

## **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 1<sup>st</sup> – Tax Commissioner recommends education tax rates for the next fiscal year
- December – District receives the long term weighted average daily membership 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 63% 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. This is a calculation (not a headcount).
- Average Daily Membership (ADM) – The number of resident students in the district over a twenty-day period measured between September 11<sup>th</sup> through the 30<sup>th</sup>. A student is one ADM if publicly funded for the full twenty-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 1<sup>st</sup>
- 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 is important – Tax calculation, CLA, Pupil weighting, Income sensitivity