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House of Representatives
Commonwealth of Pennsylvania
Harrisburg

COMMITTEES

APPROPRIATIONS
EDUCATION
LIQUOR CONTROL
HUMAN SERVICES

November 14, 2012

MEMORANDUM

TO: Members of the House Select Committee on Property Tax

FROM: Thomas J. Quigley, Chairman 
House Select Committee on Property Tax

SUBJECT: Committee Meeting – November 19, 2012

Pursuant to House Resolution 774, the House Select Committee on Property Tax will meet on Monday, November 19, 2012, at 11:00 a.m. in Room 60, East Wing.

The purpose of the meeting will be to discuss and adopt recommendations to be included in the Report of the Committee, required by House Resolution 774.

Please contact Eileen Krick at 783-3154 or ekrick@pahousegop.com with your attendance plans. If you are unable to attend the meeting, kindly forward an official leave request to Eileen in Room 216, Ryan Office Building, prior to November 16.

HOUSE OF REPRESENTATIVES
 COMMONWEALTH OF PENNSYLVANIA
 OFFICE OF THE CHIEF CLERK

Committee Attendance Record

DATE: November 19, 2012

COMMITTEE: Select Committee on Property Tax

DATE: November 19, 2012

PLACE: Room 60, East Wing

TIME CALLED TO ORDER: 11:20 AM

TIME ADJOURNED: 4:10 PM

MAJORITY MEMBERS	PRES	ABS	ON LEAVE	MINORITY MEMBERS	PRES	ABS	ON LEAVE
Quigley, Thomas – Chairman	X			Briggs, Timothy -- Vice-Chairman	X		
Brown, Rosemary	X			Bradford, Matthew			X
Gabler, Matthew	X			Dean, Madeleine	X		
Krieger, Timothy	X			Kortz, William	X		
Micozzie, Nicholas	X			Thomas, Curtis	X		
Simmons, Justin	X			Wheatley, Jake	X		
Swanger, RoseMarie	X						
Tobash, Michael	X						

Total Present 12

Total Absent 0

Total Absent with Leave 1

Thomas J. Quigley

 Chairman

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE CHIEF CLERK

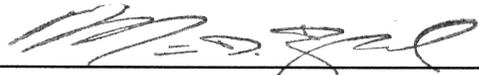
OFFICIAL LEAVE REQUEST

I, Rep Matthew Bradford, hereby request an official leave
NAME
of absence from the meeting/hearing of the Select Committee
COMMITTEE
to be held on November 19, 2012 at 11:00 AM.
DATE **TIME**

I will be absent for the following reason:

conflicting legislative business

November 16, 2012
DATE



SIGNATURE

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE CHIEF CLERK

Committee Roll Call

Date: November 19, 2012

Committee Select Committee on Property Tax Date & Time November 19, 2012, 3:50 PM

Bill or Resolution No. _____ Type of Motion Adopt Rule for Vote on Final Report

Sponsor of Motion Rep. Briggs Seconded by Rep. Dean

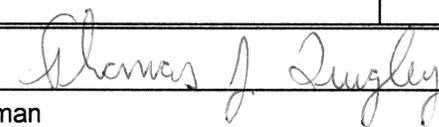
Brief Description The rule states the following: The Report of the Committee will be considered by the

Committee at its final meeting sometime before November 30, 2012. Members unable to attend this meeting may

notify their respective chair in writing of their affirmative or negative vote any time prior to the final meeting.

Yeas 7 Nays 0 Not Voting 6 Passed X Failed _____

MAJORITY MEMBERS				MINORITY MEMBERS			
	YEAS	NAYS	N-V		YEAS	NAYS	N-V
Quigley, Thomas – Chairman	X			Briggs, Timothy – Vice-Chairman	X		
Brown, Rosemary	X			Bradford, Matthew			X
Gabler, Matthew	X			Dean, Madeleine	X		
Krieger, Timothy	X			Kortz, William			X
Micozzie, Nick			X	Thomas, Curtis			X
Simmons, Justin	X			Wheatley, Jake			X
Swanger, RoseMarie			X				



 Chairman

HOUSE SELECT COMMITTEE ON PROPERTY TAX
MINUTES
NOVEMBER 19, 2012

Chairman Quigley called the meeting of the House Select Committee on Property Tax to order at 11:20 a.m. on Monday, November 19, 2012, in Room 60, East Wing.

The following members were present:

Thomas Quigley, Chairman
Rosemary Brown
Matthew Gabler
Timothy Krieger
Nicholas Micozzie
Justin Simmons
RoseMarie Swanger

Timothy Briggs, Vice Chairman
Madeleine Dean
William Kortz
Curtis Thomas
Jake Wheatley

There were no members absent.

The following member was on leave:

Matthew Bradford

Also in attendance was Representative Michael Tobash.

The Committee met to discuss and adopt recommendations to be included in the Report of the Committee, required by House Resolution 774.

Chairman Quigley gave a brief overview of the past House Select Committee on Property Tax meetings. He explained that internal discussions had taken place and that the Republican and Democratic members had each developed recommendations, some broader, some more narrow. He said it was his hope that a consensus could be reached today on the list of recommendations. He stated that a draft of the Committee's report would be ready by Wednesday for the members' review and then the Committee would vote on the report on Tuesday, November 27.

Vice Chairman Briggs confirmed that the members would have the opportunity to revise the report before voting on it and asked whether members could add their own statements to the report. Chairman Quigley said there would be an opportunity to revise the report prior to the final drafting and that an "up or down" vote would then be taken on the report, after which members would be free to issue their own public statements.

Representative Dean suggested the Simpson-Bowles Commission report be used as an outline for the framing of the Committee's report.

Chairman Quigley presented the list of recommendations for the Committee's consideration. The first recommendation called for the General Assembly to review all state-imposed public education requirements that are not mandated by Federal statute or regulation for cost-effectiveness and fairness

and/or educational value for students. Representative Swanger questioned the word “fairness,” as she said it is a subjective term. Chairman Quigley indicated that the usage of the word “fairness” was more of an issue in other areas, but thought it would not be a problem in a broader sense. All members agreed to recommendation number one.

The next recommendation called for amending the Right-to-Know Law to allow public agencies to recoup the costs of responding to requests. There were no objections to this recommendation.

The third recommendation called for amending the Constitution to provide for a homestead or farmstead property exemption of up to 100 percent of the property value. Chairman Quigley noted that a bill including this language (Representative Maloney’s bill) had already passed the House. All were in agreement on this recommendation.

The next recommendations to be considered, one from the Republicans and one from the Democrats, dealt with cost studies in a variety of areas. The Republican recommendation called on the House to conduct further study into the cost of charter schools and cyber charter schools, special education, and the efficacy of the “hold harmless” doctrine. The Democrat members’ recommendation directed the LBFC and IFO to jointly recommend an adequate education funding formula that is fair and equitable among school districts, taking into consideration payments to charter schools and cyber charter schools, special education costs, and the “hold harmless” doctrine, as well as any other factors identified by LBFC and IFO as necessary to the accomplishment of this task. Chairman Quigley stated that the IFO does not necessarily make recommendations and to direct them to do so may be contrary to what they are in the business to do. He further added that the underlying committee could select or direct where the study would take place or who would conduct the study.

Representative Wheatley expressed concern that the cost of education is being studied, without determining standards and how to achieve them. He said the two should be connected in some way.

Representative Krieger agreed with Representative Wheatley that property tax reform cannot be discussed in a vacuum, but added the complexity of education funding is beyond the scope of the committee.

Representative Micozzie said the costing-out study was an extensive study that showed what funding levels would be needed to reach desired outcomes and developed a formula for state funding. Vice Chairman Briggs added that the costing out study did not include the cost of providing special education or consider charter schools. He recommended that the costing-out study be built on, factoring in the additional items.

Representative Thomas reminded the Committee that charter schools are part of the public school districts.

Representative Gabler recalled the disclaimer from the IFO report that it cannot make policy recommendations. He said being too specific about the entity from which the information will be requested might get in the way of receiving the information.

Representative Kortz stressed the importance of including language that would create an equitable funding formula.

Representative Dean added that since these two recommendations are fundamental, the General Assembly's constitutional duty should be defined and then the costing-out study updated. She said then everything should be put back to the IFO.

Vice Chairman Briggs said regardless of what the mission, he has been impressed with the IFO. He added that it is important to request the information from an independent and reputable source.

Representative Wheatley stressed that one of the Committee's charges is to take a look at the budgetary decisions and that the Committee should not lose sight of the state's obligation to provide adequate education funding when reporting back to the General Assembly.

Representative Micozzie responded that "adequacy" means increasing taxes. He added that there is no appetite in the General Assembly to raise taxes. Representative Thomas added that people are not unable or unwilling to pay additional dollars as long as there is a positive outcome. He said the problem arises when they are asked to pay more and then the money is not put towards its intended use.

Representative Wheatley countered that adequacy does not necessarily mean raising taxes. He said that it is a matter of budget priorities. Representative Krieger agreed with Representative Wheatley, but reiterated his point that determining the adequacy of education funding levels is beyond the scope of the Committee.

Chairman Quigley tabled the discussion on these two recommendations.

Chairman Quigley moved onto the next recommendation which called for the House to consider possible amendments to Title #53 that would enable local taxing jurisdictions to make the most effective use possible of the tax and municipal debt collection tools currently provided, thereby increasing local revenues and promoting greater tax fairness. Representative Thomas expressed agreement, but said municipalities may be hesitant in implementing new policies not clearly within the law. The language was changed to drop the word "possible" in the recommendation. All members supported the recommendation conceptually.

A recommendation directing the State Local Government Commission to develop a "best practices" guide for local taxing authorities engaged in debt collection, including but not limited to collections through third party contracts was adopted by the Committee.

A recommendation directing the State Tax Equalization Board to develop a "best practices" guide for use by local governments for the streamlining and more efficient administration of all aspects of the property tax system, including but not limited to protocols for valuation, assessment and appeals; development of a database for the uniform reporting of property values and data; and guidance for contracting for assessment services with outside entities was also adopted by the Committee.

A Republican recommendation called for developing recommendations for achieving efficiencies and increasing cost-effectiveness in the construction, maintenance, renovation of public buildings and school facilities, helping to ensure that students have access to adequate facilities and that economic growth is not stifled by aging or dangerous infrastructure. Chairman Briggs mentioned that the

Democratic recommendation was similar to the Republican recommendation, except for the mention of prevailing wage.

Representative Gabler offered some ideas to cut costs including pre-design plans for construction for school buildings. He also stated that red tape and regulations make it difficult to construct buildings. Representative Micozzie suggested adding that prevailing wage not be included. Representative Gabler said he did not think it was necessary to say “include” or “do not include” prevailing wage.

Representative Dean recommended that the clause following adequate facilities be removed. Representative Gabler expressed agreement.

Representative Thomas suggested that the word “disposition” be added after construction, maintenance and renovation.

Chairman Quigley indicated that the “economic growth” phrase would be eliminated and “disposition” would follow “construction, maintenance and renovation.” The recommendation was adopted.

The next recommendation up for discussion called for legislation to be developed to grant local taxing jurisdictions more diversified taxing options that allow revenue-neutral tax shifts in the collection of local revenues. Representative Thomas asked what impact, if any, this recommendation would have on Act 47. Chairman Quigley stated that the recommendation would apply to all municipalities regardless of Act 47. Representative Wheatley questioned what the taxing options would be, i.e., sales tax, income tax, etc. Chairman Quigley responded that it would include more diversified income and that payroll taxes could conceivably be one of the alternatives to property tax. He added that the specific guidelines would be left to the House committee/sponsor of the legislation to spell out.

Representative Dean asked whether the IFO or Finance Committee would examine what a “stable” mix of revenue streams would be to support education and municipal services. Chairman Quigley indicated that this recommendation lends itself to the House Finance Committee taking up the charge. Representative Gabler added that each municipality should be able to determine the combination of taxes from which it would best draw its revenues.

A Democratic recommendation directing the House Local Government Committee to study the benefits of providing incentives to encourage municipalities and municipal authorities to enter into intergovernmental cooperation agreements to provide municipal services on a cooperative or regional basis was agreed to with a slight revision. Chairman Quigley suggested that “House Local Government Committee” be changed to “Local Government Commission.”

Another Democratic recommendation proposed directing the Independent Fiscal Office in conjunction with the Legislative Budget and Finance Committee to study the fiscal impact associated with property tax relief or elimination at various thresholds of low-income eligibility. Vice Chairman Briggs stated that the language would study the feasibility of extending the State’s Property Tax/Rent Rebate program to all low-income households rather than just those headed by seniors. Chairman Quigley indicated that the Committee would come back to this recommendation.

Chairman Quigley noted that a Democratic recommendation directing the Local Government Commission to develop uniform standards for property tax assessment methods and recommending equitable, county-specific schedules for property reassessments was similar to a prior Republican recommendation and that all members were in agreement.

The last recommendation, which the Democrats proposed, called for enacting a new funding formula for special education such as that found in Senate Bill 1115 and House Bill 1330 that is based on the actual costs of providing special education instruction and services. Chairman Quigley stated that there was conceptual agreement, but advised against advocating for specific legislation.

Representative Wheatley suggested that a recommendation be included to pass or study legislation that would protect homeowners from being driven from their homes due to failure to pay their property taxes. Chairman Quigley said that while everyone agrees with the concept, he was uncertain how such legislation would be implemented. He added that the Committee is working towards preventing such occurrences through its other recommendations.

Representative Kortz noted that 30 percent of Allegheny County's property value belongs to non-profits, who are tax-exempt. He suggested that the Legislature look into taxing land, but not buildings, valued at \$200,000 or more, particularly with regard to universities and hospitals. Representative Thomas commented that the University of Pennsylvania is one of the biggest employers in the City of Philadelphia and that he does not want to see them laying off employees.

Representative Micozzie expressed concern that churches would be taxed if other non-profits are taxed.

Representative Micozzie asked if there would be a vote on the report at the next meeting as he will be out of town and unable to make the meeting. Chairman Quigley said that if a consensus could be reached in the afternoon session, then the next meeting would be held to approve the report.

Chairman Quigley announced that the Committee would recess for lunch and then reconvene at 2:15 p.m. to discuss the two issues about funding and the Independent Fiscal Office. The Committee recessed at 12:50 p.m.

The Committee reconvened at 3:47 p.m. By a unanimous vote of 7-0, the Committee voted to adopt a two sentence rule allowing members who are unable to attend the Committee's final meeting to notify their respective chair in writing of their affirmative or negative vote any time prior to the final meeting. Vice Chairman Briggs sponsored the motion, and Representative Dean seconded it.

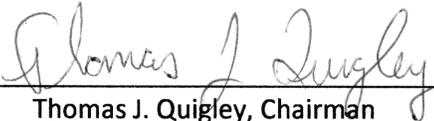
The recommendation calling for a new funding formula for special education to be developed was revised to read, "Develop a new funding formula for special education based on the actual costs of providing special education instruction and services."

The recommendation calling on the House to conduct further study into the cost of charter schools and cyber charter schools was revised to read, "Direct an independent entity or entities to determine the actual costs of educating a student at a charter school and at a cyber charter school, and the effects on local school budgets and property taxes."

Representative Dean expressed support for the Democratic recommendation which called for reviewing the impact of assessing tax-exempt properties on factors other than property value, such as payroll paid. Representatives Gabler expressed concern that doing so would lead to the possible consideration of taxing churches or other non-profit organizations. Representative Dean suggested the Committee recommend a study of the fiscal impact of non-profit organizations. Chairman Quigley said such a study would not reveal any new information and that other local options should be considered.

Chairman Quigley said that Anna Malcein would be working to get a draft of the report out to the members by Wednesday. He announced that the next meeting might have to be moved to November 28 or 29.

Chairman Quigley thanked the members and staff for all their hard work on this issue. There being no further business, the meeting was adjourned at 4:10 p.m.



Thomas J. Quigley, Chairman