

# The Case for No New School Taxes

## Plan Proposed by Eric Epstein on June 25, 2018

On May 8 the Board voted for a 2.8% tax increase. That was over six weeks ago. School board members committed to discuss ways to reduce the proposed increase.

In contrast to our rapid responses relating to safety and security concerns and construction overruns, we slow walked tax reduction discussions.

The workshop session on June 18 did not address ways to avoid or reduce 2.8% tax increase or how to raise \$2.5 million. We staked out positions. Some of us have put ideas on the table, but it appears the ship has sailed for the 2018-2019 budget.

We need to bring the ship back for repairs.

We should look ahead, but we should resolve to search for ways to reduce the tax burden on our neighbors for this year. I would have preferred to have worked through proposals at a committee meeting or workshop. But we delayed and punted.

We also have an obligation to review spending, and make sure our investments produce measurable dividends.

I am proposing to zero out certain programs and levelize funding in areas which have shown over expenditures from 2015-2017 . I identified these areas in a memo I shared with the Administration on January 25, 2018, and with the community at a board meeting this winter.

To date we have had no public discussion on these issues. Recently the Administration provided data on the main drivers increasing costs in these areas, but we have not dealt with the over expenditures themselves.

In order to get to a no tax increase budget, I urge the Administration and the Board to consider savings through levelized funding and reductions in areas ripe for “value educational engineering.”

I am also proposing we review the budget in light of the state's expanded contribution, and verifiable health care cost reductions.

**• Administration costs (including principal services) are up from 2015, 2016, and 2017 by \$1,600,244 or 19.1%:**

Administration and principal services over expenditures in 2017 were \$197,346, and in 2016 they were \$402,688.

**By freezing this year's proposed Support Administrative Services budgeted at 2017-2018 levels, we can save \$714,455.**

**Estimated savings include line item reductions: \$778,325.**

Note: Budget **over expenditures** in the statement ending June 30, 2015 for Curriculum and Instruction were **\$838,566** with the predominant driver being overspending in "professional and technical expenses" by \$590,959. (Audit, p. 17)

**• Operations and Maintenance increased by \$827,438 or 5.95% from 2015, 2016, and 2017:**

Operations and Maintenance over expenditures in 2017 were \$293,272, and over expenditures in 2016 were \$307,644.

**By freezing this year's Operations & Maintenance budget at 2017-2018 levels, we can save \$251,634.**

**• Eliminate non-mandated test services:**

The Administration will have an opportunity at the next meeting to make a case for the testing protocol.

**Total savings: \$141,840**

**Administration staffing increases between 2015 - 2017.**

Do these increased costs of adding five vice principal positions equal better performance results?

Estimated savings by right sizing the vice principal pool - and hiring one principal from within the District are linked to health care costs and PSERS contributions. The approximate savings - without factoring PSERS contributions are estimated below:

**Savings for FY, 2018-2019: \$190,000 - \$227,000.**

### **Health care:**

I found that in November, 2016, full-service Prescription Benefit Manager, BeneCard PBF, estimated Rx prescription drug savings that would have saved Central Dauphin School District \$800,000 in 2017-2018. Had they had the opportunity they would have guaranteed and bonded these Rx prescription savings, dollar-for-dollar which provides the assurance that these savings can be prudently used for annual budget purposes.

Even as prescription drug costs continue to rise exponentially, BeneCard has historically outperformed the industry, with a seven (7) year Rx trend of 19.67% compared to the PBM industry's 47.80%. Having the lowest prescription trend matters, as it demonstrates compounded savings year over year.

While smaller in size, in 2017 they delivered the same percentage (%) of Rx savings to the City of Harrisburg.

**Estimated savings: In 2016 BeneCard PBF proposed 23% Rx savings. In 2018 the Rx savings could exceed \$850,000, annually, and over a 3-year Rx contract that exceeds \$2.55 million. Working off of 2016 figures, we can anticipate a savings next year of \$800,000.**

We have received the green light for \$495,549 in new BEF funds (2.8% increase), and \$70,578 in SEF funds, (1.3% increase) from the state. The CDSO proposed budget has \$18,163,002 (7110) set aside while the state appropriated \$18,269,511 as of June 20, 2018. A pickup of \$106,209. The SEF proposed budget was \$5,660,307 (7271), and \$5,647,3355 was allocated or a loss of \$12,952. We should pick up \$93,257.

**Estimated total structural cost savings: \$2+ million.  
This figure does not factor the state budget allocation.**

Options have been presented in good faith, and should be points for discussion before the June 30 budget deadline. By no means do I have all the answers, but I do have questions and suggestions.

I am fully aware that the Administration spent countless hours and sleepless nights looking at the data. My presentation is not the end all and be all, but an opportunity for dialogue.

We fell down when we did not immediately engage in discussions to find solutions. It's healthy to have a sustained dialogue. We have to stop delaying, and own our side of the responsibility formula.

We need to stop viewing spending as the only answer to staffing and performance problems.

We need to stop blaming mandates for all of our problems.

We also fell down by not fully funding our share of pension liabilities, and not staying on top of capital projects. We need to stop talking past each other, and be held accountable when our investments do not produce results.

### **Recommendations**

I am asking the Board to promote and support tax deferral through the County Act 50 program.

I have also pointed to problems with ABE and Special Education formulas. We need to support Equitable Education funding for all school districts. Our school district was underfunded by \$5.8 million this year. With the proper application of the approved formula, we would have had a \$3.0 million surplus.

I am proposing resolutions for Tax Relief and Educational Equity this evening.

I am also requesting that we adopt the no tax increase budget that provides relief for low income, middle income, and retired taxpayers living on a restricted income.