

Memorandum

To: Edward Albert, Ed.D, Executive Director , Pennsylvania Association for Rural and Small Schools
From: Warren County School District Board of School Directors
Date: August 27, 2018
Re: Impact of Inequitable State Education Funding

Hello Ed,

The Warren County School District (District) Board of School Directors (Board) reviewed your email concerning the PARSS school funding litigation. We are willing to share our story with the hope it will improve the plight of rural school districts.

As you know, Pennsylvania law dictates that our District derive its local tax revenue from two primary sources, earned income tax and real estate property tax. Pennsylvania law caps EIT at 1% of income—we've been maxed at that 1% rate for decades.

Real property tax is, therefore, the only tool in the toolbox, which our Board can utilize to increase revenue. Our Board's options relative to property tax are quite limited. A large part of our real estate tax base is locked away in state game lands and in the Allegheny National Forest (ANF). We cannot get normal tax revenue from those government-owned properties. We are supposed to receive a small percentage of the proceeds from timber harvesting on the ANF, but the environmental extremists have reduced ANF harvesting to a pittance. For example, there are tens of million dollars of ash trees on the ANF dying from the emerald ash borer; but instead of harvesting the trees, the ANF is leaving most to fall and rot.

Moreover, there are certain qualities about all rural districts, severely limiting our real estate tax options. Farm fields and forests don't generate much property tax. Even houses don't translate to a lot of property tax value. The big property tax values are found in commercial and industrial properties. In Warren County we have a couple box stores and a handful of industrial sites.

Contrast that with school districts in urban areas. As Board members we have visited districts around Pittsburgh enjoying tax revenue from hundreds of box stores, a couple thousand office buildings, etc. Those school districts only receive 10 to 15% of their revenue from the state, but due to their wealthy local tax base those schools enjoy lower student-teacher ratios, planetariums, engineering classrooms, complex TV studios, athletic complexes that make our YMCA look small and more—benefits rural counties will never afford.

Allow us to dig into the specifics. Our District receives about 58% of its annual revenue from the State. At first glance that seems like a high percentage—and perhaps it suggests that our District should raise its property tax rates. Unfortunately, THAT IS WHAT WE HAVE BEEN DOING, having raised local property taxes eight (8) of the last ten (10) years. When we look at the effects of these tax increases, we see Warren County taxpayers already pay more than should be expected. This website: <https://www.gardenstateloans.com/information/pa-property-tax-rates/> sets forth the local property tax rates for each county in Pennsylvania, stated as a percentage of home value. The average rate is 1.42%. In Warren County our rate is 1.57%; meaning, that based on home values, our taxpayers contribute 10% more than the average Pennsylvania taxpayer.

Deriving more tax revenue from local property taxes is an issue going beyond the mere analysis of millage rates. Local property tax revenue is also a function of the size and growth (or diminishment) of the local property tax base. The large tax base—by that we mean the enormous value represented by the many commercial and industrial facilities—in an urban area means that even with a relatively low millage rate an urban area can enjoy local tax revenue our rural District can't conceive of, let alone ever hope to see brought to reality.

Beyond the question of tax base size, our rural District faces the consequence of a shrinking population—meaning that homes are hard to sell, businesses are hard to operate, and industry is leaving the area—all factors that bode for a diminishing tax base. In the last few decades Warren County's population has shrunk by over 20% from nearly 50,000 to under 40,000 today. Of those 40,000, only 14,000 are employed. A key factor is our aging population, with nearly a third of our residents being over age 65. Retired citizens on fixed incomes are not able to bear tax rate hikes nor are they likely to be supporting the kinds of commercial and industrial establishments which are necessary to create a growing tax base.

Instead, our vast timber and farm lands create a very static tax base. Likewise, our housing market is static. Houses that sold for \$40,000 ten or twenty years ago are likely to sell for \$40,000 today. New home construction is virtually non-existent in Warren County.

It is in this context that we Board members labor to provide quality education opportunities for our students. We have consolidated school buildings at a frenetic pace, having closed more than half our facilities over the last two decades. But, with a District that spans nearly the entire County, you can only consolidate so much before student-time-on-busses becomes untenable. Already our school buses travel 9,800 miles per DAY!

Even with closing all these schools, we suffer excruciating budget dilemmas each year. Where we were contractually able, we froze salaries a few years ago. And two years ago, we endured a teacher school strike as we struggled with the issue of what wage increases we could afford. Every year new textbooks, computers, and other fundamental supplies are on the chopping block. With grave reluctance we did away with certain guidance counselors, special education and other positions. We have emasculated our tutoring program. We did away with athletic trainers despite the obvious benefits of same—today we enjoy athletic trainers only because we were able to secure a grant through Highmark.

The tale of many years of cutting services is incomplete if we fail to discuss the ancillary tale of our inability to adapt to meet changing needs. For example, for over a decade we have desired to implement STEAM opportunities across the District. We Board members have toured districts where teachers enjoy specific STEAM training and where STEAM lab opportunities abound. We have not been able to afford to implement these opportunities. We have, over several years, set aside a few dollars here and there so that we can begin an incubator program this year. But our small efforts pale in comparison to the fine STEAM programs students are able to enjoy in wealthier districts.

It is unfair that rural students come up short. Does a student have a lesser education need because he or she grew up in Warren County rather than Allegheny County? If you go to a state college you get the same level of assistance whether you are from Warren or Allegheny County. If you qualify for welfare help in Pennsylvania, the need is filled with state tax dollars. If you are poor in Allegheny County you receive the same welfare benefits as someone who is poor in Warren County.

Our story would be incomplete without mentioning the pension. As you know, fifteen years ago Pennsylvania radically increased pension benefits for state employees. As a consequence, our District's pension payments have increased from \$1.4 million ten years ago to about \$9 million today!! Here is the irony in that: over those ten years, even though our overall school budget has gone up, our actual spending on education (other than pension) has stayed the same. In essence, we have met wage and other expense increases by cutting other costs while our local property tax increases have gone to pay the ever-increasing pension costs.

As a school board we have very few tools to change the reality of the story told above. The PARSS litigation is the avenue for change. We hope the PARSS arguments are heard in good faith.