



**Testimony of Stuart L. Knade, General Counsel
Pennsylvania School Boards Association
Regarding Act 32 of 2008
Before the House Finance Committee
October 6, 2015**

Mr. Chairman, members of the House Finance Committee, thank you for providing the Pennsylvania School Boards Association this opportunity to give you our feedback on the success of Act 32 of 2008. The Pennsylvania School Boards Association is a nonprofit statewide association representing the 4,500 elected officials who govern the commonwealth's public school districts. PSBA is a membership-driven organization, pledged to the highest ideals of local lay leadership for public schools and working to support reform for the betterment of public education that prepares students to be productive citizens, and promote the achievements of public schools, students and local school boards.

PSBA was deeply involved in the legislative process that led, over the course of several years, to Act 32 of 2008, providing a comprehensive overhaul of local earned income tax collection practices and putting in place a framework of county-wide consolidated collection. Our members were understandably wary of consolidation proposals at the outset of that process. PSBA identified numerous concerns with the initial legislation, some very technical, some conceptual, but nearly all of our proposed amendments to resolve those concerns were eventually incorporated into the final version that became law. I recall that process as being very collaborative, in which all the main players demonstrated a commitment to taking the time and

careful technical vetting necessary to produce a system that was actually going to work well, and would deliver on the promise of greater efficiency, effectiveness and convenience for all stakeholders---taxpayers, employers and local government units.

We continued that collaboration during the initial implementation phases as we helped our members to navigate through the process of setting up the county-wide tax collection committees and putting in place the necessary structures, rules and procedures, comparing notes along the way with DCED and other stakeholders about the various issues that cropped up, some inevitable, some unanticipated. Eventually, everyone worked their way through the birth pangs, and county-wide consolidated collection became a reality statewide.

In the years since, once the tax collection districts began routine operations, the Act 32 framework has not been much of a source of questions and concerns among PSBA members. We field thousands of telephone calls and email requests for guidance and assistance every year from school directors, administrators and solicitors, but Act 32 just is not a subject that lights up our phones anymore. We take that as an indicator that Act 32 is working quite well by providing for efficient tax collection with few noticeable problems for Pennsylvania school districts. What we are told by those who are more directly involved in EIT collection is that Act 32 has been a great success, and indeed has delivered on its promises of greater efficiency, effectiveness and convenience.

That is not to say that Act 32 works perfectly, or that there are not improvements that could be made. However, in PSBA's view, piecemeal tinkering such as is proposed by Senate Bill 356 and House Bill 245 is not a sound approach, and PSBA shares the more specific concerns about those bills expressed in the testimony of the Lancaster County Tax Collection Bureau, which we need not duplicate here. We urge the General Assembly not to fiddle around

with what was the product of such a collaborative and careful refinement and technical vetting process without engaging in an equally careful and collaborative process that takes a comprehensive look at all the moving parts working together.

Indeed, Act 32 itself provides for a comprehensive review of how it has worked. Section 517 of Act 32 requires that before 2017, the Legislative Budget and Finance Committee must conduct a comprehensive audit and evaluation of Act 32's impact and effectiveness, in consultation with the Auditor General, and develop recommendations about needed improvements. The report resulting from that review is required to be filed with the Chairs of both this Committee and its Senate counterpart before the end of next year. PSBA suggests that further consideration of the changes proposed by House Bill 245 and Senate Bill 356 be deferred until that more comprehensive examination has been conducted.

Lastly, PSBA recommends that in addition to the specific questions Act 32 requires the Legislative Budget and Finance Committee's report to address, the review should also examine whether the success of Act 32 with regard to earned income tax collection could be replicated by applying similar approaches to our fragmented and balkanized real estate tax collection.

Thank you for your attention and this opportunity to speak to you today.