

Hazleton Area School District
Office of the Secretary / Business Manager
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December 15, 2009

Dear Committee Members:

The Hazleton Area School District is a second class school district in the Commonwealth of Pennsylvania residing in the three counties of Schuylkill, Carbon and Luzerne. Hazleton is one of eleven school districts out of the 501 residing in three counties.

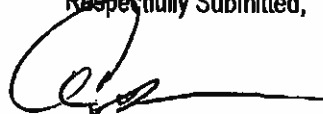
With this said, the HASD is struggling with its ever increasing enrollment and being a multi-county school district is not helping. There are inherent challenges to being in more than one county that single county districts do not have to concern themselves with. The concerns are as follows:

- Districts are permitted under Act 1 to increase property taxes to the Act 1 index. A single county district can increase their single tax rate to the index and receive the benefit of the total index. Multi-County districts can increase taxes until one of its county tax rates reach the index. When the first county reaches the index, the maximum is reached, with the other counties never reaching the index. With this provision, the district is not able to reach the index in all parts of the district.
- Multi-County School Districts are required to calculate/equalize its tax rates by using the provision in Section 24 PS 6-672.1 of the School Code. A copy of this section of the code is attached for your quick reference in attachment #1. For all intensive purposes Multi-County Districts have 2 options for calculating tax rates – method a(1) and method a(2). The HASD has been using method a(1) since 1997 when Schuylkill County was reassessed. Another provision of 6-672.1 in subsection (c) states that method a(2) must not be used when a reassessment is performed in any portion of the district until the latest ratio of assessed value to market value as determined by STEB for that portion of the School District is based upon the revised assessments. With that stated, the HASD switched to method a(1) after the Schuylkill reassessment and has not changed back since. Also, with the Luzerne reassessment this year, we are not able to use method a(2) until the Luzerne ratios and values enter the STEB values. The STEB values are two (2) years behind.
- With the reassessment in Luzerne County, the District experienced an enormous increase in assessed value and likewise saw a decrease in the millage rate. Although the assessed value increased dramatically, the STEB market values will not increase for 2 years. When the market values increase, this may require the District to obtain more of its tax burden from Luzerne County and less from Schuylkill and Carbon counties. Again the District must wait 2 years for this to happen.

- There are 4 municipalities in the Schuylkill County portion of the HASD – McAdoo Borough, Kline Township, East Union Township, and North Union Township. The East and North Union Township municipalities in the District see growth from Humboldt Industrial Park and Eagle Rock Resort respectively, but McAdoo and Kline Townships do not show any growth. With that said East and North Union Townships are increasing the STEB market values and requiring more tax dollars from Schuylkill County although McAdoo and Kline show no growth.
- There appears to be a discrepancy on similar valued properties in Schuylkill County compared to Luzerne and Carbon Counties. Please refer to my letter in Attachment #2 dated June 3, 2009 to the Department of Education. There is a house in Eagle Rock Resort that resides on the Luzerne/Schuylkill County line. Both counties assessed this same property. The school real estate property tax bill in Luzerne County was \$1555.35 and the same tax bill in Schuylkill County was \$1983.98. Ultimately the property owner was required to pay the Schuylkill County tax bill.

I appreciate the opportunity to submit my testimony to this committee. Unfortunately, I am unable to be present at Thursday's proceedings due to another obligation out of town. I am sending one of my assistants, Kathy Manyko, in my place to try and answer any questions you may have.

Respectfully Submitted,



Anthony J. Ryba
Secretary / Business Manager

Attachment #1

24 PS 6-672.1 School districts lying in more than one county or in more than one municipality; limitation on total tax revenues

(a) Whenever a school district shall lie in more than one county, the total taxes levied on real estate within the school district in each county shall be subject to:

(1) the limitation that the ratio which such total taxes bears to the most recent valuation of the same properties by the State Tax Equalization Board shall be uniform in all of the counties, and the school district shall adjust its rate of taxation applicable to the portion of the district in each county to the extent necessary to achieve such uniformity; or

(2) as an alternative to the method provided in clause (1) or (3), whenever a school district shall lie in more than one county the board of assessment and revision of taxes in any of the counties or all of the counties in which the school district is located shall, at the request of the school directors of the district, furnish the market value of each parcel of property on the tax roll required to be furnished to the school directors under any assessment law of the Commonwealth. The market value of each parcel shall be (i) the quotient of the assessed value divided by the latest ratio of assessed value to market value in the municipality as determined by the State Tax Equalization Board, or, (ii) at the option of the school district, the market value of each parcel shall be the quotient of the assessed value divided by the latest ratio of assessed value to market value as determined by the State Tax Equalization Board in the aggregate of all municipalities of the school district within the county, or (iii) at the option of the school district where there are two or more ratios of assessed value to market value, the school directors of that school district shall select the lowest of the ratios for a uniform assessed value to market value throughout the school district, or (iv) at the option of the school district where such school district is located in a home rule county, the school directors of that school district may use the county assessments. Under this clause, the school directors shall set a tax rate based upon a percentage not exceeding seventy-five (75) per centum of such market values which shall be uniform throughout the district; or

(3) as an alternative to the methods provided in clauses (1) and (2), whenever a school district shall lie in more than one county, the school directors of the district may set the millage at a uniform rate for the entire district, if the counties are assessed at one hundred (100) per centum of the market value and the counties are using the same base year for assessed value and market value.

(b) In the event a school district or part thereof located within one county is composed of two or more municipal governments at least one of which levies property taxes upon assessments made for county tax purposes and at least one of which utilizes separate assessments made for municipal tax purposes, the property tax levy for school district purposes shall be equalized by either of the methods prescribed in subsection (a)(1) or (2). If the former method is adopted, the ratio which the total taxes levied in each part of the school district bears to the most recent valuation of the same properties by the State Tax Equalization Board shall be uniform; if the latter method is adopted, the market value of each parcel of property on the tax roll shall be (i) in the case of the assessment made for county tax purposes, the

quotient of the assessed value divided by the latest ratio of assessed value to market value for that portion of the school district as determined by the State Tax Equalization Board and, (ii) in the case of the separate assessment for municipal tax purposes, the quotient of the assessed value divided by the product of the latest ratio of assessed value to market value in the municipality as determined by the State Tax Equalization Board and the ratio of the total assessed valuation of the same properties for municipal tax purposes to the total assessed valuation of said properties for county tax purposes: Provided, however, That the taxpayers of no municipality or political subdivision within a school district shall pay an aggregate amount in school property taxes which, as a percentage of total school property taxes, shall exceed the ratio of its market value to the total market value of the school district as determined by the State Tax Equalization Board.

(c) Whenever a revision of assessment is completed in any portion of a school district and the revised assessments are to be used for school tax purposes the method prescribed in subsection (a)(2) above to equalize school property tax levies shall not be used until the latest ratio of assessed value to market value as determined by the State Tax Equalization Board for that portion of the school district is based upon the revised assessments.

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June 3, 2009

Department of Education
Mr. Ben Hanft
Division of Subsidy Data and Administration
333 Market Street
Fourth Floor
Harrisburg, PA 17126

Dear Ben:

We are in the process of finalizing our budget. As you know the Hazleton Area School District is in 3 counties, Luzerne, Schuylkill and Carbon. We are undergoing a countywide reassessment in Luzerne County and as usual are experiencing the real estate assessments dramatically increasing and the tax millage rate decreasing. I have had several complaints from residents and a tax collector in Schuylkill County on the tax millage rate increases over the past several years.

As you know with the new budget program, our market values are pre-populated from PDE. We basically have to insert the amount of revenue needed from real estate taxes, input the county assessment values and insert the percentage collected in each county (I know I am over simplifying it). It has been hard to compare Luzerne County from Schuylkill and Carbon because Luzerne hasn't been reassessed in so long. Schuylkill and Carbon counties can be compared though. Both counties were reassessed within a 2 year period (Schuylkill in 1997 and Carbon in 1999) and both counties used a 50% market to assessed value ratio in their reassessments. Schuylkill accounts for about 10% of our real estate tax revenue and Carbon for about 2.4%. It seems that every year the Schuylkill County portion of our district receives a larger tax increase than Carbon.

What really inspired me to look into this and ultimately to write this letter are 2 scenarios that recently occurred comparing properties in Schuylkill County to those in Luzerne and Carbon. Again, it is hard to compare Luzerne because of the reassessment using a 100% ratio of market value to Assessed value and the millage rate dropping so low (projected at 8.654 mills for 09-10 down from 187.396 in 08-09).

In the first scenario, I was talking to a knowledgeable taxpayer from Schuylkill County who was questioning the tax increase and the reassessment in Luzerne County. He felt along with everyone else that the long overdue Luzerne County reassessment would equalize the assessments and provide for equal tax increases across our 3 counties. We both went through conceptual calculations for a house with a market value of \$100,000 in each of our 3 counties. The calculations are as follows:

Department of Education

June 3, 2009

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	<u>Luzerne County</u>	<u>Carbon County</u>	<u>Schuylkill County</u>
Market Value:	\$ 100,000	\$ 100,000	\$ 100,000
STEB CLR:	x 100%	x 31.3%	x 37.3%
Assessed Value:	100,000	31,300	37,300
Millage rate (09-10):	x .008698	x .030144	x .038005
School Tax:	\$ 869.80	\$ 943.51	\$ 1,417.59

As you can see, the Luzerne and Carbon properties are in the same ball park and the Schuylkill example is about \$500 more.

Now for the second scenario that is based on a real property that is on the Luzerne and Schuylkill County lines, ½ of the house is in Hazle Township (Luz Co) and the other ½ is in East Union Township (Sch Co). We learned about this property through the taxpayer's attorney inquiring on duplicate payments. This property is in the Eagle Rock Development and is new construction. Since the property was on the county line both counties assessed the property and sent out tax bills. The school real estate tax amount is as follows for 2008:

Luzerne County - \$ 1,555.35
 Hazle Township
 PIN: 26-USS4-013-001

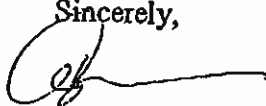
Schuylkill County - \$ 1,983.98
 East Union Township
 PIN: 9-2-1(23)

As you can see, here is a real example of the same property that is assessed and taxed at a \$400 difference.

This should not be, although counties have different ways of assigning value to property it should be equalized across county lines. I thought this matter should be brought before the State Tax Equalization Board (STEB) since it was my understanding that they are charged with equalizing taxes across the state. I spoke to Greg Schoffler at STEB on Friday, May 29th asking if I could go to Harrisburg to meet him this week. I spoke to him again on Monday, June 1st and he was directing me to call you at the Department of Education. He said you were able to help another business administrator who had a similar problem in a district that was in 2 counties (Columbia & Northumberland Counties). Greg felt that his office would not be able to address this matter.

It is clear by the explanations above that a problem exists, most likely in Schuylkill County. I have backup for my calculations above as well as the Attorney's letter. Can you give me some feedback as to where I should go next.

Sincerely,



Anthony Ryba
 Secretary / Business Manager

Cc: Sam Marolo
 Joseph Andrews
 Brian Earley
 Steve Hahn
 Greg Schoffler (STEB)