



## News From Unionville Chadds Ford School Directors **Frank Murphy and Timotha Trigg**



### **Unionville-Chadds Ford School Board Sets a New Tone**

A refreshing responsiveness and a new dialogue with residents has been the objective of the new 2010 Unionville-Chadds Ford School Board. Timotha Trigg, School Board President has strived to set a cooperative tone among school board members. Frank Murphy, newly elected school director, promised better communication. As a result, during school board meetings, answers are now provided to resident questions and, during work sessions, resident comments are welcomed for the first time.

### **Unionville-Chadds Ford School Budget – Nuts and Bolts**

There is a great deal of discussion about taxes, salaries, programs, and costs, but it is hard to ever get a clear picture of the school district budget in one place. While the following may not be a complete description of all budget nuances, hopefully this will give you an idea of the general parameters of the budget.

The 2010-2011 budget is anticipated to be approximately \$70,000,000. On a cost per student basis, that \$70,000,000 budget educates about 4,100 students, equating to a cost of \$17,000 per student per year. Of the \$70,000,000 almost 72% of the budget goes to personnel costs (salaries and benefits), and just less than 12% goes to debt service (including an anticipated \$3,000,000 for the high school renovation project). In addition to increasing PSERS costs (see related article) fuels and utilities are anticipated to see a 12% increase next year.

As noted, 72% of the UCF budget goes to salaries and benefits. Of that, the large majority is dedicated to instruction and support. 7.5% of total salaries and benefits are paid to Administrative positions, 11.5% to Buildings and Grounds and Transportation.

On the revenue side, 78% of UCF revenue comes from local real estate taxes, 15% comes from Harrisburg, and just over a quarter of 1% (0.26%) comes from Washington. Therefore, as the budget increases its impact is felt overwhelmingly by local property owners. There are approximately 6,600 households in the district, so on average, each household pays \$8,272.00 in property taxes to support the school district. Because of the declining real estate market, transfer taxes and interim taxes have decreased somewhat and now stand at about \$2.6 million.

Complicating matters, while Chadds Ford has seen an increase in average assessed value each year, the vast majority of the District is based in Chester County – which has seen a decrease for the first time in recent memory. Decreasing assessments mean more tax appeals, and less revenue, requiring an increase in millage rates just to maintain the status quo.

Each year, pursuant to the law known as Act 1, Harrisburg sets an index to which school districts can automatically raise taxes for general fund purposes without seeking a referendum, and also sets other limits on what are known as “exceptions” to that limit for special education funding and PSERS, also outside the referendum requirements. This year’s index without exceptions is almost 2.9% and the School Board has indicated that any tax increase will be held at approximately that value.

If that holds true, this year will mark the first year where the UCF Board has intentionally not increased taxes to the absolute maximum permitted without referendum. While there is some strong feeling that taxes should be kept below 2.9%, and that any increase should be prevented, there are automatic cost increases in the school district budget for salaries, benefits, etc., that would require cuts in programs if there was no tax increase whatsoever.

Many meetings have been held to obtain public input, and comments from taxpayers, staff members, parents, teachers, administrators, and other community members have been sought. Taxing is difficult – and it should be. Timotha and Frank have pledged to be fiscally responsible while maintaining excellence in education, and believe that a fair balancing of interests is maintained by holding to the non-exception 2.9% tax increase. As always, we welcome your thoughts and comments. Frank can be reached at [murphy.2004@comcast.net](mailto:murphy.2004@comcast.net) or 484-841-6371 and Timotha at [Timotha@comcast.net](mailto:Timotha@comcast.net) or 610-388-6220.



## News From Unionville Chadds Ford School Directors **Frank Murphy and Timotha Trigg**



### **What You Need To Know About the Pennsylvania Public School Employees Retirement System: PSERS**

One of the biggest challenges facing the Unionville-Chadds Ford School District – and every school district in Pennsylvania – is the escalating cost of the Pennsylvania Public School Employees Retirement System, PSERS. PSERS is the defined benefit plan offered to all teachers with more than five years of service. Calculation of benefits is based on several factors, including (1) years of service, (2) the three highest salary years of that retiree's service; and (3) a "multiplier" of 2.5. For example, a teacher with thirty years of service would receive a pension calculated by multiplying the years of service by the multiplier (30 times 2.5, which equals 75%). That retiree would therefore receive 75% of the highest three years of salary. In UCF, there is very little turnover in our teachers so many of our retirees have high years of service and are at the top of the pay scale (that is at or near \$100,000) when they retire. The pension calculation thus results in a \$75,000 per year pension for the remainder of that retiree's life.

Before we go any further, please note that this article is not intended to criticize teachers, to comment on pay scales, or to attack the pensions that were negotiated over many years. This article is simply to explain how the PSERS system works and why Governor Rendell has said it is as devastating as a tsunami.

*Tsunami* is a powerful word, correctly suggesting that the PSERS situation is a crisis in the making. There is no point assigning blame, but in those long ago days when investments were earning significant returns, the State Legislature and the Governor were lobbied not just by the teachers' union, but by all public employees – including the Legislature itself – to increase pension benefits. The problem is that those pensions now cost more than the investments funding them earn. The Pennsylvania Supreme Court has ruled that pensions can't be reduced for existing employees, so more must be contributed by the only other existing source: taxes. What are those taxes based on?

In UCF, the employer (i.e., school district) contribution to the pension plan is the amount the school district as employer contributes to the pension fund. In the 2009-2010 school year the percentage was 2.39% which equated to \$850,000 of a \$68,000,000 budget. The State "contributes" an equal amount. Of course, the State gets its money from taxes, so in reality residents pay both the State's "share" as well as their local school district share – but the local share is much more direct and is reflected in your yearly property tax bill. To illustrate the trend, the employer contribution in 2009-2010 was 4.78% (the state and district each pay this amount), increases to 8.22% in 2010-2011, then to 10.59% in 2011-2012. Assuming an 8% return on investments, the contribution is expected to increase to 33.6% in 2015 and stay between 20% and 30% as far as has been projected, which is 2033.

The aforementioned percentages will be matched by the State as the plan is currently operating. There is no guarantee however that the State will always fund its 50%. It is not beyond possibility that the State could decrease its contribution, or eliminate contributions entirely, or limit contributions given to school districts in more affluent areas.

The impact is obvious and devastating. Since the overwhelming majority of UCF's revenues come from property taxes paid by homeowners, local residents will bear an increasing burden to fund the pension system. As stated above, in 2009-2010 UCF taxpayers paid about \$850,000 into the system; in 2010-2011, that will increase to \$1,500,000; 2011-2012 will require \$1,900,000 and then the bottom will drop out: 2012-2013 is anticipated to require a contribution of \$5.4 million dollars just from UCF taxpayers. After that, as best anyone can tell, contributions of close to \$6,000,000 per year will be required. The 2010-2011 projected budget is approximately \$70,000,000 with only a \$850,000 net contribution. You can see the impact on budgeting and taxes. As more and more dollars get diverted to pensions, there are only three choices: increase revenue from non-property tax sources; decrease other spending; raise taxes. In all likelihood, a combination of all three will be required. The next problem, though, is that other sources of revenue are difficult to generate and to count on recurring yearly. Reducing spending means painful choices, and nobody wants to see a decrease in quality or opportunity of education. Since school districts must by law balance their budget every year, there is little question that taxes will be raised to cover PSERS contributions.

Please keep an eye on this developing PSERS crisis and don't hesitate to contact Timotha or Frank if you have any questions or comments. Frank can be reached at [murphy.2004@comcast.net](mailto:murphy.2004@comcast.net) or 484-841-6371 and Timotha at [Timotha@comcast.net](mailto:Timotha@comcast.net) or 610-388-6220.

