

SB 76, School Funding Reform: Impact on the State Budget

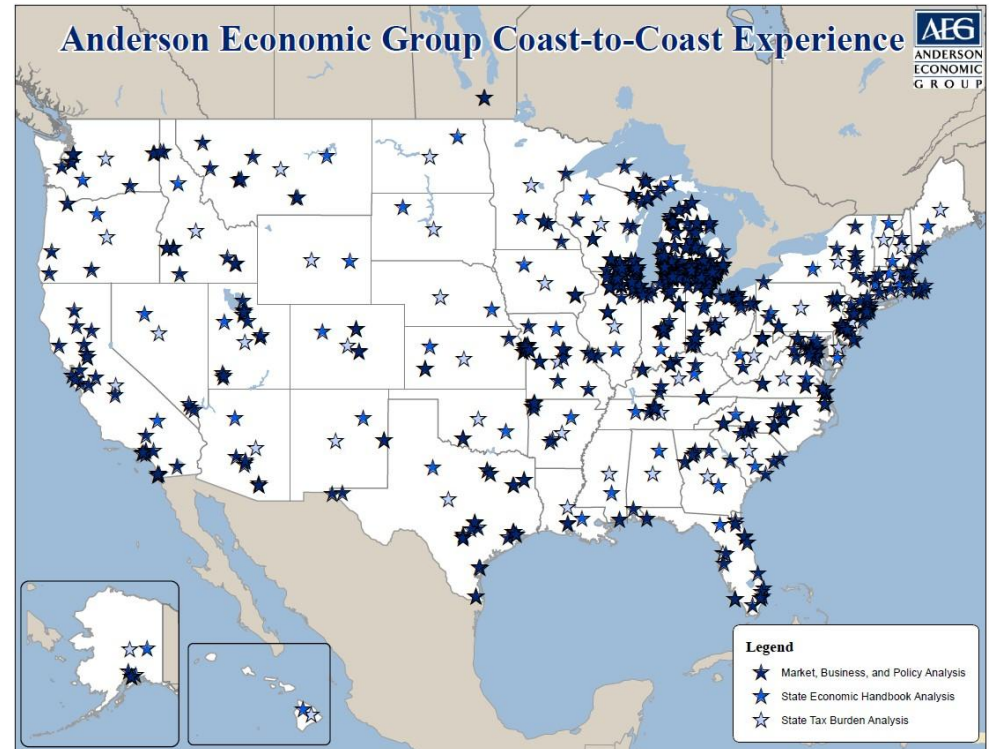


Prepared for:
Pennsylvania Association of Realtors
Legislative Committee
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Anderson Economic Group, LLC

- Research and consulting firm specializing in economics, public policy, industry research, and business valuation.
- Offices in East Lansing, Michigan and Chicago, Illinois.
- Clients include universities, trade associations, private companies, non-profit associations, and state and local governments.



- Goal: eliminate the portion of local property taxes dedicated to school districts and replace this funding with a state-wide revenue source

Senate Bill 76—Important Provisions

School districts would no longer have the ability to implement local property taxes for operating costs. Taxes to pay off current debts remain in place, but no new debt millages are allowed.

The state personal income tax would increase from 3.07% to 4.34%.

The state sales and use tax would increase from 6% to 7%.

Expanded sales and use tax base. Some notable additions include:

- Newspapers and magazines
- Non-prescription drugs
- Clothing and footwear that costs more than \$50
- Personal hygiene products
- Personal legal and financial services
- Tickets for sporting events and concerts

Senate Bill 76—Important Provisions

State would allocate funds to school districts by providing each school district with funds equal to revenues from property taxes for operating purposes in the previous year, adjusted by the rate of inflation.

In each subsequent year, the allocation would increase by either the rate of inflation or the rate of growth in state sales tax revenue, whichever was lower.

School districts can implement a personal or earned income tax within the district, subject to a no-exception public referendum.

Fiscal Impact of Senate Bill 76—Schools

Categories of Revenue Impact	FY 2015	FY 2019	FY 2023
Property Taxes that Would be Collected by Schools for Operating Costs Only, w/o SB 76	- \$11,298	- \$12,730	- \$14,344
State Payment to Schools Under SB 76	+ \$11,185	+ \$12,190	+ \$13,350
Gaming Revenues that are No Longer Distributed for Property Tax Reductions	- \$509	- \$509	- \$509
<i>Fiscal Impact on School Districts</i>	<i>(\$622)</i>	<i>(\$1,048)</i>	<i>(\$1,503)</i>

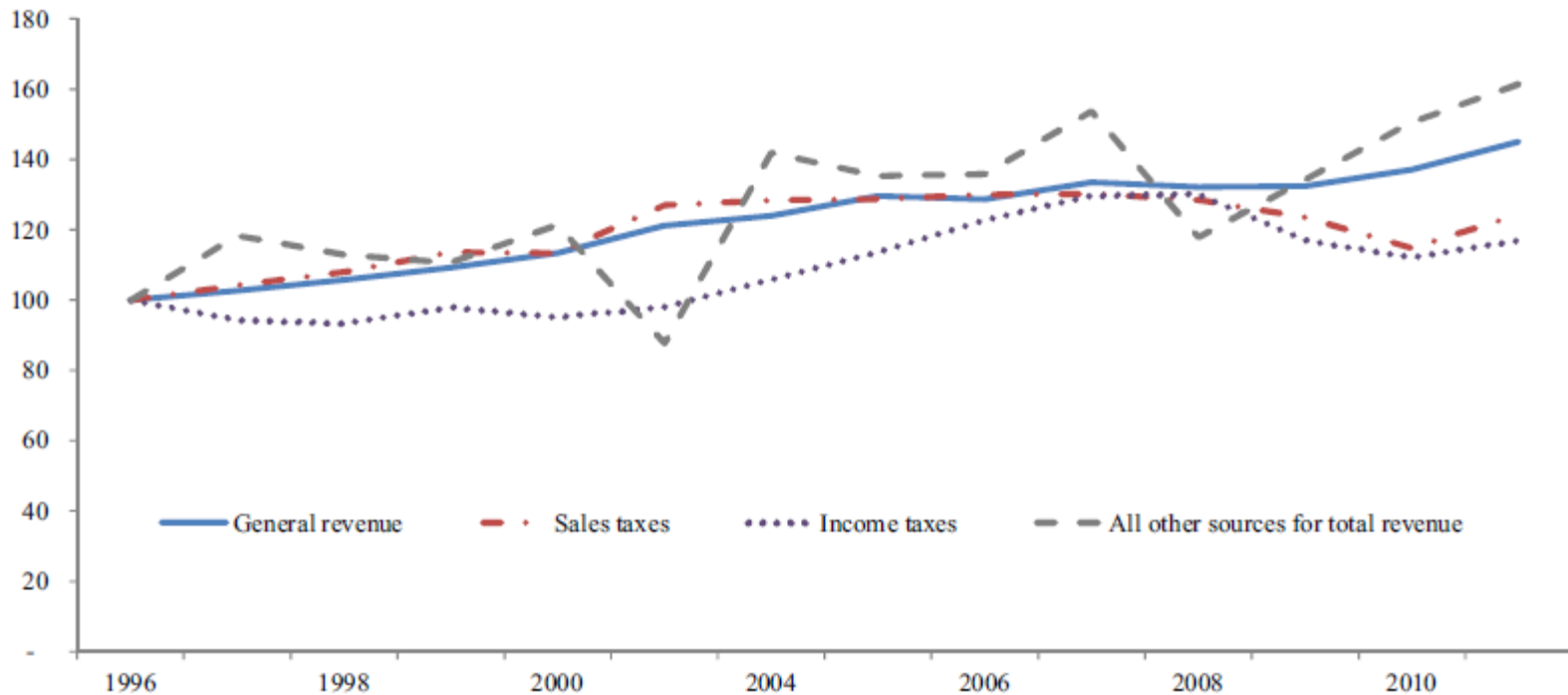
Fiscal Impact of Senate Bill 76—State Gov't

Categories of Revenue Impact	FY 2015	FY 2019	FY 2023
State Payment to Schools Under SB 76	- \$11,185	- \$12,190	- \$13,350
Personal Income Tax Increase (3.07%-4.34%)	+ \$4,542	+ \$5,170	+ \$5,886
Sales Tax Increase on Current Base (6%-7%)	+ \$1,680	+ \$1,891	+ \$2,128
Expanded Sales Tax Base	+ \$4,146	+ \$4,666	+ \$5,251
Gaming Revenues that are No Longer Distributed for Property Tax Reductions	+ \$509	+ \$509	+ \$509
Discontinue Property Tax Rebate	+ \$175	+ \$175	+ \$175
<i>Fiscal Impact on Commonwealth of Pennsylvania</i>	<i>(\$134)</i>	<i>\$220</i>	<i>\$599</i>
<i>Addenda: Total Sales and Use Tax Increase:</i>	<i>\$5.83 billion</i>	<i>\$6.56 billion</i>	<i>\$7.38 billion</i>

Source: Pennsylvania Dept. of Revenue, Pennsylvania Dept. of Education, 2011 Bureau of Labor Statistics Consumer Expenditure Survey Microdata for Public Use, U.S. Census Bureau, AEG Estimates
Analysis: Anderson Economic Group, LLC

Stability of State Revenues

State revenues from sales and income taxes have been considerably more stable than those from other sources. Increasing the share of revenue from sales and income taxes should make state revenues *more* predictable.



Source: U.S. Census Bureau

Analysis: Anderson Economic Group, LLC



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