Part One:
Who Pays for Schools in New York State?

Purpose and Curricular Connections

This unit introduces the property tax and how it is used to support public education in New York State—and in most states, since the property tax provides about 98% of the local share of public school funding in at least 46 states. In this Learning Experience:

- Students will navigate the website of the NY State Office of Real Property Services to investigate and answer questions on basic aspects in the collection of property taxes in the State;

- Students will explain the importance of the property tax as a funding source for public education in New York State;

- Students will manipulate data in formulae used to administer the property tax in New York State;

- Students will examine levels of funding from different levels of government through time;

- Students will explain the nature of the property tax, and its function as the primary revenue source for local government;

- Students will examine the impact on communities and individuals with various levels of wealth and income, and make judgments about the equitability of the property tax;

- Students will write an essay in which they discuss the impact of all levels of governmental support for public education on the schools and on taxpayers.

Day One: Who Should Pay for Schools?

Opening Activity: What kind of taxes do you pay? What taxes do your parents pay? Today, we will look at the tax most responsible for our schooling.

Activity: Students will be guided in this introductory lesson by the class teacher and/or the library specialist. In groups or as individuals, students will answer the questions posed in the attached worksheet provided entitled "Public School Funding and the Property Tax in New York State: Some Basic Concepts." If students are working in groups, individuals in each group should:
- Address one aspect of the property tax;
- Each will then teach other group members of their area of specialty;
- Alternatively, the teacher might run this as a "jigsaw" group activity.

The class will use the internet to access the NY State Office of Real Property Services website:
- http://www.orps.state.ny.us/pamphlet/taxworks.htm
  "How the Property Tax Works"
- http://www.orps.state.ny.us/primer/index.htm
  "Real Property Tax Primer"

After completing the worksheet, students will re-convene and discuss:
- How are schools funded in New York State?
- What are the advantages and disadvantages of the property tax as a source of funding?
- Who should pay for schools? (Class can discuss individuals, such as all citizens in an area, or only those whose kids go to school, etc., as well as outsiders—should the federal or state governments contribute as well? How much? Tomorrow, they will learn more about the contributions of the various levels of government.)

Public School Funding and the Property Tax: Some Basic Concepts

Directions: Click on the website below and answer the questions that follow.

http://www.orps.state.ny.us/primer/index.htm

A. Go to the **Welcome** page, and click on **"The Real Property Tax in New York State**."

1. Identify the two kinds of property used for tax purposes.

_____

2. What is the property tax used for in New York State?

_____

3. What two things determine the amount of property tax that individuals pay?

*   _____

*   _____

4. Who determines the value of a property, and what is the proper name of this valuation?

_____

_____

B. Click on **"Fairness and Equity"** to answer the following questions:

1. Who is responsible for determining whether the assessment of a home is fair and equitable?

_____

2. If you think your property tax assessment is not fair, what should you do?

_____

C. Click on **"Exemptions"** to answer the following questions:

1. What are exemptions?_____

2. Identify three types of taxpayers who receive partial or full exemptions:

*   _____

*   _____

*   _____

D. Do you think it's fair that some people pay full taxes and some receive exemptions?
Explain._____

D. Click on **"School Districts"** to answer the following questions:

1. How does the local property tax rate affect schools?

_____

2. How much money is raised statewide by local tax districts?

_____

3. What percentage of this goes to schools?

_____

4. Who decides how much money is to be spent on schools?

_____

Note that each town assesses property in the town, and the school relies on the tax assessment to set its own taxes. **But there is no state law that makes towns reassess property at the same time**, so there's only one, very complicated way to make sure that people pay a fair share.

5. How many school districts are in NY State?_____

6. What percentage of these are in at least two different towns?_____

7. How does the equalization rate attempt to "level the playing field" in these multiple town school districts?

_____

_____

_____

_____

E. Click on **"Equalization Rates"** to answer the following questions:

1. What is the most important use of the state equalization rate?

_____

An equalization rate represents the ratio of the total assessed value of all parcels in a community to the State Board's estimate of full value.

2. What happens in school districts that are in more than one town?

_____

G. Click on **"Advantages"** and (1) describe the **four major advantages** of property taxes.

- _____

- _____

- _____

- _____

2. Identify at least **three of the disadvantages** of the property tax, according to this web page.

- _____

- _____

- _____

3. How much does it cost the state to collect the property tax?_____

H. On a separate sheet of paper, explain how you feel about the property tax as a way to raise money. Is it easy to collect? Could there be a better way? Should other taxes be considered: Income tax? Sales tax? Answer these questions based on what you have learned about the property tax and then discuss your answers with others in your group. Develop a group response to the questions above to be made to the class as a whole.

Day Two: Do Local Taxpayers Bear Too Large a Burden for School Taxes?

Opening Activity: Which level of government do you think is most important: local, state or federal?

Activity: Today we will learn the various sources of revenue for schools. The teacher will distribute the attached worksheet on School Support Ratio, then lead the class in the first exercise on this worksheet, distribution ratios for 1987. Once the teachers is sure that all students understand the process, individuals or pairs will complete the worksheet and report to the class while the teacher records responses on the board or an overhead. After the class understands the concepts, the teacher can supply students with their own district's budget to calculate. If there is time, have students individually, in groups, or as a class, answer the reasoned response questions.

Teacher's Note: The data was derived from a single school district in New York State; while each district has different ratios depending on a variety of factors, the basic trends do not change so these worksheets are valid across the state. The correct numbers for each school district are available through local assessors and school district business offices. Your school business administrator should be able to give teachers the latest budget totals and ratios of support from the summary page of the budget.

After completing the worksheet, discuss:
- What trends did you note in the chart?
- Do local taxpayers bear too large a burden for school taxes?

Homework: Based on the trends noted in the support ratio worksheet, write a two-paragraph letter giving your opinion about whether or not citizens should be concerned about the burden on local taxpayers.

The Property Tax: Federal, State, and Local Government Contributions

Schools are funded—get their money—from a combination of federal, state, and local taxes. But nothing stays the same: For example, the percentage of support from each of those levels of government has changed through the years. Check out this schedule below, then answer the questions. When you have finished your calculations, insert the correct amount per $100 raised in the correct boxes in the schedule below.

			$100				
	1987					**1993**	
Federal	**State**	**Local**			**Federal**	**State**	**Local**
5.7%	41.1%	53.2%			5.6%	39.2%	55.2%

1987

1. If your local school district was trying to raise $100, how much did it receive from each of the sources identified in 1987? Insert the numbers into the chart.

Federal government _____

State government _____

Local Government _____

2. Which level of government carries the biggest burden in paying for education?

_____

1993

3. But in 1993, the ratio of support was a little different. Presuming that the school district was still trying to raise the same amount of money, $100, how much did it receive from each of those sources in 1993?

Federal government _____

State government _____

Local Government _____

4. So compared to 1987…

Who paid more in 1993? _____

How much more in 1993 per $100 was raised by local taxpayers?
_____

Your schedule should look like the one below. But we're not done. Let's say that **state aid will be reduced** by about 4.3%. (This will vary by school district.)

Below you'll see the contributions from the three levels, and the **percentage change** in their relative contribution anticipated in the next school budget, per $100 of budget, for the year 2003. Perform the calculations necessary to show the changes in the relative contribution of the dollar amounts of the three levels of government.

	1987		$100		1993	
Federal	**State**	**Local**		**Federal**	**State**	**Local**
5.7%	41.1%	53.2%		5.6%	39.2%	55.2%
$5.70	$41.10	$53.20		$5.60	$39.20	$55.20
			2003			
		Federal	**State**	**Local**		
		5.5%	34.7%	59.8%		

5. Write your school district's budget here:_____

Use the percentages for 2003 to calculate the amount each level of government will provide for your district:

Federal	State	Local

Out of $100, how much will be contributed by the federal government in 2003?_____

How much will be contributed by the state government in 2003? _____

How much will be contributed by local government in 2003? _____

Based on your observations of the data above, answer the following "reasoned response" questions:

6. What trends do you note in these charts?

7. What advice would you give to local government officials about school funding for the future?

Day Three:
How does the Property Tax affect People and Communities?

Opening Question: Do you think that P. Diddy (or choose the latest celebrity in the news) pays the same property tax as _____ (give name of principal, yourself or other local homeowner for comparison)? Why or why not? Where are the richest school districts located?

Activity: Teacher will reiterate the trends disclosed the previous day, and reinforce that the property tax is the only way local government and tax jurisdictions can collect revenue for schools. Teacher will distribute attached worksheet on calculating the tax and lead the class through examples. Students will work alone, in pairs, or in groups to calculate the tax rate of poor, wealthy, and average districts. Students will then calculate spending per student. This activity will help students understand the procedures used to finance public schools, the burdens placed on poorer districts relative to wealthier districts, and the burdens on poorer individuals compared to wealthier individuals.

Review:
What are the definitions of regressive, progressive and proportional taxes?
Give examples of these.
Is the property tax regressive, progressive, or proportional?
Which tax do you think is the most fair or equitable? Why/why not?

Homework: Using facts and information you have learned so far, write a 1-2 page essay on: Is the property tax a good way to fund schools? Why or why not?

The Property Tax: Calculating the Tax Base and Yield

The **Tax Base** is the value of all property in the district

The **Yield** is the amount you want to raise, a/k/a the **School Budget,** that is, the amount needed to fund the school budget after all other revenues (such as state or federal sources) are subtracted. **Yield** = Tax Rate x Tax Base

To calculate the **Tax Rate** divide the yield by the tax base. It looks like this:

$$\text{TAX RATE} = \frac{\text{YIELD}}{\text{TAX BASE}}$$

It works with simple numbers like this. Suppose your district needs to raise $1,000,000 (**YIELD**) and the **total property value** in the district is $100,000,000 (**TAX BASE**). Examine the box below.

$$\text{TAX RATE} = \frac{1,000,000}{100,000,000}$$

TAX RATE = .01, or in percentage, 1%

We have learned that the primary local source of funds for schools is the property tax. Once we know the total amount we need, we still have to find out how much each property owner must pay. Most property owners are people who are living in their own homes. Homes and the land they are on have different values (we will discuss how these values are determined). So we need to apply the tax rate to this value to determine what each taxpayer must pay the school district.

If the home is worth $150,000, multiply the tax rate by the **Home's Value**.

$150,000 (HOME VALUE) x .01 (TAX RATE) = $1,500

This will be the number printed in the homeowner's tax bill.

The Property Tax: Comparing School Districts

Below are three hypothetical **school districts,** one in which most people are **poor**, one in which most people are in the **middle** class, and one in which most people are **wealthy**, and each having about the same number of students**, 1,300**. In the spaces below, calculate:

1. the tax rate of the district;
2. **the amount of tax the average homeowner pays in school property tax;**
3. The amount of money spent in that district per student. To find the amount spent per student, divide the yield by the number of students.

Note: Since some districts are wealthier, they can afford to spend more on some programs than poorer districts, so the tax yield is different because the school board in relatively wealthier districts has budgeted more for optional programs. Poor school districts sometimes fund only programs mandated (legally required, like standardized testing) by the State.

Poor district: Average annual income = $25,000

Yield = $9,800,000
Tax Base = $201,000,000

Tax Rate _____

1,300 students
Average home = $100,000
Average homeowner pays _____

Local amount spent per student _____

Middle class district: Average annual income = $62,000

Yield = $13,500,000
Tax Base = $289,000,000

Tax Rate _____

1,300 students
Average home = $150,000
Average homeowner pays _____

Local amount spent per student _____

Wealthy district: Average annual income = $125,000

Yield = $17,800,000
Tax Base = $410,000,000

Tax Rate _____

1,300 students
Average home = $200,000
Average homeowner pays _____

Local amount spent per student _____

Now let us consider the burden of tax in each district on individual taxpayers. Use the data from your tax base and yield worksheet. To calculate the percentage of income that each homeowner pays, divide the amount paid in property taxes by the homeowner's income. Write that figure on the lines provided below.

<u>Poor District</u>

Average homeowner earns _____

Average homeowner pays _____ in property tax.

Percentage of homeowner's income paid _____

Total school district budget _____

Amount school district spends per student _____

<u>Middle Class District</u>

Average homeowner earns _____

Average homeowner pays _____ in property tax.

Percentage of homeowner's income paid _____

Total school district budget _____

Amount school district spends for each student _____

<u>Wealthy District</u>

Average homeowner earns _____

Average homeowner pays _____ in property tax.

Percentage of homeowner's income paid _____

Total school district budget _____

Amount school district spends for each student _____

Poor district: Average annual income $25,000
Yield = $9,800,000
Tax Base = $201,000,000

Tax Rate =.04875, or 4.875%
1,300 students

Average home = $100,000

Average homeowner pays = $4,875

Local amount spent per student = $7,538.46

Middle class district: Average annual income $62,000

Yield = $13,500,000
Tax Base = $289,000,000

Tax Rate = .0467, or 4.67%
1,300 students
Average home = $150,000
Average homeowner pays = $7,006

Local amount spent per student = $10,834.62

Wealthy district: Average annual income $125,000

Yield = $17,800,000

Tax Base = $410,000,000

Tax Rate = .0434, or 4.34%
1,300 students
Average home = $200,000
Average homeowner pays = $8,682.92

Local amount spent per student = $13,692.30

Poor District

Average homeowner earns $25,000

Average homeowner pays $4,875 in property tax.

Percentage of homeowners income paid 19.5%

Total school district budget = $9,800,000

Amount school district spends per student = $7,538.46

Middle Class District

Average homeowner earns $62,000

Average homeowner pays $7,006 in property tax.

Percentage of homeowners income paid 11.3%

Total school district budget = $13,500,000

Amount school district spends for each student = $10,384.62

Wealthy District

Average homeowner earns $125,000

Average homeowner pays $8,682.92 in property tax.

Percentage of homeowners income paid 6.9%

Total school district budget = $17,800,000

Amount school district spends for each student = $13,692.30