



**LEAGUE OF WOMEN VOTERS®
OF PENNSYLVANIA**

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**Written Testimony
of the
League of Women Voters of Pennsylvania
to the
House Finance Committee
June 4, 2012
Regarding House Bill 1776**

The League of Women Voters of Pennsylvania is pleased to have the opportunity to provide written comments as our testimony to the House Finance Committee as part of your deliberations on House Bill 1776. We are indeed encouraged that our legislators are examining alternative ways to fund public education. As you may know, the League supports equal access to quality public education that is to be achieved by participation of government and citizens at all levels and by adequate financing based on an equitable and flexible tax system. Further, we support:

- A realistic minimum level of expenditures for all districts set by the state. Uniform expenditures across the state should not be required, and local districts should maintain control of spending by determining local priorities with citizen input.
- A combination of state and local funds to finance the public elementary and secondary schools of the Commonwealth, with the Commonwealth's share being the greater.
- Allocation of state funds based on a specific dollar amount per pupil. Additional funding should be provided based on an evaluation of special conditions in a district, including density, adequacy of the tax base, and the number of students eligible for specific programs.
- Allocation of state funds for special education based on the actual number of students with mental or physical disabilities, the nature of the disability, and the costs of appropriate instructional programs and support services.

In regard to financing based on an "equitable and flexible tax system," the League adopted standards in key areas. Those of relevance include:

Equity

- Revenue sources should be related to the ability to pay.
- Consideration should be given to those who bear the final burden of the tax.

Adequacy

- Adequate, reliable revenues should be provided to finance mandated public services without harmful effects on individuals and businesses.

Flexibility

- Control of state tax sources and rates should be in the legislature; the general framework for local revenues should be established by statute and not constitutionally mandated.
- A variety of revenue sources should be used so as to assure adequate revenues when economic conditions change.
- Tax incentives, exemptions and other concessions to encourage or discourage economic, environmental, and social activities should be used with restraint and should be subject to mandatory periodic review.
- Dedication of specific taxes for specific purposes should be limited.
- Dedication of specific taxes should not be constitutionally mandated.

Among our many recommendations adopted are the following relevant points:

Income Tax

- The primary source of revenue for state and local governments should be a broad-based, progressive income tax shared by and levied on businesses and individual taxpayers. An exemption should be provided for low-income individuals.

Sales Tax

- The sales tax should not be extended either in scope or rate.

Property Tax

- Property tax exemptions for religious, charitable or other public property (as defined in Article VIII Section 2a of the PA Constitution) should apply only to those portions actually used for public purposes. Tax exempt properties should pay for services rendered directly to them.
- Property taxes should be levied on both land and improvements; taxing jurisdictions should have the option of levying a higher tax on land than on buildings, primarily in high-density urban areas. A graded tax should be used in other areas only when there is adequate protection of farmland and open space.

Based on our positions, the League of Women Voters of Pennsylvania cannot support House Bill 1776, as it currently exists. Among our concerns are:

- **Adequacy of Funding** – “Fully” funding the districts at their “current per pupil level” will perpetuate inequality of educational opportunity. Students in affluent districts who spend more will continue to have advantages while those in

distressed districts will remain underfunded. There is no consideration of implementing the findings of the “costing out” study that is necessary to level the playing field for all children in our public schools. “Current” levels will also be inadequate given that the socio-economic profiles of community change over time. Once affluent areas have become depressed and vice versa.

- **Equity of Funding** – The present, flat income tax system in Pennsylvania is not progressive. Further, an increase in the sales tax would hurt low-income more than well-to-do individuals. Preventing the enactment of a property tax would further promote inequity given that land, in and of itself, is a source of wealth and investment for those with means.
- **Flexibility** – In addition to previously mentioned reservations, dependency on income tax and sales tax is subject to instability in times of economic transition. Sharp rises and declines in revenue, mirroring larger national and international trends, hinders the consistent delivery of quality public education. Over time, property taxes are more stable. A variety of sources of revenue, subject to different factors, is required to support public education. Further, an additional burden would be placed on individual taxpayers who would need to compensate for the loss of revenue derived from property taxes currently assessed on corporate assets. Finally, individual districts would lack the ability to raise adequate revenue if state subsidies prove to be insufficient. Thus, inclusion of the provisions for a Constitutional amendment prohibiting the enactment of property taxes is problematic.

In conclusion, the League of Women Voters cannot support the currently proposed House Bill 1776. We appreciate the opportunity to raise our concerns with you and applaud your efforts for considering funding options.

Thank you.

A handwritten signature in cursive script that reads "Olivia Thorne".

Olivia Thorne, President,
League of Women Voters of Pennsylvania