternoon.

REVEREND SHINE: Good afternoon, Madam Chair Lady and members of this distinguished body. I'm the Reverend Robert Shine, Pastor of the Berachah Baptist Church in West Oak Lane and former President of Black Clergy of Philadelphia and Vicinity.

I want to thank you, the sponsors of this legislation, for the wisdom and foresight to bring this piece of progressive legislation into being. It's long overdue and may it receive unanimous approval by this entire body.

We need this bill, and once again, I say it's long overdue. Looking at the present predicament of ex-offenders and the history of the causes of recidivism, it becomes obvious that such a compassionate and sorely needed governmental response to this population's need is indeed a responsible and righteous course of action, for which you are to be publicly commended.

This effort on your part has, I believe, unlimited potential to restore men and women to a place of dignity, honor, self-esteem and respect. For when this population of citizens are labeled as former criminals or ex-offenders or having paid the debt to society, there are still those forces working against them, and those forces are overwhelming, and has trouble returning once he or she has been cast out of social respectability by judgment of criminality.

But you, sirs and madams, have taken a bold step to undue the heavy burden that is borne and to minimize the social stigma of having been a prison inmate.

Such a bold action, again, I believe that the enactment of this bill can and will turn the hopeless situation around for the many who at one time or another have turned to a life of crime and perhaps recidivism.

But now with the swift action taken from September 2007 when the bill was introduced until this day, October 18th, a few days short of one month, it's evident that this bill was recognized as a priority piece of legislation and perhaps a model for other cities as well.

With fortitude and faith, boldness to pursue a course of action that might be unwise in the eyes of some and be in some cases opposed by others, but coupled with faith, confidence in God, ability to perform his perfect will on your behalf, no matter what the opposition might be, this bill is hope for the future of returnees to society.

I believe that good programs such as PREP is good security. If you can productively engage a population in pro-social activities; that is, the availability of more livable wage employment, education and benefits, bad conducts drop off.

I am confident that this, among other plans to interact with offenders and potential employers, will have the effect of reducing the chance that the offender will return to a life of crime but rather enjoy a productive law-abiding life outside.

Workforce development organizations and agencies, both City owned and operated and independently owned organizations, could possibly partner with businesses and corporations in providing the necessary training. PREP opens up tremendous opportunities for a variety of supplemental and complemental jobs. It is a stimulus to business growth potential.

The passage of this legislation begins the process of reconnecting homes and families, for which we give great concern in our communities. When you as the elected officials and the business community connect as well in this particular way through the Philadelphia Re-Entry Employment Program, otherwise known as PREP, that offers tax incentives as provided for in this proposed bill for the business community who come on board, then this otherwise alienated population will have a second chance to become economically viable, educationally more qualified, socially more better adjusted. And those who intend to do well and profit from their mistakes and profit from this opportunity will be able to meet their financial obligations, both to their family and to City government. No more a liability but an asset in every responsible and meaningful way.

I'm reminded of the word of the late Pope John Paul II. He was clear and outspoken about the fundamental place of work in human life. In his encyclical on human work entitled "Laborem Exercens," he writes "work is one of the characteristics that distinguishes a man from the rest of the creatures," end of quote. And if he is unable to find ample work to provide for himself and his family, he will resort to a baser activity. And since our Creator has designed us to work in order to live, and since work is the thing one lives to do, then this idea whose time has come will in the short term as well as in the long term be a remedy for unemployment among the poor who are also most likely to be ex-offenders as well.

The passage and implementation

of this bill will be the economic salvation for many of our ex-offender citizens. We add our citizens' voice to the many others and call for the immediate passage of this bill, PREP.

Thank you, Madam Chairman, and thank you, City Council members, for this time.

COUNCILWOMAN BLACKWELL: Thank you very much, Reverend Shine.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Reverend Shine, I just wanted to thank you for your testimony in support of this bill, and not only thank you for your support but the work you're doing in this area. I know of your vision and your work, and your support of this bill will not only ensure its passage but ensure its implementation. I look forward to working with you further on this issue. Thank you again.

REVEREND SHINE: Thank you very

much.

COUNCILWOMAN BLACKWELL: Thank you both. Thank you very much.

Mr. Garnett Littlepage.

Welcome. Please identify yourself and begin your testimony. Thank you.

MR. LITTLEPAGE: I'm Garnett Littlepage, L-I-T-T-L-E-P-A-G-E.

MS. BARNETT: Crystal Barnett.

MR. KISSEL: Douglas Kissel, Connection Training Services.

MR. LITTLEPAGE: I just want to thank City Council for having us here, and I just want to be clear that we're here to support Bill No. 070693.

As I indicated, I'm Garnett Littlepage, President of Connection Training Services. Since 1992, we have provided life skills training and prison re-entry services to many ex-offenders leaving Philadelphia County as well as the state.

After many sessions with our

students, staff and employees, we have outlined the following issues with recommendations as solutions that we thought would help aid this bill as being successful. Again, I just want to indicate that we're here to support this bill and we are only offering recommendations that as an employer we thought would strengthen this bill.

Ms. Barnett?

MS. BARNETT: As the Prisoner Re-Entry Initiative Program Manager, it's my job to assess ex-offenders who enter our offices for job training and placement. In a recent assessment last week with a gentleman who was a 28-year-old African-American returning to our area from state prison, we had a conversation regarding his skill level. The gentleman had been a drug dealer from the time he was 13 and came to our organization with absolutely no work history. It's my job to get him employed.

When I asked about transferable skills, he informed me that he had none. The reason he felt he had none is because he had no males in his family to provide him with any. He had no uncles or a father in the home. All were incarcerated, and none had skills to pass on. As a result, he came to our organization for skill-based training in construction and building trades in order to become employable.

It is ordinances like this that make that kind of training and placement possible, and I'm here to say that without that training, employment of ex-offenders is almost impossible.

One of the concerns we had with this ordinance is that while we fully support re-entry and that is the focus of our organization, we further support no entry. And we would like to see ordinances such as this put in place for individuals who do not have criminal backgrounds, who do not have to come to our organization for re-entry services after terms of incarceration. We feel that prevention is the best cure.

One of our other recommendations is that the ordinance be situated in a way that individuals who are incarcerated for less than six months still be able to participate in the benefits of the program. It seems as though the assessment process pre-release would not begin to take place until six months pre-release. Individuals who are incarcerated less than that time would not be candidates for training. We feel an outside organization should provide them with the same opportunities post-release as those who have longer periods of incarceration.

Last, but not least, we feel that the ordinance calls for tailored programs to be provided upon release and seems to limit those with certifications to a thousand at any given time. As we know, over 18,000 return to our City each year from federal, state and county prisons, and we feel that the thousand represented in this ordinance represent what we consider to be a very good start.

Mr. Kissel will speak to our economic concerns regarding the ordinance.

MR. KISSEL: Before I do, I just want to comment on one statement Ms. Barnett made. She indicated the desire to expand this program. She did not make it entirely clear. We're talking about expanding it to at-risk populations that come from certain zip codes that have no parents, whose parents are incarcerated, who are in drug-infested neighborhoods, who have all the indicia of ending up in the criminal justice system. It's our position that recidivism and criminal activities don't need to be addressed prior to someone coming out of prison. To prevent them from going into prison, programs like this would be a tremendous way to stop the problem of the high numbers going into our prisons and coming out of them before they ever get to the prison, rather than wait until thousands are coming out of the prison and need this kind of service after that, when they have a record that makes it more difficult for them to become employed.

The third issue that we wanted to address -- or the fourth issue is that the benefits given to the employees. We are concerned that paying the employee 150 percent of the minimum wage may have the result of eliminating them from consideration for many jobs that would pay $7 to $10 an hour. Many ex-offenders come to our programs with a fourth grade literacy level, no mathematical skills, no employability skills, no prior experience and the added problem of being an ex-offender. It's very difficult to encourage employers to pay them $10, $11 an hour, plus full medical benefits, plus a $2,000 tuition reimbursement, when they have existing employees that may be paid to do the same job at $8 an hour, with no medical benefits and with no tuition reimbursement.

We believe the employer is being asked to virtually give back to the City or to the employee in one way or another the $10,000 tax credit that this program provides both by a combination of fees he might have to pay for medical insurance, the tuition reimbursement and possibly the higher amount of pay for that employee to do a job that another employee can and would do without a record for $7, $8, $9 or $10 an hour.

We have to look at it both ways and realize that you can't provide a program where the employer is given enormous incentives to hire someone and then take it back and try to give the employee enormous incentives. It isn't meshing right. It's counterproductive, in our opinion there.

We think that medical benefits for one person can cost $5,000 a year, and that is almost half of the tax credit alone.

Our recommendation is that the ex-offender receive exactly the same pay and benefits as any other employee hired to do the same job as the ex-offender. We also think that this program may cause a problem in the workforce with a demoralization of the rest of the workforce, which is asking why is this man who is sitting next to me earning one and a half times what I'm earning, getting all these medical benefits I'm not getting and getting tuition reimbursement that I'm not receiving at the same time? And why? Because he's an ex-offender and I towed the straight and narrow and did the best I did to be a good person?

We also think that the idea that the employee should be employed for six months in order for the employer to receive the tax credit, or part of it, should be reconsidered. We think the employer will have to put out a lot of initial funding possibly in training of this employee and in other costs, an acceptance of work that is slow or not as efficient as an experienced employee and it would be a tragedy if after six months of this, the employee quits or must be terminated for cause and the employer gets no benefit from that hiring at that point. We think that he should receive a pro rata share of the $10,000 based on the number of months.

We also feel that this program that requires that six months may lead an employer to retain an employee for six months who is substandard and not doing the job, and everyone knows it, solely so he can start receiving the tax credit as a result of this program. We think that could be a demoralizing factor with the rest of the workforce and suggest that, again, it be a pro rata situation.

With regard to the $2,000 tax credit, we'd like -- we think there's a good use for the $2,000 tuition reimbursement, a better use than to pay the tuition of someone who, A, may not want to attend college or trade school or vocational school or, B, may be attending that in order to get another job somewhere else, a better job, and leave this employer.

So there are some concerns that perhaps there are better ways to spend that money, and one of those would be a cash or in-kind contribution of 2,000 to non-profit organizations that specialize in job training, career exploration and after-school and summer programs for neighborhood youth to help them succeed in school, guide them into a career and give them a legitimate summer job with income to use for school. Again, we're suggesting in this way the other employees in the company will not see this person as getting the $2,000 benefit that they're not receiving.

Also, we feel that as a

provider of these services, one of the most difficult things in getting an employee who is an ex-offender to accept and keep a job is the tax situation and the child support situation. Combined, the City taxes, federal taxes, state taxes and child support costs can add up sometimes 50 percent or more of the pay of an employee. We suggest that the five percent tax on the employee as a repayment for this program participation not be done in that format, because it only adds another five percent to discourage him. I'm sure you would be discouraged if you were earning $400 a week and you opened your paycheck and it was $200. We suggest that instead of a five percent contribution, the employee be required to devote 40 hours a week of community service for each of the three years he is in the program as an alternative, and that could be managed by community-based organizations.

Finally, in the area of

recommendations, I'm going to turn it over to Ms. Barnett at this point.

MS. BARNETT: Thank you.

Naturally, as an organization who specializes in training and placement for ex-offenders, any carrot that we can dangle for a potential employer is a carrot that we can appreciate, and that's what this ordinance represents for us.

As it was mentioned earlier, we have two federal acts that we use to our benefit to convince employers to consider ex-offenders and give them a second chance. This will just be a third weapon in our arsenal that we're pleased to have aboard should that be made possible.

Mr. Littlepage?

MR. LITTLEPAGE: In conclusion, I'd just like to say we're not here to be critical. We're here to try to give suggestions that we have experienced over the last 15 years to make this ordinance as successful and as useful for potential employers.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Let me thank Mr. Littlepage and his associates for their testimony and for their suggestions. Let me say that I assume, from my understanding of the work that you do, that you are committed to it and bring some expertise to the table in terms of what you do.

Let me also say for the record that I'm actually pretty good at what I do, and in the context, I tried to present for you in terms of how this program was conceived and why we're actually creating legislation on it, I should just reiterate. One, whatever re-entry efforts the City will have in the future does not have to be defined within The Philadelphia Code. The executive branch of government can create any number of a series of programs and initiatives and expand those programs and initiatives to include what they want if it's something that does not need to be legislated upon.

One of the major provisions of this bill is the tax credit. That absolutely has to be put in The Philadelphia Code in order for it to exist. Even if it's put into the Code as an incentive, as a tool for the hiring of ex-offenders, it is not an incentive or tool that has to be used by employers. It's an incentive and tool that we are offering to employers.

So, in other words, I will share with you a couple things. One, the amendments that I will be offering in the meeting portion of the Finance Committee will actually change the language within the bill in terms of the benefits, and simply suggest that the benefits offered under this bill should match the benefits of other employees. So there will be no difference between benefits and employees.

Secondly, clearly, any employer can hire an employee at any rate or salary they want as long as it's not below the federal and state minimum wage. And so an employer -- we're not taking away an employer's decision of what to pay someone. What we're saying is that if we're going to offer a $10,000 per year tax credit, that that job must pay 150 percent of the minimum wage. And we actually believe that that makes sense for any number of different reasons and is consistent with not only our local job creation tax credit laws that exist, they're also based upon the state job creation tax credit laws that exist that basically mandate that the job be at 150 percent of the minimum wage, which still does not amount to a windfall of money and we believe it's covered within the $10,000 tax credit.

Lastly, the legislation also

stipulates that the Revenue Department cannot certify an employee as a qualifying employee if that person is being hired to displace another worker. So there is no competition here. There's no competition in terms of wages. There's no competition in terms of benefits. There's no competition in terms of actually receiving the job. And at the end of the day, any prospective employer that is looking at hiring an ex-offender, that wants to hire an ex-offender can receive a $10,000 tax credit under these provisions that we are proposing. That person can hire them and not take advantage of those provisions. The person can hire the person and not take advantage of those provisions and decide to some extent that they're going to -- that it's worth -- it's in their interest in terms of their financial bottom line that they want to pay less, give less benefits and not receive the tax credits, and that is entirely their right if they choose so.

The last thing I would say -- and I will say that as much as you say on the front and the back of your testimony that you support the bill and that there's some criticism, I want to bring up one direct contradiction which I'd like someone to explain to me. How on one hand can you be against someone being paid 150 percent of the minimum wage and on the other hand be against them giving five percent back?

MR. LITTLEPAGE: Well, I don't think our testimony was to say that we're against them being paid 150 percent. I think what our experiences dictated over the years is sometimes when we get an individual that comes in with no skills, can't read or write -- and I mean even below a fourth grade level -- that's one of the hardest-to-serve individuals. So it's very difficult for us to place him now as opposed to trying to place him with an employer that's going to pay him

150 percent above the minimum wage.

That's what the concern is. But this is the person who needs it the most and this is the person that we really don't want to get excluded. That's what the main concern is.

COUNCILMAN GOODE: You talk about exclusion in terms of placement. To be perfectly honest, this bill is not designed for job placement agencies or agencies that service ex-offenders per se. I believe in the end that they are going to be the ones that make this successful, and that's why I encourage your testimony, your ideas, but at the end of the day, this is a tax credit, and it is a tax credit that makes sense or a tax credit that doesn't make sense. And I don't believe at the end of the day the Chamber of Commerce would have testified in favor of a $10,000 per year tax credit for three years if they felt they were losing money on it.

So essentially, we believe that

we're providing an opportunity that has a more livable wage and that at any given point over the period of time that that employer is not one to retain that ex-offender, they're still giving tax credit for the portion of time that they did work for that employer.

MR. LITTLEPAGE: I understand and agree. I'm just trying to stress to you that some of the needs of the individual that are coming out and some of the skill sets that they have are more prone to entry-level jobs. They have no vocational training whatsoever. They're more prone to entry-level jobs and in some cases --

COUNCILMAN GOODE: An entry-level job you describe as minimum wage?

MR. LITTLEPAGE: Yes, sir. And I want to be able to --

COUNCILMAN GOODE: And anyone who wants to pay minimum wage in hiring an ex-offender is free to do so. They simply cannot benefit from the tax credit.

MR. LITTLEPAGE: I understand that, but that was my fear, that they may be excluded, and that may be the only salvation for that individual at a fourth or fifth grade reading level to have entered employment without the proper vocational training.

COUNCILMAN GOODE: If we make the threshold the minimum wage, that's what the ex-offenders will be paid under the tax credit. Our belief is that, particularly my belief, is that a $5,000 tax credit, which exists now under the same provision, that you must pay 150 percent of the minimum wage, basically is fair, but if you're offering a $10,000 tax credit for three years, that more than pays for the wage that is being offered to the employee.

MR. LITTLEPAGE: I think one of our suggestions was more of an escalating. I mean, I agree with you, but, again, I just don't want to exclude anyone. If it's an opportunity to get someone at an entry-level job at an escalating wage, I think it would just be helpful.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

Unrelated to this bill, I'm curious to know what social work term would be wrap-around services or what bridge services do you offer or are you able to offer to those who come to you with minimal basic education, third and fourth grade reading level, or is that a scope of your programming at all?

MS. BARNETT: It is a scope of our programming. Depending upon the ability of the individual to improve his reading or math level, we will either train them in-house with adult basic education and skills training accompanying that to make him employable or we invoke the services of OVR to get that person suitable employment that meets their skill level.

COUNCILWOMAN BROWN: I see.

MS. BARNETT: But we offer case management, a full array of supportive services to support that individual in his re-entry to become independent as soon as possible.

COUNCILMAN GOODE: Point of information.

If your services bring someone to the point where they are job-ready and provide educational opportunity within the service you already provide, at the point in time in which you're going to place them, you still think they're not qualified to make 10.72 an hour?

MR. LITTLEPAGE: It's a point of time. Again, when she indicates OVR, maybe you need to explain what that is.

MS. BARNETT: Occupational and vocational rehabilitation.

But I think we wear separate hats, because you wear the employer hat, I wear the social worker cap. So you can speak as the employer. I don't think it's nearly enough, but I'm not paying.

MR. LITTLEPAGE: The truth is, sometimes at a level where someone may come into a program or exit a program, they may just be able to enter into that entry-level position, sir.

COUNCILMAN GOODE: My point is, at the point at which they come to you, they might not be prepared to get more than a minimum wage job. My understanding of the services you provide is to make them job-ready. To the point at which they leave you, are they not prepared to get a job that pays 10.72?

MR. LITTLEPAGE: It depends on the individual. People come in at different levels and leave at different levels. And, again, we're talking about in most times we have 13 weeks to work our magic. So 13 weeks is not 12 years of education. So it really depends on what they come in and what their commitment is when they get there. And, quite honestly, it has a lot to do with what their background was, what type of addictions they came with. So it's an in-depth process.

COUNCILMAN GOODE: I guess the answer to my question is what you're suggesting is they should receive more training?

MR. LITTLEPAGE: Well, yes. I think that was --

COUNCILMAN GOODE: And more education before they are placed?

MR. LITTLEPAGE: Absolutely.

COUNCILMAN GOODE: What we're suggesting is that when they are placed, they should receive a more livable wage and opportunity for further education.

MR. LITTLEPAGE: I think that if we really shortened this and one of the components in here was a vocational component, along with your bill, with the participation of the Workforce Development Act, but I think you're absolutely --

COUNCILMAN GOODE: The point I'm making in the end is that you're actually preparing people for our program. So it's not a matter of our program is brought in at a level that doesn't suit your program, because essentially it's supposed to be at a different level, because essentially you do the prep work for the PREP program.

MR. LITTLEPAGE: That's correct, but I'm not just speaking on behalf of us. I'm speaking -- as she indicated, we wear different hats. That's what they do, and they do it very well, but sometimes as an employer's hat, I'm saying the guy that walks in off the street, I'm concerned about him, based on my experience, being excluded, because he may not have had the same type of instruction that these folks --

COUNCILMAN GOODE: And I don't

disagree with you. I guess what I'm saying in the end is that that really doesn't have a lot to do with our program within this legislation per se, because essentially workforce development agencies receive well over a hundred million dollars a year, a lot of which is dedicated toward this population. There are other funds on the city, state and federal level that deal with training in terms of education training of this population.

My assumption is should this effort become successful, and I believe it will, that this is the portion that we need to legislate. It's not the entire re-entry program for the City. It's a portion which needs to be legislated, which means that at the time at which people are job-ready and we need them to have jobs and we need to create incentives for them to have jobs, I believe this is the appropriate thing to do. All the things that need to happen before that point we agree on. It's another challenge and there probably needs to be separate funding beyond this, which in some ways already exists, as I said, funding through the Philadelphia Workforce Development Corporation, the Philadelphia Workforce Investment Board, local, state and federal grants, to prepare people for this program.

And so we're not in disagreement. What I'm suggesting to you is that there's not necessarily a need to change this program to deal with what happens before this program. There's a need to make sure that what needs to happen before people are ready for this program also happens.

MR. LITTLEPAGE: Wouldn't disagree at all.

COUNCILWOMAN BLACKWELL: Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

Let me seize the moment to just

commend you for the work that you do and that you've done for many, many years.

MR. LITTLEPAGE: Thank you.

MS. BARNETT: Thank you.

COUNCILWOMAN BLACKWELL: Are there further questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. LITTLEPAGE: Thank you.

MS. BARNETT: Thank you.

COUNCILWOMAN BLACKWELL: Certainly.

Ron Cuie. I don't see you, but Ron Cuie or someone to -- oh, I see you. Didn't see you.

Good afternoon.

MR. CUIE: Good afternoon.

COUNCILWOMAN BLACKWELL: Welcome. We're glad to have you. Please identify yourself for our record.

MR. CUIE: My name is Ronald Cuie. Last name is spelled C-U-I-E.

First of all, I want to thank

you very much for the opportunity, Madam Chair and Councilman Goode and members of Council, sponsors of the legislation, to speak on this bill.

I'm delighted in fact to talk about this imperative to create a more level playing field for employment of ex-offenders. I've served as an advisor to the Mayor's Office of Re-Entry. I serve currently as a Board member of the Pennsylvania Prison Society. I'm currently working also with Enon Tabernacle. I was a consultant on their re-entry and after-care initiatives, along with the Archdiocese of Philadelphia, the Pennsylvania Board of Probation and Patrol and the Pennsylvania Department of Corrections.

I wish to acknowledge the leadership of Councilman Goode and all the members of Council who support the reunification of families, stabilization of communities, as well as the public safety of our citizenry to reduce victims of crime and the costs associated with unacceptable rates of recidivism and correctional facilities.

I have an exhibit on the last page of the testimony and just wanted to point out briefly. Socioeconomic costs of recidivism offenses, when we look at violent crime, $149,000; drug crime, $11,175 per incident; property, $6,072; and public order, $15,071. These numbers come from experts in this field, Cohen Miller and Rossman data that was -- a model that was developed in 1994, but updated in terms of 2005 dollars. I might note that of the numbers that I just stated, 90 percent of those are victim costs.

Ten percent reduction in recidivism in Philadelphia would produce savings of $6.8 million, according to the Philadelphia Consensus Group on the Re-Entry and Reintegration of Ex-Offenders. And I should note that also 75 percent of the recidivists in the

Pennsylvania Department of Corrections come from Philadelphia.

There's certainly an opportunity to impact this issue very positively and perhaps return and reinvest some of the savings dollars into a productivity bank, as has previously been used in this City. But there's an opportunity to really save a lot of money. But beyond the money, we are talking about victims of crime and we're talking about the quality of life and social fabric of our communities.

Why is PREP important? Because it demonstrates a commitment by government to do something which has not been done before, and that's plan to include the hiring of ex-offenders as an acceptable staffing component of City employees, but also because it offers a systemic approach to managing the process with specific accountabilities built in. Also, because it brings the private sector to the table, a segment of our stakeholders who have been, in large part, absent from the discussion of how they can help to fight crime and the continuing degradation of our social and cultural fabric.

As an aside, I saw Joe Mahoney earlier who testified for the Chamber, and I ran into him about three years ago. We were on the street. I saw him on the street and we were talking about this. He said, Ron -- I reminded him of this conversation. He said, We're trying to look at reducing taxes and incenting businesses. We don't have time to look at that right now.

So I said, Joe, it's good to see that the Chamber has come around over the past few years on this issue.

Much has been said and written about the features of this bill, the benefits and challenges of it. Some of it I agree -- some of it I don't agree with. Very little, by the way. But overwhelmingly I think it is excellent.

I've never seen anything as thorough as this in terms of the research that I've done and other municipalities and states who do work for tax credits for ex-offenders.

As an individual who has in the past been an effective member of government under two Administrations here in the City and been a productive member of the business community and, yes, an ex-offender, I'm uniquely qualified to contribute to this dialogue, and I'd like to do is on these points.

Number one, this is not about social service. It's about business. To that end, a business plan needs to be developed and evaluated utilizing metrics that speak to a double bottom line, hard dollar and social returns on the investment of taxpayers' dollars. I urge that quantitative models, such as that presented by an organization called the Policy Bridge, an African-American Think Tank out of Cleveland, Ohio, be explored to establish benchmarks and measurable goals and objectives for PREP beyond those that are incorporated into the legislation.

Second point: Strong leadership supported by communications and information management systems will be required from the Managing Director's Office. I worked in that office and observed firsthand what works and the skill sets and management of processes needed to break down bureaucratic silos, which can and will, if allowed, stifle progress, thereby rendering the bill less than effective.

All one has to do is look at the history, for instance, of MBEC for a real-world example where legislation was put forth for the right reasons and gets lost in the wash somewhere. And I submit that employing ex-offenders may be a tougher sale than the support of minority businesses if it's not done properly.

The third point: Managing

expectations is essential to the success of PREP. It should not be viewed as a panacea to the issues surrounding employment of ex-offenders. I'm aware of six states -- California, Illinois, Iowa, Louisiana, Maryland and Texas -- which provide state income tax credits to employers who hire people with criminal records. In fact, in Iowa, firms can receive credits of up to $20,000 per employee. However, officials in many of these states will agree if the employee, potential employee, is not well prepared, the tax credits are not meaningful to the businesses. I'm here to tell you that the efforts of the Philadelphia Prison System and the Pennsylvania Department of Corrections with respect to the preparation of people coming out leaves a great deal to be desired.

Self-reporting studies and surveys in both the Philadelphia Prison System and the Pennsylvania Department of Corrections reveal significant shortcomings, not to mention the need to offer transitional processes at scale to address the growing number of releasees each year.

A written job readiness criteria from the standpoint of having been a recruiter and a manager in a Fortune 50 corporation -- and I submit that most current curricula in the Philadelphia Prison System and the Pennsylvania Department of Corrections does not meet fundamental needs, most of which are behavioral of employers. We need fewer firms, providers, delivering these services, but improving and standardizing curricula for those that do prepare ex-offenders to reenter society.

The fourth leg of this table of recommendations involves the marketing of PREP to potential employers. The first point on that, an advisory should be formed, made up of firms who have ongoing history of hiring ex-offenders. This body should be brought to the table to discuss their experience and to help tell about their success and challenges to other employers who may be on the fence or just don't have an opinion formed about this potential element of the workforce.

I want to just mention as an aside, there are eight to ten staffing agencies in this City and the surrounding suburbs who routinely place ex-offenders at an average wage of $7.50 to $9, maybe as much as $12, but those staffing agencies are taking as much as 50 percent of that wage for their fee. So if these staffing agencies can place all these ladies and gentlemen -- and they're placing them. They're actually getting $12 to $15, up to $18 an hour for their labor. Well, I suggest that there could be a revisiting of how the placement agencies and these job readiness organizations, these providers who do this, how they function. Staffing agencies can do it. We can do it within the means of this body and City government.

Segments such as light assembly, distribution and manufacturing needs to be targeted since these sectors have the most established histories of hiring ex-offenders.

Another point: Every application for a business privilege license should be accompanied by a brochure explaining the benefits of PREP. One of the greatest challenges for new businesses is getting employees, let alone learning about tax benefits associated with new hires.

My final point is, outreach to organizations of CPAs and human resource professionals needs to be considered as a means to educate the workplace. While many owners don't have or won't take time to sit and understand the how to's of PREP, this is one of the primary responsibilities of accountants and those involved with hiring policies of area firms.

I'm currently in discussions and had a presentation to the Board of the Society for Human Resource Managers based on the work I'm doing with the Archdiocese and Enon. Their Board member who is responsible for workforce development said that the presentation was very well received. I might note, there are three chapters. SHRM, Society for Human Resource Managers, the acronym is SHRM, there's three chapters in this area, Valley Forge, Greater Philadelphia and Southeast Pennsylvania. Southeast Pennsylvania alone has 482 member firms in their organization, and they are willing and prepared to address and tackle this issue. You just have to ask them.

In closing, I'd like to once again applaud the efforts of this body. I'm excited. You've done your part. You really have. Now the onus is on providers, administrators, the workplace and ex-offenders to determine the success or failure of PREP. Being the eternal optimist that I am, I so look forward to this bill being written into law and seeing the positive impacts and reduced crime associated with lower rates of recidivism, the reunification of families and stabilized communities in Philadelphia.

I thank you for the opportunity to address the body today.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Cuie.

Does anyone have any comments or questions?

Mr. Goode.

COUNCILMAN GOODE: I just want to thank Mr. Cuie for his testimony. I know actually he became aware of the hearing only a couple days ago, but because of his work in the field, it was very easy for him to come up to speed. And we thank you for the testimony. It was insightful. We look forward to working with you on the implementation of this legislation.

Thank you.

MR. CUIE: Thank you very much.

COUNCILWOMAN BLACKWELL: I would like to thank you as well.

Ron and Lucien Blackwell traveled to Africa together, and we have a lot of mutual friends. And thank you.

MR. CUIE: Absolutely.

COUNCILWOMAN BLACKWELL: Thank you.

MR. CUIE: Thank you very much.

COUNCILWOMAN BLACKWELL: Are there any further questions?

Now that the Commissioner Kammerdeiner is here, would you come forward? I would just like to ask one question, and it was the question with regard to guidelines that are to be established regarding the affidavit by your department. Can you give us a timeline?

MS. KAMMERDEINER: I'm sorry.

I didn't hear all the question.

COUNCILWOMAN BLACKWELL: In your testimony, the last line with regard to the realty transfer tax.

MS. KAMMERDEINER: Yes.

COUNCILWOMAN BLACKWELL: Your last line on your first page, and I'll quote, "In order to receive the exemption from the realty transfer tax, they must file a sworn affidavit with the Department of Revenue certifying their status as, quote/unquote, 'financially interdependent persons' following guidelines that are to be established by Revenue in regulations."

I'm trying to get a timeline on that.

MS. KAMMERDEINER: Well, obviously since this legislation was just called for a hearing and we didn't know whether it would be moving forward, we have not yet begun to develop the regulations. I don't yet have a timeline on that. We do have to prepare any regulations, have them approved by Law as to form and their legality, and then they sit in Records for 30 days before they're effective. That's just the general procedure. If there are any questions about regulations that are developed, then we are required to hold a public hearing to hear any testimony about that, make any adjustments and then refile the regulations. That's the standard procedure. So that would have to take place even after the drafting of the regulations.

COUNCILWOMAN BLACKWELL: Would you keep in touch with this Committee so that we may inform our membership as to where you are and when they'll be ready? Would you contact us?

MS. KAMMERDEINER: Be happy to do that.

COUNCILWOMAN BLACKWELL: Thank you.

Are there other questions or concerns?

(No response.)

COUNCILWOMAN BLACKWELL: Other questions or concerns for anyone who testified?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much, Commissioner.

MS. KAMMERDEINER: Thank you. And I apologize for not being here earlier.

COUNCILWOMAN BLACKWELL: Thank you.

If there are no questions or concerns, we will leave the hearing part of our deliberations and enter our stated meeting.

The first bill to be considered that we talked about today is Bill No. 070673, and this is on the general obligation bonds, and the Chair calls on Councilman Ramos for a motion.

COUNCILMAN RAMOS: Madam Chair, I move that Bill No. 070673 be reported out of Committee with a favorable recommendation. I further move that the rules of Council be suspended to permit the first reading of this bill at our next Council meeting.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 070673 be reported out of Committee with a favorable recommendation and, furthermore, that the rules be suspended in order to permit consideration at our next session of Council.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so this bill is reported out.

The next bill to be considered is Bill No. 070541, and the Chair calls on Councilman Greenlee for an amendment.

COUNCILMAN GREENLEE: Thank

you, Madam Chair. I move the amendment to Bill No. 070541 be approved. The amendment was circulated.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendment to Bill No. 070541 be adopted.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the amendment is adopted.

The Chair now calls on Councilman Greenlee for a motion on the bill as amended.

COUNCILMAN GREENLEE: Thank you, Madam Chair. I move that Bill 070541 as amended be reported out of this Committee with a favorable recommendation and, further, that the rules of Council be suspended to allow for first reading at our next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 070541 as amended be reported out of Committee with a favorable recommendation and, furthermore, that the rules be suspended so as to permit first reading at our next session of Council.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and the bill is reported out.

The next bill is Bill No. 070693, and the Chair calls on Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair. Proposed amendments to this bill have been circulated to members of the Committee. They're found in your second package. I'm going to run through the amendments very quickly.

On the first page of the amendments, they are simply technical amendments to clarify language. So the words "shall be provided" simply moved within Subsection (1) to a different part of the sentence so that it reads more clearly.

Also, there's a question as to what subcontractors will be covered under the bill and whether there's any relationship to the value of their subcontract. So there's an amendment that suggests that all subcontractors, regardless of the value of the subcontract, will be included under the bill.

On the second page of the bill, it deals with the issue of adequate healthcare benefits. That language is struck to now read "the same benefits as are provided to other full-time employees."

Also, there's an amendment with regard to the support for education, and that language now reads "at least $2,000 during each of the first two years of employment and $1,000 during the third year of employment."

Also, there was a concern about residency issues. There's language that's being added that says "and has been a Philadelphia resident either continuously since being released from incarceration or for at least three years before being hired."

Also, there was no effective date for the bill, so there's language being added now that makes the bill effective immediately and for tax year 2008 with regard to the tax credit.

Lastly, the issue I raised earlier about the fact that this is a tax credit or was a tax credit for businesses. We want to extend the opportunities to the non-profit sector as well, so the program will be offering a

$10,000 grant to non-profits in addition to a $10,000 tax credit to businesses. The program is still capped at a thousand employees so it does not change the cost of the program.

And that's the amendments in a nutshell. So I move for the adoption of the amendments to Bill No. 070693.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendments to Bill No. 070693 be adopted.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the amendments have been adopted.

The Chair now recognizes Councilman Goode for a motion on the amended bill.

COUNCILMAN GOODE: Thank you,

Madam Chair. I move that Bill No. 070693 as amended be reported out of the Committee with a favorable recommendation and that the rules of Council be suspended so as to permit first reading at our next Council session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 070693 as amended be reported out of Committee with a favorable recommendation and, furthermore, that the rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Those opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the bill is reported out.

Thank you very much. Let me

thank all members of the Finance Committee, all of you who have come to testify and all of you who have come just to support issues of concern. Thank you very much.

This concludes our Finance Committee.

(Committee on Finance adjourned at 3:00 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on October 18, 2007, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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