

Subject: The Residential Property Tax Elimination Act

Shortly, I intend to introduce legislation that ultimately eliminates all school residential property taxes, current Earned Income taxes (EIT) in lieu of property taxes, as well as other payments in lieu of taxes.

The Residential Property Tax Elimination Act (RPTEA) would shift the majority of funds collected as property taxes to being collected as sales and income taxes.

My plan consists of increasing the Commonwealth's Personal Income Tax (PIT) from the current rate of 3.07% to 4.5%; adding food and clothing to the items currently taxed under the sales and use tax; and increasing the rate on those items from 6% to 7%, with these monies being transferred into the newly-created Residential Property Tax Elimination Fund. (Neither water nor WIC items would be taxed.)

The gaming monies currently being used to reduce school property taxes would also be transferred to the fund.

Current debt will be paid by property taxes until eliminated, with no new debt to be incurred via property taxes once paid in full. School districts will have the option of enacting up to a 1% PIT or EIT for purposes to be approved by voter referendum. Project cost and start/end dates must be disclosed.

Once eliminated, residential property taxes may not be re-introduced by school districts.

The Property Tax / Rent Rebate program would remain in current form for those who truly need help to pay for property taxes not yet eliminated.

Numerous local meetings with constituents of the 47th Legislative District as well as the results of a 2011 questionnaire have indicated to me that this is the most popular course to take.

The question on the survey:

Switching to an alternative revenue source would be possible for elimination of residential property taxes, but would require a constitutional amendment in order to separate commercial property taxes from residential property taxes. Would you support a constitutional amendment and the necessary process for complete elimination of school property taxes for residential property by shifting to an increase in the Sales and Use Tax, Personal Income tax, or a combination thereof? This would

require passage in two terms of the General Assembly and approval by voter referendum.

	<u>Total</u>	<u>Percentage</u>
Yes	867	73.10%
No	229	19.31%
Undecided	90	7.59%
	1186	100.00%

Calculations (2013-2014):

\$9.2 Billion + \$2.5 Billion	Residential Property Taxes other Act 511 taxes
\$11.7 Billion -\$ 2.0 Billion	School District Debt Service Payments
\$ 9.7 Billion -\$.61 Billion	Gaming revenues
\$ 9.09 Billion -\$ 5.43 Billion	PIT Increase of 1.43% (4.5%)
\$ 3.66 Billion -\$ 1.55 Billion	7% sales tax on existing items
\$ 2.11 Billion -\$ 2.45 Billion	7% sales tax on food and clothing
\$(0.34)Billion	\$340 Million remaining (surplus)

Legislation Package

Joint Resolution

I will be introducing a joint resolution that will make the necessary Constitutional change in order to allow the General Assembly to address residential school property taxes without impacting property taxes paid by commercial properties.

Under the Constitution currently, all properties must be treated the same regardless of whether they are commercial or residential properties.

Hold Harmless

I will be introducing legislation that would amend Article III, Section 14 of the Pennsylvania Constitution to abolish the use of the so called "hold harmless" in basic education funding.

Introduced during the 1991 budget stalemate, this concept directly impacts the distribution of basic education funding to school districts and has been adopted into law each year during the state budget proceedings ensuring that school districts' funding does not fall below the level of funding they received in the prior year. The result of this "hold harmless" is that districts which have decreasing student enrollment, which would otherwise cause a reduction in funding provided by the Commonwealth, continue to receive at minimum the same level of funding. At the same time, districts with increasing enrollment, which would otherwise cause an increase in funding provided by the Commonwealth, also continue to receive the same level of funding...unless the Legislature appropriates more funding to the Basic Education Funding line item.

My legislation will amend the Constitution to provide that the state funding mechanism for "substantial and general support" for public education **must** provide for the allocation and distribution of funding based upon actual student enrollment in each district for the school year immediately preceding the school year in which funding is allocated and distributed. My bill further stipulates that this funding shall not be based upon the amount of funding a school district received in a previous year. I believe that the language of this proposed amendment is sufficiently specific to target the basic education funding formula while not impacting upon other sources of education funding, such as the Special Education line item, or the PA Accountability Grants line item, yet broad enough to eliminate any attempt to manipulate or "game" this requirement in the future.

During this difficult economic time, where the possibilities for increasing state funding are scarce, school districts with increasing student enrollment are faced with the herculean task of providing a quality education for more students without the benefit of increased state funding; thereby placing an ever-growing pressure on local taxpayers. For this reason I believe it is necessary to eliminate the obstruction to a more rational allocation and distribution of education funding by abolishing the use of the "hold harmless".

Prototypical School Facility Design Clearinghouse (HB 719)

I have re-introduced House Bill 258 from the 2011-12 session to reduce school construction costs. Under this bill, school districts will be required to use these plans in order to receive the regular state reimbursement for a new school construction project.

This bill directs the state Department of Education to divide Pennsylvania into six regions – northwest, northeast, southeast, southwest, north central and south central. The department shall designate which counties are in which region, grouping counties together based on geographic proximity. The department will then group the designs accepted for the clearinghouse by the six regions listed above, based on energy needs for heating and cooling, building size, average school district population in the region, layout of the building (one story versus multiple stories) and structural requirements due to climatic or geographic difficulties.

If a district chooses not to do so, it will not receive state reimbursement for a school construction project.

However, under certain conditions, the state Department of Education may exempt school districts from participating in the program for a particular project and still provide state subsidies for said project. The school district must prove that a standardized design is not feasible for that particular project due to specific geographic or other limitations of the area, or that the project involves remodeling, rehabilitating or expanding an existing structure

When the department exempts a school district from using a standardized design for these reasons, it shall provide written notice, sent to the school district, of the exemption. Such notice shall also be made available to the public by the school entity.

SCHOOL DISTRICT PROPERTY TAX REVENUES

DEPARTMENT OF EDUCATION DATA
 2011-12 and Beyond Estimated Using
 Most Recent 5 year Compound Annual Growth

Updated
4/20/2011

2009 ASSESSED VALUES		
Residential	305,163,280,242	70.7%
Non-Residential	126,513,197,664	29.3%
TOTAL	431,676,477,906	100.0%

Fiscal Year	SD PROPERTY TAXES Property Tax		TOTAL PROPERTY TAXES	Growth					
	Collections	Reduction Allocation			3yr Ave	Residential Property Taxes	50% Residential	30% Residential	Non-Residential Property Taxes
1981-82	\$2,050,979,037	\$0	\$2,050,979,037						
1982-83	\$2,193,101,486	\$0	\$2,193,101,486	6.9%					
1983-84	\$2,339,435,213	\$0	\$2,339,435,213	6.7%					
1984-85	\$2,524,232,976	\$0	\$2,524,232,976	7.9%					
1985-86	\$2,685,042,553	\$0	\$2,685,042,553	6.4%					
1986-87	\$2,867,390,954	\$0	\$2,867,390,954	6.8%					
1987-88	\$3,076,914,647	\$0	\$3,076,914,647	7.3%					
1988-89	\$3,332,122,683	\$0	\$3,332,122,683	8.3%					
1989-90	\$3,662,695,292	\$0	\$3,662,695,292	9.9%					
1990-91	\$4,056,825,920	\$0	\$4,056,825,920	10.8%					
1991-92	\$4,405,277,006	\$0	\$4,405,277,006	8.6%					
1992-93	\$4,736,230,626	\$0	\$4,736,230,626	7.5%					
1993-94	\$4,981,119,211	\$0	\$4,981,119,211	5.2%					
1994-95	\$5,246,096,758	\$0	\$5,246,096,758	5.3%					
1995-96	\$5,435,100,936	\$0	\$5,435,100,936	3.6%					
1996-97	\$5,692,123,743	\$0	\$5,692,123,743	4.7%					
1997-98	\$5,899,792,892	\$0	\$5,899,792,892	3.6%					
1998-99	\$6,192,461,158	\$0	\$6,192,461,158	5.0%					
1999-00	\$6,474,133,936	\$0	\$6,474,133,936	4.5%					
2000-01	\$6,815,613,742	\$0	\$6,815,613,742	5.3%					
2001-02	\$7,197,452,017	\$0	\$7,197,452,017	5.6%					
2002-03	\$7,762,009,750	\$0	\$7,762,009,750	7.8%					
2003-04	\$8,304,228,974	\$0	\$8,304,228,974	7.0%					
2004-05	\$8,909,888,069	\$0	\$8,909,888,069	7.3%					
2005-06	\$9,450,862,131	\$0	\$9,450,862,131	6.1%					
2006-07	\$10,010,719,092	\$0	\$10,010,719,092	5.9%					
2007-08	\$10,474,050,306	\$0	\$10,474,050,306	4.6%					
2008-09	\$10,438,463,356	\$525,855,205	\$10,964,318,561	4.7%					
2009-10	\$10,757,487,536	\$527,228,703	\$11,284,716,240	2.9%	3yr Ave				
2010-11	\$11,139,765,096	\$530,222,607	\$11,669,987,703	3.4%	3.7%	\$8,249,816,495	\$4,124,908,248	\$3,500,996,311	\$3,420,171,208
2011-12			\$12,098,200,000	3.7%		\$8,552,530,856	\$4,276,265,428	\$3,629,460,000	\$3,545,689,144
2012-13			\$12,542,200,000	3.7%		\$8,866,405,953	\$4,433,202,976	\$3,762,660,000	\$3,675,794,047
2013-14			\$13,002,500,000	3.7%		\$9,191,803,942	\$4,595,901,971	\$3,900,750,000	\$3,810,696,058
2014-15			\$13,479,700,000	3.7%		\$9,529,148,979	\$4,764,574,489	\$4,043,910,000	\$3,950,551,021
2015-16			\$13,974,400,000	3.7%		\$9,878,865,219	\$4,939,432,609	\$4,192,320,000	\$4,095,534,781

