

SERS/PSERS Hearing Testimony

My name is Joel Sears. I am a resident of York County where I operate a small IT business. I am also president of the York County Taxpayers Council, a group of 350 citizens dedicated to tax policies based on Transparency, Accountability, and Value. YCTC is also a charter member of the Pennsylvania Coalition of Taxpayer Associations, composed of 36 regional groups and 50,000 members.

I am here this morning to provide testimony that underscores the severity of the pension funding problem from two different perspectives. I will start by focusing on Carol, a resident of the 94th Legislative District, whose situation is shared by hundreds of thousands of Pennsylvanians. They occupy the tip of one of the largest fiscal icebergs in our history.

I will also provide data for my school district, York Suburban, to illustrate in the starkest possible terms the impact of this crisis on taxpayers throughout the Commonwealth.

About a month ago, I received a phone call from Carol searching for help with her school taxes. She is a 77-year-old widow who moved to Pennsylvania in 2003 to care for her sister. Since then, her school property taxes, like those of virtually every resident of York County, have more than doubled – hers have increased from \$1700 to \$4000 per year. Her county and township taxes add another \$900 to this burden.

Her financial situation is dire – Social Security income of \$1164 per month and expenses of \$1550 per month, including \$200 a month to repay a loan for last year's school taxes. She has done everything she knows how to do to minimize her expenses. She even entered into a reverse mortgage to stop the payments on her house, even though there was no equity to support a monthly payout.

Knowing that she lived in his district, I contacted Rep. Saylor's office and turned the matter over to them. A week later I received an email from Jo Anna Shovlin, Stan's Chief of Staff, with a report of the steps that had been taken to help with Carol's situation. A copy of Jo Anna's email is included as Exhibit 1 for your information.

I want to commend Jo Anna and others on the staff for their willingness to take action. By facilitating Carol's enrollment in the state's property tax rebate program as well as her school district's matching program, she qualifies for \$1300 in rebates.

That's the good news. Now for the bad: the remaining property tax still consumes 27% of Carol's income. And, as you all know, every dollar of the rebates comes from other taxpayers. Neither the state nor the district has a money tree or a secret stash of money in the basement to finance them. You can rest assured that her school district has *not* reduced its spending to offset these rebates. To make matters worse, starting in just two years, every dollar of her rebate will be consumed by the additional taxes needed to fund the pensions in her district. You know she's not alone.

Now let's shift gears to a slightly higher level. The 5-Year Budget Summary in front of you (Exhibit 2) was provided by the Director of Finance and Administration of the York Suburban School District. Suburban has a financing profile shared by 60-70% of Pennsylvania's 500 school districts – it gets the majority of its operating budget from local taxes. As bad as the existing tax burden is, when the pension bomb explodes, Suburban's ratio of benefits to salary will more than double – from 31.4% today to 68.5% by the end of the budget horizon.

Act 1 was supposed to insulate taxpayers by limiting increases to an inflation-based index. However, as you must know, there are exceptions which permit a district to increase taxes above the index without referendum, and one of them is pension contributions. Suburban projects a shortfall of \$3.8 million in Fiscal 2013, 100% of which will be passed on to taxpayers through a 13% property tax rate increase. By the end of Fiscal 2015, taxes will have increased by 54.9% from \$2935 to \$4548 based on a median value of \$155,664. The exhibit provides estimates for assessed values of \$100000, \$250000, and \$500000.

As bad as things are now, they will worsen dramatically unless the General Assembly takes action *now* to deal with the underlying structural issues. They include:

- The sustainability of defined benefit plans
- The size and cost of government payrolls
- The size and cost of unfunded mandates

- The relationship between government services and funding
- The means by which taxing authorities raise revenue
- The overdependence an arbitrary, inequitable, and unconstitutional form of taxation: real property tax

To illustrate the last point, I've provided an exhibit that compares assessments and taxes for all of the houses in Carol's development. Assessments in York County are supposed to reflect 100% of fair market value. If you look at the yellow column (Assessment as % of sale) you'll see a huge variation from 57% to 157.9%. Article VIII, Section 1 of our constitution states that:

All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws.

A uniform *rate* of taxation (e.g., the millage level) does not and cannot generate uniform *taxation* if the assessments aren't uniform. And because it is impossible to make assessments "uniform," it is impossible to construct a uniform tax based on them.

So here we have it in a nutshell. 500 pension bombs, with their fuses lit almost 10 years ago, have rolled all the way downhill from Harrisburg to every school district in the state. When they explode, the vast majority of Pennsylvania property owners (and *only* property owners) will see their school taxes balloon by 25% or more with no relief in sight – unless the General Assembly resolves to take ownership of the problem and pass comprehensive legislation like HB1275 to completely overhaul education funding, control education costs, and eliminate school property taxes forever.

Joel Sears

From: Jo Anna Shovlin [Jshovlin@pahousegop.com]
Sent: Wednesday, March 03, 2010 11:01 AM
To: jsears@yctc.us
Subject: Constituent call

Mr. Sears,

I wanted to give you an update. Last week when I got off the telephone with you I immediately called her back.

Although, I did not have a solution I did give her help on programs. I mailed her the Property Tax Rebate Form through the state and also a form to get a "matched" rebate through the Red Lion School District. In reviewing her income quickly on the telephone, she could get \$650 from the state and \$650 from the school district. It's not \$4,000 but \$1,300 will help. On the forms I listed our office telephone number so she can call to come in and we will prepare and process her applications.

Also, in reviewing her file in November 2009 we assisted in completing an application for heating assistance. Which she should be receiving in her January and February (2010) bills.

I also gave her name and number to our local Community Progress Council. And to make sure, I called my friend at the Council and gave her all information. If the constituent does not call within a few days, they will call her.

In the next two months me and another staff member in cooperation with the Red Lion and Southeastern School Districts will be working at our seniors centers preparing and processing property tax rebate forms. I coordinate these dates in order to get the senior applications process so they can get their check July 1st of each year. Just in time for the school tax bills that are mailed to residents in the summer.

Should you find someone from Representative Saylor's district needs assistance in the future do not hesitate to contact me. You have my email address and telephone number.

As part of my job I strive to see this office offers the best assistance to all constituents in the 94th district.

Mr. Sears, thank you for calling and taking the time in this issue.

Sincerely,

Jo Anna J. Shovlin
Chief of Staff
Representative Stanley E. Saylor
PA State Representative -94th District Office:
15 South Main Street
2nd Floor
Red Lion, PA 17356
717-244-9232
717-246-2387 fax
jshovlin@pahousegop.com

York Suburban School District
Five Year Budget Summary

Object Description	FY09 Actual	FY10 Final Budget	FY11 Projected	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected
General Operating Fund Budget							
Total Local Revenue	36,512,720	38,589,100	39,905,200	42,352,050	43,494,620	48,314,073	47,391,680
Total State Revenue	5,660,745	5,771,700	6,097,600	6,557,000	9,097,800	9,695,600	10,323,000
Total Federal Revenue	140,564	285,000	380,000	380,000	380,000	380,000	380,000
Total Other Financing Sources	-	-	-	-	-	-	-
Total General Operating Fund Revenue	42,314,029	44,645,800	46,382,800	49,289,050	52,972,420	58,389,673	58,094,680
Personnel Services - Salaries	22,062,481	22,675,874	23,422,600	24,001,400	24,594,500	25,202,500	25,825,600
Personnel Services - Employee Benefits	6,933,044	7,542,722	8,406,800	9,538,300	14,822,700	16,377,800	17,678,400
Employee Benefits as % of Salaries	31.4%	33.3%	35.9%	39.7%	60.3%	65.0%	68.5%
Purchased Professional and Technical Services	2,329,044	2,787,570	2,857,300	2,928,700	3,002,000	3,077,100	3,154,100
Purchased Property Services	1,002,604	1,215,419	1,389,500	1,438,800	1,489,900	1,543,000	1,598,100
Other Purchased Services	4,578,967	3,821,135	4,019,900	4,120,600	4,223,600	4,329,100	4,437,600
Supplies	1,769,864	1,877,551	1,982,100	2,031,600	2,082,400	2,134,400	2,187,800
Property	953,503	598,932	614,000	629,300	645,100	661,300	677,700
Other Objects	1,265,033	1,486,198	1,926,833	2,117,980	2,391,426	2,527,018	2,710,950
Other Uses of Funds	2,920,512	2,640,400	2,816,317	3,124,290	3,567,766	3,783,934	4,079,600
Total General Operating Fund Expenditures	43,815,052	44,645,800	47,435,350	49,930,970	56,819,393	59,636,153	62,349,851
Total Budget Increase		1.9%	6.2%	5.3%	13.8%	5.0%	4.6%
Revenue Over (Under) Expenditures	(1,501,023)	(0)	(1,052,550)	(641,920)	(3,846,973)	(1,246,480)	(4,255,171)
Estimated Value of 1 Mill		1,723,577	1,740,813	1,758,221	1,775,803	1,793,561	1,811,497
Projected Millage to Balance Budget		0.000	0.605	0.365	2.166	0.695	2.349
Act 1 Index Millage Estimate		19.508	20.074	21.299	22.314	25.214	26.686
Millage Increase @ Act 1 Index		0.768	0.566	0.985	2.816	1.429	1.472
Total Millage	18.740	19.508	20.679	21.664	24.480	25.909	29.035
Real Estate Tax Necessary to Balance %		4.1%	6.0%	4.8%	13.0%	5.8%	12.1%
Avg Residential Property Tax per Year	2,935.51	3,055.81	3,239.24	3,393.54	3,834.65	4,058.49	4,548.16
Annual Tax Increase		120.30	183.43	154.29	441.11	223.84	489.67

Source: Dennis Younkin, Director of Finance and Support Services, York Suburban School District

York Suburban School District
 Five Year School Tax Projections
 PSERS Impact on Homeowners

	FY09 Actual	FY10 Budget	FY11 Projected	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected
Total Millage	18.740	19.508	20.679	21.664	24.480	25.909	29.035
Annual Increase Necessary to Generate Millage		4.1%	6.0%	4.8%	13.0%	5.8%	12.1%
Cumulative Tax Increase - Percentage		4.1%	10.3%	15.6%	30.6%	38.3%	54.9%
Assessed Value \$ 100,000							
Annual Tax	1,874.00	1,950.80	2,067.90	2,166.40	2,448.00	2,590.90	2,903.50
Tax Increase - Annual		76.80	117.10	98.50	281.60	142.90	312.60
Tax Increase - Cumulative		76.80	193.90	292.40	574.00	716.90	1,029.50
Assessed Value (d \$ 156,644							
Annual Tax	2,935.51	3,055.81	3,239.24	3,393.54	3,834.65	4,058.49	4,548.16
Tax Increase - Annual		120.30	183.43	154.29	441.11	223.84	489.67
Tax Increase - Cumulative		120.30	303.73	458.03	899.14	1,122.98	1,612.65
Assessed Value \$ 250,000							
Annual Tax	4,685.00	4,877.00	5,169.75	5,416.00	6,120.00	6,477.25	7,258.75
Tax Increase - Annual		192.00	292.75	246.25	704.00	357.25	781.50
Tax Increase - Cumulative		192.00	484.75	731.00	1,435.00	1,792.25	2,573.75
Assessed Value \$ 500,000							
Annual Tax	9,370.00	9,754.00	10,339.50	10,832.00	12,240.00	12,954.50	14,517.50
Tax Increase - Annual		384.00	585.50	492.50	1,408.00	714.50	1,563.00
Tax Increase - Cumulative		384.00	969.50	1,462.00	2,870.00	3,584.50	5,147.50

Impact analysis by Joel Sears, York County Taxpayers Council

Evaluation of Assessments and Property Taxes In The Neighborhood of Rep. Saylor's Constituent

Constituent Profile: 77-year-old widow, living alone		
Income	\$ 1,164.00	Property Tax \$ 407.60
Expenses	\$ 1,550.00	% of Income 35.0%
Shortfall	\$ 386.00	% of Expenses 26.3%

Address	Sale Date	Sale Price	Assessment		Red Lion SD @	York County @	Twp @ Windsor	Total @	as % of Sale
			Amount	as % of Sale					
60 Woodsview Dr	7/2/2007	281,000	160,280	57.0%	21,230	4,150	0,600	25,980	9.3%
5 Woodsview Dr	4/3/2007	275,000	196,500	71.5%	3,402.74	665.16	96.17	4,164.07	1.5%
50 Woodsview Dr	10/11/2006	278,900	200,470	71.9%	4,171.70	815.48	117.90	5,105.07	1.9%
110 Woodsview Dr	5/5/2008	239,000	175,800	73.6%	4,255.98	831.95	120.28	5,208.21	1.9%
70 Woodsview Dr	6/18/2007	265,000	196,100	74.0%	3,732.23	729.57	105.48	4,567.28	1.9%
95 Woodsview Dr	8/29/2005	322,000	244,450	75.9%	4,163.20	813.82	117.66	5,094.68	1.9%
65 Woodsview Dr	1/27/2009	255,000	193,650	75.9%	5,189.67	1,014.47	146.67	6,350.81	2.0%
105 Woodsview Dr	1/17/2006	172,000	138,640	80.6%	4,111.19	803.65	116.19	5,031.03	2.0%
35 Woodsview Dr	8/11/2004	242,733	198,240	81.7%	2,943.33	575.36	83.18	3,601.87	2.1%
15 Woodsview Dr	4/27/2005	299,900	247,370	82.5%	4,208.64	822.70	118.94	5,150.28	2.1%
175 Woodsview Dr	10/2/2009	330,000	280,790	85.1%	5,251.67	1,026.59	148.42	6,426.67	2.1%
165 Woodsview Dr	8/17/2004	225,000	199,180	88.5%	5,961.17	1,165.28	168.47	7,294.92	2.2%
135 Woodsview Dr	3/12/2008	205,000	185,660	90.6%	4,228.59	826.60	119.51	5,174.70	2.3%
155 Woodsview Dr	3/25/2004	251,504	228,080	90.7%	3,941.56	770.49	111.40	4,823.45	2.4%
75 Woodsview Dr	8/7/2003	187,830	188,270	100.2%	3,996.97	781.32	112.96	4,891.25	2.6%
85 Woodsview Dr	12/20/2003	178,000	181,000	101.7%	3,842.63	751.15	108.60	4,702.38	2.6%
55 Woodsview Dr	9/15/2003	216,401	221,330	102.3%	4,698.84	918.52	132.80	5,750.15	2.7%
115 Woodsview Dr	7/2/2003	165,055	170,160	103.1%	3,612.50	706.16	102.10	4,420.76	2.7%
125 Woodsview Dr	9/15/2003	182,036	190,100	104.4%	4,035.82	788.92	114.06	4,938.80	2.7%
145 Woodsview Dr	12/17/2003	195,122	208,360	106.8%	4,423.48	864.69	125.02	5,413.19	2.8%
90 Woodsview Dr	6/5/2003	158,100	171,770	108.6%	3,646.68	712.85	103.06	4,462.58	2.8%
25 Woodsview Dr	4/7/2004	180,696	203,920	112.9%	4,329.22	846.27	122.35	5,297.84	2.9%
20 Woodsview Dr	9/8/2003	199,900	239,010	119.6%	5,074.18	991.89	143.41	6,209.48	3.1%
80 Woodsview Dr	6/11/2003	159,662	201,390	126.1%	4,275.51	835.77	120.83	5,232.11	3.3%
45 Woodsview Dr	7/7/2009	162,000	249,300	153.9%	5,292.64	1,034.60	149.58	6,476.81	4.0%
Totals and Averages		5,626,839	5,069,820	90.1%	107,632	21,040	3,042	131,714	2.3%