

ACT 1 Questions

Q: What is Act 1?

A: In June 2006, Governor Rendell signed Special Section Act 1 of 2006, the Taxpayer Relief Act. This law, known as "Act 1" was designed to "cap" or limit school district tax increases to a designated Act 1 Index each year that is determined by the Pennsylvania Department of Education (PDE).

Q: What is an Index?

A: According to Act 1, the Index is the average of the percent increase in the Statewide Average Weekly Wage and the employment Cost Index. It is then adjusted up or down depending on specific district factors. The purpose of an index is to allow school districts to make sure that revenues keep pace with cost-of-living increases. Most of a school district's revenues are obtained from taxes on real estate. Assessed values of real estate for tax purposes are very stable. They do not increase annually with the increases in costs of goods and services. When taxes are based on personal income, as with the federal and state governments, the revenue generated from those wages increases with each cost of living adjustment. An index allows a school district to maintain its current costs at next year's rate. It provides increased revenue for the increased costs of goods and services.

Q: What is the Act 1 Index for next year?

A: The Pennsylvania Department of Education has calculated the adjusted Act 1 Index for the 2015-2016 fiscal year at 2.2% for Pine-Richland School District. Last year, the adjusted index was 2.5%.

Q: Is Pine-Richland School District receiving the same Index as other districts across Pennsylvania?

A: Some school districts are assigned a higher adjusted index based on a formula. Due to Pine-Richland School District's history of being a low-taxing/higher market value/higher average income school community, Pine-Richland School District is only allowed to increase taxes in the amount of the adjusted index which is 2.2% plus exceptions.

Q: What are exceptions?

A: The District can apply for certain exceptions outlined by PDE that will allow for an additional increase in the millage rate. The exception categories were designated to assist in paying for cost areas that are outside the school district's ability to control.

Q: When does a referendum apply?

A: If a district needs to raise taxes above the Index, in addition to any millage that the exceptions process would allow, the district will be required to ask voters for permission to do so on a ballot during a regular election. This is referred to as the back-end referendum process.

Q: How does gambling money raised in Pennsylvania casinos fit in?

A: Gaming dollars are a separate part of Act 1 used to help reduce the tax burden placed upon individual Pennsylvania homeowners. The gaming money does not assist the school district's budget in any way. Last year's gaming dollars provided Pine-Richland School District homeowners with a tax credit per approved homestead. The credit amount is the same regardless of the value of one's home.

Q: What has the index cap been in the past for Pine-Richland School District?

A: The adjusted index cap for Pine-Richland School District has decreased since the passage of Act 1:

- in 2008-09, it was 5.1%
- in 2009-10, it was 4.9%
- in 2010-11, it was 3.4%
- in 2011-12, it was 1.7%
- in 2012-13, it was 2.0%
- in 2013-14, it was 2.0%
- in 2014-15, it was 2.5%
- for 2015-16, it is 2.2%

Q: What does this mean for Pine-Richland School District taxpayers?

A: Pine-Richland School District cannot raise real estate taxes for the 2015-2016 budget by more than 2.2%, (which is 0.4226 mills) regardless of increases to the district budget such as salaries, health-care, utilities, and maintenance costs unless the district applies for exceptions.

Q: What exceptions can Pine-Richland School District apply for?

A: The exceptions that Pine-Richland School District could qualify for include costs related to increasing special education expenses and the Pennsylvania State Employee Retirement System (PSERS) costs. Pine-Richland School District will be applying for exceptions by March 5, 2015.

Q: Once the Preliminary General Fund Budget is approved, what happens next?

A: The Board of Directors intends to adopt a Preliminary General Fund Budget for the 2015-2016 fiscal year on February 9, 2015. This is a procedural requirement under the provisions of Act 1. After the Preliminary General Fund Budget is submitted to PDE, the Pine-Richland School District has the opportunity to seek exceptions to the established adjusted index in the event that a millage increase above the adjusted index may be warranted. However, in any scenario, the analysis of the budget is still in the early phases of development. The Board of Directors and administration will continue to analyze staffing, trends and areas of operations where funds can be saved. The Pine-Richland School District will continue to communicate all progress, changes, options and projections over the next few months.

Q: When does the Board of Directors establish the 2015 real estate tax millage rate?

A: The Board of Directors intends to set the 2015 real estate tax millage rate and adopt a Final General Fund Budget for the 2015-2016 fiscal year on June 8, 2015.