

The 2022 PARSS Conference

Thursday May 5, 2022 General Session #3

Property Tax Update:

Property Tax (Relief) and State School Finance Policy are Intertwined

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Concepts for Relief: State Property Tax Relief for Homeowners and School Finance for Students must be intertwined

Concepts

- Taxpayer Equity
 - Targeted Relief
 - Universal Relief
 - Curtail future need for Relief
- Student Equity
 - Mitigate BEF and SEF pass-through losses
 - Arresting state share funding loss
- Sustainability
- Scalability
- Greater State partnership tie-in

Mechanisms

- A funding share link to a proportional piece of the wider state revenue base (PIT or SUT)
- Mandated cost growth mitigation
 - Special Education
 - Charter Tuitions
- Circuit breakers for deeper penetration to need
- “Fixed and variable” relief allocations for approximating proportional shifts



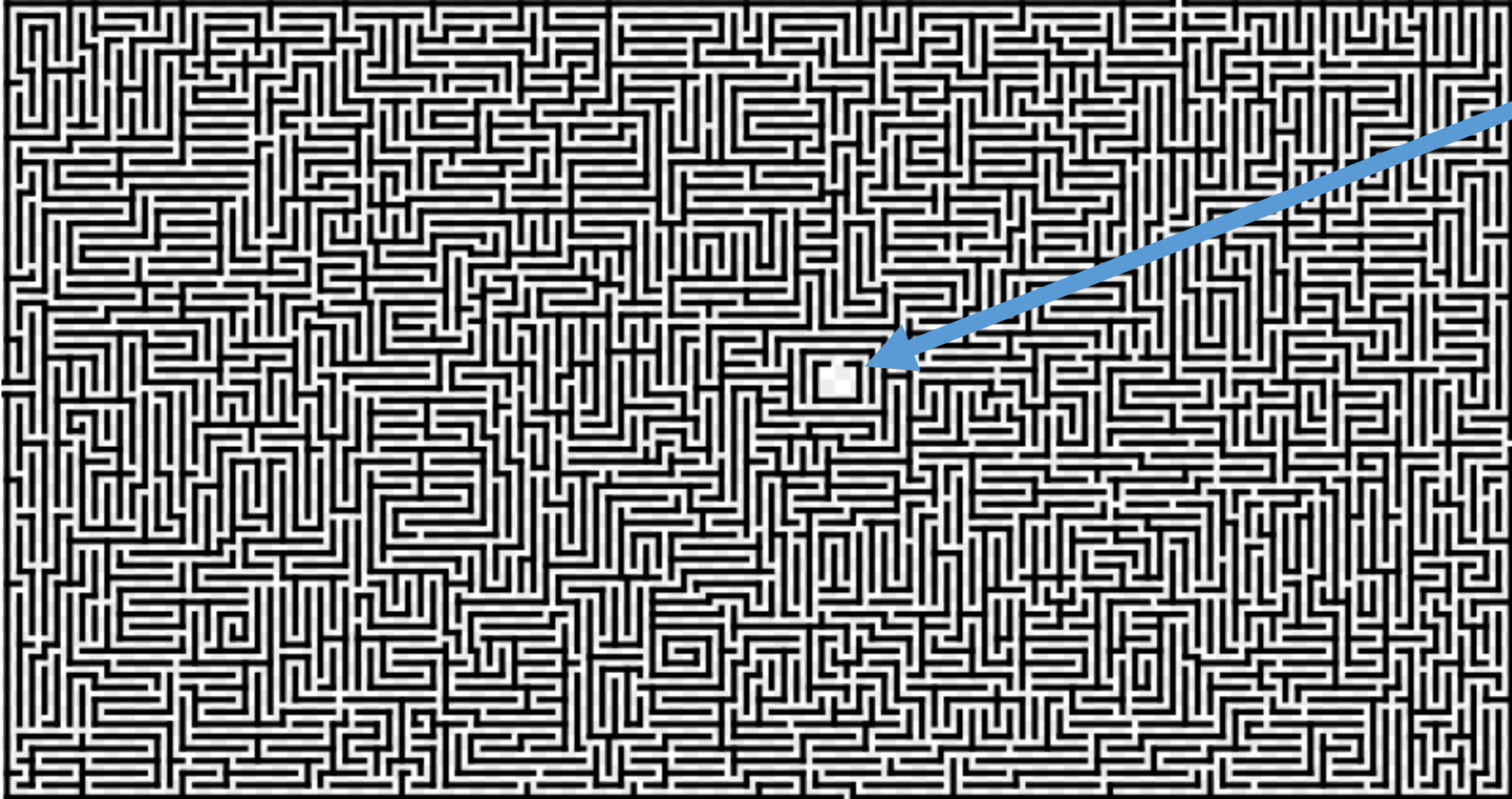
Property tax relief and school funding: A
PASBO model...

Everything & everyone start
from where they are...

If elimination is not possible.
...then what?



First, a few warm-up slides: So, where are we?
Are we trying to get in; get out; or are we stuck in
the middle? (Elimination and doing nothing)



Real-Estate Property Tax Rates by State

| Rank (1=Lowest) ▲ | State | Effective Real- Estate Tax Rate ◆ | Annual Taxes on \$217.5K Home* ◆ | State Median Home Value ◆ | Annual Taxes on Home Priced at State Median Value ◆ |
|-------------------------|------------------|---|---|------------------------------------|---|
| 41 | Pennsylvania | 1.58% | \$3,442 | \$180,200 | \$2,852 |
| 42 | Rhode Island | 1.63% | \$3,548 | \$261,900 | \$4,272 |
| 43 | New York | 1.72% | \$3,749 | \$313,700 | \$5,407 |
| 44 | Nebraska | 1.73% | \$3,754 | \$155,800 | \$2,689 |
| 45 | Texas | 1.80% | \$3,907 | \$172,500 | \$3,099 |
| 46 | Wisconsin | 1.85% | \$4,027 | \$180,600 | \$3,344 |
| 47 | Vermont | 1.90% | \$4,135 | \$227,700 | \$4,329 |
| 48 | Connecticut | 2.14% | \$4,658 | \$275,400 | \$5,898 |
| 49 | New Hampshire | 2.18% | \$4,738 | \$261,700 | \$5,701 |
| 50 | Illinois | 2.27% | \$4,942 | \$194,500 | \$4,419 |
| 51 | New Jersey | 2.49% | \$5,419 | \$335,600 | \$8,362 |

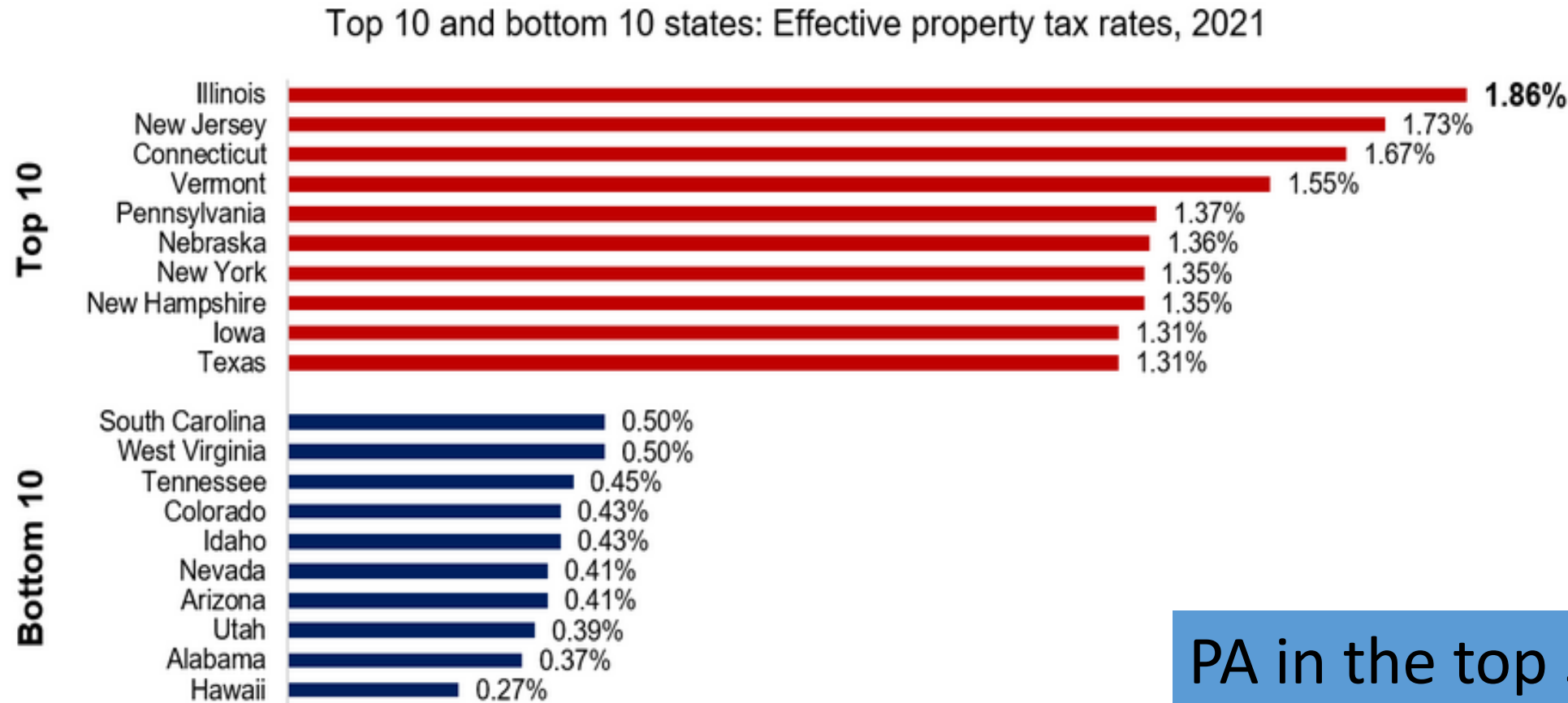
*\$217,500 is the median home value in the U.S. as of 2019, the year of the most recent available data.

- PA in the Top 11 highest Property Taxes
- (Median home value ranking)

<https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585>



Top 10 Effective Property tax rates 2021




Source: ATTOM Data Solutions

PA in the top 5
here



Median Household Income by State 2022

| State | Median Household Income ▼ | |
|---------------|---------------------------|---|
| Maryland | \$84,805 |  Top 10 |
| New Jersey | \$82,545 | |
| Hawaii | \$81,275 | |
| Massachusetts | \$81,215 | |
| Connecticut | \$78,444 | |
| Alaska | \$77,640 | |
| New Hampshire | \$76,768 | |
| California | \$75,235 | |
| Virginia | \$74,222 | |
| Washington | \$73,775 | |
| Colorado | \$72,331 | |
| Utah | \$71,621 | |
| Minnesota | \$71,306 | |
| New York | \$68,486 | |
| Delaware | \$68,287 | |

PA Firmly entrenched in the middle U.S. rank of Median HHI at #24

| | | |
|--------------|----------|---|
| Rhode Island | \$67,167 | |
| Illinois | \$65,886 | |
| North Dakota | \$64,894 | |
| Wyoming | \$64,049 | |
| Oregon | \$62,818 | |
| Vermont | \$61,973 | |
| Texas | \$61,874 | |
| Wisconsin | \$61,747 | |
| Pennsylvania | \$61,744 |  |
| Nebraska | \$61,439 | |
| Iowa | \$60,523 | |
| Nevada | \$60,365 | |
| Kansas | \$59,597 | |
| Arizona | \$58,945 | |
| Georgia | \$58,700 | |
| South Dakota | \$58,275 | |
| Maine | \$57,918 | |
| Michigan | \$57,144 | |



The results of the [Census ACS survey](#) reveals the average income for people in the [United States](#). Many factors can influence the median household income across the nation during a given year. From the job market and the ratio of costs to profits to the state of the economy and everything else in between, average household income rates fluctuate. According to the U.S. Census Bureau, the median household income in 2019 was \$65,712.

| | |
|----------------|----------|
| Ohio | \$56,602 |
| Indiana | \$56,303 |
| Idaho | \$55,785 |
| Florida | \$55,660 |
| Missouri | \$55,461 |
| Montana | \$54,970 |
| North Carolina | \$54,602 |
| Tennessee | \$53,320 |
| South Carolina | \$53,199 |
| Oklahoma | \$52,919 |
| Kentucky | \$50,589 |
| Alabama | \$50,536 |
| New Mexico | \$49,754 |
| Louisiana | \$49,469 |
| Arkansas | \$47,597 |
| West Virginia | \$46,711 |
| Mississippi | \$45,081 |

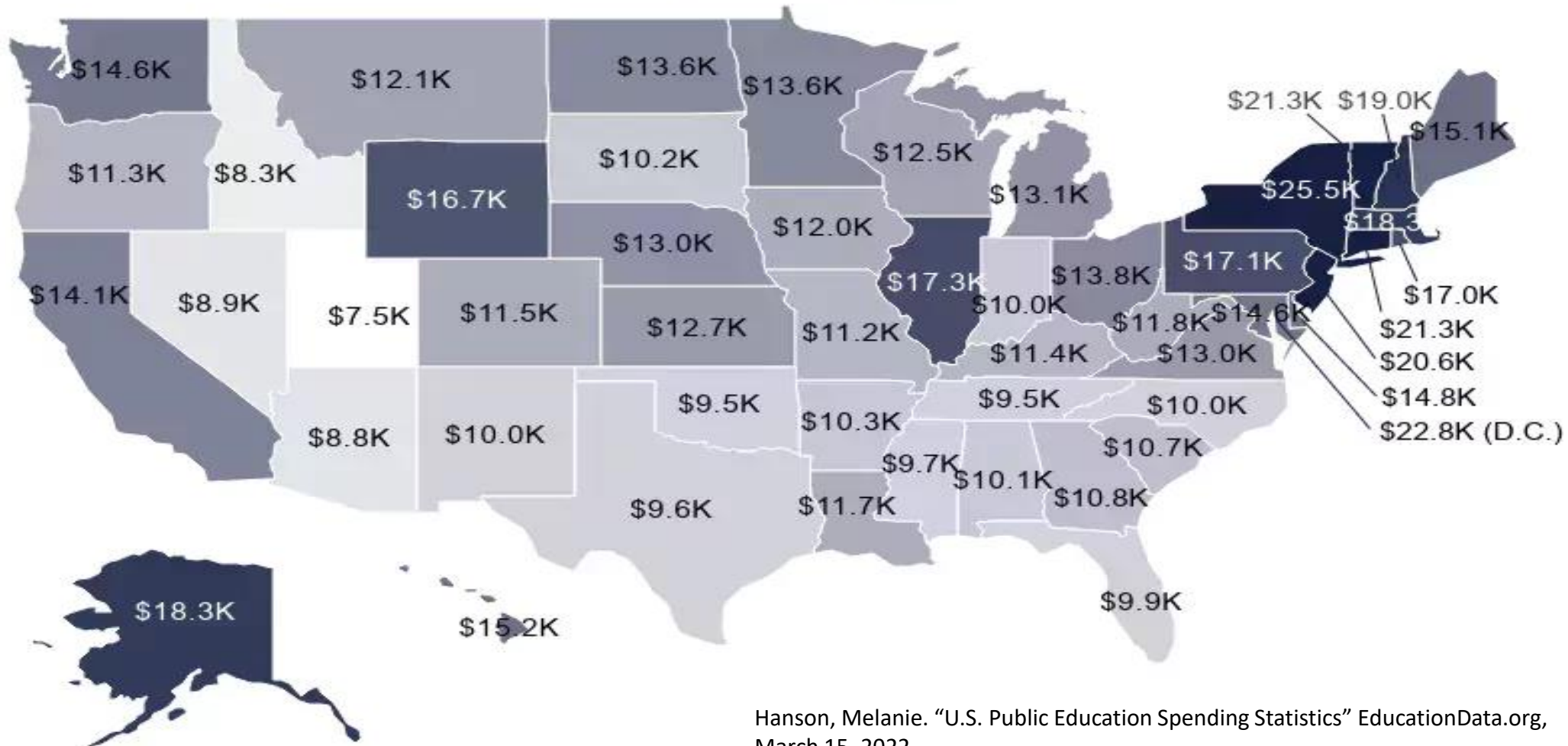
Bottom
10



<https://worldpopulationreview.com/state-rankings/median-household-income-by-state?msclkid=d3354c86c49311ecb5e04fc2208fdaeb>

Pennsylvania K-12 schools rank 9th in spending and in funding. (2020)

Public K-12 Spending Per Student

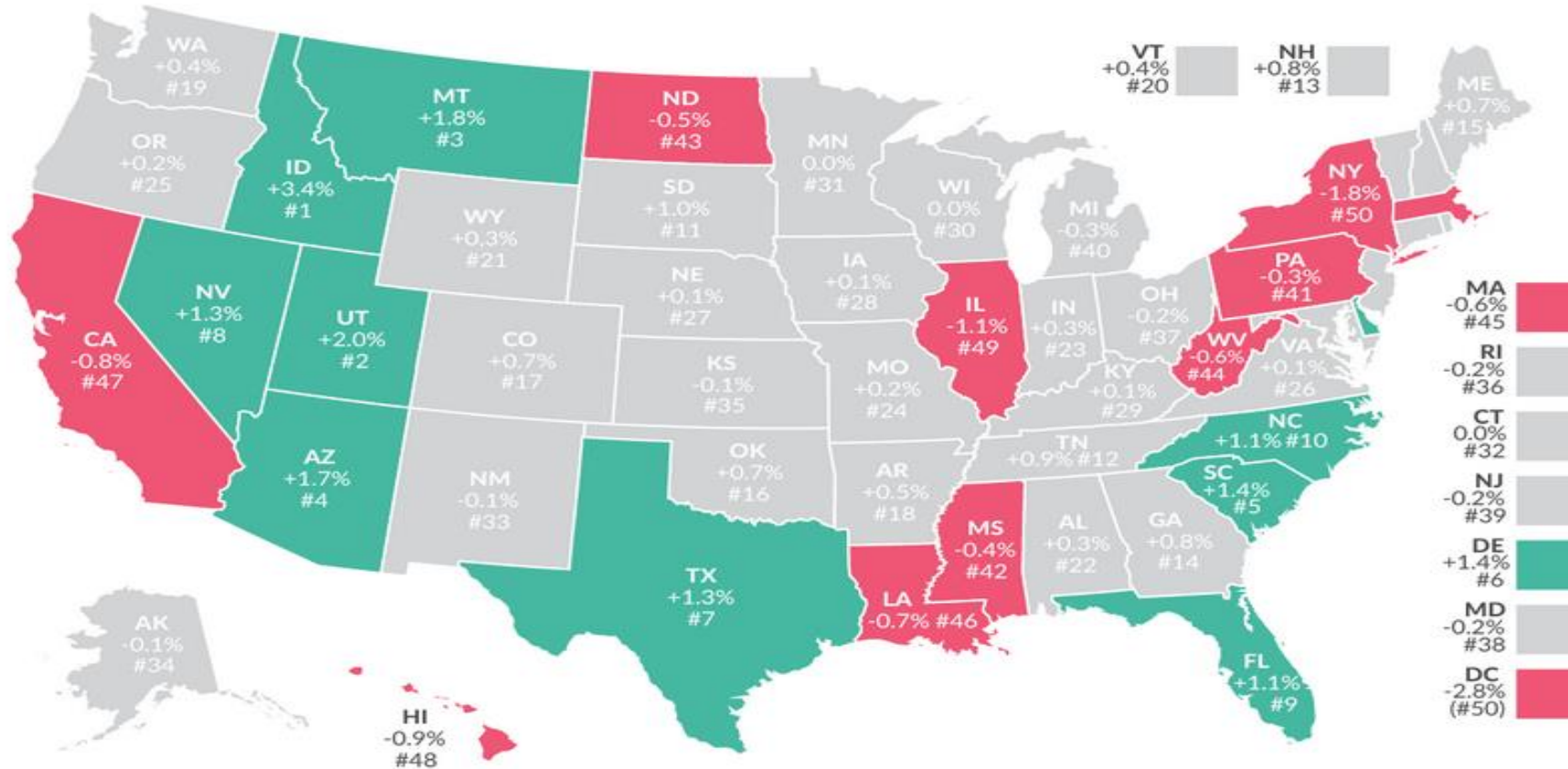


Hanson, Melanie. "U.S. Public Education Spending Statistics" EducationData.org, March 15, 2022, <https://educationdata.org/public-education-spending-statistics>

Another top 11

State Population Change in 2021

State Migration Patterns, from Most Inbound to Most Outbound, 2021



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

Source: U.S. Census Bureau.

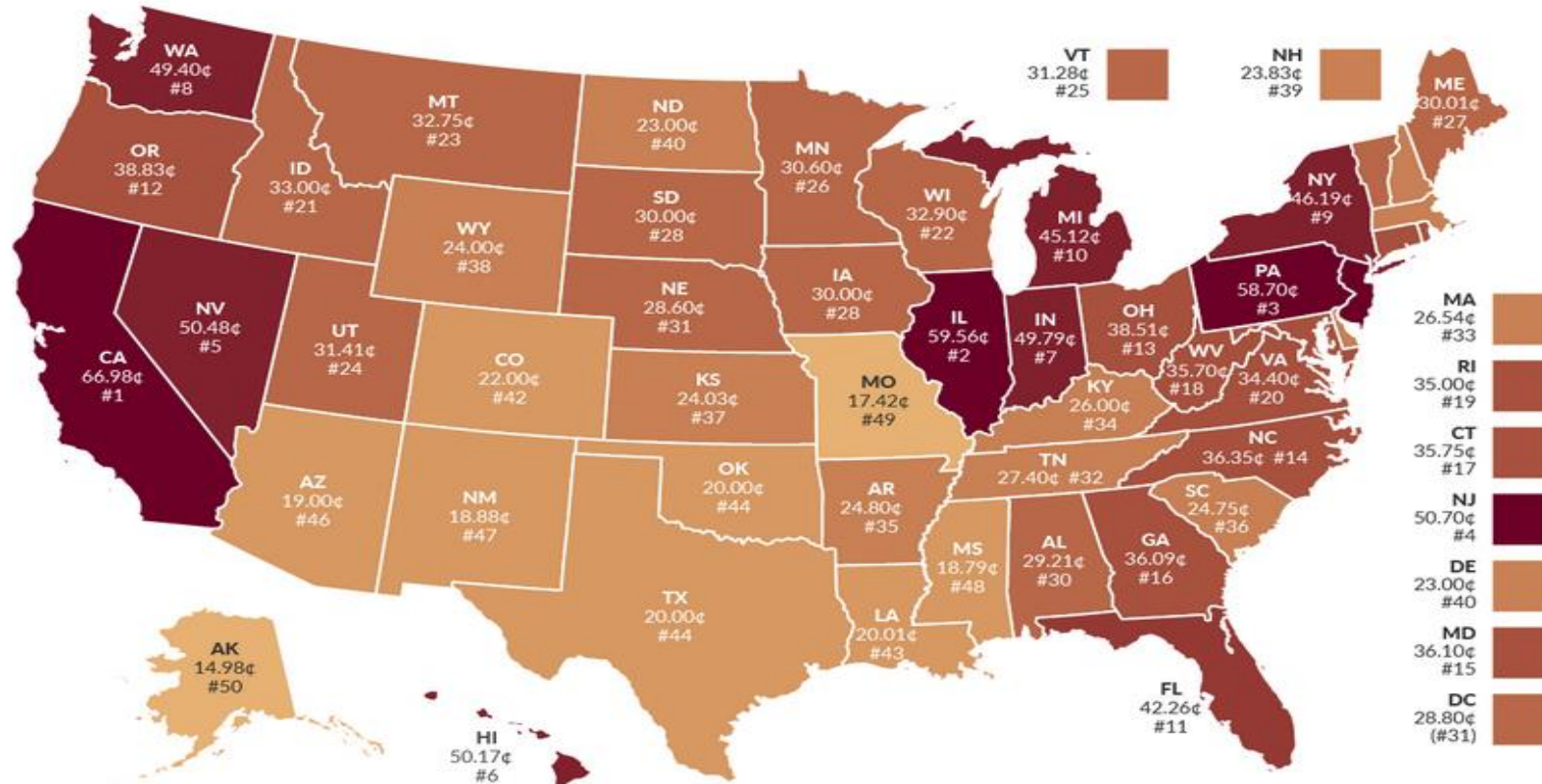
- Top 10 States for Inbound Migration
- Top 10 States for Outbound Migration



PA # 3: Cross border gas shopping and other effects

How High are Gas Taxes in Your State?

Total State Taxes and Fees on Gasoline, July 2021 (cents per gallon)



Note: These rates do not include the 18.4 cent/gallon federal excise tax rate on gas. The American Petroleum Institute has developed a methodology for determining the average tax rate on a gallon of fuel. Rates may include any of the following: excise taxes, environmental fees, storage tank taxes, other fees or taxes, and general sales taxes. In states where gasoline is subject to the general sales tax, or where the fuel tax is based on average sale price, the average rate determined by API is sensitive to changes in the price of gasoline. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Data as of July 2021.

Source: American Petroleum Institute.

Total State Taxes and Fees on Gasoline



School Property Taxes are 117.6% of Total State Funding (2019-20 AFR)

School District Expenditures:

\$32,753,768,178

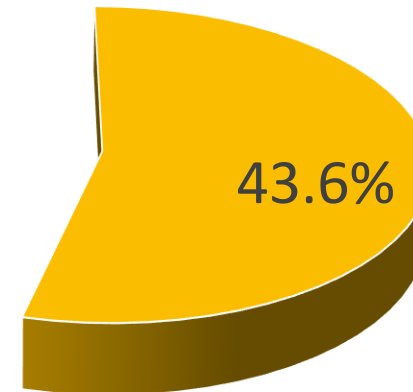
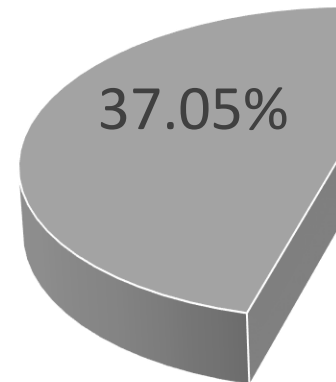
Comparison--% of Total SD
Expenditures

School Property Taxes:

\$14,276,276,895

Total State Funding:

\$12,138,335,217



■ Total SD
Property
Taxes

■ Total State
Funding



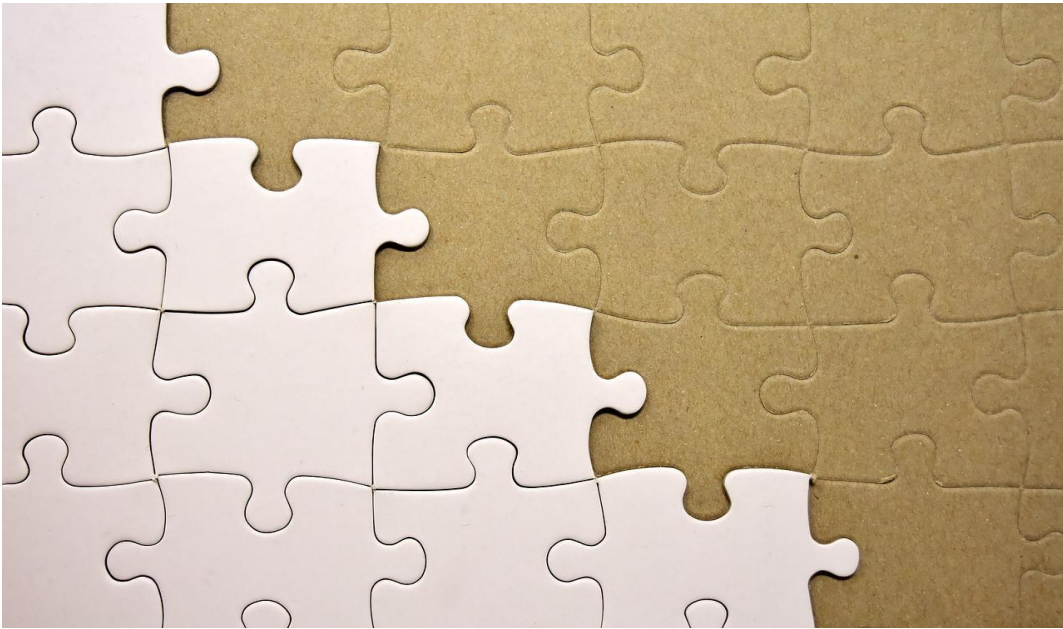
IFO March 16, 2022 letter to Chairman Browne

- FY 2019-20, statewide school district property taxes totaled \$15.32 billion (Includes slot funds & delinquents)
- IFO estimates that **58%** of statewide property taxes are paid by homeowners
 - Which equates to **\$9.11** billion in school district property taxes if all Act 1 allocations (**\$534 million**) are also included
- ACS data show that ***senior homeowners (age 65 or older) comprise 30% of property taxes paid by homeowners*** throughout the state
- Therefore, the IFO estimates that senior homeowners paid **\$2.73** billion in school property taxes in FY 2019-20.



How do we (PASBO) spell relief??

PARTIAL &



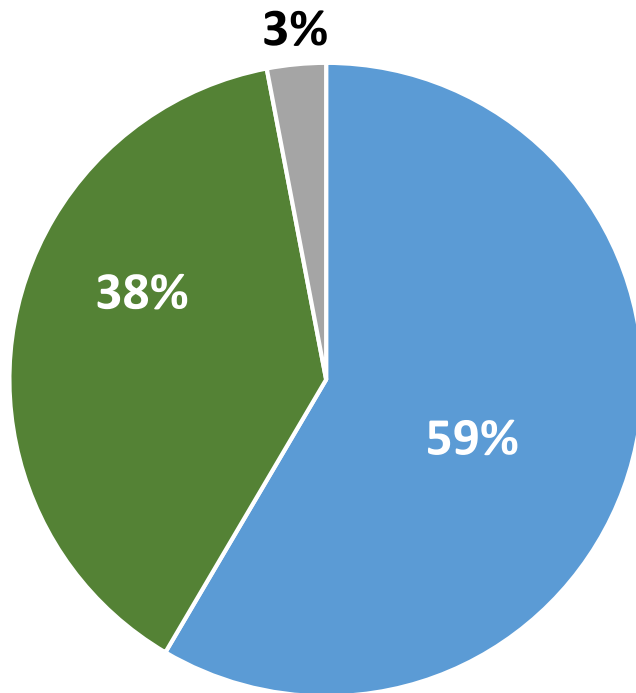
TARGETED



Conceptual Framework: Change state share of funding; not elimination of local control & a shared state and local funding model

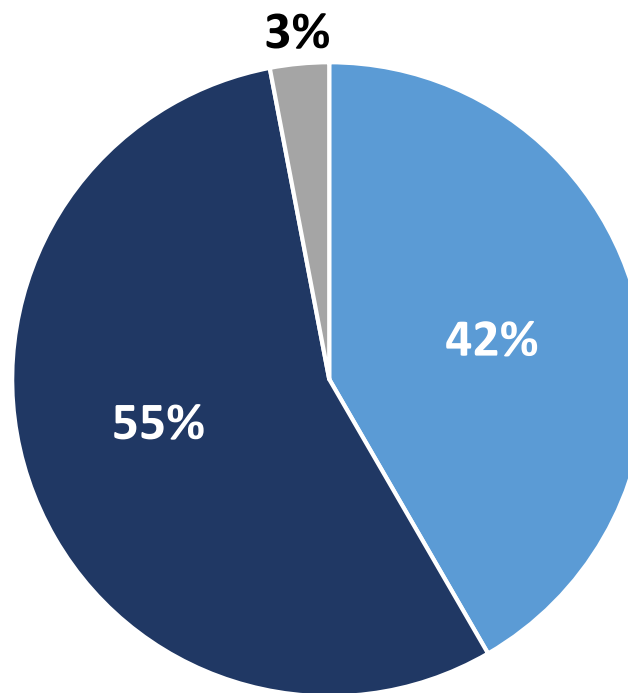
2018-19 Actual

Local State Federal



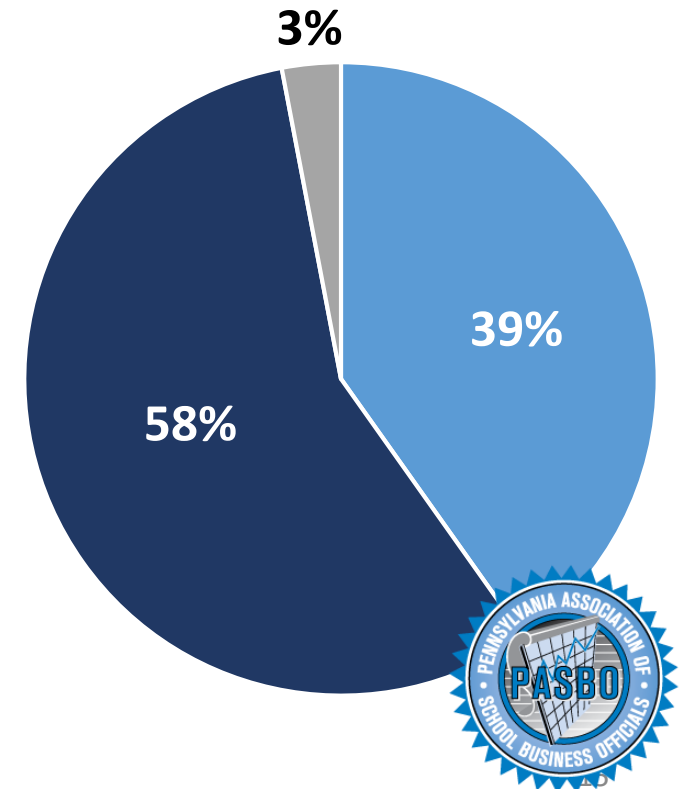
After (PASBO) Property Tax Relief

Local State Federal



After (PASBO) Mandated Cost Relief

Local State Federal



PASBO School Property Tax Proposal Provides Buckets of Relief for Taxpayers, Schools and Students

Both immediate and sustained property tax relief are addressed in the plan...
...Requires ALL components...They are inseparable...repeat: They are inseparable.



The proposal provides meaningful and immediate relief and reduces the future burden on schools to fund mandated costs through property taxes.

Home-
owner
Property
Tax Relief

Universal
Property
Tax Relief

Circuit
Breaker
Relief

Mandated
Cost
Relief—
Special
Education

Mandated
Cost
Relief—
Charter
Tuition



Example: A 1.33% increase in statewide PIT & .50 SUT raises \$8.4 billion to go into a dedicated Property Tax Relief fund

85.5% of the new revenue goes directly to Immediate Property Tax Relief

**Increased
State Tax
Revenue**

**Property
Tax Relief**

**Mandated
Cost
Relief**

14.5% of the new revenue goes to provide Mandated Cost Relief for Future Property Tax Relief

**Homeowner
Property Tax
Relief**

**Universal
Property Tax
Relief**

**Circuit
Breaker
Relief**

**Charter School
Tuition Relief for
Taxpayers**

**Special Education
Relief for
Taxpayers**



Model of buckets: IFO 2022 estimated Revenue numbers...Model is set at \$8.4B...or about ½ of total property taxes

| Current Tax Rate | 2022-23 Tax Base (IFO Est.) | 2022-23 IFO Current Revenue Estimate | Tax Rate | Revenue Increase | Total New Rate | PIT Revenue % Increase |
|--------------------------------|--------------------------------|---|-----------|---------------------|----------------|---------------------------|
| 6.00% | \$209,683,333,333 | \$12,581,000,000 | 0.50% | \$1,048,416,667 | 6.50% | 8.33% |
| 3.07% | \$555,472,312,704 | \$17,053,000,000 | 1.33% | \$7,387,781,759 | 4.40% | 43.32% |
| \$9,616 | | \$9,616 | 1/1/2020 | \$8,436,198,426 | | 28.47% |
| Property Tax Relief | | Homestead Relief: | 60.00% | \$5,061,719,055 | 1.00 | |
| | | Universal PT Reduction: | 15.00% | \$1,265,429,764 | | |
| | | Circuit Breaker: | 7.25% | \$611,624,386 | | |
| | | Relief Fund Set-aside: | 3.25% | \$274,176,449 | | |
| Mandated Cost Relief | | Special Education Relief | 5.25% | \$442,900,417 | | |
| | | Charter Tuition Relief: | 5.25% | \$442,900,417 | | |
| | | Equity Supplement: | 4.00% | \$337,447,937 | | |
| Total Allocations | | | 100.00% | \$8,436,198,426 | | |
| Property Tax Relief Options | Base per Homestead: | | \$500 | | | |
| | Base Allocation per SD: | | \$300,000 | | | |



Model as currently set: Bucket Cheat Sheet

| Table Recap with totals | | | | |
|-------------------------|------------------|----------------------|-----------------|--|
| 60.00% | \$5.06 b | 5,061,719,055 | HS | |
| 15.00% | \$2.26 b | 1,265,429,764 | Universal | |
| 7.25% | \$611 m | 611,624,386 | Circuit Breaker | |
| 82.25% | \$6.94 b | 6,938,773,205 | Sub total | |
| 3.25% | \$274 m | 274,176,449 | Stabilization | |
| 85.50% | \$7.2 1 b | 7,212,949,654 | Total Relief | |
| | | | | |
| 5.25% | \$443 m | 442,900,417 | Spec Ed | |
| 5.25% | \$443 m | 442,900,417 | Charter | |
| 4.00% | \$337 m | 337,447,937 | Equity/Other | |
| 14.50% | \$1,223 b | <u>1,223,248,771</u> | | |
| | | | | |
| | \$8.436 b | 8,436,198,425 | | |

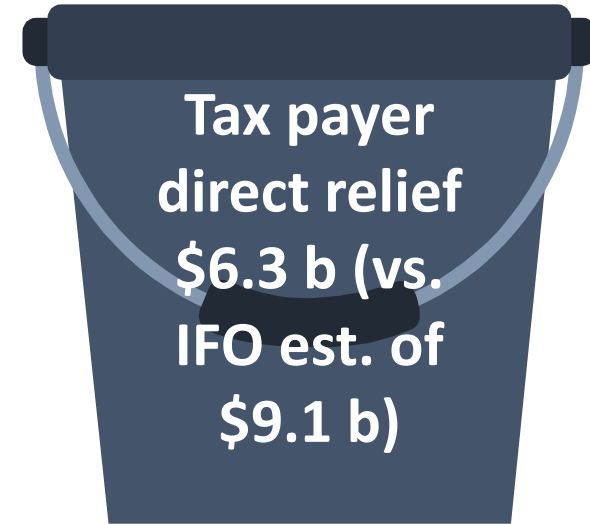


Perspective: Immediate,
dedicated homeowner relief is
more than **11.8 times** the
current H/F relief, and 8.4 times
the recently proposed \$750
million

Historic
Homestead/Farmstead
relief is \$533 million



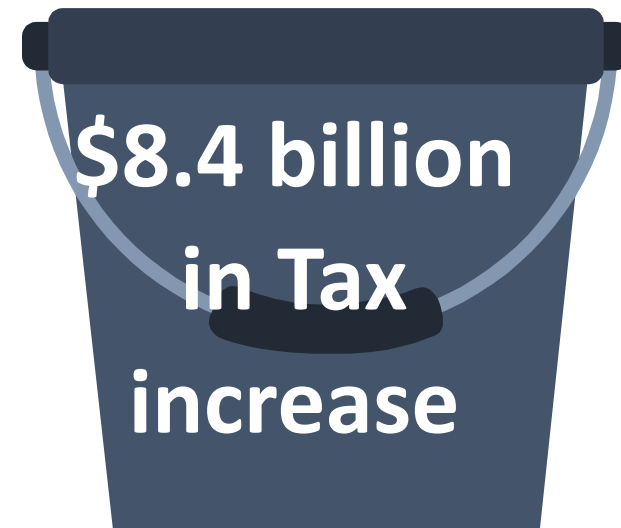
Under this proposal
Homestead/Farmstead &
Universal relief is more than
\$6.3 billion



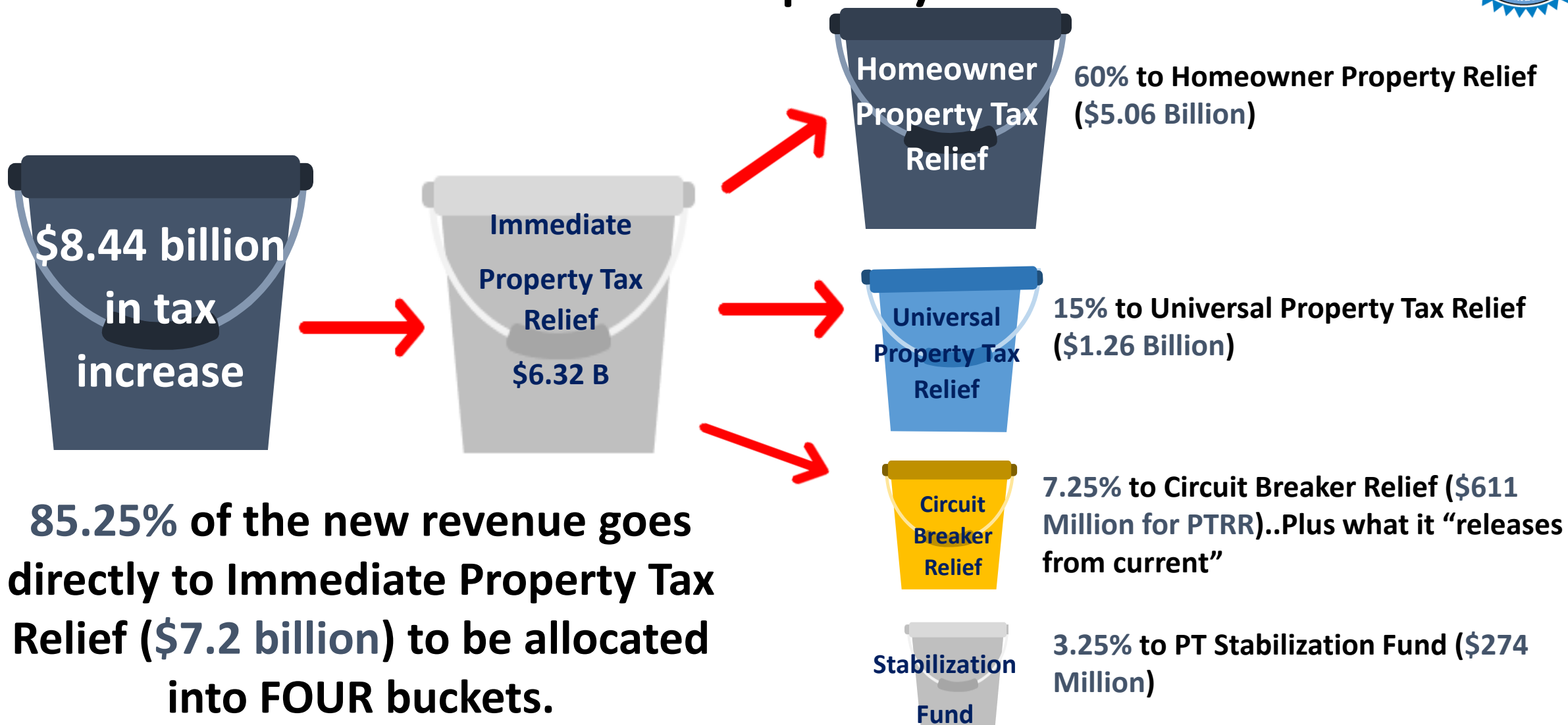
The Mechanics: The Revenue Increase

Raise statewide Taxes by \$8.3 billion....assume in PIT and SUT rate combinations

- Increase would generate \$8.4 Billion (latest IFO estimates)
- ***No changes*** in mechanics of collection or creating new collection bureaucracies
- All revenue generated by the State increases goes into a dedicated Property Tax Relief Fund---Education's share prospectively
- Implementation Timelines...?



Part 1: Immediate Property Tax Relief



Immediate Homeowner (H/S) Property Tax Relief: Mechanics

Provides **\$5.06 billion** to school districts to replace property taxes through a **2 STEP** reduction to homestead properties; no new processes or systems

- **STEP 1:** Every school district gets a **fixed base of \$500 per homestead**; the district determines the equivalent assessed value reduction for qualified homeowners **AND**
- **STEP 2:** Every school district gets an ***additional amount based on the district's statewide share of residential & AG property taxes***; the district determines the equivalent assessed value reduction for qualified homeowners



Immediate Homeowner Property Tax Relief: Why

Targets 60% of the new PIT revenue to homeowners:

- Prioritizes homesteads/farmsteads
- Responds to PA constitutional amendment
- Significantly reduces (or even zeroes out) PT bills
- Ensures SDs benefit from assessed value growth

The 2 step process:

- Drives MORE dollars to SDs with higher property taxes
- Drives a GREATER percentage reduction in property taxes to SDs with lower property taxes



Immediate Universal Property Tax Relief: Mechanics

Provides **\$1.26 billion** to school districts to replace property taxes through a **2 STEP** millage reduction to **ALL** properties

- **STEP 1:** *Every school district gets \$300,000* and the district determines the millage equivalent of the reduction to ALL property-owners **AND**
- **STEP 2:** Every school district gets an *additional amount based on the district's statewide share of total residential and AG property taxes*; the district determines the millage equivalent of the reductions to ALL property-owners.



Immediate Universal Property Tax Relief: Why

ALL properties share in the \$1.26 billion relief:

- Homeowners get this relief in addition to the \$5.06 billion bucket
- Commercial, residential and industrial properties see relief

The 2 step process:

- Drives MORE dollars to SDs with high property taxes
- Drives GREATER percentages of relief to SDs with lower property taxes



Tracking Money flow...just for fun....1:1

Not perfect,
but at least
trying to pay
attention to
net flow in and
out at county
levels across
the state

| County | Sales Tax Remit | Sales and Use Base | SUT Out | Personal Income Base | PIT Out | PIT+ SUT Out | Share County Total | New State Funding | Share County Total | In-Out Ratio |
|------------|-----------------|-----------------------|--------------|-------------------------|---------------|------------------|-----------------------|----------------------|-----------------------|-----------------|
| Adams | \$20,745 | \$345,750,000 | \$1,728,750 | \$2,903,592,428 | \$38,617,779 | \$40,346,529.29 | 0.7518% | \$66,167,145.83 | 0.8132% | 1.08 |
| Allegheny | \$476,785 | \$7,946,416,667 | \$39,732,083 | \$42,532,630,779 | \$565,683,989 | \$605,416,072.69 | 11.2814% | \$850,573,934.82 | 10.4538% | 0.93 |
| Armstrong | \$10,857 | \$180,950,000 | \$904,750 | \$1,624,024,828 | \$21,599,530 | \$22,504,280.21 | 0.4193% | \$32,566,996.99 | 0.4003% | 0.95 |
| Beaver | \$26,845 | \$447,416,667 | \$2,237,083 | \$4,181,013,242 | \$55,607,476 | \$57,844,559.45 | 1.0779% | \$98,238,361.14 | 1.2074% | 1.12 |
| Bedford | \$20,008 | \$333,466,667 | \$1,667,333 | \$988,256,486 | \$13,143,811 | \$14,811,144.60 | 0.2760% | \$21,433,269.19 | 0.2634% | 0.95 |
| Berks | \$143,793 | \$2,396,550,000 | \$11,982,750 | \$12,630,466,889 | \$167,985,210 | \$179,967,959.62 | 3.3535% | \$327,272,429.35 | 4.0223% | 1.20 |
| Blair | \$98,319 | \$1,638,650,000 | \$8,193,250 | \$2,926,308,012 | \$38,919,897 | \$47,113,146.56 | 0.8779% | \$49,187,406.64 | 0.6045% | 0.69 |
| Bradford | \$16,385 | \$273,083,333 | \$1,365,417 | \$1,303,629,956 | \$17,338,278 | \$18,703,695.08 | 0.3485% | \$31,639,499.57 | 0.3889% | 1.12 |
| Bucks | \$200,288 | \$3,338,133,333 | \$16,690,667 | \$27,516,263,175 | \$365,966,300 | \$382,656,966.89 | 7.1305% | \$582,810,470.17 | 7.1629% | 1.00 |
| Butler | \$62,034 | \$1,033,900,000 | \$5,169,500 | \$6,364,967,106 | \$84,654,063 | \$89,823,562.51 | 1.6738% | \$103,952,256.60 | 1.2776% | 0.76 |
| Cambria | \$25,135 | \$418,916,667 | \$2,094,583 | \$2,623,295,669 | \$34,889,832 | \$36,984,415.73 | 0.6892% | \$54,401,186.23 | 0.6686% | 0.97 |
| Cameron | \$445 | \$7,416,667 | \$37,083 | \$83,393,150 | \$1,109,129 | \$1,146,212.23 | 0.0214% | \$2,749,942.02 | 0.0338% | 1.58 |
| Carbon | \$16,065 | \$267,750,000 | \$1,338,750 | \$1,353,291,567 | \$17,998,778 | \$19,337,527.84 | 0.3603% | \$50,817,516.63 | 0.6246% | 1.73 |
| Centre | \$47,970 | \$799,500,000 | \$3,997,500 | \$3,602,078,010 | \$47,907,638 | \$51,905,137.53 | 0.9672% | \$75,638,892.43 | 0.9296% | 0.96 |
| Chester | \$198,073 | \$3,301,216,667 | \$16,506,083 | \$25,889,515,552 | \$344,330,557 | \$360,836,640.17 | 6.7239% | \$527,426,006.06 | 6.4822% | 0.96 |
| Clarion | \$10,397 | \$173,283,333 | \$866,417 | \$897,273,975 | \$11,933,744 | \$12,800,160.53 | 0.2385% | \$17,637,784.88 | 0.2168% | 0.91 |
| Clearfield | \$22,085 | \$368,083,333 | \$1,840,417 | \$1,868,805,052 | \$24,855,107 | \$26,695,523.86 | 0.4974% | \$41,766,306.98 | 0.5133% | 1.03 |
| Clinton | \$10,253 | \$170,883,333 | \$854,417 | \$714,443,413 | \$9,502,097 | \$10,356,514.06 | 0.1930% | \$13,402,404.72 | 0.1647% | 0.85 |
| Columbia | \$15,849 | \$264,150,000 | \$1,320,750 | \$1,723,597,796 | \$22,923,851 | \$24,244,600.69 | 0.4518% | \$31,925,912.59 | 0.3924% | 0.87 |
| Crawford | \$14,879 | \$247,983,333 | \$1,239,917 | \$1,745,824,223 | \$23,219,462 | \$24,459,378.83 | 0.4558% | \$30,985,397.23 | 0.3808% | 0.84 |
| Cumberland | \$158,373 | \$2,639,550,000 | \$13,197,750 | \$7,287,373,020 | \$96,922,061 | \$110,119,811.17 | 2.0520% | \$139,142,078.35 | 1.7101% | 0.83 |
| Dauphin | \$155,140 | \$2,585,666,667 | \$12,928,333 | \$7,556,103,075 | \$100,496,171 | \$113,424,504.23 | 2.1136% | \$162,083,191.37 | 1.9921% | 0.94 |
| Delaware | \$186,674 | \$3,111,233,333 | \$15,556,167 | \$19,680,319,208 | \$261,748,245 | \$277,304,412.13 | 5.1673% | \$509,451,331.36 | 6.2613% | 1.21 |
| Elk | \$6,587 | \$109,783,333 | \$548,917 | \$782,549,729 | \$10,407,911 | \$10,956,828.06 | 0.2042% | \$12,320,656.92 | 0.1514% | 0.74 |
| Erie | \$63,852 | \$1,064,200,000 | \$5,321,000 | \$6,089,980,414 | \$80,996,740 | \$86,317,739.51 | 1.6085% | \$146,421,418.40 | 1.7996% | 1.12 |
| Fayette | \$30,214 | \$503,566,667 | \$2,517,833 | \$2,478,231,001 | \$32,960,472 | \$35,478,305.65 | 0.6611% | \$54,476,960.24 | 0.6695% | 1.01 |
| Forest | \$991 | \$16,516,667 | \$82,583 | \$74,527,260 | \$991,213 | \$1,073,795.89 | 0.0200% | \$1,885,042.84 | 0.0232% | 1.16 |



Circuit Breaker Relief: Mechanics

- \$611 million directly to the PTRR program to allow for expansion; many applicants will see property tax bills of \$0.
- Includes renters, as they will pay additional PIT.
- The homeowner property tax relief provided by this proposal will free up some additional funds for the current PTRR program....nearly \$750 million maybe available for wider targeted PTRR assistance



- Gov. Tom Wolf that proposed using \$204 million in American Rescue Plan funding to double this year's rebates for the Property Tax and Rent Rebate Program
- The [Property Tax and Rent Rebate](#) (PTRR) program is an age- and income-eligible initiative. An estimated 477,000 residents are eligible. Under the proposal, maximum rebates for homeowners would double to \$500 to \$1,300; \$1,000 to \$1,300 for renters.
- As a result, the average rebate would grow by \$475, according to Wolf's office
- At the time of the state report from June 2021, the state approved **466,637 applications and a combined \$222.5 million in rebates for claim year 2019** — \$131.3 million to homeowners, \$91.2 million to renters. (60/40% split)
- Homeowners accounted for 300,143 (64%) of the rebates with renters accounting for the rest. Senior citizens received 297,621 of all rebates followed by persons with disabilities at 159,237.

APPLICATION INSIDE

| | INCOME | MAX. REBATE |
|--|----------------------|-------------|
| HOMEOWNERS  | \$0 to \$8,000 | \$650 |
| | \$8,001 to \$15,000 | \$500 >> |
| | \$15,001 to \$18,000 | \$300 |
| | \$18,001 to \$35,000 | \$250 >> |
| RENTERS  | INCOME | MAX. REBATE |
| | \$0 to \$8,000 | \$650 |
| | \$8,001 to \$15,000 | \$500 >> |

NOTE → Applicants can exclude one-half of all Social Security income.

IMPORTANT DATES

Application deadline: **JUNE 30, 2022**
 Rebates begin: **EARLY JULY, 2022**

NOTE: The department may extend the application deadline if funds are available.



The Pennsylvania Lottery (established 1971), is the only U.S. lottery to dedicate all proceeds to benefit older adults. (2020-21 FY generated \$1.3 billion net revenue)

Pennsylvania Lottery: Includes property tax and rent rebates; transportation services; care services; prescription assistance; and a broad range of local services provided by Area Agencies on Aging.

Where does the money go*?



WINNER PRIZES
67 cents



BENEFIT PROGRAMS
23 cents



RETAILER AND VENDOR COMMISSIONS
8 cents



OPERATING EXPENSES
2 cents



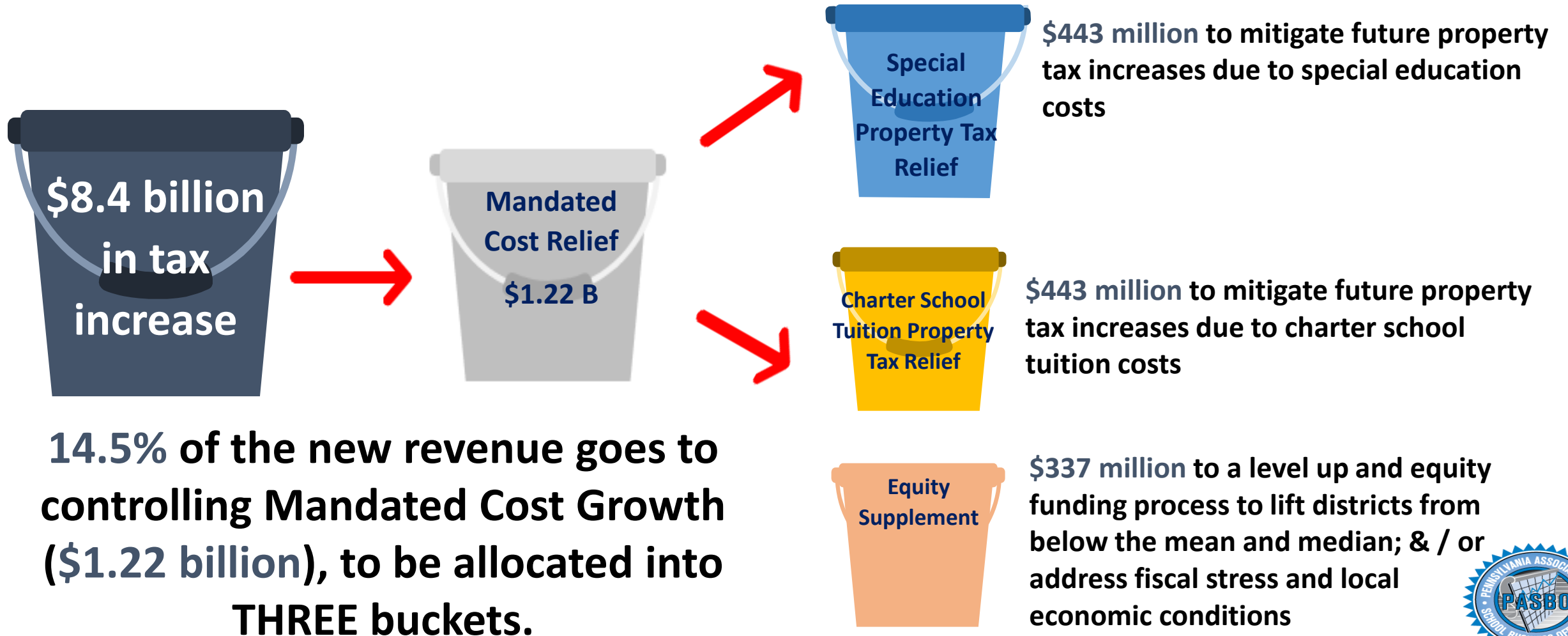
Property Tax Relief Stabilization Fund:

Mechanics

- The current homestead/farmstead process includes a reserve fund for the purpose of assuring adequate revenue to school districts to sustain the benefit to homeowners (Model as set = \$274.1 million).
- If in the future H/S funding level is reduced for any reason, the homestead/farmstead reduction credit need to be reduced and net PT taxes will increase to homeowners...that is to be avoided.
- The reserve fund is created to prevent and protect the reduction of PT taxes to property owners...and hedge downturns..3-5 year hedge.
- Balance is maintained / monitored with a five year projection window---The largest flaw in the model is that we assume reasonable people and long-term views



Now Part 2: Mandate relief...and ? Equity Supplement (BEF & or Level up?)



Mandated Cost Relief is Sustained Property Tax Relief---without a mechanism for future suppression of mandates any relief program (even elimination) will fail.

If any PT relief program is to be successful, it MUST address mandated cost drivers prospectively as well as student equity incorporating funding mechanisms of the wider state tax base

| Impact of Mandated Cost Increases on Property Taxes (2010-11 to 2019-20) | |
|---|-------------------------------|
| Mandated Cost | Local Burden of Mandated Cost |
| Special Education (net) | \$1,598,871,535 |
| Charter School Tuition (net) | \$1,451,901,285 |
| Total | \$3,050,772,820 |
| Average per Year | \$338,974,758 |



Mandated Cost Relief: Special Education

Uses the SE formula for distribution
to distribute **\$443** million over time
as Immediate Homeowner Relief is
phased in.

This is in addition to normal SE state
funding.



Mandated Cost Relief: Special Education

Special education (SE) costs drive school district budgets.

- SE costs have grown 7.5% annually since 2013-14 to \$5.76 billion in 2019-20
- SE instruction costs alone grew by \$1.58 billion from 2010-11 to 2019-20
 - Growing SE enrollment; increasing need for higher cost programs/services
- State funding for SE grew by \$148.6 million during that time
- **The result? \$1.43 billion net to property taxes**
- **This \$1.43 billion.....gets added to charter....**



Mandated Cost Relief: Charter School Tuition

Charter school tuition (CST) costs drive school district budgets.

- CST costs have grown 8.8% annually since 2013-14 to \$2.2 billion in 2019-20
- CST costs have grown by \$1.2 billion from 2010-11 to 2019-20
 - Growing CS enrollment; increasing mandated costs factored into CS calculation
- State funding for charter school tuition ***decreased*** by \$218 million during that time
- **The result? \$1.3 billion to property taxes.**
- **2021 AFR ?...Will it exceed total PT increase?**



Mandated Cost Relief: Charter School Tuition



Phase in the **\$443** million to provide school districts with reimbursement for 30% of charter school tuition costs.

This bucket is structurally scalable IF there is major reform of charter school funding policy.



Enrollment Comparision

| | All School Districts | All Charter Schools |
|---------|----------------------|---------------------|
| Average | 3,147.06 | 751.62 |
| Median | 2,018.75 | 548.56 |
| Maximum | 125,980.96 | 10,678.46 |
| Minimum | 165.75 | 30.70 |

2018-19 ESSA Per student data as self-reported by LEA's and released by PDE



Overall Spending Comparison

| | All School Districts (\$) | All Charter Schools (\$) | All School Districts (%) | All Charter Schools (%) |
|-----------------|---------------------------|--------------------------|--------------------------|-------------------------|
| Average Total | \$ 15,727.23 | \$ 15,215.17 | 100% | 100% |
| Average Local | \$ 9,270.89 | \$ 13,975.99 | 58% | 91% |
| Average State | \$ 5,959.08 | \$ 108.47 | 38% | 1% |
| Average Federal | \$ 497.27 | \$ 1,130.71 | 3% | 8% |

- All LEAs, school districts and charters, were ranked against each other on number of ADMs, before then being sorted into the bottom 25% of enrollment ("Small"), the top 25% ("Large"), and the middle 50% ("Medium").

- Avg. district sent about 80% of its state funding p/s for charter p/s tuition
- Charter have 5% more \$'s p/s on avg in federal funds than the avg district

Median vs Average

| | School Districts Avg | Charter Schools Avg | School Districts Med. | Charter Schools Med. |
|---------|----------------------|---------------------|-----------------------|----------------------|
| Overall | \$ 15,727.23 | \$ 15,215.17 | \$ 15,205.05 | \$ 14,895.81 |
| Small | \$ 18,329.58 | \$ 15,356.69 | \$ 18,298.65 | \$ 14,708.12 |
| Medium | \$ 15,287.48 | \$ 14,837.27 | \$ 14,801.43 | \$ 15,085.13 |
| Large | \$ 15,655.46 | \$ 15,127.59 | \$ 15,162.94 | \$ 15,926.11 |

| Charter Avg Local | Less District avg Local | Remainder to be paid |
|----------------------|-------------------------|---|
| \$ 13,975.99 | \$ 9,270.89 | \$ 4,705.10 |
| Remainder to be paid | Less District Avg State | Net state remainder after 100% of local is gone |
| \$ 4,705.10 | \$ 5,959.08 | \$ 1,253.97 |
| | | 21.0% |

- Bottom Line: First 100% local; then state funds regardless of purpose

Immediate Property Tax Relief - Example #1



| Bensalem Township SD (Bucks County) | Effective Tax Rate (Mills) | Median Assessed Value (MAV) |
|--|---------------------------------|-------------------------------------|
| | 155.03 | \$22,595 |
| | Total Property Tax Levy: | \$3,503 |
| Universal Property Tax Relief (millage reduction) | 144.90 | \$3,274 (\$229 reduction) |
| Homeowner Property Tax Relief (assessed value) | Current Slot Fund Relief: | \$189 |
| | Homeowner PT Relief: | \$1,888 |
| | Circuit Breaker Relief: | ? |
| Property Tax Bill after Relief: | | \$1,197 |
| Total Reduction for MAV Homestead: | | \$2,306 |
| % Reduction for MAV Homestead: | | 65.83% |

Immediate Property Tax Relief - Example #2



| Interboro SD (Delaware County) | Effective Tax Rate (Mills) | Median Assessed Value (MAV) |
|--|---------------------------------|------------------------------|
| | 35.01 | \$88,205 |
| | Total Property Tax Levy: | \$3,088 |
| Universal Property Tax Relief (millage reduction) | 32.61 | \$2,876 (\$212 reduction) |
| Homeowner Property Tax Relief (assessed value) | Current Slot Fund Relief: | \$403 |
| | Homeowner PT Relief: | \$1,889 |
| | Circuit Breaker Relief: | ? |
| Property Tax Bill after Relief: | | \$584 |
| Total Reduction for MAV Homestead: | | \$2,504 |
| % Reduction for MAV Homestead: | | 81.09% |

Immediate Property Tax Relief - Example #3



| Oswayo Valley SD (Potter County) | Effective Tax Rate (Mills) | Median Assessed Value (MAV) |
|---|---------------------------------|-----------------------------------|
| | 31.40 | \$25,790 |
| | Total Property Tax Levy: | \$810 |
| Universal Property Tax Relief (millage reduction) | 25.69 | \$662 (\$147 reduction) |
| Homeowner Property Tax Relief (assessed value) | Current Slot Fund Relief: | \$149 |
| | Homeowner PT Relief: | \$458 |
| | Circuit Breaker Relief: | ? |
| Property Tax Bill after Relief: | | \$55 |
| Total Reduction for MAV Homestead: | | \$755 |
| % Reduction for MAV Homestead: | | 93.21% |

Immediate Property Tax Relief - Example #4



| York City SD (York County) | Effective Tax Rate (Mills) | Median Assessed Value (MAV) |
|--|---------------------------------|-------------------------------------|
| | 33.86 | \$54,240 |
| | Total Property Tax Levy: | \$1,836 |
| Universal Property Tax Relief (millage reduction) | 31.71 | \$1,720 (\$116 reduction) |
| Homeowner Property Tax Relief (assessed value) | Current Slot Fund Relief: | \$530 |
| | Homeowner PT Relief: | \$1,451 |
| | Circuit Breaker Relief: | ? |
| Property Tax Bill after Relief: | | \$0 |
| Total Reduction for MAV Homestead: | | \$1,836 |
| % Reduction for MAV Homestead: | | 100.00% |

Immediate Property Tax Relief - Example #5



| Pocono Mountain SD (Monroe County) | Effective Tax Rate (Mills) | Median Assessed Value (MAV) |
|--|---------------------------------|-------------------------------------|
| | 136.24 | \$23,580 |
| | Total Property Tax Levy: | \$3,212 |
| Universal Property Tax Relief (millage reduction) | 128.10 | \$3,021 (\$192 reduction) |
| Homeowner Property Tax Relief (assessed value) | Current Slot Fund Relief: | \$412 |
| | Homeowner PT Relief: | \$2,660 |
| | Circuit Breaker Relief: | ? |
| Property Tax Bill after Relief: | | \$0 |
| Total Reduction for MAV Homestead: | | \$3,212 |
| % Reduction for MAV Homestead: | | 100.00% |

Key Concepts

- Utilize current tax structures for PIT and SUT collection
- Utilize current structures for PTRR
- Dollar relief with fixed and variable allocations provide larger dollars to higher PT areas but higher percent reductions to lower PT areas
- ***BEF and SEF (and all state funding) formulas become much more effective with buy downs of mandate cost growth as formula funds targeted to students are not netted down.***
- Utilizes current Homestead process
- Provides mechanics to improve and enhance from where we are, and our out-year trend direction
 - In a manner that is sustainable and scalable,
 - For both tax payer equity and student equity
- ***Education funding and tax payer relief attachment at scale to the wider state-wide tax base breaks PA ever growing and overreliance on property taxes***



Targeted Relief: Important considerations...

- *Delinquent Property tax turnover drops significantly*
- County systems for HS/FS process may need to be standardized....removal from HS/FS and grace periods or appeal process....
- PTRR program expansion provides effective delivery to a wider targeted constituency---and delivers based on qualifying criteria
- *The mandate “buckets” can be trended and tracked against mandate cost growth to further sustain PT relief---State will have more skin in the game for mandates----mandate cost changes moving forward alleviate funding (taxing) need.*
- *State Funding Partnership strengthened: PT remains in the tax duplicate mix.... at a net lower level.*
- *Targeted partial relief does not burden all individuals with higher/wider SUT/PIT taxes to pay for Commercial, industrial, business PT relief---more lower income seniors actually see a net reduction in taxes paid---for everyone else it is a shift*
- *Pension ERC growth ...not part of this plan---Pension relief can stand on its own. ERC above normal cost is a significant pool of property tax relief if policy makers want to “go there”.*



Relief vs Elimination

- Elimination---It cannot be passed ---so that leaves State funding policy with ever increasing PT reliance in perpetuity....and compounding.
- elimination implementation--extremely high risk---no safety net---it is dollar for dollar----much higher statewide taxes and severe education impact---no plan for mandate cost growth other than education cuts
- ***Partial & targeted Model---Delivers very significant relief and is targeted---if it struggles, it can be adjusted moving forward...it has built in mechanisms for sustainability and scalability...and for homeowners.....it all but takes PT's off the table***

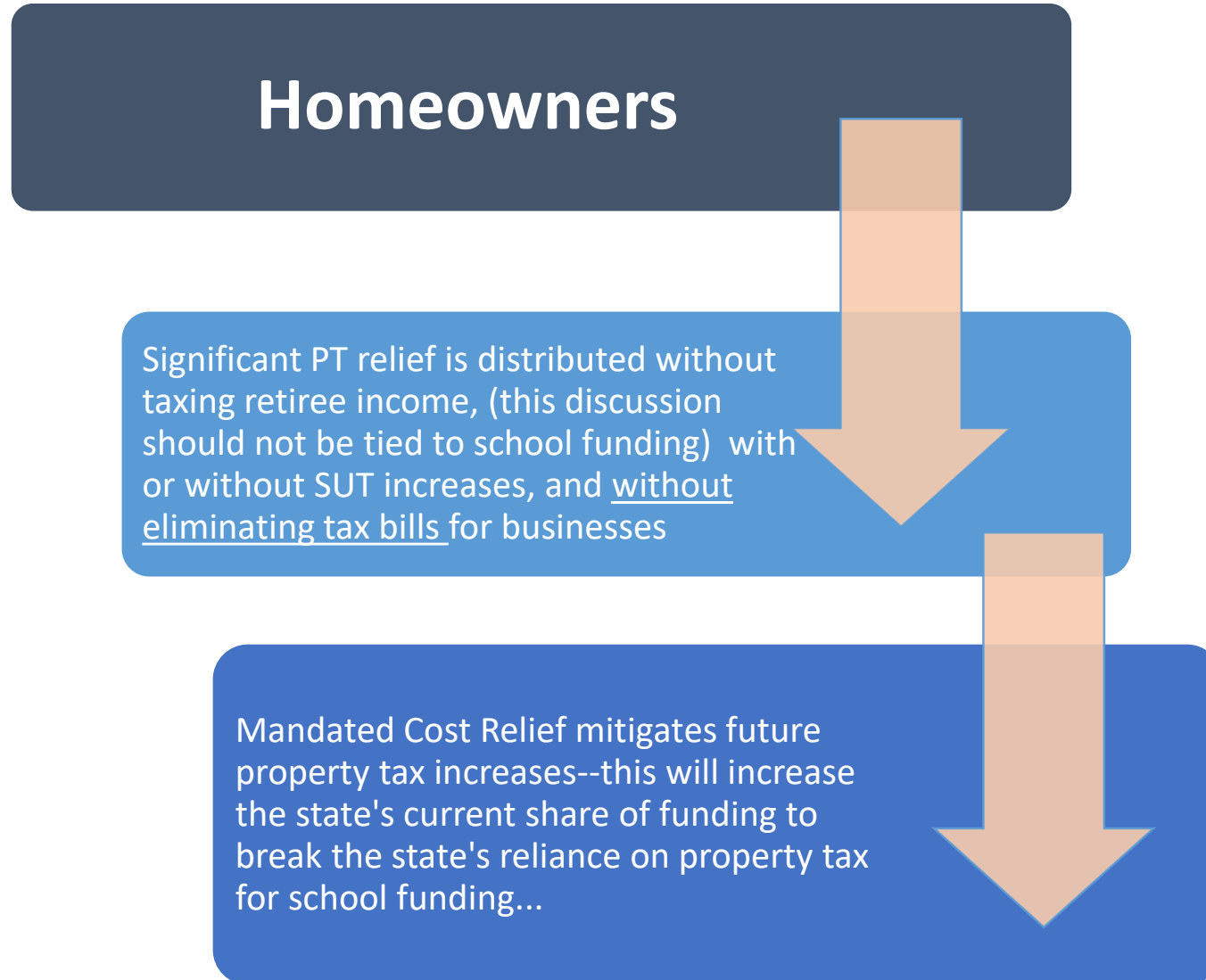


Other important considerations...still in progress...

- Timing of implementation of each component of the plan
 - Initial 2-3 years Funds can be phased in to help with implementation....and mitigate PT relief pressure
- Political: Limitations (immediate and future) on property tax increases...are there any?
- How to direct the stabilization fund AND “apportioned” PIT growth
- Future modeling for allocation of base growth --- relief vs funding vs mandates
- Transitional Cash Flow concerns for school districts—need to monitor and provide mechanisms for assistance
- Establish cash flow pattern for how the state pays out the funds
- PIT / SUT rate change...how and when to implement to raise relief funds---tax payers and districts

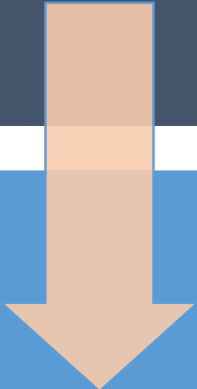


Who Benefits? Homeowners are the biggest winners.



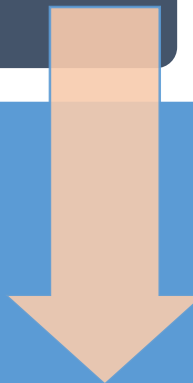
Who Benefits? PTRR Recipients & Businesses win too.

Lower Income, Seniors, Homeowners and Renters

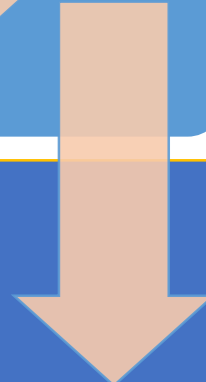


Through Circuit Breaker assistance, this plan greatly expands relief beyond the homestead amount to those with greater financial needs (PTRR program), eliminating many property tax bills and helping substantially with lower income tax payer rent.

Businesses



The universal property tax relief component of this plan provides millage rate reduction to all property tax payers-- including businesses and commercial properties....it is a reset.

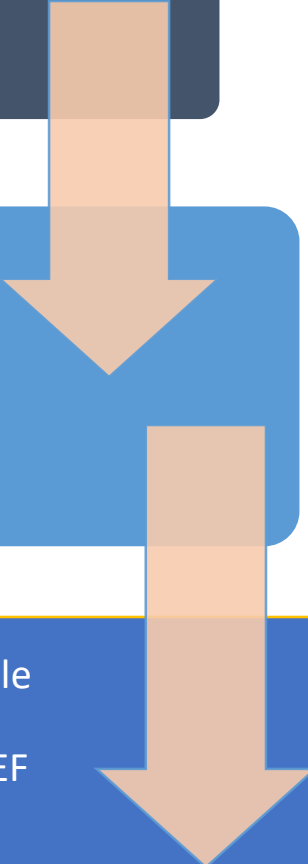


The mandated cost relief component of this plan will dramatically lower the future reliance on property taxes; businesses will benefit from the initial reset and the future downward trend.



Who Benefits? School districts, & the state benefit...Students are big winners as funding stabilizes

School Districts & Students

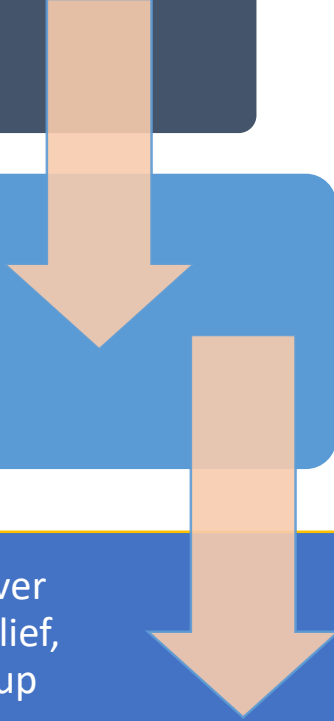


School districts finally see an increased state share and funding for mandates from the statewide tax base so districts do not have to rely on local property taxes. Natural growth remains with school districts.

The diagram shows a vertical flow of three blue boxes connected by large, light-orange downward-pointing arrows. The first box contains the text about increased state share and funding. The second box contains the text about accountability to local constituents and future dollars allocated to BEF, SEF, and other education funding.

School boards are still accountable to their local constituents--and future dollars allocated to BEF, SEF and other education funding will stay in the classroom.

The State



Property tax relief for homeowners finally gets delivered to provide significant, sustainable and scalable property tax relief across the state AND the state share of education funding increases.

The diagram shows a vertical flow of two blue boxes connected by large, light-orange downward-pointing arrows. The first box contains the text about property tax relief and increased state share of education funding. The second box contains the text about legislative monitoring and adjustments.

The legislature gets to monitor results over time and see the impact of significant relief, and can make adjustments to and scale up the model in the future.



Relief is possible, but how it is done is critical!!
Thank you for all you do!!
Questions?

