

Some schools fear they will be punished for prudence

Rendell plan would boost city districts but may mean others in region would need to raise taxes.

By Christina Gostomski
Call Harrisburg Bureau
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In the Punxsutawney Area School District, the annual groundhog extravaganza on Feb. 2 isn't all that stays the same. So do taxes -- at least relatively.

The western Pennsylvania district hasn't raised taxes since 2002-03. Instead, it has made hard choices to balance its budget, such as cutting staff and closing schools with few students. To pay for upcoming building projects, the district has been saving money.

But this year, Punxsutawney's approach, which fiscal conservatives praise as an example of good government, might backfire.

That's because Gov. Ed Rendell's proposed state education formula puts new emphasis on how much a district taxes local property owners. Under the plan, a district with a lower local property tax rate would get less money from the state than one with a higher rate.

Rendell is pushing statewide for more equitable funding of public education as Pennsylvania aims to meet federal standards under No Child Left Behind.

His administration says the formula will ensure that everyone, including local taxpayers, pays a fair share toward that goal. But critics say it will drive up property taxes and unfairly punish districts trying to be frugal.

"If we're responsible and hold the line on taxes, then we'd be punished because we have a smaller tax effort, and that's what the distribution is based on," said Tim Allwein, spokesman for the Pennsylvania School Boards Association.

The association supports the funding formula, which steers more state dollars toward poorer districts such as Allentown, Bethlehem Area and Easton Area. But there are concerns the shift will force other districts to raise local taxes.

Complicating the situation is an unrelated 2006 state law that restricts school tax hikes.

"This totally flies in the face of the tax policy we did in Act 1," said David Broderic,

Senate Education Committee executive director. " School districts don't have the unfettered ability to raise taxes."

"I think there's a problem that needs to be fixed," Punxsutawney Superintendent J. Thomas Frantz said of the formula, now under discussion in the capital. Lawmakers "need to look at districts like Punxsutawney that would be adversely affected by this change."

In past years, the state's portion of a district's basic education funding was based largely on a district's wealth (determined by personal income taxes and property values), PSBA's Allwein said, so poorer districts like Punxsutawney received more money.

But the new formula also factors in a district's tax rate and how close the district is to "adequately funding" its students to reach federal performance goals. Those factors knock some districts off the top of the list for state funding.

Frantz said if his district only receives a 1.5 percent increase in state funding, it might have to dip into the money it had been putting aside for future building projects. Districts typically get 2 percent or more each year.

Ian Rosenblum, a policy analyst for Rendell, said the district's tax rate is only one reason Punxsutawney would receive the minimum in state aid. The other reason, he said, is that the district is already close to adequately funding its students.

Rosenblum defended the formula, saying it's only fair to provide more state aid to districts with a "significantly higher tax burden and not a lot of local wealth."

"Don't they need additional state aid?" Rosenblum asked.

Rendell spokesman Chuck Ardo put it another way: "There are districts with low property values that have taxed heavily to provide a good education for their children. It is our strong belief that the state needs to step in and help those districts fund the type of education their children need."

In an attempt to gain more support for his proposal, Rendell said last week he would support raising the minimum amount of state funding from 1.5 to two percent or more.

"There's no excuse for not going forward [with the formula]," he said.

Critics remain unswayed.

"This formula encourages them to raise local taxes. It doesn't make sense. It's kind of a perverse incentive," said Nate Benefield, a spokesman for the Commonwealth Foundation, a conservative public policy organization. "The idea that you get more money if you spend more money, that the reward is for raising taxes... is kind of mind-boggling."

"Just throwing more money at education isn't the answer," said House Republican Leader Sam Smith, R-Jefferson, whose district includes the Punxsutawney Area School District.

Many lawmakers find themselves in the position of voting on a plan that would help some of their constituents but not others.

Rep. Karen Beyer, R-Lehigh, has five school districts in her legislative district. Some, like Allentown, would fare quite well under the plan. But others, like Salisbury and Southern Lehigh, would receive the smallest increase possible. Beyer says she'll support the plan.

"It's really hard as a legislator to turn your back when you finally see Allentown getting the parity they deserve," Beyer said.

The education budget -- along with the rest of the state government budget -- is supposed to be passed by July 1. In recent years, however, lawmakers have failed to reach a budget agreement on time.

A FAIR SHARE?

Gov. Ed Rendell's proposed shift in state spending for public education might mean higher local taxes in some districts. How much state money your district would receive depends on its:

Local tax effort: Determined by a district's equalized millage rate (an adjusted property tax rate) in comparison to the millage rates of other districts.

Aid ratio: Determined by the personal income of a district's residents and the market value of their homes.

Adequate funding: The amount the state believes a district should spend (based on factors such as how many students live in poverty and how many speak English as a second language), minus how much is actually spent.

Source: Rendell administration

christina.gostomski@mcall.com

717-787-2067

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