

The problem

1 - The current system requires the state to recommend a base homestead tax rate based on a statutorily determined base education amount (per pupil). Depending on state education spending projections and the economic condition of the education fund sources the base homestead rate is generally increased or decreased. This gives the appearance that the state is increasing or decreasing taxes.

2 - The statutorily set base amount is designed to allow per pupil spending to grow annually by the NEEP index without raising tax rates.

However, the NEEP index and the Ed Fund sources don't change at the same rate. The NEEP index is based on the purchase of goods and services by state and local government and Ed Fund sources are based on economic conditions. If spending grows when the economic conditions decline, rates need to go up. The current system makes this hard to see.

Proposal

Rather than announcing a base per pupil spending amount and a base homestead tax rate each year, just announce what a unit of the homestead property tax rate will produce that year.

This better reflects what the economic conditions will allow and the state does not need to change the homestead rate. If districts increase their per pupil spending beyond the funds capacity, they will need to ask voters for higher rates, the state will no longer appear to be raising or lowering the rate.

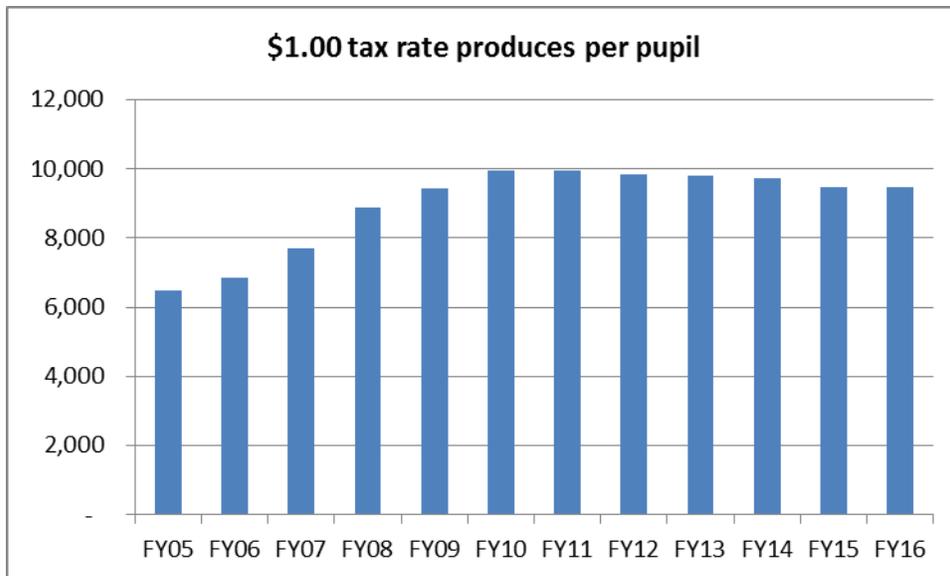
Example:

Rather than saying the FY 14 base amount is 9151 with a base homestead tax rate of \$0.94 and the FY 15 base amount is \$9285 with a base homestead tax rate of \$0.98, just say:

FY14 \$1.00 homestead tax rate produced \$9735

FY15 \$1.00 homestead tax rate produced \$9474

This also provides a constant for prior year comparisons. The chart below shows the history of what a unit of the homestead tax rate (\$1.00) produced per pupil (FY 16 is estimated).



Example of current system

FY14 Base amount = \$9151
 FY15 Base Amount= \$9285
 1.46% increase

Districts that increase per pupil spending at this rate will be at the same percentage above the base amount for both years (spending adjustment will be the same)

If a district spent \$14,000 per pupil in FY14 it would be 153% above the base amount.

If in FY15 per pupil spending increased 1.46% to \$14,205. It would still be spending 153% more than the FY15 base amount.

The percentage of per pupil spending above the base amount drives the district's tax rate.

But, Ed Fund sources did not grow, they shrank.

Rates needed to go up to accommodate the increase in the base amount and ensuing district spending increases.

Example
 FY 14 Base homestead property tax base rate = \$0.94
 FY 15 Base homestead property tax base rate = \$0.98
 4.26% increase