

Property Taxes: NO! Competition: YES!

By Roy Minet (Rev. 05/18/17)

School property taxes are once again increasing. No one is surprised. Property taxes have become so burdensome that many are struggling to keep their homes; some are losing them. This is so even though all property owners pay school taxes, not just those with children.

The cost of PA public schools has increased dramatically over the past 25 years and is now nearly \$16,000 per student per year. (The national average is just over \$12,000.)

Politicians “sympathize.” They dance around the issue but don’t solve it. Hey, folks: this problem is big; it is steadily getting worse; and it should be obvious that only fundamental and dramatic change can fix it.

Educating young people effectively and at the lowest possible cost is a complex and challenging undertaking. Just as with other things at that level of difficulty, like manufacturing cars, the only way to find out how cost-effectively it can be done is through free and open *competition*. Competition always drives quality up and costs down. Without true competition, there is no way *anyone* can know how much it should cost to educate a child or how well it can be done.

Entrepreneurs and education experts must be free to try doing education in any way they think might work best. Parents must have choices and be free to pick the accredited option they believe will best educate their children at the most affordable price. Schools that do a good job will flourish and those that don’t will quietly go out of business (which is critically important).

Instead, public schools are set up as a monopoly. Monopolies are bad and schools are the worst kind: a government-run monopoly where more money can just be confiscated by force from citizens whenever schools think they need it. That’s exactly what has been happening. There can be no meaningful competition when parents have to pay for private schools, but can send their children to public school free. The fact that private schools survive at all is strong confirmation that there is serious demand for more school choices.

Ideally, we should just stop doing what isn’t working well; phase government (*all* governments) completely out of education and allow the free market to provide educational services, just as it very successfully provides so many other goods and services. Make everything completely voluntary.

Having children comes with the moral and legal obligation to support them well. Children must be fed, clothed, nurtured, sheltered, educated and receive proper medical care. Education is just one of the many responsibilities of parents; there is no valid reason why it should be singled out and other people forced to pay for it.

Unfortunately, the ideal solution cannot be implemented directly. Article III, Section 14, of the Pennsylvania Constitution says the state "...shall provide for...a thorough and efficient system of public education..." Rather than perpetuate the monopoly, surely there's a better way that would pass legal muster until the constitution can be amended.

The simplest would be to just hand money to parents and let them decide what to spend at any accredited school of their choice. They would be free to add some of their own money for a more expensive school, or choose a lower priced school and pocket the difference.

Suppose they receive in the first year the median cost per student in their area (approximately \$16,000 per child). The cost to taxpayers would initially be the same. Thereafter, parents receive the median amount per child actually spent the prior year by parents in their region.

There would immediately be full school choice and lots of free market competition for all those education dollars, both very good things. Over time, prices should decline.

However, anyone who earned at least a "C+" in Economics 101 will be quick to point out that subsidizing parents distorts the market (as any subsidy must). The downward pressure on prices is greatly reduced compared to the normal case where parents spend entirely their own money. Notice how Pell grants, PHEAA grants and low-interest loans have caused college tuitions to rise abnormally. It would be far better to give parents, say, 80% of the median amount and then gradually reduce it to zero as soon as the constitution allows.

School property taxes don't make much sense under this model (if they ever did). This bad and despised tax would be abolished. Educational subsidies would come from general revenues, preferably the sales tax. Although it really isn't, progressives screech that a consumption tax is "regressive." To ameliorate such objections, don't collect sales tax on food, clothing, medical expenses or tuitions.

Until we eliminate government force and allow true free market competition, there will be no way to know how much education should cost or how good it can be—and there will be no end to public school budget shortfalls and property tax increases.

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