

Short- and Longer-Term Options for Modification of Act 68

- Impose a “soft” cap on education spending by limiting annual per-pupil growth in each school district to the rate of inflation (Rep. Komline’s proposal)
- Modify the base tax rate on household income by –
 - Raising the base tax rate to from 1.8% to 1.9% (permanently, as a floor, or for FY2015 only?)
 - Unlinking the base tax rate on household income from the base tax rate on homestead value (a current-law issue once the base homestead tax rate exceeds \$1.00)
- Modify the high-spending threshold calculation –
 - By tying the threshold to inflation rather than the prior year’s statewide average per-pupil spending
 - By lowering the high-spending threshold from 1.21%
- Repeal or phase out the small schools grants except for those schools deemed small by geographical necessity (see AOE study)
- Modify the renter rebate program –
 - By lowering the percentage of rent deemed property tax from 21%
 - By repealing the program and redirecting existing EF funding to another program designed to assist low-income renters
- Modify the homeowner rebate program –
 - By repealing the rebate for the education tax and
 - Adjusting the parameters of the rebate for a municipal property tax rebate only
- Lower total personnel costs in schools by mandating –
 - Minimum teacher/pupil ratios
 - Minimum staff/pupil ratios
 - Minimum class size
- Modify the property tax adjustment –
 - By extending by raising the housesite value limit from \$200,000 to \$250,000 to extend the “slope”
 - By repealing the \$15,000 exemption for taxpayers with household income under \$47,000
 - By repealing the property tax adjustment “lookback”
- Modify the equalized pupil calculation –
 - By repealing or lowering the 3.5% hold-harmless provision

- By repealing the rapid growth provision
- Modify the calculation of the spending-adjusted homestead property tax rates by setting a “yield” rather than a base tax rate and base education amount (note that this would require the elimination of the property tax adjustment “look-back”)
- Mandate teacher contract provisions –
 - By requiring all teachers to pay 20% of their health insurance costs
 - By requiring teachers that have the ability to move to their spouse’s health insurance plan to do so
 - By imposing a statewide teachers’ contract
- Require school districts to contribute toward teachers’ retirement –
 - By requiring school districts to contribute to teachers’ pension costs
 - By requiring school districts to contribute to teachers’ retirement health care costs
- Modify administration of the statewide education tax by –
 - Eliminating the need for the common level of appraisal by providing for rolling 3-year reappraisals by property valuation & review
 - Requiring the department of taxes to collect the statewide education tax (would allow for the use of the “yield” and elimination of the property tax adjustment “look-back”)
- Require municipalities that do not operate their own K-12 systems to designate a school or schools for the students that they tuition to other school districts
- Decide how to use the \$11.8M in the supplemental property tax relief fund