



**Warren County
School District**

May 2, 2005

Act 72 – Homeowner Tax Relief Act

Public Financial Management, Inc.

Harrisburg, Pennsylvania

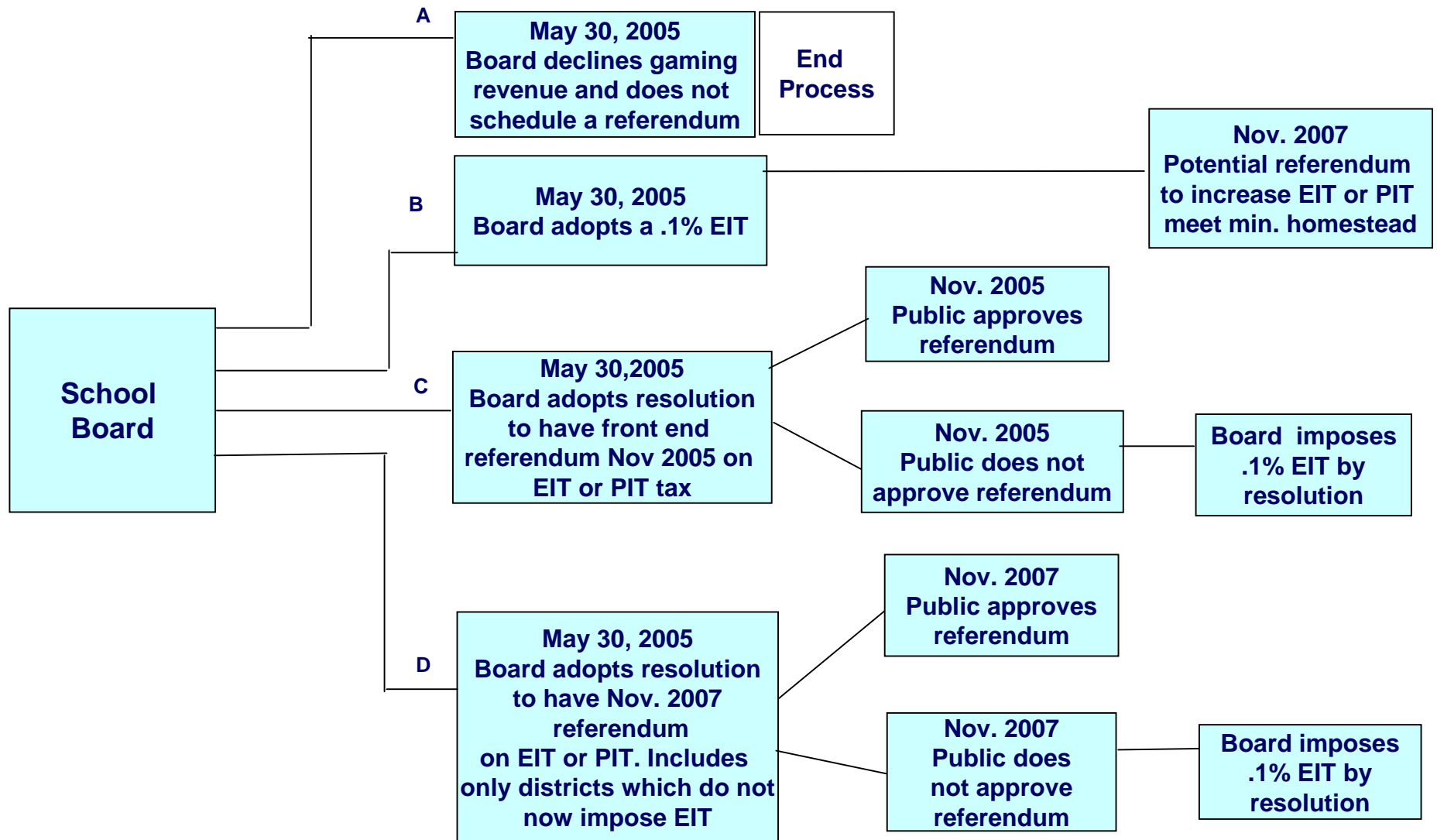
(717) 232-2723

What is Act 72 all About?

- *Provides for school district property tax reduction funded through a combination of locally raised income taxes and gaming revenue allocated by the state*
- *Facilitates a tax reduction and tax shift but does not directly provide additional revenue to school districts to fund academic programs*
- *Every qualified owner occupied home and farm will receive a school property tax reduction. Taxpayers may pay some additional income tax to the school district which needs to be taken into account in terms of the “net” tax reduction to taxpayers.*
- *Districts which participate in Act 72 will have limits on the ability to raise tax rates without seeking voter approval*
- *Citizens can have periodic opportunities to consider raising the initial local income based taxes to provide for further property tax reduction*

What are the board and community options in relation to Act 72?

Act 72 - Board Decision Path



Implications of Actions in relation to Act 72

Action	Implications
A. Do not adopt qualifying .1% EIT tax (decline gaming revenue) do not schedule a referendum	<ul style="list-style-type: none"> •Retain current tax system •Not subject to Act 72 referendum limits •Turn down state gaming revenue for tax relief •No property tax decrease •No option to reconsider
B. Board adopts qualifying .1% EIT tax	<ul style="list-style-type: none"> •District qualifies for gaming revenue and property tax reduction at earliest date available •May be required to have referendum in Nov. 2007 to Increase EIT or PIT •Subject to budget referendum 2006/07
C. Opt to have front end referendum for higher EIT or PIT in 2005	<ul style="list-style-type: none"> •Qualifies for gaming revenue •Gives citizens a say in EIT or PIT rate and amount of property tax reduction •Subject to budget referendum 2006/07 •May require another referendum in Nov. 2007
D. Districts without EIT currently, defer action on Act 72 EIT or PIT rate commitment until Nov. 2007	<ul style="list-style-type: none"> •Qualifies for gaming revenue •Delays commitment on EIT or PIT until process and dollars are better known •Allows longer district planning period •Subject to budget referendum in 2006/07 •Could delay property tax reduction

How does the State determine the amount of slot revenue a district will receive?

Allocation of Total Gaming Funds

- Gaming Legislation Authorizes Three Types of Slots Venues
 - Category 1 – “Racinos” Seven or eight race tracks
 - Category 2 – “Stand-alone” Four or five
 - Category 3 – Resort hotels – two
- Proposed machine total is 61,000. Makes Pennsylvania second only to Nevada (for now)

Revenue Generator	One Time Revenue	Recurring Revenues
Licenses	\$550 - \$650 million	
Casino Operations		48% of gross revenues
Property Tax Relief		34% of gross revenues
Economic Development		5% of gross revenues
Host County/Contig. Juris.		2% of gross revenues
Horse Racing Dev. Fund		9% of gross revenues
Host Municipality		2% of gross revenues

Allocation of Gaming Revenue to Schools

Available gaming revenue as certified by Secretary of Budget is allocated to each district which qualifies. Allocation based on a “Property Tax Reduction Index”

Property Tax Reduction Index Concept

- **Every district is ranked on four dimensions of relative wealth and tax effort**
- **The rankings for every district for the four dimensions are summed**
- **The sum of the ratings is divided by 1000 to produce an index for each district**
- **The Property Tax Reduction Index gives a greater share of property tax reduction to low income, low wealth, high tax effort districts**
- **Districts receive additional gaming funds as credit for Philadelphia Wage Tax payments.**

Allocation of Gaming Revenue to Schools

Components of Property Tax Reduction Index

1. 2002 Personal Income/2003-04 ADM

- Lowest income per student gets highest ranking i.e. 501

2. 2004-05 MV/PI Aid Ratio

- Highest aid ratio (least wealthy) gets highest rank

3. 2002-03 Equalized Mills (Total school taxes/market value)

- Highest tax effort gets highest rank

4. 2002-03 School Tax Ratio (Total school taxes/personal income)

- Highest tax effort gets highest rank

State Allocation= District Index x ADM x (Dollar Amount Set by State)

Property Tax Reduction Index

PTR Index (out of 501)	
School District	PTR Ranking
Conneaut	295
Corry Area	474
Crawford Central	303
Erie City	431
Fairview	18
Fort Leboeuf	197
General Mclane	78
Girard	329
Harbor Creek	97
Iroquois	467
Millcreek Township	22
North East	195
Northwestern	279
Penncrest	347
Union City Area	329
Warren County	427
Wattsburg Area	172

Allocation of Gaming Revenue to Northwest Tri-County IU Schools

Assumed \$500 Million Gaming Funds			
School District	Formula Allocation	Credit for Phil. Wage Tax	Total
Conneaut	\$775,032	\$0	\$775,032
Corry Area	\$442,148	\$0	\$442,148
Crawford Central	\$1,192,985	\$2,314	\$1,195,299
Erie City	\$4,964,139	\$2,078	\$4,966,217
Fairview	\$222,310	\$831	\$223,141
Fort Leboeuf	\$529,653	\$0	\$529,653
General Mclane	\$413,430	\$0	\$413,430
Girard	\$581,208	\$273	\$581,481
Harbor Creek	\$380,646	\$292	\$380,938
Iroquois	\$502,967	\$0	\$502,967
Millcreek Township	\$751,327	\$461	\$751,788
North East	\$450,633	\$2,559	\$453,192
Northwestern	\$330,961	\$0	\$330,961
Penncrest	\$1,068,744	\$213	\$1,068,957
Union City Area	\$280,979	\$246	\$281,225
Warren County	\$2,256,289	\$232	\$2,256,521
Wattsburg Area	\$372,495	\$0	\$372,495
Total			\$15,525,445
Average			\$913,261

Assumed \$1 Billion Gaming Funds			
School District	Formula Allocation	Credit for Phil. Wage Tax	Total
Conneaut	\$1,605,986	\$0	\$1,605,986
Corry Area	\$869,835	\$0	\$869,835
Crawford Central	\$2,472,050	\$3,471	\$2,475,521
Erie City	\$9,605,416	\$3,116	\$9,608,532
Fairview	\$479,757	\$1,246	\$481,003
Fort Leboeuf	\$1,097,523	\$0	\$1,097,523
General Mclane	\$856,691	\$0	\$856,691
Girard	\$1,204,353	\$409	\$1,204,762
Harbor Creek	\$788,757	\$438	\$789,195
Iroquois	\$1,042,227	\$0	\$1,042,227
Millcreek Township	\$1,609,164	\$691	\$1,609,855
North East	\$933,782	\$3,838	\$937,620
Northwestern	\$648,805	\$0	\$648,805
Penncrest	\$2,076,851	\$319	\$2,077,170
Union City Area	\$545,338	\$370	\$545,708
Warren County	\$4,627,895	\$349	\$4,628,244
Wattsburg Area	\$771,866	\$0	\$771,866
Total			\$31,250,543
Average			\$1,838,267

What are the local income taxes that a district can impose under Act 72?

Districts can enact an Earned Income Tax or Personal Income Tax

Earned Income Tax (EIT): Levied by the Locality, taxes the following for services rendered:

- Salaries/Wages
- Commissions/Bonuses/Incentive Payments
- Fees
- Tips
- Sole proprietorship (Schedule C) Net Income
- Partnership (K-1) ordinary income

Personal Income Tax (PIT): Levied by the Commonwealth, Pennsylvania taxes eight classes of income:

- All of the above plus the following:
- Net Profits
- Net Property Income
- Net Income from Rents, Royalties, Patents & Copyrights
- Dividends
- Gambling & Lottery Winnings
- Interest
- Net Income through Estates or Trusts
- S Corporation (K-1) Net Income

How does Act 72 impact taxpayers?

ACT 72 MODEL
Warren County School District

2006/2007 ESTIMATED HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION CALCULATION @ 0.10% INCOME TAX
AT \$500 MILLION OF STATE GAMING DISTRIBUTION

Table 1

a. State Gaming Allocation		\$ 2,256,289	
b. Credit for Philadelphia Wage Tax		\$ 232	
c. Earned Income Tax @ 0.10% (1st Year Collections)		<u>\$ 397,340</u> *	
d. Total Available for Homestead/Farmstead Property Tax Reduction	a + b + c	\$ 2,653,861	
		At 100%	At 75%
		Application Rate	Application Rate
e. Homestead/Farmstead Properties (From SD Information)		12,766	9,575
f. Property Tax Reduction per Approved Homestead/Farmstead	d / e	\$ 208	\$ 277
Millage Rate		43.50	43.50
Homestead Assessment Exclusion	f / millage rate	4,779	6,372

* Projected 2006/2007 EIT Base: \$ 567,628,697
Additional EIT at 70% Collections x 0.10% x 70.%
Earned Income Tax @ 0.10% (1st Year Collections) \$ 397,340

ACT 72 MODEL
Warren County School District

2006/2007 ESTIMATED HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION CALCULATION @ 0.10% INCOME TAX
AT \$1 BILLION OF STATE GAMING DISTRIBUTION

Table 1

a. State Gaming Allocation		\$ 4,627,895	
b. Credit for Philadelphia Wage Tax		\$ 349	
c. Earned Income Tax @ 0.10% (1st Year Collections)		<u>\$ 397,340</u> *	
d. Total Available for Homestead/Farmstead Property Tax Reduction	a + b + c	\$ 5,025,584	
		At 100%	At 75%
		Application Rate	Application Rate
e. Homestead/Farmstead Properties (From SD Information)		12,766	9,575
f. Property Tax Reduction per Approved Homestead/Farmstead	d / e	\$ 394	\$ 525
Millage Rate		43.50	43.50
Homestead Assessment Exclusion	f / millage rate	9,050	12,066

* Projected 2006/2007 EIT Base: \$ 567,628,697
 Additional EIT at 70% Collections x 0.10% x 70.%
 Earned Income Tax @ 0.10% (1st Year Collections) \$ 397,340

Voters Approval to Increase Income Taxes Beyond 0.1% EIT

- **If 0.1% + State gaming funds do not provide the “minimum” tax reduction defined in Act 72 the Board is required to prepare a ballot question for November 2007**
- **A ballot question may ask the public if they want to raise the EIT or convert to a PIT to provide more property tax reduction**
- **Ballot question parameters can provide property tax reduction anywhere between the “minimum” and “maximum” property tax reduction**
- **If the public disapproves the November 2007 ballot question the School Board can continue to levy 0.1% EIT and provide available property tax reduction**

ACT 72 MODEL
Warren County School District

CALCULATION OF MINIMUM HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION AND NECESSARY INCOME TAX RATE

AT \$500 MILLION OF STATE GAMING DISTRIBUTION

Since Homestead amount (f) is more than Minimum Homestead (g), a November 2007 referendum is NOT needed

Table 2

g. Minimum Homestead Property Tax Reduction*			
Amount Per Homestead:	(25% of Median Assessed Value x Millage Rate) 0.25 x \$19,095 = \$4,774 x 43.5 = \$208	\$	208
Total \$ Required:	(Amount Per Homestead x Eligible Homestead Properties) \$208 x 12,766 = \$2,650,964	\$	2,650,964
Additional Income Tax Required:	(Total \$ Required - State Gaming & Sterling - Income Tax Revenue from 0.10%) \$2,650,964 - \$2,256,521 - \$397,340 = -\$2,897	\$	(2,897)
Additional Income Tax Rate Increase (over .6%) Needed To Collect -\$2,897		(Unrounded .%)**	0.00% ***
Actual Projected Collections in 1st Year of Additional Income Tax (due to rounding)		\$	-
Per Act 72, 2.00% of Collections is Withheld for School District Operations		\$	-
Actual Minimum Homestead Property Tax Reduction:		\$	208
(Actual Projected Collections + State Gaming & Sterling + Revenue from 0.10%)/ Eligible Homesteads) \$ + \$2,256,521 + \$397,340 = \$2,653,861 / 12,766 = \$208			

*For these calculations, the 2005/2006 millage rate and the projected 2008/2009 income tax base were used.

**Per Act 72, rate is rounded up to the nearest 0.10% (until the homestead amount is higher than the minimum).

***Total School District EIT rate is .6%

ACT 72 MODEL
Warren County School District

CALCULATION OF MAXIMUM HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION AND NECESSARY INCOME TAX RATE
AT \$500 MILLION OF STATE GAMING DISTRIBUTION

Table 3

h. Maximum Homestead Property Tax Reduction*			
Amount Per Homestead:	(50% of Median Assessed Value x Millage Rate) $0.50 \times \$19,095 = \$9,548 \times 43.5 = \$415$	\$	415
Total \$ Required:	(Amount Per Homestead x Eligible Homestead Properties) $\$415 \times 12,766 = \$5,301,927$	\$	5,301,927
Additional Income Tax Required:	(Total \$ Required - State Gaming & Sterling - EIT Revenue from 0.10%) $\$5,301,927 - \$2,256,774 - \$397,340 = \$2,647,813$	\$	2,647,813
Additional Income Tax Rate Increase (over .6%) Needed To Collect \$2,647,813		(Unrounded .65%)**	0.60% ***
Actual Projected Collections in 1st Year of Additional EIT (due to rounding)		\$	2,431,960
Per Act 72, 2.00% of Collections is Withheld for School District Operations		\$	2,383,321
Actual Maximum Homestead Property Tax Reduction:		\$	395
		(Actual Projected Collections + State Gaming & Sterling + Revenue from 0.10%)/ Eligible Homesteads) $\$2,383,321 + \$2,256,774 + \$397,340 = \$5,037,434 / 12,766 = \$395$	

*For these calculations, the 2005/2006 millage rate and the projected 2008/2009 income tax base were used.

**Per Act 72, rate is rounded down to the nearest 0.10%




***Total School District EIT rate is 1.2%

ACT 72 MODEL
Warren County School District

IMPACT OF TAX REFORM ON HOMEOWNERS (Using EIT Base)

AT \$500 MILLION OF STATE GAMING DISTRIBUTION

ASSUMING A 75% APPLICATION RATE IN YEAR 1 AND A 100% APPLICATION RATE IN LATER YEARS

						
YEAR 1						
@ 0.10% Income Tax	Income	\$75,000	Income	\$36,083	Income	\$15,000
Homestead Exclusion		(\$277)		(\$277)		(\$277)
Additional Income Tax of 0.1%		<u>\$75</u>		<u>\$36</u>		<u>\$15</u>
Difference: (Savings)/Cost		(\$202)		(\$241)		(\$262)

Additional Tax Reduction only if approved by Taxpayers

@ Minimum Homestead	Income	\$86,946	Income	\$41,830	Income	\$17,389
Homestead Exclusion		(\$208)		(\$208)		(\$208)
Additional Income Tax of .1%		\$87		\$42		\$17
Difference: (Savings)/Cost		(\$121)		(\$166)		(\$190)

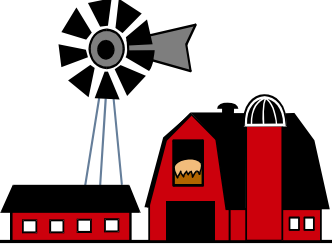
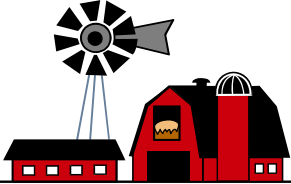
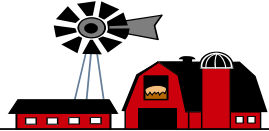
@ Maximum Homestead	Income	\$86,946	Income	\$41,830	Income	\$17,389
Homestead Exclusion		(\$395)		(\$395)		(\$395)
Additional Income Tax of .7%		\$609		\$293		\$122
Difference: (Savings)/Cost		\$214		(\$102)		(\$273)

ACT 72 MODEL
Warren County School District

IMPACT OF TAX REFORM ON FARMSTEADS (Using EIT Base)

AT \$500 MILLION OF STATE GAMING DISTRIBUTION

ASSUMING A 75% APPLICATION RATE IN YEAR 1 AND A 100% APPLICATION RATE IN LATER YEARS

			
YEAR 1			
@ 0.10% Income Tax	Income	Income	Income
	\$75,000	\$36,083	\$15,000
Homestead Exclusion	(\$277)	(\$277)	(\$277)
Farmstead Exclusion	(\$277)	(\$277)	(\$277)
Additional EIT of 0.1%	\$75	\$36	\$15
Difference: (Savings)/Cost	(\$479)	(\$518)	(\$539)

Additional Tax Reduction only if approved by Taxpayers

@ Minimum Homestead	Income	Income	Income
	\$86,946	\$41,830	\$17,389
Homestead Exclusion	(\$208)	(\$208)	(\$208)
Farmstead Exclusion	(\$208)	(\$208)	(\$208)
Additional Income Tax of .1%	\$87	\$42	\$17
Difference: (Savings)/Cost	(\$329)	(\$374)	(\$398)

@ Maximum Homestead	Income	Income	Income
	\$86,946	\$41,830	\$17,389
Homestead Exclusion	(\$395)	(\$395)	(\$395)
Farmstead Exclusion	(\$395)	(\$395)	(\$395)
Additional Income Tax of .7%	\$609	\$293	\$122
Difference: (Savings)/Cost	(\$181)	(\$496)	(\$667)

ACT 72 MODEL
Warren County School District

IMPACT OF TAX REFORM ON RENTERS (Using EIT Base)
AT \$500 MILLION OF STATE GAMING DISTRIBUTION

ASSUMING A 75% APPLICATION RATE IN YEAR 1 AND A 100% APPLICATION RATE IN LATER YEARS



YEAR 1 @ 0.10% Income Tax	Income	\$75,000	Income	\$36,083	Income	\$15,000
Homestead Exclusion	\$0		\$0		\$0	
Additional Income Tax of 0.1%	\$75		\$36		\$15	
Difference: (Savings)/Cost	\$75		\$36		\$15	

Additional Tax Reduction only if approved by Taxpayers

@ Minimum Homestead	Income	\$86,946	Income	\$41,830	Income	\$17,389
Homestead Exclusion	\$0		\$0		\$0	
Additional Income Tax of .1%	\$87		\$42		\$17	
Difference: (Savings)/Cost	\$87		\$42		\$17	

@ Maximum Homestead	Income	\$86,946	Income	\$41,830	Income	\$17,389
Homestead Exclusion	\$0		\$0		\$0	
Additional Income Tax of .7%	\$609		\$293		\$122	
Difference: (Savings)/Cost	\$609		\$293		\$122	

ACT 72 MODEL
Warren County School District

IMPACT OF TAX REFORM ON HOMEOWNERS (Using EIT Base)
AT \$1 BILLION OF STATE GAMING DISTRIBUTION
CHANGE IN SCHOOL TAXES DUE TO TAX REFORM

ASSUMING A 75% APPLICATION RATE IN YEAR 1 AND A 100% APPLICATION RATE IN LATER YEARS

YEAR 1		Additional Tax Reduction only if approved by Taxpayers	@ Minimum Homestead			@ Maximum Homestead	
Additional EIT	0.10%		Additional EIT	0.10%		Additional EIT	0.10%
Total EIT Rate	0.60%		Total EIT Rate	0.60%		Total EIT Rate	0.60%
Homestead	\$525		Homestead	\$394		Homestead	\$394
Household Income	Difference		Household Income	Difference		Household Income	Difference
300,000	(\$225)		347,782	(\$46)		347,782	(\$46)
285,000	(\$240)		330,393	(\$63)		330,393	(\$63)
270,000	(\$255)		313,004	(\$81)		313,004	(\$81)
255,000	(\$270)		295,615	(\$98)		295,615	(\$98)
240,000	(\$285)		278,226	(\$115)		278,226	(\$115)
225,000	(\$300)		260,837	(\$133)		260,837	(\$133)
210,000	(\$315)		243,448	(\$150)		243,448	(\$150)
195,000	(\$330)		226,058	(\$168)		226,058	(\$168)
180,000	(\$345)		208,669	(\$185)		208,669	(\$185)
165,000	(\$360)		191,280	(\$202)		191,280	(\$202)
150,000	(\$375)		173,891	(\$220)		173,891	(\$220)
135,000	(\$390)		156,502	(\$237)		156,502	(\$237)
120,000	(\$405)		139,113	(\$255)		139,113	(\$255)
105,000	(\$420)		121,724	(\$272)		121,724	(\$272)
90,000	(\$435)		104,335	(\$289)		104,335	(\$289)
75,000	(\$450)		86,946	(\$307)		86,946	(\$307)
60,000	(\$465)		69,556	(\$324)		69,556	(\$324)
45,000	(\$480)		52,167	(\$342)		52,167	(\$342)
30,000	(\$495)		34,778	(\$359)		34,778	(\$359)
15,000	(\$510)		17,389	(\$376)		17,389	(\$376)
0	(\$525)		0	(\$394)		0	(\$394)

Note: Black positive numbers reflect an increase in the homeowner's school taxes.
 Red (negative) numbers reflect a reduction in the homeowner's school taxes.

How will Act 72 impact the financial operation of the school district?

Operation of Back end Referendum Provisions

Districts which impose at least a .1% EIT and receive state slot allocation are subsequently required to submit tax rate increases which exceed the annual index to voter approval at primary election preceding the budget year, unless certain exceptions apply

The Annual Index

- **Index is determined annually by PDE based on the average of the percentage increase in the Statewide Average Weekly Wage (SAWW) and the average percentage increase in the Employment Cost Index (ECI)**
- **Example SAWW average equal 4% and ECI equals 2%, index equals 3%**
- **History of index: 2001=3.8%, 2002=3.5%, 2003=3.5%, 2004=2.9%, 2005=3.3%**
- **Index applies to upcoming fiscal year i.e. Index announced Sept. 2005 would apply to 2006-2007 school district budget**

Index Adjustment Calculation

Warren County School District Index Calculation					
	A	B	C	D	
	<u>MV/PI Aid Ratio</u>	<u>Adjustment</u>	<u>(A + B)</u>	<u>Index</u>	<u>(C * D)</u>
2001	0.6894	0.75	1.4394	3.80%	5.47%
2002	0.6908	0.75	1.4408	3.50%	5.04%
2003	0.6915	0.75	1.4415	3.50%	5.05%
2004	0.6899	0.75	1.4399	2.90%	4.18%
2005	0.6909	0.75	1.4409	3.30%	4.75%
Projection	0.6949	0.75	1.4449	3.40%	4.90%

ACT 72 MODEL

Warren County School District

5 YEAR REVENUE & EXPENDITURE HISTORY

Table 4

	2000-2001	% Change	2001-2002	% Change	2002-2003	% Change	2003-2004	% Change	2004-2005
Revenues									
Local									
<i>Real Estate</i>	15,883,086	2.50	16,280,005	-0.96	16,124,381	5.26	16,973,029	3.15	17,507,408
<i>Earned Income Tax</i>	2,574,385		2,458,479		2,500,438		2,392,338		2,626,000
<i>Other Local Revenue</i>	3,103,783	4.17	3,233,361	0.04	3,234,536	-3.82	3,110,998	2.57	3,190,881
State	26,475,656	2.61	27,166,854	3.40	28,091,100	6.67	29,964,497	4.58	31,337,847
Federal	1,762,320	38.81	2,446,240	24.20	3,038,236	12.83	3,427,961	-2.99	3,325,439
Other	-		-		-		-		-
Total Revenues	49,799,230	3.59	51,584,939	2.72	52,988,691	5.44	55,868,823	3.79	57,987,575
Expenditures	49,396,882	3.21	50,982,714	4.85	53,456,532	3.94	55,561,374	7.25	59,589,863
Difference	402,348		602,225		(467,841)		307,449		(1,602,288)
Fund Balance	3,949,663		4,551,888		4,084,047		4,391,496		2,789,208

Table 5

% Millage Increase	5.19%	0.00%	0.00%	4.94%	2.35%
% Allowable Increase (Index)*	<u>5.47%</u>	<u>5.04%</u>	<u>5.05%</u>	<u>4.18%</u>	<u>4.75%</u>
% Difference	0.27%	5.04%	5.05%	-0.76%	2.40%
Millage Rate	40.50	40.50	40.50	42.50	43.50
Allowable Millage Rate	<u>40.61</u>	<u>42.54</u>	<u>42.54</u>	<u>42.19</u>	<u>44.52</u>
Millage Difference	0.11	2.04	2.04	(0.31)	1.02
1 Mill =	392,175	401,975	398,133	399,365	402,469
\$ Difference	41,509	820,968	813,515	(123,339)	410,866
If the "\$ Difference" above is negative : Either the use of fund balance or an exception for this amount would have been needed, otherwise a referendum would have been required.					

*Adjusted if the School District's MV/PI ratio is higher than 40%.

ACT 72 MODEL
Warren County School District

5 YEAR REVENUE & EXPENDITURE PROJECTION UNDER ACT 72
(AT \$500 MILLION OF STATE GAMING DISTRIBUTION)

Table 6

	BASE YEAR	% Trend	YEAR 1	% Trend	YEAR 2	% Trend	YEAR 3	% Trend	YEAR 4	% Trend	YEAR 5
	2005-2006		2006-2007		2007-2008		2008-2009		2009-2010		2010-2011
Revenues											
Local											
<i>Gross Real Estate (1)</i>	17,749,870	0.50	17,838,619	0.50	17,927,812	0.50	18,017,452	0.50	18,107,539	0.50	18,198,076
<i>Less: Homestead (2)</i>	-		(2,653,861)		(2,653,861)		(2,653,861)		(2,653,861)		(2,653,861)
<i>EIT - 0.50%</i>	2,652,260	1.00	2,678,783	1.00	2,705,570	1.00	2,732,626	1.00	2,759,952	1.00	2,787,552
<i>EIT - 0.10%</i>	-		397,340		573,305		579,038		584,828		590,677
<i>EIT -Additional (2)</i>	-		-		-		-		-		-
<i>Other Local Revenue</i>	3,273,540	1.00	3,306,275	1.00	3,339,338	1.00	3,372,732	1.00	3,406,459	1.00	3,440,523
State - Non-Gaming	32,967,737	2.20	33,693,027	2.20	34,434,274	2.20	35,191,828	2.20	35,966,048	2.20	36,757,301
State - Gaming & Sterling	-		2,256,521		2,256,521		2,256,521		2,256,521		2,256,521
Federal	3,340,297	0.50	3,356,998	0.50	3,373,783	0.50	3,390,652	0.50	3,407,606	0.50	3,424,644
Other	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Total Revenues	59,983,704		60,873,703		61,956,743		62,886,987		63,835,092		64,801,433
Expenditures	61,900,000	3.50	64,066,500	3.50	66,308,828	3.50	68,629,636	3.50	71,031,674	3.50	73,517,782
Fund Balance	-		-		-		-		-		-
Difference	(1,916,296)		(3,192,797)		(4,352,084)		(5,742,649)		(7,196,582)		(8,716,349)

Table 7

1 Mill =	408,043	410,083	412,134	414,194	416,265	418,347
Millage Rate Needed To Balance the Budget	48.20	51.29	54.06	57.36	60.79	64.34
Exception (3)	N/A	1.32	0.63	0.01	0.00	0.02

Table 8

% Increase in Index (4)	N/A	4.90%	4.90%	4.90%	4.90%	4.90%
Millage Rate at Index (5)	N/A	45.63	49.25	52.33	54.91	57.60
Exception	N/A	1.32	0.63	0.01	0.00	0.02
Actual Millage Rate	43.50	46.95	49.88	52.34	54.91	57.62
% Increase in Actual Millage	0.00%	7.94%	6.24%	4.92%	4.90%	4.94%
Does the Actual Millage Rate Balance the Budget?		NO	NO	NO	NO	NO
	If "NO" above: A referendum is needed unless additional exceptions are approved or fund balance is used, if available.					

Table 9: Millage Difference

If NO, Actual vs. Needed	-4.33	-4.18	-5.02	-5.88	-6.72
If YES, Actual vs. Allowable	0.00	0.00	0.00	0.00	0.00
\$ Value of Millage Rate Difference	(1,776,951)	(1,720,763)	(2,080,737)	(2,448,760)	(2,809,698)

(1) Starting in Year 1, includes the change in revenue as a result of the annual change in total assessed value (i.e. no millage increases).

(2) In Year 3 through Year 5, assumes the minimum homestead exclusion.

(3) Estimated PDE exception for increased existing local effort debt service and PSERS contribution.

(4) The 5-year historical average of the Index.

(5) Increases the prior year's actual millage rate by the 5-year avg. of the Index (unless the millage rate needed to balance the budget is less than the allowable millage).

Operation of Back end Referendum Provisions

Exceptions to Back end Referendum

- **Districts can exclude a portion of the tax increase from the index trigger if the tax increase is needed to meet certain costs or conditions.**
 - Exception claims by a district require either court approval or approval of PDE
 - If exceptions are approved, district tax increase can exceed index without going to referendum

Exceptions requiring court approval

- **Exceptions which require approval by Court of Common Pleas. District must post notice of intent to file and notice of any hearing**
 1. Respond to the cost of emergency or disaster
 2. Costs related to compliance with a court order
 3. Costs related to resolving conditions which could result in serious harm or injury
- **Court determines if district qualifies for exception, the dollar value of the exception and the tax levy needed to address the exception. Tax levy is removed when condition is resolved.**

Operation of Back end Referendum Provisions

Exceptions which Require PDE Approval

Exceptions which require PDE review and approval. PDE has roughly 10 days to review and approve or decline exception. District must notify public of intent to file for exception.

- 1. Cost related to debt incurred prior to the effective date of the Act or approved by voters**
- 2. Pay for debt related to a portion the cost of new “academic school buildings”**
- 3. Special education cost increases which exceed 10% in one year, exception amount is the amount over the 10% increase**
- 4. Costs of school improvement plan under NCLB which are not covered by state accountability block grants**
- 5. Maintenance of local tax revenue per student. Requires a 7.5% increase in ADM in the last three years to qualify. Maintenance of growth in instructional expense per student at index**
- 6. Costs related to the maintenance of the total dollar value of property taxes, earned income taxes, basic education funding and special education funding at a percentage increase over the prior year equal to the index**
- 7. Payment of cost of health benefits contained in existing contracts, if the percentage increase in costs between years is greater than the index. Exception is set at the dollar value by which the percentage increase in health care costs exceeds the index**
- 8. Funding of PSERS rate increases which drive up district cost more that 7.5% in a year. The exception equals the dollar amount by which the percentage increase in the PSERS contribution exceeds the 7.5%.**

ACT 72 MODEL
Warren County School District

CALCULATION OF MINIMUM HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION AND NECESSARY INCOME TAX RATE
AT \$1 BILLION OF STATE GAMING DISTRIBUTION

Since Homestead amount (f) is more than Minimum Homestead (g), a November 2007 referendum is NOT needed

Table 2

g. Minimum Homestead Property Tax Reduction*			
Amount Per Homestead:	(25% of Median Assessed Value x Millage Rate) $0.25 \times \$19,095 = \$4,774 \times 43.5 = \$208$	\$	208
Total \$ Required:	(Amount Per Homestead x Eligible Homestead Properties) $\$208 \times 12,766 = \$2,650,964$	\$	2,650,964
Additional Income Tax Required:	(Total \$ Required - State Gaming & Sterling - Income Tax Revenue from 0.10%) $\$2,650,964 - \$4,627,903 - \$397,340 = -\$2,374,280$	\$	(2,374,280)
<hr/>			
Additional Income Tax Rate Increase (over .6%) Needed To Collect -\$2,374,280	(Unrounded -.58%)**	0.00%	***
Actual Projected Collections in 1st Year of Additional Income Tax (due to rounding)		\$	-
Per Act 72, 2.00% of Collections is Withheld for School District Operations		\$	-
Actual Minimum Homestead Property Tax Reduction:		\$	394
(Actual Projected Collections + State Gaming & Sterling + Revenue from 0.10%)/ Eligible Homesteads $\$ + \$4,627,903 + \$397,340 = \$5,025,243 / 12,766 = \$394$			

*For these calculations, the 2005/2006 millage rate and the projected 2008/2009 income tax base were used.

**Per Act 72, rate is rounded up to the nearest 0.10% (until the homestead amount is higher than the minimum).

***Total School District EIT rate is .6%

ACT 72 MODEL
Warren County School District

CALCULATION OF MAXIMUM HOMESTEAD/FARMSTEAD PROPERTY TAX REDUCTION AND NECESSARY INCOME TAX RATE
AT \$1 BILLION OF STATE GAMING DISTRIBUTION

Table 3

h. Maximum Homestead Property Tax Reduction*			
Amount Per Homestead:	(50% of Median Assessed Value x Millage Rate) $0.50 \times \$19,095 = \$9,548 \times 43.5 = \$415$	\$	415
Total \$ Required:	(Amount Per Homestead x Eligible Homestead Properties) $\$415 \times 12,766 = \$5,301,927$	\$	5,301,927
Additional Income Tax Required:	(Total \$ Required - State Gaming & Sterling - EIT Revenue from 0.10%) $\$5,301,927 - \$4,628,283 - \$397,340 = \$276,304$	\$	276,304
Additional Income Tax Rate Increase (over .6%) Needed To Collect \$276,304		(Unrounded .07%)**	0.00% ***
Actual Projected Collections in 1st Year of Additional EIT (due to rounding)		\$	-
Per Act 72, 2.00% of Collections is Withheld for School District Operations		\$	-
Actual Maximum Homestead Property Tax Reduction:		\$	394
		(Actual Projected Collections + State Gaming & Sterling + Revenue from 0.10%)/ Eligible Homesteads) $\$ + \$4,628,283 + \$397,340 = \$5,025,623 / 12,766 = \$394$	

*For these calculations, the 2005/2006 millage rate and the projected 2008/2009 income tax base were used.

**Per Act 72, rate is rounded down to the nearest 0.10%

***Total School District EIT rate is .6%