



## Financing Pre-Kindergarten to Grade 12 Education

*Media Backgrounder*

*March 18, 2009*

Since 1905, Saskatchewan school divisions have taxed local property for the costs of education. Over time, our province has been more reliant on property taxes to fund education than any other province in Canada. In the past thirty years, the Provincial Government has not provided more than 60 per cent of the operating costs of boards of education. In the 1990s, the provincial share was as low as 40 per cent. In 2008-09, 49 per cent of school division operating expenditures was paid for by property owners. The remaining 51 per cent was paid for by the province in the form of an operating grant.

**During the last election campaign, the government made a commitment to achieve a fairer balance for education funding, to ensure the education system is properly funded, and to reduce the education portion of property tax. This commitment will be fulfilled as follows.**

### **Achieving a Fairer Balance:**

The Government of Saskatchewan is increasing the province's share of funding for education.

**Before:** The provincial funding share in 2008-09 was approximately 51 per cent.

**Now:** The provincial funding share will increase to 63 per cent for 2009-10 and 66 per cent in 2010-11. As part of the percentage increase in the share of provincial funding this year, the province will boost its share to school divisions by \$241 million.

### **Government vs. property owners' share of funding for Pre-Kindergarten to Grade 12 education**

Year	1975	1992	2004	2008	2009	2010
Property tax funding %	43	55	56	49	37	34
Government funding %	57	45	44	51	63	66

### **Reducing Property Taxes:**

The Government of Saskatchewan is providing the largest reduction in the education portion of property taxes in history while taking measures to ensure these savings continue.

**Before:** In 2008, the total education property tax paid was \$752 million after the education property tax credit.

**Now:** In 2009, the total education property tax paid will be \$649 million and in 2010, the total will be \$596 million. This represents a tax savings to property owners of \$156 million by 2010.

The vast majority of property owners will see a reduction in the amount they pay for education property tax. However, this depends on the change in the assessed value of a property and the prior utilization of mill rate factors. A small percentage of property owners will not see a decrease as a result of these varying factors. However, had the province-wide tax rates (mill rates) not been implemented, these property owners would have experienced a larger increase. Please refer to the last page of this backgrounder for examples of savings based on different properties.

### **Province-wide Tax Rates (Mill Rates):**

The Government of Saskatchewan is setting tax rates for each of the three major property classes, which will ensure fiscal equity and taxation fairness across the province.

**Before:** Individual school boards set education property tax rates for the properties within division boundaries. Municipalities collected education property taxes on behalf of the school divisions then provided that portion of property taxes to the school divisions.

**Now:** School divisions will no longer set education property tax rates. Under the new system, the Provincial Government will set province-wide tax rates for each of the three major classes of property – residential, agricultural and commercial, in accordance with tax relief commitments. The education property tax will still be collected by municipalities and provided to school divisions. The balance of school division funding will be provided through the province's General Revenue Fund.

A flat mill rate will be applied to residential and agricultural properties; these rates are 10.08 mills and 7.08 mills respectively for 2009. These rates will be decreasing further in 2010 to 9.51 mills for residential and 3.91 mills for agricultural property. Mill rates will be applied to commercial properties through a progressive method that creates a three-tiered rate structure for education property tax for commercial property owners. Please refer to the last page of this backgrounder for examples of savings based on different properties.

**Important note for minority-faith school boards:** Minority-faith school boards will have the option to levy different tax rates, as per their constitutional right, from members of the minority faith. The rates must be in the same proportion by property class as government tax rates. If the board levies higher tax rates, their operating grant allocation will be adjusted to ensure that school division equity is maintained. If the amount levied by a minority-faith school division is lower than the provincial rate, it will be assumed their funding requirements have decreased and, as a result, their grant allocation will not be increased to make up for lost tax revenue.

### **From Here to There: Making the Transition to the New System**

The changes to how Pre-Kindergarten to Grade 12 education is funded will require the following actions by the Provincial Government, municipalities, and school divisions:

#### **Provincial Government**

- School division grant payments will be based on the government approved, total division budget less the education property tax revenue of the division.
- For 2009-10 and 2010-11, school division funding provided by the province will be based on school division financial information including teacher salary requirements and inflation.
- A bill titled *The Education Amendment Act, 2009 (No. 3)* will amend *The Education Act, 1995* to provide the necessary authority for the province to set the tax rates for Education Property Tax and for the school boards to collect the tax.
- A bill titled *The Miscellaneous Statutes (Education Property Tax) Repeal and Amendment Act, 2009* will repeal *The Education Property Tax Credit Act* and will make consequential amendments to *The Cities Act*, *The Municipalities Act* and *The Northern Municipalities Act* to the enactment of *The Education Amendment Act, 2009 (No. 3)*.
- The Ministry of Education, in consultation with school divisions, will develop a revised funding system by 2011-12 to determine allocation of education funds among school divisions.

## Municipalities

- Municipalities will collect education property tax according to rates set by the Provincial Government. The tax levy will be remitted to the local school division(s). Mill rate factors can no longer be applied to the education property tax.
- In the past, municipalities have collected municipal property tax and education property tax. The municipal software must be updated so that municipalities can collect education property tax with provincially set mill rates.
- Municipalities will continue to set municipal mill rates, and levy their own portion of the property tax. This continues to allow them to set variable mill rates for each of the prescribed property classes.

## School Divisions

- Boards of education will decide how they will spend their budget and will have considerable flexibility for individual schools and communities. School divisions will continue to direct funding in support of the Continuous Improvement Framework for a strong and accountable education system that ensures the best teaching, learning, and achievement results for Saskatchewan students.
- School divisions are still responsible for education 'on the ground' - delivering services to students, hiring and evaluating teachers and principals, measuring and reporting on results, and working with parents and community members, to ensure the best results for students.

**Charts showing examples of Education Property Tax savings and provincial mill rate changes are on the following page.**

<b>Questions?</b>		
<b>General public:</b> Visit <a href="http://www.gov.sk.ca">www.gov.sk.ca</a> , or call toll free: 1-866-984-8577.	<b>Municipal administrators:</b> Visit <a href="http://www.gov.sk.ca">www.gov.sk.ca</a> . If the information you need isn't there, please call your designated advisory line phone number.	<b>School Divisions:</b> Visit <a href="http://www.gov.sk.ca">www.gov.sk.ca</a> . If the information you need isn't there, please call 787-4959.

## Examples of Education Property Tax Savings

Property	2008 Taxable Assessment 1	2008 Net Levy <sup>2</sup>	2009 Taxable Assessment 1	2009 Tax Levy	Change in Assessment (%)	Change in Tax Levy (\$)	Change in Tax Levy (%)	2010 Tax Levy	Change in Tax Levy (\$)	Total Change in Tax Levy from 2008 (%)
RM of Winslow: 10 Quarter Sections										
Arable Land	298,100	3,403	333,900	2,364	12.0%	-1,039	-30.5%	1,306	-1,058	-61.6%
Katepwa Residential	201,600	4,036	268,200	2,703	33.0%	-1,333	-33.0%	2,551	-152	-36.8%
Canora Residential	79,800	1,541	79,520	802	-0.4%	-739	-48.0%	756	-46	-50.9%
Swift Current Residential	140,200	2,295	195,400	1,970	39.4%	-326	-14.2%	1,858	-112	-19.0%
Swift Current Commercial	212,000	7,406	455,500	5,580	114.9%	-1,826	-24.7%	5,398	-182	-27.1%
Saskatoon Residential	200,000	3,043	291,900	2,942	46.0%	-100	-3.3%	2,776	-166	-8.8%
Saskatoon Commercial	301,100	5,955	424,400	5,199	40.9%	-756	-12.7%	5,029	-170	-15.5%
Regina Residential	200,000	2,970	264,300	2,664	32.2%	-306	-10.3%	2,513	-151	-15.4%
Regina Commercial	244,400	5,713	378,800	4,640	55.0%	-1,072	-18.8%	4,489	-151	-21.4%

1. Taxable Assessment: percentage of value (POV) has been applied (fair value assessment x POV = taxable assessment).

2. Net levy includes the application of the Education Property Tax Credit.

## Provincial Mill Rate Changes

	Agriculture	Commercial <sup>3</sup>	Residential	Grants-in-Lieu <sup>4</sup>	Total
2008 Tax Levy <sup>1</sup>	\$105.1	\$284.6	\$330.8	\$31.5	\$752.0
2008 Commitment <sup>2</sup>	47.0%	6.90%	12.0%		
2009 Mill Rate	7.08	15.42	10.08	15.42	
2009 Tax Levy	\$69.9	\$279.3	\$273.1	\$26.5	\$648.8
2009 Tax Relief	64.4%	8.34%	27.8%		
2009 Relief Commitment <sup>2</sup>	56.0%	8.30%	15.0%		
2010 Mill Rate	3.91	15.10	9.51	15.10	
2010 Tax Levy	\$38.6	\$273.5	\$257.7	\$25.9	\$595.7
2010 Tax Relief	80.4%	10.25%	31.8%		
2011 Relief Commitment <sup>2</sup>	80.0%	10.20%	20.0%		

1. Net after Education Property Tax Credit.

2. Effective relief on Commercial properties with the \$2,500 cap on the Education Property Tax Credit (education property tax election commitment).

3. Commercial Mill Rates will be tiered based on taxable assessment. The average mill rate for the class is 15.42 in 2009 and 15.10 in 2010. Commercial property that has a taxable assessment of less than \$500,000 will pay a mill rate of 12.25. Commercial property that has a taxable assessment of more than \$500,000 will pay a mill rate of 12.25 on the first \$499,999 of assessment, a mill rate of 15.75 on assessment between \$500,000 and \$5,999,999 and a mill rate of 18.55 on any assessment over \$6,000,000.

4. Estimate for Grants-in-Lieu of Taxes.