

Will More Kids in Town Raise the Property Tax Rate?

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Introduction

- * Escalating house prices and apartment rents in NH → serious housing affordability issue and barrier to labor force and economic growth.
- * Reluctance in some towns to allow new construction because of fear that new homes bring more kids to town and drive up school tax rate.
- * This fear of more kids in town based on faulty logic and on failure to look closely at actual situation facing each N.H. community.

Example of Argument that Housing More Kids Raises Taxes

- * New housing unit enters Concord tax rolls in 2017 with assessed value of \$250,000.
- * Young couple with one school-age child buys unit.
- * Given local education tax rate of \$13.24 per thousand, new housing unit yields \$3310 of extra property tax revenue per year for Concord School District.
- * *Average* cost of educating elementary student in Concord during 2017-18 school year over \$17 thousand.
- * Tempting to conclude that Concord suffers a substantial financial loss by housing a new family.

Reasons for Doubting the Kid-Phobic Argument

- * Logical confusion between **average** cost of servicing all users and **marginal** cost of servicing an additional user.
- * Implicit assumption that local property tax only source of funding for public schools.
- * Implicit assumption that no “unused educational capacity” and that district needs to buy more resources.
- * No evidence provided that tax rate actually rises when more children live in town.

Average vs. Marginal Cost

- * Operation of COAST bus on Seacoast.
- * Substantial costs of operating bus (fuel, depreciation on vehicle, compensation of driver, insurance, etc.) + handful of passengers → high **average cost** per passenger served by bus line.
- * No additional costs associated with serving additional passenger if empty seats so **marginal cost** of service = 0 !!

Items in School Budget that Grow Little or Not At All as Enrollment Grows

- * Size of administrative staff and administrative costs, especially in smaller districts.
- * Costs of building operations and maintenance.
- * Costs of student transportation if empty seats on buses.
- * Costs of servicing existing bonds resulting from past construction projects.

Enrollment growth and instructional costs (I)

- * **Total** instructional cost = (average teacher compensation * student enrollment) / (average class size)
- * **Average** instructional cost per student = (average teacher compensation)/(average class size)

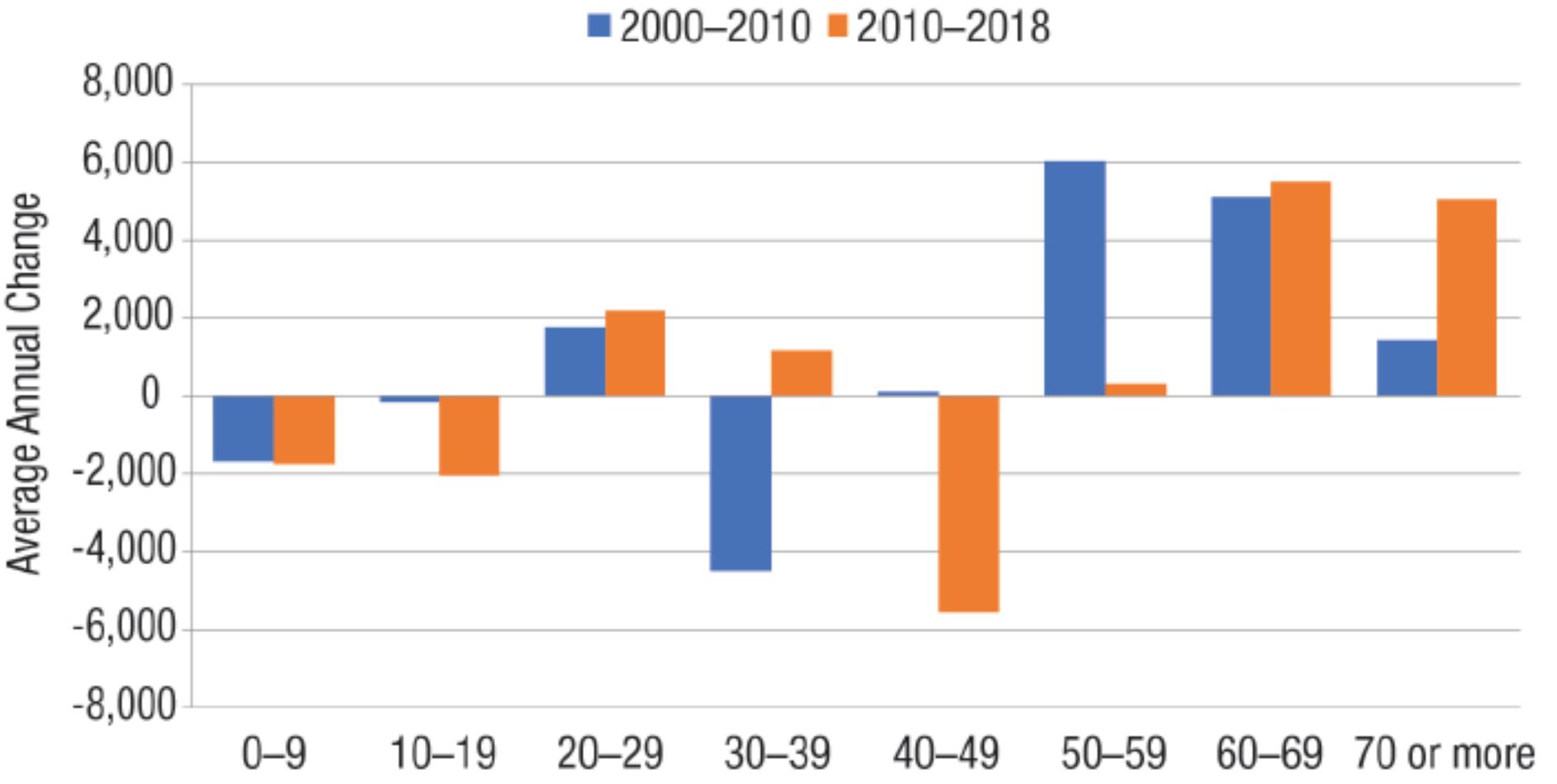
Enrollment growth and instructional costs (II)

- * Possibility of little or no increase in total instructional cost as enrollment grows if school district (1) increases average class size and (2) hires new teachers at “lowest step” on salary scale.
- * Necessity of **decline** in average instructional cost if new hires pull down average compensation and if average class size goes up.
- * Highly likely that marginal cost of extra student less than average cost of educating all students in town.

Enrollment Growth and Additional Revenue for School District

- * Extra revenue from taxing new student's home not only source of additional funds to pay for his or her schooling.
- * State and federal grants available to help pay for schooling of new low-income, special needs and non-English speaking students.
- * N.H. adequacy grant program → roughly \$3700 per year for **every** student enrolled in district.

FIGURE 8. POPULATION CHANGE IN NEW HAMPSHIRE BY AGE, 2000 TO 2018



Source: U.S. Census Bureau 2000-2010 Census and Estimates 2019

Class Sizes in NH School Districts, Statewide Averages

School year	Grades 1&2	Grades 3&4	Grades 5-8
2018-2019	17.4	18.8	19.6
2007-2008	17.5	19.1	20.1

Student-Teacher Ratios, Select Districts

District	2019-20 Enrollment	2019-20 FTE Teachers	2019-20 Student Teacher Ratio
Bedford	4373	316.4	13.8
Bow	1655	126.8	13.1
Dover	3891	273.9	14.2
Newmarket	1045	85	12.3
Oyster River	2168	180.1	12
Portsmouth	2615	223.9	11.7
Rochester	4139	336.3	12.3
Windham	2937	219	13.4

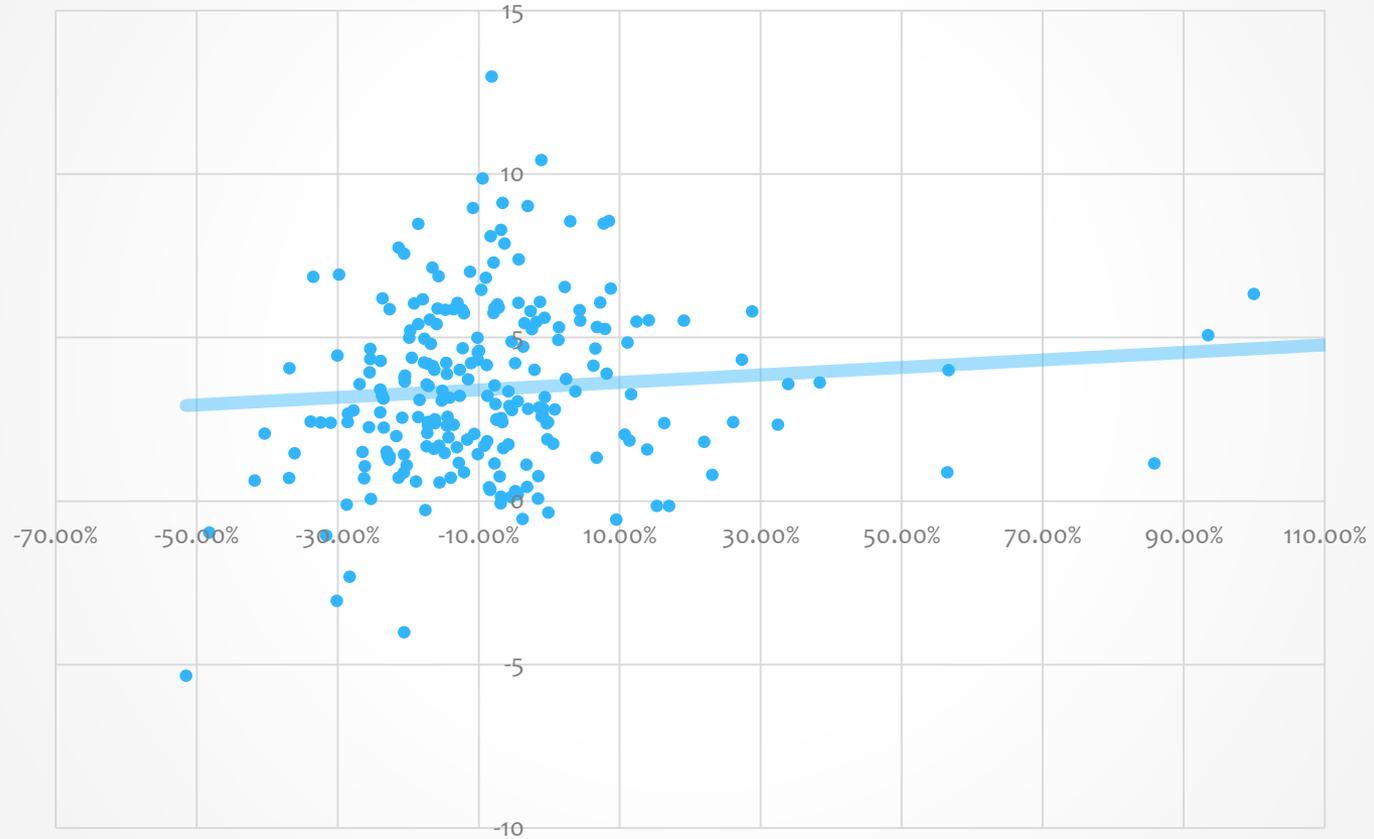
Elementary Enrollment and Tax Rate Changes in Larger Districts, 2007-2017

	Pct. change in elementary enrollment	Change in local education tax rate (\$ per thousand of equalized valuation)
Bedford	-4.50	0.21
Concord	-11.07	4.21
Derry	-12.65	4.01
Dover	+16.36	2.38
Hudson	-17.07	3.51
Londonderry	-21.66	1.98
Manchester	+0.83	2.80
Merrimack	-15.13	3.37
Nashua	-0.24	1.88
Rochester	-4.44	3.05
Salem	-19.46	4.38

Tax Rate and ADM Changes, 2015-2017

Lower tax rate, Higher ADM	Higher tax rate, Higher ADM
Amherst, Bow, Deerfield, Epping, Greenland, Henniker, Hopkinton, etc.	Allenstown, Acworth, Andover, Brookfield, Lisbon, etc.
Lower tax rate, Lower ADM	Higher tax rate, Lower ADM
Barrington, Bedford, Candia, Canterbury, Exeter, Hampton, Hanover, Hooksett, Kingston, etc.	Chichester, Claremont, Concord, Derry, Gorham, Hillsboro, Hudson, etc.

Change in Local Tax Rate versus % Change in Elementary ADM,
2007-2017



Conclusions

- * Very weak correlation between changes in student population and changes in local education tax rate.
- * Need to look at particular circumstances in each district before making dire predictions.
- * Little reason to fear arrival of families with children in most communities.
- * Low average class sizes and recent declines in class sizes as evidence of “excess capacity” and opportunity to school more children at little extra cost.

Homes for the old AND the young?

