Pennsylvania's Crisis
May 30, 2012

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These days, the word “crisis” has become a tedious cliché, much overused and abused by those for whom every problem becomes a looming catastrophe. But the unparalleled challenges now confronting the financing of Pennsylvania’s public education system do comprise a genuine crisis, one that if left unsolved threatens to transform Pennsylvania—educationally, economically, culturally, and even socially—into a permanent backwater.

Across the Commonwealth dedicated teachers are being furloughed, vital programs are being curtailed, entire schools are being shut down, and an entire generation of students may be losing their access to a quality education. That’s just the good news.

Worse is that the furloughs, the cutting, and the closings are all going to accelerate in the coming months and years, bringing further assaults upon Pennsylvania’s public education system. The consequent damage to the quality of education, the future of our children, and their ability to compete in the emergent global economy cannot be exaggerated.

And who, or what monster, shall we blame for this monstrous calamity? Are evil teachers unions behind this looming disaster, or perhaps corrupt politicians, or even grasping school boards? No. Neither these nor any of the “usual suspects” can take the fall for this one. Our financial crisis is not due to greedy teachers, incompetent administrators, angry taxpayers, manipulating political parties, or even super-PACs.

In fact, the villain behind our educational woes isn’t even a person or institution; it’s a tax that most of us are all too familiar with: the real estate property tax, better known as simply the “property tax.”

What about the simple property tax is so atrocious, so flawed, and so defective that we ascribe to it most of the contemporary problems of financing public education? That’s a good question, one to which entire libraries are devoted.

The (very) short answer produced by legions of public finance experts is that the property tax is grotesquely unsuited to modern times. It is unfair (i.e., regressive), expensive to administer, difficult to assess accurately, disconnected from the modern economy, and politically repugnant to most taxpayers. These defects and many more are the bitter fruits of the much-hated property tax. Of all America’s major taxes, including the income and sales taxes, the property tax is the worst by any measure you care to use.

But bad as the property tax is, its egregious faults are only part of the problem. Even worse is that we are using this most flawed of taxes to finance perhaps the most important function of government: education. We are trying to educate our children on the back of a creaky 19th-century antique that barely did the job then, faltered badly in the 20th century, and is now failing spectacularly as we move through the second decade of the 21st.
Must we watch helplessly as our proud tradition of public education withers away, the victim of inert political leadership and ossified public policies? Absolutely not!

Two things seem eminently sensible.

First, we should adopt expeditiously a tax system that finances 21st-century education with a 21st-century tax. One of the most promising concepts being discussed now is Representative Jim Cox’s (R-Berks) bill known as the “Property Tax Independence Act,” which would replace the school property tax by increasing the state’s personal income tax from 3.07% to 4%, and expanding and increasing the state’s sales and use tax from 6% to 7%.

Second, we should avoid throwing out the baby with the bath water and recognize that the property tax—for all its limitations—is best fitted to financing Pennsylvania local government. Originally, property tax revenues were used almost exclusively to finance local government functions like public safety and public health. Only over time was the property tax base hijacked to support more and more local education, so that now as much as 80% goes to the schools. We should stop using the property tax to finance schools and instead using it only to support non-school local government expenditures. This is where the property tax works best.

Neither of these steps requires overall increased taxes. Cox’s bill and others proposed over the years would not raise taxes but rather would shift tax burdens from the property tax to a tax more suited to modern times and the needs of public education. Nevertheless, any legislation that envisions tax changes, even tax shifting, will be controversial. Indeed, earlier efforts dating back three decades to bring tax reform to Pennsylvania were rife with dissension.

But let’s not kid ourselves. The choice is not between change and no change. Change, almost all of it bad, is happening across the state almost every day as Pennsylvania’s school districts adapt to the new realities imposed by relying on the property tax to finance education. The real choice is between having a choice about the future of state public education and having that choice imposed upon us by doing nothing.

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