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LEGISLATIVE HEARING
CHESTER COUNTY INTERMEDIATE UNIT
455 BOOT ROAD, DOWNINGTOWN, PA

THE IMPACT OF THE PENSION CRISIS
ON THE OWEN J. ROBERTS SCHOOL DISTRICT

INTRODUCTION

Thank you for giving me this opportunity to speak before you this morning. My name is Joel DiBartolomeo and I am the Superintendent of the Owen J. Roberts School District. Along with me is Jaclin Krumrine, Business Administrator for the District. The Owen J. Roberts School District is located 35 miles west of Philadelphia in Northern Chester County Pennsylvania and encompasses an area of one hundred eleven (111) square miles with a total population of approximately 33,500. We serve approximately 5,000 students k-12 throughout seven (7) townships. It's important to note that the environment of our District is both suburban and rural, with individual residents bearing 84% of the financial burden for the operations of our school district.

The current pension crisis represents one of the most challenging issues ever to have faced public school districts in the Commonwealth of Pennsylvania and the implications of this crisis as it relates to the impact on our community and taxpayers is enormous. Simply put, we need your assistance.

The Owen J. Roberts School District is working to reduce our 2010-11 budget by approximately \$1.7 million to stay under the Act 1 Index and to minimize the financial burden

on our community. These reductions will encompass both operations (\$1,100,000) and personnel (\$600,000).

THE PENSION CRISIS

According to Jeffrey Clay of the Public School Employees' Retirement System, the projected PSERS crisis is calling for anticipated retirement contributions of employers from 2009-2010 to 2014-2015 (Exhibit A) as follows:

2009-2010	4.78%
2010-2011	8.22%
2011-2012	10.59%
2012-2013	29.22%
2013-2014	32.09%
2014-2015	33.60%

The School District Employer Contribution Rate next year is increasing from 4.78% to 8.22%, which is a 72% increase. PSERS rates are projected to increase sharply over the next five (5) years, reaching a peak of 33.60% in 2014-15. The financial impact to the Owen J. Roberts School District taxpayers is an additional \$16,169,100 over the next five (5) years. This translates to a \$1,470 tax increase (28.8%) for the average taxpayer over the next five (5) years.

The PSERS Crisis presents critical, immediate problems that effectively force the addition of significantly higher financial burdens on taxpayers, school districts and the Commonwealth. The Owen J. Roberts School District calls upon the General Assembly to immediately begin pension reform in order to provide meaningful short-term and long-term solutions to these problems.

In addition to the PSERS crisis, the Owen J. Roberts School District, as well as most school districts, is facing the following economic impact as the result of the Great Recession of October 2008:

- Declining real estate tax revenues attributable to declining real estate assessed values
- Little or no transfer tax revenue.
- Eroding earned income tax revenue.
- No real expansion of the tax base.
- The prospect of increased costs as the result of energy deregulation.
- Even for school districts in well-managed healthcare consortia, double digits increases in healthcare costs.

In addition, school districts that have an aid ratio of .4 or less (such as Owen J. Roberts), are dealing with an Act 1 index for 2010-2011 of 2.9%. This represents a 1.2% reduction of what was available for the 2009-2010 school year. The Act 1 index for 2011-2012 could be as low as 0.65% (based upon PASBO's analysis of the published SAWW – Statewide Average Weekly Wage) to about 1.8%, which is PSEA Research's most optimistic prediction.

When you couple the limitations of the Act 1 Index with employee benefit costs (including healthcare) as stated earlier, even for districts that manage their healthcare benefits responsibly, these costs are not subject to Act 1 exceptions, and these benefits continue to outpace inflation and the index by a substantial degree on a national basis. To add to the conclusion that the "perfect storm" has impacted our school entities, the Commonwealth of Pennsylvania's economic condition is questionable at best. As you are aware, in order to make the basic education subsidy payment for the 2009-2010 fiscal year, the State had to utilize the stimulus funds, which are slated to disappear at the end of this year. Those monies will need to be made up from a budgetary perspective.

The prospective of going back to a school district's taxpayers to fund the pension crisis is untenable. Though it is true that the Act 1 index does not cap a district's responsibility for

pension payments, the practical reality is that the communities will not support pension payments of this magnitude. School districts and municipalities cannot wait months, if not years, for the State Legislature to come to grips with the pension crisis. The pension crisis is here and now.

SUMMATION

The school entities in this Commonwealth need your help now. School districts are sensitive to the complexity of dealing with modifications to the PSERS system on a political, economic, and practical basis. The crisis can't wait until the 2011-2012 or 2012-2013 school year when these costs begin to spike geometrically. We need your hard work right now to solve this issue to the extent possible. When we say that, we are mindful of the State's financial condition, which is being mirrored throughout the State and local governments.

EXHIBIT A

Public School Employees Retirement System (PSERS) Employer Contribution Rate

