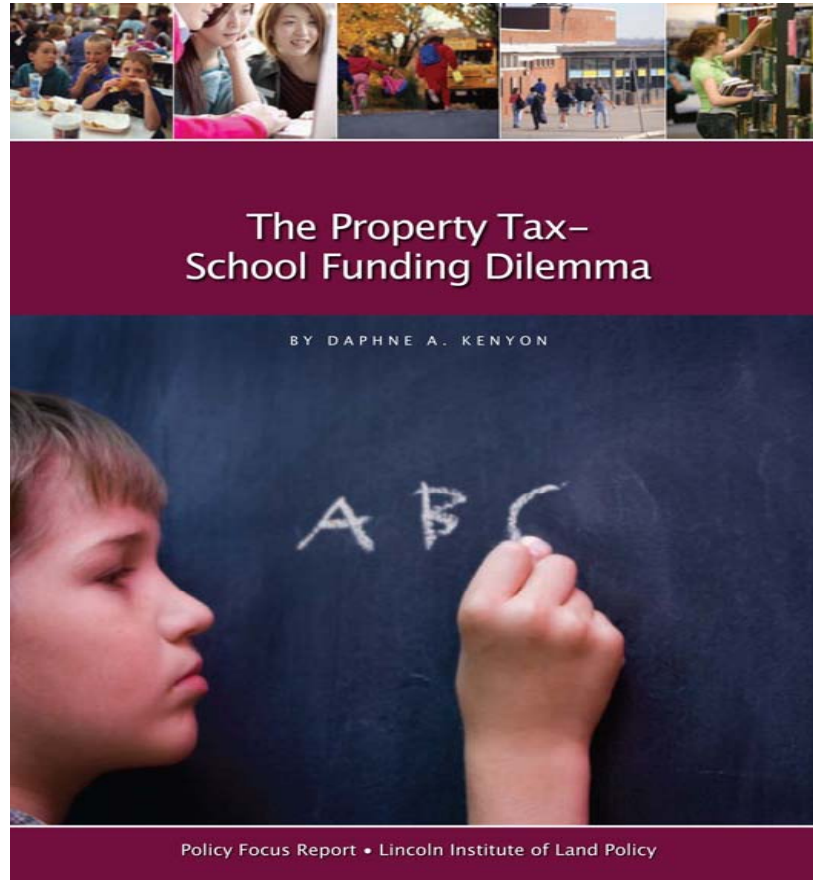




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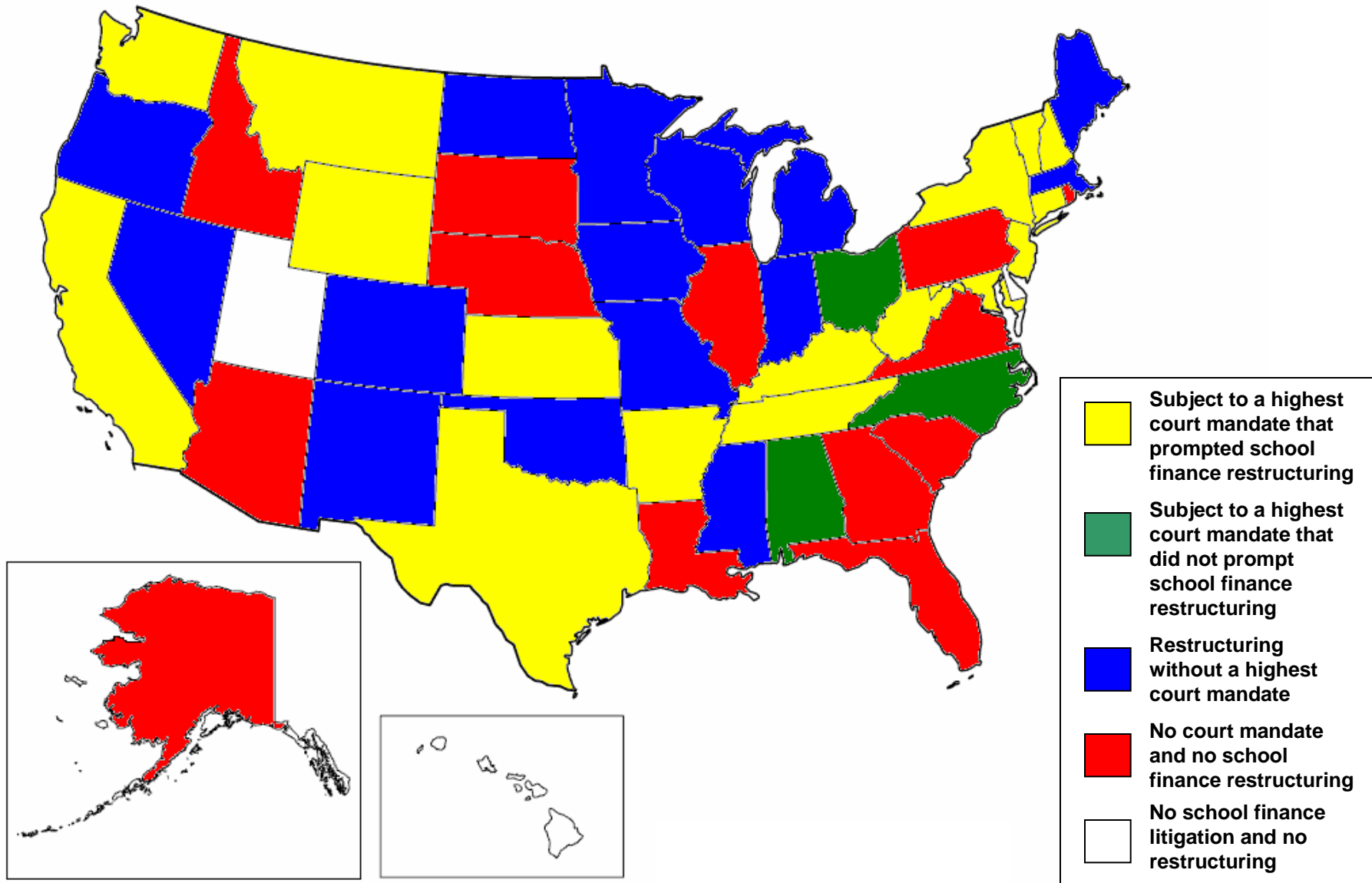


Wednesday April 2, 2008

Introduction

- Background about Lincoln Institute of Land Policy
- Lincoln Institute's interest in property taxes and school funding
- Target audience for report
- Synthesis of existing research

School Finance Restructuring by State



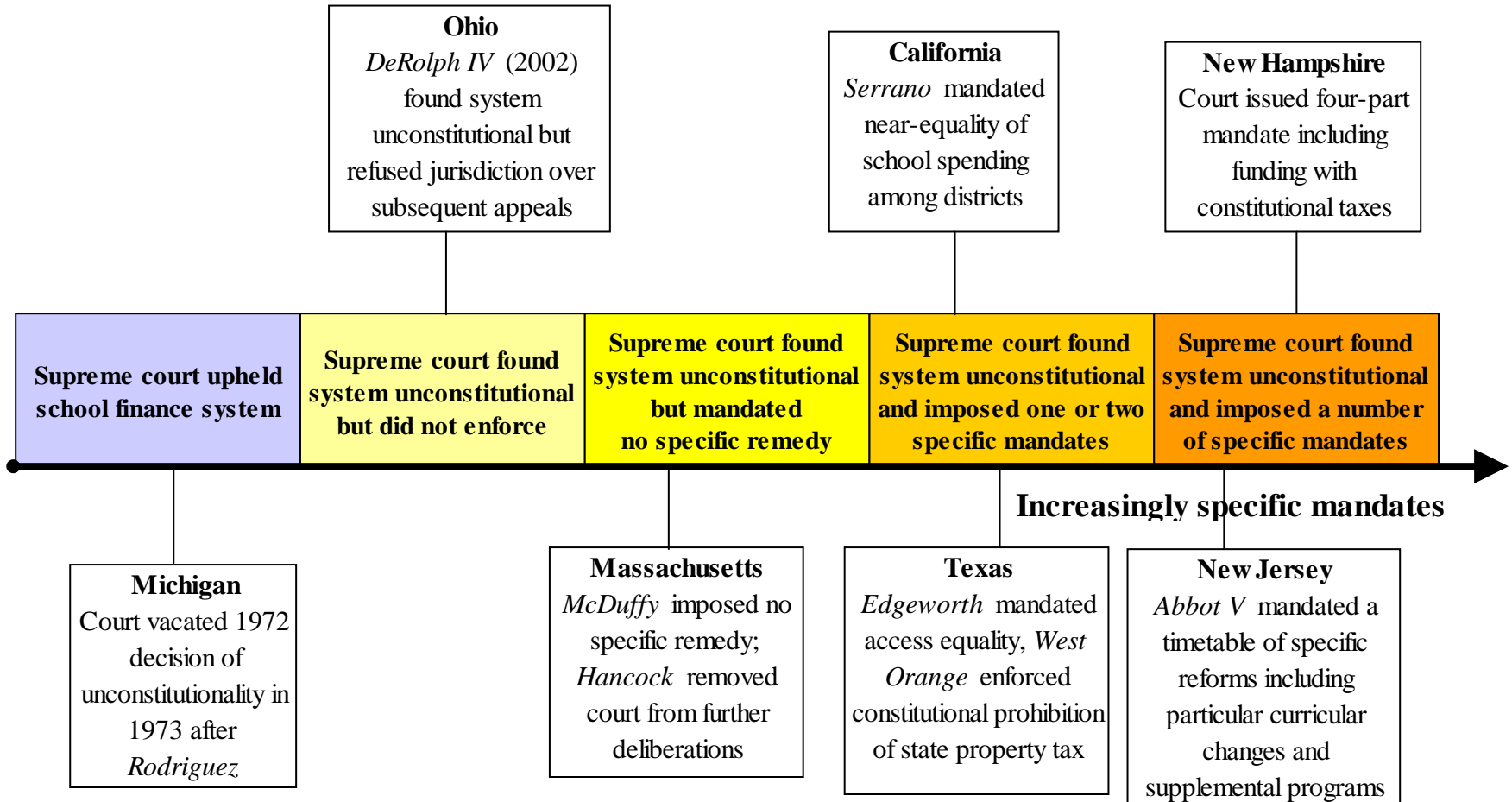
Source: Author calculations based on ACCESS, AEFA, State Tax Notes, various state government web sites

Summary of State Highest Court School Funding Rulings, Case Study States

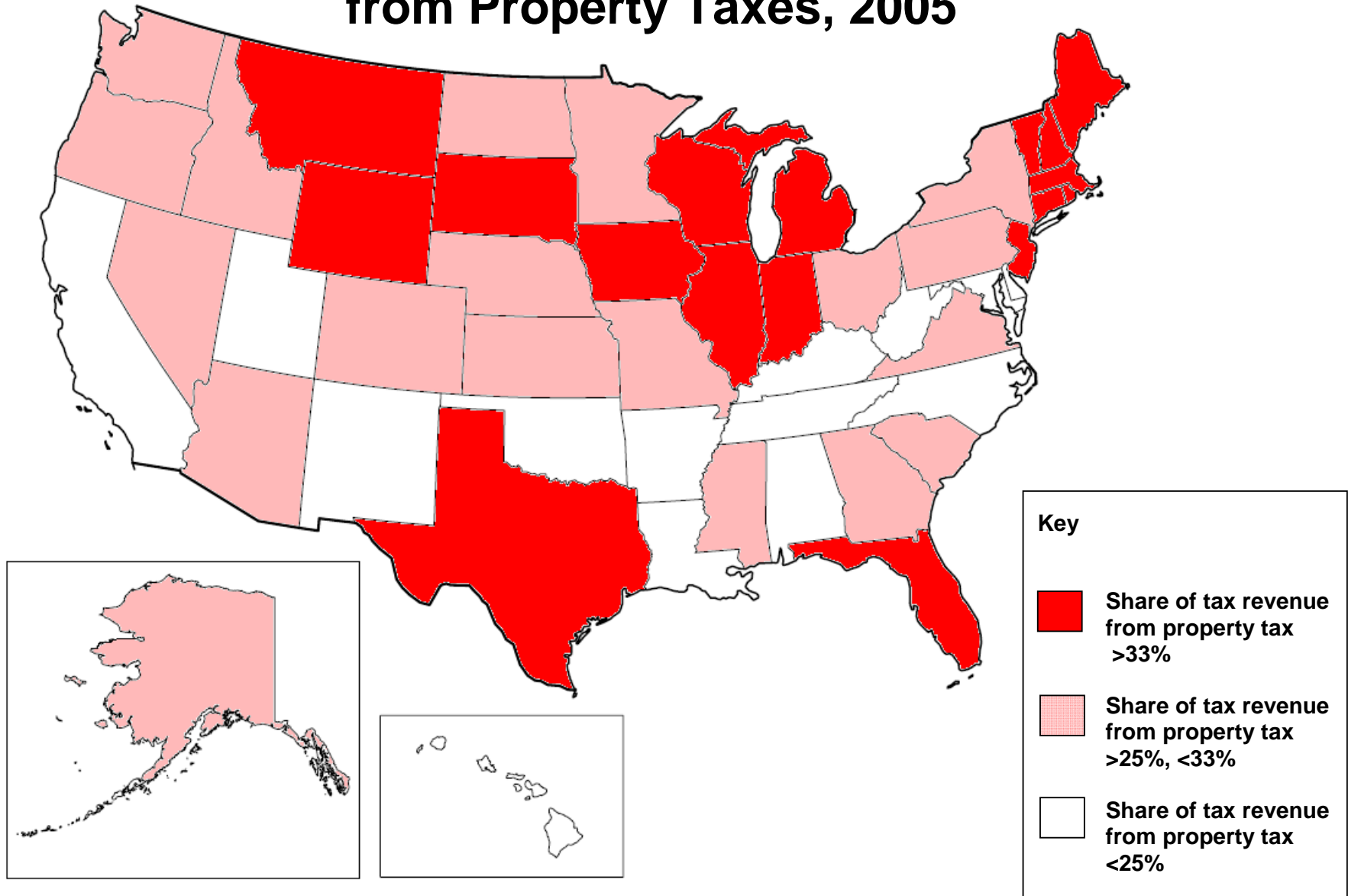
State	Type of Ruling		
	Equity	Adequacy	Additional Focus
California	1971, 1976		
Massachusetts		1993, 2005	
Michigan	1972, 1973	1997	1997: special ed
New Hampshire		1993, 1997, 1999, 2002, 2006	Funding must be financed by proportional and reasonable taxes
New Jersey	1973, 1976	1990, 1994, 1997, 1998, 2000, 2000, 2002, 2003, 2005	Adequacy rulings focus on subset of urban school districts; 2000: capital funding
Ohio	1976	1997, 2000, 2002, 2003	
Texas	1989, 1991, 1992, 1995	2003, 2005	Prohibition against state property tax

Source: West and Peterson 2007, author updates from news accounts

State Supreme Court Rulings Range Widely



Share of State and Local Government Tax Revenue from Property Taxes, 2005



School Finance in a Nutshell, Case Study States

	California	Massachusetts	New Hampshire
Spending per pupil, 2003, adjusted for regional cost differences; state rank	\$6,765 (42 nd)	\$8,921 (13 th)	\$8,186 (23 rd)
Number of students, 2005-06	6,437,202	971,909	205,767
Students/district, 2005-06	5,707	1,964	779
Percent limited English proficiency, 2005-06	24.4%	5.3%	1.2%
Percent eligible for free or reduced price meals, 2005-06	47.6%	28.2%	17.1%

Source: Education Weekly Research Center, National Center for Education Statistics

Myth: State Constitutional Language

- Myth: State supreme court school finance rulings rely directly on the language of state constitutions.
- Reality: No direct relationship exists between constitutional language and state supreme court school finance rulings.

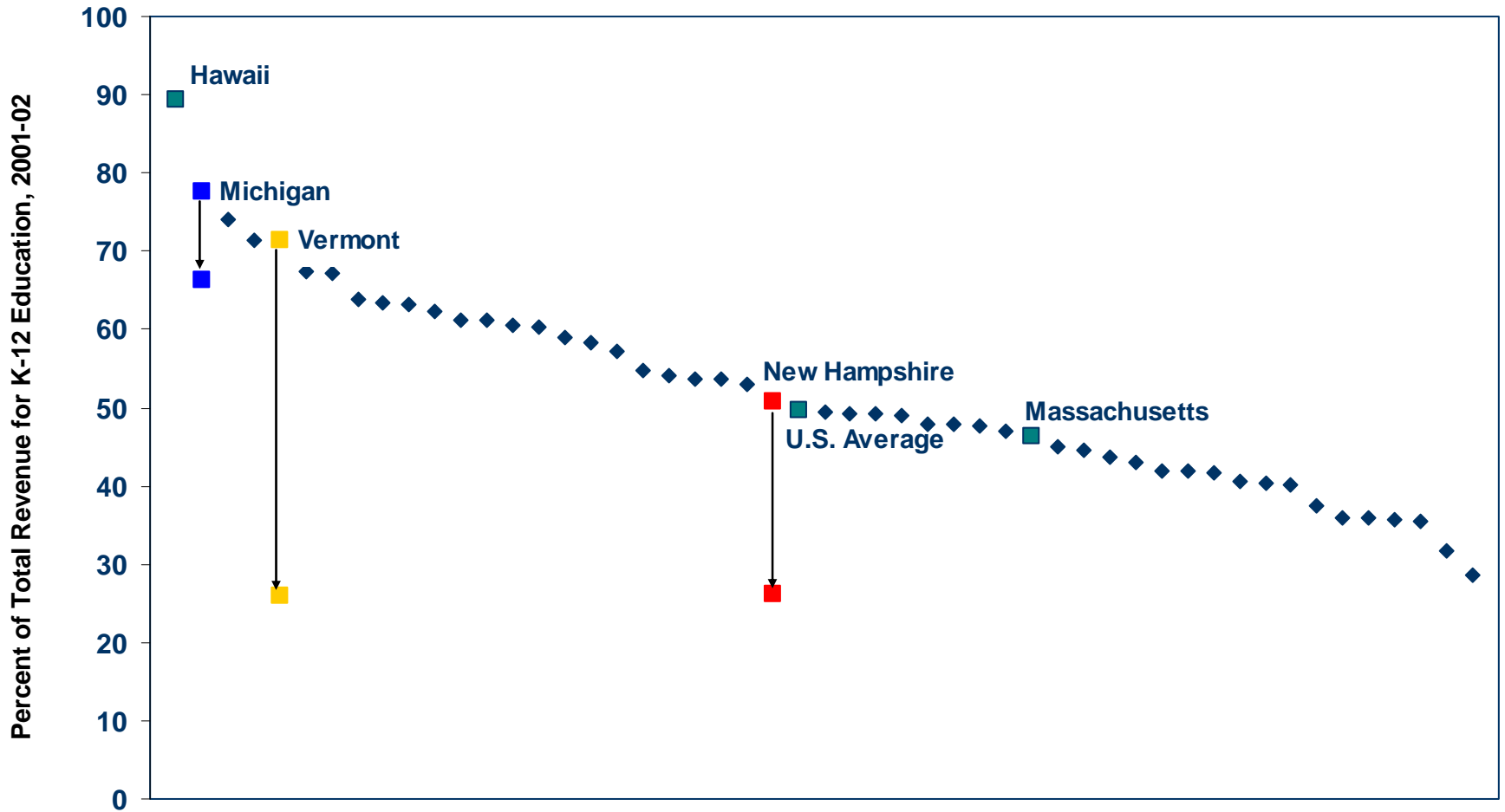
Myth: Effects of Litigation on Education

- Myth: School funding litigation has been a generally effective means of improving education outcomes.
- Reality: Researchers do not find a consistent impact on the level of school spending or student achievement.

Myth: Shift to State Funding for Schools

- Myth: State policy makers should aim to provide more than half of total K-12 funding.
- Reality: State policymakers should not aim to provide any specific percentage of the total funding for K-12 education. Better policy goals focus on student achievement or limiting property tax burdens to some percentage of household income.

State Aid as a Percent of K-12 Revenue: The Difference Made When State Property Taxes are Reclassified



Source: National Center for Education Statistics, accessed October 2007

Myth: Demonizing the Property Tax

- Myth: Reducing reliance on property taxation is usually beneficial.
- Reality: There are advantages to relying on property taxes; they provide stable revenue and promote fiscal autonomy and civic engagement.

Myth: Regressivity of the Property Tax

- Myth: The property tax is a regressive tax.
- Reality: Researchers agree the property tax is not generally regressive, and, to the extent that it is a tax on capital, can be progressive. Furthermore, the property tax is more progressive than the sales tax.

Myth: School Aid as Property Tax Relief

- Myth: State school aid is one form of property tax relief.
- Reality: School aid may or may not provide property tax relief, depending upon how it is structured. State-funded circuit breakers are more likely to achieve that relief.

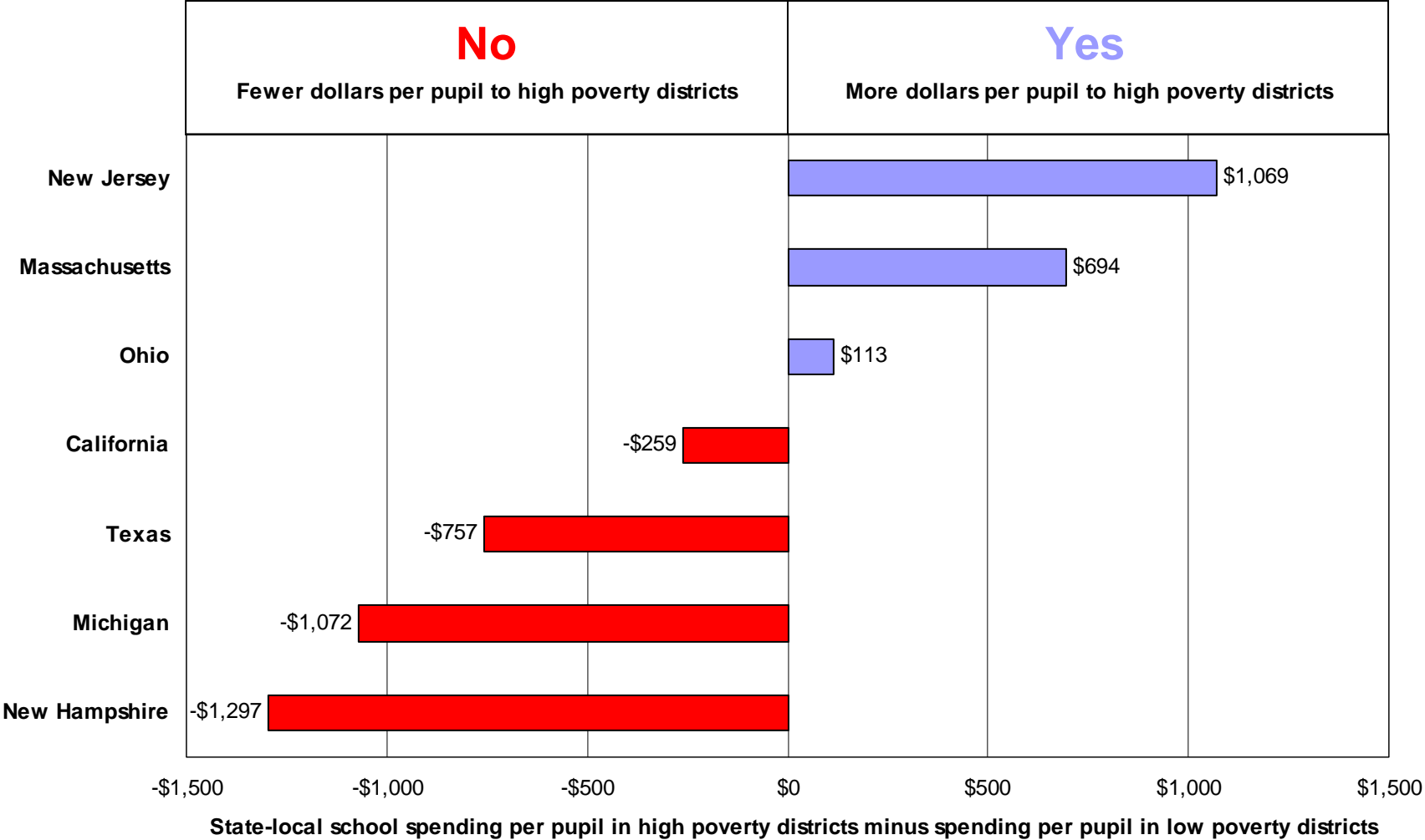
Rating the States

- Massachusetts ranks the highest and California the lowest
- In Massachusetts
 - State targets school aid to high-poverty communities
 - Student test scores on the NAEP are the highest in the nation
 - Continues to grapple with property tax relief

2007 National Assessment of Educational Progress test, Percent scoring at or above basic; state rank

	California	Massachusetts	New Hampshire
Math – 4 th Grade	69.6% (50 th)	93.2% (1 st)	91.3% (2 nd)
Reading – 4 th Grade	53.2% (48 th)	81.1% (1 st)	76.0% (3 rd)
Math – 8 th Grade	59.1% (47 th)	85.0% (2 nd)	77.6% (10 th)
Reading – 8 th Grade	62.3% (49 th)	83.9% (3 rd)	81.9% (7 th)

Is 2004 State-Local School Funding Targeted to High-Poverty School Districts?



Source: Education Trust 2006, see Appendix for details

Circuit Breaker Programs, Case Study States, 2007

	Eligibility	Household Income Ceiling
Massachusetts	Senior homeowners or renters	\$46,000 (single) \$70,000 (married)
Michigan	All homeowners or renters	\$82,650
New Hampshire	All homeowners, only for state education tax	\$20,000 (single) \$40,000 (married)
New Jersey	All senior or disabled homeowners or renters	\$250,000 (homeowners) \$100,000 (renters)

Source: Bowman (2007); Baer (2006); Lyons, Farkas, and Johnson (2007); RIPEC (2007)

Circuit Breaker Programs, Case Study States, 2007

	Maximum Benefit	Rebates as % of 2004 Property Tax Collections
Massachusetts	\$870	0.22%
Michigan	\$1,200	6.52%
New Hampshire	None	n.a.
New Jersey	\$2,000 (homeowners) \$860 (renters)	4.15%

Source: Bowman (2007); Baer (2006); Lyons, Farkas, and Johnson (2007); RIPEC (2007)

Conclusion

- DO NOT try to reform school funding and improve property tax fairness at the same time with the single policy tool of state aid.

School Funding

- DO NOT: State should not aim to provide any specific percentage for state's share of funding K-12 education
- DO: Target aid to the neediest school districts, schools and students

Property Tax Relief

- DO NOT radically reduce reliance on the property tax
- BE CAREFUL of switching to greater reliance on the sales tax
- DO target property tax relief using a “circuit breaker”