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Act 1 Referendum Exceptions To avoid common filing mistakes:

- 1. Adopt a Preliminary General Fund Budget §311
 - Proposed preliminary budget must be made available for public inspection by January 27, 2011
 - · Public notice of intent to adopt budget by February 6, 2011
 - Adopt budget by February 16, 2011
 - Submit both electronic and signed paper copy to PDE by February 21, 2011

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To avoid common filing mistakes:

- 2. To request referendum exceptions, preliminary budget must contain a real estate tax rate in excess of index
 - Real Estate Tax Rate report (RETR), line U, must be greater than \$0
 - Line U does not have to equal amount of referendum exceptions being requested
- 3. Advertise at least 7 days prior to submitting referendum exceptions - §333(j)(2) (i.e. clicking 'Submit' button in RES)



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To avoid common filing mistakes:

- 4. February 24, 2011 is last day to place advertisement and still be able to submit exceptions
- 5. Advertisement could be included with notice of intent to adopt preliminary budget (by February 6, 2011)
- 6. Review Referendum Exception Guidelines document
- 7. Submit referendum exceptions online by 11:59 p.m. March 3, 2011
- 8. Any problems during process, call PDE immediately

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To avoid common filing mistakes:

- 9. After clicking 'Submit' button, print 'Summary of Exceptions' for superintendent's signature, and immediately mail to PDE.
- 10. If contacted by PDE staff during review process, submit new signed 'Summary' when allowable exception amounts have changed.



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To avoid common filing mistakes:

- 11. If school district intends to submit referendum question to voters to approve a tax rate increase over the index or to levy a new tax:
 - a. By March 18, 2011, submit question to County Board of Elections in each county
 - b. Referendum for tax rate increase over index should be for amount that exceeds referendum exceptions

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Act 1 Referendum Exceptions Changes in the retirement exception calculation:

- No change in calculation only in data collected:
 - 1. Enter salary base (instead of object 230)
 - 2. RES will pre-populate PSERS rates and calculate amount of expenditures (object 230)
 - 3. Salary data for 2010-2011 should be based on most up-to-date estimate of salaries (not from original 2010-2011 budget)
 - 4. Allowable exception is amount of increase in SD's share of payments to PSERS in excess of SD's index



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Act 1 Referendum Exceptions Refresher course on the other PDE exceptions

- School Construction generally, provides exception for increase in debt service payments
- Four types of construction exception:
 - 1. Grandfathered Debt
 - a) For issue/note/loan incurred prior to either September 3, 2004 or June 27, 2006
 - 2. Electoral Debt
 - a) Must have issue/note/loan previously approved by

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Refresher course on the other PDE exceptions

- 3. Academic Project
 - a) Uses construction cost averages (CCA) of \$155 for elementary and \$160 for secondary
 - b) Maximum project cost for exception is equal to lesser of 60% of CCA or total net project cost
 - c) Exception calculated as increase in local share of debt service multiplied by the percent that line b is of amount of project financed by debt
- 4. Nonacademic Project
 - a) Maximum cost of \$283,494 for each project



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Refresher course on the other PDE exceptions

- Four "AFR" exceptions compare 2008-09 to 2009-10
 - 1. Special Education Expenditures
 - a) Exception for increase in costs over SD's index
 - b) Expenditures using ARRA funds are included in 2009-
 - 2. School Improvement Plan
 - a) Exception for costs to implement a SI plan, as approved by PDE, that exceed any State allocation dedicated to school improvement (ABG, EAP, etc)

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Refresher course on the other PDE exceptions

- Four "AFR" exceptions compare 2008-09 to 2009-10
 - 3. Maintenance of Local Tax Revenue or AIE per ADM
 - a) Exception calculated in two separate pieces; allowable exception is greater of each piece
 - b) Local revenue per ADM: SD must have increase in ADM greater than 7.5% between 2006-07 and 2009-10
 - 4. Maintenance of Selected Revenue Sources
 - a) Basic Education Funding for 2009-10 includes Federal SFSF (total BEF allocation)



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Refresher course on the other PDE exceptions

- Health Care-Related Benefits
 - 1. Collective-bargaining agreement must have been in place on January 1, 2006
 - 2. Agreements renewed, extended, or entered into after January 1, 2006 are not eligible (retroactive agreements are also not eligible)

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Refresher course on the other PDE exceptions

Final General Fund Budget reminders:

- Follow timeline on PDE website:
 - 1. Proposed version by May 30, 2011
 - 2. Public inspection, 20 days prior to final
 - 3. Public notice, 10 days prior to final
 - 4. Submit final to PDE within 15 days



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Refresher course on the other PDE exceptions

Final General Fund Budget reminders:

- No requirement to use approved referendum exceptions
- Amount of tax revenue in excess of index (RETR line U) must be equal to or less than total approved exceptions
- If using exceptions on final budget, complete Certification of Utilization screen in RES and submit to PDE with final budget paperwork

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Referendum Exception Mailbox: ra-res@state.pa.us Property Tax Relief Mailbox: ra-propertytax@state.pa.us

Bureau of Budget and Fiscal Management

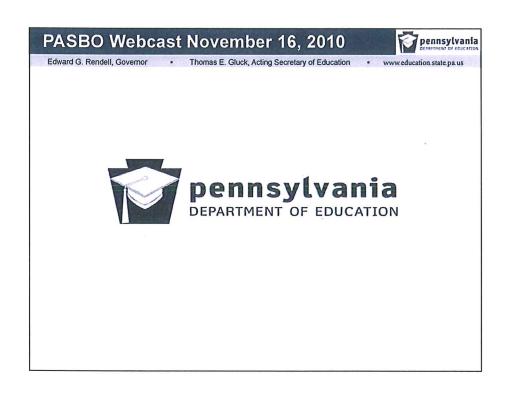
Barbara J. Nelson, Bureau Director

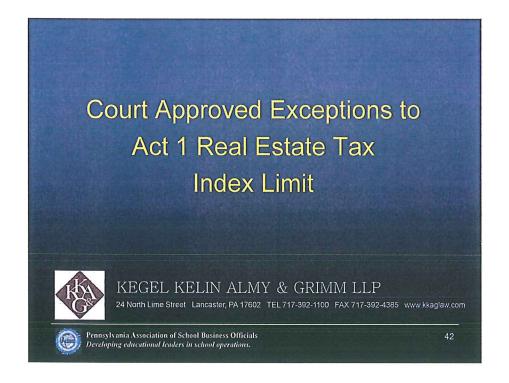
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Court Approved Exceptions -Statute Language

Court or Administrative Order Exception

53 P.S. § 6926.333(f)(2)(ii) provides exception for:

"Costs to implement a court order or an administrative order from a Federal or State agency

as long as the tax increase is rescinded following fulfillment of the court order or administrative order." (Note future rescission requirement.)



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Court or Administrative Order Examples

- RE tax assessment decrease/tax refund.
- Special education decision by agency or court
- Court or administrative agency order relating to: employment, Title IX gender equity, ADA, construction, or other.



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Court Approved Exceptions – Court Procedures

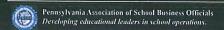
53 P.S. § 6926.333(i) specifies court procedures as follows:

- At least 75 days before primary election (March 3, 2011), SD file court petition.
- At least one week before filing, publish advertisement of intent to file (publish in newspaper and on SD website).
- After court sets hearing date, publish notice of hearing date (publish in newspaper and on SD website).

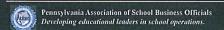


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- SD prove qualification for exception "by clear and convincing evidence."
- SD prove dollar amount of expense "by clear and convincing evidence."
- "Clear and convincing evidence" means testimony and evidence so clear, direct, weighty, and convincing as to allow the judge to reach a clear conclusion, without hesitancy, of truth of facts. Fagan v. PennDOT, 875
 A.2d 1195 (Pa. Cmwlth. 2005)



- At least 55 days before primary election (March 23, 2011), court must issue ruling on:
 - · Amount of expense for which exception granted.
 - Tax rate increase required to fund exception.
 - Appropriate duration of tax rate increase.
- Note tight timetable 20 days from filing to decision!
- Sample court petition KKAG will provide on request – just call or e-mail.



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Other Court Approved Exceptions

Emergency or Disaster Exception

53 P.S. § 6926.333(f)(2)(i) provides exception for:

 Costs resulting from emergency or disaster – in each case, declared by Governor. (Note future rescission of tax rate increase not required.)

Threat of Harm Exception

53 P.S. § 6926.333(f)(2)(iv) provides exception for:

 Costs caused by conditions posing immediate threat of serious harm or injury to students, staff, or residents. (Note future rescission required when conditions resolved.)

