

Rudolph F. Crew, Ed.,D., Superintendent of Schools

SUBJECT: ADOPT A LEGISLATIVE POSITION ON PROPERTY TAXES FOR THE SPECIAL SESSION – JUNE 12-22, 2007

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT

STRATEGIC PLAN: ESTABLISH GREATER ALLIANCE WITH LEGISLATIVE BODIES

Unable to resolve major differences between the Senate and House proposals on property tax relief, Senate President Ken Pruitt and House Speaker Marco Rubio decided to have a Special Session on property tax relief. Although there is agreement that Floridians need tax relief, the two bodies and the Governor were not able to agree on how to structure the new tax system and how much tax relief would be provided during the regular session. The Special Session is scheduled for June 12-22, 2007.

School districts in Florida rely on property taxes to fund operating and capital needs, as well as service outstanding General Obligation debt. Since fifty-one percent of Miami-Dade County Public Schools' operation is reliant on local property taxes, the impact to the quality of education in our community would be catastrophic if overall funding is drastically reduced. Further, the Five-Year Capital Plan is dependent on the local funds generated from the 2-mill property tax levy.

Revised

The Florida House of Representatives' proposal would have eliminated the property tax altogether and replaced it with a 2.5 cent increase in sales tax; 0.5 cents of the increase in sales tax would replace non-RLE school property taxes totaling \$636 million for fiscal year 2006-2007. It is not clear as to the impact on the school districts as it relates to total dollars and the ability of the State to implement the full proposal. However, based on an analysis prepared by Miami-Dade County staff, one cent of sales tax currently generates \$360 million of revenues in Miami-Dade. In order to replace the District's current property tax revenues for operating, capital, and debt service, it is estimated that sales taxes would need to be increased by 4.7 cents, of which non-RLE represents 1.8 cents. Furthermore, it should be noted that funding based on sales taxes is an unstable funding source as was demonstrated by this year's reduction in State revenues and

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Revised²

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the fluctuations over the past 20 years. In addition, funding based on sales taxes removes local control and could result in the District becoming a donor school district without first addressing the high cost of living experienced in Miami-Dade County.

The other House proposal and a Florida Senate proposal would rollback property taxes for cities and counties, but exempt school districts and limited growth. The House proposal limited growth to net new construction plus growth in the Consumer Price Index (CPI) while the Senate proposal tied growth in revenues to net new construction plus increases in per capita income. Any new attempts at limiting increases in the tax base to an index based on the CPI or per capita income increases for school districts would not adequately address the impact of teacher salary and benefit increases as well as other operating costs such as energy and property insurance that have been increasing far more rapidly than inflation.

In addition, as a large urban school district, the capital outlay needs have not been adequately addressed by the State, and in recent years the deteriorating aging campuses needs and other capital outlay needs have had to be deferred to locally fund the Class Size Reduction (CSR) instructional space needs. Funding these non-CSR needs is at a critical point that can no longer be deferred.

The two chambers differed on how deep the tax cuts should be and how to replace the lost revenues to local governments. In the last days of session, the Governor weighed in with his proposal of doubling the exemption for homesteaded property. The parties generally agree on providing a reduction of the tangible personal property tax. The proposals for renters and portability remained substantially different. The County Property Appraiser has estimated that the Miami-Dade County Public Schools' funding would be negatively impacted by the following proposals based on current millage rates as follows:

Add

	Operating	Debt Service	Capital
Doubling Homestead Exemption	\$60,437,392	\$4,396,605	\$21,239,639
Full Portability	9,793,570	712,447	3,441,775
Tangible Property Tax Exemption	6,272,853	456,328	2,204,482

The reductions to the RLE portion of the Operating Budget could be offset through the State's FEFP funding formula. Debt Service is voter approved, and the millage rate would have to be adjusted to compensate for any loss in revenue to service the outstanding General Obligation Bonds.

The 2-mill Local Optional Millage Levy is the revenue source most at-risk from these proposals as there is no alternative funding source other than increasing state funding, a voter-approved bond referendum, or an increase in sales taxes. It is understood by the financial community that servicing the debt for financings through this fiscal year should not be impacted, but future financings and the District's total dollars available to

) fund future capital outlay projects will be impacted, and these taxing proposals are already being closely monitored and evaluated by the financial markets.

} Added

The School District of Miami-Dade County supports a diversified tax base that ensures a strong economic foundation for the community to support public education where the total of local and state funding is at least at the national average of per pupil funding. The State has the mandate to provide equitable public education for all Florida school children and as such any differentials related to economic conditions such as the cost of living should be supplemented directly by the State. Any tax reform that provides tax relief to homeowners should protect school districts from current or future revenue reductions that impact operations, capital outlay or servicing outstanding debt.

} Revised

It is imperative that educational funding not be negatively impacted regardless of the tax structure ultimately passed by the Florida Legislature to ensure that revenues are stable, recurring, and long-term. The Florida Legislature should establish a goal of meeting or exceeding the national average in per pupil appropriations through the Florida Education Funding Program over the next six fiscal years. At a minimum, school district funding should increase to support actual student enrollment, cost of living, equalizing features in the FEFP formula, inflation, increasing utility and insurance costs, and the actual cost of delivering programs to special populations.

} Revised

} Revised

) **RECOMMENDED:** That The School Board of Miami-Dade County, Florida, advocate that school district funding should not be negatively impacted regardless of the tax structure ultimately passed by the Florida Legislature ensuring public education funding is stable, recurring, and long-term.

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