Fiscal Policy Work Group - Commission to Study School Funding

Notes 8/3/20 10AM

Attendees: Dave Luneau, Chris Dwyer, Rick Ladd, Mel Myler, John Beardmore, Bill Ardinger. Also in attendance: Jordan Hensley, Drew Atchison, Jesse Levin, Bruce Kneuer, Linda Kennedy, Natalie Duffy, James Gerry, Bruce Mallory, Carrie Portrie. 11 public attendees.

Just after 10am Dave Luneau called the meeting to order.

The meeting began with a presentation by Drew Atchison of AIR, covering possible statewide funding options via the property tax. Presentation slides can be found under the “August 17” tab on the meeting documents page of the Carsey-Commission website.

Some discussion was had on the ways a minimum local contribution would impact various communities and what that might look like for the state and localities. Local control was discussed and what policy considerations might look like. Discussion was also had of other state models and tax equity, and what it might look like for municipalities that want to raise more than the state adequacy amount under a statewide property tax model.

Further discussion occurred around goals of a minimum local contribution and why to choose that policy option vs a total statewide property tax. John noted that there is an imperfect relationship between state and local property taxes – have to be careful to make claims about property tax reduction because of the multiple types of revenues generated from property taxes. Dave noted that all the current tax options are preliminary – AIR is modeling options, but ultimately final decisions will be made by the legislature. Also discussed were how this model works relative to the Claremont II ruling, what considerations could look like moving into the next couple decades for education funding and how to keep a model up with economic realities, the need to compare models to current funding levels, whether state dollars for adequacy are targeted or not, and possible spending targets and policy options.

AIR also discussed an option where a statewide property tax would be only state revenue, with no minimum local contribution and all dollars going to the state. Bill noted that a consideration not mentioned by AIR is that there should be a shift where the state property tax is administered/collected locally but then dollars are remitted to the state.

Following the AIR Presentation, DRA gave two presentations on relief for low and moderate homeowners as well as considerations for an expanded statewide property tax. Those slides and video can also be found on the Carsey-Commission website.

Discussion of the low and moderate income presentation covered how the current program is marketed, amount of funding in the program over time/escalator clauses, and further review considerations as the Commission continues its work. Bill Ardinger was tasked with looking further into policy considerations and parameters around types of relief programs. Director Gerry
noted that average home prices have increased over 100% since the program was implemented in 2001.

Discussion of the statewide property tax included conversation about difficulties in collection, what is being done in other states, FPWG’s determination that administration of tax assessment should continue to happen at the local level, DRA’s ability to learn more about what is happening in other states, cash flow considerations in statewide property tax arrangements where the state collects revenue through municipalities, town to school district payment schedules, where the first dollar on the tax bill goes under this kind of system, and other property tax system considerations.

Questions placed in Q/A Box:
Jeff McLynch 10:26 AM
I'm hoping to ask two clarifying questions about AIR's presentation this morning:
Jeff McLynch 10:27 AM
First, under Option 1, in cases in which a town may have minimum local contribution revenue in excess of proposed formula funding, is that excess retained by the town or transmitted to the state?
Jeff McLynch 10:28 AM
Second, it determining the number and share of towns experiencing tax reductions in both Option 1 and Option 2, does that analysis account for towns that may have current spending in excess of total proposed formula funding? That is, does the analysis compare apples to apples on the spending side?
Doug Hall 10:55 AM
The AIR simulator tool spreadsheet is locked and requires a password. The only exception is for the orange cells that are for inputs. Without the password, we cannot see the formulas in the various cells or add additional columns, etc. It would be helpful if AIR could supply the password or unlock the worksheet.
Doug Hall 11:17 AM
One of the problems with the current L&M law is the "cliff effect." For example, in your income is $17,500 you get 20% but if your income is $17,501 you get nothing. There should be a sliding scale. This type of problem has infected numerous state aid calculations in the past. But it remains here.