

Good afternoon. Senators Muth, Fontana, Carney, Costa, and Williams, thank you for inviting me to testify today. My name is Dr. Melissa Friez. I have spent the past twenty-two years serving both urban and suburban school districts in Allegheny County as a teacher, principal, assistant superintendent, and superintendent. This month I began my second year as the superintendent of schools at Mt. Lebanon School District.

Today, I'm here to talk to you about how property tax reassessments and common-level ratios have impacted the Mt. Lebanon School District's budget, which ultimately impacts our ability to provide services to students.

The municipality of Mt. Lebanon is located in the southern suburbs of Allegheny County. We serve a community of six square miles, with 34,000 residents, approximately 14,000 homes, and 5,500 K-12 students. Due to the lack of available land to build, the Mt. Lebanon community does not see yearly additions of new homes or business structures.

Three-quarters, or 75%, of our District's budget is generated from local revenue sources. The main source of the District's revenue is real estate tax, which accounts for 63% of our budget. State revenue sources provide 24% of our budget and 1% is from federal revenue sources.

The District utilizes a process for reassessing properties when they are sold. The District real estate counsel uses a method to determine what properties to assess. The equation takes the sale price of the home, multiplies it by the Common Level Ratio, and then subtracts out the current assessment. If the difference is \$400,000 or more they file an appeal on behalf of the school district. The idea for the difference is that if we are successful, the gain in revenue is about \$10,000 per year in school taxes. We would be looking for such a gain given the costs of litigation and efficient deployment of district resources.

In recent years, the largest impact on our revenues has been commercial property that has utilized the Common Level Ratio ruling to benefit from reduced assessed values.

The CLR is the average ratio between the fair market value and the assessed value in a given county. In Allegheny County, the 2021 *Gioffre v. Fitzgerald* lawsuit alleged that Allegheny County inaccurately reported property sales data used to set the CLR, resulting in an unfairly high ratio and over-assessments for property owners. On Sept. 1, 2022, a preliminary injunction was entered reducing the CLR from 81.1% to 63.5% for 2022 and ordered Allegheny County to supply Pennsylvania's state tax equalization Board (STEB) with new data to recalculate the 2022 CLR. This resulted in a CLR of 63.6% in 2023 and 54.5% in 2024.

As a result of action taken by Allegheny County Council in February 2023, taxpayers were allowed to retroactively appeal tax year 2022 at the adjusted ratio, in addition to filing an annual appeal for tax year 2023. In our community, commercial properties have taken advantage of this ruling, which has resulted in increased tax refunds. Over the last five years, we have refunded the following total amounts for each school year:

- 2019-2020: \$15,636.38
- 2020-2021: \$58,271.43
- The first year of the CLR lawsuit ruling, in 2021-2022, we refunded \$439,150.87.
 - This is a more than 2,700 percent increase in refunds from the 2019-2020 school year.
- In 2022-2023, we refunded: \$243,487.79
 - While this total went down from year-over-year, in 2023-2024 we hit record refunds.
- In 2023-2024, we refunded: \$1,236,084.73. More than 75% of this was paid to commercial properties.
- In 2024 - 2025, we project to refund between \$1.5M and \$1.8M.

In addition to the reduced revenue due to reassessments, we also pay for legal counsel to represent us in these cases.

The rising tax refunds and increased legal fees significantly affect our budget, ultimately impacting our students. The Mt. Lebanon School District has maintained a consistent yearly enrollment of approximately 5,500 students for many years. It is significantly challenging for the district to make improvements, and pay for increased costs of products, services, and labor while considering the burden of taxes on our residents. However, this is the only source of income that we have some control over, unlike the state and federal revenue provided to our District.

The impact of the CLR on our commercial property assessments has resulted in the District raising taxes each year for the last three years. This year, in addition to raising taxes to the Act 1 index, we also had to reduce the number of professional and paraprofessional staff, reduce money allocated to supplies and services, and revise programming to be more cost effective. Mt. Lebanon is not the only school district in Allegheny County that is directly impacted by real estate assessments and the Common Level Ratio lawsuit.

In my role as superintendent, and the need to be hyper-critical of finances, I have become more aware of the inequities related to the current antiquated system that our state utilizes to complete property assessments. No longer should it be the sole responsibility of a school district to fix Pennsylvania's outdated property assessment

system. There is a need to modernize this process and create an equitable system that can be consistently implemented across the commonwealth. Only state leaders like you can ensure this occurs.