

Analysis of Tax Impacts for the town of Brookline, NH

prepared by the Brookline Finance Committee

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PURPOSE

The purpose of this document is to explain, at a high level, how taxes and tax rates are calculated, including the aspects that are under the control of the taxpayers and the aspects for which the taxpayers have little control. Additionally, some discussion is provided of the cyclical property tax reevaluation and the effect that has on town taxes and individual taxes.

This document provides a high level summary and does not go into details such as elderly and veterans tax exemptions, trust funds, utility property, unpaid taxes, etc.

OVERVIEW AND DEFINITIONS

The tax rate is set in October and applies to the property tax bills that are sent to residents in November of that year and in May of the following year. The tax rate is divided into property taxes assigned to the town, the schools [Brookline School District (BSD) and the Hollis Brookline Cooperative School District (Coop)], the county and the state.

The county accounts for 4% and has seen little fluctuation in recent years. The state portion is 7% and is in reality funds that are sent to the state for education, but the state returns those funds to the two school districts.

The town accounts for 16%, while the Coop accounts for 38% and BSD accounts for 34% of the overall local property tax rate. We will focus on these three as being the main drivers of the overall property tax.

For each of these, the property tax is calculated by starting with the funds appropriated by the town or school district and subtracting the revenues from other sources. The remainder is the amount that needs to be raised via property taxes.

The tax rate is further complicated by the fact that the schools operate on a fiscal year that runs from July 1st to June 30th. This means that, when the tax rate is set for the calendar year, it includes the funding for one half of the current school budget plus one half of the previous school budget. Thus, changes to school budgets are divided between two different years for purposes of setting the tax rates.

The tax effort is the amount of taxes to be collected by the town. The tax effort is calculated by subtracting the estimated revenues from the approved expenses.

The tax rate is the number of dollars of property tax per \$1,000 of appraised value. The town evaluation is the sum of the property values for all properties in town. The tax rate is calculated by dividing the tax effort by the total town evaluation.

An appropriation is the amount of funding that the town authorizes the local government to spend through warrant articles. Actual spending may be less than this amount.

APPROPRIATIONS

The appropriations are the best known portion of the tax formula. For estimating tax impacts, we look

at the percentage increase from one year to the next. However, this is complicated by the fact that the schools bill the towns for one half of one year's budget and one half of the previous year's budget.

2017 Approved Town Appropriations

\$4,547,125 Operating Budget
\$145,000 Sidewalk/Pedestrian Bridges
\$167,000 Bond Street Bridge Capital Reserve Fund
\$60,000 Hood Road paving
\$25,000 250th Celebration
\$13,680 NRPC (Melendy Pond)
\$10,000 Hazardous Materials Contingency Expendable Trust Fund
\$5,500 NRPC (regulatory audit)
\$5,000 Town history update

\$4,978,305 Total

2018 Approved Town Appropriations

\$4,755,294 Operating Budget
\$185,000 Fire truck
\$68,522 Public Works Director
\$100,000 Capital Reserve Fund (for Department of Public Works)
\$60,000 Hood Road paving
\$25,000 250th Celebration
\$10,000 Town Facilities Capital Reserve Fund
\$6,360 Union contracts
\$5,000 Town history update
\$20,000 Ambulance Capital Reserve Fund

\$5,235,176 Total (5.2% increase)

Note: excluding Martin/Austin property would bring the total to \$5,161,227, a **3.7% increase**. This is more accurate because the principal and interest on the bond is paid through a separate fund, not from general taxation.

2016 Approved Brookline School District Appropriations

\$8,529,621 Operating Budget
82874 prof
\$271,120 SAU

\$8,883,615 Total

2017 Approved Brookline School District Appropriations

\$8,833,998 Operating Budget
\$271,051 SAU

\$9,105,049 Total (**2.5% increase**)

2018 Approved Brookline School District Appropriations

\$154,095 Professional Staff Contract
\$40,467 Support Staff Contract
\$9,080,562 Operating Budget
\$279,152 SAU

\$9,554,376 Total **(4.9% increase)**

2016 Approved Hollis/Brookline Cooperative School District Appropriations

\$305,422 Professional Staff Contract

\$75,820 Support Staff Contract

\$21,132,215 Operating Budget

\$747,371 SAU

\$22,260,828 Total

2017 Approved Hollis/Brookline Cooperative School District Appropriations

\$85,439 Support Staff Contract

\$21,209,099 Operating Budget

\$754,648 SAU

\$22,049,186 Total **(1.0% decrease)**

2018 Approved Hollis/Brookline Cooperative School District Appropriations

\$24,324 Athletic field

\$806,808 SAU

\$302,962 Professional Staff Contract

\$78,813 Support Staff Contract

\$21,294,000 Operating Budget

\$21,294,000 Total **(2.1% increase)**

To summarize, town appropriations effectively increased 3.7% in 2018. BSD appropriations increased 2.5% in 2017 and 4.9% in 2018. Coop appropriations decreased 1.0% in 2017 and increased 2.1% in 2018.

REVENUE

To understand the revenue, you have to look at each of the 3 governmental bodies involved – the town, the Brookline School District and the Hollis Brookline Cooperative School District.

Town of Brookline Revenue

Property taxes are a large portion of the town revenues, but other taxes, fees and funding sources have a significant impact. The amount of property tax needed by the town is calculated by starting with the appropriations and subtracting the non-property tax revenues. Thus, when other revenues go up, property taxes go down and vice versa.

For the town, non-property tax revenues in 2017 were \$1,880,084. \$1,113,595 came from motor vehicle registration fees. Another \$269,025 came from the rooms and meals tax.

Additionally, the Selectboard voted to use \$500,000 from unused funds (the Unassigned Fund Balance) to offset taxes. This results in a total non-property tax revenue of \$2,380,084 which was used to offset town-only appropriations of \$5,561,320, or 42.8%. The town portion of the property tax accounted for the remaining 57.2% in 2017.

Over the last four years, the town of Brookline has seen non-property tax revenues fluctuate from an annual increase of 7.5% to a decrease of 5.9%. However, five years ago revenues increased 23.5% as the economy covered from the recession.

As an example of how other revenues effect the property tax rate, if the town appropriations increased 3%, but the non-property tax revenues increased 7%, then the town property tax would remain unchanged because the increase in the other revenues would cover the additional expenses. However, if the other revenues decreased by 7%, then the town property tax would increase by 10.5% because it has to cover both the increased expenses and make up for the loss of other revenue.

Brookline School District (BSD) Revenue

In 2017, BSD has \$8,463,458 in total revenues, which includes \$5,447,638 (61.8%) from local property taxes and \$3,015,820 from other sources. Other major sources of revenue include state and federal education aid.

In 2016, BSD has \$8,502,322 in total revenues, which includes \$5,252,147 (64.4%) from local property taxes and \$3,250,175 from other sources.

It is important to note that the “state property tax” portion of the property tax bill are funds that are sent to the state, but the state simply returns those funds to the town and this is counted as part of the “other revenue” here because it comes from the state even though it is actually local property tax funds. In 2017, BSD received \$573,130 that was actually from local taxes but passed through the state. The schools also received an additional \$1,800,600 in state education funding.

The BSD revenues from sources other than the local education property tax in the last three years saw a decrease of 7.2% (2017), a decrease of 5.7% (2016) and an increase of 0.7% (2015).

The amount of funding that the school bills the town is calculated as the total appropriations minus the revenues from other sources (including unspent funds from the previous budget year). For example, if school appropriations are increased 3% but other revenues decrease 4%, then the bill to the town would increase 6.9%.

Hollis Brookline Cooperative School District

The Coop is different in that the expenses are divided between the towns of Brookline and Hollis using an apportionment formula. The formula relies very strongly on the percentage of students in any given year that attend from each town, which can fluctuate. In recent years, the percentage of students from Brookline has been increasing, which has cause the portion of the school expenses billed to the town of Brookline to increase substantially. Initially, Brookline accounted for about a third of the students. Today, Brookline accounts for about 48%. Based on student enrollment in the elementary schools, the portion of students from Brookline is expected to begin decreasing soon, but this can be difficult to predict as new families move into both towns.

For this analysis, we will look at the coop revenues and expenditures as a whole, but keep in mind that the town of Brookline is billed for just under half of the funds that need to be raised from the towns.

In 2017, BSD has \$22,323,075 in total revenues, which includes \$14,919,589 (66.8%) from local property taxes and \$7,403,486 from other sources. Other major sources of revenue include state and federal education aid.

The revenues from sources other than the local education property tax in the last three years were an increase of 0.1% (2017), an increase of 1.9% (2016) and a decrease of 1.5% (2015).

PROPERTY REASSESSMENT

Under state law, all towns are required to reevaluate all property every five years to ensure that the property valuations used for calculating taxes is up-to-date. The town of Brookline is undergoing this process this year and consequently, taxpayers have received new property valuations in the mail.

The effects on actual taxation is easy to calculate from the perspective of the town government – it will not have any effect on the town revenues. However, it is much more complex and variable from the perspective of an individual taxpayer.

The property valuation does not change the total amount of taxes to be raised. However, it does change the percentage of the taxes that are assigned to each property. Some taxpayers will see their taxes increase as a result of reevaluation. Others will see their taxes lowered for the same reason.

It is impossible for an analysis at the town level to determine the changes to an individual's taxes due to reevaluation. On average, the change will be zero, but few if any taxpayers will be average. The changes are highly dependent on each property.

CONCLUSION

The known impacts on the property taxes include a 3.9% increase in town appropriations.

The BSD appropriations increase 4.9% with the new budget. However, only half of that is applied to this year's tax rate. The tax rate is also set using half of the previous year's BSD budget, which saw a 2.5% increase.

Similarly, the Coop appropriations increased 2.1% with the current budget, but only half of that is billed to the towns while the other half reflects the 1.0% decrease in the previous year's appropriations.

The changes in other revenues for the town are unknown as are the changes in revenues for the two school districts for this year. For the previous school budgets (half of which is billed this year), there was a decrease of 7.2% in BSD and an increase of 0.1% in the Coop.

The unknowns regarding revenues can vary significantly from year to year and has significant impacts on the total taxation required.

Keeping in mind that the town accounts for 16% of the local property tax effort, while the Coop accounts for 38% and BSD accounts for 34%, the schools have significantly more impact on the tax effort than the town.

The unknown factors make it difficult to impossible to guess what the final effect on the taxes will be given the variability in other revenues, which are largely beyond the control of the town. Given that a significant reevaluation is also taking place, the changes in each taxpayer's property taxes is expected to vary highly, making changes difficult to predict and prepare for, which has been true every five years when the reevaluation is required.