

Funding Mechanism/Tax Components

Who's Responsible

State Agencies and the Legislature

- Set education tax rates
- Calculate property tax adjustments
- Estimate the fair market value of property

School Boards and Towns

- Prepare school district budgets
- Administer the education property tax

Voters and Taxpayers

- Approve school district budgets
- Pay education taxes

Timeline

- October – District begins budget preparation focused on expenditures
- November – District continues to examine expenditures
- December 1st – Tax Commissioner recommends education tax rates for the next fiscal year
- December – District receives pupil weighting calculation and Common Level of Appraisal (CLA)
- December – District continues to work on expenditures/revenue and how it effects the tax calculation
- January – School board approves the budget and it is warned
- February – Communicate the budget and its implications to the community
- March – Budget vote
- May – Final numbers come from the state to reveal true tax impact

Definitions

- Property Dollar Yield – The yield is the per pupil amount that the education fund can support with uniform homestead tax rates of \$1.00 on homestead value
- Income Yield – Figure used to calculation tax caps based on income (approximately 70% of taxpayers are capped)
- Nonresidential Property – Includes all taxable real property that does not qualify as homestead – commercial and industrial property, rental housing, second homes, etc. The nonresidential property tax rate is uniform statewide – it does not vary with per pupil education spending

- Homestead Property – Primary residence and all contiguous land. This is influenced by per pupil spending
- Common Level of Appraisal – The CLA is a measure of how close each town’s local appraisals are to the actual fair market value in that town
- Pupil Weighting – Long term weighted average daily membership formerly known as equalized pupils. This is a calculation (not a headcount).
- Average Daily Membership (ADM) – The number of publicly funded resident students in the district as a 20 day FTE from the 11th through the 30th day of the school year. A student is one ADM if publicly funded for the full 20 day period.
- Education Spending – Total budget less non-tax revenues such as federal and state grants as well as locally generated revenues such as tuition and interest.

The Process

- The AOE reaches out to districts and SU’s to provide a rough estimate of what their educational spending increase might be
- The AOE makes certain assumptions and submits them to the tax department
- The tax commissioner releases their letter of recommendation on December 1st
- Budgets are prepared for approval by the voters
- Several tax components move around throughout the process or assumptions are made in lack of data
- Budgets are approved and submitted to the state and the state adjusts their calculations based on what really happened with districts and SU’s and what happened at the state level

Colchester Budget Process

- Expenditures – How much do we need to fund education for the upcoming year
- Revenue – What are the various sources of revenue and what is the total needed
- Surplus/Deficit – What was the variance from the prior fiscal year and how does it affect the education funding number
- Education Funding – One of the numbers that truly matters and how it plays into the tax calculation
- What’s important – Tax calculation, CLA, Pupil weighting, Income sensitivity