

A FAIRER SCHOOL TAX SYSTEM

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(In response to editorial about
publicly funded schools and the property tax)*

Homeowners are appropriately angry and cynical. Taxes on real estate seem to escalate without end. Even when property values are declining, assessments are not correspondingly reduced and the tax rate applied to the assessed value keeps climbing. For homeowners in communities such as Camden or Chester, where the tax base has eroded with the departure of businesses and higher income residents, the tax rates on real estate are unbearably regressive (that is, they fall very heavily on households with low incomes. The overwhelming consensus is that the means by which our cities and local governments raise revenue are destroying large numbers of communities. No argument there.

The Inquirer asks for a fairer tax structure but does not offer any principles upon which to achieve that end. Bringing fairness to our public revenue system is a challenge undertaken by an activist group (Common Ground USA) I have belonged to for over a decade. Our guiding principle is that people ought to pay for benefits received and not be taxed for what they earn, the property they own personally or use for business purposes or the commerce they engage in.

Not included in our definition of "property" are locations. The value of land is not associated with what an individual owner does or does not do with land. In fact, any economist will tell you that the only reason land has a selling price is because the community (through government) fails to collect its full rental value (the optimum fee the community ought to charge for granting a titleholder of land exclusive use). Viewed from this perspective, payment of rent for the use of land is not taxation at all; rather, it is a market-derived user fee, determined by the auction process of bidders competing for the use of various locations. Because state governments provide certain services (e.g., bridges and highways, police protection, etc.), a portion of the location rent collected locally

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ought to be paid to the state, which can then decide where and how to assist the more distressed communities.

On principle, then, the basic source of revenue for any community is the rental value of the locations within that community. For some communities today, this would be more than enough to pay for all services—including the subsidization of education for children and other community residents. For other communities, severely disadvantaged by decades of decline, subsidies from state government may be required until the local economies recover (and, absent the burden of taxation on business and commerce, combined with the very significant discouragement to absentee landowners and land speculators, these communities will recover more quickly than people have dared imagine).

The above dismantling of the tax system ought to be carried all the way up to the Federal level. Common Ground estimates that the amount of the subsidy the Federal government gives to those who lease lands for mining, grazing and forestry, if collected, would balance the Federal budget. Another major giveaway has been the practice of permanently selling rights to the airwaves for television and radio, which ought to be leased to the highest bidders.

As important as reform of our public revenue system is, there are very different but equally critical issues associated with how we deliver educational services to children and others. Public funding of education is still a great

equalizer in our society, although publicly-owned and run schools are increasingly able to respond to increasing demands. Yet, I would argue that the core problem is not "public" versus "private." With a very few heroic exceptions, our schools are organized exactly opposite of how they ought to be. Instead of being formed as hierarchies with boards of directors or trustees at the top, who hire administrators who hire instructors, schools ought to be cooperative ventures formed by teaching professionals who share the same philosophies of educating people. As a professional association, teacher-owners can then hire administrators to assist them. The schools they form will succeed or fail based on how well the teachers deliver services, on their ability to at-

tract students who want to enroll because the quality of the education they receive is so high.

Location rent (supplemented by state government) can establish a baseline tuition voucher for each child in every community. Just as with college or technical schools, lower income families could apply for financial grants to add to the vouchers. Another idea is to issue vouchers in amounts tied to household incomes and the number of children receiving vouchers.

There are no simple solutions to these very inter-related problems. However, once we have a full and open discussion of the principles involved, perhaps we will move forward with solutions. I believe the above proposals will take us a long way in the right direction.