



WELCOME

CANON-MCMILLAN SCHOOL DISTRICT

FEBRUARY 27, 2017



PROPERTY TAX INDEPENDENCE ACT

JAY HIMES, EXECUTIVE DIRECTOR, PA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

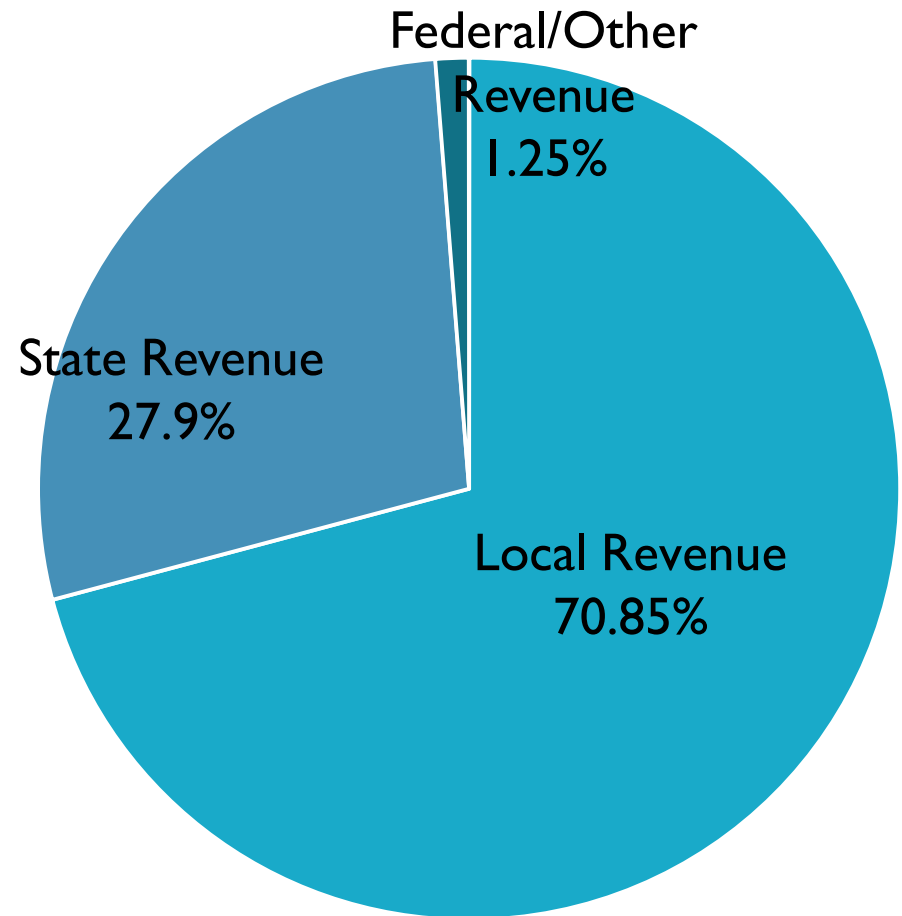
HANNAH BARRICK, DIRECTOR OF ADVOCACY, PA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS



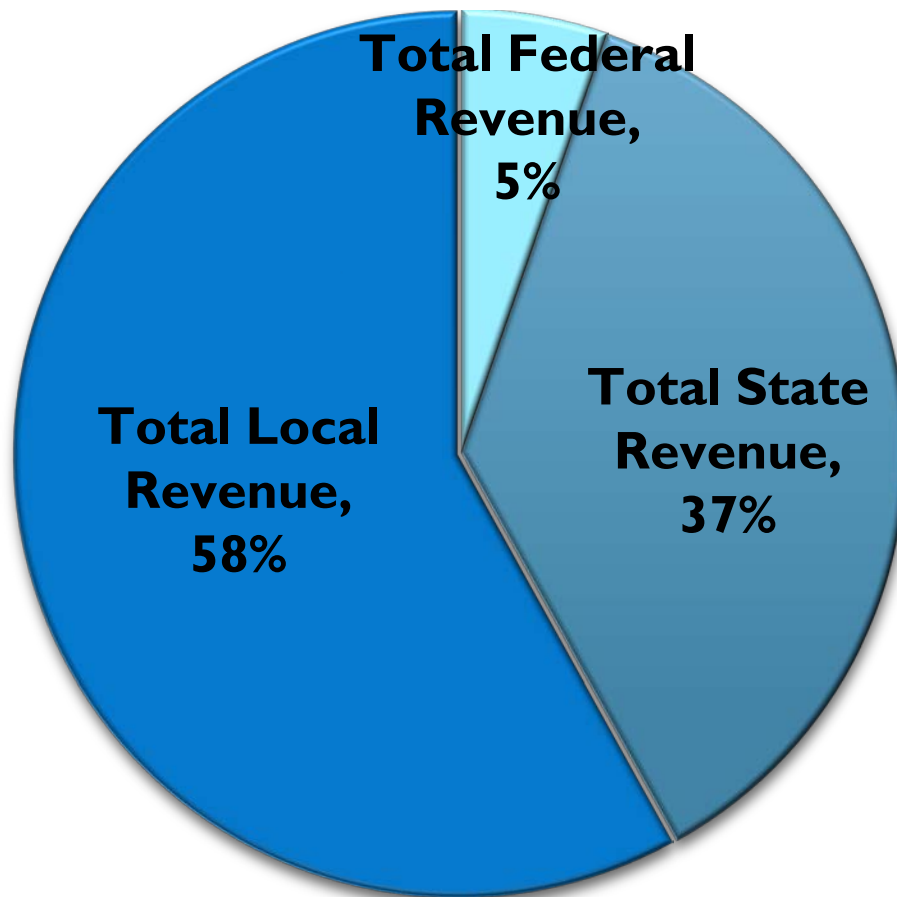
Education Funding in Canon-McMillan

Canon-McMillan School District

- 57 square miles
- Population of 33,671
- Median Household Income of \$62,090
- 5,200 students
- 11 schools



Education Funding in Pennsylvania



Source: PA Department of Education; 2014-15 AFR data

Education Funding Locally

County	% Local Revenue	% State Revenue	% Federal/Other Revenue
Beaver	42%	53%	5%
Fayette	31%	64%	5%
Greene	46%	51%	3%
Washington	50%	42%	8%

Source: PA Department of Education; 2014-15 AFR data



Education Funding Locally

County	% Local Revenue	% of Local Revenue from Property Tax
Beaver	42%	80%
Fayette	31%	75%
Greene	46%	84%
Washington	50%	79%
Canon-McMillan SD	71%	82%

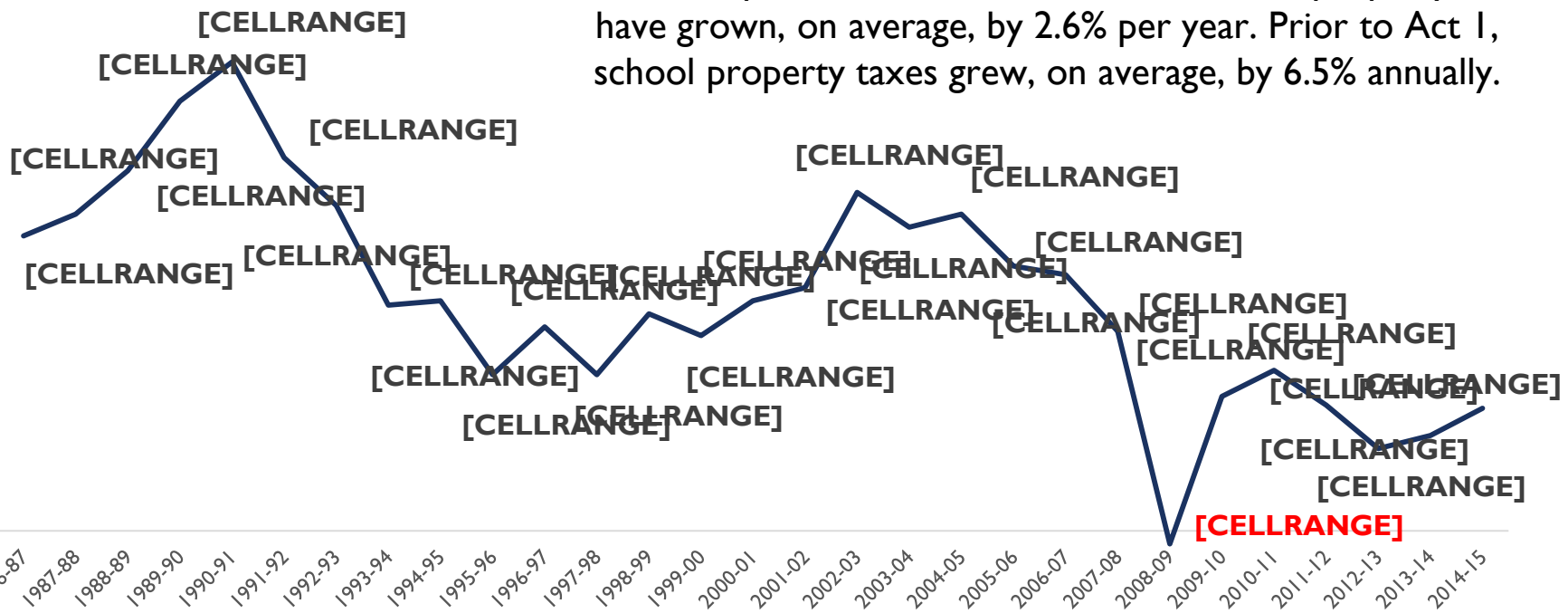
Source: PA Department of Education; 2014-15 AFR data



Act I Property Tax Limitations

Annual Percentage Increases in School Property Taxes

After the imposition of Act I limitations, school property taxes have grown, on average, by 2.6% per year. Prior to Act I, school property taxes grew, on average, by 6.5% annually.



Property tax elimination is a TAX SHIFT

- Shifts \$14 billion in school property taxes to Personal Income Tax (PIT) and Sales & Use Tax (SUT)
- Shift occurs over time—school districts continue to levy a property tax to pay off current debt
- Shift does NOT impact other property taxes paid to counties and other municipalities



Mechanics of Proposal

To generate \$14 billion to replace school property taxes:

- Increase statewide PIT from 3.07% to 4.95%
- Increase statewide SUT from 6% to 7% (7% to 8% in Allegheny and Philadelphia)
- Expand statewide SUT to tax many goods and services currently exempt



Mechanics of Proposal

- School districts continue to levy property taxes to pay off existing debt
- School districts receive state funding from increases in PIT and SUT to give them the same amount of local revenue they collected in the prior year (minus the amount still levied in property taxes)
- Going forward, school districts would get an annual adjustment



Mechanics of Proposal

- School districts could not levy, raise or collect a property tax going forward (with the exception of that needed for existing debt)
- School districts are prohibited from incurring new debt without a local referendum for a time-limited local earned income or personal income tax increase



Implications for Taxpayers

Shifts to PIT and SUT before property taxes are eliminated

- School property taxes will not be eliminated in the short term in 98% of school districts due to debt
- Taxpayers in 43% of school districts will maintain at least 20% of their current school property taxes
- This will occur at the same time as the shift to increased PIT and SUT

County/SD	% Property Taxes Remaining	\$ Amount of Property Taxes Remaining
Beaver	26%	\$31 million
Fayette	36%	\$21 million
Greene	19%	\$6 million
Washington	17%	\$29 million
Canon-McMillan	11%	\$7.6 million

Source: PA Department of Education; 2014-15 AFR data



Implications for Taxpayers

Proposal shifts away from property taxes for all taxpayers—not just homeowners

- Businesses will eventually see property taxes eliminated, but will not pay a corresponding amount in increased PIT and SUT

Elimination of

\$3 billion = **\$2 billion** + **\$1 billion**
in school property taxes Increased PIT and SUT Increased PIT and SUT
PAID BY BUSINESSES PAID BY INDIVIDUALS PAID BY BUSINESSES

Source: PA Department of Education; 2014-15 AFR data and Independent Fiscal Office estimates



Implications for Taxpayers

Individual taxpayers will pay a larger portion of the revenue necessary for the shift, making up the revenue that will no longer be paid by businesses.

County/SD	Business Property Taxes Shifted to Individuals
Beaver	\$11.1 million
Fayette	\$5.3 million
Greene	\$2.8 million
Washington	\$16.0 million
Canon-McMillan	\$5.2 million

Source: PA Department of Education; 2014-15 AFR data and IFO estimates



Implications for Taxpayers

Creates higher federal income taxes

- Taxpayers will pay an additional \$600 million in federal income taxes due to the loss of the real estate tax deduction
- Taxpayers will continue to be able to deduct PIT or SUT, but not both

County/SD	\$ Increase in Federal Income Taxes
Beaver	\$4.31 million
Fayette	\$1.39 million
Greene	\$1.49 million
Washington	\$5.07 million
Canon-McMillan	\$1.6 million

Source: PA Department of Education; 2014-15 AFR data and IFO estimates



Implications for Taxpayers

While some taxpayers will benefit from this shift, many will pay more than they are currently paying in school property taxes

- Table shows the estimated impact of the proposal on individual (non-business) taxpayers. Estimates include the increased PIT and SUT, the loss of the federal income tax deduction and the shift from businesses in comparison to current school property taxes.

County/SD	Net Impact on Individual Taxpayers of Property Tax Independence Act
Beaver	\$42 million increase
Fayette	\$34 million increase
Greene	\$6 million increase
Washington	\$86 million increase
Canon-McMillan	\$13 million increase



Implications for School Districts

Creates inequity in state funding across school districts

- When ALL state funding is factored in, the state will be sending one district \$8,000 per student and another more than \$27,000 per student

County	County Low State Funding/ADM	County High State Funding/ADM
Beaver	\$11,183	\$17,655
Fayette	\$11,755	\$13,223
Greene	\$12,000	\$21,657
Washington	\$11,489	\$15,414

Source: PA Department of Education; 2014-15 AFR and ADM data



Implications for School Districts

Shifts from a stable base to a volatile base

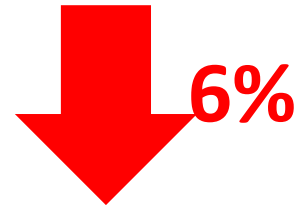
- PIT and SUT revenue is sensitive to changes in the economy
- Makes it difficult to ensure revenue grows to cover rising mandated costs (pension, charter school, special education, etc.)

PIT Revenue



from 07-08 to 09-10

SUT Revenue



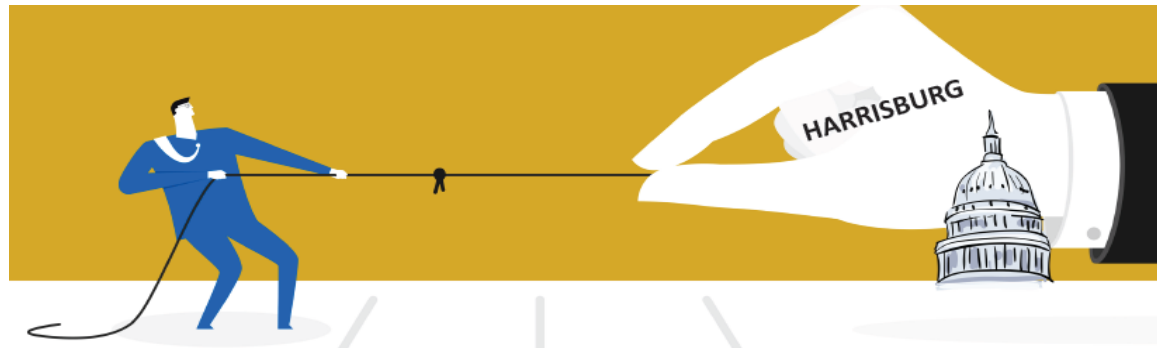
from 07-08 to 09-10



Implications for School Districts

Shifts control of education to Harrisburg

- School boards will have little ability to make decisions that have a financial impact on districts (hiring, negotiating contracts, developing programming, etc.)



Next Steps

- Send a letter to your senator to support your position on this legislation
- You can continue to submit questions about this legislation at www.cmsd.k12.pa.us until Friday, March 3
- A Q & A document will be posted responding to any additional questions received.

Contact Information

Senator Camera Bartolotta, PA State Senate, 46th District

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Questions & Answers

Thank you for your time and attention!