



**Testimony Submitted for  
Senate Bill 777  
House Finance Committee  
Harrisburg, Pennsylvania - April 28, 2008**

Good morning. My name is John Bowden and I am the school business official for Pequea Valley School District in Lancaster County. Thank you for the opportunity to communicate the Pennsylvania School Board Association's support of Senate Bill 777. It is the next logical step after Act 20 of 2003 that allowed collection costs to be placed on delinquent taxpayers and ensured that current taxpayers' money is not being used to fund collection efforts.

As a business manager with Pequea Valley<sup>1</sup> and as the former assistant business manager at Pottstown School District in Montgomery County, I have had the unique experience in working with both a third party tax collector and the county tax collection bureau. There is no doubt that my experience with the third party debt collector was superior in many respects.

Pottstown School District is an urban school district in Montgomery County. The district serves approximately 2,800 students, its current budget is approximately \$47 million, of which \$25 million is from local real estate taxes and has a millage rate of approximately 31 mills. The average residential property is assessed at \$75,154; which equates to the school district generating approximately \$2,300 of real estate revenue on the average residential property. For the 2004 tax year, the school district turned over 639 properties for collection \$1,649,443.00. This represented approximately 8% of the district's budgeted real estate tax revenue being turned over to delinquency. The 2004 tax year was the first year that the district chose to use a third party debt collector, Portnoff Law Associates. This district chose to enter into a 1 year contract with Portnoff to see if this method of collecting delinquent taxes would be more efficient and less costly than the current county system. Portnoff required the district to pay a fee of \$40 per delinquent property, but the district would get that money returned once the property owner paid the delinquency. It would have cost the district \$82,472

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<sup>1</sup> Pequea Valley School District is located in Eastern Lancaster County and has approximately 17,000 residents living within 82 square miles. Total enrollment for the district is approximately 1,860 students with 370 students enrolled in special education. Pequea Valley graduated 99.4% of the 172 students in the 2006 senior class and 111 of those students pursued college or post-secondary school opportunities.

if it had turned the taxes over to the county, whereas with Portnoff the upfront fee was only \$25,560 with it being refundable if recovered.

Another cost savings that the district realized was that the third party debt collector was not sitting on the revenue it received. The district received weekly checks for the taxes collected, however, remittance was monthly when the county collected for the district. The more frequent distribution permitted the district to invest the money sooner and thus gained additional interest revenue. Additionally, the process that the district's third party debt collector used to collect the taxes resulted in over 80% of the delinquency being paid within 12 months from the time the district handed it over to them.

The following tax year, the district's number of delinquent properties decreased by 10.6% and continued to decrease another 1.5% the following year. This, once again, enabled the district to invest this revenue and gain additional interest income.

One concern of the district with going with a third party collector was that the tax payer would be harassed or forced into bankruptcy due to unpaid taxes. But in reality, the opposite occurred. The third party debt collection firm worked with taxpayers to set up payment plans and hardship applications. The firm was very respectful to the taxpayers and empathized with them. This kind of customer service paid off. The district did not receive a single complaint about the new method of collection.

Additionally, the third party collection firm ensured that the district was involved throughout the process. This was an added plus to the district because when delinquency is turned over to the county the district has limited involvement from that point forward. From my own experience, dealing with an outside collection firm was much easier and efficient than with the county. Obtaining records from the collection firm, at most, took a couple hours; whereas, with the county, at times, request turnaround time was weeks.

Currently, the Pequea Valley School District uses the county system. Pequea Valley is a smaller district, but still has the same concerns as Pottstown School District. Had Pequea Valley used

a third party debt collection firm for the 2007 delinquent taxes, we would have saved approximately \$30,000, by not needing to give the county 5% of the total.

Additionally, Pequea Valley still has 2003 delinquent taxes outstanding. I believe that had Pequea Valley gone with a third party debt collector back then these debts would not still be on the books.

In conclusion, I urge you to vote this bill favorably from this committee quickly. The use of third party collection firms is an obvious benefit to districts. It permits them to improve service and collect more outstanding tax liabilities while devoting less time and effort to the collection. It also benefits those districts at a time when their tax base is being eroded due to difficulties with tax assessments. Again, thank you for your consideration. I can address any questions that you may have at this time.