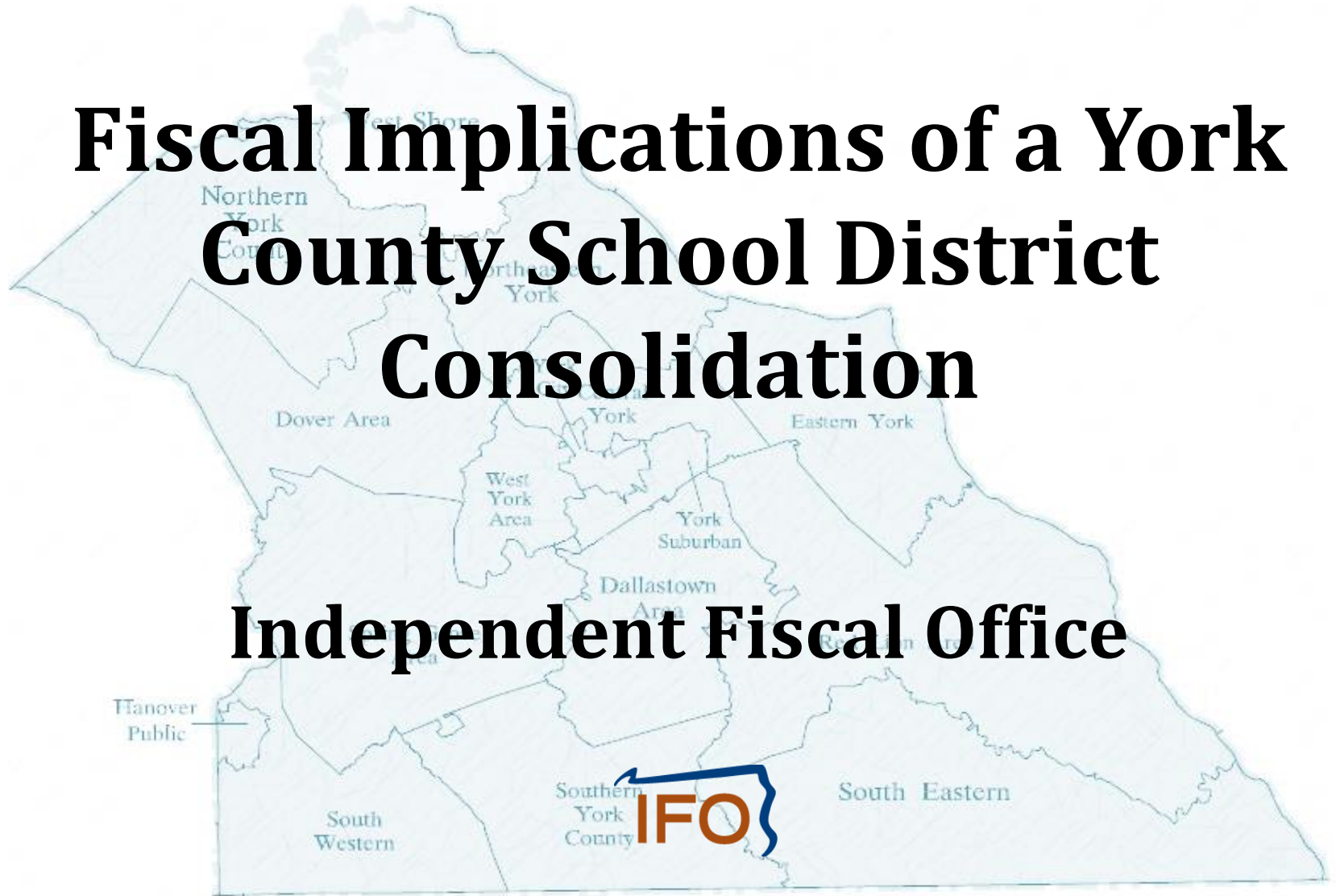


Fiscal Implications of a York County School District Consolidation

Independent Fiscal Office



Independent Fiscal Office

- **Independent nonpartisan agency.**
 - Began operations in September 2011.
 - Analyze fiscal, economic and budgetary issues.
- **Primary Duties:**
 - Annual revenue estimate: May 1 and June 15.
 - Five-Year Economic & Budget Outlook: Nov. 15.
 - Mid-Year Budget Update: late January.
- **Office *does not* make policy recommendations.**

Presentation Overview

- Scope and assumptions.
- Potential consolidation savings and costs.
 - Administrative savings, property tax relief, state funding, salary standardization and debt service.
- Calculation of real estate tax millage.
 - Implications for taxpayers.

Scope and Assumptions

- District-wide tax base with uniform tax rates.
- Focus on district-level administrative consolidation.
- Two snapshots with FY 2012-13 as base year:
 - Individual districts.
 - Consolidated district.

Scope and Assumptions

For the purpose of computing real estate tax rates, the analysis excludes:

- Building-level administrative costs.
- The impact of changes in federal funds.
- Costs related to the York County School of Technology.
- Costs related to the Lincoln Intermediate Unit.

Administrative Comparison

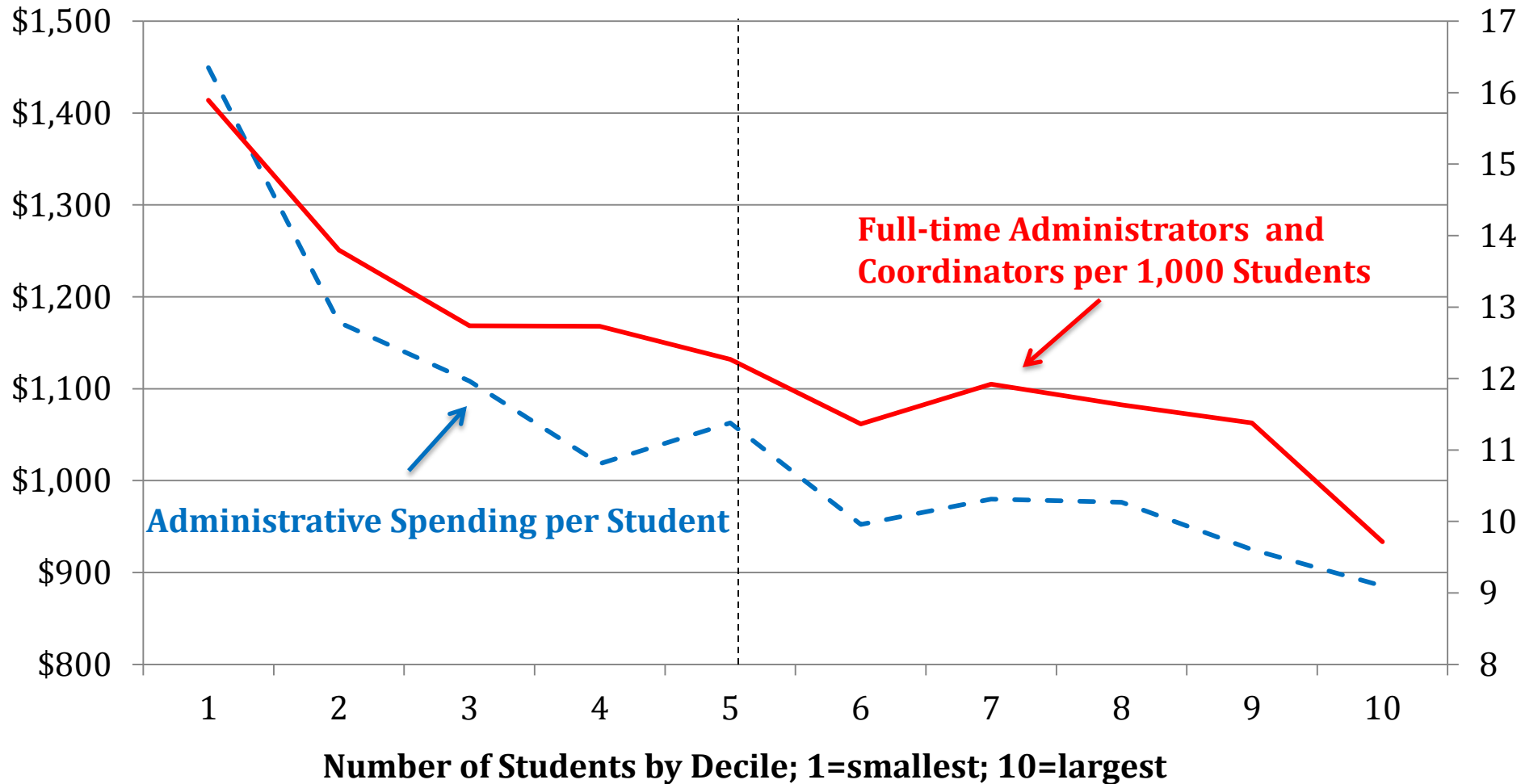
- York County districts compare favorably to statewide averages.

- York County districts:
 - 10.7 administrators per 1,000 ADM.
 - \$881 per ADM.

- Statewide:
 - 11.1 administrators per 1,000 ADM.
 - \$958 per ADM.

Administrative Comparison

PA Administrators and Spending by Size of School District



Administrative Spending

- District-level definition:
 - Superintendents, assistant superintendents, program supervisors or coordinators and operations staff.
 - Building principals and their staff are not considered district-level and are **not included**.
- Used two methods to analyze administrative costs.

Administrative Spending

District-level administrative spending was \$27.8 million.

Each 1% of cost reduction yields savings of \$278,000.

Administrative Savings Scenarios

Scenario 1	Scenario 2	Scenario 3
25%	50%	75%
\$6.95 million	\$13.90 million	\$20.85 million

Property Tax Relief

- Consolidated district would have received \$16.9 million from state tax on slots for property tax relief (down from \$17.7 million).
- Countywide avg. = \$167 (varies by district). Consolidated district amount = \$159 (all).
- \$8 difference, but different district impacts.
 - York City goes from \$490 to \$159 (-\$331).
 - Central York increases from \$108 to \$159 (+\$51).

State Funding

Consolidated SD vs. Total of Individual SDs, \$ millions

State Revenue Item	Consolidated	Individual	Net Difference
Basic Education Funding	151.1	156.5	-5.4
Special Education Funding	30.1	30.1	0.0
Accountability Block Grant	3.1	3.1	0.0
Social Security / PSERS Cont.	38.4	38.9	-0.5
Transportation Subsidy	15.4	14.6	0.8
Total	238.1	243.2	-5.1

Salary Standardization

- Salary structures are very different between school districts.
- Districts are restricted from reducing salaries without consent of employee or right to hearing.
- \$31.4 million cost (12% increase) to standardize salaries across a consolidated district based on education and experience.

Debt and Debt Service

- Debt service totaled \$90.8 million (\$1,458 per student) in FY 2012-13.
- At the conclusion of that year, York County school districts had outstanding debt of \$855.9 million (\$13,738 per student).
- No impact on end result as debt would become the responsibility of the newly consolidated district.

Real Estate Tax Computation

Computations for the real estate tax rate include these assumptions or scenarios:

- Earned income tax revenues (various rates):

0.5%	1.0%	1.5%	2.0%
\$43.2	\$86.3	\$129.5	\$172.7
million	million	million	million

- Other local revenues (\$53.6 million) held constant.

Real Estate Tax Computation

Real estate tax assumptions (continued).

- Net Costs: loss of state funds and salary standardization (\$36.5 million total).
- Admin. Savings Scenarios (\$27.8 million base):

25%	50%	75%
\$6.95 million	\$13.90 million	\$20.85 million

Findings

➤ Current countywide averages:

Earned Income Tax	Real Estate Tax
0.56%	20.442 mills

➤ Consolidated district ranges:

Earned Income Tax	Admin. Savings	Real Estate Tax
2.0%	75%	15.932 mills
0.5%	25%	21.956 mills

Findings

Analysis shows that real estate tax millage is more responsive to the rate of the EIT than the level of administrative savings.

- For each 0.5 percentage point increase in the EIT, the real estate tax rate declines by 1.81 mills.
- For each 25 percentage point increase in administrative savings, the real estate tax rate declines by 0.29 mills.

Findings

- Costs of consolidation likely outweigh district-level administrative savings.
- Tax bases are merged. Some taxpayers pay more and others less under consolidation.
- Median homeowner analysis:
 - Higher real estate tax rates for six districts at 1.0% EIT. One district still higher at a 2.0% EIT rate.
 - Higher net impact for real estate and earned income taxes in at least 9 current districts.

Thank you

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