



**House Bill 1877**  
**House Finance Committee**  
**February 13, 2012**  
**Matthew Malinowski**  
**Business Manager, School District of Cheltenham Township**

Good morning I am Matthew Malinowski, Business Manager for the School District of Cheltenham Township, and I am here today to offer testimony in support of House Bill 1877 on behalf of the Pennsylvania School Boards Association. I thank the committee for the opportunity to testify today on this issue of delinquent property tax collection, an issue that will have an impact on school districts across the Commonwealth.

House Bill 1877 allows school districts, and other taxing districts, that collect their own delinquent property taxes to forego the 5% commission paid to local county tax claim bureaus, which is currently required even where the county does not collect these delinquent property taxes.

As you know, school districts are very reliant on local property taxes, especially in these times of lean state and federal support for education. Local property taxes make up, on average, about 57% of a school district's revenue and fund essential programs, such as special education. Under current law, school districts are required to send out their annual property tax bill by July 1 each year. Taxpayers then have several options when it comes to paying these bills. First, a taxpayer may pay his or her property tax bill within 60 days and receive a 2% discount on the total due. For the next 60 days, taxpayers must pay the face value of their property tax bill. From that point on until December 31, the taxpayer will be responsible for paying a small penalty in addition to his or her property taxes. Property taxpayers may also opt to pay their

property taxes in installments. These school property taxes, whether paid on August 1 or December 31, are collected by the local elected tax collector and turned over to the county.

If, however, a taxpayer has not paid his or her property taxes by December 31, the taxes are considered delinquent and are no longer within the jurisdiction of the local elected tax collector. At this point, a school district has two options regarding the collection of these delinquent taxes. The school district can allow the county to collect these delinquent taxes or the school district can choose to have these delinquent taxes collected by its delinquent tax collector, who is appointed by the school board. This appointed delinquent tax collector is given all authority and power given to a local elected or county tax collector.

Despite the fact that school boards have the authority to appoint and have their own tax collector collect all delinquent property taxes, school districts are still required to pay the local county tax claim bureau a 5% commission on the delinquent taxes collected. As a result, under current law even where the county does no work to collect these delinquent taxes, it still receives a portion of these revenues at the expense of the school district.

The School District of Cheltenham Township utilizes a law firm to collect its delinquent property taxes. The firm's ability to work through the legal process relative to delinquent collections is highly efficient and effective when compared to the county tax bureau. The cost of collection by the firm is recuperated by payment from the delinquent property owner. Since 2008, over \$5 million in delinquent property taxes have been recovered. Without this funding, the programs and services for the children of Cheltenham would be significantly reduced and negatively impacted.

Through paying a 5% commission to the county tax claim bureau, the school district would pay over a quarter million dollars over a four year period. This payment would further deplete the local resources to fund our educational program. As over eighty percent of the Cheltenham's revenues are funded by local sources, an additional burden is placed on the taxpayers of Cheltenham Township who currently pay one of the highest equalized tax millage rates in Pennsylvania. Furthermore, this additional assessment serves to recoup revenue not paid by those property owners who did not fulfill their obligation to support the local school program. I attach to this testimony a chart of the School District of Cheltenham Township's delinquent property tax collections since 2008.

I have researched the Montgomery County 2012 General Fund budget, and it indicates that operating expenditures for the tax claim department are \$441,827 and revenue from the tax claim bureau of \$1.7 million. This data shows that the bureau does not require the 5% fee to provide for its annual operating expenditures. It is disconcerting that a school district would be mandated to make a substantial payment to the county tax claim bureau when that entity neither provides a service to the end user nor incurs an expense relative to the transaction which occurred.

House Bill 1877 simply undoes the injustice of the current law and allows school districts that collect their own delinquent property taxes to keep the 5% that would otherwise go to the county. While 5% of delinquent taxes may seem like an insignificant amount, in these lean economic times, every penny saved by a school district is money that can go into a classroom or go towards an educational program that may otherwise be on the chopping block. PSBA supports this common sense bill that relieves school districts of unnecessary mandates and ensures fairness for school districts and taxpayers.

Additionally, House Bill 1877 protects a school district's right to utilize the services of entities other than the local county tax claims office for the collection of delinquent real estate taxes in their district. By removing this unnecessary mandate, it no longer provides a disincentive for school districts to collect their own delinquent property taxes and ensures that they maintain the flexibility to appoint a delinquent tax collector if it is appropriate for their district.

PSBA encourages the committee to approve House Bill 1877, and I thank you for allowing me to testify today. I am happy to answer any questions you may have.

**Attachment #1**

School District of Cheltenham Township

Delinquent Tax Collection History

Tax Year	Taxes Paid	Interest Paid	5% Commission			
2008	\$ 2,015,300.36	\$ 83,718.00	\$ 104,950.92			
2009	\$ 1,686,076.81	\$ 47,234.34	\$ 86,665.56			
2010	\$ 1,278,126.05	\$ 15,165.39	\$ 64,664.57			
2011*	\$ 30,451.32	\$ -	\$ 1,522.57			
Grand Total	\$ 5,009,954.54	\$ 146,117.73	\$ 257,803.61			

\*Delinquent collection for 2011 is less than previous years as delinquent tax collection has just begun.