

FY2016 East Montpelier Education Tax Rate Using the January Preliminary Data

Important State Figures (Preliminary & Subject to Change)

State nonresidential tax rate: \$1.535 (last year \$1.515; up 1.32%)

State homestead tax rate = \$1.00 (last year \$0.98; up 2.04%)

State base education amount = \$9,459 (last year \$9,285; up 1.87%)

Excess spending threshold (the penalty rate) = \$17,103

EMES

EMES FY16 Net Budget: \$3,649,628 (up \$35,745; 0.99%)

Equalized pupils: 185.00 (down 12.39; 6.3%)

Ed spending per equalized pupil: \$19,727.72 (up \$1,419.38; 7.75%)

Penalty rate = \$17,103; our rate (minus construction spending and special factors) = \$16,840.72, so no penalty

District spending adjustment: $\$19,727.72/\$9,459 = 208.560\%$ (last year = 197.182%; up 5.77%)

Equalized tax rate: $208.560\% \times \$1.00 = \2.0856 (last year \$1.9324; up 7.93%)

*** this is the number that really matters; the tax rate, all things being equal, is up 7.93% ***

Now we convert this number to the actual, bottom line effect on our tax rate:

% of East Montpelier students not in union school district (i.e., those that aren't at U-32)

$185 \text{ EMES equalized pupils} / 403.14 \text{ total equalized pupils} = 45.89\%$ (last year 49.19%)

*** this is the factor that drives the weighting of the EMES portion to the total tax rate ***

Portion of equalized tax rate to be assessed by town: $\$2.0856 \times 45.89\% = \0.9571 (last year \$0.9505)

*** this is a weighted function so direct comparisons to prior years are foolhardy ***

Our Common Level of Appraisal (CLA) = 94.10% (last year 98.98%)

Actual homestead rate attributable to EMES: $\$0.9571/94.10\% = \underline{\$1.0171}$ (last year \$0.9603)

*** again, this is a weighted function so direct year-to-year comparisons are useless ***

*** also, a low CLA hurts, a lot!!! ***

U-32

Union school budgets are no longer apportioned based on some version of the percentage of students from each town. The basic tax rate formula is the same for U-32 & EMES.

U-32 FY16 Net Budget: \$12,189,961 (up \$620,293; 5.36%)

Equalized pupils: 757.28 (up 9.34; 1.25%)

[Equalized pupils from East Montpelier: 218.14 (up 14.24; 6.98%)]

Ed spending per equalized pupil: \$16,097.03 (up \$628.32; 4.06%)

Penalty rate = \$17,103; our rate (minus construction spending and special factors) = \$15,123.03, so no penalty

District spending adjustment: $\$16,097.03/\$9,459 = 170.177\%$ (last year = 166.599%; up 2.15%)

Equalized tax rate: $170.177\% \times \$1.00 = \1.7018 (last year \$1.6327; up 4.23%)

Now we convert this number to the actual, bottom line effect on our tax rate:

% of East Montpelier students in union school district (i.e., those that are at U-32)
 $218.14 \text{ U-32 equalized pupils} / 403.14 \text{ total equalized pupils} = 54.11\%$ (last year 50.81%)

Portion of equalized tax rate to be assessed by town: $\$1.7018 \times 54.11\% = \0.9208 (last year \$0.8296)

Our Common Level of Appraisal (CLA) = 94.10% (last year 98.98%)

Actual homestead rate attributable to U-32: $\$0.9208/94.10\% = \underline{\$0.9785}$ (last year \$0.8381)

Total Education Portion of Tax Rate (Preliminary)

For the total homestead rate, simply add the two school numbers together: $\$1.0171 + \$0.9785 = \underline{\$1.9956}$ (last year \$1.7984; up 10.97%).

The non-residential rate is $\$1.535/94.10\% = \underline{\$1.6312}$ (last year \$1.5306; up 7.67%).

The three statistics presented by the district and the school board:

Impact of CLA:

The total preliminary homestead rate is \$1.9956. The CLA of 94.10% is responsible for \$0.1177 of the total rate (last year's effect, at 98.98%, was \$0.0183).

Comparing the effect of the CLA from year to year is fruitless as a measure of a school's effectiveness at controlling its budget; the CLA is an independent variable – essentially an add-on after all the tax rate machinations have already occurred; yes, it can have an enormous effect on the tax rate, but it can't be attributed to the school in any way; just acknowledge it (and its effect) and move on.

Impact of State Homestead Tax Rate:

This is a little-understood issue that has been poorly presented. The preliminary state homestead rate is \$1.00, up from \$0.98 last year. On its own when you factor in our overall equalized pupil spending (EMES & U-32 together), it appears to cause a net \$0.038 increase in our tax rate. However, this does not account for the effect of the increased state base education amount (\$9,459, up from \$9,285 last year). These two figures (the state homestead rate and the state base education amount) work in concert – when both go up at an equal rate, the net effect on the tax rate is negligible. This year the preliminary rates both increase, although the homestead rate increase is a slightly higher percentage than the base education amount. The net effect of the two rates is approximately an \$0.003 increase in our rate – barely worth mentioning.

Impact of both EMES & U-32 Budgets with Equalized Pupil Changes:

This is a questionable measure that purports to compare the effect of the two school budgets on the final tax rate increase after the effect of the state homestead rate is factored out (as discussed in the paragraph above, this is not a reliable calculation in the first place, so the effort to factor it out doesn't exactly improve anything). The EMES budget is shown to have a negative net impact on the tax rate increase of \$0.013. Once you account for the incorrect "correction" made for the effect of the state homestead rate, the actual impact is closer to an increase of \$0.005 – still an apparently minor factor. However, that completely discounts the effect of the shift in comparative pupil percentages at the two schools. For the past few years the two schools have had similar equalized pupil figures – within a percentage point or so. This year there is a significant drop in the EMES pupil figure (down 12.39; 45.89% of the total, down from 49.19%) and a correspondingly large increase in the U-32 figure (up 14.24; 54.11% of the total, up from 50.81%), muting the effect of the EMES portion of the tax rate and exacerbating the effect of the U-32 portion. U-32's tax rate is \$1.7018, up from \$1.6327; EMES's rate is \$2.0856, up from \$1.9324. The portion of the tax rate (pre-CLA) attributable to U-32 is \$0.9208, up from \$0.8296; EMES is \$0.9571, up from \$0.9505. So, even though U-32's real per pupil increase is much smaller than EMES's, the net increase (pre-CLA) on the tax rate is almost entirely attributable to U-32, simply because of the shift in the pupil percentages.

Bottom line: this education tax rate thing is complex and we should be very careful how we present numbers.