

these buildings are clustered in some of the wealthiest neighborhoods in the city.¹ According to the school district's 2013 Comprehensive Annual Financial Report (CAFR), the school district collected \$650 million in property tax revenue, with the notes section on "Real Estate Taxes" only providing that the reported amount complies with GASB Statement No. 33.² We look forward to the day when abatement revenue losses are appropriately accounted for in school districts' CAFRs.

The proposed rule also rightly recognizes that tax abatements have intergovernmental impacts. The tax abatement system in Philadelphia is administered by the city but, as the PCAPS report demonstrates, has a profound impact, in turn, on the school district.

While GASB's proposed rule would provide welcome transparency on the city's system of abatements, we encourage the GASB to refine the exposure draft. For example, the city actually offers three separate but similar types of 10-year property tax abatements. Under the GASB's proposed rule, the revenue lost to all of these programs would be reported as one aggregate number. A more useful rule would require revenue losses to be disaggregated by program, so CAFR users could see which type of tax abatement is costing the school district the most. And given how very concentrated we know tax abatement spending is in a small number of projects, it would be more useful to have taxpayer-specific abatement disclosure.

Also, GASB's draft standard would only require a single year of lost revenue to be reported. In Philadelphia, the tax abatement system has a long-term impact on the school district's budget. Each abatement has a 10-year life span, with new abatements approved every year and others expiring. In order for the school district and interested parties to accurately plan and budget, we need a comprehensive accounting of the long-term cost of these tax abatements.

Finally, we endorse the comment of our national affiliate, the American Federation of Teachers, that the GASB's final standard should cover all forms of economic development tax abatement spending, including tax diversions as well as tax reductions.

Thank you for the opportunity to comment on these important issues.

Sincerely,



JERRY T. JORDAN
President

¹ <http://wearepcaps.files.wordpress.com/2013/10/pcaps-paper-abatementsfinal.pdf>

² www.phila.k12.pa.us/offices/cbo/docs/cafr_2013.pdf