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## INTELLIGENCER JOURNAL (LANCASTER, PA.)

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**Section:** LOCAL

**Page:** B-2 ~ZON~EAST

### EPHRATA TWP. EYES CHANGE FOR TAX-COLLECTION PROCESS

Ephrata Township's tax collector has proposed a reduction in her collection fees which, if implemented, could save the township thousands of dollars annually.

Township manager Steve Sawyer told the board of supervisors last week that Nancy Buckwalter, the township's tax collector for the past 11 years, has offered to move from a percentage rate to a flat rate per bill collected.

Presently, the tax collector earns 3 percent of all taxes from the 2,820 tax bills sent out annually - about \$16,000. Including late-payment penalty fees, she earned \$17,458 in 1999.

But a flat rate of \$3.50 per bill collected would generate tax collector income of \$9,870, saving the township upwards of \$6,300 a year. "The flat rate per bill is much more fair and equitable," Sawyer said.

Sawyer said the Pennsylvania Economy League is conducting a survey of municipal tax rates and ordinances. He said he would like to review those findings when completed this fall before the township moves ahead with any changes. Sawyer said any change wouldn't go into effect until 2002, when Buckwalter's four-year term expires.

In March, the supervisors directed Sawyer to explore more cost-effective ways of collecting property taxes. Sawyer said the township has until Feb. 15, 2001, to make the changes.

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## LANCASTER NEW ERA (LANCASTER, PA.)

Monday, July 19, 1999

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### PARTNERS IN PROGRESS

*Tim Mekeel*

If you think "progressive bureaucracy" is an oxymoron, think again.

The Lancaster County Tax Collection Bureau, in partnership with Fulton Bank, is completing development of a \$1 million computer system that is drastically changing the way the bureau handles the 280,000 returns it receives annually.

The new system is believed one of a kind in the nation.

Bureau officials say the innovative system solves four major problems:

How to process and store a growing volume of tax returns while having the information on the returns easily accessible to bureau employees;

How to deposit checks in the bank faster so they begin earning interest sooner \_ thereby generating extra money for the school districts and municipalities served by the bureau;

How to improve protection of the bureau's records against fire or other disaster;

How to make the bureau's computers Y2K compliant.

"This is not the automation of an existing process. It's a true re-engineering of the way we work," said **Thomas A. Baum**, the bureau's executive director.

"People tend to think of organizations like this as bureaucratic. But this is really a creative solution," **Baum** added.

Project consultant David B. Heinaman said, "We're not just going faster. We're following a different highway..."

"In the past, this would have been a proprietary system that cost many millions of dollars. We're doing it with off-the-shelf tools that we've modified for our purposes."

The Tax Collection Bureau was established in 1959. It is operated by the 16 school districts in Lancaster County, plus Octorara School District in Chester County.

The bureau collects the 1 percent earned-income tax paid by residents and splits the revenue between each resident's district and municipality.

Gathering and allocating that \$75 million in annual tax revenue was the bureau's 15-employee staff, based in a 4,800-square-foot leased office at 299 Hess Blvd.

Within that modest facility, the staff last year handled 60,000 returns from employers (who quarterly submit tax they withhold from their workers) and 220,000 returns from individuals.

Those quantities represent an 8.5 percent increase in the number of individual returns over the past decade and a 20 percent increase in the number of employer returns during that time.

Despite that rising tide, the non-profit bureau is exceptionally efficient, according to **Baum**.

It spends less than 1.5 cents to gather \$1 of revenue, compared to 3 to 5/cents spent by collection organizations (both non-profit and for-profit) elsewhere in Pennsylvania, he said.

But, pardon the expression, the bureau's resources were being severely taxed.

"With the number of returns we handle continuing to increase, each year it was getting more and more difficult to process the returns and get the funds to the school districts," said **Baum**.

The traditional way of handling a return involved a number of time-consuming, manual steps: verifying the taxpayer's math, endorsing the taxpayer's check and return, recording the check's amount and highlights from the return, making sure the endorsement data matches the return data, and depositing the check.

At best, the process took three days. In busy periods, that process could last 10 days. That was time the taxpayer money sat idle, earning no interest for the districts and municipalities.

Bureau officials pondered a couple options.

To provide space for the six year's worth of returns they keep on file, they considered constructing a \$1.2 million building that would be twice as big as the current office. But that would be a temporary fix. To handle the growing volume of returns, they considered buying automated equipment costing tens of thousands of dollars. But they only needed the equipment during peak periods.

Their solution \_ a two-year effort which has attracted interest from computer-software developers and automated data-entry users nationwide \_ was to do the work a whole new way.

The 17 school districts and the 66 municipalities served by the bureau agreed to foot the tab.

"I have to give credit to our board," said **Baum**. "This couldn't have happened without their approval. This really was thinking `outside the box' for them.

"This was not without risk. We could have just built a new building, added more staff and continued business as usual."

The key was finding a way to separate the job of processing payments from the jobs of capturing the data on the returns and making sure the checks and returns were submitted correctly.

To handle the payment-processing job, the bureau forged a partnership with Fulton Bank, jointly developing a payment-processing system that the bank carries out.

What's drawn particular attention is that the payment information gathered by Fulton is being merged with tax-return information gathered by the bureau, at the same time processing costs are being cut.

"We had other (payment) processors tell us it couldn't be done," said **Baum**. "Not only did we

find somebody who could do it, but we found somebody in our home town."

James M. Lowe, vice president of Fulton's corporate services division, said, "These are the kinds of partnerships we like. It's a great opportunity for us to get involved."

Part of the new system began running this April. When completely operating by summer 2000, the system is hoped to cut the bureau's expenses to 1cent, or less, per dollar of revenue collected.

Under the new arrangement, Fulton Bank handles the bureau's payment processing for a fee of 30 cents per check processed, a fee which is expected to decline.

The bank is buying an image-enabled proofing machine, a piece of payment-processing equipment that typically costs about \$150,000, to speed this task for the bureau and other clients.

The machine takes a picture of both sides of a check and payment stub, reads the line of data on the bottom of the stub, and deposits the money immediately in the bureau's account.

Fulton copies the images and data on a "zip disk" (a high-capacity magnetic storage device) which is delivered the next day by courier to the bureau.

"With our new system, the money is in our bank account before we know we have it," said Lynn D. Spotts, the bureau's director of legal / employer affairs.

"When we get our zip disk at 8:15 in the morning, telling us how much money we received, the money already has earned a day's interest," said Spotts.

Fulton's proofing machine can handle even the bureau's heaviest daily volume in one day, eliminating the problem of checks sitting idle and awaiting processing at the bureau.

That puts thousands of extra dollars in the pockets of the school districts and municipalities. For instance, the total income tax withheld by employers now is \$16.8 million per quarter.

Under the old manual system, it took five bureau employees 10 days to process those checks, a delay that meant \$14,000 in lost interest. Now, Fulton handles those checks in a day.

Meanwhile, the bureau is using new equipment to record images of returns that have no payments included. That information then is merged with the information off the Fulton zip desk.

The combination gives the bureau a complete, computerized record of every check and return, in a format that's easy to access and analyze.

The bureau's new equipment, using the latest in data-processing technology, then looks to see if the checks and returns were correctly submitted. Errors are flagged so bureau employees can investigate.

All the records are copied onto a compact disc and stored off-site, giving the bureau a backup copy that serves as outstanding protection against disaster, said **Baum**.

In the months ahead, the computer system not only will flag errors, it will automatically write (when necessary) to the taxpayers or employers to begin resolving the problems.

With the new automation lightening the burden on the bureau, **Baum** envisions the bureau in the future offering new services, which he declined to disclose at this time.

**Baum** observed that while the bureau benefits from the speedier system, the ultimate winners are the people and organizations it serves.

Taxpayers will get refunds quicker, and the school districts and municipalities will get more money sooner. That, in turn, will help them control their tax rates.

These are the results of the bureau's emphasis on using innovation to provide fast, responsive service. As **Baum** put it, "We're trying hard to break that bureaucratic stereotype."

**Illustration:** CP Richard Hertzler

Fulton Bank's James Lowe (left) and Thomas Baum of the Lancaster County Tax collection Bureau examine a return shown on part of the bureau's new \$1 million computer system.

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