

Testimony to Ways and Means

Good afternoon and thank you for giving me an opportunity to testify. My name is Martha Heath and I live in Westford. As many of you know I am a former State Representative. I am presently chairing the Essex Westford School District Board and I have been on my local school boards since 1985. I want to be clear that my testimony is my own although the EWSD board has expressed support for my sharing my thoughts.

The first bullet in the materials you published for this hearing says that the changes in the law are intended to reduce reliance on the residential property tax by moving to a tax that is more closely related to ability to pay. Based on the calculations I've done for the EWSD, the exact opposite would be the case for our taxpayers. I based my calculations on our FY18 budget. Our Education Spending Per Equalized Pupil for this fiscal year was \$16,267.

I used a housesite value of \$250,000 which frankly is quite low for our school district, and calculated taxes for a few household income levels. Here is what I found:

\$40,000 household income Tax increase of \$800 or 74%

\$50,000 household income Tax increase of \$1097 or 81%

\$60,000 household income Tax increase of \$981 or 60%

\$70,000 household income Tax increase of \$830 or 44%

It appears that for our school district this proposal would do the exact opposite of its stated intention. When I initially looked at the premise of the proposal I found it intriguing. When I calculated the actual effects I was alarmed.

I would like to speak to a few of the other intentions of your proposal. One is to better link school budget decisions to taxes paid. Frankly I think we could go a long way to doing this under our present system if we asked school districts and the media to publish income sensitivity rates for their budgets. We have always done so in my district although it is a challenge to get the media to publish them. I have observed that many districts do not do this. Publishing these rates would make it clear that increases in school budgets do increase taxes both for those who pay education taxes based on property and those who pay some or all of their taxes based on income.

There are things I do like about your proposal. I like the idea of eliminating the general fund transfer and dedicating specific taxes to the Ed Fund. I think we are far enough away from the original goals in having a general fund transfer to make this a wise move. I also like moving responsibility for 4 programs that do not tie directly to K-12 public education to the general fund. (As a former appropriator, I hope you plan to transfer the funds to cover the cost with the programs.)

I did use the homestead exemption to calculate the taxes for a taxpayer with a \$40,000 in the example I gave you. In the case of my district, it clearly didn't do much to alleviate the dramatic increase in taxes.

Finally, I want to express my concern that you are considering implementation for FY19. School budgets in most communities are going to be voted on in less than two weeks. While the vote is on the budget and NOT on tax rates, school boards feel an obligation to explain the potential tax impact to their voters. This proposal represents such a dramatic shift in the funding system, boards could not possibly explain the consequences of the budget vote to their taxpayers. In addition, school districts are dealing with a number of changes right now and a change in funding would, I believe, confuse some very important issues. School districts are still working through the details and changes involved in consolidation. Our district is beginning to work on the DMG report to change our delivery system for Special Education. In addition a new funding formula for Special Education is also being considered. I fear putting too many new systems into the mix will make it extremely difficult to sort out the tangible results from merger and changes to Special Education.

Thank you so much for letting me share my thoughts. I hope you will consider them carefully.

Calculations of taxes - please note that I did not include the tax incentive that our merged district is eligible for. I thought it would be cleaner to do the calculations without the incentives.

For Education Spending of \$16,267 the income sensitivity rate is 2.713%

Under the present system the education taxes for households in the following income groups are as follows:

\$40,000- \$1084.20 \$50,000-\$1356.50 \$60,000-\$1627.80 \$70,000-\$1899.10

Under the new system a property rate would be calculated as follows: $\$16,267 - \$12,253 = \$4014$

\$4014 divided by the yield of \$5600 gives as tax rate of 71.7 cents

Adding the base property rate of 25 cents gives a total property rate of 96.7 cents

For a property valued at \$250,000 that results in taxes of \$2417..50

I did apply the 22% homestead exemption for the \$40,000 income category and I used the income rate of 1.2% for any income greater than \$47,000.

Household income	Old system	Proposed system	Difference	Percent change
\$40,000	\$1085.20	\$1885.65	\$800	74%
\$50,000	\$1356.50	\$2453.50	\$1097	81%
\$60,000	\$1627.80	\$2609.50	\$981	60%
\$70,000	\$1899.10	\$2729.50	\$830,40	44%