



January 24, 2022

Senate of Pennsylvania

RE: Senate Bill 527

Dear Senator,

On behalf of the more than 5,000 school directors and administrators governing the state's school districts, intermediate units and career and technology centers **PSBA is writing to express opposition to Senate Bill 527 due to the unprecedented and unrestricted expansion of the EITC and OSTC programs through the use of an "automatic escalator"**.

Under the provisions of the bill when 90% or more of available tax credits are utilized in either the EITC or OSTC programs in the prior year then the amount of tax credits allocated to the EITC or OSTC programs in the current year would automatically increase by 25% without any required legislative action through the state budget process. Traditional public schools that educate roughly 90% of the children in Pennsylvania continue to fight uphill battles for 2 to 3% increases in state education funding every year, despite Pennsylvania ranking near the bottom (45th out of 50 states) in terms of the state's share of education revenue. Comparatively, this bill would take programs that currently costs \$225 million (EITC) and \$55 million (OSTC) this year and grow them to a combined estimated of \$2.6 billion in 10 years.

PSBA is opposed to automating such drastic increases for these programs and believes that it is more appropriate to maintain the historical practice of gauging the fiscal health and available resources of the Commonwealth every year and negotiating the distribution of those precious resources each June in the annual state budget based upon identified needs. In a recent statewide survey where parents were asked how to best help students in struggling schools, 63% of parents said that they supported providing additional resources and supports to the struggling schools as opposed to providing students in those schools with vouchers or scholarships to attend a different school. An unrestricted expansion of the EITC and OSTC programs would significantly impact the revenues collected by the state in future years and shift much-needed resources away from other essential priorities such as supporting public schools; especially struggling schools in resource-poor communities.

Further, the State Independent Fiscal Office on January 24, 2022, released a comprehensive analysis of the EITC and OSTC programs that is worth further review by the Senate as it

considers changes to the statute. Recommendations in the report which would provide for greater transparency, administrative fee restrictions, and deeper analysis of the tax credits usage and effectiveness are important policy considerations, especially in light of the significant expansion proposed in Senate Bill 527.

Thank you for your consideration.