

Most people are familiar with the saying, “You don’t have to do anything you don’t want to do except die and pay taxes.” I’ve never been sure if that’s a statement about human independence or taxation.

Theoretically, we should be happy about contributing to our government which uses the money to promote the “general welfare” as it says in the Constitution. I think people’s lack of excitement for paying taxes comes from a belief (fueled by many true facts) that the money is not used wisely or logically. There can be long arguments about what is considered government’s function and whether the things paid for by government should be paid for by government or the private sector.

Most people will agree that education promotes the general welfare. Anytime the issues of poverty or economic development are discussed, education is cited as a solution, at least partially. The question that is being raised by politicians as of late is whether education dollars are spent well and if they produce adequate results.

Understanding school taxation in Pennsylvania requires knowledge of Act 1 of 2006. Under the Rendell administration, a special session was held to pass this law which also authorized the state’s gambling industry. The idea was that property taxes would be lessened with funds raised from the gambling. The state gaming revenue first reimburses school districts for foregone income tax revenues of residents who work in Philadelphia, and then to cover supplemental claims under the Senior Citizens Property Tax and Rent Rebate Assistance Program. After these disbursements, remaining funds are distributed to school districts for real property tax reductions. It was hoped that property owners would see their taxes decreased over the years. Unfortunately, the break taxpayers receive in the General McLane School District is only about \$135.00 and that amount has remained fairly constant.

An important part of Act 1 was something called “the index.” Each year, the Department of Education announces in September the index for every individual district for the following tax year. The index is the maximum amount (percentage) that a school district can increase taxes for the following year. The index is the average of the percentage increase in the statewide average weekly wage and the employment cost index. For GM, it has been running between 2% and 5%. Since 2006, our index the state has given us has averaged 4.01% but our average tax increase has averaged only 1.65%, indicating we are keeping costs down. Our tax increases usually equate to approximately an additional \$170,000 for our 29 million dollar budget. So on any given year, we’re not going to make up a huge deficit through taxation.

The purpose of setting the index was to keep districts from “overcharging its customers” and to prohibit districts from going years without a tax hike and then suddenly saying, “Oops, we need to catch up” and levy a large tax hike. Most districts have concluded that Act 1 forces you into a slow, incremental tax increase each year. As a matter of fact, districts who have found themselves suddenly facing a major deficit have shown that the smaller, incremental increases each year would have helped avoid the problem instead of not raising taxes some years and having an increase in others.

You’ve heard about the “pension crisis” and it is real. The Pennsylvania system is underfunded by 47 billion dollars. Unfortunately, the plan right now is to fix it by having the school districts and state contribute more each year until the amount we are contributing reaches a huge number. With coming annual pension payment increases as high as \$361,800 and only being able to raise \$170,000 locally, you can see that looking at the math, it would be dangerous to not raise taxes in a given year and expect to meet our obligations both now, and in the future.

My purpose in writing this week’s letter is not to address the pension system as it is a complicated situation. The solution would be a challenge even for our brightest financial minds. Right now it is a political system and the solution is a politically loaded revolver. So for now, we have to prepare our budget the best we can.

On any given year, a school budget can be balanced and we could have no tax increase. That makes everybody happy and the leader (me, in this case) can go about slapping high fives; but, good school budgeting requires looking 5-10 years down the road and taking steps, sometimes unpopular, to be prepared for what is coming. Otherwise, you can suddenly find yourself with a huge deficit requiring drastic measures.