



When Growth Forces a Tax Cut:

How Pennsylvania's Multi-County Rebalancing Rules Penalize School Districts

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School business officials typically expect growth in assessed value to provide some measure of budgetary relief or stability. In a number of Pennsylvania school districts that span multiple counties, the opposite can occur. Under current multi-county rebalancing rules, increases in assessed value can force a reduction in millage, limiting a district's ability to benefit from legitimate tax base growth.

This outcome is not the result of aggressive taxation or local decision-making. Instead, it stems from statutory requirements that mandate equal percentage changes in total tax levy across counties, regardless of where assessment growth occurs. When one county experiences significant reassessment growth while another remains relatively flat, districts must rebalance millage rates to maintain proportional levy changes. In practice, this can require lowering millage even as overall assessed value increases.

For rural, mixed-county districts, the effects are particularly pronounced. These districts often operate with limited commercial tax base and narrow operating margins. Assessment growth, when it occurs, should serve as an important stabilizing factor. When that growth cannot be fully captured, districts lose a critical tool that could otherwise help offset rising costs in transportation, special education services, utilities, and staffing.

The operational consequences are significant. Forced millage reductions introduce uncertainty into the budget development process and complicate long-term financial planning. Even in years when a school board intentionally adopts a zero percent tax increase, millage rates may still change due to rebalancing requirements. This creates understandable confusion for taxpayers, who often interpret changing millage rates as evidence that the district is being less than transparent. In reality, districts are required to adjust millage to comply with levy equalization rules tied to shifting assessed value and market share across counties, a distinction that is extremely difficult to explain to a lay audience.

Over time, these forced millage reductions carry an additional and lasting consequence. Each reduction permanently lowers a district's millage baseline. Because Pennsylvania's Act 1 index limits future tax increases, districts are unable to recapture lost millage in subsequent years, even when financial need exists.

As a result, revenue capacity is permanently eroded, compounding structural challenges and further constraining a district's ability to respond to cost pressures without voter-approved tax measures or program reductions.

Importantly, these outcomes occur even when a district's overall tax effort has not increased. This issue is not about raising taxes. Rather, it highlights an unintended consequence of a system designed to promote equity across counties. Alternative approaches, such as focusing on equivalent millage adjustments rather than equivalent levy percentages, may preserve taxpayer protections while allowing districts to benefit appropriately from legitimate growth in assessed value.

School business officials are well positioned to explain these mechanics clearly using data and real-world examples. As discussions around funding equity and tax policy continue, multi-county rebalancing deserves careful review to ensure it functions as intended for all districts.



A Law That Undermines Public Trust

Even with a 0% tax change, millage rates can still shift.

"They said no tax increase but my tax bill went up, someone is lying."

State law requires millage adjustments when assessed values grow unevenly across counties to keep tax levy increases equal, not millage.

"I'm being penalized because of where I live and I have to foot the bill for the people across the river who get a break?"

The district is complying with the law, but required millage changes due to assessment swings are difficult to explain and often feel deceptive to taxpayers, even when they are not.

"So commercial properties get assessed down and homeowners pick up the slack? I don't care what you call that, it's just wrong."