



# Chichester School District **EIT Implementation Analysis** APRIL 2021



Penn Strategies works to create economic opportunities for Pennsylvania's businesses and communities.

"It is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms."

*Chief Justice Earl Warren on Brown v. Board of Education*

Submitted to the



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This document is intended as a tool to help members of the Local Tax Study Commission make recommendations to their local school board.

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## ACKNOWLEDGEMENTS

### Board of School Directors

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Shawn Bedwell, Member

Stephen J. Polaha, Solicitor.

### Local Tax Study Commission

Thank you! We are grateful that you have chosen to give your time and energy to serving the taxpayers of your school district as part of this historic opportunity for local tax shift. We appreciate the support provided by the Chichester Board of School Directors, School District staff, and the community.

#### MEMBERS

Terri Campuzano, Upper Chichester

William Taylor, Boothwyn

Scott Blanford, Upper Chichester

Michele Hagel, Marcus Hook

Chris Cloran, Boothwyn

Chuck Lewis, Upper Chichester

### District Administrators

Daniel Nerelli, Superintendent

Dr. Gregory Puckett, Assistant Superintendent

Dr. Jeremy Curtis, Assistant to the Superintendent for Student Services

Fred Serino, Assistant to the Superintendent for Human Resources

Anthony R. Testa, Business Administrator

Diana Hanobeck, Director of Curriculum & Instruction

Stephanie Hallowell, Director of Pupil Services

Michael Civera, Director of Facilities

Dr. Steve Magliano, Director of Instructional Technology & Data Management

James Stewart, Director of Transportation

Paul Amand, Director of Student Activities

Evora Taylor, Director of Food Services

## CHAPTER ONE

# PROJECT OVERVIEW

In February 2021, Chichester School District initiated a Local Tax Study Commission to consider how the tax policies of the school district could be improved. This document aims to recap data considered by the Commission and make it available for public review and consideration.

The Local Tax Study Commission will make a "nonbinding" recommendation to the School Board. The Earned Income Tax is already collected in every municipality in the School District. The only proposed change under consideration would be to allow the Chichester School District to access its "fair share" of this tax revenue. The School Board can not unilaterally make any decisions related to the collection of this tax. They can allow a ballot question to be placed on the General Election ballot. The ultimate decision of how to adjust the revenue stream of this tax will be in the hands of the voters.

## PROPERTY TAX RELIEF

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Pennsylvania's property tax relief law allows the voters of each school district the option to reduce their property taxes by shifting to a local Earned Income Tax (EIT). Here are a few essential facts about this tax shift:



School districts are required to give voters a final choice to access their "fair share" of the Earned Income Tax.



If voters approve, the district will access 50% of the currently collected Earned Income Tax, and local property tax bills will be reduced.



All of the revenue raised by increasing a local income tax will remain in the community. At least 98% will be used to reduce local property taxes. Up to 2% can be used for school district operations.

### Is Earned Income Tax a Steady Stream of Funding?

Earned Income Tax is a steady stream of funding because it is not tied to real estate values. It also removes some of the burden from senior citizens on fixed incomes.

PRESENT EIT TAX - CHICHESTER SCHOOL DISTRICT

Location	Resident EIT	Municipality	District
Marcus Hook Borough	1%	1%	0%
Upper Chichester	1%	1%	0%
Lower Chichester	1%	1%	0%
Trainer Borough	1%	1%	0%

The school district has immediate needs, outlined in a district-wide facilities study listed below. Chichester School District provides kindergarten through 12th-grade educational services for approximately 3,500 students and comprises three municipalities; Marcus Hook Borough, Trainer Borough, Lower Chichester Township, and Upper Chichester Township. Educational facilities consist of four elementary schools, one middle school, and one high school. The facilities listed below need repair and renovations.

- Marcus Hook Elementary (Constructed in 1918)
- Linwood Elementary (Constructed in 1998)
- Boothwyn Elementary (Constructed in 2010)
- Hilltop Elementary (Constructed in 2006)
- Chichester Middle School (Constructed in 1953)
- Chichester Senior High School (Constructed in 1963)

CHICHESTER SCHOOL DISTRICT FACILITY REPAIR COST ESTIMATES

Priority Scope	Construction Duration	Construction Estimate	Project Estimation
<b>Cost Estimates Immediate Priority (1-5 years)</b>			
High School - Major Renovation	24 months	\$33,000,000	\$37,950,000
Middle School - Humidity Concerns	Unknown	\$116,000	\$139,200
Transportation - Envelope Repair	Unknown	\$82,000	\$98,400
District-Wide - Water Heater Replace Three	3 months	\$303,000	\$363,600
District-Wide - Electrical Systems Testing	3 months	\$ 97,000	\$116,400
Linwood - Major Renovation	15 months	\$15,800,000	\$18,960,000
Ed Center - Heat Pump Replacement	3 months	\$167,000	\$200,400
District-Wide - ATC Integration	3 months	\$379,000	\$454,800
<b>Immediate Priority Total</b>		<b>\$49,944,000</b>	<b>\$58,282,800</b>

<b>Cost Estimates Medium Priority (5 + years)</b>			
District-Wide - Interior Painting	3 months	\$306,000	\$367,200
Hilltop - RTUs Replacement	3 months	\$221 ,000	\$265,200
District-Wide - Inlets / Drainage Repair	3 months	\$63,000	\$75,600
District-Wide - P/A & Clock System	3 months	\$2,678,000	\$3,213,600
Maintenance Building Renovation	6 months	\$943,000	\$1,131,600
Transportation Building Renovation	6 months	\$534,000	\$640,800
District-Wide - Roofing Replacement	3 months	\$3,486,564	\$4,183,877
Middle School - Major Renovation	12 months	\$8,532,000	\$10,238,400
District-Wide - Finishes Replacement	3 months	\$2,480,000	\$2,976,000
<b>Medium Priority Total</b>		<b>\$19,243,564</b>	<b>\$23,092,277</b>



## **SCOPE OF WORK & COMMISSION REQUIREMENTS**

The Chichester School District contracted with Penn Strategies to develop and guide a Local Tax Study Commission to examine existing taxes levied, assessed, and collected by the school district. This study includes the effect of any county or municipal taxes imposed concurrently with the school district.

### **TAX STUDY COMMISSION**

The local tax study commission consisted of six members. The members were resident individuals or taxpayers of the school district. They reflected the school district's socioeconomic, age, and occupational diversity to the extent possible, except that one member of the local tax study commission may be a member of the board of school directors. No member was an official or employee or a relative thereof of the school district.

The school district provided necessary and reasonable support staff. It will reimburse the local tax study commission members for necessary and reasonable expenses in the discharge of their duties. Receipts shall be required for all reimbursable expenses under this subsection.

The local tax study commission determined how the tax policies of the school district could be improved by the levy, assessment, and collection of the taxes authorized under section 321. The study includes consideration of all of the following:

- (1) Historical and present rates of and revenue from taxes currently levied, assessed and collected.
- (2) The percentage of total revenues provided by taxes currently levied, assessed, and collected.

- (3) The age, income, employment and property use characteristics of the existing tax base.
- (4) Projected revenues of taxes currently levied, assessed and collected, including taxes authorized and taxes not levied under this chapter.

Within 90 days of its appointment, the local tax study commission will make a nonbinding recommendation to the board of school directors regarding the imposition of the taxes authorized under section 321, commencing in the subsequent fiscal year. Prior to making its recommendation, the local tax study commission held at least one public hearing. The recommendation of the local tax study commission shall be presented at a public meeting of the board of school directors. The board of school directors shall make such recommendations available to interested persons upon request.

If the local tax study commission fails to make a recommendation under subsection, the board of school directors has the authority to discharge the local tax study commission.

The board of school directors shall accept or reject the recommendation of the local tax study commission prior to adopting a resolution under section 331.2(b) or section 332(b)(1).

All records of the local tax study commission, including receipts, tapes, minutes of meetings, and written communications, are available for public inspection during the regular business hours of the school district.

## TIMELINE OF EVENTS

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### Implementation of Improved Tax Shift

*Special Session Act 1 of 2006*

By early March 2021, Chichester School District may determine if there is interest in submitting a property tax reduction referendum question to the voters at the November 2021 municipal election.

### TIMELINE FOR EVENTS RELATED TO OPTIONAL NOVEMBER 2021 REFERENDUM

Date	Description	Section
March 6, 2021 (180 days prior to Sept. 2, 2021)	<i>School district</i> deadline to appoint a local tax study commission.	Section 331(a)
June 4, 2021 (90 days after appointment)	<i>Local tax study commission</i> deadline to make a nonbinding recommendation to the school board regarding the imposition of taxes authorized under Section 321. Prior to making its recommendation, the local tax study commission shall hold at least one public hearing. The recommendation of the local tax study commission shall be presented at a public meeting of the school board.	Section 331(e)
Mid-August 2021 to before September 2, 2021	<i>School district</i> deadline to publish the notice once a week for three weeks of intent to add a opt resolution, authorizing referendum question for November 2021 municipal election, in the manner provided for in Section 4 of the Local Tax Enabling Act.	Section 332(b)(1), 53 P.S. §6904
September 2, 2021	<i>School district</i> deadline to ha old public hearing on resolution authorizing referendum question for the November 2021 municipal election seeking voter approval to levy, assess, and collect an earned income and net profits tax authorized under Section 321(b)(2) or a personal income tax authorized under Section 321(c)(2) for the purpose of annually funding homestead and farmstead exclusions.	Section 332(b)(1)

Chichester School District EIT Implementation Analysis 2021

September 2, 2021	<i>School district</i> deadline to adopt resolution authorizing referendum question for the November 2021 municipal election seeking voter approval to levy, assess and collect an earned income and net profits tax authorized under Section 321(b)(2) or a personal income tax authorized under Section 321(c)(2) for the purpose of annually funding homestead and farmstead exclusions.	Section 332(b)(1)
September 3, 2021 <i>(60 days prior to municipal election)</i>	<i>School district</i> deadline to submit referendum question seeking voter approval for earned income and net profits tax or personal income tax for the purpose of annually funding homestead and farmstead exclusions to the county board of elections (for each county in which the school district is located).	Section 332(b)(2)
Prior to November 3, 2020	<i>Municipal election.</i> County election officials, in conjunction with board of school directors, shall draft a non-legal interpretive statement to accompany referendum question requesting voter approval to levy, assess and collect an earned income and net profits tax authorized under Section 321(b)(2) or a personal income tax authorized under Section 321(c)(2) for the purpose of annually funding homestead and farmstead exclusions.	Section 332(b)(4)
June 1, 2021	Deadline for <i>school districts</i> to report to the Department of Community and Economic Development tax enactments, repeals and changes to require withholding of a new tax or withholding at a new rate of such tax effective July 1, 2021.	Section 351(f)(1)
July 1, 2021	Effective date of an earned income and net profits tax or a personal income tax imposed following voter approval of a referendum held pursuant to Section 332.	Section 321(d)

SOURCE: [EducationPA.gov](http://EducationPA.gov)

## CHAPTER TWO

# DELAWARE COUNTY

Uniquely positioned between two major cities (Philadelphia and Wilmington), with the Delaware River serving as a natural border, and the Philadelphia International Airport located largely in its backyard, Delaware County is an attractive location for companies that desire immediate access to the Mid-Atlantic market. It also appeals to foreign-based businesses looking to establish locations in the U.S. market.

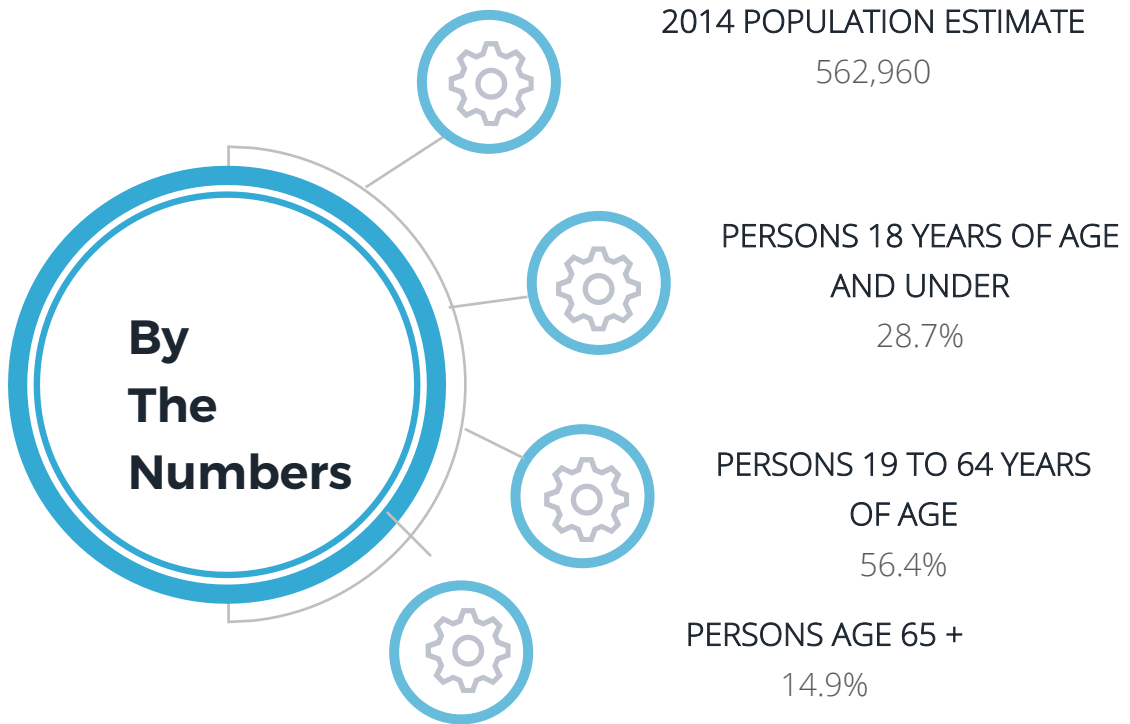
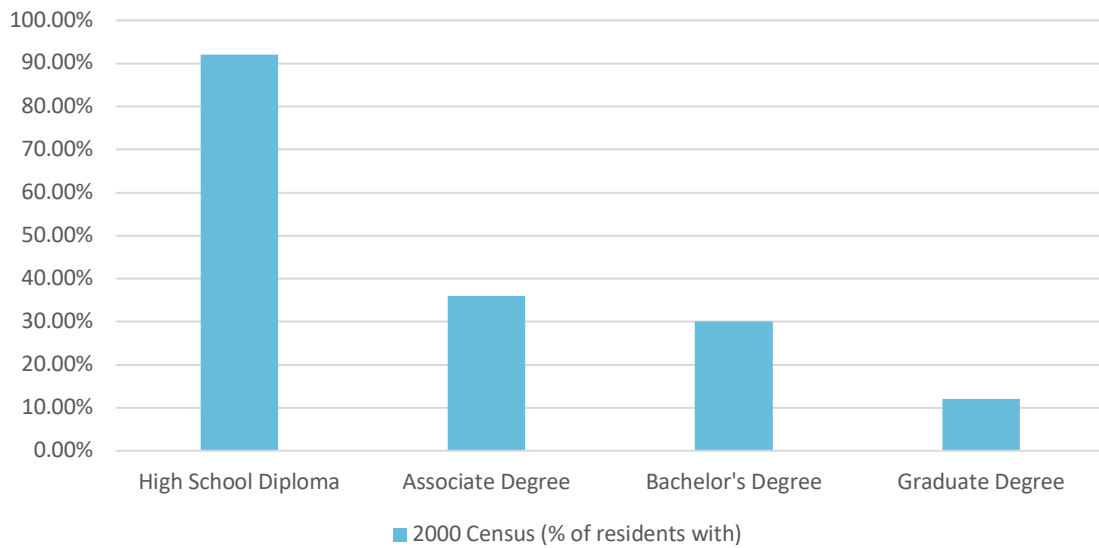
### A DIVERSE ECONOMY

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Delaware County also has Historically Underutilized Business (HUB) and Enterprise zones to encourage economic and business development. With more than 13,000 companies in a variety of industries, it has cultivated a diverse economy. This is complemented by the unique attributes of 49 neighborhoods or municipalities, which offer a rich work and life experience.

Delaware County is predominantly populated by individuals between 19 and 64 years of age. This demographic represents the largest percentage of the County's workforce and are income earners. The percentage of homeowners in Delaware County is 66.

### Delaware County - Educational Attainment



## HISTORY OF DELAWARE COUNTY

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Delaware County, the oldest settled section of Pennsylvania, consists of 184 square miles divided into 49 municipalities. The first significant settlement occurred under Swedish rule by Governor Johan Printz, who in 1643 established the first court, school, church, and governmental offices on Tinicum Island. Equitable treatment of the Lenni Lenape Indians helped the European settlements thrive, and both communities continued to farm on the Delaware banks. After a brief period, the Delaware River Settlements fell under the jurisdiction of England's Duke of York. Twenty years later, in 1681, King Charles II granted rights for a proprietary colony to William Penn, leading to the founding of the Province of Pennsylvania under Penn's control. The city where Penn first landed in 1682 in Pennsylvania is home to two of the oldest public buildings in the United States: The Old Chester Court House in Chester. In Chester, the General Assembly of Pennsylvania met with Penn and on December 7, 1682 the Assembly adopted Penn's "Great Law of Pennsylvania." The document granted the right to vote, citizenship, freedom of religion and trial by jury to all settlers. William Penn had implemented a form of government that established Pennsylvania as a haven for the oppressed, emphasizing religious freedom and fair treatment of Indians and minorities with a democratic government. Major developments had begun. Early settlements were at Marcus Hook, Upland/Chester, Tinicum and Darby. During the first years under Penn's rule the population more than tripled. Farm sites were established beyond the river and major roads still in use today (Route 252, 452, Springfield Road, Lansdowne Road, etc.) were laid out. Shipbuilding, which began under the Swedes, escalated and an active coastal trade zone developed.

### The Revolution and The Growth of a County

Trouble in the county and the colonies brewed due to the dictatorial rule of the British King George III and his parliament. With the subsequent American Revolution, Delaware County became a major battleground along the Brandywine River, where the largest land battle of the Revolution was fought on September 11, 1777. Nearly, 30,000 British and American Troops faced each other. The American army led by General Washington retreated while the British marched on to occupy Philadelphia. There at Brandywine, Marquis de Lafayette

of France, then only 20 years old, began his service for the cause of freedom with the American Revolution, and then later the French Revolution. When Delaware County split from Chester County in 1789, the seat of local government was retained in Upland/Chester. As the interior developed, complaints grew concerning the distance to the county seat. It was finally moved to Media in 1850 with the beautiful Delaware County Courthouse being erected in 1889. Many major landowners on the river sold off their farms and purchased property near the new county seat, thus opening the riverfront to major industrial development. From 1845 on, the riverfront became a heavy industry magnet. Several shipyards built vessels for international buyers and locomotives from Baldwin and other works were exported around the world.

In the middle of the century, the Pennsylvania Railroad's Main Line was built through Radnor Township in the northern part of Delaware County. Later the Baltimore, Ohio and Reading Railroads, were built through the southeastern part of the county. Between 1870 and turn of the century, 19 boroughs were established, largely along the path of these railroads. West Chester Pike, constructed of planks and stones, provided a route for farmers to transport their milk and produce to Philadelphia. Resort hotels were built around Media and Newtown Square, as parts of the County became vacation areas.

### **The Success of The Twentieth Century and Beyond**

At the turn of the twentieth century, a third of the County's population lived in Chester, and the waterfront area became a powerful industrial complex, contributing significantly to the needs of the country during both World Wars. On the waterfront were Sun Shipbuilding and Drydock company, the oil refineries, The Baldwin Locomotive Works, The Ford Motor Company assembly plant, Westinghouse Electric Company, The American Viscose Company, the world's first synthetic fiber plant, and Scott Paper.

In the eastern part of the County the 69th Street Terminal, completed in 1907, became a hub of transportation; subway and elevated trains from Philadelphia connected with the trolley cars of Delaware County which served West Chester, Sharon Hill, Ardmore and Media. After the First World War there was considerable residential development in Upper Darby, Drexel Hill, Havertown and Springfield which continued after the Second World War in such communities as Westbrook Park, Upper Darby Township and Marple Township.



The middle part of the twentieth century witnessed unparalleled population growth as more families moved to the suburbs. Delaware County is the fourth most populous in the state even though it has the third smallest land mass. However, the county entered the twenty-first century complemented by some of the best educational institutions and medical facilities in the country, along with cutting edge technology, such as the Boeing Vertol V-22 manufactured in Delaware County. Delaware County has a great future thanks to its glorious history.

In the 1960s, Pennsylvania passed a series of acts that consolidated more than 2,000 school districts in the Commonwealth down to 500, but school districts in Pennsylvania are still considered heavily fragmented compared to other states. Delaware County currently contains 15 school districts plus two school districts in Chester County that incorporate Delaware County municipalities. More than 100 schools in these districts educate over 70,000 students in the County from Kindergarten through grade 12. The average enrollment in these districts is around 4,500 students, but Upper Darby, the largest school district in the County, has more than 12,000 students.

A handful of school districts in Delaware County are ranked highly within the state and compare favorably with districts throughout the country; however, a few Delaware County districts rank very poorly in terms of educational quality and student success rates. School quality is often an external factor for prospective residents looking for housing in an area, both for those with and without school-aged children. The more desirable a school district, the more likely the municipalities within that district will be to attract new residents. Although municipalities may not be able to directly influence a school's reputation or educational output, they do play a role in funding education in their communities.

*SOURCE: Delaware County*

## CHICHESTER SCHOOL DISTRICT

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The Mission of the Chichester School District is to provide an education where all students achieve academic success, develop personal and civic responsibility, and achieve college and career readiness for the 21st Century. Chichester has been recognized on a national level for achieving its mission and goals. Recently recognized by the Pennsylvania Department of Education, Chichester was awarded the Innovation Incentive Award for increasing Literacy Outcomes at the high school level. U.S. News and Report acknowledged Chichester Senior High School for College and Career Readiness. Success has been modeled from the administration to the students. The Chichester business department has consistently received exemplary audit reports and the Chichester School District has limited tax increases to 0-1.8% over the last five years.

In the last 10 years, Chichester School District has shown fiscal responsibility by completing the following Capital Projects: Two new and one major renovation to elementary buildings, one renovation to the Middle School, a new auditorium and front façade to the Chichester Senior High School. All facilities received new roofs.

The Chichester School District is located in Southeastern Pennsylvania approximately 15 miles southwest of Philadelphia. The district covers approximately 10 square miles and encompasses four townships: Upper Chichester, Lower Chichester, Marcus Hook, and Trainer.

The school district is governed by a board of nine School Directors, who are citizens of the district municipalities, elected to serve four-year terms on a staggered basis. The Board of School Directors have the authority to establish, equip, furnish, operate and maintain the public schools as required for the education of every person residing in Chichester School District between the ages of six and twenty-one years who may attend.

## Student Enrollment Trends

Approximately 3,385 students are enrolled in six schools: Boothwyn Elementary (K-4); Hilltop Elementary (K-4); Linwood Elementary (K-4); Marcus Hook Elementary (K-4); Chichester Middle School (5-8); Chichester High School (9-12).

Enrollment presented below reflects the October 1 Public School Enrollments Reports data through the 2019-2020 school year. The 2020-2021 data represents a basic roll forward of 2019-2020 enrollments to assist in allocating building resources. The last three years reflect the projected enrollment calculated by PDE as of September 8, 2020. There are no existing circumstances such as housing developments that would significantly alter the projections.

### DELAWARE COUNTY - STUDENT ENROLLMENT

Level	2019-2020	2020-2021	Change in Enrollment
Elementary School	1,245	1,226	-19
Middle School	1,029	1,058	+29
High School	926	971	+45
<b>Totals</b>	<b>3,200</b>	<b>3,255</b>	<b>+55</b>

## Chichester School District Staffing

Chichester School District currently employs over 270 certified teachers, and 100% of our teachers are highly qualified for the courses they instruct.

Over 74% of teachers hold a Master's Degree or a Master's Equivalency Certificate. The average age of teachers is 35. In addition to teaching staff,

Chichester employs a workforce of over 280 support staff employees including technology specialists, instructional aides, administrative assistants, cafeteria workers, transportation, and maintenance workers. Chichester School District operates within an annual budget expenditure of approximately \$65M.

## STAFFING PENSION

PSERS Contribution Rate	
2019-2020	34.29%
2020-2021	34.51%
Increase of 0.6%	

*Representing a \$328 thousand increase in budgeted benefit expenditures over the preceding year's final budget.*

## District Fast Facts

### BOOTHWYN ELEMENTARY SCHOOL

2128 Blueball Avenue, Boothwyn, PA 19061, Upper Chichester Township

#### Percent Enrollment by Student Groups

Economically Disadvantaged	49.7%
English Language Learner	4.3%
Special Education	24.2%
Foster Care	1.0%
Homeless	1.6%
Military Connected	0.3%

#### Grades Offered

K5F, 1, 2, 3, 4

#### Title I School

No

#### School Enrollment

306

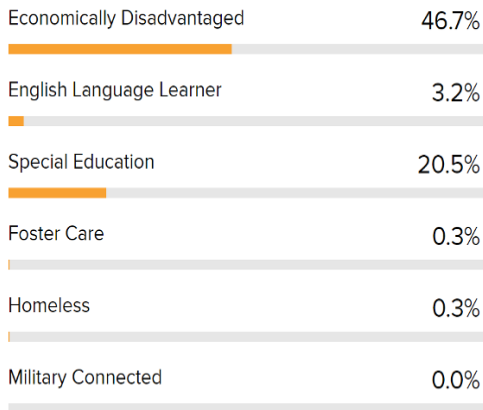
#### Percent of Gifted Students

0.3%

HILLTOP ELEMENTARY SCHOOL

401 Cherry Tree Road, Aston, PA 19014, Aston Township

**Percent Enrollment by Student Groups**



**Grades Offered**

K5F, 1, 2, 3, 4

**Title I School**

No

**School Enrollment**

317

**Percent of Gifted Students**

1.0%

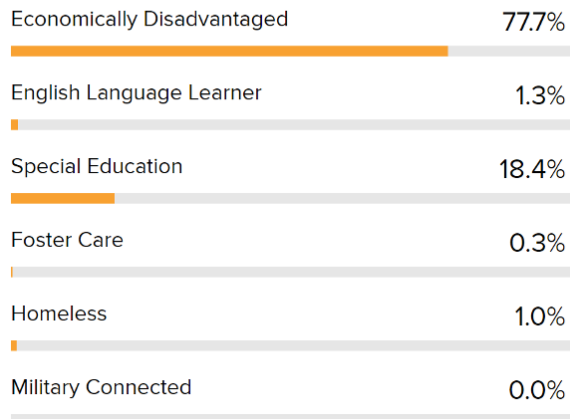
**Supporting Intermediate Unit (IU)**

[Delaware County IU 25](#)

LINWOOD ELEMENTARY SCHOOL

1403 Huddell Avenue, Linwood, PA 19061, Lower Chichester Township

**Percent Enrollment by Student Groups**



**Grades Offered**

K5F, 1, 2, 3, 4

**Title I School**

Yes

**School Enrollment**

305

**Percent of Gifted Students**

0.0%

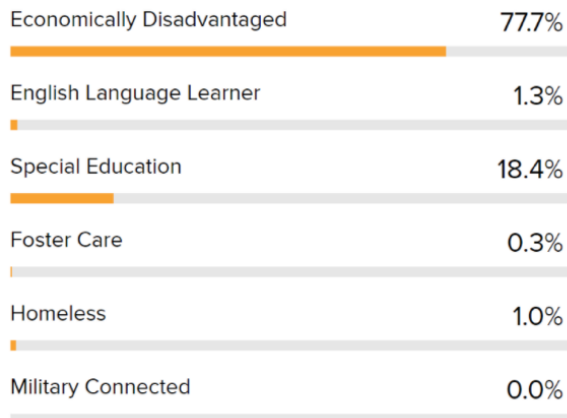
**Supporting Intermediate Unit (IU)**

[Delaware County IU 25](#)

### MARCUS HOOK ELEMENTARY SCHOOL

711 Market Street, Marcus Hook, PA 19061, Marcus Hook Borough

#### Percent Enrollment by Student Groups



#### Grades Offered

K5F, 1, 2, 3, 4

#### Title I School

Yes

#### School Enrollment

305

#### Percent of Gifted Students

0.0%

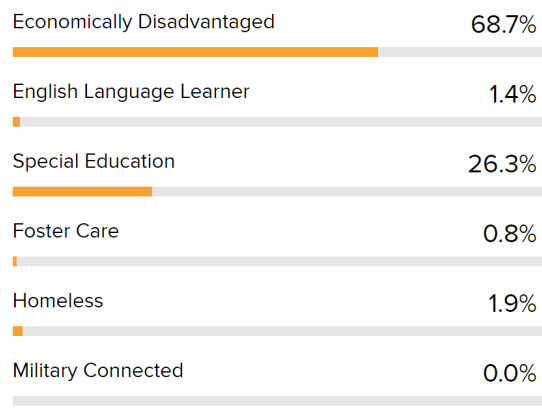
#### Supporting Intermediate Unit (IU)

[Delaware County IU 25](#)

### CHICHESTER MIDDLE SCHOOL

925 Meetinghouse Road, Boothwyn, PA 19061, Upper Chichester Township

#### Percent Enrollment by Student Groups



#### Grades Offered

5, 6, 7, 8

#### Title I School

No

#### School Enrollment

1029

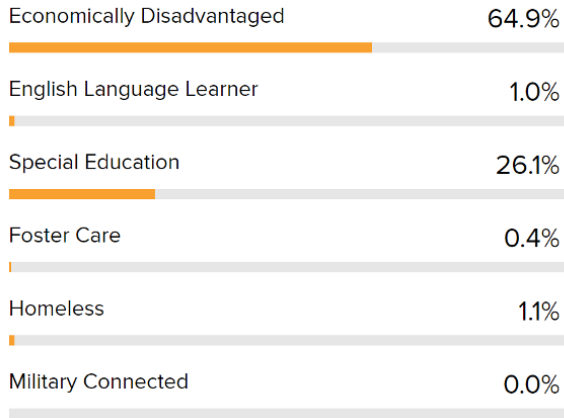
#### Percent of Gifted Students

1.1%

CHICHESTER HIGH SCHOOL

3333 Chichester Avenue, Boothwyn, PA 19061, Upper Chichester Township

**Percent Enrollment by Student Groups**



**Grades Offered**

9, 10, 11, 12

**Title I School**

No

**School Enrollment**

926

**Percent of Gifted Students**

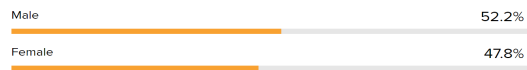
1.7%

**Supporting Intermediate Unit (IU)**

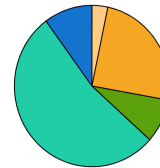
[Delaware County IU 25](#)

CHICHESTER SCHOOL DISTRICT

**Percent Enrollment by Gender**



**Percent Enrollment by Race/Ethnicity**



American Indian/Alaskan Native	0.0%
Asian	3.3%
Black	24.5%
Native Hawaiian or other Pacific Islander	0.0%
Hispanic	8.8%
White	53.3%
2 or More Races	10.1%

SOURCE: *Future Ready PA Index*

## CHICHESTER DISTRICT BUDGET

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The Board of School Directors and administration, committed to fiscal responsibility, created a budget to provide the necessary support to effectively meet the educational, technology, and facility goals of the district. Achieving the mission and goals were factored into the budget development process and balanced with the local, state, and federal resources available to the District.

State law requires that each Pennsylvania school district prepare an annual budget for the general fund. This budget serves as the foundation for the district's financial planning and control. Under requirements of Act 1 of 2006, a preliminary budget is required to be developed and available for public review in January and adopted in February. In lieu of developing a preliminary budget, a district's Board of School Directors can adopt a resolution that it will not raise taxes above the Act 1 index. For the fiscal year 2020-2021, the District's applicable index is 3.5%, and the Board of School Directors adopted a resolution not to exceed this index.

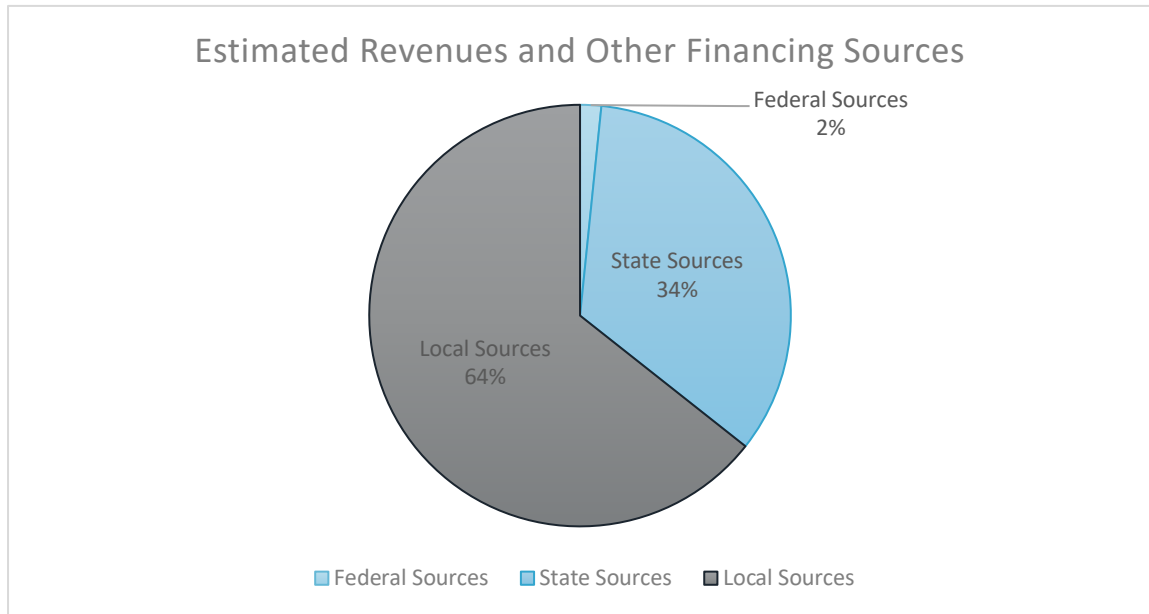
*SOURCE: Chichester School District Annual Budget Fiscal Year 2020-2021*

### DISTRICT FACILITIES (CSD 2020 BUDGET)

School	Original Construction	Addition/Renovation	Grades	Pupil Capacity	2019-2020
Boothwyn Elementary	2010		K-4th	543	306
Hilltop Elementary	2006		K-4th	655	317
Linwood Elementary	1998		K-4th	572	305
Marcus Hook Elementary	1918	1960, 1987, 2007	K-4th	451	317
Chichester Middle	1953	1995	5th-8th	1,298	1,029
Chichester Sr. High	1963	1972, 2002	9th-12th	1,390	926
<b>Totals</b>				<b>4,784</b>	<b>3,200</b>



REVENUES



General fund revenues of the District are classified as local, state, or federal sources. Revenues from local sources comprise \$49,494,482 or 64% of the 2020-2021 budgeted revenues. State sources and federal sources comprise 34% or \$26,165,427 and 2% or \$1,245,462 of the remaining budgeted revenues, respectively. TOTAL ESTIMATED REVENUES AND OTHER SOURCES \$76,905,371.

CHICHESTER 2017 SCHOOL DISTRICT INCOME TOTALS BY INCOME RANGE

Taxable Income Range	Number of Returns	Taxable Compensation	Interest	Dividends	Net Profits	Other Taxable Income	Total Taxable Income
\$0	305	\$0	\$0	\$0	\$0	\$0	\$0
\$1 - \$9,999	2,303	\$6,410	\$493	\$760	\$487	\$353	\$8,504
\$10,000 - \$19,999	1,401	\$17,368	\$309	\$760	\$1,799	\$514	\$20,749
\$20,000 - \$29,999	1,142	\$26,465	\$198	\$498	\$1,070	\$342	\$28,574
\$30,000 - \$39,999	1,031	\$33,488	\$193	\$315	\$1,455	\$313	\$35,763
\$40,000 - \$49,999	807	\$34,359	\$183	\$404	\$951	\$300	\$36,197

## Local Sources of Revenue

The most significant source of revenue for the District is current real estate taxes. With \$46,188,579 budgeted for the 2020-2021 school year, this comprises 93% of the local source revenues for the District. The general fund budget also incorporates anticipated transfer tax and delinquent tax revenue of \$1,755,000, or 3% of local source revenues.

<b>REAL ESTATE TAX</b>	<b>\$46,188,579</b>
------------------------	---------------------

Revenue received from taxes assessed and levied upon real property

<b>INTERIM REAL ESTATE TAX</b>	<b>\$20,000</b>
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Taxes levied under Act 544 of 1952 (Section 677.1) for new construction not on the tax duplicate

<b>PUBLIC UTILITY TAX</b>	<b>\$50,000</b>
---------------------------	-----------------

Revenue received under terms of the Public Utility Realty Tax Act (Act 66 of 1970). Lands and structures owned by public utilities and used in providing their services are subject to state taxation under Act 66 of 1970. The state then collects and distributes a prescribed sum among local taxing authorities and that payment of state tax shall be in lieu of local taxes upon utility realty.

<b>PAYMENTS IN LIEU OF CURRENT TAXES</b>	<b>\$222,454</b>
--	------------------

Revenue received in lieu of taxes for property withdrawn from the tax rolls of the LEA for public housing, forest lands, game lands, water conservation or flood control.

**REALTY TRANSFER TAX** \$280,000

Revenue received under Act 511 for percentage assessment on the transfer price of real property within the jurisdiction.

**DELINQUENT TAXES** \$1,475,000

Revenue collected by the Tax Claim Bureau for real estate taxes unpaid during the original year of issue.

**EARNINGS ON INVESTMENTS** \$73,188

Revenue from holdings invested for earning purposes. Investments are made on a competitive basis with quotes obtained from major area banks prior to the placing of each investment in various financial institutions.

**RENTALS** \$0

Revenue from the rental of school property.

**TUITION FORM PATRONS** \$22,000

Revenue received for summer school education provided.

**COMMUNITY SERVICE ACTIVITIES** \$20,000

Revenue from community services activities, such as pool operated at Chichester High School.

**GATE RECEIPTS** \$15,000

Revenue from patrons of a school-sponsored activity, such as a concert or athletic event.

**IDEA** \$717,462

Grants to States Program (IDEA-B) provides funding to local education agencies (LEAs) to supplement and/or increase the level of special education and related services provided to eligible students with disabilities ages 3 through 21 who are enrolled in special education programs.

**MISCELLANEOUS** \$395,799

Revenue from local sources such as fees for locker, rebate revenue, and retiree health premiums.

### State Sources

The 2020-2021 budget anticipated \$26,165,427 in revenue from state sources. The majority of state source revenue includes instructional and operational subsidies received from the Commonwealth of Pennsylvania primarily based on weighted average student attendance data and legislated distribution formulas. The District budgeted \$10,878,317 for the basic education subsidy and \$6,411,502 for the state retirement contribution subsidy. These two subsidies make up 42% and 25% of the budgeted state source revenues, respectively.

**STATE INSTRUCTIONAL SUBSIDY** \$10,878,317

Equalized Subsidy for Basic Education (ESBE) is the primary source of state funding provided to local school districts. Each school district's share of this subsidy has been based on a formula that takes into account the district's Average Daily Membership (weighted); Market Value (Aid Ratio); Personal Income (Aid Ratio); Local Tax effort and other provisions too numerous to discuss in this format.

**TUITION FOR ORPHANS & CHILDREN IN PRIVATE HOMES** \$50,000

Revenue received from the Commonwealth of PA as tuition for children who are orphans and/or children placed in private homes by the court. Payments are made in accordance with Section 1305 and 1306 of the PA School Code.

**SPECIAL EDUCATION** \$2,612,136

Special education's state reimbursement to school districts for pre-approved excess instructional costs for the operation mandated special education programs.

**TRANSPORTATION SUBSIDY** \$700,395

Revenue received from the Commonwealth of PA for pupil transportation expenditures.

**RENTALS AND SINKING FUND** \$1,886,089

Revenue received from the Commonwealth as a full or partial subsidy payment on account of lease rentals, sinking fund obligations, or any approved Chichester debt obligation for which the Department of Education has assigned a lease number.

**HEALTH SERVICES** \$60,000

Revenue received from the Commonwealth of PA for health service expenditures.

**STATE PROPERTY TAX REDUCTION** \$1,797,988

An estimated \$1 billion from expanded gaming will be used to reduce local school property taxes. A homestead exclusion lowers property taxes by reducing the assessed value of the home.

**READY TO LEARN BLOCK GRANT** \$517,845

Revenue received from the Commonwealth of PA, authorized by Act 126 of 2014, to provide resources for public schools that focus on student achievement and academic success and for pre-k and full-day kindergarten and other proven educational programs.

**SOCIAL SECURITY REIMBURSEMENT** \$1,251,155

This revenue is received from the state and is designated as the Commonwealth's matching share of the employer's contribution towards the cost of social security tax for covered employees.

**RETIREMENT REIMBURSEMENT** \$6,411,502

This revenue is received from the state and is designated as the Commonwealth's matching share of the employer's contribution towards the cost of retirement costs for covered employees.

## **Federal Sources**

The District receives funding through four federal programs: Title I, Title II, Title IV and the School- Based Access Program. These revenues have program specific reporting requirements and are passed through to the District from other governmental entities. The 2020-2021 budget includes \$838,286 for the Title I program accounting for 67% of total federal source revenues.

TITLE I \$838,286

Revenue received from the federal government to fund programs designed to provide remediation to disadvantaged children in certain basic educational skills such as reading and mathematics. The amount received for this program is determined by the number of students needing remedial educational, amount available, and the number of other districts participating in the program.

TITLE II \$161,571

This reflects revenue received from the federal government to supplement and increase the level of funding available for the district instructional program. Funding for the program is on the number and classification of students enrolled in the school district.

TITLE IV \$63,605

Revenue received for the education of children under ESEA, Title IV.

MEDICAL ASSISTANCE REIMBURSEMENT \$182,000  
(ACCESS)

Medical Assistance program that reimburses school entities for direct, eligible health-related services.

## District Expenditures

Educational facilities consist of four elementary schools, one middle school, and one high school. The District also operates an education service center, a service center that houses the facilities and food services departments, and a transportation depot.

The following table shows the general fund expenditure changes by major object over the preceding fiscal year.

Budget		Budget		
2019-2020		2020-2021	\$ Change	% Change
<i>Expenditures</i>				
Salaries	32,073,005	32,153,16	80,162	0.2%
Employee Benefits	22,459,518	22,664,66	205,145	0.9%
Professional & Technical Services	5,346,613	6,268,936	922,323	17.3%
Purchased Property Services	1,904,532	2,171,825	267,293	14.0%
Other Purchased Services	5,288,812	5,324,320	35,508	0.7%
Supplies	4,127,698	3,813,958	(313,740)	-7.6%
Property	1,060,737	627,137	(433,600)	-40.9%
Other Objects	3,074,245	3,167,259	93,014	3.0%
Other Financing Uses	4,445,981	4,392,139	(53,842)	-1.2%
Total Expenditures	79,781,141	80,583,40	802,263	1.0%



## CHAPTER THREE

# LOCAL TAX IMPACT

Municipalities need to raise revenue to provide services such as street cleaning, trash pickup, repair of infrastructure such as roads and sidewalks, and funding personnel such as police and municipal staff. This revenue is usually generated through local taxes assessed on the value of property.

### REAL ESTATE TAXES

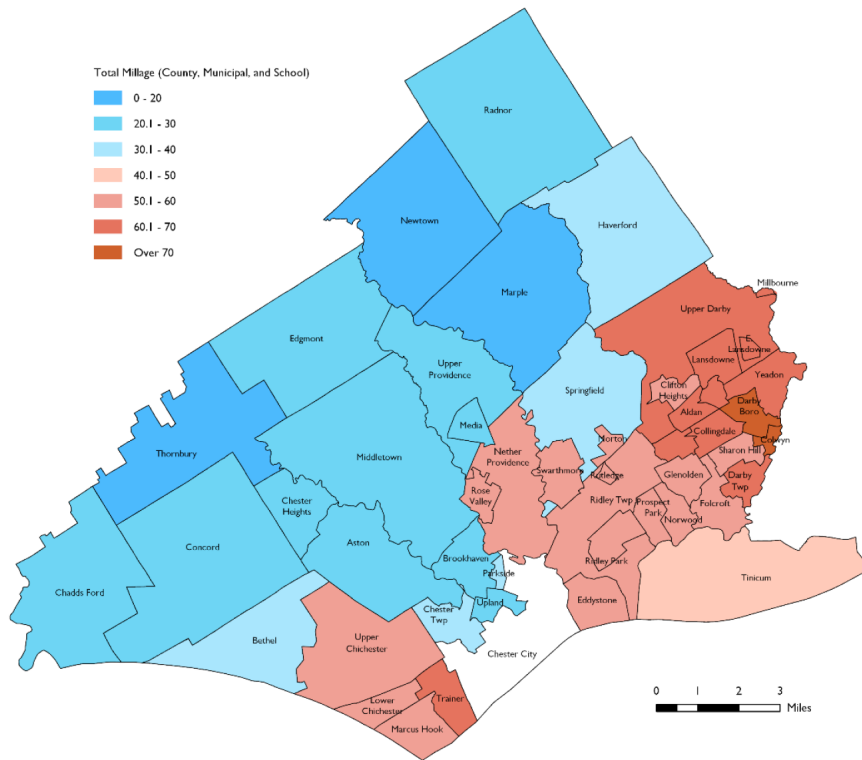
The most significant source of revenue are real estate taxes.

The \$46,188,579 budgeted for the 2020-2021 school year comprises 93% of the local source revenues for the District. The general fund budget also incorporates anticipated transfer tax and delinquent tax revenue of \$1,755,000, or 3% of local source revenues.

### MILLAGE

Generally, local sources of funding are property taxes on households in the school district. The state contributes money from income and sales taxes, as well as other revenue streams such as gambling proceeds and certain state fees. Pennsylvania as a whole faces challenges in terms of major discrepancies in spending between high-wealth and low-wealth districts, partly based on the school funding formula.

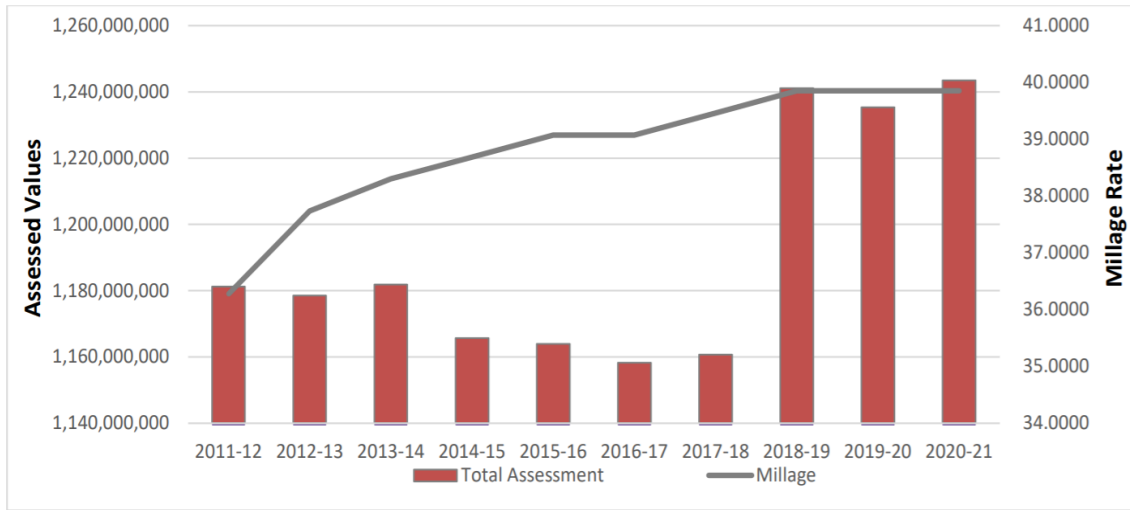
**Map 2-9: Millage Rates by Municipality**



According to 2017 Public Elementary-Secondary Education Finance Data from the U.S. Census, 6% of Pennsylvania's total school funding came from federal money, 39% was provided by the state, and 55% is from local sources.

Delaware County contains both high-wealth, high-performing districts and low-wealth, low-performing districts, making it a good example of the challenges faced by the state. Also, because the local funding relies heavily on property tax paid by home- and business-owners, districts that are dominated by residential land use to the exclusion of revenue-generating businesses are at a greater disadvantage. The state has recently passed legislation aimed at providing additional funding and resources to schools that are most in need, but the increases have been minor, and few immediate improvements have been seen.

Chichester School District EIT Implementation Analysis 2021



Over a 7-year fiscal period, millage increases totaled 4.0% / 0.8967 mills:

Tax Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total Assessment	1,158,218,421	1,160,664,651	1,241,108,585	1,235,361,989	1,243,467,710
Millage	39.4615	39.8561	39.8561	39.8561	40.7528
Annual Change	-5,728,922	2,446,230	80,443,934	-5,746,596	8,105,721
Percent Change	1.00%	1.00%	0.00%	0.00%	2.25%

### HOMESTEAD EXCLUSION PROGRAM

On April 13, 2009, the Governor implemented the Homestead and Farmstead Exclusions (Act 1), which allows school districts the ability to reduce their taxes based on revenue received from the state. This revenue is generated from gambling proceeds. The homestead exclusion reduces the assessed values of homestead-approved properties, reducing the school property tax on these homes.

In order to be eligible for this program, the homeowner must reside in a dwelling primarily used as their permanent home. In general, it is the address where you live, where you have registered to vote, and have registered your driver's license.

## **HOMESTEAD EXCLUSION**

The homestead exclusion for the 2020–2021 school year is approximately \$360.00 to each approved homestead. The amount may vary depending upon the assessment for each homestead. Pennsylvania will continue its broad-based property tax relief in 2020-21 based on Special Session Act 1 of 2006. As required by law, the Commonwealth's Budget Secretary certified on April 15, 2020, and again on June 1, 2020, that \$739.7 million in state-funded local tax relief will be available in 2020-21. When combined with the senior citizen Property Tax/Rent Rebate program, total state-funded property tax relief will be \$739.7 million next year.

Each school district will determine the actual amount of property tax relief for each homestead and farmstead after determining its 2020-21 real estate tax rate. The files directly below include the total state-funded property tax relief that will be available for each school district, the number of approved homesteads and farmsteads as of May 1, and a property tax relief estimate for each homestead and farmstead property.

## Estimated Property Relief per Homestead

	2019-2020
AUN	125231303
School District	Chichester SD
County	Delaware
2019-20 State Property Tax Reduction Allocation*	\$1,797,772.26
Number of Approved Homesteads and Farmsteads **	5,008
Estimated Tax Relief per Homestead and Farmstead	\$359

\* Number of approved homesteads and farmsteads were provided by county tax assessment offices.

\*\* The actual amount of tax relief per homestead and farmstead will be calculated by each school district and will differ from this estimate.

### How will I receive my homestead exclusion?

The exclusion will be provided in the form of an assessment reduction when your property tax bill is calculated. Each approved homestead will receive an assessment reduction of 8,834 unless their assessed value is less than 8,834. In that case, the property owner will receive a reduction of their total assessed value.

Example 1	\$100,000 assessment	Example 2	\$8,000 assessment
	\$100,000 less homestead exclusion 8,834 = 91,166 assessment.		\$8,000 less homestead exclusion of 8,834 = \$0 assessment.
	Tax bill would be 91,166 times 40.7528 mills divided by 1000 = \$3,715.28 tax bill		Tax bill would be zero

## **ECONOMIC DEVELOPMENT**

### **IMPACT ON BUSINESSES**

For a business, domicile shall be determined by the consideration of the relevant factors. In the case of the single location business, where all business activity occurs at that location, domicile is the physical location of that business. As an example, a convenience store with a single location within a single political subdivision would be determined to be domicile in that specific political subdivision. In the case of a single location business, with its permanent physical location where the payroll and other financial responsibilities are performed a single political subdivision, but the business's primary services are performed in one or more political subdivisions on a temporary basis, domicile would be the permanent physical location of that business.

The fact that this business may establish temporary offices within the political subdivision where the services are performed does not establish domicile as these temporary locations are established for the special, limited purpose of directing the performance of services being provided. Such a business would not be required to remit the local income tax withheld from the employees performing the service to the tax officer of the political subdivision where the services are being performed. This does not relieve the employer from the requirement to withhold the income tax from those employees performing the services in the other political subdivision. Nor does this relieve the employer from the requirement to remit the income tax withheld from the employees performing the services in the other political subdivision to the tax officer for the political subdivision where the business maintains its permanent physical location.

## Delaware County Top Ranking Employers

Rank	Employer	Rank	Employer
1	The Boeing Company	26	Delaware County Memorial Hospital
2	United Parcel Service Inc	27	Divine Providence Village
3	Villanova University	28	Prospect Health Access Network Inc
4	Prospect CCMC LLC	29	Home Depot USA Inc
5	Delaware County	30	Melmark Inc
6	SAP of America Inc	31	State Farm Mutual Auto Insurance
7	Wawa Inc	32	The Arthur Jackson Company
8	AmeriHealth Mercy Services LLC	33	Doane Family Enterprises LP
9	Federal Government	34	Rose Tree Media School District
10	Upper Darby School District	35	Radnor Township School District
11	Giant Food Stores LLC	36	Chester Community Charter School
12	Elwyn	37	Maris Grove Inc
13	Mercy Catholic Medical Center	38	Eastern University
14	Swarthmore College	39	Target Corporation
15	ACME Markets Inc	40	Marple Newtown School District
16	State Government	41	Haverford College
17	Riddle Memorial Hospital	42	Delaware County Intermediate Unit
18	Widener University	43	Power Home Remodeling Group Inc
19	School District, Haverford Twntp	44	Southeast Delco School District
20	Wal-Mart Associates Inc	45	Chichester School District
21	Lincoln National Life Insurance Co	46	Main Line Services Inc
22	Ridley School District	47	Kimberly Clark PA LLC
23	Chester Downs & Marina LLC	48	PBS
24	Garnet Valley School District	49	Southeastern PA Trans. Authority
25	Delaware Community College	50	Acts Retirement-Life Communities

SOURCE: Work Stats PA

## Largest Taxpayers in the Chichester School District

<b>Taxpayer</b>	<b>Assessed Valuation</b>	<b>Tax Obligation</b>
Sunoco Partners	143,198,538	\$5,707,335.25
Monroe Energy	29,825,810	\$1,188,740.47
Meetinghouse Park Apartments LP	12,827,160	\$511,240.57
Chichester Apartments LLC	11,303,500	\$450,513.43
BRE DDR IVB Larkins PA LLC	10,130,450	\$403,760.23
CSX Transportation Inc.	9,324,750	\$371,648.17
RLIF East LLC	7,990,600	\$318,474.15
Aguntum Associates	7,488,220	\$298,451.25
SJS Chelsea LP	7,261,715	\$289,423.64
PECO	6,316,720	\$251,759.82

*SOURCE: Chichester School Board Annual Budget 2019-2020 School Year*

### IMPACT ON EMPLOYERS BUSINESSES

Every business that employs individuals at work sites within PA or employs individuals who work from their homes in PA is required to withhold the applicable local earned income tax amount from employees' wages and remit the tax to the appropriate tax officer.

### IMPACTED PEOPLE

However, school districts may not levy EIT on nonresidents. Therefore, the sharing provisions will not affect the municipal tax rate applied against nonresidents working within a municipality. Of course, if the nonresidents are liable for an EIT at their place of residence, this will provide a credit against any



nonresident levy in their place of employment. Act 32 further defines "Earned Income" in two areas:

1. Employee business expenses are an allowable deduction in determining earned income
2. Business losses cannot offset earned income

### **Delaware County Housing**

Delaware County is close to being built out in terms of land available for development. If the market requires the County to add significantly more housing units in the future, the new development will need to occur in higher densities than recent development, and older areas will need to look to infill development and adaptive reuse of formerly non-residential buildings. However, based on modest population growth projections (shown in Chapter 1) and slow but steady recent growth in housing units in the County, there is not likely to be a need for significant additional housing units in the near future.

Regionally, Delaware County competes with suburban counties with much larger land areas and potential for future development, and the city of Philadelphia which has a much larger supply of existing housing stock. Delaware County's competitive advantage comes in its diverse communities of character, offering the density and connectedness of the city but with a more suburban feel. The County's existing communities can attract new residents, including those looking to move out of the city, as well as those looking for convenient access to the city.

As mentioned in the national trend's discussion in Chapter 1, renter-occupied housing can be seen as an asset, but renter-occupied housing is currently not evenly distributed throughout municipalities in Delaware County. Additionally, smaller and denser housing stock can provide housing opportunities for small households, first-time homebuyers, or low- to moderate-income housing, but could be made available in more parts of the County.

Vacancies have risen in recent years, although the County as a whole is still within a healthy range of renter and owner vacancy rates. But vacancies disproportionately affect some communities with older housing stock that have experienced population loss. Improved maintenance and redevelopment of older housing stock could help these areas, as well as other areas at risk of increased vacancies.

Delaware County maintains a stable housing market, although it is affected by the national trend of home prices and rental costs increasing at a faster rate than incomes. Housing affordability is good overall, but unaffordability disproportionately affects renters. Once again, investing in aging housing stock could be a means of providing affordable housing for first-time homebuyers while maintaining neighborhood stability.

*SOURCE: Census.Gov*

## Rates of revenue collected from all taxes levied for the past 10 years 2020 – 2021 FYTD

Fiscal Year	Tax levy	Current Year Collections	Prior Year Collections	Total Collections
2010-11	\$ 43,078,394.00	\$ 41,244,895.00	\$ 1,645,400.00	\$ 42,980,195.00
2011-12	\$ 44,785,506.00	\$ 41,994,084.00	\$ 1,926,851.00	\$ 44,027,026.00
2012-13	\$ 45,138,038.00	\$ 42,834,451.00	\$ 2,136,686.00	\$ 5,018,449.00
2013-14	\$ 45,738,173.00	\$ 42,894,288.00	\$ 2,153,560.00	\$45,096,424.00
2014-15	\$ 45,543,511.00	\$ 43,073,737.00	\$ 2,376,620.00	\$ 45,526,649.00
2015-16	\$ 45,476,354.00	\$ 43,030,875.00	\$ 1,958,460.00	\$ 44,991,522.00
2016-17	\$ 45,705,036.00	\$ 43,358,136.00	\$ 1,995,313.00	\$ 45,437,909.00
2017-18	\$ 46,259,566.00	\$ 43,431,818.00	\$ 1,885,536.00	\$ 47,389,932.00
2018-19	\$ 49,465,748.00	\$ 46,856,229.05	\$ 2,033,534.00	\$ 48,896,337.05
2019-20	\$ 49,236,711.00	\$ 46,606,299.42	\$ 2,113,072.42	\$ 48,726,236.55
2020-21 YTD- FEB 2021	\$ 50,674,791.00	\$ 48,170,586.99	\$ 1,195,468.31	\$ 49,366,055.30

*The age, income employment and property use characteristics of the existing tax base.*

Chichester School District EIT Implementation Analysis 2021

Fiscal Year	AUN	LEA Name	2018 Market Value	2018 Personal Income	2018-19 WADM
2020-2021	125231303	Chichester	\$1,531,035,528	\$521,083,914	3,979.553
2019-2020	125231303	Chichester	\$1,447,371,721	\$495,300,273	3,905.457

Fiscal Year	MV per WADM	Market Value Aid Ratio	PI per WADM	Personal Income Aid Ratio	Market Value / Personal Income Aid Ratio
2020-2021	\$384,725	0.5727	\$130,940	0.6653	0.6097
2019-2020	\$370,602	0.5725	\$126,822	0.6523	0.6044

Aid ratio is the general term for three numerical values -- market value aid ratio (MV AR), personal income aid ratio (PI AR), and market value/personal income aid ratio (MV/PI AR) -- calculated in accordance with Section 2501(14), (14.1), and (14.2) of the School Code. Various state subsidies use aid ratios in their calculations. The MV/PI AR represents the relative wealth (market value and income), in relation to the state average, for each pupil in a school district. New aid ratios files are posted annually in late July following PDE receipt of component data. Revised aid ratio files are posted when data significantly changes.

The age, income employment and property use characteristics of the existing tax base (continued)

	2018
District	Chichester
Records	10,994
Compensation	\$ 526,947,242
Net Profits	\$ 24,436,803
District	\$ 10,678,593

	2018
Misc Income	\$ 11,106,553
Out-of-State Tax Records	1,097
Out-of-State Tax Credit	\$ 1,599,018
Out-of-State Income (calculated)	\$ 52,085,277
Total Personal Income	\$ 573,169,191

*Personal Income: These files reflect personal income for residents of the school district, excluding out-of-state income, as reported on the PA-40 income tax return. Data is certified to PDE by the Department of Revenue.*

**Projected revenues from taxes currently levied  
for the next 5 years**

Fiscal Year	Tax levy @	Tax levy @	Tax levy @	\$ Incr. @	\$ Incr. @	\$ Incr. @
	2.25%	1.50%	1.00%	2.25%	1.50%	1.00%
2021-22	51,814,974	51,434,913	51,181,539	1,140,183	760,122	506,748
2022-23	52,980,811	52,206,437	51,693,354	1,165,837	771,524	511,815
2023-24	54,172,879	52,989,533	52,210,288	1,192,068	783,097	516,934
2024-25	55,391,769	53,784,376	52,732,391	1,218,890	794,843	522,103
2025-26	56,638,084	54,591,142	53,259,715	1,246,315	806,766	527,324

*EIT Collections (Actual and Adjusted for Wage Growth)*

Chichester School District EIT Implementation Analysis 2021

Year	Municipal EIT Collections (\$000)	School District Collections (\$000)	Total EIT Collections (\$000)	Wage Growth (U.S. Average)	Total EIT Collections Adjusted for Wage Growth (\$000)
2005	\$927,495.00	\$1,034,407.00	\$1,961,902.00	\$36,953.00	\$1,961,902.00
2006	\$968,228.00	\$1,080,091.00	\$2,048,320.00	\$38,651.00	\$1,958,145.00
2007	\$1,028,072.00	\$1,125,616.00	\$2,153,688.00	\$40,405.00	\$1,970,556.00
2008	\$1,087,370.00	\$1,133,501.00	\$2,220,871.00	\$41,335.00	\$1,988,196.00
2009	\$1,078,153.00	\$1,120,032.00	\$2,198,185.00	\$40,712.00	\$1,999,002.00
2010	\$1,097,770.00	\$1,146,300.00	\$2,244,070.00	\$41,674.00	\$1,992,933.00
2011	\$1,149,199.00	\$1,185,226.00	\$2,334,424.00	\$42,980.00	\$2,012,973.00
2012	\$1,234,310.00	\$1,348,818.00	\$2,583,128.00	\$44,322.00	\$2,188,783.00
2013	\$1,312,908.00	\$1,354,813.00	\$2,667,722.00	\$44,888.00	\$2,240,361.00
2014	\$1,320,435.00	\$1,388,411.00	\$2,708,846.00	\$46,482.00	\$2,186,791.00

\* Calendar year for municipal collections. School year (July 1-June 30) for school district collections (e.g., 2005 includes school district EIT receipts for the 2005-06 school year). Source: Developed by LB&FC staff from DCED municipal statistics and PDE annual school district financial reports.

This estimate may also slightly understate the impact of the act as an additional 90 municipalities assess an EIT, but increased or decreased the EIT rate during the period and, therefore, were not included in the analysis.

Fiscal Year	% Incr.
2011-2012	4.00%
2012-2013	1.50%
2013-2014	1.00%
2014-2015	1.00%
2015-2016	0.00%
2016-2017	1.00%
2017-2018	1.00%
2019-2020	0.00%
2020-2021	0.00%



## CHAPTER FOUR

# LOCAL TAX STUDY

The school board must form a Local Tax Study Commission to evaluate the school district's existing tax structure and the impact of levying a new earned income and net profits tax (EIT) or personal income tax (PIT).

The commission must consist of five, seven or nine members who are resident individuals or taxpayers of the school district and shall reflect the socioeconomic, age and occupational diversity of the school district to the extent possible, except that one member of the local tax study commission may be a member of the board of school directors and no member shall be an official or employee or a relative thereof of the school district.

The District is to provide the necessary and reasonable support staff and shall reimburse members of the commission for all necessary and reasonable expenses in discharge of their duties.

Responsibilities of committee members

- Reviewing materials presented and identifying key concerns and issues
- Providing and presenting input, advice, and feedback on pertinent issues
- Exploring potential areas of agreement around key issues
- Providing advice on the most effective way of involving the general public at key points in the project
- Participating in all meetings (which are expected to last for approximately an hour and a half each)

Local income taxes will increase only if voters approve an increase. The school board will decide whether residents of the school district vote on an Earned Income Tax or a Personal Income Tax, and the school board will set the

proposed income tax rate based on the level of property tax relief that it decides to offer voters:

At a minimum, the proposed increase to an income tax must reduce property taxes by what is known as "50% of the maximum homestead exclusion" If achieving the minimum requires an increase in the income tax rate greater than 1%, a school district is not required to propose a rate greater than an increase of 1% for voter approval (in addition to the school district's existing Earned Income Tax rate).

## **HISTORY OF ACT 32 IN PENNSYLVANIA**

Local income taxes in Pennsylvania are variously termed payroll taxes, wage taxes, net profits taxes or a combination of these terms. No matter which term is used, they are authorized for use by municipalities and school districts and are their principal source of non-property taxation revenue.

ACT 32 of 2008 Act 32 of 2008 was signed into law on July 7, 2008 bringing sweeping changes to the EIT collection and distribution process in Pennsylvania. Act 32 focuses on three areas to improve the local income tax system: consolidation of the Commonwealth into county-wide tax collection districts, the creation of tax collection committees to provide oversight of the income tax collections and distributions within the tax collection district, and requiring uniform regulations, forms and procedures to ensure consistent collections throughout the Commonwealth. The consolidation of the tax collection process into county-wide tax collection districts will reduce the number of collectors in the Commonwealth from 560 to no more than 69.

This consolidation component is expected to increase tax officer cooperation and efficiency, which should result in an increase in tax revenues for all municipalities and school districts. By creating tax collection committees to oversee the local income tax system within the tax collection district, Act 32

provides an administration and oversight process complete with fines and penalties for tax officers who fail to perform their required duties. 4 Along with consolidation, Act 32 will bring uniformity to the local income tax system by having the Department of Community and Economic Development promulgate uniform regulations, forms and procedures throughout the Commonwealth. The goal Act 32 is to improve the efficiency of the income tax collection and distribution system.

Act 32 of 2008, became effective statewide January 1, 2012. It brought reform to the local earned income tax withholding system and established countywide tax collection districts for the remittance and distribution of local earned income taxes.

The legislative goals of Act 32 include:

- Establishing uniform withholding, remittance, and distribution requirements.
- Providing for more accountability, transparency, oversight, and enforcement and strengthening reporting requirements to better track every tax dollar.
- Developing uniform forms, notices, reports, schedules, and codes for school districts, municipalities, and tax collection districts.
- Consolidating and streamlining the EIT collection process across the Commonwealth.

Under Act 32, EIT consists of a percentage of earnings based on an employee's resident rate, and non-resident rate. The Act requires employers to withhold the higher rate of those two and send that to the appropriate tax collector. Should the rates be the same, the non-resident rate, or work location rate, is used. Businesses with multiple locations across Pennsylvania can send their taxes to the tax collector in the district where their company is headquartered

## MAJOR PROVISIONS OF ACT 32

### Countywide Tax Collection Districts

- Uniform Withholding, Remittance, Distribution & Reporting, Rules & Forms
- Increased Oversight & Enforcement
- Reduced Burden on Business
- Reduced Burden on Taxpayers
- More Revenues for Municipalities and School Districts

### What changes does Act 32 make?

Act 32 makes the following changes:

Significantly reduces the number of tax collectors in Pennsylvania (from 560 to 69) and establishes a single Tax Collection District (TCD) in each county (except Allegheny County, where there are 4 TCDs, and Philadelphia County, which is exempt from Act 32);

Requires all employers to withhold Earned Income Tax (EIT) on behalf of all employees.

Establishes strict reporting requirements for tax collectors collecting EIT.

Authorizes the Pennsylvania Department of Community and Economic Development (DCED) to adopt uniform rules, regulations, and forms to be followed and utilized in each TCD by its designated Tax Officer.

*SOURCE: General Information About Special Session Act 1 of 2006*

## Frequently Asked Questions for Taxpayers

*SOURCE: General Information About Special Session Act 1 of 2006*

### How does the Taxpayer Relief Act benefit taxpayers?

The Taxpayer Relief Act, also known as SS Act 1, benefits taxpayers as follows:

SS Act 1 guarantees that homeowners in every school district can benefit from state-funded property tax relief. (Exception: In Philadelphia, the funding will be used to reduce the wage tax.)

It protects taxpayers in every school district from extraordinary tax increases in the future by implementing voter controls through a fair referendum requirement that gives voters control over the most severe tax increases while protecting school districts' ability to raise the funds they need.

It provides extra property tax relief to senior citizens - who are the hardest hit by rising property taxes - through a major expansion of the state Property Tax and Rent Rebate Program.

Act 1 gives local communities new options to choose the right mix of local taxes to fund their schools.

### What powers does the Taxpayer Relief Act give to voters in each school district?

Every municipal election (held in odd-numbered years) - Every school district except Philadelphia will have the option of asking voters to approve an additional income tax increase in order to fund greater local property tax relief.

Choosing whether to receive state-funded property tax relief - If a school board rejects state funding for property tax relief through gaming, then the final decision goes to the voters. In a referendum question, voters can overrule their school board and decide to accept state-funded property tax relief.

Power over extraordinary tax increases - Voters in every school district will have the final say on extraordinary tax increases. School boards will still be able to raise property taxes each year to keep up with inflation, and they can receive

referendum exceptions for emergencies and educational necessities. But after that, tax increases will require voter approval.

### What is the source of funds for property tax relief?

Funds from expanded gaming will be used to reduce local school property taxes. In addition, voters can choose to further reduce their property taxes by shifting to a local income tax.

How will the Senior Citizens Property Tax and Rent Rebate program be expanded?

SS Act 1 expanded the income thresholds for qualification for property tax and rent rebates. The program only requires senior citizens to count 50% of Social Security payments towards their income.

Before SS Act 1, senior citizens who earned up to \$15,000 could receive a property tax or rent rebate up to \$500. In 2004, the average participating homeowner received a \$375 rebate from the Property Tax and Rent Rebate program.

Beginning with their 2006 tax bills, homeowners are eligible to receive the following:

Household Income	Rebate
\$0 to \$8,000	\$650
\$8,001 to \$15,000	\$500
\$15,001 to \$18,000	\$300
\$18,001 to \$35,000	\$250

In addition, the law gives even more property tax relief to the senior citizens with the highest need, beginning in the first year that statewide property tax relief occurs for homeowners in all school districts:

Because school districts in cities with high wage taxes will be unlikely to ever make a shift to increase their wage taxes to fund property tax relief, senior citizens in Philadelphia, Pittsburgh and Scranton who earn up to \$30,000 a year will have their property tax rebate increase by an additional 50%.

Senior citizens who earn up to \$30,000 a year and pay more than 15% of their income in property taxes (and who do not live in Philadelphia, Pittsburgh or Scranton) will also have their property tax rebate increase by an additional 50%.

Renters are eligible to receive the following:

Household Income	Rebate
\$0 to \$8,000	\$650
\$8,001 to \$15,000	\$500

The Senior Citizens Property Tax and Rent Rebate Assistance Program is administered by the Department of Revenue. The application and information for filing a claim can be found at [Revenue.pa.gov](http://Revenue.pa.gov). Click on Forms and Publications; then click on Property Tax/Rent Rebate.

## Homestead and Farmstead Exclusions

### What are homestead and farmstead exclusions?

A homestead exclusion lowers property taxes by reducing the taxable assessed value of the home. For example, if a home is assessed at \$50,000 and the homestead exclusion is \$5,000, then the homeowner only pays taxes on an assessed value of \$45,000.

A homestead must be a Pennsylvanian's permanent primary residence on which property taxes are paid. Included with the term "homestead exclusion" is "farmstead exclusion"

A farmstead exclusion provides property tax relief to farmers. A farmstead applies to buildings used for agricultural purposes on a farm that is at least 10 contiguous acres. The farmstead must also be the primary residence of its owner. Farmers can be eligible for both a homestead exclusion and a farmstead exclusion since each covers a different part of the property.

### **How does a taxpayer become eligible to receive a homestead or farmstead exclusion?**

To receive a homestead or farmstead exclusion, a Pennsylvania resident must submit an application to the county assessment office.

School districts are required to send an application to all owners of residential property in the school district by December 31 each year; however, annual notification may be limited to owners of residential property not currently approved as a homestead or whose approval is due to expire.

Homestead exclusion applications are due by March 1. Homeowners cannot be required to resubmit their application more than once every three years. Residents that acquire property in the school district after the March 1 deadline must wait until the following year to qualify for a homestead or farmstead exclusion.

The county assessor must notify the property owner of the approval or denial of the homestead or farmstead exclusion no later than 30 days after receipt of the application.

### **Will every property owner receive property tax relief?**

SS Act 1 only applies to residential property owners. Pennsylvanians in 66 counties will receive property tax relief through homestead and farmstead exclusions.



In Philadelphia, the state funding for tax relief will be used to reduce wage taxes instead of property taxes. Wage taxes will be reduced for both resident and commuter wage taxpayers. Scranton School District has the option of using up to 50% of its property tax reduction allocation to reduce the rate of its earned income and net profits tax.

### **To what extent will property taxes be reduced?**

The extent of property tax relief in a particular school district will depend on whether the taxpayers in the school district approve a local income tax increase and whether the school district accepts its state allocation of revenue from expanded gaming.

### **Will every homeowner in the state get the same amount of property tax relief?**

The amount of property tax relief will vary from one school district to another. The property tax relief formula is designed to take equity into account – sending the most state resources to the communities with the greatest tax burden and least local wealth.

## **Local Income Tax**

### **When can school districts raise their income tax in order to fund property tax relief?**

All school districts, except Philadelphia, Pittsburgh and Scranton, must give voters the opportunity to raise the local Earned Income and Net Profits Tax (EIT) or switch to a Personal Income Tax (PIT) at a municipal election in order to raise revenue to fund local property tax relief. The school board will decide which kind of income tax voters will get to decide on, and at what rate. At least 98% of the additional revenue must be used for local property tax relief; up to 2% can be used for the school district's operations.

School districts do not have to increase or establish a local income tax to receive state-funded property tax relief.

## What is the difference between the Earned Income and Net Profits Tax (EIT) and the Personal Income Tax (PIT)?

There are several types of income – ranging from the hourly wage that a worker earns to the dividends on an investor's stocks. The EIT and PIT include different types of income.

The EIT is a tax on compensation and net profits, including:

- Salaries
- Wages
- Commissions, bonuses, stock options and incentive payments
- Fees
- Tips
- Net profits from the operation of a business, profession or farm

The PIT taxes compensation, net profits and other kinds of income:

- Compensation and net profits (everything that is taxed by the EIT)
- Interest
- Dividends
- Net gains or income from the dispositions of property
- Net gains or income from rents, royalties, patents and copyrights
- Income derived through estates or trusts
- Gambling and lottery winnings

Neither the EIT nor the PIT taxes Social Security or retirement pensions.

## What is a Local Tax Study Commission?

Before giving voters the choice to generate property tax relief by increasing a local income tax to replace a portion of property taxes, a school board must form a Local Tax Study Commission to evaluate the school district's existing tax

structure and the impact of levying a new earned income and net profits tax (EIT) or personal income tax (PIT).

The school board can appoint a 5-, 7- or 9-member commission. Only one of the members can be a school board member; the rest must be residents or taxpayers of the school district. Membership should reflect the socioeconomic, age and occupational diversity of the community.

### **What are the responsibilities of the Local Tax Study Commission?**

The Local Tax Study Commission is responsible for studying the district's current taxing structure and making a recommendation to the school board within 90 days on the impact of levying a new EIT or PIT to provide property tax relief. The commission must consider:

- historic, present and projected tax rates and collections,
- the proportion of taxes that come from each source, and
- the characteristics of the tax base.

The commission's recommendation is not binding, but the school board must vote to either accept or reject it.

### **How much will the income tax increase?**

Local income taxes will increase only if voters approve an increase. The school board will decide whether residents of the school district vote on an Earned Income Tax or a Personal Income Tax, and the school board will set the proposed income tax rate based on the level of property tax relief that it decides to offer voters:

At a minimum, the proposed increase to an income tax must reduce property taxes by what is known as "50% of the maximum homestead exclusion." If achieving the minimum requires an increase in the income tax rate greater than 1%, a school district is not required to propose a rate greater than an increase of 1% for voter approval (in addition to the school district's existing Earned Income Tax rate).

## Referendum Requirement for Tax Increases

### Will school districts need voter approval in order to raise school taxes?

The law requires a voter referendum if a school district proposes to raise its property tax rate – or the rate for other school taxes – faster than its inflation index after accounting for approved referendum exceptions.

The Department of Education provides each school district with its index annually by September 30. Further information about the index is available at [Education.pa.gov/PropertyTax](http://Education.pa.gov/PropertyTax).

A school district may also qualify for one or more referendum exceptions; these exceptions allow a school district to raise tax rates beyond its index for specific purposes without voter approval.

### What are the referendum exceptions in the Taxpayer Relief Act?

SS Act 1 includes sensible and flexible referendum requirements that protect homeowners while ensuring that school districts can afford to adequately fund their schools. A school board will need voter approval before enacting extraordinary tax increases.

In order to increase property taxes beyond the inflation index without seeking voter approval, a school board must receive a referendum exception for specific costs. As amended by Act 25 of 2011, the remaining referendum exceptions cover:

For school construction, including:

- Debt on an existing school construction projects
- Electoral debt (previously approved via referendum)
- Special education costs that increase by more than the index
- Increases in retirement payments that rise faster than the index
- Distribution of State Property Tax Reduction Funding

### When will school districts receive state-funded property tax relief?

State Property Tax Reduction Allocations are provided to school districts in the fiscal year following certification by the Secretary of the Budget that sufficient funds are available for a distribution.

### Can a school district reject its property tax reduction allocation?

School boards are given a limited opportunity to "opt out" of receiving state property tax reduction allocations. After the Department of Education notifies each school district of its property tax reduction allocation (no later than May 1 for the July-to-June fiscal year that starts that July 1), a school board can pass a resolution within one month refusing its property tax reduction allocation.

If a school board votes not to accept its state property tax reduction allocation, voters get the final say. In the subsequent election, voters will be asked to decide whether the school district should accept state funds to reduce property taxes. If the majority of voters approve, then the district will receive state-funded property tax relief beginning with the next fiscal year.

## CHAPTER FIVE

# RECOMMENDATIONS

The purpose of this commission and report was to study and consider the Chichester School District's current revenue generation from locally collected taxes.

We were tasked with considering the following data in particular:

- Historic and present rates of and revenue from taxes currently levied, assessed, and collected.
- The percentage of total revenues provided by taxes currently levied, assessed, and collected.
- The age, income, employment, and property use characteristics of the existing tax base.
- Projected revenues of taxes currently levied, assessed, and collected.

The statistics are clear: Nearly 84 percent of Pennsylvania school districts (418 out of 500) utilize and benefit from the collection of the Earned Income Tax, receiving 0.5% - 1.94% of the total collection.

After careful review and consideration of this data and listening to the input of the Local Tax Study Commission, it is our recommendation that the Chichester School District Board of Directors place a question on the General Election Ballot to allow the voters to decide if that the Chichester School District should be able to access 50% of the currently levied Earned Income Tax to fund critical District programs.

By allowing access to these critical funds, the entire local funding burden will not be placed on property taxes. Property taxes are particularly burdensome to senior citizens and individuals on fixed incomes. Business owners also consider property tax rates when deciding where they choose to locate. If the district is able to collect their share of the EIT, they will be able to keep school property

taxes at unmanageable levels and avoid large millage increases. Additionally, locally generated revenues to fund the education of our children will not be held hostage to fluctuations in the real estate market.

The vast majority of school districts in Pennsylvania use a portion of the Earned Income Tax to fund education. Of all of the forms of government in Pennsylvania, School Districts are the least able to control increases in spending due to legacy costs and unfunded federal and state mandates. While school districts have very few ways to control the growth of spending, they can stabilize local revenue collection through using the EIT and property taxes to cover their expenses.

It is important to note that every resident of the Chichester School District currently employed is already paying a 1% EIT. This change would not increase Earned Income Taxes on anyone. In fact, as analysis reviewed by the Local Tax Study Commission demonstrated, the assessment reduction, triggered by this change, will actually cause a reduction in overall tax burdens. It is important to view this proposed change as a tax shift which will provide tax fairness to the residents of the Chichester School District. It is also important to note that since this is a tax shift, not a tax increase, the Chichester School District will not have an infusion of new revenue. What the District will have is a fairer and more stable way to collect local revenue.

The Chichester School District Board of Directors has very little control over property tax rates. This change is one way that they can lessen the future burden on property owners. We are not suggesting that this change is the "silver bullet" on tax reform. Real property tax reform must occur at the state level through actions by the General Assembly and the Governor. There are many efforts under way in Harrisburg to look at big picture solutions to the problem of out-of-control property taxes. This tax shift is the best that this district can do to provide tax fairness and some relief.

PRESENT EIT TAX - CHICHESTER SCHOOL DISTRICT

Location	Resident EIT	Municipality	School District
Marcus Hook Borough	1%	1%	0%
Upper Chichester	1%	1%	0%
Lower Chichester	1%	1%	0%
Trainer Borough	1%	1%	0%

DELAWARE COUNTY SCHOOLS WITH % TO SCHOOL DISTRICT

Municipality	School District	Tax Name	Municipal Tax Amount	District Tax Amount
Aston Twp	Penn-DelCo SD	EIT Resident - Total	0.5%	0.5%
Brookhaven Boro	Penn-DelCo SD	EIT Resident - Total	0.5%	0.5%
Parkside Boro	Penn-DelCo SD	EIT Resident - Total	0.5%	0.5%
Thornbury Twp	West Chester Area SD	EIT Resident - Total	0.5%	0.5%



## APPENDIX



### ABOUT PENN STRATEGIES

Penn Strategies mission is to create economic opportunity for Pennsylvania's businesses and communities. With offices in Watsonstown and Harrisburg, we provide economic development planning, grant writing, lobbying, public relations, consulting services and government and regulatory liaison to municipalities, corporations and organizations who are working to improve life for all Pennsylvanians.