

POLICY ISSUES NOW

Missouri Education Funding

Senate Bill 287 (as revised) April 25, 2005

SUMMARY:

SB 287 changes Missouri's formula for providing aid to local school districts. Most elements of the proposal have been thoroughly debated. An exception is the effect of disparate assessment levels on the total cost and the distribution of funds.

ASSESSMENT LEVELS DETERMINE ABILITY TO PAY:

SB 287 makes school districts responsible for a portion of total education funding, according to their *ability* to raise local revenue. The remaining "student need" would be state funded. A district's local responsibility is based upon two known and fixed factors. The formula sets a presumed tax rate of \$3.35 for all districts. The differential in *ability* is measured by the total property assessment per student, fixed as of 2004. The lower a district's assessed wealth per student, the higher the state aid. **This seems straightforward and fair — if the assessments accurately measure local property wealth.**

The Joint Interim Committee on Education report "...acknowledges the perception of inconsistent property tax assessments across the state and further acknowledges that a school aid formula that depends on property taxes and property values is disadvantaged when it rests on a foundation that many people do not believe is fair and consistent (February 15, 2004. Pg. 6)."

ASSESSMENT DISPARITY CAUSES STATE AID TO BE MISDIRECTED AND OVERSPENT:

Where property values are underestimated, districts will appear poorer than they actually are and receive undeserved aid. These overpayments deplete state resources that could be used to phase in funding more rapidly, while depriving other districts. The disparity that existed in 2004 is locked in for as long as the formula lasts, rewarding poor assessment performance.

KNOWLEDGE OF ASSESSMENT LEVELS:

Research by the Public Policy Research Center consistently indicates that some counties assess near the legally prescribed level, while others underestimate values. The results suggest greater disparity than shown by the appraisal ratio study performed by the STC. An independent and professional sales ratio study is the only viable means of establishing the facts.

ASSURING ASSESSMENT UNIFORMITY AND IMPROVED POLICY MAKING:

Without the benefit of an independent, professional and trustworthy sales ratio study:

- Legislators must continue to set policy based upon perception and myth, rather than facts.
- Problems with assessment levels, as well as equity within and across counties, are likely to continue.
- Measures of local property wealth will remain inaccurate, resulting in the misdirection of state funds.

Without the benefit of a thorough review of Missouri's often antiquated and conflicting property tax statutes, practices, resources and oversight by an appropriate authority, such as the Joint Committee on Tax Policy:

- Legislators must continue to react to problems, rather than create informed policy.
- The lack of confidence that many have in the accuracy and equity of the system is likely to persist.

Without appropriate resources desirable sources of expertise and improvement will be unavailable, e.g.:

- The State Tax Commission cannot maintain knowledge of local practices, or provide the necessary technical assistance to counties that is vital, given the current technical assistance staffing level, which has been depleted in recent years.
- The PPRC at UMSL cannot offer and expand its capacity to provide an ongoing, unbiased source of expertise; familiar with Missouri law, policy, practices and history, as well as the best practices of other states without funds.

