



## **Tax Study Commission Implementation Packet**

The following is intended to provide a menu of items for consideration in implementing the Tax Study Commission. School districts should consult with legal counsel in determining which items to use, and appropriate modification to the items. Given the short time available for the appointment process and concerns about special interest groups, some school districts will prefer not to invite applicants through the Tax Study Commission Invitation for Applicants. This item and all other items are provided merely as options for consideration.

1. Tax Study Commission Legal Overview  
(Use attached KKAG or other overview)
2. Tax Study Commission Invitation for Applicants
3. Tax Study Commission Expression of Interest
4. Tax Study Commission Appointment Resolution
5. Commission Member Appointment Letter
6. Commission Member Appointment Acceptance
7. 2006 Tax Study Commission Bylaws
8. Commission Schedule of Meetings Notice
9. Commission Meeting Notice
10. Commission Meeting Agenda
11. Commission Expense Reimbursement Rules



July 6, 2006 (revised July 12)

# EDUCATION LAW WATCH

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## Act 1 Slot Money, Tax, and Referendum Legislation Overview

### Tax Study Commission – Here We Go Again !!!

Similar to its predecessors, Act 1 is complex legislation setting rules for slot money distribution, requiring front-end voter referenda on tax shifting, mandating new school district budget practices, and requiring back-end voter referenda on future real estate tax increases above an “index” and on building projects. Among other things, Act 1 is designed to provide homeowner real estate tax reductions in varying amounts, and to assist schools in labor negotiations by restraining teacher salaries. Act 1 will have many collateral consequences for school districts, including negative education program impacts, possible bond downgrade and related borrowing expense, substantial implementation expense, and many diverse required actions.

Act 1 is an amalgamation of Acts 50 and 72. The key difference is that Act 1 is mandatory and provides very few school board options.

*The first required step is for the school board to act by September 14, 2006, to appoint a Tax Study Commission* – for the purpose of making a recommendation on the tax rate that will be included in the mandatory May 2007 front-end referendum question on shifting taxes from the real estate to income tax.

**KKAG Act 1 Publication Plan:** In this Law Watch, KKAG is addressing just the initial requirement for a Tax Study Commission. KKAG will publish future Law Watch editions addressing other specific Act 1 requirements (and thereafter possibly a comprehensive KKAG Act 1 Resource Book).

**Important Cautionary Note:** Tax issues are complicated, and may be influenced by facts specific to particular school districts. In addition, Act 1 contains many ambiguous and contradictory provisions. KKAG’s analysis might change as we continue our review and learn of positions taken by PDE and others responsible for implementing Act 1. It is imperative that school districts consult with and follow the advice of school district legal counsel on Act 1 implementation.



## **Commission Purpose: Recommend May 2007 Referendum EIT Rate**

Every school board must submit at the May 2007 primary election a “front-end” voter referendum question concerning adoption of a new or increased income tax (referred to herein as the “**Act 1 tax**”) to fund homestead and farmstead tax reductions.

For most (and possibly all) districts, the “front-end” referendum question will address increasing or adopting a new earned income tax (referred to herein as “**EIT**”).

The school board is required by March 13, 2007, to establish the rate of the proposed tax to be included in the voter referendum question. The rate must be sufficient to fund at least 50% of the maximum homestead exclusion, and must be rounded to the nearest .1%. ***However, a district is not required to propose a district EIT rate greater than 1%.***

For a district that currently levies a .5% EIT together with a .5% EIT levied by municipalities, this minimum 1% district EIT would represent a .5% increase, and a total combined school and municipal EIT rate of 1.5%. ***KKAG believes that in order to avoid significant adverse impacts from tax shifting, many districts will opt for a referendum question proposing a .5% EIT increase.***

For most (and possibly all) districts, the May 2007 referendum question will be in substantially the following form:

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

\$ \_\_\_\_\_. The current earned income tax rate is \_\_\_%.”

Subject to the Pennsylvania Department of Revenue promulgating regulations, districts will also have the option of a referendum question on converting a current EIT to a personal income tax (referred to herein as “**PIT**”) or imposing a new PIT. If implemented, the PIT would be a tax on the same classes of income taxed by the state PIT. The state PIT is imposed on a substantially broader definition of income than the “earned” income taxed by the EIT. The state PIT applies not just to “earned” income, but also to investment income such as gains on the sale of property, rental income, dividends, and interest.

Very importantly, the law allows only one referendum question, not alternate referendum questions concerning an EIT or PIT.

If a majority of the voters voting on the referendum question vote in favor, the district is required to impose the Act 1 tax at the rate specified in the referendum question, with the new income tax rate effective July 1, 2007.

The Commission purpose is to make a recommendation to the school board concerning whether the “front-end” referendum question should relate to an EIT or a PIT, and the tax rate to be included in the referendum question. The Department of Revenue most likely will not promulgate regulations in adequate time for the May 2007 primary election, and accordingly the primary focus of the Commission should be on an EIT rate to be included in the referendum question.

Act 1 also provides for future tax study commissions. After the mandatory May 2007 tax shifting referendum question, school



boards are given the option of placing similar tax shifting or PIT conversion referendum questions on the ballot at future municipal elections, namely the November election in odd-numbered years starting in 2009. Prior to any such future referendum, the school board is required to appoint a new Tax Study Commission to make a recommendation for the ballot question.

### **Specific Commission Requirements**

The 2006 Act 1 Tax Study Commission requirements are virtually identical to the 1998 Act 50 Study Commission provisions, except that a Tax Study Commission was optional under Act 50 and is mandatory under Act 1. Contrary to Act 50, Act 1 does not allow the flexibility of establishing a less formal “tax advisory committee” in lieu of a formal Tax Study Commission.

**Public outreach.** As with every school board step, the school board should be extremely sensitive to public relations aspects of each Act 1 decision, including appointment and operations of the Tax Study Commission. Since Act 1 is now the third attempt by the legislature at tax reform, and the public has previously been presented with Acts 50 and 72 providing confusing information and zero benefits, there will again be confusion within the community, and skepticism to say the least. School boards should be proactive, to help bring clarity to confusion, and to ensure the community understands the issues. School boards should start and be active participants in the Act 1 public dialogue, commencing with appointment and operations of the Study Commission. In order to ensure effective public understanding and good public relations, the school board should also consider possible engagement of an outside public relations consultant to assist in addressing Act 1 issues.

**Appointment deadline.** The school board must appoint a Tax Study Commission by September 14, 2006. This means that the *school board should appoint a Tax Study Commission at an August or early September board meeting.*

**Commission composition.** The Commission must consist of 5, 7, or 9 members who are resident individuals or taxpayers of the district, and reflect the “socioeconomic, age and occupational diversity of the school district to the extent possible.” The Commission members may include one school board member, but otherwise may not include any district official or employee or relative of a district official or employee.

Act 1 does not define “relative.” KKAG recommends this term be interpreted broadly to avoid any criticism. In any questionable cases, the district should consult with legal counsel concerning whether the individual would be considered a relative.

The school board should carefully select the Commission members in order to ensure a community cross section and to include individuals who would be affected in different ways by the Act 1 tax. For example, categories that might be considered for representation include: a retired homeowner; a farm owner with relatively low income; a farm owner with higher income; a working middle-income homeowner; a homeowner in a home where both spouses work; a higher income homeowner; a working renter; a commercial property owner; a small business owner; a large business owner or executive; and someone with significant investment income. In Philadelphia suburbs, consideration should be given to an individual who works in Philadelphia. Of course, the school board should also endeavor to select individuals who are conscientious, fair-



mindful, sophisticated enough to understand financial analysis, and have time available for Commission meetings.

The school board should consider inviting residents to volunteer for the Commission – through advertisement or announcement at a public meeting. However, there is a downside to inviting volunteers in that multiple individuals with a particular political agenda might volunteer and push for appointment. Ultimately, the school board has complete discretion concerning the manner of selection of Commission members – as long as the school board complies with the diversity and school official requirements.

The school board should make the Commission member appointments at a public meeting.

**Commission meetings.** The Commission charter should be to study the existing tax structure, including school district and municipal taxes. The study must include the following *4 mandatory study items*: (1) historic and present district revenue from current taxes; (2) the percentage of total district revenues provided by current taxes; (3) the age, income, employment and property use characteristics of the existing district tax base; and (4) projected district revenue from current taxes, and from the possible new or additional Act 1 EIT or PIT.

Although the Commission may not include more than 9 voting members, absolutely nothing prohibits others from being present as resources, to listen, and to provide comments. Indeed, as noted below, the Sunshine Law requires that Commission meetings be open to the public.

The district Superintendent and Business Administrator should participate in

Commission meetings as resources to the Commission. All school board members may be invited to attend, but only one school board member may participate as a member with full member discussion and voting rights.

The district is required to provide reasonable support staff for the Commission, and reimburse members for reasonable expenses. In this regard, the school board and Commission should provide legal counsel for the Commission, and should consider possible engagement of a financial advisor to provide numbers and impact information to the Commission.

The Commission members will need to select a leader, perhaps the school board member or another community member with substantial financial knowledge.

The Commission should begin by scheduling a series of meetings, and later decide on the number and timing for possible additional required meetings.

With advice from the school administration, the Commission will need to formulate Commission meeting agendas. Although the plan should be somewhat fluid and responsive to Commission member wishes, the process should start with an Act 1 overview and basic background information about district finances and taxes, particularly the above 4 mandatory study items.

**Data for Commission.** The school administration should ensure the Commission is provided with numbers on Act 1 tax revenues that will be generated at various tax rate levels, related real estate tax reduction, and impacts on identified categories of individuals at various income levels, such as: a retired homeowner; a farm owner with relatively low income; a farm owner with



higher income; a working middle-income homeowner; a homeowner in a home where both spouses work; a higher income homeowner; a working renter; a commercial property owner; a small business owner; a large business owner or executive; a Philadelphia worker; and someone with significant investment income.

The district should provide data on potential slot money receipts that will be applied to homestead tax reduction, and the possible relation of such receipts to establishing an income tax rate.

The district should provide numbers on the minimum and maximum permitted income tax rates and real estate tax reduction, and impacts of the various levels of income tax increases and real estate tax reduction. In many respects, the numbers will be very similar to Act 72 numbers. As part of the study, the Commission should also identify any other short or long term impacts on the community that might result from tax shifting, including possible positive or negative impacts on property values.

The district will also need to provide data on implementing a PIT in lieu of an EIT, including the effect on the income tax rate, and the different impacts on different taxpayer groups.

**Act 1 stages homestead tax reduction over two years.** Detailed information on number calculations will be addressed in a future KKAG publication and is beyond the scope of this overview. However, it is important to note that Act 1 incorporates different calculation mandates from those included in Act 72. In drafting Act 1, the legislature recognized a basic fact overlooked in Act 72 – namely that in the first year of a new or increased income tax, the district will not receive the full benefit of the new or

increased tax. This is because of the delay in collection, under which part of the proceeds from the first year imposition is not collected until the second year of the tax.

Determining the amount derived from taxpayer earnings in the first year that the district will actually receive in the first year requires a complex calculation that varies from district to district – in most districts an amount in the range of and often greater than 30% of ultimate full year tax receipts will not be received in the first year, but instead will first be received in the second year.

Under Act 72, districts were required to apply to homestead real estate tax reduction only the approximate 70% first year income tax receipts. This rule applied in the first year and also in second and subsequent years, when the district was given the option of applying the approximate additional 30% receipts to homestead real estate tax reduction, to general real estate tax reduction, to district operations, or as a reserve against potential future problems in operating under a system restricting tax increases to an index amount.

Act 1 applies the same rule as Act 72 in year one. Act 1 acknowledges the reduced first year receipts, and mandates that such (2007-08 fiscal year) first year receipts be applied to homestead real estate tax reduction in the same year, except that 2% may be retained for district operations (presumably intended as a cushion to help districts through the transition years).

However, the Act 1 rule for second and subsequent fiscal years is very different. Act 1 states that in the second and subsequent fiscal years, the district must apply to homestead tax reduction “an amount equivalent to the revenue directly attributable to the imposition of the tax in the first full



fiscal year in which the tax is levied and collected....” Although the statutory wording is very awkward, KKAG interprets this to mean that the amount to be applied to homestead tax reduction in the second and subsequent years is the approximate 70% actual first year receipts plus the additional approximate 30% receipts derived from first year taxpayer earnings but not received until the second year. In other words, starting with the (2008-09 fiscal year) second year, aggregate homestead real estate tax reduction from a voter approved income tax increase must equal 100% of the new tax receipts derived from (fiscal year 2007-08) first year taxpayer earnings.

Moreover, after this calculation of deferred receipts is made in the (2008-09 fiscal year) second year, the aggregate income tax amount allocated to homestead tax reduction does not increase and is frozen for all subsequent fiscal years (starting with the 2009-10 fiscal year).

Of course, this is consistent with the Act 1 structure. Act 1 assumes that district expenses will increase annually consistent with and no more than annual inflation, and limits annual tax increases to an inflation index. Real estate tax receipts are increased up to the inflation index by an increase in the real estate tax rate up to the inflation index, and Act 1 assumes that taxpayer income and therefore district income tax receipts will increase approximately the same as inflation without a rate increase. Act 1 assumes the district must and will receive inflation index amount income tax receipt increases to fund inflation index amount expense increases. The district must retain tax receipt increases derived from taxpayer earning growth after the first year in order to fund the inflation index amount expense increases.

This statutory framework generally should work – except for problems arising from three sources. First, entirely aside from the amount of tax revenue that will ultimately be received, tax shifting will present cash flow problems because new income tax receipts are spread over the entire year, whereas the real estate taxes that are eliminated were previously paid early in the fiscal year. Second, we all know that many district expenses that are beyond district control grow at a rate exceeding inflation – which will eventually require that districts cut programs in order to save expenses. Third, Act 1 uses 2% as cushion during the first two years of transitioning from real estate to income tax – which might not be adequate to cover extra expenses and cash flow shortages.

There is also an interpretation issue concerning the second year calculation. Recognizing the need for a cushion to offset extra expenses and cash flow shortages, Act 1 expressly authorizes a 2% retention in dictating the mandated first year homestead tax reduction amount. However, Act 1 is silent as to the 2% retention in the second year. Someone could argue that silence means the district loses the 2% retention in the second year (on both the approximate 70% first year receipts and the approximate 30% second year receipts). However, KKAG believes Act 1 should be interpreted as allowing continuation of the 2% retention in the second year.

If Act 1 were interpreted to deny the 2% retention in year two, this interpretation would take away the 2% retention allowed in the first year and would actually require a decrease for a portion of the district budget – requiring a program cutback rather than allowing continuation of programs and payment for the same programs to the extent cost increases do not exceed inflation. Any



such literal interpretation of Act 1 would violate the statutory construction rules that statutes are to be interpreted consistent with legislative intent, and are not to be interpreted in a manner that produces an absurd result.

With different homestead tax reduction amounts mandated for the first year and for second and subsequent years, the district will need to provide the Commission with projected Act 1 tax receipts for the relevant time periods, as well as numbers showing the initial first year homeowner real estate tax reduction, and the greater real estate tax reduction applicable for the second and subsequent years.

The district should also provide the Commission with an explanation concerning the manner in which homestead tax reduction amounts for each taxpayer might vary from year to year depending on slot money proceeds, growth in the number of homes, or other factors.

The Commission will need to decide the extent to which all of these factors are relevant in setting the recommended referendum income tax rate.

**Public input/Commission final action.** The Commission is required to hold at least one public hearing. However, the Commission should also include on its regular meeting agenda a time for public comment.

Within 90 days of the date of school board appointment, the Commission must make a recommendation to the school board, at a public meeting, as to the “front-end” referendum question that should be placed on the May 2007 ballot. If the school board were to appoint the Commission on September 14, 2006, *the deadline for the Commission recommendation would be December 13,*

*2006. Of course, if the appointment occurs earlier, the recommendation deadline is similarly accelerated.* The recommendation must be made available to interested persons on request. In addition, the Commission is required to turn over to the school board all records relating to its proceedings, and the district must make such records available for public inspection.

**Commission recommendation options.** The final Commission action is a recommendation on: (1) whether the district should propose a ballot question on implementing a PIT instead of an EIT; (2) the income tax rate that should be included in the ballot question; (3) the specific referendum question that should be included on the ballot from among the 3 options provided by Act 1; and (4) reasons for the recommendation.

Act 1 prescribes 3 options for possible specific referendum questions. These options (including the question form set forth on page 2 above) are as follows:

Referendum question option 1: “Do you favor imposing an additional \_\_\_% earned income tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential properties by \$\_\_\_\_\_. The current earned income tax rate is \_\_\_%.”

Referendum question option 2: “Do you favor imposing a personal income tax at \_\_\_%? The revenue generated from the tax will be used to reduce taxes on qualified residential properties by \$\_\_\_\_\_.”

Referendum question option 3: “Do you favor converting the school district’s current earned income tax to



a personal income tax at \_\_\_%? The revenue generated from the personal income tax will be used to reduce taxes on qualified residential property by \$\_\_\_\_\_ and to replace the revenue from the school district's current earned income tax. The current earned income tax rate is \_\_\_%.”

Concerning referendum question option 1, the mandated question form raises an issue – Is the percentage amount required to be specified in the last sentence as the “current earned income tax rate” solely the school district EIT rate –or the combined municipal/school district rate? Without modifying the referendum question language, using either rate could be misleading to voters. KKAG believes the more relevant percent is the combined municipal/school district rate, since this is the rate actually paid by taxpayers. However, use of the combined municipal/school district rate leads to yet another question, since the combined rate may vary among municipalities within the school district.

There are at least 4 possible alternatives for resolving this issue relating to referendum question option 1. First, for school districts that do not have varying rates among municipalities, revise the final sentence of the question to read: “The current combined municipal/school district earned income tax rate is \_\_\_%.” Second, for school districts that have varying rates among municipalities, refer to a range and revise the final sentence to read: “The current combined municipal/school earned income tax rate is between \_\_\_% and \_\_\_ %, depending on the municipality in which the taxpayer resides.” Third, for school districts that have varying rates among municipalities, follow the first alternative but use a different referendum

question within different municipalities, allowing the referendum question form presented to any one group of voters to include just one EIT rate, instead of a range of rates. Fourth, do not present information about municipal tax rates and simply revise the final sentence to read: “The current school district earned income tax rate is \_\_\_%.”

The school district and Study Commission should obtain legal counsel advice on the various alternatives for framing the referendum question, then make a decision on the appropriate alternative. Whatever alternative is chosen, the school district should work with County election officials in drafting a non-legal interpretative statement that provides explanation to accompany the referendum question. Similarly, the school district and its Tax Study Commission should, through district legal counsel, establish a dialogue with election officials concerning alternatives and proper wording for the referendum question.

**PIT option.** The Commission must in some manner address the possible imposition of a PIT. Act 1 provides referendum question options 2 and 3 shown on page 7 above for imposition of a PIT. However, as noted above these options are available only if the Department of Revenue promulgates regulations, and most likely the Department will not do so in time for the May 2007 referendum.

It is also important to consider that most municipalities also impose an EIT, and current law does not authorize municipalities to convert from an EIT to a PIT. School district conversion from an EIT to a PIT while municipalities within the district continue to collect an EIT would be very confusing for taxpayers, and would create



considerable complication for tax collectors. Accordingly, entirely aside from Department of Revenue regulation promulgation, KKAG recommends against conversion to a PIT unless and until the legislature takes prior action to authorize conversion by municipalities and constituent municipalities agree to a similar conversion.

Although the law is silent on what the Commission should do if the Department of Revenue has not acted and the legislature has failed to provide PIT authority for municipalities, KKAG believes that at minimum the school district should provide the Commission with data concerning the impacts of converting to a PIT. With this background, the Commission will need to decide if it should make a recommendation now on whether the school district should implement a PIT at such future time when necessary preconditions are satisfied. Alternatively, the Commission might simply report that it is premature to consider a PIT, and leave this issue for future school boards and tax study commissions.

If the Commission decides to address the PIT, the Commission should consider the different impacts of a PIT on different taxpayer groups.

In any event, whether or not the Commission makes a recommendation concerning a PIT, the Commission should definitely make a recommendation on an EIT rate for the May 2007 front-end referendum question, based on the assumption that the school board likely will be precluded from proposing a PIT in May 2007. If the Commission believes a PIT is advisable, the Commission might consider recommending a PIT referendum question as an alternate path, to be used only in the future – if and when the Department of Revenue promulgates regulations, the legislature authorizes a municipal PIT, municipalities

agree to convert to a PIT, and other appropriate conditions are met.

**Only one referendum question.** Although the wording of Act 1 is very poor and there is some ambiguity, Act 1 seems to state that only one referendum question is permitted. In other words, the school board is not permitted to place on the ballot a referendum question on the alternatives of an EIT at a specified rate, or a PIT at a comparable rate – or to ask voter input on various EIT rates.

**Referendum question should include first year real estate tax reduction dollar amount, not second and subsequent year amount.** As with Acts 50 and 72, Act 1 includes many ambiguities and unanswered questions. For example, as noted on page 5 above, Act 1 identifies that new income tax receipts will be lower in the first year than in subsequent years, and that homestead tax reduction will accordingly be lower in the first year than in subsequent years after imposition of a new or increased income tax. With this in mind, should the district include in the first sentence of the mandated referendum question the initial first year homestead tax reduction dollar amount that would be generated by the new income tax – or the greater second year homestead tax reduction dollar amount? KKAG believes districts may follow either path, but the better course is for the referendum question to include the lower first year amount in order to avoid misleading voters. However, someone could argue that either number would be misleading and that the district should use the higher second year reduction amount in order to reflect longer term impact.

Keep in mind also that, entirely aside from the possible tax shifting from real estate to income tax, some amount of real estate tax reduction will eventually come from slot



money proceeds. Governor Rendell and the legislature have been advertising real estate tax reduction numbers based on the combination of projected slot machine money and tax shifting. Since the referendum question will only refer to the real estate tax reduction amount that would be generated by tax shifting, the referendum question number will in any event differ significantly from the numbers advertised by the Governor and legislature. This might create additional taxpayer misunderstanding.

In fact, Act 1 requires a referendum question that will be in some respects misleading or confusing, no matter which number is used in the referendum question. One possible answer is simply to choose for inclusion in the referendum question the number the Commission and school board believe will be most meaningful to voters, and then to include an explanation of the different tax reduction levels in the interpretative statement required to be published by election officials in connection with a referendum question. Another alternative is to include in the referendum question both the first year and second year real estate tax reduction amounts. However, someone might argue that including multiple numbers will add to taxpayer confusion, or that Act 1 does not permit use of both numbers.

### **Commission Procedural Rules**

What number of votes is required for Commission decisions, such as electing a chairperson, deciding study steps to be undertaken, adoption of a final recommendation, and other related steps? Unfortunately, the law is silent on this point. Hopefully, the Commission will be in a position to make decisions, particularly as to approval of the final recommendation, by a strong consensus, and at least a majority of all

appointed Commission members. However, it is possible to argue that a simple majority of members present and voting is sufficient. In order to avoid disagreement and establish rules for operation, KKAG recommends the Commission adopt a simple set of bylaws that provide for election of a chairperson and secretary, and establish rules concerning the conduct of meetings and voting requirements.

The Commission should give notice of Commission meetings, including written or e-mail notice to Commission members, and advertising and posting notice to the public in accordance with the Sunshine Law.

KKAG believes the Sunshine Law applies to a Tax Study Commission. The Sunshine Law applies to any “agency.” Under the Sunshine Law, “agency” meetings must be open to the public, and various other requirements apply to an “agency.” “Agency” is defined as: “The body, and all committees thereof authorized by the body to take official action or render advice on matters of agency business, of all of the following: ... any ... school board, school governing body, commission...” “Agency business” is defined to include the “making or enactment of laws, policy or regulations...” Of course, the very purpose of the Commission is to render advice in the form of a recommendation concerning adoption of the Act 1 tax and related tax referendum resolution. Adoption of a tax constitutes enactment of a law or policy. Similarly, decision on a tax referendum resolution will likely be considered a policy decision.

Accordingly, KKAG believes Commission meetings must be advertised, and open to the public; Commission member voting must be done in public, and minutes must be kept.

However, entirely aside from Sunshine Law requirements, good public relations practice



and public outreach suggest that the Commission invite public attendance and input. Indeed, as suggested above the school board and Commission should go even further and be proactive to ensure public understanding and constructive and effective public dialogue.

### **School Board Action on Recommendation and Ballot Question**

The Commission must make a recommendation within 90 days of appointment (no later than December 13, 2006). If the Commission fails to make a recommendation within the required time period, the school board must discharge the Commission.

Assuming the Commission makes a recommendation, KKA&G recommends that the school board nevertheless take action in December or January to discharge and thank the Commission. This action will not only show appreciation to the Commission members, but also make clear that the Commission work is done once the recommendation is made, and that the final action on a ballot question is a school board decision.

***No later than March 13, 2007, the school board must act on the Commission recommendation, and adopt a tax referendum resolution authorizing a specific referendum question.*** The Commission recommendation is nonbinding; the school board may accept or reject the recommendation.

Prior to school board final approval, the school board is required to hold at least one public hearing concerning the proposed tax referendum resolution, and also to advertise in

the manner required for enactment of taxes under the Local Tax Enabling Act. As a practical matter, because of the advertising requirements, the deadline for a school board decision on the proposed tax referendum resolution (preliminary approval) will be a date significantly in advance of the date the board plans to give final approval of the tax referendum resolution. ***For this reason, the school board should no later than January 2007 give preliminary approval and authorization of advertising concerning the proposed tax referendum resolution.***

The district should work closely with its solicitor in establishing a timetable that meets the Act 1 requirements for all required steps.

The above analysis applies to school districts with a June 30 fiscal year end. In some cases, different dates will apply to a school district with a calendar fiscal year. Act 1 also provides different rules for Philadelphia, Pittsburgh, and Scranton.

#### **Study Commission Critical Dates**

**09/14/06** – Board appoint Commission to recommend ballot question

**Sept/Oct/Nov/Dec 2006** – Commission meetings/study/public hearing/recommendation

**12/13/06 (or earlier)** – Deadline for Commission to recommend ballot question

**Jan 2007** – Deadline for Board preliminary approval of ballot question/ begin advertising

**03/13/07** – Deadline for Board public hearing and final approval of ballot question

**5/15/07** – Primary election day: voters vote on ballot question

**7/1/07** – Act 1 tax effective if approved by voters



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We hope you find this issue of KKAG's Education Law Watch helpful and informative. Please understand that the Law Watch is designed to provide information about current developments and required actions. It does not constitute legal advice, and school districts should consult a lawyer knowledgeable in this area of the law prior to taking specific actions on the issues addressed.

If you have any questions regarding any education law matter, including the issues discussed in this newsletter, please do not hesitate to contact us at 717/392-1100, or e-mail us at the following addresses:

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KKAG is solicitor and general counsel to 13 school districts, career and technology centers, and other school entities, and bond counsel or special counsel to many others in Central and Eastern Pennsylvania. In addition to ongoing work as solicitor and bond counsel, KKAG is frequently retained to resolve challenging problems, projects, and litigation. Together with our education law practice, we also have a substantial labor and employment law practice, including labor negotiations and all other areas of labor and employment law.



July 11, 2006

# EDUCATION LAW WATCH

## Act 1 Slot Money, Tax, and Referendum Legislation Overview

### Tax Study Commission – Definition of “Relative”

Act 1 dictates that Tax Study Commission members may include one school board members, but otherwise may not include any district official or employee *or a “relative” of a district official or employee.*

We have received many questions concerning the definition of “relative.”

Act 1 does not define “relative.” Similarly, the Pennsylvania Statutory Construction Act, which provides general definitions for many terms used in Pennsylvania statutes, does not define “relative.”

We looked to other Pennsylvania statutes and regulations for definitions of “relative.” Although definitions from other sources will not necessarily apply in interpreting Act 1, they are helpful by analogy, and might be relied upon by a court interpreting Act 1.

Unfortunately, there is no uniform definition in other statutes.

The most expansive definition of “relative” is contained in regulations of the Department of Environmental Protection, which define “relative” to include – a spouse, parent, child, stepparent, stepchild, grandparent, grandchild, brother, sister, half-brother, half-sister, aunt, uncle, niece, nephew, or first cousin – by blood, marriage, or adoption.

The Family Caregiving Support Act uses a similar definition, but excludes first cousins, and adds great aunts and uncles.

The narrowest definition we found is that contained in the Public Welfare Code licensing provisions, which defines “relative” to include – a spouse, parent, child, stepparent, stepchild, grandparent, grandchild, brother, sister, half-brother, half-sister, aunt, uncle, niece, nephew – thus, excluding first cousins and great aunts and uncles.

The School Code does not contain any definition of the word “relative.” However, 24 P.S. § 11-1111 precludes employment as a teacher, unless approved by a majority of the school board, of anyone “related” to a school board member – as a father, mother, brother, sister, husband, wife, son, daughter, stepson,



stepdaughter, grandchild, nephew, niece, first cousin, sister-in-law, brother-in-law, uncle, or aunt. Although this is not technically a definition of the term “relative,” it is essentially the same as a definition of this term for purposes of hiring. This coverage is similar to the Department of Environmental Protection definition, except that it excludes stepparents and grandparents.

The Pennsylvania Ethics Act does not contain a definition of “relative,” but contains a definition of “immediate family” for purposes of determining the existence of a conflict of interest. For this purpose, “immediate family” is defined to include – a parent, spouse, child, brother or sister. Since this is a definition of “immediate family” rather than “relative,” KKAG believes there would be some risk in relying on this definition.

School districts may refer to the above statutes in interpreting the definition of “relative” of Act 1. Although we are not prepared to say that districts are required to follow any particular definition, we recommend consideration be given to using the expansive Department of Environmental Protection definition. Following this conservative course should avoid problems.

In any event, KKAG recommends that “relative” be interpreted broadly to avoid any criticism. In any questionable cases, the district should consult with legal counsel concerning whether the individual would be considered a “relative.” Moreover, the district should prior to appointing any individual ask the individual to confirm that the individual is not a relative of a district official or employee.

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We hope you find this issue of KKAG’s Education Law Watch helpful and informative. Please understand that the Law Watch is designed to provide information about current developments and required actions. It does not constitute legal advice, and school districts should consult a lawyer knowledgeable in this area of the law prior to taking specific actions on the issues addressed. If you have any questions regarding any education law matter, including the issues discussed in this newsletter, please do not hesitate to contact us.

## **KEGEL KELIN ALMY & GRIMM LLP**



July 11, 2006

# EDUCATION LAW WATCH

## Act 1 Slot Money, Tax, and Referendum Legislation Overview

### Homeowner Mailing By December 31

There is a chance homeowners will receive real estate tax reduction in 2007 – either from slot money, or from the mandatory May 2007 referendum on tax shifting from real estate to earned income tax. This means that despite many prior false starts, it is important for the first time that homeowners file and obtain approval of a homestead exclusion application form.

Act 1 includes a requirement for school districts to notify homeowners concerning the application deadline. Specifically, Act 1 § 341(b) states that no later than 60 days before each March 1, school districts “shall notify, by first class mail, the owner of each parcel of residential property within the district of the existence of the school district’s homestead and farmstead exclusion program, the need to file an application in accordance

with 53 Pa. C.S. § 8584(a) in order to qualify for the program, and the application deadline.” In most years, 60 days before March 1 is December 31.

*Accordingly, the second Act 1 priority (after launching Tax Study Commission steps) is for school districts to gear up for the required homeowner mailing.* This includes drafting a homeowner notification form, obtaining homeowner lists from the County assessment office, and making mailing arrangements.

The Act 1 homeowner notification requirements are identical to Act 72, with two exceptions. The first exception is that Act 72 required school districts to include with the notice a copy of the homestead exclusion application form; Act 1 is silent, leaving this as a school district option. The second is that Act 1 grandfathers homestead applications filed under Act 72, so that homeowners who filed under Act 72 are not required to file again.

Many school districts in 2004 arranged Act 72 homeowner notices through standard forms and procedures implemented by the Intermediate Unit. In any event, whether through the IU or not, school districts should now commence steps to ensure the required mailing, including drafting the notification letter, decision on whether to include an application form, and plans for mailing logistics.

As with 2004 Act 72 mailings, school districts must depend on information from the County assessment office for the required mailings, and close coordination will be required with the assessment office.



*Act 1 requires that the mailing be made to all residential property owners, except those who are already approved and whose approval is not due to expire in the subsequent year (2007).*

The property owner must file an application by March 1 with the County assessment office.

The County assessment office makes a decision on the application within 30 days of receipt, and is required no later than May 1 to give the school district a listing of approved homestead and farmstead properties and the assessed values of each.

As with Act 72, Act 1 states that, except where there has been a change in use, the assessment office may not require the owner of a previously approved property to resubmit an application more than one time every 3 years. This means that approval of a property will last at least 3 years. Subject to this minimum 3-year time period, the County assessment office must establish a policy concerning how long property approvals will last.

KKAG believes the statute requires that approval of a property applies to subsequent property owners. However, the Pennsylvania Association of County Commissioners previously took the position that homestead and farmstead approvals do not apply to a subsequent property owner after property transfer. Accordingly, this issue remains unresolved, and it is possible different counties will follow different interpretations on this point.

As with so many aspects of the predecessor Acts 50 and 72, taxpayers will likely be confused and skeptical about Act 1. This will be at least the third time taxpayers have been advised to file a homestead exclusion application. Since the two prior occasions did not result in any homestead tax reduction, many taxpayers are likely to doubt the reality and importance of the new mailing. With this background, school districts should not only undertake the required mailing, but should look for other opportunities to engage in public outreach by providing explanation of Act 1 and urging that homestead exclusion application forms be filed if not previously filed and approved.

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We hope you find this issue of KKAG's Education Law Watch helpful and informative. Please understand that the Law Watch is designed to provide information about current developments and required actions. It does not constitute legal advice, and school districts should consult a lawyer knowledgeable in this area of the law prior to taking specific actions on the issues addressed. If you have any questions regarding any education law matter, including the issues discussed in this newsletter, please do not hesitate to contact us.

## **KEGEL KELIN ALMY & GRIMM LLP**



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## School District

### Tax Study Commission Invitation for Applicants

[This form was adapted from a form created by Dale Keagy, Business Administrator, Southern York County School District.]

Act 1 of 2006 allows communities to make certain decisions about local tax structure. Specifically and most immediately, it requires that a referendum question be placed on the May 2007 primary ballot. If approved, the resulting tax structure would increase income taxes and decrease homeowner property taxes by a like amount. Determining the amount of the tax shift is a very complex issue, and any final outcome will affect demographic groups differently.

Service on the Tax Study Commission is an opportunity to participate in the formulation of important tax policy, which will affect all individual taxpayers in the community

For this reason, the Act wisely requires that boards of school directors receive recommendations from an independent study commission comprised of members representative of the demographic composition of our community. Boards will consider these recommendations when preparing a referendum

question to submit to the voters in May. The referendum question will seek voter input on tax shifting – from homeowner real estate tax to a new or increased income tax. The recommendation will include whether the referendum question should relate to an earned income tax, or alternatively to a personal income tax, and the tax rate to be included in the referendum question.

Your board of school directors is sincere in its desire to assemble a study commission that is representative and comprised of individuals with a genuine interest in providing this important service.

Because of the requirement for diversity, there will be a screening process. But that screening will be only to ensure that the commission's composition reflects the law's requirement that it reflect ... "the socioeconomic, age, and occupational diversity of the school district to the extent possible."

If selected, your responsibilities as a member of the commission will be as follows:

- Attend meetings regularly. The meeting schedule will be determined by the commission in consultation with the district and will, therefore, be convenient to its membership.
- Complete the study process within 90 days of appointment (no later than December 13).
- Participate in at least one public hearing.
- Carefully review historic and projected income tax, real estate tax, and community demographic data provided by the district.

To be considered for appointment, complete the accompanying "Expression of Interest" and return it to the Board Secretary by August \_\_\_\_, 2006.



**School District**

**Tax Study Commission Expression of Interest**

[This form was adapted from a form created by Dale Keagy, Business Administrator,  
Southern York County School District.]

The following information will be kept confidential and used only to ensure that the composition of the \_\_\_\_\_ School District Tax Study Commission is representative of the community as required by Act 1 of 2006. It will be used for no other purpose. Commission members will be appointed on or before September 14, 2006 and notified of the first meeting date promptly after appointment.

Name:	Home telephone:
Street address:	Work telephone:
City/State/Zip:	Email address:
Occupation:	Are you retired? (circle) Yes No
Is your principal place of work located in Philadelphia? (circle) Yes No	
Do you have a spouse who lives with you and is actively employed? (circle) Yes No	
Gender (circle) Male Female	Birth Date:
Minor Children? (circle) Yes No	Ages of minor children:
Do any of your children attend district schools? (circle) Yes No	
Do you own the home you live in? (circle) Yes No	
How many years have you been a resident or taxpayer of the School District?	
Do you normally have annual investment income in excess of \$25,000? (circle) Yes No	
Are you related to an employee, official, or school board member of the School District? For purposes of this question "relative" means spouse, parent, child, stepparent, stepchild, grandparent, grandchild, brother, sister, half-brother, half-sister, aunt, uncle, niece, nephew, or first cousin – by blood, marriage, or adoption. (circle) Yes No	
Specify in this box any evenings when you generally are not available for meetings.	

Submit your completed application to:

\_\_\_\_\_  
\_\_\_\_\_

Applications may also be delivered to the district administration building. Questions should be directed to the Board Secretary at \_\_\_\_\_



\_\_\_\_\_ **SCHOOL DISTRICT**

**Tax Study Commission Appointment Resolution**

**Background.** Act 1 requires the school board to appoint a Tax Study Commission. The Commission must consist of 5, 7, or 9 members who are resident individuals or taxpayers of the district, and reflect the “socioeconomic, age and occupational diversity of the school district to the extent possible.” The Commission members may include one school board member, but otherwise may not include any district official or employee, or relative of a district official or employee. Having carefully considered the foregoing requirements, the board wishes to appoint a Tax Study Commission as set forth below. The individuals to be appointed have consented to appointment.

**RESOLVED,** by the Board of School Directors of the School District, that the following individuals are appointed to the 2006 Tax Study Commission: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

The appointment shall be effective September 14, 2006, and the Commission shall make a final recommendation to the school board on or before December 13, 2006.



\_\_\_\_\_ **SCHOOL DISTRICT**

**Commission Member Appointment Letter**

Dear \_\_\_\_\_:

The school board has appointed you to the new School District Tax Study Commission. The appointment is effective September 14, 2006. The first Commission meeting is scheduled to be held on \_\_\_\_\_, 2006, at \_\_\_\_\_ p.m., in the \_\_\_\_\_ room, at the \_\_\_\_\_ School, \_\_\_\_\_, \_\_\_\_\_, PA.

Enclosed are the following:

- Member Appointment Acceptance – *please return this document at your earliest convenience*
- 2006 Tax Study Commission Bylaws
- Tax Study Commission Expense Reimbursement Rules
- Meeting Agenda

Thank you for your willingness to be part of our study process.

Sincerely,

Superintendent



\_\_\_\_\_ **SCHOOL DISTRICT**

**Commission Member Appointment Acceptance**

The school board has appointed the undersigned as a member of the Tax Study Commission. The undersigned accepts the appointment.

The undersigned understands that Commission membership is a public service without monetary compensation, and that the Commission will have a series of meetings over a period of approximately 3 months, in order to complete its study and make a final recommendation to the school board. By accepting the appointment, the undersigned agrees to attend every Commission meeting, unless absence is required for good reason.

As required by Act 1, the undersigned affirms to the school district that the undersigned is not a relative of a school district board member, school district official, or school district employee. For this purpose, "relative" means – a spouse, parent, child, stepparent, stepchild, grandparent, grandchild, brother, sister, half-brother, half-sister, aunt, uncle, niece, nephew, or first cousin – by blood, marriage, or adoption.

Date: \_\_\_\_\_

\_\_\_\_\_  
Commission Member Signature



\_\_\_\_\_  
**SCHOOL DISTRICT**  
**2006 Tax Study Commission Bylaws**

(Second Draft)

**Section 1.**     Commission Name and Office. The name of the Commission is \_\_\_\_\_ School District 2006 Tax Study Commission. The principal office of the Commission shall be at the School District administrative offices.

**Section 2.**     Commission Purpose. The Commission has been formed pursuant to Act 1 for the purpose of studying the School District tax structure and making a recommendation to the school board concerning a front-end referendum question for the May 2007 primary election ballot. The referendum question will seek voter input on tax shifting – from homeowner real estate tax to a new or increased income tax. The recommendation will include whether the referendum question should relate to an earned income tax or alternatively to a personal income tax, and the tax rate to be included in the referendum question. [Since the School District current earned income tax rate already exceeds 1%, the recommendation will also address whether or not the School District should place a referendum question on the ballot.]

**Section 3.**     Members. The Commission members are the individuals who have been appointed by the school board as Commission members.

**Section 4.**     Officers. The Commission officers shall be a Chairperson, a Secretary, and such other officers as may from time to time be appointed by the Commission. The officers shall be elected by the Commission members at the initial Commission meeting.

**Section 5.**     Officer Duties and Qualifications; Records.

(a)     Chairperson. The Chairperson shall preside at all Commission meetings. The Chairperson must be one of the Commission members.

(b)     Secretary. The Secretary shall give or ensure proper notice of all Commission meetings, record minutes and votes at all meetings, maintain Commission records, and turn over to the school board all Commission records after the Commission makes its recommendation. The Secretary is not required to be a Commission member.

(c)     Records. Commission records include receipts for expenditures, meeting agendas, meeting minutes, written information presented at meetings, any audio or video recordings of meetings, written communications to or from the Commission, and other items the Secretary determines should be considered Commission records. Commission member personal notes are not Commission records.

**Section 6.**     Meeting Place and Notice. All Commission meetings shall be held at principal office of the Commission, or at such other place as specified in the meeting notice. Notice of Commission meetings shall be given to the public in accordance with the Pennsylvania Sunshine Law, and to Commission members in writing by e-mail or regular mail. Notice shall include the time, date, and place of each meeting.

**Section 7.**     Meeting Quorum and Action. Commission meetings shall be open to the public and conducted in accordance with the Pennsylvania Sunshine Law. A majority of all members shall constitute a quorum of the Commission for the purpose of transacting business. A majority of the members present shall be required and shall be sufficient to approve all actions of the Commission, except that the final Commission recommendation to the school board shall require approval by a majority of all members. The Commission will present the final Commission recommendation at a public school board meeting.

**Section 8.**     Commission Term. The Commission will operate from the date of its appointment to the date when it adopts and communicates the final Commission recommendation to the school board. The Commission term and operations will cease after adoption and communication of the recommendation. The Commission is required to adopt the final Commission recommendation no later than 90 days after the Commission member appointment effective date specified in the school board resolution appointing the Commission.



\_\_\_\_\_ **SCHOOL DISTRICT**

**Commission Schedule of Meetings Notice**

The Commission will hold meetings on the following dates: \_\_\_\_\_

\_\_\_\_\_

All meetings will commence at \_\_\_\_\_ p.m., and will be held in the \_\_\_\_\_ room, at the \_\_\_\_\_ School, \_\_\_\_\_, \_\_\_\_\_, PA.

The Commission has been formed pursuant to Act 1 of 2006 for the purpose of studying the school district tax structure and making a recommendation to the school board concerning a front-end referendum question for the May 2007 primary election ballot. The referendum question will seek voter input on tax shifting – from homeowner real estate tax to a new or increased income tax.

All meetings are open to the public, and district residents and taxpayers are encouraged to attend.



\_\_\_\_\_ **SCHOOL DISTRICT**

**Commission Meeting Notice**

The Commission will hold a meeting on the following date: \_\_\_\_\_

The meeting will commence at \_\_\_\_\_ p.m., and will be held in the \_\_\_\_\_ room, at the \_\_\_\_\_ School, \_\_\_\_\_, \_\_\_\_\_, PA.

The Commission has been formed pursuant to Act 1 of 2006 for the purpose of studying the school district tax structure and making a recommendation to the school board concerning a front-end referendum question for the May 2007 primary election ballot. The referendum question will seek voter input on tax shifting – from homeowner real estate tax to a new or increased income tax.

The meeting is open to the public, and district residents and taxpayers are encouraged to attend.



\_\_\_\_\_ **SCHOOL DISTRICT**

**Tax Study Commission Meeting Agenda**

The following is intended as a starting point for preparation of meeting agendas. The items listed are basic items that should be covered at one or more meetings. The School District Administration will need to work with the Commission Chairperson in developing a schedule of meetings, agendas, and action plans for each meeting. It is important to note that the Commission has a very short period of time within which to study, hold a public hearing, and make a recommendation to the school board. Accordingly, substantial advance planning is necessary to ensure effective Commission operations. As part of this advance planning, school districts should start immediately on gathering required data and preparing the numbers required for Commission consideration. The short time fuse also requires a prompt decision (preferably no later than the time of the school board resolution appointing the Commission) on legal counsel who will advise the Commission, and on whether the district will engage a financial advisor for the Commission. In order to maximize the time available for Commission meetings, study, and recommendation decision, the school board might consider appointing the Commission in August or otherwise at the earliest possible date, with the appointment effective date deferred to September 14, 2006.

Meeting location: \_\_\_\_\_

Date: \_\_\_\_\_

Time: \_\_\_\_\_

1. School board Commission member (temporary Chairperson) welcome/call meeting to order/brief introduction. [After the first meeting, this agenda item will simply say "Chairperson call meeting to order."]
2. Introduction of members and others present (temporary Chairperson/Chairperson).
3. Adopt bylaws (temporary Chairperson/Chairperson).
4. Quorum determination (temporary Chairperson/Secretary).
5. Meeting notices given (temporary Chairperson/Secretary).



(Agenda – page 2)

6. Elect officers (temporary Chairperson).
  - a. Chairperson.
  - b. Vice Chairperson.
  - c. Secretary.
  - d. Other if desired.
7. Future meeting and public hearing dates.
8. Approve meeting agenda.
9. Public comment. [A public comment item should be included on every agenda at a point determined appropriate by the Commission – perhaps at the end of the agenda for initial meetings, and the beginning of the agenda for the final meeting.]
10. School Superintendent introductory comments.
11. School Business Administrator introductory comments.
12. Act 1 overview (legal counsel; Business Administrator; Superintendent; or other individuals as determined appropriate).
13. EIT/PIT explanation (including exemptions) (legal counsel; Business Administrator; Superintendent; or other individuals as determined appropriate).
14. PIT – status of Pennsylvania Department of Revenue regulations for implementation (legal counsel; Business Administrator; Superintendent; or other individuals as determined appropriate).
15. District finance overview/audited financial statements (Business Administrator or financial advisor).
16. Act 1 four “mandatory study items” (Business Administrator or financial advisor).
  - a. Historic and present district revenue from current taxes.
  - b. Percentage of total district revenues provided by current taxes.
  - c. Age, income, employment, and property use characteristics of district tax base.
  - d. Projected district revenue from current taxes, and from the possible new or additional Act 1 EIT or PIT at various levels.
17. Other important data:
  - a. Slot money considerations/projections



(Agenda – page 3)

18. Current and anticipated future income tax collector (Business Administrator, financial advisor, or legal counsel).
19. Real estate tax reduction impact of increasing EIT at various levels (Business Administrator, financial advisor, or legal counsel).
  - a. County tax assessment office information on homestead/farmstead numbers
  - b. Slot money/homestead tax reduction.
  - c. Philadelphia wage tax impact.
  - d. Overall homestead tax reduction at various EIT levels.
  - e. Impact of alternative rates on different taxpayer groups.
20. Farmstead options (Business Administrator, financial advisor, or legal counsel).
21. PIT conversion options (Business Administrator, financial advisor, or legal counsel).
  - a. Impact on tax rate.
  - b. Impact on different taxpayer groups.
22. Alternative senior citizen tax relief program options (legal counsel; Business Administrator; Superintendent; or other individuals as determined appropriate).
23. Commission recommendation options/referendum question form options (legal counsel).
24. Short and long term impacts of various options.
  - a. School district finances – cash flow or other.
  - b. School district desirability.
  - c. Property values.
  - d. Other.
25. Public hearing plan/agenda.
26. Final recommendation to school board.
27. Plan for presentation of final recommendation to school board.
28. Adjourn.



\_\_\_\_\_ **SCHOOL DISTRICT**

**Tax Study Commission Expense Reimbursement Rules**

Pursuant to Act 1, the school district will provide support staff and resources for the Commission, and will also reimburse the Commission and Commission members for necessary and reasonable expenses in the discharge of Commission duties.

The school district will:

- Engage and pay for legal counsel to advise the Commission.
- Through its Business Office [and by engaging a financial advisor to advise the Commission on financial matters], provide to the Commission required financial information, data, and analysis.
- Provide staff and equipment to duplicate any documents required by the Commission.
- Provide secretarial services for typing Commission minutes, preliminary analyses, and the final Commission recommendation and report to the school board.

With this background, it is not anticipated the Commission or Commission members will incur any direct expenses in the discharge of their duties. If the Commission or a Commission member anticipates incurring an expense deemed necessary in the discharge of Commission duties, the Commission or Commission member should request advance approval from the school district Business Administrator to ensure the school district will consider the expense a necessary and reasonable expense in the discharge of Commission duties.

Documentation will be required for any expenses reimbursed to the Commission or Commission members. Documentation should include receipts for the expenditure and detailed explanation of the nature of the expense, the manner in which the cost was established, and the purpose necessitating the expense.

[Notwithstanding the foregoing, Commission members will be reimbursed for mileage in traveling on Commission business, including traveling to and from Commission meetings, at the rate of \_\_\_\_\_¢ per mile.]