

## With few exceptions, school districts seek insurance against uncertainty

By Gary Weckselblatt, staff writer | Posted: Monday, February 8, 2016 6:00 am

Since the adoption in 2006 of Act 1, Pennsylvania's property tax law, the Hatboro-Horsham School District has never sought to hike property taxes above the inflation-based index.

What's more, the district never even applied for exceptions on items such as retirement and special education costs, which would have allowed for a higher tax increase.

This year is different.

Hatboro-Horsham has applied for exceptions in its 2016-17 preliminary budget that could nearly double a potential tax increase from the 2.4 percent index to 4.78 percent. And it's hardly alone.

Most districts in Bucks County and eastern Montgomery County are seeking exceptions from the state Department of Education to raise taxes above the index.

Besides Hatboro-Horsham, Abington, Centennial, Central Bucks, Lower Moreland, New Hope-Solebury, North Penn, Pennridge, Quakertown and Upper Dublin are seeking the authority to raise taxes anywhere from 3.14 to 6.54 percent.

Bensalem, Bristol, Morrisville, Neshaminy and Pennsbury also passed preliminary budgets to leave open the option of using exceptions to exceed their respective index rate, if necessary, officials said.

Only Bristol Township, Council Rock, Palisades, Souderton and Upper Moreland have passed resolutions to stay within the index.

The uncertainty of state funding, along with efforts at property tax reform, are the key reasons. While districts are mandated to formulate spending plans for 2016-17, the governor and legislature have yet to finalize a state budget for the 2015-16 school year.

"It's because of the state budget impasse," Robert Reichert, Hatboro-Horsham's business manager, said of the school board's decision to seek exceptions. "There was talk about property tax reform measures so significant they would have eliminated our ability to even raise taxes to the index. That was a real concern."

Senate Bill 909 is one of the reforms Reichert spoke about. The legislation would amend the Taxpayer



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Relief Act of 2006, known as Act 1, and require districts to go to a referendum to raise taxes.

Reichert described his recommendation to the school board, and their subsequent resolution to seek exceptions, as a "precautionary measure."

Since Act 1 went into effect, the district has matched the rate twice, a 1.4 percent boost in 2011-12 and a 2.1 percent increase in 2014-15. Every other year it has gone below the index, which it ultimately intends to do again when it passes its final budget in June.

"I sincerely feel we'll be able to work within the index," Reichert said. "I think a lot of districts decided to do this as a precautionary measure to protect our programs and operations."

Unlike Hatboro-Horsham, Central Bucks has always sought exceptions, using them as an "insurance policy," said David Matyas, the district's business manager. "We just do it as a normal course of business."

Only twice, however, has the district used a portion of the exceptions. In 2007-08, with the index at 3.4 percent, Central Bucks charged taxpayers 3.8 percent. In 2010-11, it again went to 3.8 percent, above the 2.9 percent index.

"You never know what's going to happen with state subsidies," Matyas said. In the years the district went above the index, he said, "we had a great recession and the local tax base eroded."

In 2016-17, Central Bucks could raise taxes 3.9 percent, but school board members have said they're looking to stay below the index. "I'll be shocked if we get close to 2.4 percent," director Stephen Corr said.

It's the same way at North Penn, where taxes could rise 4.79 percent. Board member Edward Diasio, the lone dissenting vote on the budget, asked the board to not apply for the exceptions because of "challenging dynamics in the economy" and the lack of an increase this year to Social Security payments.

But board President Vincent Sherpinsky said the board applies for exceptions every year without ever using them.

In Centennial, which can raise taxes 4.56 percent, Superintendent David Baugh told the board "We're going to be cautioning the public that we're preparing for a worst-case scenario, but also expecting a different scenario for approval come June.

"It's always easier to walk it back than it is to increase it," he said. "We're probably going to go out high because we have no idea what the state is doing. Ultimately, we're being extraordinarily frugal."

In New Hope-Solebury, an evaporating fund balance has the board approving a 4.78 percent tax increase in its preliminary budget.

One way officials plan to combat a \$4.2 million shortfall is the formation of a budget gap closure subcommittee. School board President Mark Cowell said the group will "engage a cross section of

district stakeholders" for ways to increase revenue and decrease expenditures.

"We're not approaching the cliff," said Andrew Lechman, the district's business manager, "we're at the cliff right now."

*Staff writer Joan Hellyer contributed to this story.*