

What Is the Future of the Property Tax as a Source of School Funding?

In August 2011, NEA's TEF team invited nationally prominent tax experts – from the University of Illinois, the University of Wisconsin, the Brookings Institution, and the Lincoln Institute of Land Policy – to participate in a one-day brainstorming strategy session to share their thoughts on the property tax as a sustainable, viable source of funding for public schools. Also invited were affiliate leaders from five states – North Dakota, Pennsylvania, Illinois, New Jersey, and Florida – because the mechanics of how state tax revenues fund public schools can vary dramatically across states. Guided by the controlling idea that property taxes as a revenue source will experience a significant downturn over the next few years because property assessment values will decrease to levels in keeping with recent, dramatic decreases in property market values, this extremely productive interaction offered the following insights.

Elections Have Consequences

When it comes to school funding, Get Out the Vote efforts should target *all* elections that have the potential to negatively impact property tax revenue. High-profile, statewide elections are important – former New Jersey Governor Whitman ran on reducing taxes by 30% – but local, district-level elections can have a more direct and immediate impact on the tax revenues that fund district schools. While local referenda on millage increases may not have the “sex appeal” of a statewide vote to cap property taxes, they do provide opportunities to connect strong local economies and the property taxes that support them directly to healthy public schools in the hearts and minds of residents.

People Have to Show Up

At all levels of state and local government, when there is legislation under discussion that could negatively impact school funding – corporate subsidies or Tax Increment Financing (TIF), to name two – supporters of public education need to show up prepared to monitor those discussions and report back to their constituents. Too many anti-government arguments designed to scale back vital public services begin with “it won't cost you a thing,” and transparency can't be achieved unless public education has a voice at the table trained to pay attention and speak out on efforts to hide wasteful tax incentives, hide debt, and hide government.

Reframe the Debate

“I don't have school-age kids, so why should I pay for someone else's kid's education?” “Once those kids get educated on my dime, they're just going to leave and never come back.” “Our schools are just fine, and lowering my property taxes isn't going to hurt them.” Rather than spinning our wheels trying to address these kinds of attacks individually (they are designed to divide and conquer) the debate must be framed so it underscores how fair tax systems and economic development policies that level the playing field for all businesses, large and small, produce healthy public schools and strong local economies. Because everybody understands that you get what you pay for, they will understand that it's their choice: Less revenue equals fewer, lower-quality services; more revenue equals better schools.

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Statewide Limitations Are Harmful

What happened in California is the poster child for why statewide limitation – caps on property taxes – is a bad idea. The measure known as Proposition 13 has resulted in a dramatic increase in the pupil-teacher ratio and comparatively lower academic achievement. The argument against any such proposal is simple: Do you want to eliminate local control over your schools? Do you trust your state capital to provide your kids with an education?

Why Are Property Taxes So Reviled?

Because they are the most visible of all taxes. Due to their saliency, any increase, no matter how small, causes great alarm. For most homeowners, their mortgage is the largest single investment they will ever make, and they want their property's value to increase, not their property's taxes. One solution to this is to develop and circulate a curriculum-based primer designed to educate people about how public finance works. On the subject of property taxes, here is a good place to start such a project:

<http://www.lincolnst.edu/subcenters/significant-features-property-tax/TopicDetails.aspx?id=2>. Also, specialized exemptions and “circuit breakers” can be designed to target property tax relief to those most in need – the low-income and elderly living on a small fixed income.

There Are Local Alternatives to the Property Tax

Local alternatives should supplement, not supplant, property taxes. Local income, sales, consumption, and user fees can be an indirect way of providing property tax relief, but that mix should be assembled so it addresses local constituencies and can be framed to appeal to their needs and interests through local campaigns. There is no one-size-fits all silver bullet mix, and fragmentation among local tax systems can vary significantly, not only from state to state but within an individual state.

What Does Good Tax Policy Look Like?

A fair and equitable tax system – including property taxes – combined with a level economic playing field for businesses, large and small, and adequate and equitable funding for public education is what good tax policy looks like. It is also the best way to create and maintain a civilized, safe, and prosperous society. Furthermore, in the new knowledge-based global economy investing in public education – in our human capital – provides a greater return to our economic prosperity than investing in tax cuts and subsidies or placing arbitrary caps on property tax assessments, rates, and revenues.

If NEA Could Do One Thing, What Would It Be?

Mobilize at the local level to educate taxpayers about what their property taxes do for them, especially when it comes to supporting public education. The true substance of this debate is our children's future and the security and prosperity of our nation.

For more information contact TEF@nea.org.



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