

GENE DIGIROLAMO, MEMBER
49 EAST WING
PO BOX 202018
HARRISBURG, PA 17120-2018
PHONE: (717) 783-7319
FAX: (717) 772-2414

DISTRICT OFFICE:
2424 BRISTOL ROAD
NESHAMINY VALLEY COMMONS
BENSALEM, PA 19020
PHONE: (215) 750-1017
FAX: (215) 750-1295



House of Representatives
Commonwealth of Pennsylvania
Harrisburg

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M e m o r a n d u m

TO: All House Members

FROM: Representative Gene DiGirolamo

DATE: September 12, 2011

SUBJECT: Co-Sponsorship of Legislation: the Taxpayer Relief Act and School Retirement Costs

I plan to soon introduce legislation amending the Taxpayer Relief Act (Act 1 of the 1st Special Session of 2006) in order to establish more realistic limits and calculations of school district retirement costs in referendum exceptions.

As you may recall, in late June, the House considered SB 330 which amended the Taxpayer Relief Act to eliminate several exceptions that allowed school districts to increase taxes above the rate of inflation. There were a number of us who were troubled by inordinately strict language contained in SB 330 and amendments, but due time constraints and consideration alongside the state budget, we were unable to forge compromise language. For this reason, I plan to introduce legislation to better deal with the issue of school district retirement costs.

Under the House amendments added to SB 330, the Act now requires that any increases in retirement costs must use a school district's 2011-2012 compensation as its "base compensation" moving forward in perpetuity. Previously, a year-to-year calculation based on the actual increase in retirement costs was used for each district.

Instead, my legislation would allow the base compensation to be the lowest cost of the previous three years. Thus, the amount of the exception would be limited but moveable if costs change. As such, if a district's compensation base grows over time, that growth would be factored in over a three-year period; likewise, if the compensation base shrinks, the change would be reflected with a reduction in the amount of the exception.

This change will ensure that a disparity does not occur between school districts over time since the calculation for many schools' pension costs would continue to be the 2011-2012 year, regardless of growth. It would provide for districts to access to this important exception if it is justifiably needed.

I hope that you will join me in supporting this important measure. To be added as a co-sponsor, please contact Jen Korac in my office at jkorac@pahousegop.com or (717) 783-7319.