

## NEW SCHOOLS + UNFUNDED PENSIONS = A TAXING SITUATION

By William Earley, Merion, PA

The time draws near that Lower Merion and its citizens, especially its taxpayers, face even greater uncertainty about the fiscal health of this wonderful town. First, the typical citizen's taxes to fund these new schools will almost double in five years. Said differently, a tax of \$5000 becomes \$9800 in 2011. Unfortunately, the genuine hair pulling emerges in 2012 because the need to fund the teacher's pensions rears its ugly head. Much like corporate America, the pensions are woefully under funded; the official position for the Lower Merion School District is "around 85% funded." This means too little money has been put aside to provide the benefits offered as part of the hiring decision. So, the need is then for more money to fund these promises!

As the Lower Merion School District Budget Book points out carefully on page 36, the implied tax rate increase for that year will be required to accommodate an increase from a contribution of 5% to 22% to fund the next wave of pensions. So, where is the source of those dollars to achieve this funding? The state politicians have promised "some" relief across the state; it is difficult to imagine that bailing out Lower Merion ranks high on the list. I would offer that the western part of the state where school districts run near deficits would be the top priority!

So, where does that leave us? I would argue the new schools, plus the unfunded pensions and even with a shift to defined contributions for some of the employees, still means greater and more liability in the future. How do we resolve this lack of fiduciary integrity? Simple, an earned income tax, a shift in tax rates, or even more punitive measures to make up a growing deficit, and the citizens of Lower Merion, now a little older and wiser, while facing the "golden years" of pills, wills, and ills will have to dig into their pockets a little deeper.

The issue of schools and improvements ranks high on everybody's list. But, these changes must be analyzed and thought about in a more responsible context. Clearly, these decisions remain complex and vital to our community. Most importantly, the costs of this string of decisions may become burdensome to the citizens, not just Penn Valley or Gladwyne, also Ardmore and Bryn Mawr; this is the path to an ugly situation made even worse.

Before, we leap into the future, let's be sure this is what we need or want, and at what price. The new schools and the unfunded pensions will drastically affect the "disposable income" of a graying population that is unaware of the

consequences of these decisions. Just as the spirit of the law dictates, we need and deserve a referendum on the schools and absolute full disclosure on the costs and taxes for the future. This is our role and our right--we are entitled to view these decisions in the "sunlight" with all the facts and then vote on our beliefs. To learn more about the issues and data, I suggest a visit to [www.lmsd.info](http://www.lmsd.info) and be better prepared to form your opinion.