

**Taxpayer Relief Act  
Special Session Act 1 of 2006**

**Report on Referendum Exceptions  
For School Year 2015-2016**

**April 2015**



**pennsylvania**  
DEPARTMENT OF EDUCATION

**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF EDUCATION**

333 Market Street  
Harrisburg, PA 17126-0333  
[www.education.pa.gov](http://www.education.pa.gov)

**Table 6**  
**Approved Real Estate Tax Rate as Percent of Proposed Tax Rate**  
**For School Year 2015-2016**  
**Based on Preliminary Budget and Referendum Exceptions**

<b>School District</b>	<b>Total Increase in Real Estate Tax Rate from Preliminary Budget</b>	<b>Total Dollar Value of Real Estate Tax Rate Increase</b>	<b>Percent of Real Estate Tax Rate Due to Referendum Exceptions</b>	<b>Approved Real Estate Tax Rate Increase Due to Exceptions</b>	<b>Dollar Value of Real Estate Tax Rate Increase Due to Exceptions</b>
Peters Township SD	4.9644	\$1,658,267	1.40%	1.5813	\$528,229
Phoenixville Area SD	0.5411	\$1,065,253	1.00%	0.3041	\$598,775
Pine-Richland SD	0.2498	\$645,748	1.30%	0.2498	\$645,748
Pittston Area SD	0.3057	\$442,333	2.10%	0.3056	\$442,265
Pleasant Valley SD	8.1885	\$2,574,192	5.20%	8.1883	\$2,574,123
Plum Borough SD	0.6013	\$886,662	1.50%	0.2933	\$432,527
Quaker Valley SD	0.2316	\$405,146	1.10%	0.1918	\$335,640
Riverview SD	1.0486	\$568,054	2.10%	0.4971	\$269,311
Saint Clair Area SD	1.6845	\$168,410	4.00%	1.4072	\$140,688
Salisbury Township SD	0.3068	\$392,123	1.10%	0.2024	\$258,802
Seneca Valley SD	5.9675	\$3,270,906	1.50%	1.8153	\$995,042
Shanksville-Stonycreek SD	0.5763	\$51,632	1.50%	0.5558	\$49,797
Shikellamy SD	4.2523	\$741,031	4.70%	4.2523	\$741,031
Slippery Rock Area SD	3.6807	\$485,781	1.60%	1.5876	\$209,537
Solanco SD	0.0236	\$42,982	0.20%	0.0237	\$42,982
Somerset Area SD	1.2815	\$537,845	3.10%	1.2815	\$537,845
South Fayette Township SD	0.2754	\$332,686	1.10%	0.2754	\$332,686
South Side Area SD	1.4376	\$184,332	2.10%	1.1732	\$150,436
South Western SD	0.4336	\$831,461	2.30%	0.4336	\$831,461
South Williamsport Area SD	1.6139	\$577,962	3.40%	0.5469	\$195,854

## Report on Referendum Exceptions For School Year 2015-2016

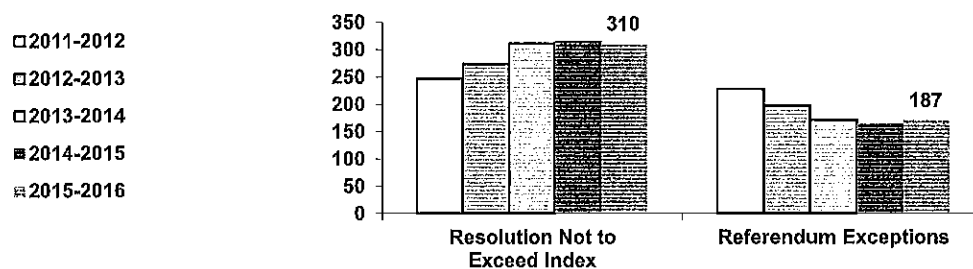
Pursuant to the Taxpayer Relief Act (SS Act 1 of 2006), the Department of Education (Department) sets an inflation index each year that serves as a cap on each school district's allowable tax increase unless the school district either obtains approval from the voters to increase taxes above the index or applies and qualifies for one of the limited and specific referendum exceptions provided in the Act. This report describes the process by which school districts applied for referendum exceptions for the 2015-2016 school year and provides data collected during the Department's review process.

### Index – Allowable Inflationary Tax Rate Increase

In September 2014, the Department calculated the index for each school district as required by law. The base index of 1.9 percent is the average of the percentage increase in the statewide average weekly wage, as determined by the PA Department of Labor and Industry, for the preceding calendar year and the percentage increase in the Employment Cost Index for Elementary and Secondary Schools, as determined by the Bureau of Labor Statistics in the U.S. Department of Labor, for the previous 12-month period ending June 30. For a school district with lower wealth (i.e., a market value/personal income aid ratio (MV/PI AR) greater than 0.4000), its index is enhanced by multiplying the base index by the sum of 0.75 and its MV/PI AR for the current year.

### Preliminary Budget Process

School districts had the option of adopting either 1) a resolution by January 29, 2015, certifying they would not increase taxes above their index or 2) a preliminary budget by February 18. A school district adopting the resolution may not apply for referendum exceptions or ask voters for a tax increase above the inflation index. For 2015-2016, 310 school districts adopted a resolution certifying that tax rates would not be increased above their index; 187 school districts adopted a preliminary budget.



<b><u>Resolution and Preliminary Budget Counts</u></b>	
School districts adopting resolution to not increase taxes above their index	310
School districts submitting preliminary budgets	187
With real estate tax rates over index	173
With real estate tax rates within index	14
School districts operating on calendar year basis, not included in this report	2
School districts not subject to preliminary budget requirements of Act 1	<u>1</u>
<b>TOTAL NUMBER OF SCHOOL DISTRICTS</b>	<b>500</b>

Of the 187 school districts that adopted a preliminary budget, 173 adopted real estate tax rates that exceeded their index. Tax rate increases in the other 14 school districts that adopted a preliminary budget did not exceed the school district's index.

School districts that adopted a preliminary budget have two options to increase tax rates above their index: 1) seek an exception from the Department or 2) request approval from the electorate by placing a referendum question on the ballot in the election immediately preceding the school year (May 19, 2015).

#### **Referendum Exception Submission Process**

In order to increase property taxes beyond the index without seeking voter approval, a school board must submit and receive approval for a referendum exception. The law lists four referendum exceptions.

Using the specific criteria described in Act 1 for each exception, the Department utilizes an electronic, web-based data-reporting system, the Referendum Exception System (RES), for the submission and approval of referendum exceptions. (See the Appendix for the Act 1 language describing the referendum exceptions and for examples of the data-reporting templates maintained by the Department.)

The electronic system automatically calculates a school district's allowable exceptions based on the parameters in law. Using RES, a school district could determine whether it qualified for an exception and the allowable dollar amount by viewing the calculation results. A school district could only submit exceptions to the Department that it qualified for based on its data.

The data used for calculating referendum exceptions that school districts are able to request from the Department fall into two categories: one referendum exception used prior-year annual financial report (AFR) data and the other three used current and projected budget figures. For the referendum exception based on AFR data, the Department determined that 2013-2014 was the most current year. This exception (Special Education Expenditures) was calculated based on actual increases in expenditures from 2012-2013 to 2013-2014. Data was preloaded into RES by the Department. The other three referendum exceptions were based on increases projected in the 2015-2016 preliminary budget (school construction and mandated pension obligations); for these, school districts entered into RES the 2014-2015 estimated data and 2015-2016 preliminary budget data.

### **Department Scrutiny of Referendum Exceptions**

After school districts submitted referendum exceptions, the Department reviewed the data associated with each exception. Based upon this review, school district business office personnel were contacted to determine if data corrections were necessary. The Department approval of referendum exceptions was based on the resulting data corrections. As a result, the approved amount for some exceptions is above and for others is below the amount originally submitted for 57 school districts.

The approval of referendum exceptions was based on the data meeting the criteria established in Act 1. The Department validated that the referendum exceptions requested by school districts comply with the law.

### **Results of Referendum Exception Review**

172 school districts sought and were granted approval for referendum exceptions.

Note: One school district adopted a preliminary budget with a tax rate increase in excess of the index but did not request referendum exceptions.

<u>Approved Referendum Exception Submissions</u>	
School districts with approved referendum exceptions:	
That fully cover proposed tax increase in preliminary budget	87
That do not fully cover proposed tax increase in preliminary budget	<u>85</u>
<b>TOTAL NUMBER OF SCHOOL DISTRICTS WITH APPROVED EXCEPTIONS</b>	<b>172</b>

Of the 173 school districts that passed preliminary budgets with real estate tax rates that exceeded their index,

- 87 had approved referendum exception amounts sufficient to cover the proposed tax rate increase.
- 86 school districts must either reduce the real estate taxes to the rate increase approved by the Department or must have submitted a referendum question to the County Board of Elections. (See Table 4.)

Preliminary Budget Results and PDE Referendum Exceptions

School districts submitting preliminary budgets with real estate tax rates over index:	173
With approved exceptions that fully cover proposed tax increase	87
With approved exceptions that do not fully cover proposed tax increase	86

If a school district sought referendum exceptions and the value of the exceptions was greater than was needed to balance its preliminary budget, the total value of the exceptions may be used to balance its final budget; however, the Department only approved a tax increase in the amount the school district needed to balance its preliminary budget. For example, if the school district sought referendum exceptions totaling \$200,000 but only needed \$75,000 in additional tax revenue to balance its preliminary budget, the Department approved a tax rate increase based on \$75,000, not \$200,000. Tax rate increases were not determined by exception because the full amount of each exception is not required for most school districts.

School districts located in more than one county are required to apportion the tax levy based on the market value in each county as determined by the State Tax Equalization Board pursuant to section 672.1 of the Pennsylvania Public School Code of 1949, as amended. As a result, the tax rate increases are not the same for each county in a multi-county school district.

**Referendum Exceptions Utilized in Final Budgets Adopted by School Districts**

If needed to balance the final budget, school districts have the option of using the total amount of approved referendum exceptions. However, as the following table indicates, the use of referendum exceptions has historically been less.

Budget Year	Amount of Referendum Exceptions				Number of School Districts		
	Approved	Used	Percent		Approved	Used	Percent
2008-2009	\$143,189,572	\$41,093,962	28.7%		102	66	64.7%
2009-2010	\$84,853,037	\$13,072,387	15.4%		61	18	29.5%
2010-2011	\$192,420,114	\$67,647,774	35.2%		133	84	63.2%
2011-2012	\$265,830,906	\$95,538,548	35.9%		228	135	59.2%
2012-2013	\$159,942,625	\$48,174,306	30.1%		197	105	53.3%
2013-2014	\$121,708,954	\$30,484,314	25.0%		171	93	54.4%
2014-2015	\$121,097,346	\$39,284,177	32.4%		164	92	56.1%
2015-2016	\$132,751,446				172		