



HILLTOP SCHOOL NEWS

Published By The Westmont Hilltop School District

Winter 2007

Act 1: How Will It Affect You?

This newsletter is to provide all Westmont Hilltop School District residents information and an overview of the provisions of the recently enacted property tax reform legislation and the effects that this legislation will have on district residents and taxpayers. State law prevents the school district from taking a position for or against the decision to increase the Local Earned Income Tax or Personal Income Tax rate to achieve a property tax reduction. However, the purpose of this newsletter is to provide community members with the information necessary to make an informed decision in the best interests of our school district and taxpayers.

In June of 2006, the General Assembly passed property tax reform legislation known as the Taxpayer Relief Act. This law is also referred to as Act 1. The law proposes to use two revenue sources to reduce school property taxes – local income tax increases and state gaming monies.

The new law **requires** that all 501 school districts in Pennsylvania place a referendum question on the May 15, 2007 ballot asking voters if they are in favor of an **increase** in the Local Earned Income Tax or Personal Income Tax rate in order to achieve a reduction in school property taxes on approved homestead and farmstead properties. **The tax shift proposal on the referendum question is revenue neutral to the school district and provides no additional state funding for property tax relief.**

The law also requires the Commonwealth of Pennsylvania to allocate gaming monies to school districts once the gaming monies have accumulated to a specified threshold. School districts must

How Does Act 1 Affect You?

Homestead Exclusion \$252		
Household Earned Income	Net Change in Taxes Homeowners	Net Change in Taxes Renters
\$ 0	-\$ 252	\$ 0
\$ 20,000	-\$ 132	\$ 120
\$ 40,000	-\$ 12	\$ 240
\$ 42,000	\$ 0	\$ 252
\$ 60,000	\$ 108	\$ 360
\$ 80,000	\$ 228	\$ 480
\$100,000	\$ 348	\$ 600
\$150,000	\$ 648	\$ 900
\$200,000	\$ 948	\$1,200
\$250,000	\$1,248	\$1,500
\$300,000	\$1,548	\$1,800
\$400,000	\$2,148	\$2,400
\$500,000	\$2,748	\$3,000

Note – the shaded cells indicate the level of household income at which residents will see either a reduction or no increase in their net tax liability. All renters and households with an income greater than \$42,000 will see a net **increase** in their overall tax liability.

use this gaming fund revenue to reduce property taxes on approved Homestead and Farmstead properties. With gaming licenses being issued late in 2006, a gaming allocation from the Commonwealth is not anticipated until 2009, or thereafter, according to a recent publication of the Pennsylvania School Boards Association.

In order to be eligible for a reduction in your school property tax bill, district residents must submit an application to the Cambria County Assessor's Office. The Westmont Hilltop School District mailed homestead/farmstead applications to all residents in December of 2005 and 2006. If you filled out the application and received notification from

the Assessor's Office that your application was approved, you do not need to reapply. If you have not submitted an application, the district will send a new one each year in December to give you an additional opportunity to apply. The deadline for new applications is March 1 of each year. The homestead exclusion only applies to the property that is used as your primary residence. It does not apply to rental or commercial properties. **Please note that if the title to a previously approved property has been transferred to a new owner, the new owner must submit a new home-**

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stead/farmstead application in order to qualify for the property tax reduction.

Under Act 1, all school districts in the Commonwealth were required to appoint a Local Tax Study Committee comprised of five, seven, or nine local resident taxpayers to study the existing taxes levied by the school district and make a non-binding recommendation to the Board of Education on the mandated referendum question. All meetings of the seven-member Local Tax Study Committee in our school district were advertised and open to the public. Following study and deliberation, a public hearing was held by the committee on November 20, 2006; and the committee made its formal recommendation to the Westmont Hilltop Board of Education at a public board meeting held on December 4, 2006. Their observation was as follows: "The mandate is a **tax shift** from real estate taxes to earned or passive income taxes within every school district in the commonwealth." The recommendation of the committee is to increase the earned income tax rate by 0.6% in order to achieve the minimum 25% required homestead/farmstead reduction in property taxes. The committee noted that, "**The winners are people who live in our school district that have household earned income of lower than \$42,000 in 2007 and \$57,000 in 2008. The losers are renters and people who have household incomes higher than the stated amounts above.**"

The mandated referendum question on the May 15, 2007 ballot will read as follows:

"Do you favor the Westmont Hilltop School District imposing an additional 0.6% earned income tax? The revenue generated from the increased tax rate will be used to reduce school district taxes on all qualified residential properties by an estimated \$252. The current school district earned income tax rate is 0.5%."

It should be noted that the referendum question and proposed earned income tax increase applies only to the school district's share of earned income taxes. Each municipality within the school district will continue to levy and collect the current 0.5% earned income



tax. If the referendum question is approved, the combined earned income tax rate for the school district (1.1%) and municipality (0.5%) will be 1.6%.

The tax shift from real estate tax to earned income tax will have financial consequences for different groups of taxpayers and for individuals at different income levels. The chart on page 1 shows the net tax change—positive or negative—for taxpayers at varying income levels. This chart illustrates the net change in taxes for homeowners, which is the combination of a real estate tax

reduction from the homestead exclusion and an earned income tax **increase** from the new Act 1 tax. The real estate tax reduction is estimated at \$252. A household with no earned income would pay no additional earned income tax and receive the full real estate tax reduction. By contrast, a household with \$100,000 in earned income would still receive the real estate tax reduction, but would now pay an additional \$600 in earned income tax and would have a net increase in taxes of \$348. **The breakeven earned income level is \$42,000; a household with less income than the breakeven would have a reduction in taxes, while a household with greater income than the breakeven would have a tax increase.**

All renters will pay higher taxes under this tax shift (unless they have no income). Their earned income tax will go up with the higher rates, but they will have no real estate tax reduction to offset the income tax increases. The higher the income of a renter, the greater the increase in taxes. For example, a renter with a household income equal to the breakeven income level of \$42,000 (for homeowners) would pay a tax increase of \$252.

There is no direct impact on commercial property since income taxes apply to individuals, and the real estate tax reductions are only applied to owner-occupied residences.

State Funding of Public Schools

Our school district continues to receive minimal financial support from the state. The chart that follows highlights the disparity among the Cambria County School Districts. Westmont Hilltop School District's Basic Education Funding from the Commonwealth of Pennsylvania will total \$2,833,648 in 2006/2007, or approximately \$1,595 per student. The average state funding per student in Cambria County is \$4,865. Our school district receives **\$3,270 less per student** than the Cambria County average. Under the present funding formula, the deficiency in the average state funding per student in our district, compared to

Cambria County schools, will continue to increase. The shortfall in Basic Education Funding increased from \$3,170 to \$3,270, or \$100 per average daily membership (ADM) from 2005/2006 to 2006/2007. If our school district received the Cambria County average, our state subsidy would increase by approximately \$5,800,000, or the **equivalent of 45 mills of real estate tax**. The district continues to struggle with the increased cost of providing state mandated programs such as cyber charter school payments and general operating increases, while receiving minimal state subsidy increases.

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State Funding of Public Schools continued from page 2

COMPARISON OF FUNDING

School District	2005/2006 Est Average Daily Membership	2006/2007 Basic Education Subsidy	2006/2007 Subsidy per Student	2004/2005 Expenditure per Student	04/05 Expenditure State Rank	Local Revenue Percent of Total Budget	State Revenue Percent of Total Budget	Federal Revenue Percent of Total Budget	Real Estate Tax Rate 2006
Westmont Hilltop	1,777	\$2,833,648	\$1,595	\$8,763	458	70%	29%	1%	70.34
Blacklick Valley	701	\$4,689,791	\$6,690	\$10,819	198	21%	75%	4%	37.00
Cambria Heights	1,516	\$8,704,755	\$5,742	\$10,289	265	27%	69%	5%	51.00
Central Cambria	1,894	\$6,689,708	\$3,532	\$9,170	420	46%	51%	3%	49.00
Conemaugh Valley	955	\$5,347,195	\$5,599	\$10,879	189	24%	72%	4%	41.20
Ferndale	840	\$4,538,561	\$5,403	\$10,641	218	25%	71%	4%	53.00
Forest Hills	2,290	\$11,437,580	\$4,995	\$9,055	434	26%	71%	3%	48.50
Greater Johnstown	3,268	\$14,711,254	\$4,502	\$11,478	127	35%	56%	9%	46.80
Northern Cambria	1,267	\$7,925,070	\$6,255	\$11,115	159	21%	74%	5%	39.00
Penn Cambria	1,799	\$8,704,291	\$4,838	\$10,508	237	30%	66%	4%	46.06
Portage	1,014	\$6,136,788	\$6,052	\$11,703	111	27%	69%	4%	43.50
Richland	1,621	\$2,822,521	\$1,741	\$9,598	359	71%	27%	2%	45.45
Conemaugh Twp	1,113	\$6,197,261	\$5,568	\$10,694	214	30%	68%	2%	Somerset Co.
Windber	1,406	\$7,874,940	\$5,601	\$9,493	381	24%	74%	3%	Somerset Co.
Average	1,533	\$7,043,812	\$4,865	\$10,301	269	34%	62%	4%	47.57

Source: Pennsylvania Department of Education - www.pde.state.pa.us

Approximately 84% of the school districts in Pennsylvania receive more state subsidy per pupil than Westmont Hilltop.

As a result of the inequities in the current state funding system, local tax payers are required to fund approximately 70% of the district's operating budget, slightly more than twice the Cambria County average of 34%. With virtually no commercial tax base and limited new housing construction in the district, resident property owners continue to bear the cost of budgetary increases.

School district representatives have lobbied state legislators to increase the amount of state support for public schools and to distribute funding to schools in a more fair and equitable manner in order to alleviate the heavy financial burden that local residents must bear. Our representatives have been attentive and receptive to our

exceptional funding circumstances.

As further illustrated in the chart, the district's total expenditures per average daily membership (ADM) of \$8,763 during 2004/2005, the most recent data available, reveals that our school district spends the least per student of all Cambria County school districts. Our per-student cost is approximately \$1,538 less than the Cambria County average. This statistic indicates that the Westmont Hilltop School District is operated in a cost-efficient manner in comparison with other local school districts. Statewide, when ranked according to amount spent per student, our school district ranks 458 out of the 501 public schools in Pennsylvania. This indicates that only 43 school districts in the Commonwealth spent less per student in 2004/05 than Westmont. The Board of Education and Administration remain committed to providing a quality educational program

while maintaining sensitivity to the burden on the resident taxpayer.

The most recent Standard & Poors Report characterizes the district as follows: "Westmont Hilltop School District achieves well above-average student results with well below-average spending per student when compared with a composite of peer districts with similar demographic characteristics."

During the past several years, our district has been one of the few districts in our area that has experienced a modest increase in student enrollment. During this same period, the district has taken serious measures to minimize the effect of factors such as limited state subsidy, the drastic retirement rate increase, cyber charter school payments, and general operating increases. The board and administration continue to advocate measures to adequately fund our public schools in a fair and responsible manner.

Westmont Hilltop School District Board Of Education

Mr. Mitchell G. Azar: President
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Mrs. Marian F. Feath: Treasurer
Mr. Gerard A. Campagna, Mr. Robert A. Gleason III
Mr. Thomas R. Kirby, Dr. Gary S. Kramer
Mrs. Diana L. Schroeder, Mr. Scott D. Watson
Mr. Gregory T. Sanford: Secretary (non-member)

District Administrative Staff 2006-2007

Dr. Susan J. Anderson, Superintendent
Mr. Steven D. McGee, Director of Education & Student Support Services
Mr. Gregory T. Sanford, Business Manager

Building Administrative Staff 2006-2007

Mr. William Marshall, High School Principal
Mrs. Margaret McDonald, Elementary Principal
Mrs. Carole Kakabar, Middle School Principal
Mrs. Nicole Kuzmiak, Middle School Assistant Principal
Mr. Matthew Thomas, High School Assistant Principal

Administrative Offices

827 Diamond Boulevard • Johnstown, PA 15905
Phone 814-255-6751 • Fax 814-255-7735
Email: sja@whsd.org

Mission Statement

The mission of the WHSD, in partnership with our community, is to prepare each student to be an informed, ethical, responsible adult in a changing and competitive global society through high expectations and a challenging educational program offering knowledge and skills within a safe, nurturing environment.

Civil Rights Statement

The Westmont Hilltop School District, an equal opportunity employer, will not discriminate in employment, educational programs or activities, based on race, color, religion, national origin, gender, age, ancestry or disability. Publication of this policy in this document is in accordance with state and federal laws including: The Civil Rights Act of 1964, as amended, Title IV, Title VI, Title VII, Title IX of the Education Amendments of 1972, Sections 503 & 504 of the Rehabilitation Act of 1973, and the American Disabilities Act of 1992.



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Attention:
PUBLIC MEETING
TO ADDRESS
WESTMONT HILLTOP
SCHOOL FUNDING

Tuesday, April 24,
2007 at 7:00 p.m.
in the high school
cafeteria

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