



What is Act 1?

Act 1, also known as the Pennsylvania Taxpayer Relief Act, was passed in June 2006 by the state legislature. This new law is designed to help school districts reduce property taxes by shifting the tax burden and utilizing gaming revenue. It is also designed to give voters a say in the school district budget process.

Act 1 replaced an earlier law called Act 72, which was optional for school districts. Act 1, however,

is not optional. All districts are required to abide by its regulations, even if they choose not to accept gaming revenue provided through the act.

Through the legislation, Spring-Ford Area School District was required to form a Local Tax Study Commission last year. This collection of community representatives studied the district's existing tax structure and demographics to determine whether or not it would

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Dear Spring-Ford Area School District Resident,

In previous newsletters, we have shared information with you about legislation called Act 1, the Pennsylvania Taxpayer Relief Act. If you know anything about Act 1, you know that it is a complex law that will have a dramatic effect not only on school districts, but on individual taxpayers as well.

That is why we are dedicating an entire newsletter to this issue. We are hoping that this publication will help you to better understand the impact that Act 1 will have on Spring-Ford and its future, and how it will affect you as a resident and taxpayer.

This publication is just the beginning of our push to keep you informed. We will also be posting information regularly on our website, www.spring-ford.net, devoting an edition of PCTV's "Supe's On" to the issue, and organizing a town hall meeting in the spring.

We invite residents with questions to attend our School Board meetings, which are held on the third and fourth Mondays of the month starting at 7:30 p.m. in the cafeteria of Spring-Ford Area High School's 10-12 Center.

Sincerely,

The Spring-Ford Area School Board

How Will Act 1 Affect Spring-Ford?

Act 1 will have a direct impact on the way in which Spring-Ford plans its budgets. Here's a look at some of the changes:

Budget Timeline is Moved Up

Instead of presenting the district's preliminary budget in the spring, this year, the School Board got its first look at the 2007-08 budget in January. Under Act 1, the budget planning process is moved up several months so that it coincides with local elections. Final budget adoption will still take place by June 30 as it has in the past.

District Held to State Index

Under Act 1, school districts are required to limit tax increases to an annual index, unless they agree to go to a back-end referendum or seek exceptions to the index. In 2007-08, the index for Spring-Ford is 3.4 percent.

The administration and School Board are committed to fiscal responsibility and make every effort to keep tax increases as low as possible while still delivering a quality academic program. However, some budgetary costs — such as special education, employee healthcare and retirement benefits, and those associated with a growing student population — cannot easily be controlled at the local level. That is why the district will be seeking exceptions in these areas.

Special education costs have been increasing on average about \$500,000 or 10 percent a year. Spring-Ford is required by the state to provide special education programming, yet receives little funding to implement the mandates. The district is also required by the state to contribute annually to the state employee

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How Will Act 1 Affect Spring-Ford?

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retirement system, and in recent years, that contribution rate has risen from 1.15 percent in 2002-03 to 6.46 in 2006-07. Next year, Spring-Ford will have to contribute 7.13 percent. And like many private employers, Spring-Ford has seen premiums increase at a rapid rate — over the last seven years, health insurance premiums have gone up annually, on average, by 10.31 percent and prescription premiums have gone up by 15 percent. These are costs that the district has little or no control over and have exceeded the 3.4 index.

Adding to the district's budgetary challenges is the fact that Spring-Ford's student population continues to grow as more families move into the area. Because the district has seen such a large influx of students over the last three years, it plans to seek an exception from the state in this area as well.

If the exceptions are approved by the Pennsylvania Department of Education, Spring-Ford could raise taxes by 5.5 percent instead of the 3.4 percent cap set by the state. However, in February the School Board agreed it would not raise taxes by the maximum amount and approved a preliminary budget calling for a 4.39-percent increase. Without using some of the exceptions, the district would have to cut more than \$1 million to balance the budget, meaning it would become challenging to meet our goals for students in the coming



year. As always, the district remains committed to balancing the needs of children with the needs of the community, and promises to continue thoroughly reviewing district spending to limit the impact on you, the taxpayer.

Future Budget Planning Must Be Part of Today's Budget Planning

As a feasibility study recently revealed, Spring-Ford will likely be planning some major building projects to accommodate an estimated 3,000 additional students who will arrive within the next 10 years. But paying for these building projects — along with the escalating costs for items such as employee health care and retirement benefits — is going to become challenging as the district also tries to limit tax increases to the state index.

That is why it will be increasingly important for the district to utilize exceptions when necessary. Being able to raise taxes above the index in certain years will help ensure that the district can raise enough money to fund projects in the future. If we are to continue our superior level of academic programming, maintain class sizes and provide our students with adequate facilities, we will need our community's support. We encourage you to get involved by attending School Board meetings, visiting our website and learning more about our schools so that you understand how your tax dollars are being spent.

What is Act 1?

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be better to increase the earned income tax (EIT) or implement a personal income tax (PIT) as a way to shift the tax burden from property owners to wage earners. The LTSC recommended increasing the EIT and the School Board accepted this recommendation. It will be up to voters to decide through a front-end referendum on May 15th whether or not this recommendation will be implemented. (For more information on the referendum, see page 5.)

If this measure is approved, Spring-Ford will use these additional funds to reduce property taxes. In future years, when the state's gambling industry produces enough revenue, Spring-Ford will receive a share of the gambling

proceeds to be used for additional property tax relief.

Along with tax relief, Act 1 was also designed to limit school district spending by requiring districts to keep budgetary increases at or below an annual index. If a district needs to raise taxes above that index, it is required to ask voters to approve the increase through a back-end referendum. Recognizing that in some years, school districts may face expenses that are beyond their control or are unforeseen, Act 1 allows school districts to seek exceptions for budgetary increases over the index in certain circumstances. If these exceptions are approved, districts are allowed to increase their budgets over the index without going to referendum.

Frequently Asked Questions Regarding Act 1

Q. What is the difference between a front-end referendum and a back-end referendum?

A. A front-end referendum is held in the spring and is designed to allow voters to decide on the type and the rate of the tax that will be used to reduce property taxes.

A back-end referendum is designed to allow voters a say in whether or not a school district should raise its taxes above an index and is held in the election preceding the start of the school district's fiscal year, which would mean the primary election here in Spring-Ford.

Q. How much money will the district be getting through Act 1?

A. Contrary to what you might think, Spring-Ford Area School District is not receiving any new money through Act 1. Any additional revenue that the district receives from a higher earned income tax or from gambling proceeds will be used to reduce property taxes.

Q. Will I receive a rebate check when my property taxes are reduced?

A. No. If measures to implement property tax reductions are approved, you would not receive a check. Instead, your property assessment will be reduced and the amount of taxes you pay will be based on this new assessment.

Q. What happens if the referendum question being proposed on May 15th is voted down? Will I not receive property tax relief?

A. If the referendum question is voted down, most likely you will not see any property tax reduction next year. In future years you could see property tax relief when the district begins receiving gambling proceeds from the state, or if another front-end referendum is held and approved by a majority of voters.

Q. School districts must limit tax increase to an index under Act 1. How is that index determined?

A. The index is calculated by the state averaging two figures, the Statewide Average Weekly Wage (SAWW) and the federal Employment Cost Index for elementary/secondary schools. For Spring-Ford, the index for the 2007-08 school year is 3.4 percent.

Q. I am a senior citizen who doesn't own property. Will I receive any benefit from Act 1?

A. If you don't own property, you would not benefit from Act 1 if property taxes are reduced. However, Act 1 does expand the Senior Citizen Property Tax and Rent Rebate Program, so it is possible that if you rent you could receive a rebate. To learn more, visit www.pde.state.pa.us or call your state legislator.



How Will Act 1 Affect You as a Resident?

Sometimes when a piece of legislation is passed, it has little or no direct impact on your daily life. But this is not the case with Act 1. The law will affect anyone who votes, earns income or owns property in Spring-Ford — but it will not affect everyone the same way. So we've broken our population down into several categories to explain how Act 1's impact might be felt.

Before skipping over to the section that pertains to you, it's important to note that if you vote, you will play a critical role in determining whether or not a tax shift will actually occur. At the May 15th primary, voters will be asked if they favor raising the school district's earned income tax (EIT) by .9 percent to 1.4 percent (or 1.9 percent when combined with the .5 percent EIT that all Spring-Ford municipalities collect).

If this measure is approved, it's estimated that qualified residential properties in our district could receive a tax reduction of approximately \$600. If the measure is not approved, Spring-Ford will have to wait to provide property tax relief until the state begins distributing gaming revenues to school districts.

In addition, you should also know that you are only eligible for a property tax reduction if your property is deemed a "qualified, owner-occupied" residential property. The Montgomery County Assessor's office determines this by reviewing the homestead/farmstead exclusion form that you should have filled out and returned to the county.

If the May 15th ballot question is approved by voters, here is how Act 1 might affect you:

◆ **If You Own Property and Earn More than \$90,000 in Combined Income:** You will pay more in taxes, because any reduction you see in your property taxes will be offset by the higher EIT.

◆ **If You Own Property and Earn \$90,000 in Combined Income:** You will break even. You will receive a property tax reduction, but will also have to pay approximately the same amount back due to the higher EIT.

◆ **If You Own Property and Earn Less than \$90,000:** You will save money because the increase you would pay in EIT would not be higher than the amount you save through your property tax reduction.

◆ **If You are a Renter Who Works:** You will pay more in taxes, because you will pay a higher EIT but not be eligible to receive a property tax reduction.

◆ **If You Own Property and Work in Philadelphia:** You will save money because you will see a reduction in your property taxes and not be affected by the higher EIT rate, since you already pay the city wage tax.



What Can You Do?

Stay Informed

Learn as much as you can about Act 1 and how it will impact you. Read our local newspaper to learn about new developments, or visit the Pennsylvania State Department of Education website at www.pde.state.pa.us, the Pennsylvania School Boards Association, www.psba.org, or the Pennsylvania Association of School Business Officials, www.pasbo.org, for information.

You can also visit our website, www.spring-ford.net, for updates.

Review and Make Sure You Understand the Proposed Referendum Question

As part of Act 1, Spring-Ford formed a Local Tax Study Commission to determine whether or not the district

should increase its earned income tax or impose a personal income tax. The Commission recommended that the district increase its earned income tax so that a majority of residents would see a property tax reduction.

The Commission presented its recommendation to the School Board, and now that recommendation will go to the voters. On May 15th, when you vote in the primary election, you will also see this question at the polls:

“Do you favor reducing taxes on qualified owner occupied residential properties by imposing an additional 0.9% earned income tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential properties by approximately

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ACT 1 TIMELINE

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| March 13 | Deadline for school boards to adopt a resolution authorizing a referendum question asking voters if they want to increase or implement an EIT to generate revenues for the purpose of reducing property taxes |
| March 16 | Deadline for school boards to submit referendum question on EIT to county election offices |
| March 21 | Deadline for court/Pennsylvania Department of Education (PDE) to rule and inform districts if exceptions have been granted or denied |
| April 16 | Secretary of Budget certifies amount of funds available in the property tax relief fund |
| April 20 | Secretary of Budget notifies PDE if allocations will be distributed to the district |
| May 15 | Primary election day, voters to determine outcome of referendum question |
| May 16-31 | School Districts should furnish information on changes to EIT rate to the Department of Community and Economic Development |
| June 11 | Deadline for school boards to print and display annual budget |
| June 20 | Deadline for school boards to give public notice of intent to adopt final budget |
| June 30 | Budget deadline for 2007-08 fiscal year. Deadline for boards to adopt resolution allowing for installment payment of property taxes |

What Can You Do?

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\$600.00. The current earned income tax rate is 0.5% and the current combined municipal/school district rate is 1.0%. The new combined municipal/school district rate would be 1.9%."

Vote on May 15th

To make sure you have a say in property tax relief, remember to vote on May 15th and encourage anyone you know to do so as well. Only you have the power to determine whether or not there will be a tax shift in Spring-Ford Area School District from property owners to wage earners.

Attend Future School Board Meetings

To fully understand the school budget process and the issues facing your school district, take some time out to attend Spring-Ford Area School Board meetings. Coming to the meetings and expressing your opinion, asking questions and just observing the School Board in action will help you to become and stay an informed voter who will be able to make educated decisions in future elections.

Spring-Ford Area School Board Meetings

When and Where:

**Third and Fourth Mondays of each month at 7:30 p.m.
in the cafeteria of Spring-Ford Area High School, 350 S. Lewis Road in Royersford**

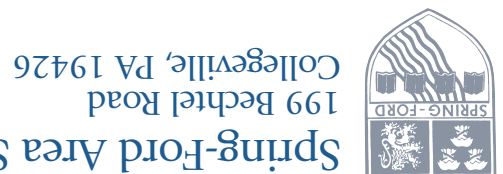
Entrance to Board meetings is through Door 8.

Robert A. Weber (610) 948-4943
or (610) 948-4940
Raymond J. Rocchio, Jr. (610) 792-9543

Bernard F. Pettit (215) 256-5770
Joseph M. Petrowski (610) 287-6409
or (610) 850-4252
Ammon G. Morgan, Jr. (610) 489-2239
Michael V. Masciandro (267) 402-0230

Joseph P. Ciresi (610) 792-5086
John S. Grispson, Vice President (610) 948-7655
Donna L. Williams, President (610) 489-1559

**Board of School Directors
Spring-Ford Area School District**



IMPORTANT
Information about
Property Taxes Inside

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