

POTTSTOWN CITIZENS FOR Enlightened LEADERSHIP

School pension costs skyrocket

On Thursday, the Pottstown School Board is expected to increase real estate taxes 3.5 percent. That means Pottstown property owners will be asked to pay about \$1 million more in taxes in 2019 than they paid last year.

A look at the chart below shows that school spending over the last ten years has been well above the rate of inflation.

But state subsidies have increased twice as much as the school budget has risen — more than triple the rate of inflation.

So what's going on? Where's all that extra money going?

In large part, it's going to pay for pensions.

Most current school employees, not just teachers and administrators, can qualify for a full pension after 35 years or reaching age 60. The pension is based on an average of their last three years' salary. Pensions are guaranteed for life.

(The school pension system will be downgraded somewhat after July 1, but all current employees qualify

under the existing system, no matter when they eventually retire.)

The Pennsylvania Public School Employees' Retirement system (PSERS) has 256,000 active members and 233,000 retirees and beneficiaries.

It has about \$58 billion in assets, which isn't nearly enough to cover anticipated costs. PSERS is underfunded by \$44 billion.

The big shortfall started in 2001, when Gov. Ridge was persuaded to increase pension benefits for all public school employees 25 percent. At the same time, both the state and school districts cut back on annual contributions to the pension fund.

Big earnings on the stock market were supposed to cover everything painlessly.

But the market crashed in 2008, and suddenly the state and local school districts had to dramatically increase their contribution to cover the shortfall.



Commentary by
Tom Hylton

Tom Hylton is a member of the Pottstown School Board. However, the views expressed are his alone and not the board's.

Pottstown School District budgets, state subsidies, pension costs			
Year	School budget	State subsidies	Pension costs
2010-2011	\$54,553,223	\$19,274,881	\$2,156,082
2011-2012	\$51,108,049	\$16,887,723	\$2,076,276
2012-2013	\$52,034,797	\$17,621,862	\$2,711,795
2013-2014	\$52,947,845	\$17,979,352	\$3,828,897
2014-2015	\$55,929,737	\$19,505,000	\$4,993,741
2015-2016	\$57,136,928	\$20,848,212	\$6,147,251
2016-2017	\$59,553,150	\$23,128,334	\$7,285,478
2017-2018	\$61,882,242	\$24,691,399	\$7,944,033
2018-2019	\$62,677,927	\$25,991,873	\$8,176,828
2019-2020	\$64,205,813	\$27,190,503	\$8,464,283
Increase in inflation over 10 years			12%
Increase in school budget over 10 years			18%
Increase in state subsidy over 10 years			38%
Increase in pension costs over 10 years			390%