



### Proposed charter amendment to increase county tax is a terrible idea

**Summary:** Voters in Allegheny County will decide whether the county Home Rule Charter will be amended to establish a “Children’s Fund” and mandate a permanent 0.25 mill add-on to county property taxes. Questions regarding the referendum’s goals, revenue distribution and oversight are discussed in this *Brief*. But the bottom line is the misuse of the county charter-amendment process to create a special fund that will require an add-on property tax. Special funds should be created and funding should be done through the legislative process so they can be deleted or amended without a subsequent charter amendment. Moreover, in view of taxpayer opposition to high property taxes already and with efforts constantly underway to get relief through exclusions and tax-shifting, the proposal to add an unavoidable, permanent and unchangeable tax is stunningly obtuse and should be rejected.

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The following question is on the November ballot because supporters of the measure were able to get required signatures to amend the county charter per the state’s Home Rule Charter and Optional Plans Law.

*“Shall the Allegheny County Home Rule Charter be amended to establish the Allegheny County Children’s Fund, funded by Allegheny County levying and collecting an additional 0.25 mills, the equivalent of \$25 on each \$100,000 of assessed value, on all taxable real estate, beginning January 1, 2019 and thereafter, to be used to improve the well-being of children through the provision of services throughout the County including early childhood learning, after-school programs and nutritious meals?”*

The charter can be amended by a referendum following an ordinance passed by County Council or by a voter-initiated petition as prescribed by the Home Rule Charter and Optional Plans Law. In 2005 voters approved a measure to eliminate several row offices based on a council ordinance directing the question be placed on the ballot.

The current county millage rate is 4.73 mills and is estimated to raise \$367 million in 2018. Two of the county’s five operating funds (general and debt service) receive all of the revenue from the property tax. Based on the estimated collection and the current millage rate the increase would raise around \$19 million annually. If the referendum is approved, the county’s tax rate would increase to 4.98 mills. The tax increase would apply to all taxable real estate in Allegheny County, both residential (\$54 billion) and non-residential (\$24 billion).

While there have been a few municipal and school district-based ballot questions to increase property taxes for a specific purpose, there has never been one asking the voters countywide to increase the property tax.

The questions on the desirability of having a mandated tax increase for the creation of the special fund are numerous:

*1) How much is already being spent in Allegheny County from various sources (federal, state, local, school districts and non-profits) on the programs the proposed fund supports?* It is possible that not only the county itself expends money that it receives directly from other levels of government but school districts are likely administering these programs with money from federal and state sources.

*2) Why ask the county to do the job of school districts?* If the goals desired by the people who want the fund created are more connected to the functions of the 43 school districts in the county rather than the county government itself, why should the county get involved? Note that in the current fiscal year, school property taxes in 27 districts were increased.

*3) What are the outcomes of these programs?* Where is the a priori proof that spending more money on early childhood education and after-school programs will advance the educational goals above the hundreds of millions expended from federal, state and local sources in the county on public education presently? Are there studies that prove current spending is making a measurable difference in academic or disciplinary outcomes? Strong evidence that the program will work and not be just another waste of tax dollars ought to be demonstrated and should be debated by the council in open sessions before asking voters to approve the tax hike.

*4) How will the money be distributed?* If the tax were to be approved there would have to be policies and guidelines for whom could apply for the money and possibly maximum annual awards. The referendum question merely asks that an additional tax be levied to establish a new fund. It says nothing about how that fund would be managed or by whom, presumably leaving all those decisions to the executive and the council. And that will, in turn, require new legislation to be written, approved and implemented. In that regard, the proponents of the ballot question have proposed an article to be inserted into the charter that details the roles of the county manager, executive and council, an advisory commission, audit requirements and distribution of the money according to “(1) need, (2) effectiveness, and (3) fair and equitable allocation”. However, if—and it is a very big if—the question is approved it would be the responsibility of the council to draft implementing legislation and it may choose not to adopt the language offered by the ballot proponents.

Who will make the fund allocation decisions? It is almost a certainty that a new entity would be created with a board and a fund-distribution manager. Setting up criteria for who gets money and how much each year would become a political nightmare. Each council member will push for his/her district to get a “fair share”. It seems unlikely however that the council would want to take on the added duty of handling requests for funds and deciding specifically who would get funding and how much. If a new entity is created, it will have some staff that must be paid. Who will do the hiring/appointing of a director and staff? The chief executive, the council? It would be up to the implementation legislation to determine.

But the more obvious and pressing problem is the proposed property tax increase itself. Taxpayer opposition to property taxes and increases in them are a huge issue in Pennsylvania. Legislative

efforts to eliminate or drastically reduce school taxes have been underway for a long time with legislation that allows shifting to other taxes and proposals to eliminate altogether through homestead exclusions. The Tax Foundation has reported that Pennsylvania's property tax system is outmoded, hard to understand and creates unfairness. The Allegheny Institute has highlighted Pennsylvania's problems with property taxes for years. But little progress has been made to correct the inadequacies.

However, there is one thing almost everyone can agree on. Property taxes are too high. And, importantly, they impose huge burdens on businesses because the level of taxation is unrelated to the ability to pay.

In short, the proposed tax increase is neither justified nor desirable. It flies in the face of good governance and opens the door to substantial needless political wrangling over how the money will be used and by whom.

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