

Time to End Tax Hike Exceptions

The Department of Education just granted 199 Pennsylvania school districts an exception enabling them to raise taxes by more than the index calculated by the Department would otherwise allow.

Under current law, Act 1 of 2006—amended by Act 25 of 2011—exceptions are granted for three reasons; to pay down construction debt, fund special education costs or cover pension funding. Isn't that convenient? Since money is fungible, revenue insufficient to cover total planned spending under current allowable tax rates can be said to represent a threat to one of the three budget items. Thus, an exception is almost automatically approved by the state. In fact, there used to be ten exceptions altogether and there have been barely a handful of voter referendums on school tax hikes above the index. As a result, the only real constraint on school districts raising taxes beyond index allowed limits is the painfully skimpy sympathy school boards have for taxpayers.

School boards serve too many masters and unfortunately taxpayers are at the bottom of the list after teacher unions and parents who always demand top tier amenities for their children and who show excessive deference to and sympathy for teachers at contract time. No one—especially parents of students—wants to see a strike.

In light of the state law that does not allow teacher layoffs for economic reasons, union intransigence in making concessions to help financially strapped districts, and the natural inclination of school boards to avoid looking for spending cuts so as not to anger any of their preferred constituencies, it is an easy way out for them to ask for an exception to their tax rate limitation and claim the additional funds are needed for one of the three items. Mere child's play. As a result no substantial spending cuts ever need to be contemplated and taxpayers inevitably get higher tax bills.

Over time the continued increases in tax rates compound exponentially, and can become unaffordable and damaging to the school district's economic well being.

But this does not have to be case. The Legislature can fix this situation by doing two things. First; eliminate the remaining three exceptions to the limit imposed by the tax rate

increase index. Any increase beyond the index would have to receive approval of voters in a district seeking to raise tax rates more than the index. Further, the Legislature should revise the calculation of the index so as to reduce the index percentage by any growth in tax revenue including revenue from new construction or upward adjustment in appraised property values. After that adjustment only inflation in the prices of budget items not controlled by the district would be factored into the index. Those inflation rates would be weighted by the percentage the item represents of the total budget. For example, if paper costs rise 6 percent and represents one percent of the total budget, then the paper price rise would permit a 0.06 percent (0.0006) increase in the index. By the same token, compensation increases would not be allowed into the index since they are controlled by the district.

The second step for the Legislature would be to require voter approval of any bond issue or other borrowing that results in debt service payments of more than three percent of current total spending.

The Legislature could also make it much easier for school districts to control costs in periods of economic hardship by removing the language prohibiting teacher layoffs except for loss of student enrollment or program elimination. That is an onerous imposition on school boards and an egregious interference with management prerogatives. And if the exceptions on tax hikes are removed as recommended, this will be a necessary adjunct to that legislation in order to preclude school boards from being forced to make really damaging program eliminations.

The Legislature could take the next step—as most states have long since done—and outlaw teacher strikes. There is no more effective tool to control rising costs than removing the threat of strikes and the harm done by actual strikes. Pennsylvania simply must join its neighboring states and all Northeastern states in doing away with this extraordinary bolstering of union power.

In short, when will the Legislature give taxpayers a meaningful say on school property taxes by taking on the entrenched power structure as represented by the school board association and the teachers' union?

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