

# How did this year's tax bill end up so high?

Six different steps go into creating the tax bill:

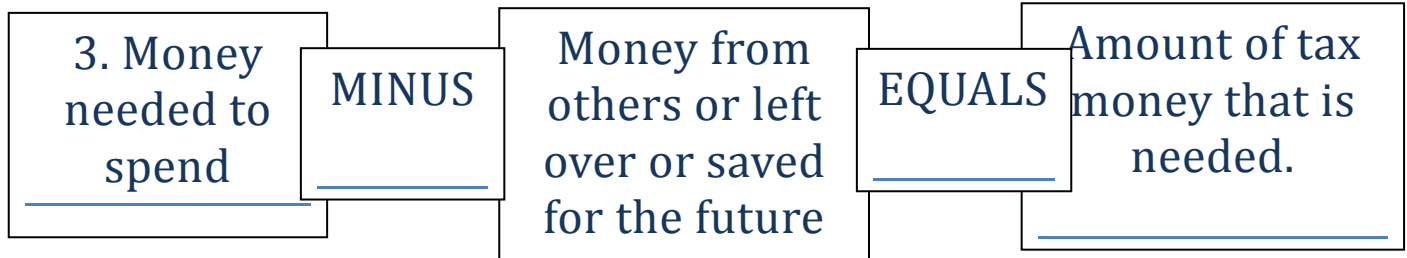
**First**, there is an budget approved by the voters for the Town. Added to that is the School default budget since the School budget was defeated in March.

1. Decide how much money is needed to operate the town or school.

**Second**, the non tax revenues (money raised by means other than taxes ) for both the Town and the School are determined. These revenues include revenues from other sources, Capital Reserves and surplus revenue and unspent money (Unassigned Fund Balances).

2. Determine money from sources other than taxes, money left over, or money saved for the future

**Third**, the non tax revenues are subtracted from the total budget. This is the amount that has to be raised by taxes. This is done by both the Town and the School.



There are two other taxing groups. The County and the State have their own taxes that we collect.

**Fourth**, there has to be a tax base to collect the taxes on. Property is assessed by independent assessors that are approved by the State of New Hampshire.

4. Take the value of all property and divide it by \$1,000 to get a tax base for a rate per thousand of value – this is the adjusted base

**Fifth**, the rate needs to be set. It's set by the NH Department of Revenue Administration. We can do a very minor adjustment but the rest is by formula. The formula is simple. Take the total tax base and divide it by a thousand to create the adjusted tax base. Next, take the amount to be raised by taxes and divide it by the adjusted tax base.

5. The rate is the result of dividing the adjusted base into the amount to be raised.

For example; Say you want to raise **\$1,000,000**. You have a tax base of **\$200,000,000**.

The first step is to divide **\$200,000,000** by 1,000 which effectively takes three zeros off leaving an adjusted base of **\$200,000**. The Second step is to divide the **\$1,000,000** to be raised by the **\$200,000** adjusted base and you end up with a **tax rate of \$5** per thousand dollars of property value. This is done separately for Town, School, County and State.

**Sixth**, the tax bills go out. The bill shows four rates that create a total rate.

On this year's bill, the **Town rate is \$6.64**, the **County rate is \$1.79**, the **State rate is \$2.39** and the **School rate is \$20.65**. The total is **\$31.47**.

## **SCHOOL RATE**

Budget - \$26,695,874 - **UP 4.9%**

Canaan Pupils 40.82% **UP 1.6%**

Canaan Share of Budget \$9,937,543 **UP 8.4%**

**Canaan Share of School Tax after State Aid - \$6,979,268 UP 12.5%**

Tax Rate \$20.65 PER THOUSAND of Property Value - **UP 7.4%**  
**(Total Valuations increased 5.2% offsetting the 12.5% increase)**

## **TOWN RATE**

Budget - \$3,959,248 **DOWN 2.8%**

Revenue from fees, grants and State assistance - \$1,718,816 –  
**DOWN 10%**

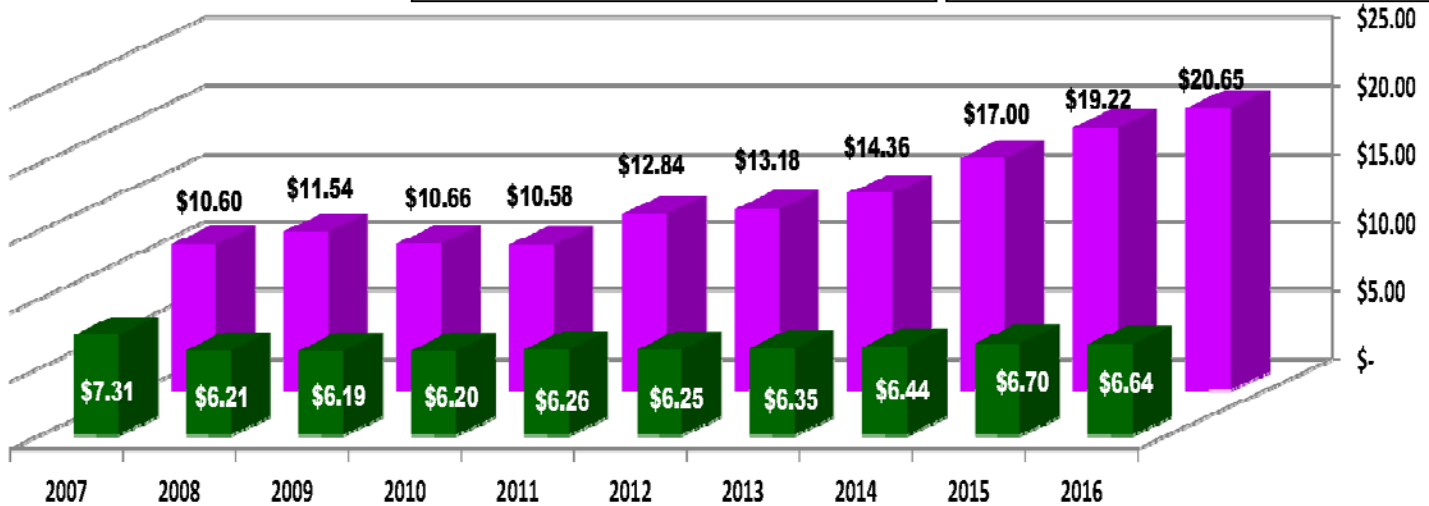
**Taxes to be raised - \$2,240,432 UP 3.6% (Due to Elderly and Handicapped Exemptions and War Credits)**

Tax Rate is \$6.64 PER THOUSAND of Property Value – **DOWN 1%**  
**(Total Valuations increased 5.2% and reduced the Town rate below last year even though the taxes to be raised went up 3.6%)**

■ Town ■ School

*9 Year Change in School tax rate is 95% increase*

*9 Year change in Town tax rate is minus 9%*



*School tax rate change since last year is a 7.4% increase*

*Town tax rate change since last year is a 1% decrease*

**Why is the School Tax Rate increase so high with a default budget?**

**IT LOOKS LIKE THERE WERE THREE PRIMARY REASONS FOR A 12% INCREASE**

There was a school default budget that had **increases in contractual obligations** including costs like wages and bond costs. This was about a **7.2% increase** over last year.

There was **23% less unspent school money** from the prior year applied to keep this year's taxes down which resulted in an **increase in the rate by about 2%**.

The relative number of Canaan **students increased by 1.6%** that gave the Town a bigger part of the School budget.

**This accounts for about 10.8% of the increase.**

# The Numbers & Details Behind the Tax Bill



## MONEY THE VOTERS APPROVED THE TOWN TO SPEND AND THE SCHOOL DEFAULT BUDGET (EXPENSES)

	2015	2016	Increase/Decrease
Town Voted	\$ 4,072,985	\$ 3,959,248	- 2.8%
School Default	\$25,459,237	\$26,695,874	+ 4.9%

The 2016 default budget is higher because of contract obligations.

## CANAAN'S SHARE

ONCE THE BUDGET IS APPROVED, THE NEXT STEP IS FIGURE OUT CANAAN'S SHARE OF THE TOTAL BUDGET. IT'S ALL BASED ON KIDS FROM EACH TOWN. THE NUMBERS USED ARE FROM THE PRIOR YEAR. THIS YEAR, CANAAN HAD 40.82% OF THE STUDENTS AND COSTS AND ENFIELD HAD 41.02% OF THE COST.

THAT MEANT THAT THE SCHOOL COST TO CANAAN BEFORE OFFSETS IS \$9,937,543. LAST YEAR IT WAS \$9,164,095. THAT'S AN INCREASE OF 8.4%. THE INCREASE IS IN SPITE OF THE VOTERS TURNING DOWN THE PROPOSED BUDGET.

## STATE AID TO EDUCATION

THE NEXT STEP IS TO APPLY STATE AID TO EDUCATION TO OFFSET PART OF THE COSTS.

	<u>2015-2016</u>	<u>2016-2017</u>	Increase/Decrease
State Aid	\$2,962,514	\$2,960,234	Less than 1% decrease
Part not paid by State Aid	\$6,201,581	\$6,979,268	12.5% Increase

## MONEY OTHER THAN TAXES TO COVER EXPENSES

THESE TOTALS ARE MADE UP OF TWO MAJOR SOURCES.

THERE IS MONEY THAT COMES IN FROM NON TAX SOURCES LIKE GRANTS, FEES OR HOT LUNCH MONEY. SOME OF THAT MONEY IS UNSPENT MONEY FROM THE PRIOR YEAR AND HELD BY THE SCHOOL.

Town	\$ 1,911,350	\$ 1,718,816	- 10%	Change from prior year
School	\$ 2,644,894	\$ 2,349,475	- 11%	Change from prior year

THE UNSPENT MONEY THAT IS INCLUDED IN THE NON-TAX MONEY ABOVE IS THE FOLLOWING:

Town	\$ 190,000	\$ 160,000	- 16%	Change from prior year
School Surplus	\$ 964,221	\$ 739,445	- 23%	Change from prior year

NOTE THAT IT HAS BEEN RUMORED OR STATED THAT THE SCHOOL "GIVES BACK" OR "SENDS A CHECK TO THE TOWN" FOR A MILLION DOLLARS A YEAR. THAT ISN'T ACCURATE. THE SCHOOL HAS A SURPLUS OR UNASSIGNED FUND BALANCE OF ABOUT A MILLION DOLLARS A YEAR. THE SCHOOL VOTES TO USE A PORTION OF THAT MONEY TO REDUCE THE TAX BURDEN IN THE FOLLOWING YEAR. THIS YEAR THE SCHOOL VOTED TO USE \$739,445 OF MORE THAN \$1 MILLION AVAILABLE.

## HOW MUCH IS PAID BY LOCAL PROPERTY TAXES?

THE NEXT STEP IS TO CALCULATE WHAT'S LEFT TO RAISE BY PROPERTY TAXES AFTER ALL OF THE OTHER NON PROPERTY TAX REVENUE, STATE AID AND SURPLUS FUNDS IS APPLIED TO THE TAX BURDEN.

School	\$ 9,164,095	\$ 9,937,543	+ 8.4
LESS STATE AID	(\$ 2,962,514)	(\$2,958,275)	
<b>NET AMOUNT FROM PROPERTY TAX</b>	<b>\$ 6,201,581</b>	<b>\$ 6,979,268</b>	<b>+ 12.5%</b>

Apportionment of Local Taxes:	2015			Local Tax Assessment	Apportionment of Local Taxes:	2016			Local Tax Assessment
	Apportioned	Less State Aid				Apportioned	Less State Aid	RSA 195:14 Ill (b)	
Canaan	9,164,095	2,962,514		6,201,581	Canaan	9,937,543	2,960,234	1,959	6,979,268
Dorchester	576,861	338,525		238,336	Dorchester	747,727	376,708	-	371,019
Enfield	9,554,063	2,068,017		7,486,046	Enfield	9,986,309	1,940,070	-	8,046,239
Grafton	2,872,825	868,476		2,004,349	Grafton	2,841,931	889,255	-	1,952,676
Orange	646,499	279,383		367,116	Orange	832,889	290,162	-	542,727
	<u>22,814,343</u>	<u>6,516,915</u>		<u>16,297,428</u>		<u>24,346,399</u>	<u>6,456,429</u>	<u>1,959</u>	<u>17,891,929</u>

Tax Commissioner correction ↙

### AMOUNT TO BE RAISED BY TAXES IN CANAAN

AFTER ALL OTHER REVENUE, THIS IS THE LAST AMOUNT NEEDED TO PAY THE APPROVED EXPENSES

Town	\$2,240,432	School	\$6,979,268	
State	\$788,268	County	\$606,089	<u>Total \$10,612,098</u>

## OTHER FACTORS

### 1. INCREASE IN CANAAN'S ASSESSED VALUATIONS (TAX BASE)

This year we went through the state required revaluation of the entire Town. Buildings generally stayed the same but land generally went up. This wasn't true for everyone. Overall, the total tax valuation went up 5.2%. That means the total value we tax on went up 5.2%. Normally, if you are raising the same amount every year, when the value goes up 5%, the tax rate drops 5% to raise the same amount in taxes. This year, because of the school increase, the balance between the property value and the rate did not balance. The need was 12.5%. The new tax base was 5.2% This meant an apparent rate increase of 7.4%. It's still 12.5% more out of our collective pockets.

### 2. SURPLUS

AT THE END OF SOME YEARS, THERE IS MONEY LEFT OVER THAT IS UNSPENT. AT THE TOWN LEVEL, THERE MAY ALSO BE EXTRA UNANTICIPATED INCOME. THIS IS CALLED THE SURPLUS OR UNASSIGNED

**FUND BALANCE. NOT ALL OF THE SCHOOL'S SURPLUS OR UNASSIGNED FUND BALANCE WAS USED AS MONEY TO OFFSET THE NEXT YEAR'S EXPENSES. THE FOLLOWING NUMBERS SHOW HOW MUCH WAS HELD BACK IN THE SCHOOL ACCOUNT FOR USE ON EXPENSES THAT ARE NOT PART OF THE APPROVED BUDGET. THIS OPTION IS NOT AVAILABLE TO THE TOWN WITHOUT SPECIFIC VOTER APPROVAL. IT ONLY BECAME AVAILABLE TO THE SCHOOL IN 2013 AND USED IN 2014.**

**Available for use by School to reduce taxes but retained for additional expense beyond the budget.**

**2015-2016**

**\$ 85,287**

**2016-2017**

**\$ 300,000**

Prior Year amount retained:	50,000	Prior Year amount retained:	85,287
Less Emergency Expenditure approved by DOE:	0	Less Emergency Expenditure approved by DOE:	0
Retained amount available for Current Year:	50,000	Retained amount available for Current Year:	85,287
Your District's calculated 2.5% of Net Assessment amount is: <b>\$426,430</b>		Your District's calculated 2.5% of Net Assessment amount is: <b>\$570,359</b>	
Retention amount is figured on prior year's net assessment (apportionment) less grant amount.			
Your budgetary unassigned fund balance from the MS-25 is:	\$1,174,608	Your budgetary unassigned fund balance from the MS-25 is:	\$1,164,445
The amount voted from "surplus" is:	\$125,000	The amount voted from "surplus" is:	\$125,000
The amount used for RSA 32:11 emergency appropriation is:	\$0	The amount used for RSA 32:11 emergency appropriation is:	\$0
The amount you wish to use to reduce taxes:	\$964,221	The amount you wish to use to reduce taxes:	\$739,445
The amount you wish to retain is:	\$85,287	The amount you wish to retain is:	\$300,000
Amount retained cannot be greater than the 2.5% of the net assessment amount listed above.		Amount retained cannot be greater than the 2.5% of the net assessment amount listed above.	

### 3. USE OF STUDENT COUNTS TO APPORTION THE TAX BURDEN

All school costs are split up by the number of students.

Overall the student population is dropping, but the share of Canaan kids is increasing. Just because the kids are fewer overall does not mean costs go down. In fact, district wide, the cost went up by 4.9% even when kids dropped 2.8%.

Student Count for 2015	Student Count for 2016	Drop
<b>1,212</b>	<b>1,178</b>	<b>-3%</b>

The share for each town is not equal

	Student Count for 2015	Student Count for 2016	Drop
<b>Canaan</b>	<b>486.91</b>	<b>480.84</b>	<b>-1.2%</b>
<b>Enfield</b>	<b>507.63</b>	<b>483.20</b>	<b>-4.8%</b>

**Difference between Enfield and Canaan is 3.6% - This means Canaan pays more!**

NOTE: ADM means average daily memberships of students

#### 2015 TAX RATE COMPUTATION

	ADM - 13-14	As Reported	ADM %
	9/10/2014	9/10/2014	
Canaan	486.91	486.91	0.4016813
Dorchester	30.65	30.65	0.0252850
Enfield	507.63	507.63	0.4187744
Grafton	152.64	152.64	0.1259219
Orange	34.35	34.35	0.0283374
Total	1,212.18	1,212.18	1.0000000

Students

#### 2016 TAX RATE COMPUTATION

	ADM - 14-15	As Reported	ADM %
	3/15/2016	3/15/2016	
Canaan	480.84	480.84	0.408173
Dorchester	36.18	36.18	0.030712
Enfield	483.20	483.20	0.410176
Grafton	137.51	137.51	0.116729
Orange	40.30	40.30	0.034210
Total	1,178.03	1,178.03	1.000000

Per Cent of Total Budget by Town

## RESULTING PERCENT OF BUDGET THE TOWN IS RESPONSIBLE FOR

	2015-2016	2016-2017	Change
Canaan	40.168	40.817	+1.62%
Enfield	41.877	41.012	-2%

As Canaan's share increases, the amount to be raised by taxes increases. The budget at the school went up 4.9% but the cost to Canaan based on students went up 8.4% - another increase of 3.5%. The cost to Enfield dropped based on students.

### Conclusions:

- Town tax collection is flat for Town expenditures but the amount raised is up 3.6% to cover the cost of elderly and handicapped exemptions and veterans' credits.
- School budget is up about 5% although the budget was defeated.
- The 5% increase for the school becomes even greater because less school surplus has been applied to keep the taxes down.
- Canaan's share of the school is up still more because we have a relatively larger number of kids.
- The taxes needed for the school increased by 12.5%. The rate on your bill is 7.4% higher because overall the property value went up. That makes the rate look better but it's still 12.5% out of our pockets. The revaluation is independently done and required by law in 2016.
- Canaan's school tax rate is one of the highest in the State of New Hampshire.