

Fewer state dollars shifts Centennial's budget burden to locals

By Gary Weckselblatt Staff Writer | Posted: Monday, March 30, 2015 4:30 am

As the Centennial School Board wrestles with developing its budget for 2015-16, one director put the blame for a likely tax increase squarely on the shrinking share of state and federal dollars.

“Basically, elected officials who get paid look good and school district officials who don’t get paid have the burden of raising your taxes,” Steven Adams said. “That’s the card dealt to us.”

Adams made the comments during last week’s finance committee meeting as assistant business manager Katie Braun presented the proposed final budget of \$106.8 million, a 2.8 percent increase from the current \$103.8 million. Next year’s spending plan anticipates the state will pick up a smaller percentage of funding, forcing a greater burden on area residents.

While local property taxes pay 71.5 percent of this year’s budget, the number is expected to rise to 74.5 percent next year. In the meantime, the state’s percentage is expected to fall from 25 percent to 24 percent. The federal government contribution is forecast to remain at 1 percent.

“A couple of decades ago we used to get a lot of money from the state and federal government,” said Adams, mentioning the creation in the 1990s of the Earned Income Tax, which is shared with municipalities. “We were told that should allow you to control your real estate taxes. So, of course, what do they do next? They turn around the next few years and they drastically cut state and federal spending toward education.”

Then, Adams continued, the General Assembly passed Act 1 in 2006.

Known as the Taxpayer Relief Act, Act 1 limits the amount that school districts can raise real estate property taxes. It was intended to ease the financial burden of homeowners by using gambling revenue.

“We’re worse off because now we have Act 1 restrictions, and we don’t have anywhere near the state and federal government support that we had 25 some years ago,” Adams said.

This year’s Act 1 cap is 1.9 percent. However, Act 1 does allow districts to apply for exceptions, which Centennial has done. The district is seeking an additional 1.45 percent for pensions and 0.35 percent for special education. That would put the tax increase at 3.7 percent.

Pension costs are scheduled to rise from 21.4 percent of the payroll of school employees to 25.8 percent. Braun said that translates to a \$2.1 million bump to a bill of \$5 million next year.

Braun provided the committee with three options to shrink the proposed tax increase.

One would be to use more of the district’s fund balance. That account had \$12.2 million on July 1. But \$2.5 million of that is committed to pensions and another \$2.5 million is assigned for capital projects.

Braun said \$500,000 is being pulled to balance this year's budget and the proposed budget takes another \$500,000.

That leaves the account with \$6.2 million, she said. To drop the tax increase from 3.7 to 2.4 percent, an additional \$840,000 could be taken from the fund.

The state Department of Education recommends a balance of 6 percent to 8 percent of total expenditures. "Right now the fund balance is at 6 percent," she said. "If we go with option one, that drops it to 5 percent."

She cautioned the committee that if they use more fund balance, it could cause a "ripple effect" on the district's bond rating. "If it falls below 5 percent," she said, "the market doesn't look at the district as being stable. ... It's a tough decision. You don't want to use too much of fund balance and you don't want to rely on fund balance every year to help balance your budget."

Option two calls for additional cuts. The administration has already made \$1.1 million cuts to staff, supplies, programs and services, Braun said.

To limit the tax increase to 1.9 percent, the Act 1 index, \$1.2 million more would need to be eliminated. For a 2.3 percent tax increase, \$961,000 would have to be found.

Option three? Find more revenue. "We all know how hard that's going to be," she said.

Of course, this could all change if, as committee member Chuck Kleinschmidt said, "I am sure the governor is going to help us out immensely." He was laughing when he said it.

Committee member Michael Hartline said he's concerned that while student enrollment has fallen, "our expenses continue to go up every year. That's not a winning business formula."

Braun said the only significant rise is in "regular programs." She said most budget items are down or rising less than half a percent. Administration spending is dropping 2 percent.

"The program enhancements that we are putting in are thoughtful ... so we're going to be a higher performing school district," Superintendent Joyce Mundy said. "And we're not doing that carelessly."

The committee agreed that not knowing what state money will be forthcoming makes it difficult to put together a budget. But there's some hope that new Gov. Tom Wolf and the legislature will come through with more school funding.

"The hope is we can finally sit down in front of you next year and say the state has finally gotten back to kicking in money so we can take it easy on these tax increases," Adams said. "We don't have that crystal ball this year."