

**SPRING-FORD AREA SCHOOL DISTRICT**

**TAX STUDY COMMISSION PUBLIC HEARING**

**MINUTES**

*Hearing Location:* Spring-Ford Senior High School - Cafeteria  
350 South Lewis Road  
Royersford, PA 19468

*Date:* Tuesday, November 21, 2006

*Time:* 7:00 p.m.

*Members Present:* Bernard Brzoska (Chairperson), Thomas Weikel (Vice-Chairperson), Mark Dehnert, George Ellis, Wayne Motsek, Cheryl Post, Kenneth Saylor, , Dean Wright, Daniel Young.

*Others Present:* Timothy Anspach (Business Manager), Edward Murray (Managing Director), A. Kyle Berman (Esquire), Diane Fern (Secretary), members of the public.

**I. Call to order of public hearing.**

Mr. Brzoska reminded the members of the public who were present that they must sign in to speak at the public hearing tonight. He allowed a few minutes for those present to do this if they so desired. The public hearing was called to order at 7:00.

**A. Submission of advertisement for hearing into the record.**

Mr. Anspach confirmed that the advertisement had been handed over to Mrs. Fern, the Tax Commission Secretary, for submission into the records.

**B. Submission of proof of publication into the record.**

Mr. Anspach confirmed that the proof of publication had been handed over to Mrs. Fern, the Tax Commission Secretary, for submission into the records.

**II. Purpose of public hearing.**

**A. Presentation by Mr. Edward Murray Financial Consultant (Boenning & Scattergood Inc.), Mr. A. Kyle Berman, Esquire (Representative of Fox Rothschild LLP).**

**1. Review of major provisions of Act 1 of 2006.**

**B. Review of the role of Local Tax Study Commission.**

**C. Review of the options available to Local Tax Study Commission.**

Mr. Murray gave a brief summation of Act 1 for the public and for the public record. He said Act 1 of 2006 is not the will of the school board or the tax commission but was signed into law by Governor Rendell on June 27, 2006. Mr. Murray noted that Act 1 was intended to reduce real estate tax via tax shifting and distribute any state gambling monies when available to reduce property taxes. Money will go into a fund to reduce property taxes which will be offset by an income tax. Mr. Murray said at certain levels some residents will pay more income tax than they will receive back from the property tax. Mr. Murray said some misconceptions are that residents will receive a check back similar to the rebate program in New Jersey but that is not the intention of the act. The intention of the Act is to reduce property assessments so that the ultimate tax bill is less. Mr. Murray said the two major provisions of Act 1 provided for the appointment of the Local Tax Study Commission and the front end voter referendum. The Tax Commission is charged with recommending either an EIT or PIT. Act 1 also contains a back end referendum which means each year the school district will not be able to raise taxes by any more than the amount of an inflationary rate unless it asks the voters for approval to do so. Mr. Murray said after the front end referendum is dealt with there will always remain the back end referendum which will restrict the growth of property taxes to a rate of inflation unless the school board specifically asks for an exception or goes to the voters for approval for a higher amount. Mr. Murray said Act 1 also has budgetary timelines that the district must adhere to. Mr. Murray referred to a chart which showed the range of Earned Income Tax Rate calculations and he pointed out that the minimum rate would be an additional 0.9%, which after year two or three when 100% collection has been realized; would produce a homestead exclusion of approximately \$860.00. Mr. Murray then showed the calculations using the maximum rate of 1.60%, which after year two or three when 100% collection is realized, would produce a homestead exclusion of approximately \$1529.00. Mr. Murray said any range between the maximum and minimum is at the discretion of the Commission.

Mr. Berman said Act 1 is something that permits the voters to make a decision on any shift taking place in property taxes versus income taxes. The Act was put into place to lower property taxes but it doesn't do that by itself instead it shifts your property taxes or some measure of them over to an income tax. The decision on whether or not to make this shift will be made by way of a referendum on the May 15, 2007 ballot. Prior to that happening the Local Tax Study Commission had to be appointed and was a necessary step in this process. The Tax Study Commission Members are representative of the people in the school district along certain criteria. Once appointed the Tax Commission was charged with studying certain particular aspects of the district, certain historical tax rates, certain historical land usage, and expected taxes and land usage. Mr. Berman said in the end the Commission must make a recommendation to the school board on what type of tax to collect, the rate of the tax and the wording for the tax question will be that will be placed on the referendum. The requirements for the tax rate are that it must either be 1% or sufficient to fund 25% to 50% of the exclusion for the median real estate tax assessment in the district. Mr. Berman said tonight the public will have an opportunity to speak to the Commission to give input on this recommendation. Mr. Berman said the Local Tax Commission has no choice and must make a recommendation on December 4 to the school board on an income tax in the areas previously outlined. Once the recommendation is made to the school board the job of the Local Tax Study Commission will be complete and they will be discharged from their duties and all records will be

turned over to the school board. The school board will then hold their own hearings in order to invite public comment. The school board will then make a decision and place the referendum question on the ballot in May. The voters will then have the choice of approving or disapproving the tax.

Mr. Berman invited the public to ask any questions regarding the legal aspects of Act 1. Mr. Richard Bamford asked about the mechanics of all the revenues the district presently collects and wondered if it was a fair assessment to say that currently 80% of the property taxes collected funds the educational costs of the district. Mr. Berman said as far as property taxes go the school district levies its own tax and he cannot say what the particular tax amount is relative to the county tax or municipal tax versus the school tax. Mr. Berman said he is not sure if the question is germane to tonight's discussion as the Commission only has the opportunity to make a recommendation concerning what would happen to the school taxes. Mr. Bamford questioned if in the future the reason for this tax is because the property tax is capped to some inflation index and Mr. Berman said the amount the district can raise the property tax year by year is calculated by an index which is meant to approximate the inflationary index. Mr. Bamford asked if there were exceptions to this and Mr. Berman said there are exceptions which are listed in Act 1 but in order to get the exception approved the district must apply to the Pennsylvania Department of Education or the courts. Mr. Bamford asked if future property tax relief was being funded by this additional income tax and Mr. Berman said this is not totally accurate as there is a notion in the act that in the future there will be gambling funds which will help to offset property taxes. Mr. Bamford asked when the district anticipates revenue coming in from gambling and Mr. Berman said he cannot give an estimate on this. Mr. Bamford asked about information in the projections that had been handed out and said in year one it looked like everyone above the median level would see a tax increase while those below the median would see a tax decrease and Mr. Berman said there is a break even point at some point but is based on the different tax rates. Mr. Murray said the break even point fluctuates between \$80,000 and \$100,000 if the residents approve the tax at the May primary. Mr. Bamford asked if Act 1 would constrain the district in anyway and Mr. Berman said it becomes a problem for the district if they budget a certain amount to be collected and they do not realize this amount. Mr. Bamford asked if all future increases in the income tax would be put to the voters each year and Mr. Berman clarified that the tax rate will remain the same until there is another voter referendum.

### **III. Public comment period.**

- A.** Limitation of public verbal presentations to 10 minutes.
- B.** Requirement of sign-in for public statements.
- C.** Requirement that taxpayer identify his/her name, address, and taxpaying status within the District.
- D.** Acceptance into the record of written presentations in lieu of a public statement which were submitted to the Local Tax Commission Secretary on or before 4:00 p.m. on November 20, 2006.

**Paul Chrisman** thanked and commended the Local Tax Commission for volunteering and investing their time in this exercise in futility. He recommended that the Tax Commission write a letter to the four Local Legislatures and the Governor to repeal Act 1 and start over. Mr. Chrisman recommended that the School Board pass a resolution to do the same.

Mr. Berman asked if Mr. Place who had signed the public comment sheet wished to make a statement and Mr. Place declined. There were no other comments from the public.

Mr. Berman said the Commission did allow for written presentations and asked if any had been received and Mr. Anspach confirmed that no written presentations had been received.

#### **IV. Conclusion of hearing.**

- A.** The Local Tax Study Commission has accepted public comments and will consider them prior to making its recommendations. This recommendation will be presented to the Spring-Ford Area School District Board of School Directors on December 4, 2006 at 7:30 p.m.
- B.** Mr. Weikel made a motion to adjourn and Mrs. Post seconded it. The motion passed 9-0. The public hearing adjourned at 7:25.