

SECTION - 3

**Tax Commission Recommendation
to the Warren County School Board**

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RECOMMENDATION

Warren County School Board Members,

Please be advised that it is the recommendation of the duly appointed WCSD Tax Commission, in accordance with Section 331 Paragraph (e) Item 1 of Act 1 Special Session 2006, direct the Warren County School Board Directors to place the following "Referendum Question" on the ballot, for the electors of the Warren County School District to vote on, at the 2007 primary election to read as follows:

As mandated by Act 1 of 2006, the following referendum question is presented for voter approval or disapproval: Do you favor raising the current school district Earned Income Tax from 0.5% to 0.9%? The revenue generated by the 0.4% tax increase will be used to reduce school property tax by an estimated \$221 for qualified homestead/farmstead properties.

Please note: The above Recommendation is based on the May 4, 2006 information from the Warren County Chief Assessor's office that establishes the Median Assessed value to be \$19,140. This includes the information relating to the approved 9,539 parcels with the median record being number 4,770. Since there were 12,766 eligible parcels that could have applied, the median assessed value is subject to change. The property owners have until March 1, 2007 to file an application. Therefore the Tax Commission has no way of determining how many will file and what impact the additional approved Homestead/Farmstead parcels will have on the Median Assessed value. The number of approved Homestead/Farmstead s determines the median record, which in turn determines the amount of tax monies required to provide the minimum 25% or maximum 50% reduction of the Median Assessed value, that is required by Act 1, Special Session of 2006.

It is important to understand that the referendum question to shift school property taxes to either an EIT or PIT will have no effect on the expanded homeowner/renter taxpayer rebate program, which is a separate part of Act 1. Also, the referendum result will not affect school property tax relief from Gaming Funds, when or if they become available.

The reasons for our Recommendation as stated above are:

1. It is the Tax Commission's opinion that a PIT may be more costly to implement, monitor, and collect and may well incur the additional expense of a Tax Anticipation Loan to cover the expense of shifting revenues from an EIT to a PIT.
2. It is the Tax Commission's opinion that the major factor in determining the minimum and maximum Homestead/Farmstead exclusion is the record that

establishes the median assessed record. Because 3,227 or 25% of the available parcels have not applied, it is pure speculation as to what the actual median assessed value will be, which is dependent on how many additional Taxpayers seek an exclusion and the assessed value of their particular property is known. The median record determines the dollar value of the exclusion.

3. It is the Tax Commission's opinion that a shift to either a PIT or an increase in the EIT will have a negative impact on cash flow for the school district, since the majority of taxes would not be received at one time and invested as they currently are.

4. It is the Tax Commission's opinion that the percent of PIT will have to be increased to recoup the reduced revenues collected because of the provisions in Act 1 that permit the taxpayers to utilize the same Tax Forgiveness that they are entitled to on their Pennsylvania State Income tax.

5. Because of the ambiguities of Act 1 and the unknowns at this time, it is the opinion of this committee that the tax shift be proposed at the minimal amount, as mandated by the act. Therefore we do not support a shifting of any more monies that have been collected via property taxes to an EIT until sufficient steps have been taken to insure that proper safeguards are in place to eliminate any loss of revenues to the Warren County School District.

6. The tax Commission is aware that a PIT may be more equitable to a majority of the taxpayers, however we further believe that any decision to do so should be deferred until 2008. The Board, if they so desire may then form a new Tax Commission to determine a new recommendation at that time. Hopefully by 2008, the procedure to; administer, collect, and audit it will be established; the expense of collecting it is known; the impact on cash flow can be determined, the effect of the PA State Forgiveness can be determined so that the PIT tax rate can be determined to provide the minimum or maximum exclusion, the gaming monies are known and available; and the Warren County School District has more experience at producing an accelerated annual budget.

In conclusion, it should not be viewed by the Warren County School Board, the school administration or the voting public that the findings of this Tax Commission and the proposed referendum question is in any way an endorsement to shift school property taxes to an increase in Earned Income Taxes. It is the opinion of this committee that it is premature to change the existing school taxation of the Warren County Taxpayers. Furthermore, any decision to do so should be delayed until such time that more information is available. It is absolutely necessary to know just how the EIT collection system will be modified; the procedure for collecting, monitoring and auditing the PIT are known; and the many unknown factors associated with it are determined so as to eliminate any negative impact on revenues required that would jeopardize the education of the students of the Warren County School District.

SECTION - 4

Historic and Present Rates of Revenue from Taxes Currently Assessed and Collected

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WARREN COUNTY SCHOOL DISTRICT			HISTORICAL TAX REVENUE					PROJECTED TAX REVENUE					28-Nov-06	
REVENUE TREND ANALYSIS			ACTUAL 2000-2001	ACTUAL 2001-2002	ACTUAL 2002-2003	ACTUAL 2003-04	ACTUAL 2004-2005	ACTUAL 2005-2006	APPROVED BUDGET 2006-2007	PROJECTED 2007-2008	PROJECTED 2008-2009	PROJECTED 2009-2010	PROJECTED 2010-2011	PROJECTED 2012-2013
LOCAL														
6010 Assessed Value			\$432,220,144	\$432,220,576	\$437,250,000	\$436,952,185	\$435,909,332	\$441,946,287	443,703,781	\$454,796,376	\$457,070,357	\$457,527,428	\$457,984,955	\$458,442,940
(CHANGE IN ASSESSED VALUE)			0.27%	0.00%	1.16%	-0.07%	-0.24%	1.38%	0.40%	2.50%	0.50%	0.10%	0.10%	0.10%
6020 Local Mills			40.5	40.5	40.5	42.5	43.5	46.0	46.0	46.0	46.0	46.0	46.0	46.0
			5.19%	0.00%	0.00%	4.94%	2.35%	5.75%	0.00%					
TAX LEVY...			\$17,504,916	\$17,504,933	\$17,708,625	\$18,570,468	\$18,962,056	\$20,329,529	\$20,410,374	\$20,920,633	\$21,025,236	\$21,046,262	\$21,067,308	\$21,088,375
% Collected			90.74%	93.00%	93.00%	91.40%	89.60%	88.44%	92.33%	92.33%	92.33%	92.33%	92.33%	92.33%
6111 Current Real Est Tax			\$15,883,086	\$16,280,005	\$16,124,381	\$16,973,029	\$16,989,613	\$17,978,846	\$18,844,898	\$19,316,021	\$19,412,601	\$19,432,013	\$19,451,445	\$19,470,897
VALUE PER MILL.....			\$392,175	\$401,975	\$398,132	\$399,365	\$390,566	\$390,844	\$409,672	\$419,913	\$422,013	\$422,435	\$422,858	\$423,280
6113 Public Utility Realty			\$70,903	\$40,862	\$33,983	\$38,805	\$28,467	\$35,734	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
6114 Pay in Lieu of Taxes & Forestry			\$500,569	\$722,923	\$489,881	\$852,401	\$862,308	\$871,934	\$842,000	\$842,000	\$842,000	\$842,000	\$842,000	\$842,000
6120 Per Capita Tax/679			\$114,012	\$113,270	\$111,176	\$108,873	\$106,853	\$106,531	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000
6141 Per Capita Tax/511			\$114,012	\$113,270	\$111,176	\$108,873	\$106,861	\$106,426	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000
6143 Occup Privilege/511			\$111,017	\$108,494	\$99,413	\$105,504	\$96,818	\$93,331	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000
Total Act 511 Flat Tax			\$225,029	\$221,764	\$210,589	\$214,377	\$203,678	\$199,757	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
6151 Earned Income/511			\$2,574,385	\$2,458,479	\$2,500,438	\$2,392,338	\$2,650,564	\$2,834,355	\$2,630,000	\$2,695,750	\$2,763,144	\$2,832,222	\$2,903,028	\$2,975,604
			4.08%	-4.50%	1.71%	-4.32%	10.79%	6.93%	-7.21%	2.50%	2.50%	2.50%	2.50%	2.50%
6153 Real Est Transfer/511			\$215,349	\$212,531	\$287,642	\$289,647	\$301,308	\$340,662	\$250,000	\$256,250	\$262,656	\$269,223	\$275,953	\$282,852
Total Act 511 Prop Tax			\$2,789,734	\$2,671,010	\$2,788,080	\$2,681,985	\$2,951,873	\$3,175,017	\$2,880,000	\$2,952,000	\$3,025,800	\$3,101,445	\$3,178,981	\$3,258,456
6400 Delinquent Taxes			\$1,262,151	\$1,616,574	\$1,761,016	\$1,473,796	\$1,600,536	\$1,835,347	\$1,700,000	\$1,742,500	\$1,786,063	\$1,830,714	\$1,876,482	\$1,923,394
TOTAL TAXES			\$20,845,484	\$21,666,408	\$21,519,106	\$22,343,266	\$22,743,329	\$24,203,166	\$24,606,898	\$25,192,521	\$25,406,463	\$25,546,172	\$25,688,908	\$25,834,746
% Increase			3.17%	3.94%	-0.68%	3.83%	1.79%	6.42%	1.67%	2.38%	0.85%	0.55%	0.56%	0.57%

WARREN COUNTY SCHOOL DISTRICT			HISTORICAL REVENUE SUMMARY			28-Nov-06	TAB 4
REVENUE TREND ANALYSIS	ACTUAL 2000-2001	ACTUAL 2001-2002	ACTUAL 2002-2003	ACTUAL 2003-04	ACTUAL 2004-2005	ACTUAL 2005-2006	APPROVED BUDGET 2006-2007
STATE:							
7110 Basic Instr Subsidy	\$18,738,280	\$19,269,981	\$19,780,279	\$20,427,372	\$21,055,211	\$21,567,057	\$22,504,901
Percent Increase	2.36%	2.84%	2.65%	3.27%	3.07%	2.43%	4.35%
7140 Subsidies for Charter Schools	\$0	\$4,083	\$24,798	\$24,798	\$96,469	\$151,352	\$730,734
7150 School Performance	\$66,516	\$53,171	\$251,238	\$0	\$0	\$0	\$0
7160 Tuition-Orph/Private	\$7,362	\$17,914	\$23,807	\$18,416	\$14,009	\$13,880	\$0
7210 Homebound Instruction	\$1,450	\$1,081	\$1,827	\$1,874	\$1,533	\$1,757	\$1,500
7220 Vocational Education	\$226,973	\$236,604	\$267,904	\$176,186	\$230,635	\$242,832	\$297,237
7230 Alternative Education	\$0	\$0	\$0	\$3,560	\$27,329	\$0	\$25,000
7260 Job Trng Partnership	\$7,360	\$3,460	\$3,900	\$0	\$4,050	\$0	\$0
7271 Special Education	\$3,026,275	\$3,229,534	\$3,270,696	\$3,475,871	\$3,619,461	\$3,800,202	\$3,675,783
7290 Education Assistance	\$0	\$0	\$0	\$0	\$398,326	\$432,338	\$431,139
7310 Pupil Transportation	\$2,597,305	\$2,660,973	\$2,858,448	\$2,853,873	\$3,063,288	\$3,148,628	\$3,450,000
7320 Rentals & Sinking Fnd	\$65,267	\$59,054	\$48,362	\$1,017,512	\$1,091,733	\$879,003	\$746,250
7330 Medical & Dental Svcs	\$135,126	\$129,346	\$126,586	\$13,559	\$122,270	\$115,431	\$118,000
7340 Supplemental Reimb/Basic Sub	\$0	\$0	\$0	\$23,165	\$0	\$0	\$0
7350 Sewage Treatment	\$5,675	\$5,675	\$5,675	\$0	\$0	\$0	\$0
7400 Voc Training	\$10,436	\$0	\$0	\$0	\$0	\$0	\$0
7500 DARE/ALT ED	\$103,229	\$37,827	\$36,292	\$154,316	\$38,358	\$15,301	\$24,975
7505 Extra Grants	\$0	\$0	\$0	\$0	\$0	\$413,329	\$0
7501 Block Grant	\$0	\$0	\$0	\$0	\$873,023	\$873,023	\$1,067,600
7810 Soc Sec/State Share	\$1,072,304	\$1,115,303	\$1,191,620	\$1,119,830	\$1,310,625	\$1,136,059	\$1,158,000
7820 Retirement/State Share	\$276,246	\$163,150	\$184,978	\$654,165	\$672,359	\$762,035	\$979,000
7900 Tech Grants/LINK TO LEARN	\$135,852	\$179,698	\$14,690	\$0	\$0	\$0	\$0
TOTAL STATE REVENUE	\$26,475,656	\$27,166,854	\$28,091,100	\$29,964,497	\$32,618,681	\$33,552,227	\$35,210,119
Percent Change	1.97%	2.61%	3.40%	6.67%	8.86%	2.86%	4.94%
FEDERAL:							
8100 Unrestricted Grants(Impact Aid)	\$61,259	\$49,088	\$81,195	\$50,000	\$13,897	\$0	\$80,000
8512 Restricted, IDEA, Part B	\$412,621	\$590,984	\$829,932	\$1,197,283	\$1,259,801	\$1,222,933	\$1,100,000
8514 Ed of Disadvantaged ECIA Title I	\$789,432	\$858,997	\$987,076	\$1,079,974	\$1,076,829	\$1,161,017	\$1,035,436
8515 T IID / Ed Tech	\$0	\$0	\$6,307	\$26,284	\$155,029	\$555,960	\$100,000
8515 T IIA Improv Tchr Qual	\$0	\$0	\$326,336	\$333,806	\$319,154	\$0	\$300,000
8517 Drug Free Schools	\$30,874	\$29,176	\$34,875	\$29,190	\$37,911	\$34,919	\$34,919
8518 T V Innovative Ed/ Drug Free	\$650	\$28,838	\$17,933	\$43,166	\$53,958	\$23,378	\$25,504
8519 Other ESEA & IDEA Programs	\$0	\$206,213	\$20,037	\$0	\$0	\$0	\$0
8520 Vocational/EDGAR Grant	\$0	\$0	\$100,000	\$0	\$0	\$86,403	\$0
8521 Vocational Carl Perkins	\$123,580	\$85,668	\$70,513	\$113,129	\$94,697	\$52,666	\$0
8560 Art Smart	\$280,411	\$512,672	\$309,258	\$297,389	\$428,072	\$227,852	\$0
8570 EESA, Title II	\$29,744	\$51,759	\$57,137	\$0	\$0	\$0	\$0
8620 Adult Basic Education	\$26,478	\$0	\$0	\$0	\$0	\$0	\$0
8680 Goals 2000, Title III	\$7,271	\$32,845	\$47,637	\$0	\$0	\$0	\$0
8690 Other Federal Revenue	\$0	\$0	\$0	\$0	\$31,390	\$3,610	\$0
8690 Misc Fed Revenue	\$0	\$0	\$0	\$0	\$556	\$0	\$0
8810 Med Asst. Reimb(ACCESS)	\$0	\$0	\$150,000	\$257,740	\$200,000	\$200,000	\$210,000
TOTAL FEDERAL REVENUE	\$1,762,320	\$2,446,240	\$3,038,236	\$3,427,961	\$3,671,293	\$3,568,738	\$2,885,859
OTHER:							
9200 Proceeds/Ext Term Fin.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9400 Sale of Real Prop	\$0	\$0	\$0	\$0	\$0	\$495,195	\$177,000
9500 Refnds Prior Yr Exp	\$0	\$0	\$0	\$844	\$0	\$0	\$0
TOTAL OTHER REVENUE	\$0	\$0	\$0	\$844	\$0	\$495,195	\$177,000
TOTAL ALL REVENUE	\$49,799,230	\$51,584,939	\$52,988,692	\$55,869,667	\$59,271,025	\$62,191,223	\$63,154,876
Percent Change	3.02%	3.59%	2.72%	5.44%	6.09%	4.93%	1.55%

Submitted by: J Petter Turnquist CPA