

Rejection of Slots – The Right to Raise Taxes

Was the rejection of slot money by Pennsylvania's school districts out of a desire to reject dirty money, because the deal legislated by politicians in Harrisburg was too complex, or simply because Pennsylvania school districts wanted the right to raise taxes as high as they want?

Pennsylvania's plan was to use gambling revenues to reduce homeowners property taxes by nearly \$1 billion. Only one-fifth of the state's 500 school districts voted to participate, which will doom the plan.

The property tax reduction plan was complex, because of the need to negotiate a deal between the Democratic Governor and the Republican-controlled House and Senate. Under the plan, homeowners in school districts that agreed to participate would have their property taxes reduced by an average of \$330.00 each once revenues began to materialize, probably in the year 2007. Districts were required to make a decision whether to participate by May 30, 2005.

Would participation cause taxes to go up, down, or sideways? Participating districts, by legislation, were required to increase local income taxes by one-tenth of one percent. The provision was intended to make school financing more progressive. However, the big obstacle was that the program would place restrictions on board powers to raise taxes, requiring them to hold referendums for increases above the inflation rate. Interestingly, local politicians running for school boards have been saying for years that there should be referenda when taxes were raised above the inflation rate, but when the device was forced upon them by the legislature, most of the districts voted "no."

The legislative plan for school district use of slot money also provided for exemptions under which districts could increase taxes without voter approval, as is currently the case, for such reasons as sudden influx of students, emergency constructions needs, or new federal or state requirements. In other words, those excuses would release a school district from the need to hold a referendum when it wanted to raise taxes more than the inflation rate.

According to Michael Griffith, an analyst with the Education Commission of the States, a non-profit group in Denver, Colorado, Pennsylvania is the only state where school boards have almost unlimited discretion to increase property taxes. The legislative proposal would therefore have brought school district taxing power more in line with the national standard.

Rendell was correct to observe that “it probably was a flawed concept to allow the people whose power you are restricting to vote on this.”

Will lawmakers fix the problem to give school districts slots money while permitting them to raise taxes as much as they want? In an election year the answer is that a new deal is unlikely. Some Republicans would love to see the Governor embarrassed by having one of his star programs falter. Some Democrats would like to ridicule the Republicans by saying that the plan only failed because Rendell had to make a deal with the legislature which was doomed to failure.

There were those, such as Citizens Against Higher Taxes, who opposed the program because the revenue needed to come from gambling money. For some, there is political gain to inertia. For others, there is political opportunity by backing the plan that almost succeeded.

It is difficult to separate the wheat from the chaff in any debate, but clearly the taxpayer, at least temporarily, has lost the opportunity for tremendous relief (especially for our senior citizens) while restricting the overall long-term right of school boards to increase taxes beyond the rate of inflation. That is something people say they want, but when the pedal hit the metal, the political will was just not there.

Clifford A. Rieders, Esquire
Rieders, Travis Law Firm
161 West Third Street
Williamsport, PA 17701
(570) 323-8711
rieders@riederstravis.com

Cliff Rieders, who practices law in Williamsport, is Past President of the Pennsylvania Trial Lawyers Association and a member of the Pennsylvania Patient Safety Authority.