



## Property Tax Replacement Payment – FY 2014 through FY 2021

Beginning in FY 2014, a property tax relief provision was implemented called the Property Tax Replacement Payment (PTRP). Since initial implementation, this provision has been extended by the legislature each legislative session (through FY 2021). Extension to further years will require continued legislative approval.

### How the PTRP Provision Works

The PTRP provision eliminates the property tax portion of the regular program per pupil funding increase resulting from the establishment of the supplemental state aid state (SSA) percent of growth rate. Prior to the implementation of this provision, 1/8<sup>th</sup> of the per pupil increase was funded with local property tax while 7/8<sup>th</sup> was funded with state aid. Since FY 2014, the entire increase in the regular program per pupil amount is funded with state aid. The following table provides information on the impact of the PTRP provision. Of note:

- The total cost of the PTRP provision since implementation in FY 2014 is \$62.6 million. This provides no additional new funds for school districts but does provide dollar for dollar property tax relief in the form of additional state aid.
- The annual total amount of PTRP is based on the SSA state percent of growth rate. The higher the SSA state percent of growth rate the more state funding is required for the PTRP provision. A general rule of thumb is that the PTRP costs about \$4.5 to \$5.0 million for each 1.0% of SSA.
- As of FY 2021, the PTRP total per pupil amount is \$131, which represents about 1.9% of the state cost per pupil amount. Every school district receives this \$131 per pupil amount in property tax relief.
- The overall result of the PTRP provision is that the additional levy portion of the state cost per pupil amount has been frozen at \$750 since FY 2013. If the legislature continues to extend the PTRP provision, the additional levy amount portion of the state cost per pupil will continue to remain at \$750.

**Impact of the Property Tax Replacement Payment (PTRP) Provision on Per Pupil Funding**

	FY 2013*	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SSA - State Percent of Growth	2.00%	2.00%	4.00%	1.25%	2.25%	1.11%	1.00%	2.06%	2.30%
Total - Per Pupil Increase	\$ 118	\$ 120	\$ 245	\$ 80	\$ 145	\$ 73	\$ 72 **	\$ 144 ***	\$ 168 ****
State Aid Portion	\$ 103	\$ 105	\$ 214	\$ 70	\$ 127	\$ 64	\$ 63	\$ 126	\$ 147
Property Tax Replacement Payment (PTRP) Portion	\$ -	\$ 15	\$ 31	\$ 10	\$ 18	\$ 9	\$ 9	\$ 18	\$ 21
Additional Levy (Property Tax) Portion	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Cost Per Pupil Amount	\$ 6,003	\$ 6,121	\$ 6,366	\$ 6,446	\$ 6,591	\$ 6,664	\$ 6,736	\$ 6,880	\$ 7,048
87.5% Foundation Level Per Pupil Amount	\$ 5,253	\$ 5,356	\$ 5,570	\$ 5,640	\$ 5,767	\$ 5,831	\$ 5,894	\$ 6,020	\$ 6,167
PTRP Per Pupil Amount	\$ -	\$ 15	\$ 46	\$ 56	\$ 74	\$ 83	\$ 92	\$ 110	\$ 131
Additional Levy (Prop. Tax) Per Pupil Amount	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Annual Cost of PTRP Provision	\$ -	\$ 8,256,691	\$ 17,147,956	\$ 5,549,745	\$ 10,071,627	\$ 5,070,818	\$ 5,094,910	\$ 10,251,641	\$ 12,036,379
Total Cumulative Cost of PTRP Provision	\$ -	\$ 8,256,691	\$ 25,445,353	\$ 31,078,570	\$ 41,405,579	\$ 46,764,212	\$ 52,081,298	\$ 62,648,919	\$ 75,084,077

Notes:

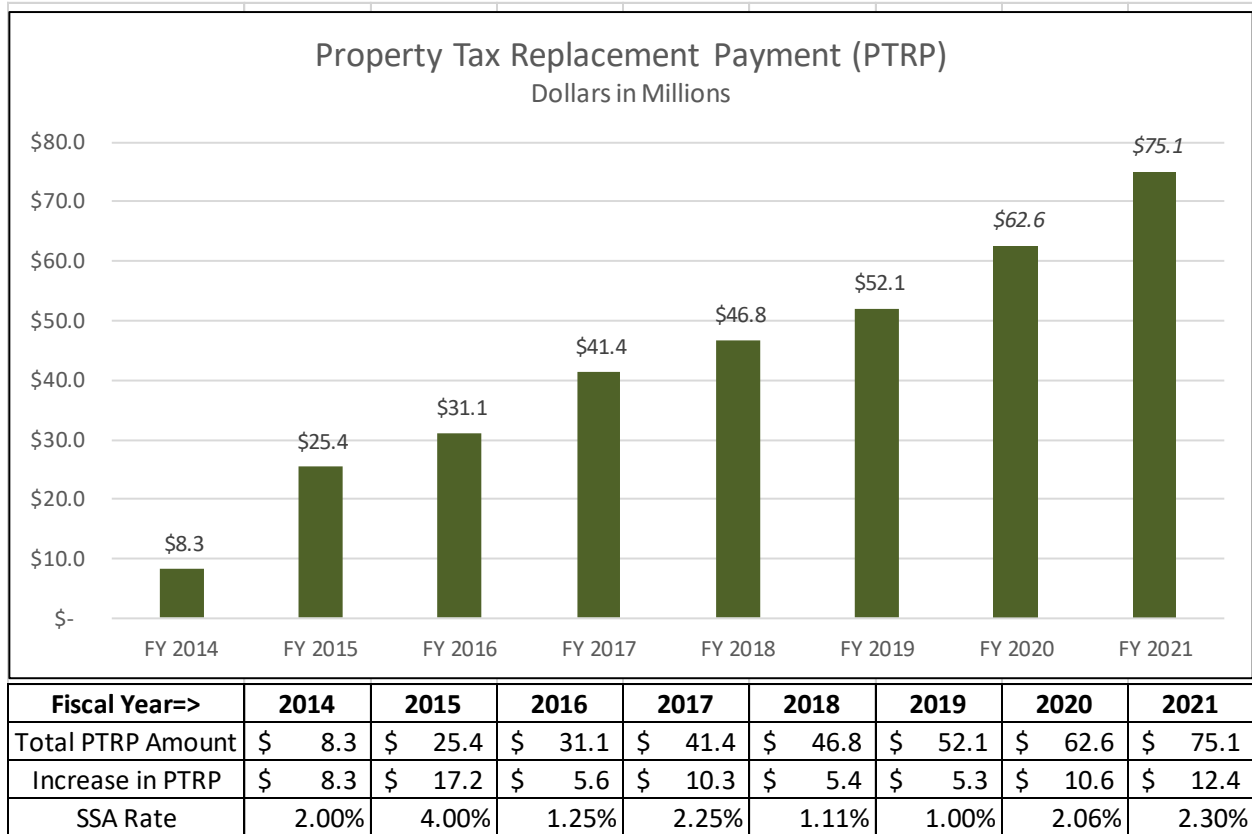
\*FY 2013 was the year prior to implementation of the PTRP provision

\*\*The total per pupil increase included \$67 from the 1.0% SSA state percent of growth rate and \$5 from the equity legislation enacted.

\*\*\*The total per pupil increase included \$139 from the 2.06% SSA state percent of growth rate and \$5 from the equity legislation enacted.

\*\*\*\*The total per pupil increase included \$158 from the 2.30% SSA state percent of growth rate and \$10 from the equity legislation enacted.

The following chart provides the historic PTRP totals by fiscal year. Since the provision was first enacted in FY 2013, the state aid property tax replacement amount has increased from \$8.3 million to \$75.1 million.



## Property Tax Replacement Payment Provision – A Backdoor Foundation Level Increase

The school aid foundation regular program foundation level is currently established at 87.5%. This means that the state cost per pupil amount has 87.5% of the funding from the uniform levy and state aid with the remaining 12.5% funded through local property tax (referred to as the “additional levy”). In FY 2021, the state cost per pupil amount totals \$7,048, meaning that 87.5% of that amount (\$6,167) is funded with uniform levy and state aid and \$881 represents the additional levy. However, the PTRP provision replaces \$131 of the additional levy with state aid for every school district. As noted earlier, the PTRP represents 1.9% of the state cost per pupil amount. Because state aid is reducing the amount of local property tax, this provision simulates a foundation level increase. In FY 2021 when factoring in the PTRP per pupil amount of \$131, the effective foundation level percentage is at 89.4% (\$6,298 per pupil). The following graphic provides a comparison of the state cost per pupil (SCPP) amount with and without the PTRP provision.



### Additional Notes on the Property Tax Replacement Payment Provision

To summarize, some key points regarding the PTRP provision include:

- This is one of three property tax relief provisions built into the school aid formula. However, unlike the other two provisions, this provides the same property tax relief per pupil for every school district and is currently the most expensive property tax relief provision in the state budget.

- Implementation of this PTRP provision increases the state aid portion of school aid without providing school districts any additional new money. Additionally, this provision increases the burden on the state budget and adds to the state cost of supplemental state aid. As noted earlier, each 1.0% in SSA adds \$4.5 to \$5.0 million in annual cost of the PTRP provision. The increased state aid cost of the PTRP provision likely has an impact on what SSA state percent of growth rate the legislature sets each year.
- The PTRP provision has the net effective of increasing the school aid foundation level. As of FY 2021, the effective foundation level when factoring in the PTRP is at 89.4%. If the legislature continues to extend the PTRP into future years, the effective foundation level will continue to increase.

There are other school aid property tax relief provisions that impact school districts. IASB has the following resources regarding school aid property tax relief:

- [September 18, 2020 Data Boost: School Aid Formula Property Tax Relief](#)
- [FY 2021 Regular Program District Cost Per Pupil Amounts by District](#) - Provides the district cost per pupil and funding breakdown for every district's regular program cost per pupil.
- [FY 2021 School Aid Formula Property Tax Relief](#) - This file provides detailed information regarding the three property tax relief provisions built into the school aid formula, including the amount of property tax relief, the impact on the property tax rate, and the per pupil amount of property tax relief.