

Senator Gib Armstrong
Statement Before the Senate Finance Committee
Senate Bill 1202
February 6, 2008

Act 1 was passed and signed amid grand promises of property tax relief and property tax control. Unfortunately, a sizable gap quickly opened between good intentions and good policy outcomes.

Most taxpayers have yet to see the first dollar of property tax relief. Most have not seen anything resembling tax control either. The money may begin to flow later this year. But control over property taxes will only come if we change the law.

As the *Allentown Morning Call* sized up the situation in a recent editorial: "Act 1 was supposed to help control school property taxes. It isn't, and it doesn't appear it can." They are right. Too many loopholes, too widely drawn, with too much inclination by officials to go along with them. More time will not change the result; the status quo will only cost taxpayers more money.

The Rendell Administration participated in writing the law and the Governor frequently touted its tax control potential. So it is hard to figure the law was misapplied; the flaw must be in the law itself.

Any plan to reduce property taxes must contain an effective mechanism for controlling future increases. That has been a cardinal rule since the voters in 1989 shot down the property tax plan crafted by Governor Casey, for want of such a mechanism.

When significant increases in school property taxes are sought, the issue should be submitted to the voters for a "yes" or "no" determination. That principle is bedrock in Act 1. However, this principle was undermined by a series of exceptions that make avoiding a ballot question too much of a sure thing.

The primary election last May was the first test. If taxpayers were grading the exercise, the law would get an "F." 210 school districts were granted exceptions from the referendum requirement. That does not come close to recognizing and respecting the taxpayer interest in this debate.

The few questions that made it to the ballot were shot down by voters, because the increases sought were in the double digits. There are some eye-popping increases proposed this year, well over the allowable range. The school districts will surely be vigorously exception shopping again.

So there is a sense of urgency in striking a better balance in the law. It may not be practical to have every small increase subject to a voter referendum. But it is entirely unreasonable for well-into-double-digit increases to get a free pass. If nearly every bit of

added cost is out of the hands of school boards, as they so often contend, then they do need help in drawing the line at more realistic levels.

Senate Bill 1202 is based on the frustrating experience with the first round of ballot question avoidance. It eliminates some exceptions, relating to school construction debt and maintenance of revenue. Cuts back on others, such as special education. This is an effort to make tax limits and voter participation a reality, not a tantalizing theory that is unreachable.

Until the day when a legislative consensus somehow materializes on a more ambitious means of reducing or replacing property taxes, Act 1 is the game. We have to make sure the rules are not rigged against taxpayers.

Many years ago, when Pennsylvania set a threshold for school debt, a couple of districts quickly had to place ballot questions. The General Assembly then raised the threshold beyond the reach of even the biggest borrowers. We cannot again have a referendum requirement that applies to almost no one.

I appreciate the committee's willingness to consider this important matter for the taxpayer interest, and hope this discussion is prelude to positive action in the weeks ahead.