Is Senate Bill 2 *True* Local Tax Reform?

or

Will Buffy (the Property Tax Slayer) Slay You, Me and the Pennsylvania Economy?

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1 Introduction

1.1 Some Disclosures

A few disclosures before I start:

- I know something about taxes, and something about tax politics, and have helped elected officials around the country solve their fiscal problems for the last quarter century.

- At the US Treasury, I was responsible for getting General Revenue Sharing past Wilbur Mills, then Chairman of Ways and Means, got a gold medal from Treasury Secretary John Connally (first a Democrat and then a Republican) for that effort, and then received Presidential pen from Richard Milhous Nixon (a Republican) in 1972 (in Philadelphia); a few years later, while working for Al Ullman, Chairman of Ways and Means, and Russell Long, Chairman of Senate Finance, (Democrats), I was responsible for helping bail out New York City (twice), and renewing the Revenue Sharing Legislation in 1976. New York Governor Hugh Carey, formerly a Ways and Means committee member and Democrat, thanked me (in writing) for bailing out New York City (without bankrupting New York State or causing any NYC banks to go under).

- When Washington State was afraid their losing a tax case before the Supreme Court in 1985 which put 40% of their state tax revenues at risk, they invited me in to design a replacement tax system just in case.

- Here in Pennsylvania, I toiled for tax reform for Dick Thornburg(a Republican) on issues of state and local taxation facing Pennsylvania, and later for Bob Casey (a Democrat) on issues of local taxation in Pennsylvania; thus, I've always been bipartisan or nonpartisan in trying to solve thorny tax problems. (I sometimes describe myself as a fiscal social worker).

- A number of my students work for you on both sides of the aisle, and on both sides of the Capitol; by and large they no longer listen to their professor nor do they ask for any advice on problems you face; but neither do my 17 year old daughter, 15 year old son, and 12 year old daughter listen to their dad or ask for advice except when they want something financed.

  One of our Heinz graduates, who chose not to take my public finance and state and local finance courses while she was in graduate school, has a standing offer from me to provide a couple days of lectures in Harrisburg, at her convenience, on business taxation to explain what she (and others, including majorities of the House and Senate and Governor Casey) did to the business climate here in 1990/1. That offer remains to be taken up I hasten to add, but is still good.

I'm glad for the opportunity to speak to you this morning to discuss local taxation in an even-numbered year; my hope is that my candor will prompt you to take a long, hard look at what Buffy the Property Tax Slayer is cooking up for Pennsylvania.

1.2 Summary of Points

My message this morning is very simple:

- Just say No to Buffy.
- Senate Bill 2 is not reform in any plain English sense of the word;

  It will cause massive confusion and greater uncertainty within Pennsylvania, and cause those, thinking about locating here, to wonder which century the General Assembly and Governor thinks this solution is directed to.

  It's easy to make the case that Buffy and the Senate Republicans have caved in to the teachers by providing more growth oriented revenues to local school districts without doing anything to enhance educational accountability. (Is this a Looking Glass World we live in today?)
- no other state has, does, or will enact the sort of optional local tax structures which Buffy is trying to push; there are obvious reasons for this, and this fact should give the Governor and Legislature some pause about the wisdom of Senate Bill 2.
- Senate Bill 2 will drive a stake through the heart of the Pennsylvania economy, and not the property tax. The greater uncertainty and embracing of rhetoric rather than substance, when it comes to the matter of taxation, will convince decision makers that our political process, in the Executive and Legislative branches of government in Harrisburg, is incapable of addressing real problems.
- When the State, through its political process, passes the hard decisions of tax structure back to 3,000 local governments and calls that reform, obfuscation and escape from accountability are the rule, rather than solving problems which other states, through their political elites, have accomplished.
- Even if the General Assembly and Governor don't notice that turning back the clock through this ill-conceived tax legislation will make a mess of things, Wall Street will notice it. The greater uncertainty over the next five years about what each jurisdiction's tax structure will be will raise the costs of borrowing since the bond market will not know with any assurance what these local commissions and referenda, in the front and in the back, will lead to.
- While reducing the role of the local school property tax makes sense, increasing the State responsibility and role in school finance, which is the solution other states, especially Michigan, made, is not to be found in Senate Bill 2. Rather, it is simply permissiveness and hope for the best.
- Simply say Yes to meaningful reform by:

1. –fixing the constitutional amendment so there is one homestead exemption administered by the county not three (or more); (this will take 4 years);
2. –providing property tax deferral (the good part of Buffy's bill) but administer it at the State level, and make it a first state lien at the time the homestead (the principal place of residence) of the decedent changes title; fund the revenue loss with a revolving fund, administered by the Pa. Department of Revenue;
3. –replace the local wage tax with a local income tax using the state base; obligate the Pa. Department of Revenue to collect and remit it; put a top municipal rate of .5%, and a top school rate of 2% in .25% increments; enact anti-windfall provisions;
4. –enable counties to impose a .25% local income tax using the state base; obligate the Pa. Department of Revenue to collect and remit it; enact anti-windfall provisions;
5. –eliminate the various nuisance taxes (check the rates to make sure they work); force municipalities that face shortfalls to raise property taxes;
6. –enact meaningful school accountability reforms in return for creating a more elastic school revenue base:
   student and teacher testing;
   reporting of test results to parents and children as well as the superintendent and school board;
   parental and student first choice of assignment to teachers;
   clean up school board conflicts of interest by returning to pre-1968 oath of office;
   pay each board member $7,500/year from state funds; and,
   prohibit indirect self-dealing; require full disclosure of federal income tax return to Auditor General.

And if you are really interested in making a difference:

- create separately elected assessor in all counties with a term limit, full financial disclosure, non-partisan primary, separately funded by state imposed property tax; (this is the Ohio model and it works). The governor of Ohio was the Cuyahoga County assessor.
- enact right of entry for assessor to collect relevant data;
- state role and assistance in property record keeping and title information (probably take 10 years), and
- beef up STEB.

1.3 Goal of Talk: Answer 4 Questions

I want to explain the rationale for Just Saying No to Buffy by answering four questions:

- Why are Pennsylvania (and other states') taxpayers so angry about their property taxes?
- What are the long-term local tax reform issues facing Pennsylvania?
- What is so wrong with Senate Bill 2, why just say No to Buffy?
- What makes sense and is politically practical?

Hopefully there will be enough time to answer questions you may have, discuss the Michigan experience, and the lessons for Pennsylvania.

2 Why are Taxpayers so Angry about the Local Property Tax?

2.1 A Higher Residential Burden due to Federal Tax Policy, and Decline of Manufacturing in US

The short answer to this question is that they are angry because they are paying a far larger share of every locally raised property tax dollar today than 10 years ago, and they don't like it. The shift in the burden of the local property tax, from commercial-industrial to residential, has been staggering throughout the U.S., and came at a time when personal income was either growing slowly for most homeowners, or growing not much at all.

Property taxpayers in Pennsylvania are also angry because we have one of the worst systems of property assessment in the Nation; neighbors in the same taxing jurisdiction with similar properties often pay wildly different property taxes.

The reasons why there has been such a large shift to residential property tax payers (and away from commercial and industrial) are several:

1. a radical loosening in federal tax depreciation policy in 1981 which set off a construction boom in commercial and industrial real estate which reduced the role of residential property;

2. a radical tightening in federal tax depreciation policy in 1986 (the passive loss rules, among others), which took the wind out of commercial and industrial real estate, and left the economy with excess office space which it is still trying to work out; this increased the role of residential property;

3. the long-term decline in the role of US manufacturing in the economy as evidenced by a decline in manufacturing employment, and manufacturing's share of profits (and thus in the underlying value of its assets) in the economy; this increased the role residential property in the overall property tax base.

Also, I think it is fair to say that federal and state budgetary problems until the last couple of years have forced local governments to increasingly raise taxes, and that has meant the local residential property tax has been repeated raised.

Finally, unhappiness with the performance of public education has increased as the visibility to homeowners of the local school property tax has increased.

Let me show you some numbers about how large this shift has been, for other states, and then Pennsylvania.

2.2 Two States: Oregon and Michigan

Figure 1 for Oregon shows, for the period 1977-93, the fraction of net cash value attributable to the residential portion of the local property tax base. It is evident that it grew steadily until 1981, and then the effects of the commercial and industrial property boom began to reduce the relative importance of residential real estate. However, the effect of the federal Tax Reform Act of 1986 is also evident. Note that between 1987 and 1988 the share of net cash value due to residential property began to climb, and reached close to 47% by 1993. Over the entire historical period, the residential property tax share grew from 34% of total net cash value to about 47%.

Figure 2 shows Michigan's share of residential assessed property over an even longer period: 1965-1994. Between 1965 and 1994 residential real estate grew from 59% of the total real estate tax base to 71%. Figure 2 also shows that the residential share of the overall assessed property base, including personal property, grew even more dramatically. In 1964, the assessed value of residential property (real estate and personal property) was 43% of the total assessed value of property base, while in 1994 it was 62% of the total assessed property base. Unlike in Oregon, the effect of the 1981 federal depreciation liberalizations in Michigan did not lead to a decline in the relative importance of the residential property base. Rather, it appears to have caused a plateau which lasted until 1987, when the residential share of assessed real estate began to rise again.

It's easy to see why the property tax exploded in Michigan. Conversations this past summer with various leaders in Ann Arbor and Lansing confirmed this analysis.

2.3 The Shifting Residential Property Tax Burden in 18 States

Several years ago, with funding from NEA to study the local property tax around the Nation, I collected comparable data from 18 states to see if the above phenomena were prevalent. The answer is simply yes. Table 1 shows by state just how much the shift to residential has been.[1]

[1] For those interested in how state school aid formulas interact with the shift in property tax burden, given assumptions about budgetary growth and personal income, see Robert P. Strauss, "States of Mind: Why Homeowners Hate the Property Tax So Much," *State Tax Notes*, June 16, 1997, 1802-1816.

Figure 1: Oregon Percent Residential Actual Cash Value

Source: Legislative Revenue Office, Oregon Legislature

Figure 2: Michigan Residential % Assessed Value: 1965-94

Source: Michigan Department of Treasury, Bureau of Local Government Services

Table 1: Residential Property's Share of Total Assessed Value in 18 States

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
	Time Period of Data	Lowest Residential Share	Year of Lowest Share	Highest Residential Share	Year of Highest Share	% Points of Change	% Change in Res. Share
	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Colorado	1984-95	54.1%	1984	70.8%	1995	16.7%	30.9%
Illinois (EV)	1981-92	49.6%	1981	53.1%	1992	3.5%	7.1%
Indiana	1972-92	44.9%	1972	48.0%	1992	3.1%	6.9%
Iowa	1981-94	43.6%	1981	47.7%	1994	4.1%	9.4%
Kansas	1976-94	41.1%	1976	73.3%	1994	32.2%	78.3%
Maryland	1962-93	71.5%	1962	74.1%	1993	2.6%	3.6%
Massachusetts	1983-95	64.4%	1983	78.5%	1995	14.1%	21.9%
Michigan	1966-94	59.2%	1966	70.9%	1994	11.7%	19.8%
Minnesota (MV)	1974-92	49.4%	1974	56.3%	1994	6.9%	14.0%
Missouri	1979-94	33.5%	1984	43.3%	1994	9.8%	29.3%
Nebraska	1989-94	34.5%	1990	37.6	1994	3.1%	9.0%
New Mexico	1979-94	29.1%	1981	48.1%	1994	19.0%	65.3%
Nevada	1989-92	36.9%	1989	45.0%	1992	8.1%	22.0%
Oregon	1976-93	34.6%	1976	46.7%	1993	12.1%	35.0%
Pennsylvania	1977-92	62.5%	1977	67.3%	1990	4.8%	7.7%
Texas	1983-94	33.0%	1983	41.3%	1994	8.3%	25.2%
Washington	1989-94	59.5%	1989	64.3%	1994	4.8%	8.1%
Wisconsin	1951-92	49.6%	1951	66.5%	1992	16.9%	34.1%

Source: Robert P. Strauss, "Why Property Taxpayers Hate the Property Tax So Much," *State Tax Notes*, 13, June 16, 1997, 1802-1806.

2.4 Pennsylvania Counties

In conjunction with developing Table 1, I obtained historical data from STEB by area, and keyed it in. Table 2 shows the county data in terms of percent residential in 1977 and 1994, the change from 1977 to 1994, and the percent change. The counties are ranked from largest increase in residential property tax burden to the lowest. Between 1977 and 1994, Wayne County's residential property tax burden went form 48.8% to 66.4%—I would conjecture that Wayne's homeowners are absolutely incensed at the change. Note that in some areas of the state, the residential share actually declined undoubtedly due to expansion of industrial and commercial property as well as the peculiarities of property assessment practices. Philadelphia, as usual, provided no property tax data to STEB, so I could not do the calculations for it.

Table 2: Shift in Composition of Pennsylvania's Property Tax Base: 1977-94

Rank	County	% Resid.'77	% Resid.'94	'94-'77	% Chg. Resid.
1	Wayne County	48.8%	66.4%	17.6%	36.0%
2	Susquehanna County	50.4%	63.7%	13.3%	26.4%
3	Pike County	56.6%	69.9%	13.3%	23.4%
4	Bucks County	61.3%	75.4%	14.1%	22.9%
5	Beaver County	59.8%	72.7%	12.9%	21.6%
6	Lancaster County	58.2%	70.3%	12.1%	20.8%
7	Perry County	56.6%	68.0%	11.3%	20.0%
8	Schuylkill County	61.7%	71.9%	10.2%	16.5%
9	Monroe County	59.8%	69.5%	9.8%	16.3%
10	Chester County	63.3%	73.0%	9.8%	15.4%
11	Elk County	61.3%	70.7%	9.4%	15.3%
12	Montgomery County	60.9%	69.9%	9.0%	14.7%
13	Berks County	62.1%	70.3%	8.2%	13.2%
14	Carbon County	64.5%	72.7%	8.2%	12.7%
15	Lebanon County	62.9%	70.3%	7.4%	11.8%
16	Juniata County	57.0%	63.7%	6.6%	11.6%
17	Washington County	59.0%	65.6%	6.6%	11.3%
18	Northampton County	66.0%	73.0%	7.0%	10.7%
19	Crawford County	55.1%	60.9%	5.9%	10.6%
20	Adams County	53.1%	58.6%	5.5%	10.3%
21	Jefferson County	57.8%	63.3%	5.5%	9.5%
22	Lawrence County	62.5%	68.0%	5.5%	8.8%
23	Lycoming County	65.6%	70.7%	5.1%	7.7%
24	Butler County	59.0%	63.3%	4.3%	7.3%
25	Armstrong County	59.8%	64.1%	4.3%	7.2%
26	Erie County	59.8%	64.1%	4.3%	7.2%
27	Snyder County	57.0%	60.5%	3.5%	6.2%
28	Montour County	57.4%	60.9%	3.5%	6.1%
29	Delaware County	69.9%	73.8%	3.9%	5.6%
30	York County	62.5%	65.6%	3.1%	5.0%
31	Somerset County	57.0%	59.8%	2.7%	4.8%
32	Bedford County	54.3%	56.6%	2.3%	4.3%
33	Blair County	64.1%	66.8%	2.7%	4.3%
34	Allegheny County	64.5%	67.2%	2.7%	4.2%
35	Venango County	60.9%	63.3%	2.3%	3.8%
36	Franklin County	64.8%	67.2%	2.3%	3.6%
37	Fayette County	63.7%	65.6%	2.0%	3.1%
38	Dauphin County	56.6%	58.2%	1.6%	2.8%
39	Indiana County	59.8%	61.3%	1.6%	2.6%
40	Clarion County	51.6%	52.7%	1.2%	2.3%
41	Mckean County	59.4%	60.5%	1.2%	2.0%
42	Lehigh County	64.5%	65.6%	1.2%	1.8%
43	Centre County	57.4%	58.2%	0.8%	1.4%

[continued on next page]

Rank	County	% Resid.'77	% Resid.'94	'94-'77	% Chg. Resid.
44	Clinton County	59.4%	59.8%	0.4%	0.7%
45	Westmoreland County	69.9%	69.5%	-0.4%	-0.6%
46	Mercer County	59.8%	59.0%	-0.8%	-1.3%
47	Cambria County	66.0%	64.5%	-1.6%	-2.4%
48	Clearfield County	62.5%	60.9%	-1.6%	-2.5%
49	Cameron County	63.3%	60.9%	-2.3%	-3.7%
50	Greene County	29.7%	28.5%	-1.2%	-3.9%
51	Union County	62.5%	59.8%	-2.7%	-4.4%
52	Cumberland County	67.6%	64.5%	-3.1%	-4.6%
53	Huntingdon County	58.2%	55.5%	-2.7%	-4.7%
54	Northumberland County	65.2%	61.7%	-3.5%	-5.4%
55	Warren County	63.3%	59.8%	-3.5%	-5.6%
56	Mifflin County	68.4%	64.1%	-4.3%	-6.3%
57	Luzerne County	72.7%	67.6%	-5.1%	-7.0%
58	Sullivan County	53.1%	49.2%	-3.9%	-7.4%
59	Lackawanna County	70.3%	63.7%	-6.6%	-9.4%
60	Fulton County	53.5%	47.3%	-6.3%	-11.7%
61	Wyoming County	60.9%	53.1%	-7.8%	-12.8%
62	Tioga County	54.3%	45.9%	-8.4%	-15.5%
63	Potter County	56.6%	47.1%	-9.6%	-16.9%
64	Columbia County	65.6%	51.6%	-14.1%	-21.4%
65	Bradford County	66.4%	44.5%	-21.9%	-32.9%
66	Forest County	61.7%	33.4%	-28.3%	-45.9%
67	Philadelphia	26.2%	0.0%	.	.

Source: Calculations with STEB data.

3 What are the long-term local tax reform issues facing Pennsylvania?

3.1 Agreed-upon but Held-Hostage Local Public Finance Reforms

1. *Pennsylvania's Head Taxes.*–various per capita taxes are heavily relied on and intensely disliked in the middle of the state;

2. *Ability to Pay Tax Base for Counties.*–some believe that where county governments provide redistributional services (health and youth services in particular), they should be funded by either an income or sales tax. Philadelphia and Allegheny County now have 1% sales taxes.

3. *School Spending Inequities.*–some public schools, especially in rural areas or in manufacturing areas whose assets have depreciated or left, have very low funding bases. While the state aid formula is redistributive, some districts remain in poor financial condition. The state awaits the decision on litigation contending the adequacy and fairness of state aid to education.

4. *Local Wage Tax Base.*–most agree that the shared local wage tax base should be broadened to the same base as the state personal income tax; this usually adds 10-15% to the base.

5. *Nuisance Taxes.*–local business gross receipts taxes are usually viewed as harmful because they cascade, and expendable in the context of meaningful local tax reform.

6. *State Funding for Assessment Reform.*–if assessment reform is enacted, supporters usually provide state financial support, sometimes through a revolving fund, to pay for the up-front costs of reappraisal and computerization.

7. *Uniform State Statutes and Resolution of Consolidation Statute Black Holes.*–the differing county assessment statutes are usually simplified in local tax reform packages, and sometimes the brave have ventured to recommend ways to implement the Pennsylvania Constitution.

8. *Consistent Policy on Non-Resident Use of Municipal Services.*– few have supported a commuter tax on wages with a ceiling on the tax rate, state-wide, though periodically some have suggested a higher municipal services fee.

9. *Anti-windfall Provisions.*–base broadening (wage to income tax), improved administration (assessment reform), and new tax bases (school income tax to replace in part school property taxes) should be viewed as reforms, rather than revenue raising devices, and percentage caps are usually recommended to keep budgets from growing simply from reforming the tax structure rather than through local record votes on tax rates by elected offials.

3.2 The Political Briar Patch: Property Taxes and the Philadelphia Commuter Tax

Up until this year, two inter-related problems have prevented enactment of legislation that addresses the above set of problems for roughly the last 60 years.

1. *Pennsylvania's Property Tax.*–it is badly administered and inequitable in impact; the energetic have proposed moving school finance to the income tax (a generally good idea in my view), but as a substitute for correcting the underlying flaws in the Pennsylvania property tax (a coward's way out?);

2. *Philadelphia's Commuter Tax.*–it is intensely disliked by the suburbanites who must pay over 4% of their wages if they work in Philadelphia; because the Philadelphia tax has first claim on wages earned in the City, it has precluded many Philadelphia suburban school districts from using the 1% wage tax, and caused something on the order of 150,000 jobs to leave for the suburbs.[2]

3.3 The Structural Impediments to Getting Out of the Briar Patch

Let us now turn to why the property tax, and the Philadelphia commuter tax problems have not been solved by various high-minded tax commissions, and generations of courageous governors and state legislators who have increasingly (I believe) come to understand that local finance grid lock has hurt the state's ability to generate jobs.

3.3.1 Philadelphia's $355 Million Commuter Tax Problem

One may well ask, why not just tell/force/require Philadelphia to materially reduce or eliminate the commuter tax so it stops chasing jobs out of the City, and make some gestures towards property tax reform, and declare victory?

If things were only that simple.

Some basic fiscal arithmetic: to substantially eliminate the Philadelphia commuter tax, one has to invent a fiscal pretense or a way to do it. A few years ago, Philadelphia estimated that the commuter tax brought in $355 million/year or 36% of their total wage tax collections. The Philadelphia budget is not capable of absorbing that sort of cut. (Incidentally, $355 million is about the size of the entire Pittsburgh budget).

Solution 1: Pure State Revenue Sharing?

What about a state revenue sharing program to buy Philadelphia out?

According to the 1990 Census, Philadelphia has about 13% of the state population; to get $355 million in grant money to encourage Philadelphia to stop taking commuters in a confiscatory way requires $355 million / .13 = $2,730 million or $2.7 billion of state revenue sharing. That is, there has to be $2.7 billion of *new* state taxes to "buy-out" Philadelphia's commuter tax. That's a political non-starter.

[2]This estimate is due to Professor Robert Inman at the Wharton School, University of Pennsylvania.

Solution 2: Concentrated (Philadelphia-favored) State Revenue Sharing?

Why not use a more redistributive formula that concentrates more money into Philadelphia? Under the PURTA formula, Philadelphia gets around 19% of each dollar, so the new state pot would have to be \$355 million/.19 = \$1,868 million or \$1.9 billion of state revenue sharing. Again, that sort of leeway is just not available in the state budget.

We are not growing much, and there are other claims on the budget like business tax reform and/or cutting the personal income tax rate. (What ever happened to state funding court costs, and what if you lose the school equity funding case?)

If the commuter tax problem in Philadelphia does not get addressed (translation: the City's budget has to be held harmless), then the above reform agenda has been shelved. Reapportionment, and a severe lack of attention to details motivated by getting something that sounds good done, seems to make more likely that something could happen this year.

Where Governor Ridge is or will be on any of this remains a mystery to me, although the rumor in Harrisburg is that he will sign whatever the General Assembly serves up before the magic day in November.

Solution 3: A South Eastern Pennsylvania Solution?

What about regional tax base sharing for South Eastern Pennsylvania? From the West, we might say it's their problem, let them solve it themselves.

Unfortunately, regional tax base share is not constitutional in most scenarios, and Philadelphia already has its own sales tax. We can talk about the regional amenities tax which I cooked up in 1987, which is constitutional, but I doubt the Philadelphia suburbs are willing to pony up another way to get rid of the commuter tax.

As an aside, I should comment that the regional sales tax which got pitched last November to save the Pirates and Steelers was facially non-uniform and thereby facially unconstitutional. You didn't empower any of the other third and fourth class counties in the State to have such an optional tax (so the statute creating the optional taxing authority was not uniform and therefore unconsitutional).

Solution 4: The Wally Nunn Proposal and Reality Sandwiches

Comment: Wally Nunn of Delaware County has been touting as a state-wide solution to the property tax problem:

- state assumption of court costs
- state assumption of the full cost of public education.

Translation: give Philadelphia something above their school property taxes and court costs, probably above \$ 1/2 billion, and they'll agree to the elimination of their commuter tax.

Comments:

Where do the state funds come from for these reforms? It might require doubling the state personal income tax, and eliminate any local accountability for local school boards. Neither seems like a winner.

3.3.2 The Business Property Tax "Problem"

If the local school property tax is replaced by a local income tax, state-wide, business property taxpayers will get a major tax reduction. It's likely that households will figure out their income taxes went up as their property taxes went down. There are several different views on the wisdom of letting this happen:

- Business property taxes are too high, and should be cut anyway, so this is just and correct (a Chambers of Commerce point of view?) ;
- Don't ask, don't say, and maybe no-one will notice (a Business Roundtable point of view?).
- You must be kidding! No way business can walk way scot free from paying for local services. Either enact a homestead exemption or classify the property tax and basically freeze business where they are now (a Pennsylvania State Education Association point of view?).

  In 1987 and the following two years, the classification approach was tried, and it failed when the population had to endorse it through a referendum to amend the constitution; it lost 3:1.

  Plan B (which I wrote and thought was not crazy) provided for a homestead exemption, say a reduction in the assessed value of the principal place of residence, as a way to move from the property tax to the local income tax for schools; that's roughly the constitutional amendment that the electorate endorsed, however, the constitutional language adopted provides that each government imposing a property tax can provide an exemption; that makes 1, 2 or 3 homestead exemptions for the same house in one county, depending on what the county, municipality, and school district decide.

Several years ago, I suggested freezing the CNI at 10%, and letting both business and homeowners get a property tax reduction. That's not what happened, and you are facing a real mess now.

3.3.3 The Property Tax "Phobia"

If you have not noticed, assessment reform has not been discussed at all in the Senate or House for several years. Legislators are terrified about doing something, because they know how bad the situation is across the state. The worse the inequities in assessments, the scarier it is to fix them, because the Commissioners who vote it will likely get thrown out of office. Even if the courts force reassessment, there could be political repercussions.

In Allegheny County, the temporary new Republican majority thought that if they froze the property tax for their first term, the economy would flourish, and they would reap political hay. Well, freezing a bad system created enormous uncertainty, and a Democratic judge told them to get on with reassessment anyway. Meanwhile, the majority changed and chaos is the order of the day. Even the new Chair, a Republican-Democrat, couldn't get his assessment fixed (and he wanted to increase it!).

None of this makes sense unless you have been following our chaos. One thing is for sure: the bond markets have figured out that Allegheny County is in political and fiscal chaos, even if the political parties haven't!

3.4 Property Tax Reform

For those not familiar with these sub-issues, property tax reform usually means:

- going to 100% of market value
- separating the appeals function from the assessment function
- financial incentives and penalties to get the coefficient of dispersion of the sales ratios to 20%
- certification of all assessors
- state aid for computerization
- payment for tax-exempt property

How bad is the property tax in Pennsylvania? 1993 and 1976 Penn State figures based on STEB highly filtered sales ratio data tell the story.

Two tables from my second report on property taxes to the Allegheny County Board of Commissioners. Table 3 shows in column (6) something called the coefficient of dispersion which is a measure of assessment quality. The International Association of Assessing Officers has repeated stated that anything under 15% is high quality, and anything over 15% reflects low assessment quality. The numbers for assessment quality in Pennsylvania are among the worst in the US. Table 4 shows these dispersion coefficients for 1993 and 1976, and indicate that nothing has changed in many places (see Allegheny County before and after being told by the judicial system to fix its non-uniform property tax), while in others it has gotten worse, and much better.

Table 3: 1993 Assessment Statistics by Pennsylvania County

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
	Predetermined Assess. Ratio	Common Level Ratio	85% of (2) or 115% of 2	Conforms to Act 267/273?	Coeff. of Dispersion
Adams County	50.0%	42.0%	42.5%	No	20.0%
Allegheny County	25.0%	22.0%	21.3%	Yes	24.0%
Armstrong County	75.0%	18.9%	63.8%	No	50.0%
Beaver County	50.0%	44.0%	42.5%	Yes	35.0%
Bedford County	35.0%	10.4%	29.8%	No	44.0%
Berks County	33.0%	6.8%	28.1%	No	29.0%
Blair County	75.0%	14.8%	63.8%	No	32.0%
Bradford County	50.0%	48.6%	42.5%	Yes	33.0%
Bucks County	25.0%	5.0%	21.3%	No	17.0%
Butler County	75.0%	13.9%	63.8%	No	36.0%
Cambria County	50.0%	19.7%	42.5%	No	43.0%
Cameron County	50.0%	51.3%	42.5%	Yes	36.0%
Carbon County	40.0%	8.5%	34.0%	No	41.0%
Centre County	20.0%	5.9%	17.0%	No	24.0%
Chester County	33.3%	6.5%	28.3%	No	25.0%
Clarion County	33.3%	14.1%	28.3%	No	43.0%
Clearfield County	25.0%	25.2%	21.3%	Yes	39.0%
Clinton County	60.0%	37.6%	51.0%	No	33.0%
Columbia County	50.0%	43.5%	42.5%	Yes	26.0%
Crawford County	75.0%	50.9%	63.8%	No	39.0%
Cumberland County	25.0%	7.5%	21.3%	No	25.0%
Dauphin County	100.0%	66.1%	85.0%	No	29.0%
Delaware County	None	3.1%	0.0%	No	30.0%
Elk County	20.0%	21.8%	17.0%	Yes	43.0%
Erie County	40.0%	9.9%	34.0%	No	27.0%
Fayette County	35.0%	13.6%	29.8%	No	49.0%
Forest County	75.0%	37.7%	63.8%	No	46.0%
Franklin County	40.0%	7.3%	34.0%	No	31.0%
Fulton County	25.0%	20.2%	21.3%	No	29.0%
Greene County	33.3%	36.9%	28.3%	Yes	44.0%
Huntingdon County	40.0%	26.3%	34.0%	No	40.0%
Indiana County	45.0%	13.1%	38.3%	No	40.0%
Jefferson County	30.0%	23.0%	25.5%	No	43.0%
Juniata County	75.0%	18.1%	63.8%	No	42.0%
Lackawanna County	100.0%	22.2%	85.0%	No	43.0%
Lancaster County	100.0%	17.3%	85.0%	No	21.0%
Lawrence County	60.0%	20.9%	51.0%	No	45.0%
Lebanon County	50.0%	9.6%	42.5%	No	27.0%
Lehigh County	50.0%	50.3%	57.5%	Yes	22.0%
Luzerne County	None	7.7%	0.0%	No	38.0%
Lycoming County	75.0%	57.9%	63.8%	No	24.0%
Mckean County	25.0%	17.3%	21.3%	No	40.0%
Mercer County	33.3%	14.4%	28.3%	No	44.0%
Mifflin County	50.0%	12.9%	42.5%	No	30.0%
Monroe County	25.0%	21.3%	21.3%	Yes	28.0%
Montgomery County	17.0%	5.4%	14.5%	No	18.0%
Montour County	50.0%	8.0%	42.5%	No	32.0%
Northampton County	50.0%	53.3%	42.5%	Yes	28.0%
Northumberland County	25.0%	7.6%	21.3%	No	41.0%
Perry County	50.0%	9.8%	42.5%	No	38.0%
Philadelphia	32.0%	28.6%	27.2%	Yes	36.0%
Pike County	25.0%	34.7%	21.3%	No	42.0%
Potter county	25.0%	13.7%	21.3%	No	41.0%
Schuylkill County	75.0%	15.5%	63.8%	No	46.0%
Snyder County	25.0%	6.9%	21.3%	No	30.0%
Somerset County	50.0%	11.4%	42.5%	No	32.0%
Sullivan County	50.0%	33.4%	42.5%	No	37.0%
Susquehanna County	50.0%	10.5%	42.5%	No	35.0%
Tioga County	50.0%	39.8%	42.5%	No	34.0%
Union County	50.0%	22.9%	42.5%	No	38.0%
Venango County	75.0%	23.5%	63.8%	No	42.0%
Warren County	50.0%	47.3%	42.5%	Yes	18.0%
Washington County	25.0%	22.6%	21.3%	Yes	14.0%
Wayne County	35.0%	10.7%	29.8%	No	48.0%
Westmoreland County	100.0%	30.4%	85.0%	No	35.0%
Wyoming County	20.0%	12.2%	17.0%	No	32.0%
York County	100.0%	75.0%	85.0%	No	17.0%

Souce: STEB, Penn State, Author's calculations.

Table 4: 1976 vs. 1993 County Dispersion Coefficients

(1)	(2)	(3)	(4)	(5)
	1993 Coefficient of Dispersion Rank	1993 Coefficient of Dispersion	1976 Coefficient of Disperson	% Chg COD 1993 v. 1976
Washington County	1	14.0%	52.0%	-73.1%
York County	2	17.0%	33.7%	-49.6%
Bucks County	3	17.0%	17.8%	-4.5%
Warren County	4	18.0%	30.0%	-40.0%
Montgomery County	5	18.0%	22.1%	-18.6%
Adams County	6	20.0%	28.0%	-28.6%
Lancaster County	7	21.0%	26.0%	-19.2%
Lehigh County	8	22.0%	19.0%	15.8%
Lycoming County	9	24.0%	24.6%	-2.4%
Centre County	10	24.0%	13.6%	76.5%
Allegheny County	11	24.0%	23.6%	1.7%
Chester County	12	25.0%	20.0%	25.0%
Cumberland County	13	25.0%	19.6%	27.6%
Columbia County	14	26.0%	44.8%	-42.0%
Lebanon County	15	27.0%	23.6%	14.4%
Erie County	16	27.0%	24.7%	9.3%
Monroe County	17	28.0%	29.6%	-5.4%
Northampton County	18	28.0%	25.2%	11.1%
Dauphin County	19	29.0%	37.0%	-21.6%
Berks County	20	29.0%	35.2%	-17.6%
Fulton County	21	29.0%	44.8%	-35.3%
Mifflin County	22	30.0%	35.4%	-15.3%
Delaware County	23	30.0%	27.8%	7.9%
Snyder County	24	30.0%	29.0%	3.4%
Franklin County	25	31.0%	26.0%	19.2%
Somerset County	26	32.0%	51.8%	-38.2%
Blair County	27	32.0%	39.5%	-19.0%
Montour County	28	32.0%	32.8%	-2.4%
Wyoming County	29	32.0%	40.0%	-20.0%
Bradford County	30	33.0%	40.6%	-18.7%
Clinton County	31	33.0%	46.6%	-29.2%
Tioga County	32	34.0%	57.1%	-40.5%
Beaver County	33	35.0%	35.8%	-2.2%
Susquehanna County	34	35.0%	27.5%	27.3%
Westmoreland County	35	35.0%	37.0%	-5.4%
Philadelphia	36	36.0%	34.6%	4.0%
Butler County	37	36.0%	32.0%	12.5%
Cameron County	38	36.0%	55.0%	-34.5%
Sullivan County	39	37.0%	36.7%	0.8%
Perry County	40	38.0%	37.3%	1.9%
Union County	41	38.0%	27.1%	40.2%
Luzerne County	42	38.0%	43.8%	-13.2%
Clearfield County	43	39.0%	42.0%	-7.1%
Crawford County	44	39.0%	38.0%	2.6%
Huntingdon County	45	40.0%	49.3%	-18.9%
Mckean County	46	40.0%	55.0%	-27.3%
Indiana County	47	40.0%	41.0%	-2.4%
Northumberland County	48	41.0%	43.2%	-5.1%
Potter county	49	41.0%	49.5%	-17.2%
Carbon County	50	41.0%	38.1%	7.6%
Venango County	51	42.0%	46.5%	-9.7%
Pike County	52	42.0%	33.3%	26.1%
Juniata County	53	42.0%	37.4%	12.3%
Cambria County	54	43.0%	39.0%	10.3%
Jefferson County	55	43.0%	39.3%	9.4%
Elk County	56	43.0%	50.2%	-14.3%
Clarion County	57	43.0%	41.7%	3.1%
Lackawanna County	58	43.0%	36.1%	19.1%
Bedford County	59	44.0%	56.0%	-21.4%
Mercer County	60	44.0%	35.4%	24.3%
Greene County	61	44.0%	51.0%	-13.7%
Lawrence County	62	45.0%	40.4%	11.4%
Forest County	63	46.0%	47.6%	-3.4%
Schuylkill County	64	46.0%	48.4%	-5.0%
Wayne County	65	48.0%	20.6%	133.0%
Fayette County	66	49.0%	52.5%	-6.7%
Armstrong County	67	50.0%	57.9%	-13.6%

Souce: STEB, Penn State, Author's calculations.

Can this be fixed without causing massive political unemployment? The conventional wisdom has been to say no. On the other hand, unless and until Pennsylvania cleans up its property tax, it seems very unlikely that capital will willingly move into this state to invest. The combinations of stiff corporate net income taxes and capital stock and franchise tax, coupled with one of the worst property taxes in the US, can easily keep Pennsylvania off the list. I do think there is a workable, political solution to this problem. It involves finding someone to blame other than elected county commissioners for the upheaval which will occur when equitable property tax assessments are accomplished throughout Pennsylvania. (See Section 5.5 below.)

4 What is so wrong with Senate Bill 2, why Just Say No to Buffy?

The fundamental problem with Senate Bill 2 is that it was developed under the premise that choice in the area of tax structure is desirable. While it is true that in our private lives, one size does not fit all, and it is desirable for each of us to choose what makes us happiest, this logic does not extend to the *structure* of local taxation.

In fact, taxation is compulsion, and we are best served when the tax base which competing local governments rely on are identically and transparently defined. Voters and business can then compare jurisdiction to jurisdiction in terms of the bundle of services they will get for the tax bill that will be imposed by each. Accountability suffers when jurisdiction A imposes one kind of homestead exemption, and relies on wages rather than income, while another jurisdiction differs in terms of homestead exemption and personal income tax base.

When you have a Chinese menu with no translation, confusion will result. And while the Strauss household generally does Chinese every Sunday night so my loving wife doesn't have to cook;however, I don't think doing Chinese for tax policy makes sense.

More importantly, I seriously doubt anyone outside Pennsylvania, looking at the menu, will conclude they should risk their good money and put a plant in the State since there are no tax principles at work other than anything goes, and anything in terms of tax base is possible later on. Uncertainty in tax bill creates taxpayer enmity. Can you name another state which has recently gone down this path? There have to be sound reasons.

4.1 Things Senate Bill 2 does Right

Some of the complaints by seniors about their property tax bill are addressed through the property tax deferral provisions; however, it is hard to see how this can be readily administered. Moreover, it is entirely likely in some rural parts of the state where incomes are modest or low, that there will be significant budgetary implications.

The solution to these problems is to state administer this through a revolving fund, once capitalized, and use the revolving fund monies to compensate local governments for any budgetary shortfalls which deferral may impose.

4.2 Things Senate Bill 2 does Wrong

There are lots of things wrong with Senate Bill 2, let me touch on some of the worst.

4.2.1 Optional Local Sales and Use Taxation is an Administrative Disaster

Optional county sales and use tax.–this is a holdover from the late Walter Geisey who was fascinated with the Ohio sales and use tax, and forced it down the throat of the 1987 Local Tax Reform Commission.

The problem is in the administration, and the absence of ways to enforce the "use" portion of the tax. It causes changes in shopping patterns. There are lots of studies which document this. Malls spring up across boundaries. Moreoever, may multi-county companies do not keep their records by place or point of sale. This will require that they estimate sales from jurisdictions with varying tax rates, and/or heavily invest in computer technology which may allow them to identify in which stores (at which sales and use tax rates) transactions occured.

Also, industry and government are nationally struggling to reach agreement on how to tax electronic commerce. I'm involved in this fight (I'm in the middle, actually), and one of the biggest problems within the government sector is the fight between the Governors and the big-city Mayors. The Governors want a deal with industry so that out of state sellers will have a stronger obligation to collect and remit use tax, and industry wants government to tax inter-state transactions in a manner that doesn't kill electronic commerce, and in a manner that doesn't force multiple taxation of business purchases. Moreover, industry wants the Governors to intercede and standardize the messy local sales taxes in some states, because knowing the local tax rates, and being liable under audit is a nightmare for business.

As of last week, it appears that the Governors in states with virulent local sales taxes are willing to take on their locals, over time, and move to one state sales tax rate, and ween the local governments of their source.

To be fair to the optional Buffy sales and use tax, at least the base here is the state base. (This raises a question of why such conformity is ok in the sales and use tax area, but not in the personal income tax area.) But the point is that creating an optional sales and use tax in today's and tomorrow's economy is equivalent to fighting the last war, rather than seeing the future.

4.2.2 Permissiveness in Taxation and Political Transparency

It is factual that local government is the constitutional creature of the state. The General Assembly has the authority to define the rights and responsibilities of counties, municipalities, and schools in precisely the same manner that parents can set down the law with their children.

We have too many local governments in Pennsylvania, and their tax and spending habits probably explain much of the travails of the state's economy. Job growth and personal income growth continue to be sluggish compared to many other parts of the Nation.

At a time when world competition in the market place forces business to be more agile and decisive, it makes little sense to obfuscate one of their major costs, local taxes, in a complex, Chinese menu with no English subtitles. I can believe that the various local government associations are baying at you for more choice and freedom to tax and spend the way each wants. My kids do the same to me, too. But my wife and I know that if we give them anything they want, they will bankrupt us, and wind up worse off themselves.

The kind of choices of tax base provided in Senate Bill 2 will make tax administration a nightmare, and will result later in 3,000 local government officials storming Harrisburg later on asking for something different.[3]

[3]Buffy sometimes argues that the 'flexibility' (lack of principles?) in Senate Bill 2 is to deal with the problem that "One Size does not Fit All". Unfortunately, this confuses shopping for shoes or clothing with what defining public policy should entail. If the state personal income tax base is acceptable to the General Assembly to finance various state services and their share of local education services, I think the burden on Buffy is to explain why it is NOT good enough at the local level. Why is ability to pay of taxpayers at the local level in their support of schools different than what part of their state income tax contributions go to?

Maybe the Senate wants more private tax collectors in their daily lives. But will that raise the standard of living for all Pennsylvanians over the long haul? I think not. Just because something is legal in Pennsylvania does not mean it represents good or acceptable practice in tax policy when compared to other states. Moroever, the inability to move the practice of tax administration in Pennsylvania into the mainstream of practice as evidenced in other states, whose economies are performing better, may well be noticed by those thinking about where to locate their valuable business manufacturing assets.

Even the Europeans have finally agreed on one standardized value added tax base and structure of tax rates, country by country, and will shortly move to one currency. Harmonization and standardization in tax and fiscal affairs, and freedom of choice over tax *rate* are the hallmarks of the 21st century, diversity in tax base and fiscal obfuscation are the hallmarks of the 18th and 19th centuries.

To Legislators peering at the precipe, about to vote on Senate Bill 2, I think it is fair to ask:

Where do you want to go today? Where do you want to go tomorrow?

4.3 Things Senate Bill 2 fails to Address

4.3.1 The School Accountability Problem

It is remarkable that a Republican dominated Senate could hand school districts a much more elastic revenue base, should they vote to adopt it, but not obtain any accountability on the spending side of the budget as part of any political bargain.

Many states who have reformed their method of school finance have insisted on getting something on the education side of the budget in return.

In Michigan, the Governor convinced the Legislature to not only go to better than 70% state funding of education from around 30%, by imposing high stakes testing, and severely weakening the incentives for teachers to go on strike. Every strike day in Michigan results in lost compensation to the teachers. The incidence of strikes has fallen like lead in water. School buildings which are in the bottom 10% of test scores three years in a row are to be closed down in Michigan.

4.3.2 The Commuter Problem

Many parts of the state have problems with non-resident use of municipal services. In Allegheny County, arguably the additional 1% sales tax, shared back to municipalities, has finally addressed this problem. Philadelphia also has a 1% sales tax which probably captures non-resident workers; however, it also has a very onerous commuter tax (4%) for which suburbanites have no relief.

Senate Bill 2 provides a very modest tax credit against state income taxes to ease the burden of the Sterling Act; however, it is still quite low, and other jurisdictions around the state merely have access to a higher municipal head tax, increased from $10 to $30.

As noted above, relief from Philadelphia's onerous commuter tax, and hold-harmless funding for Philadelphia, has been in the past a predicate for the South East to accept any statewide local tax reform legislation. It is hard for me to understand how suburban state legislators in the South East can simply forget to take care of this problem. Surely their commuting voters will notice were Senate Bill 2 to become law that they would still be paying 4% of their wages to Philadelphia, and jobs will continue to be moved out of Philadeplhia into the suburban ring.

4.3.3 The Property Tax Assessment Problem

Senate Bill 2 does nothing to address the fundamental problems with assessments throughout the State. Election eve, Senator Melissa Hart (aka Buffy) and I had some fairly frank exchanges about this on regional TV. I was not convinced that her description of that "we have had conversations about assessment reform in Finance Committee" is any more meaningful than my 15 year old son telling me he will get around to cutting our lawn "real soon."

As I indicate below, there are ways to deal with the assessment problem and still survive politically.

5 What makes sense and is politically practical?

Let me now move to my preferred list of things that you could do this Spring that would both capture the imagination and the votes of Pennsylvania's electorate.

5.1 The Meanings of Reform

Local tax reform does not mean tax cuts for everyone, it means simplifying the tax system, and matching the type of tax used to the type of service provided. If you think reform means giving every taxpayer what they want, then you'd better eliminate the balanced budget requirement local governments are obligated to meet. Moreover, I think taxpayers understand there is no free lunch. The problem you face is that the beneficiaries never say thank-you, and those with time on their hands (the seniors) and/or those who lose are quite vocal.

Of course it is convenient to want to reduce the role of the school property tax because it is so badly administered, and because of the massive shift in burden demonstrated above. However, the underlying reason for moving from a tax on illiquid wealth to income is to move school funding to an ability to pay tax. Progression does not make sense at the local level, and in a more perfect world I would impose a flat rate school personal income tax, and have you, the Legislature and Governor, pick up the difference from a meaningful foundation grant for education.

My next most perfect world would cap the personal income tax rate at no more than 2 or 2.5%, and cap the municipal income tax rate at .5%. Not because it makes sense for municipalities to use an ability to pay tax when they mostly provide services which benefit real property—that's why they should rely on the property tax.

Counties deserve some ability to pay tax base because they are responsible for local health services, and also services for youth–both are income redistribution activities which should be funded part by the state, and part by a local ability to pay income tax. I would force them to impose a .25% local income tax, and roll back their property tax rate to avoid a windfall.

Having matched revenue source to type of tax, I would obligate local school districts, now with more elastic revenue sources, to engage in a variety of accountability reforms.

I should say, parenthetically, that ratcheting down the local school property tax, and picking up the tab at the state level is consistent with my notion of reform. However, I think in giving local school boards something, you ought to get something in return, namely accountability in the provision of educational services.

The details of my definition of local tax reform follows.

5.2 Start the Process to Correct the Constitutional Amendment

First, fix the constitutional amendment so there will be only one homestead exemption which is set by the county assessor. If you need to blame someone for your enacting a multiple homestead exemption, blame someone who left the State. Plenty do every year! You can explain this mistake like the forgetfulness in picking up county court costs, the constitutional obligation for uniform statutes, or constitutional obligation on the General

Assembly, now better than 30 years unhonored, to pass statutes providing for consolidation of various types of municipalities.

Voters will understand that mistakes happen, and approve the correction that assures them simplification—just one homestead exemption.

I don't know who approved the language that you and the voters approved; I admit to giving a passing ok to a Senate Policy Committee staffer by phone some years ago when she asked me what I thought of the idea of looking at median assessment ratios and house values. It never occurred to me that one would want the county, municipality and school district to each have their own homestead exemption. Maybe she left the State.

Actually, even if you go with Buffy's Senate Bill 2, you can start the constitutional amendment process to get it right. No-one would notice, and you'd be doing everyone a favor, especially local assessors for whom the Senate Bill 2 provisions are an unfunded mandate and complete nightmare to administer.

5.3 Take Buffy's Property Tax Deferral Proposal and Make it Workable

I like this aspect of Senate Bill 2, but it ought to be run at the state level, and the revenue shortfall should be state financed out of a state-wide revolving fund. Don't tell me you don't have the money, because you do! And the fund only has to be initially capitalized once.

By putting in place property tax deferral, one can readily soften the impact of any massive shifts in property taxes that would occur due to assessment reform.

5.4 Broaden the Local Wage Tax to the State Income Tax Base for All Jurisdictions

This adds about 15% on average to the local wage tax base, and could entail the State's withholding system do the work which local tax collectors and private earned income tax collectors currently do. (Believe me, I understand the politics of this, but we are entering the 21st century).

Related to giving local governments access to the state personal income tax base is the necessity of obligating the Pennsylvania Department of Revenue to collect and remit it.

Top rates for municipalities should be set at a rate of .5%, and a top school rate of 2% or 2.5% in .25% increments; enact anti-windfall provisions;

Counties would be required to impose a .25% local income tax using the state base; obligate the Pa. Department of Revenue to collect and remit it; enact anti-windfall provisions;

Eliminate the various nuisance taxes (check the rates to make sure they work); force municipalities that face shortfalls to raise property taxes; given the school districts will be vacating the property tax in good measure, there will be room for the municipalities to step in.

5.5 Fixing the Assessment Problem: A New Idea–Elect the Assessor

In 1995, I took a long look at Ohio's property assessment system in conjunction with trying to get Allegheny County's Commissioners to face up to reassessments in a rational way. For those of you from the West, I don't have to tell you what craziness we have gone through; for those of you outside of Allegheny County, rest assured that simply changing the name of the majority commissioners' party doesn't mean anything different will happen.

A new solution is to overcome the political fears you and your local supporters have by creating another elected office, that of County Assessor, and let that office have the map and title responsibilities, and also an assured budget through its own, state enacted millage. When the proverbial happens, your friendly county commissioners can point to someone else who really was responsible for causing new taxpayer outcries.

In my more perfect world, this brave person would be elected via:

- no partisan primary or allow cross-over voting in the primary;
- would face term limits (8 years?);
- would be subject to strong conflict of interest prohibitions and financial disclosure requirements;
- and would face a prohibition against moonlighting by all in that organization; assessors can have only one job. No more fishing businesses (that's an inside Allegheny County joke...).

This exports the immediate political risk of actually doing a meaningful reappraisal and could overcome the logjam. It does not address those fully committed to the traditional view of the property tax. But, it's pretty obvious (to me) that either we fix it up, or give up tying to sell Pennsylvania with a straight face to the rest of the world as a place to set up business, and as a place to raise a family.

5.6 Getting Something from the School Districts in Return for a better Tax Base

Enact meaningful school accountability reforms in return for creating a more elastic school revenue base:

1. student and teacher achievement testing;
2. reporting of both test results to parents and children;
3. parental and student first choice of assignment to teachers;
4. clean up school board conflicts of interest by returning to pre-1968 oath of office;
5. pay each board member $7,500/year from state funds; and,
6. prohibit indirect self-dealing, require full disclosure of federal income tax return to Auditor General.

7. mandatory publication of month by month curriculum and learning goals by teacher and school;

6 Conclusions

It's easy to accuse me of being unrealistic, after all, I'm a mere tax paying citizen and voter in the Commonwealth. What do I know about the realities of local government in Pennsylvania? Or about political reality?

What state elected officials need to think about is the down-side risk of Senate Bill 2. If I am correct (and I think it's just common sense) that its Chinese menu theory of taxation will create massive economic and political uncertainty, the economy will suffer.

I know it has been a given for a long time that there will have to be local adoption of the new method of taxation; however, if you ask yourselves who is going to have the time to get involved in these fights, municipality by municipality, school district by school district, it's likely to be those with the most time on their hands, the seniors, who are probably the most heavily subsidized segment of our society. Not two earner couples, but seniors. The retired surely like the occupational taxes, too, because it is a tax on those working, not the retired.

Rich retired seniors with capital income will not want to broaden the wage tax base, rather they will want to stick the tax bill on working couples. My own view is that you would do better just enacting the change, than having three thousand fights over this issue. Moreover, when working couples figure out that after all is said and done, Harrisburg could not even agree that the tax base used to finance state government is appropriate for local government, there will be its own backlash.

Other states have made far bolder, more simple changes to their state and local tax structure, and there has been political survival for those passed the necessary statutes.

If you think I'm alarmist, I challenge you to travel beyond the boundaries of Pennsylvania to enquire what your counterparts in New Jersey, Ohio and Maryland legislatures think of such schemes as Senate Bill 2. They will welcome the opportunity to advertise about their stable, comprehensible, and effective local tax bases. And encourage Pennsylvanians to move to find out that governors and legislatures in other states can make a difference, rather than just posture for the moment.

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