

Written Testimony of  
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to the  
Basic Education Funding Commission  
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Thank you, Senator Phillips-Hill and Representative Sturla, for inviting us to testify today. I also want to thank you co-chairs and the other members of this commission for taking on the monumental task of righting school funding across the Commonwealth. I attended one hearing and watched many by live stream, and I commend you for your dedication to the challenge, the relentless travel involved, and your insightful questions of the testifiers.

I am a retired engineering and business development manager who enjoyed careers with a U.S. Navy laboratory and a major defense contractor. I am now a community activist trying to bring common sense to school funding in Pennsylvania.

We are not here to ask for more money for schools, but to discuss *how* to increase funding for schools. It is time to discuss the elephant in the room, school property taxes and why and how to finally eliminate them.

The school property tax is the most despised tax in Pennsylvania. It is a hugely regressive tax not based at all on one's ability to pay. How much more regressive can a tax be than one that threatens the loss of your home because you can't pay it?

Property taxes made sense in William Penn's day when virtually all wealth and income were derived from property ownership. The value of my house has no direct relationship to my income, yet it is taxed as though we still live in the 18<sup>th</sup> century. This is insane, but we continue to do it anyway.

Each of you has no doubt seen in your local paper every year pages of lists of properties in danger of being seized for unpaid school property taxes. This page from Adams County lists 224 properties for upset sales. I've seen other county newspapers with three, even four pages like this one.



If Adams County is a representative average of the 67 counties, then as many as 15,000 properties are put at risk each year. Too many of them belong to families who, despite having paid off the mortgages on their homes, still owe allegiance to the school district for their yearly tax. Your home is never your own as long as it can be seized by the sheriff for unpaid school property taxes.

Pennsylvania boasts that it levies no tax on retirement income. Try telling that to any of your constituents living on Social Security who are in danger of losing their home because they are not able to pay the school tax from their retirement income. And, according to the National Institute on Retirement Security, 40% of retired Americans rely solely on Social Security.

Worse, school districts abuse their authority to tax.

I live in a mostly rural county in southcentral Pennsylvania. My school district has a yearly budget of a little over \$70M. By law, Act 48 of 2003, the district is limited to keeping a reserve account, or Unassigned Reserve, of no more than 8% of its yearly budget, or no more than about \$5.6M, in order to be allowed to raise the school property tax rate.

In reviewing the yearly audits for the district, I was stunned to see that their Unassigned Fund account had been \$8M, \$9M, even close to \$10M for several years. I discovered this was accomplished by a system of overbudgeting and then underspending in almost every budget category, and tucking \$1.5M in a management reserve account that was never needed. Yet every year the district asked for a tax increase because the projected revenues for the next year would not meet the needs of the grossly inflated projected budgeted expenses.

It was not until I started to shine a light on this skewed budgeting process, both through public comment at school board meetings and with editorials in the local paper, that the district administration began to reign in this practice.

Lest you be tempted to think that this is just an anomaly for one rural school board, you would be mistaken.

The Pennsylvania Auditor General recently released a report (January 2023) in which he chose to audit 12 school districts in urban, suburban and rural areas to assess their budgeting processes. Each of them was selected because they had asked for and received an Act 1 exemption yet had substantial fund balances for the period assessed (2017 through 2021).

Incredibly, he found that in every one of those school districts the same sort of manipulation of budget numbers as has occurred in my school district had also occurred in those. The media announced the audit report under a headline, "School districts tuck money in reserve accounts to justify need for tax increases, audit finds."

According to the Auditor General, "it's not a stretch to say that it's happening across the commonwealth."

But the school property tax crisis is more complicated and more damaging than that. And the Commonwealth Court in its decision recognized the urgency to repair it. To quote from the President Judge's decision (p.769):

"... it is evident to the Court that the current system of funding public education has disproportionately, negatively impacted students who attend schools in low-wealth school districts. This disparity is the result of a funding system that is heavily dependent on local tax revenue, which benefits students in high-wealth districts."

It is stunning just how huge that disparity is. According to the PDE Annual Financial Report revenue database, the percentage of property tax contribution to total school district funding ranges from 81% (Lower Merion SD in Montgomery County) to only 6% (Duquesne City SD in Allegheny County). What justification is there for taxpayers to be treated so inequitably by the state?

Such a level of disparity CANNOT be fixed.

The school property tax system of funding public schools is irretrievably broken, totally unfair to students and taxpayers alike, and MUST be replaced.