



# Property Tax Adjustments & Education Funding

Senate Committee on Education Pre-K – 12 Appropriations  
December 13, 2007

Presented By  
Office of Economic and Demographic Research

# Florida Education Finance Program

- The Florida Education Finance Program (FEFP) was established in 1973 to equalize funding across the school districts.
- In this regard the FEFP funding program recognizes:
  - **(1) varying local property tax bases;**
  - (2) varying education program costs;
  - (3) varying costs of living; and
  - (4) varying costs for equivalent educational programs due to sparsity and dispersion of student population.

# Ad Valorem Estimating Conference

- Primary Product
  - Forecasts of **school taxable value** and county level of assessments; estimates are used in the FEFP model
- Principals
  - Governor's Office, House & Senate Staff, EDR (Department of Revenue participates)
- Meetings
  - Last: November 2007
  - Next: Pre-Session 2008

# Translation to FEFP

- The Revenue Estimating Conference meets to adopt the **Ad Valorem forecast**.
- The estimate is in the form of **school taxable value** by county.
- A **discount factor of 95%** is applied to the tax roll, and then the **value of one mill** is determined.
- Using the projected statewide **required local effort millage rate** and the total amount to be raised in Florida, each county's estimated required local effort is computed (value of one mill x the statewide millage rate).
- Adjustments are made for **levels of assessment** and the **90% cap** on locally generated revenue.

# 5 Calculations of the FEFP

*Occurs five times throughout the year to derive the final appropriation.*

1. Legislative Allocation based on Ad Valorem Conference results (Session)
2. Certified Tax Roll Estimate from the Department of Revenue (July)
3. Student Counts and Weighting (November Data)
4. Technical Adjustments (February Data)
5. True-Ups to produce the final calculation (FTEs, September Tax Roll and Prior Year Adjustments)

# 95% Discount Factor

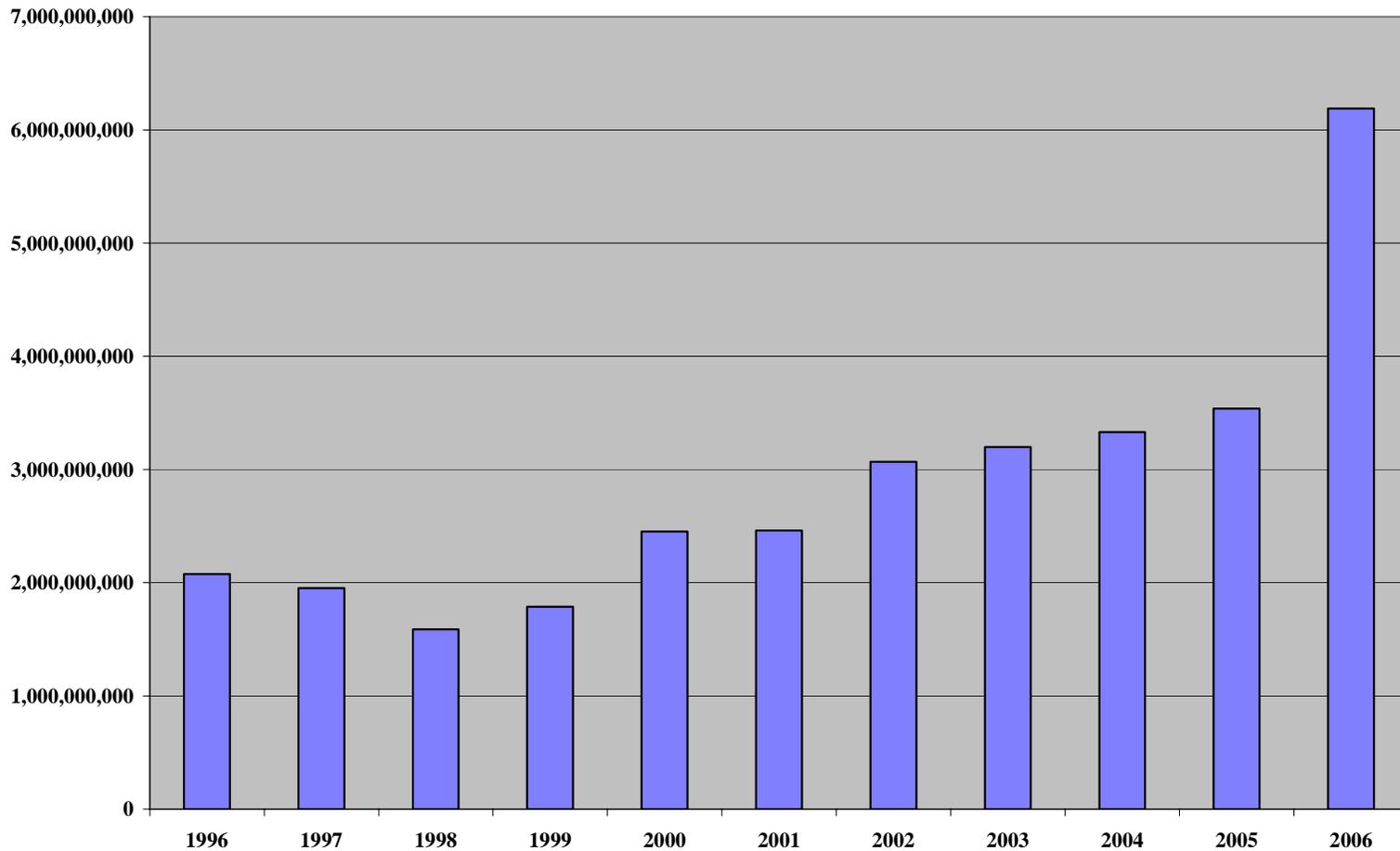
- The 5% adjustment is to address issues that further reduce the official roll but are not reflected in the official estimate.
  - 4% early payment discount
  - Non-payment of taxes
- The actual value of these components has run about 3.5%.
- Indirectly, any other issues that are not formally adjusted within the year are provided a “cushion” to the extent the county exceeds 95% in collections.

# Value Adjustment Boards

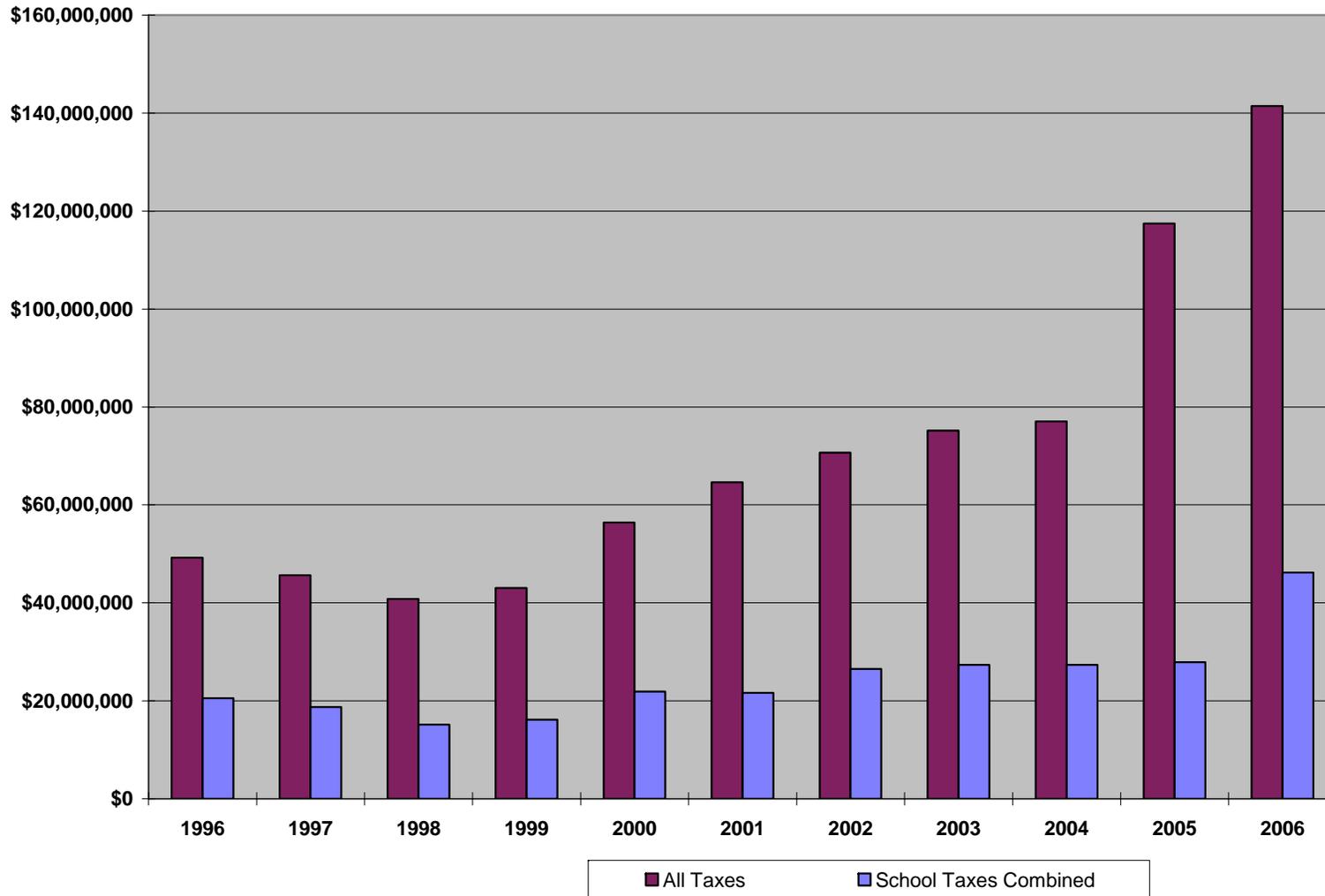
- The boards address petitions related to assessments, complaints related to homestead exemptions, appeals for exemptions denied, and appeals concerning ad valorem tax deferrals and classifications.
- Five members: three members of the board of county commissioners and two members of the district school board.
- While VAB adjustments are embedded in the history, the forecast of total taxable value purposefully excludes the effect of these adjustments.
- The Department of Revenue July certification excludes them as well; thereafter, they get brought in.

# Taxable Value Loss Due to VABs

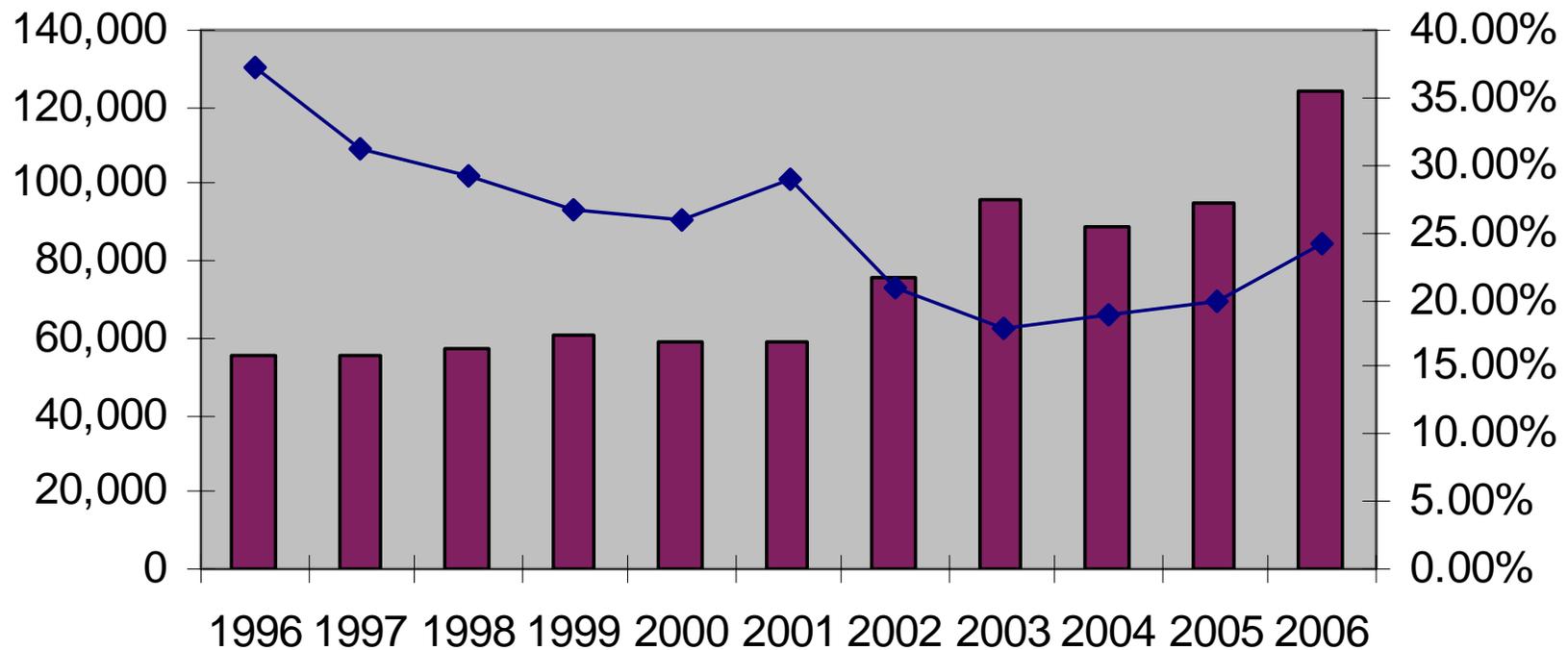
Statewide: Loss In Taxable Value Due to Reductions By the Value Adjustment Boards



# Tax Loss Due to VABs



# Recent History



■ Total # Petitions Filed    ◆ Percent Resulting in Reductions

# Prior Year Adjustments

*The Department of Education is authorized to make prior year adjustments in the allocation of funds to a district for:*

- Adjudication of litigation
- Arithmetical errors
- Assessment roll change
- FTE student membership errors, or
- Allocation errors revealed in an audit report.

Tax rolls received after September 1 are not eligible for inclusion in the prior year adjustment calculation.