



Comments on School Funding and Tax Relief

**by Stinson Stroup, Executive Director
Pennsylvania Association of School Administrators**

**Senate Special Session Committee on Legislation
November 15, 2005**

Thank you for providing this opportunity to talk about school funding. No issue is more important to the youth of our Commonwealth or the future of our communities.

PASA supports equity in school funding. To us, this means two things. Every child in the Commonwealth, regardless of where he or she lives, is entitled to a sound basic education program. The cost of providing this basic program should not place a disparate burden on local property taxes and taxpayers.

We have spoken extensively in this chamber and in House Hearings about the need for state support of school programs. I appreciate that the primary focus of this hearing is not on additional funding for school programs but on the tax issues related to equity—how to fairly distribute the burden of paying for the care of our communities' youth and for adequately preparing them to be productive citizens .

Let me begin by defending the property tax, even if unpopular, as an appropriate and important source of revenue for schools.

We believe local communities have an obligation to raise revenue from local sources to support their schools and we support the property tax as one important local revenue source. The property tax is well understood. It is visible to those who pay it (some might suggest too visible.) It is stable and predictable to both those who pay it and those who depend upon it for revenue. It has a base generally reserved for local governments that is not reached by state or federal taxing. It is a hard tax to avoid. Businesses and individuals both pay property tax.

Further, the property tax bears some relationship to the services it supports. Like fire protection and police protection, education is a benefit that attaches to property and is reflected in property values. Students have a right to attend schools in the districts in which they reside.

Business and home values in communities are often affected by the quality of the education programs available within the community.

We do not support eliminating the local property tax as a source of revenue for education. Neither education nor tax fairness will be improved if schools lose the stable, reliable, independent, broad based funding that the property tax provides.

This is not to suggest that the property tax relied on by Pennsylvania schools can not be improved with better assessment practices; the use of “circuit breakers”; or the infusion of formula driven state funding to reduce the disparate burden borne by taxpayers in different communities. It can be.

Several of the proposals that you are considering in this special legislative session would improve the fairness of the property tax. Allow me to comment specifically on some of the principles embodied in the proposals which PASA can support. My comments will track the outline circulated by Senators Brightbill, Erickson and others, but they apply to other similar proposals.

PASA supports using revenue from broad based state taxes to provide school property tax relief. Specifically, PASA supports an increase in the state PIT and Sales and Use Tax for this purpose. If this narrow question is put on the ballot for voter approval, PASA will support passage of such a referendum.

PASA supports dedicating the proceeds from specified increases in these taxes to property tax reduction. We would like to have time to analyze the formula for distributing this relief against our goal of promoting tax payer equity. On first glance, we would recommend including in the formula some factor related to tax effort.

PASA supports expanding the existing circuit breakers to create greater fairness in the property tax. We recognize that designing appropriate circuit breakers is not easy, and that while there are many older Pennsylvanians who need relief from high property taxes, such relief should not exclude young low income families. Thus, while expanding eligibility and benefits under the Senior Citizen Rebate and Assistance program is important, it should not be the only circuit breaker considered.

PASA supports reimbursements to school districts based on Sterling Tax credits applied against a school district’s earned income and net profits tax. Such reimbursement will give communities that can not now practically broaden their tax base beyond the property tax the opportunity to do so. Using the more vibrant mix of revenue sources available to schools in other parts of the commonwealth will decrease the dependency of suburban Philadelphia school districts on the property tax, and provide them with some property tax relief.

PASA supports giving school districts (with or without a front end referendum) the authority to levy a different mix of local taxes, including an increase Earned Income Tax.

Let me reiterate, PASA supports these and other efforts which will reduce, not eliminate, school district reliance on the property tax. We support efforts to make the taxing structure more equitable. We support efforts that will more fairly distribute the burden of paying for education.

Reducing the broad principles we have discussed into specific legislative proposals will be difficult. I suspect we will disagree with some of the details that are developed. None the less, we commend you for moving in the direction of property tax relief and local tax fairness.

We look forward to working with you on the details of the legislation and the effective implementation of the final Act. In this regard, we also ask that you be mindful of the time that state and local systems need to implement the changes you adopt.

Thank you.