



November 9, 2015

The Honorable Tom Wolf
Governor of Pennsylvania
225 Main Capitol Building
Harrisburg, PA 17120

The Honorable Jake Corman
Pennsylvania Senate
350 Main Capitol Building
Harrisburg, PA 17120

The Honorable Joe Scarnati
Pennsylvania Senate
292 Main Capitol Building
Harrisburg, PA 17120

The Honorable Dave Reed
Pennsylvania House of Representatives
110 Main Capitol Building
Harrisburg, PA 17120

The Honorable Mike Turzai
Pennsylvania House of Representatives
139 Main Capitol Building
Harrisburg, PA 17120

The Honorable Jay Costa
Pennsylvania Senate
535-E Main Capitol Building
Harrisburg, PA 17120

The Honorable Frank Dermody
Pennsylvania House of Representatives
423 Main Capitol Building
Harrisburg, PA 17120

Dear Gov. Wolf, Sens. Corman, Scarnati and Costa and Reps. Reed, Turzai and Dermody:

It has come to our attention that budget negotiators are considering the inclusion of mandatory backend referendum for school districts' property tax increases as part of a final budget deal. It is important to note that this drastic change in state policy would have a devastating impact not only on school districts' local control of their budgets, but also on school districts' capacity to deliver the kind of public education that Pennsylvanians want and that their students need.

Imposing mandatory referendum requirements on school districts would preclude them from raising property taxes even up to a limited inflationary index. It would also deny them the ability to seek exceptions from the Commonwealth to secure resources to cover major cost drivers that are beyond their control - like special education programs, pension contributions, and grandfathered debt.

Considering school districts' current financial conditions, the *Campaign for Fair Education Funding* considers this idea to be reckless, poor policy, and detrimental to the bipartisan efforts you have engaged in over the past year and a half to establish a rational and predictable basic education funding formula. It will have long-lasting consequences that will jeopardize the ability of all public schools to provide quality educational service.

The Campaign strongly urges you to abandon any discussions related to mandatory backend referendum and the elimination of the Act 1 index and exceptions.

Consider the consequences of this kind of drastic policy change.

First, if voters decide not to approve a referendum, school districts would need to make cuts to programs just to pay for increased mandated costs. Over the past several years, increases in certain mandated costs have outpaced increases in local revenue that school districts can raise by increasing property taxes to the Act 1 index. Even if all districts had raised their property taxes to the Act 1 index in each of the last few years, they still would not have been able to cover the increase in their mandated expenses.

Second, what you are considering will make funding inequities across districts far worse and will run counter to the recommendations of the bipartisan Basic Education Funding Commission, which sought to remedy the vast funding inequities throughout the state. We, as well as most policymakers, acknowledge that school funding inequities exist among Pennsylvania's 500 school districts. Why would we lock in those inequities when we are just about to begin an unprecedented long-term effort to finally solve them?

In addition, the Commission appropriately considered a district's "tax capacity" – the ability of school districts to raise revenue locally – in developing its formula. Capped local property taxes and a backend referendum requirement would undoubtedly address a school district's capacity for local revenue growth, further undermining the Commission's carefully balanced formula. It also would effectively push the tax burden of that district onto state taxpayers across the Commonwealth to make-up the difference.

Third, Pennsylvania's school districts are still recovering from cut programs, increased class sizes, and eliminated staff positions – all in order to balance budgets. Pennsylvania now ranks 45th of all states in state support for public education, and 50th in equity.

School funding policy in Pennsylvania has always been based on the notion that there should be a rational balance between state and local funding. To meet this policy goal – a goal that the Commonwealth has clearly failed to meet for the past few years – the Commonwealth and school districts need to work in partnership. Local control of budgets and taxation is a vital component of that longstanding state policy. It is ill-advised for policymakers to deny public education a mechanism to support its mission while holding it accountable for outcomes. We cannot fix Pennsylvania's broken school funding system without the ability to raise local revenue when necessary. The Commonwealth has a substantial challenge to overcome in its historic distribution of basic education funding. Capped local revenue and backend referendum will only make our collective challenge worse and put even more pressure on the general fund to fill local budget gaps.

As Pennsylvania is finally poised to take a marked step forward in meeting its obligations in this partnership, please don't take a dramatic step backward. Maintain school districts' ability to raise property taxes to the Act 1 index and seek limited exceptions when necessary, and reject attempts to require school districts to increase property taxes only through the approval of local referenda.

We have an opportunity to do what is right for our school districts and the students who rely on them for a public education. Let's not squander it.

Thank you for your consideration of our position.

Sincerely,

The Campaign for Fair Education Funding