

School Funding and Property Taxes

What are some of the issues?

Manitoba Association of Cottage Owners

AGM October 21st, 2006

Gus Wruck



School Taxes Issues for Resident Owners and Cottagers

- Taxes rising and are getting too high
 - Perception that taxes are out of control
- Residents must pay school taxes regardless of residency status in municipality
- School Board Elections
 - Non-resident owners cannot vote
 - But able to vote in Municipal elections
- Taxation in provincial parks is inequitable



Summary Frontier Centre for Public Policy Feb 2005

- In the 2003/2004 year, \$1.43 billion was spent on K-S4 public education in Manitoba.
- Funding
 - About 57% of public education costs from provincial government
 - While 38% is covered by locally raised property taxes (school boards)
- Manitoba has two school-based property taxes
 - Special levy, set and collected by local school boards
 - Education Support levy, which is set and collected by the provincial government and represents most of the remaining revenue (gone)
- Property taxes have steadily increased in Manitoba
 - Now property taxes are considerably higher than in other provincial jurisdictions
- Farmers pay a levy on both their farmland and their residence

Summary Frontier Centre for Public Policy Feb 2005

- Property taxes are an inequitable way to fund education
 - Property taxes not tied to income
 - Property taxes not uniform across the province
- Numerous groups have called for the elimination or reduction of the special levy (but has become the norm)
- Of all the provinces
 - Only Saskatchewan relies more heavily than Manitoba on property taxes as a means of funding public schools.
- Three provinces fund education exclusively through general provincial revenues.
- Province of Manitoba should assume total responsibility for public school spending.
- There are other options to support education

General Trends

- In the 2003/2004 FRAME Report, the Manitoba government projected
 - Expenditures on public education (K-S4) would be approximately \$1.43 billion.
- Manitoba government directly funds 56.7% of education
 - Remainder (38.1%) is covered by property taxes set by local school boards.
- The provincial government's share of public-school financing has declined substantially over the past 25 years
 - From 82.4% in 1981 to 56.7% in 2003/04

Manitoba Association of School Trustees and others

■ MAST believes that:

- education support from provincial general revenues should be increased to 80% of school division operating costs
- limiting reliance on property taxation levied by school boards to fund not more than 20% of total divisional operating expenditures.

■ MACO believes that

- Research – more to be done
- Gather information from AMM and the Department of Education
- Cooperative approach with other groups





Canadian Taxpayers Federation

- Completed a recent study on property taxation for agricultural land



Recommendations CTF for farms

- The province should require municipalities and school boards submit to voter approval all tax increases by referendum.
- CTF is calling for the elimination of school division taxes levied on farmland.
- To benefit all tax paying property owners in Manitoba, the CTF recommends that the province and school divisions freeze school taxes and work toward annual school tax reductions
- Proposed a property tax cap (annual increases limited to the rate of inflation)

School Taxes

General



Inequities in taxation

- Is more provincial funding for education required? Yes
 - Reduce impact of local school taxes
- Double taxation on residences that are not the primary residences or a second property
 - In contrast; No double taxation in provincial parks
- A larger rebate for senior or fixed income citizens in their primary residence?
- Are there other ways to finance schools besides property taxes?
- What do other provinces do?

School Funding in other provinces

	Provincial	Local	Comments
NF&L, PEI, NB	100%	0%	
BC & ON	Provincial Property tax levy and is thus partially based on property taxes		
NS	80.9	19.1%	
AB	95%	5%	
PQ	77.1%	22.9%	
MB	57%	38%	
SK	38%	62%	Under review

Trends in Provincial Support to Education

\$ millions	98/99	%	99/00	%	00/01	%	01/02	%	02/03	%
Government Support	\$784	64%	\$816	63%	\$837	63%	\$837	61%	\$857	59%
Local Support	\$393	32%	\$416	32%	\$436	33%	\$472	34%	\$513	36%
Other Support	\$577	5%	\$57	4%	\$63	5%	\$65	5%	\$70	5%
Totals	\$1,233		\$1,290		\$1,336		\$1,374		\$1,440	

While government support to education has increased the percentage has decreased.

Cost per student in Manitoba

- Wide Variation in Manitoba

	98/99 \$millio ns	99/00 \$millio ns	00/01 \$millio ns	01/02 \$millio ns	02/03 \$millio ns	Sunrise Division 06/07	Hanover Division 06	Interlake 06
Government Support	\$784	\$816	\$837	\$838	\$857	\$27,550,03 9		
Local Taxation	\$393	\$418	\$436	\$472	\$513	\$19,152,46 9		
Other Revenue	\$57	\$57	\$63	\$65	\$70	\$1,003,451		
Total	\$1,233 .10	\$1,290 .50	\$1,336 .00	\$1,374 .30	\$1,440 .00	\$47,705,95 9	\$47,067, 299	\$27,292, 000
Total Enrollment	195,09 1	199,41 9	202,41 8	191,10 2	189,21 7	4665	6,952	3,213
Cost per Student	\$6,321	\$6,471	\$6,600	\$7,191	\$7,610	\$10,226	\$6,770	\$8,494



St. John's Ravenscourt

- Private School in Winnipeg
- Provides a useful comparison
 - Grades 1 - 3 \$11,200
 - Grades 4 & 5 \$11,650
 - Grades 6 - 8 \$12,570
 - Senior 1 - 4 (Grades 9 - 12) \$12,630



Edmonton Schools

COMMENT • A15

Canada's education secret



MARGARET WENTE

*Globe and Mail
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Imagine a public-school system where families are encouraged to go shopping for the school of their choice. Imagine that the choice includes a sports school, an arts school, a military academy, a religious school, and Mandarin immersion. Imagine a world where all the school results are public, where schools compete for kids, and the bad schools are shut down. Imagine a world where the students regularly outperform the rest of Canada, and 88 per cent of the kids in Grade 3 can actually read and write.

Yes, this world exists. You just have to move to Edmonton.

"In Edmonton, even billionaires send their kids to public school," says Angus McBeath, who recently retired as superintendent. Today, he advises schools across North America on the Edmonton model.

Mr. McBeath is a passionate defender of public education. He's also a passionate advocate for school reform. "I don't think people realize how big an achievement issue we have in this country," he says. About four in 10 adults can't read or write well enough to handle the complexities of modern life. Aborigines, as a group, lag far behind. And yet, we like to think our school system is pretty good.

The three keys to the Edmonton model are entrepreneurship, accountability, and choice. The curriculum is determined by the province, but decision-making is decentralized. School principals control their own budgets and have unusual authority to run their schools and spend the money as they see fit. This is a revolutionary notion. In most places, even the smallest decisions — hire a teacher assistant or repaint the gym? — are tightly controlled from the top.

In Edmonton, parents know exactly how much money every school has to spend and how it spends it. They love the choice. Last year, 57 per cent of families sent their kids to schools outside the area where they live. In return, the schools are held accountable for results. Every student in Grades 1 through 9 is tested every year. If pupils aren't doing well, teachers are not allowed to blame parents.

Edmonton has its share of disadvantaged kids. A quarter of its 80,000 students are lower income, and 7,000 are aboriginal. Mr. McBeath argues that the best social program you can offer kids is literacy. And so the focus on literacy is intense. "We had to give up a lot of traditional things schools were involved in," he says, "because you can't do everything." There's less time now for Christmas concerts and raising money for tsunami victims. But the focus is paying off. In some lower-income schools, every child has passed the achievement tests. "These children will now be able to take advantage of Canada as a meritocracy."

The city still has major challenges. Dropout rates remain too high — partly because of a red-hot economy where a kid with muscles can find a job for \$35 an hour.

Mr. McBeath argues that the biggest obstacle to reform is the educational ruling class — the school boards, bureaucrats, principals, and teachers unions. "The ruling class never voluntarily reforms itself," he says. The problem with public education is that it operates like a monopoly, even though it isn't. Affluent families can always opt out. The trick is to keep the affluent opting in — and one way to do that is to recognize that one size can't possibly fit all. In order to increase choice, Edmonton has even got three large Christian schools to join the public system.

Edmonton's success is one of Canada's best-kept secrets — except in places like New York, Houston, Seattle and Oakland, Calif., which are determined to adopt important elements of its approach. Some Atlantic provinces — where school achievement is the lowest in Canada — are interested, too.

Here in Ontario, alas, the public has the sense that the education crisis has largely passed. Gerard Kennedy, the former education minister who wants to be the federal Liberal leader, is widely considered a success because nobody's been on strike lately, and class sizes for the younger kids have shrunk.

Meantime, a giant, immovable bureaucracy has stifled real reform. The largest school boards are mired in yet another funding crisis, and a startling number of nine-year-olds still can't read. No one is thinking of hiring Angus McBeath. He's too dangerous.

mwente@globeandmail.com

LOBEANDMAIL.COM

Edmonton Model

- Schools compete with each other for students
 - Determines funding
- Students outperform the rest of Canada
 - Performance indicator
 - 88% of students can read and write by grade three
- Literacy is best social program for kids
 - Major and primary focus to education
 - Other extra-curricular programs minimised
- Keys to Edmonton Model
 - Entrepreneurship, accountability, choice
 - Principals make spending choices





Edmonton Model (problems)

- Dropout rates still high (robust economy)
- Obstacles to reform in other jurisdictions
 - School boards, bureaucrats, principals and teachers unions

School Performance

- Is there good use of resources and funds in school districts?
 - Requires more study
- Should schools be forced to show performance as a condition for funding and enrolment?
 - Teaching Effectiveness and Efficiency in Student Education
- Student performance; what is performance of students in other districts?
- School discipline, is there a problem? There are rumours that discipline is a problem in some schools.
- Extra-curricular programs
 - Cost effective?
 - Are they needed?

Inequities of Tax System

Tax treatment of owned residential property





Cost of Owning Property

■ Ownership cost

- Opportunity costs (foregone interest on investment but can have capital appreciation)
- Maintenance costs of buildings (variable)
 - Frequently water and sewer services
- Municipal and school taxes

■ Taxation inequities

- Cottages in provincial parks pay considerably less
- Cottages on title deed land outside of parks pay more

Tax analysis in RM Lac du Bonnet

Standard Tax Calculation for Assessing Taxes (based on actual property for 2006)				
Land (water front)	Building	Total	Proportioned %	Proportioned Assessment
\$67,100	\$250,000	\$317,100	45%	\$142,700
Municipal taxes				
Assessment		Mill Rate		Taxes Owing Total
\$142,700		0.01455		\$2,076
			Percent of Total	39.07%
School Taxes				
Assessment		Mill Rate		Taxes Owing
\$142,700		0.022691		\$3,238
			Percent of Total	60.93%
	Total Mill	0.037241	Current taxes	\$5,314

Less \$400 property tax credit



Tax analysis in RM Lac du Bonnet

Standard Tax Calculation for Assessing Taxes (based on actual property for 2007)				
Land (water front)	Building	Total	Proportioned %	Proportioned Assessment
\$67,100	\$250,000	\$317,100	45%	\$142,700
Municipal taxes				
Assessment		Mill Rate		Taxes Owing Total
\$142,700		0.016280		\$2,323
			Percent of Total	40.24%
School Taxes				
Assessment		Mill Rate		Taxes Owing
\$142,700		0.024176		\$3,449
			Percent of Total	59.76%
	Total Mill	0.040456	Current taxes	\$5,773

Less \$525 MB education property tax credit





Provincial Parks

- Two types of land holdings in provincial parks (costs are very modest)
 - Leased Lots
 - Titled Lots
 - Only Clearwater and some parts of the Whiteshell have titled lots
 - Were privately owned before parks were formed



Fees in Provincial Parks

- Service Fees (equivalent to municipal services)
 - Common to both types of ownership in parks
 - Varies depends on level of service required by cottagers
 - Road maintenance, sewage lagoons, snow removal, fire protection, garbage pickup and dump maintenance
 - Annual fees ranges from \$300.00 and upward.
 - This fee recovers approximately 80% of park operating costs in most parks.

Property Fees in Provincial Parks

■ Leased Lots

- Service Fee - \$300 plus
- Lease fee is 4%
 - Based on 1981 assessed value of land
 - No current plans for re-assessment
 - Re-assessment would cost several million \$
- Permanent residents pay additional \$400.00 fee in lieu of "taxes"
 - But only paid if they **do not** own a residence somewhere else that is taxed

■ Titled Lots (Clearwater & Whiteshell)

- Service fee - \$300 plus
 - Same as for leased property
- No lease fee!
- Permanent residence fee - \$400.00
 - But only paid if they **do not** own a residence somewhere else that is taxed



Other Comments for Land in Parks

- Property, whether leased or titled sells for fair market value
- If there is no building on a lease lot, the owner cannot sell it
- In new lease agreements for land with buildings
 - Parks must pay fair market value for buildings if they seize or "re-possess" a property.

Taxes; for waterfront property with no buildings in RM Lac du Bonnet

Land Taxes			Portioned %	Proportioned Assessment
\$67,100			45%	\$30,196
Municipal taxes		Mill Rate		Taxes
\$30,196		0.01455		\$439
School taxes		Mill Rate		
\$30,196		0.022691		\$685
			Total Taxes no buildings	\$1,125
			Percent of Assessed Value	1.68%



Calculated cost for leased waterfront lot in park based on current Lac du Bonnet assessment rates

Land Assessment	Lease Rate		Land Lease
\$67,100	1.68%	Tax rate Calculated	\$1,127
\$67,100	4%	Current Rate	\$2,684
Total Lease rate	5.68%	Total	\$3,811

Current actual land ownership costs in park

Whiteshell Park Lease Cost of Land based on 1981 Assessment Rates		
\$15,000 estimated assessment for 1981	4% Lease Fee	\$600
Service Fee \$300 plus, if determined costs are more		\$300
Non-resident owner of park property	Total	\$900
Permanent Resident's Fee "in lieu" taxes only paid if no residential property owned elsewhere		\$400
Value of buildings not considered	Possible total	\$1,300

The fee structure regardless of buildings in parks is less than the costs of owning vacant water front land in Lac du bonnet.



Suggested Property Costs in Provincial Parks

- Land lease rate for land be equivalent to a commercial rate
 - Include land taxes (fair lease rate plus land tax rate)
 - Services fees (normally expected fees for services)
 - Residents fee “in lieu” of municipal and school taxes
 - Equivalent to property taxes on buildings outside of provincial parks
 - Could be less the Service Fee
 - Land and building assessments need to be updated regularly and applied accordingly

Conclusions



Problems with Current Tax System

- Property taxes levied by local school boards have steadily increased
 - Frequently more than half of the property tax bills 60%-40%
 - Municipalities have generally decreased or kept their property tax rates stable
 - School tax levies have increased
- Manitoba has some of the highest property taxes in the country
 - Affects residential homeowners
 - Commercial business owners
 - Owners of farm property also pay a hefty amount in school tax
 - Farmers make up only 3% of the population in Manitoba, they are responsible for nearly 9% of the total education (being addressed)

Problems with Current Tax System

- Property taxes are not a progressive form of taxation
 - Property taxes are related solely to the assessed value of property owned
 - Income taxes are tied to annual incomes
 - Sales taxes to levels of consumption
- Impact greatest on fixed incomes—seniors
 - Under the current property tax structure
 - Senior who owns a \$100,000 home in Winnipeg and earns \$15,000 annually will be required to pay approximately \$1,500 in property taxes
 - A young professional with an annual income of \$60,000 living in an apartment would pay much less.



Problems with Current Tax System

- Property taxes to fund education are inequitable
 - Property values are widely disparate across the province,
 - Mill rates will vary as school boards try to provide a roughly equivalent level of education for their students.
 - Communities with little commercial property and low property values
 - Pay a greater proportion of property taxes than residents from wealthier communities.
- Current system of funding is not sustainable
 - Property tax rates are already higher in Manitoba
 - Reduces ability to be competitive with other jurisdictions

RA – RA Principle; an Observation

- Constitutionally provinces have
 - **R**esponsibility for education and
 - tend to shirk responsibility over time
 - **A**uthority to provide education
- School boards given responsibility to implement education programs in local areas but
 - **R**esources are limited and
 - Special levies increasingly needed to finance programs
 - **A**ccountable to provincial government
 - School boards held accountable for services

Recommendations for Change

- Reduce reliance on property taxes for school funding
- Eliminate taxation without representation
 - Allow non-resident property owners to vote for school trustees
- Improve fairness of school taxes on recreational property when a primary residence is owned in Manitoba
 - Should only be required to pay once following the policy of provincial parks
- Improve accountability of School Divisions
- Consider significant property tax credit for fixed income seniors
- Remove inequities associated with properties in provincial park as compared to those outside of parks
 - Bring their costs of ownership to a similar level as municipalities

Where to from here?

- Need better Financial reporting by school Divisions
 - Considerable information on Division websites
 - Interlake Division (good)
 - Evergreen Division (very good has considerable information)
- Beat the Drums / Make Noise
 - Willing to take this message to constituent Resident Associations
 - Publish Information on Website
 - Lobby government and MLA's assume more funding
 - Ed Schreyer
 - Government notoriously slow to respond but will if repeatedly pelted with demands

Thank You
Gus Wruck

Questions?

