



Daphne A. Kenyon

LAND LINES: *How did you come to be a visiting fellow at the Lincoln Institute?*

DAPHNE KENYON: I had been putting together courses for policy makers for the Department of Valuation and Taxation for several years, and Joan Youngman asked me to write a policy focus report on school funding and the property tax. I had developed a school aid formula as one of my consulting projects, and I published a paper comparing school funding in New Hampshire and Massachusetts (Kenyon 2005). I was intrigued by the idea of working on a more ambitious project targeted to policy makers. In 2005 Joan asked me to be a half-time fellow at Lincoln House to expand my work and participate in other department activities, such as program planning and research oversight.

LAND LINES: *Why were you particularly interested in writing for policy makers?*

DAPHNE KENYON: I have always been interested in applying public finance principles to practical problems. My five years spent in Washington, DC at the U.S. Advisory Commission on Intergovernmental Relations, the Urban Institute, and the Treasury Department made me realize how gratifying and also difficult it could be to provide information and analysis to policy makers. In putting together courses for policy makers for the Lincoln Institute, I got a better sense of the types of questions state legislators and state think tank executives have about property taxes and school funding.

As a public official myself, first serving on my local school board and now on my state's board of education, I have a special perspective on academic analyses. I realize that policy makers need guidance and practical advice presented clearly and without academic jargon. One of the aspects of the Lincoln Institute that I most appreciate is its commitment to bridging the gap between academics and public officials.

LAND LINES: *Why was the Lincoln Institute interested in research on school funding and property taxes?*

DAPHNE KENYON: Since its founding in 1974, the Lincoln Institute's work has included a strong focus on the property tax, and in the United States property taxation and school finance are closely linked. About half the total property tax dollars raised each year in this country are used to finance elementary and secondary education, and nearly all the taxes raised by independent school districts are property taxes. In addition, the early school funding lawsuits were particularly concerned about disparities in per pupil property wealth among school districts.

LAND LINES: *Does your research look at school funding lawsuits?*

DAPHNE KENYON: Yes, I provide an overview of the school funding lawsuits that have swept the country since the 1960s. Only five states (Delaware, Hawaii, Mississippi, Nevada, and Utah) have not experienced school finance litigation. The nature of these lawsuits has changed over time, with the most recent suits generally focusing on the goal of providing all children with an opportunity to receive an adequate education. I also look at several case studies to examine the course of school finance litigation in more detail.

LAND LINES: *Which states did you choose for your case studies and how did you choose them?*

DAPHNE KENYON: My case study states are California, Massachusetts, Michigan, New Hampshire, New Jersey, Ohio, and Texas. Each state has faced difficult issues related to use of the property tax for school funding, but otherwise they are quite different. They range in size and socioeconomic characteristics, and represent different parts of the country. Their policy choices regarding school finance and property taxation also differ widely. For example, Michigan restructured its school

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Before opening her own consulting firm, Kenyon headed one think tank, the Josiah Bartlett Center for Public Policy in New Hampshire, and worked at another, the Urban Institute in Washington, DC. She was an economics professor for many years, first at Dartmouth College and then at Simmons College, where she became full professor and served as department chair. She also worked as a senior analyst in the Office of Tax Policy at the U.S. Department of Treasury and at the U.S. Advisory Commission on Intergovernmental Relations. She received her B.A. in economics from Michigan State University and her M.A. and Ph.D. in economics from the University of Michigan.

Kenyon's research and consulting have focused on state and local public finance, education policy, health care policy, fiscal federalism, and taxation. She is the author of numerous articles and co-author of two books: *Competition among States and Local Governments* (Kenyon and Kincaid 1991) and *Coping with Mandates* (Fix and Kenyon 1990).

funding system without the threat of a state court mandate, whereas Ohio faced a mandate, but did not comply with it. To respond to their respective state supreme court rulings on school funding, New Jersey enacted an income tax and New Hampshire enacted a statewide property tax. In contrast, Michigan decided to replace a large part of its local property tax revenues with increased state sales taxes.

LAND LINES: *Does any state stand out as being particularly successful in its school finance restructuring?*

DAPHNE KENYON: Among my case study states, Massachusetts has been the most successful in its attempt to reform school finance. After enacting the 1993 Massachusetts Education Reform Act, school test scores rose, and in 2005 Massachusetts' fourth and eighth grade reading and math scores on the National Assessment of Educational Progress were the highest in the nation. In 2005, the state's highest court decisively terminated many years of school funding litigation. I think that part of the reason for this success is that school finance restructuring was not linked to efforts at property tax relief.

LAND LINES: *What has surprised you in your research on school funding and property taxes?*

DAPHNE KENYON: One unexpected finding was the controversial nature of policy discussions regarding school funding and property taxation. Some groups applaud and advocate for state school funding lawsuits; other groups conclude that courts are interfering in legislative decisions and harming public policy. Because of the controversy surrounding the fruits of school finance litigation, I have chosen to refer to school finance "restructuring" rather than "reform."

The use of the property tax to fund education is no less controversial. Some analysts and policy makers dislike the property tax intensely; others like it. For example, Neal Peirce and Curtis Johnson (2006) say high property taxes "represent an endless New England nightmare" while Wallace Oates (2001, 29) finds that "...if we acknowledge the need for local taxation in some form...the property tax seems the right choice."

LAND LINES: *Does living in New Hampshire give you a special perspective on school finance and property taxation?*

DAPHNE KENYON: Definitely. New Hampshire relies more heavily on property taxes than any other state, partly because of its tradition of vibrant local government and partly because of its commitment to a lean public sector. New Hampshire also has a curious school funding history. Since 1993 the legislature has been grappling with court rulings on school funding, and there is no end in sight. New Hampshire is also a wonderful example of the complexity that can be masked by simple stereotypes. New Hampshire is often considered conservative, because of its "live free or die" motto and absence of sales and personal income taxes. Yet the state faces one of the most stringent sets of school funding court mandates in the country. The latest court ruling requires the state government to pay 100 percent of the costs of a basic education for all K-12 students.

LAND LINES: *What are your conclusions that are applicable to policy makers in other states?*

DAPHNE KENYON: I try to provide some general guidance, based on a synthesis of previous research and examination of case studies, regarding what state policy makers should and should not do in restructuring their school finance and property tax systems. For example, I argue that they should not aim to provide 50 percent or any specific percentage of the total funding for K-12 education. The percentage of school funding provided by the state government can be a pretty arbitrary number depending upon whether state governments use property taxes for funding schools and whether the Census classifies the tax as a state or local tax. I argue that better goals focus on student achievement or aim at limiting household property tax burdens to some percentage of household income.

LAND LINES: *Does your paper come to any specific conclusions about the property tax?*

DAPHNE KENYON: I have found that many school finance analysts and policy makers tend to "demonize" the property tax. I argue that, while no tax is perfect, the current criticism of the property tax has

gone too far. For example, many policy makers think the tax is always regressive (that is, that low-income households pay a larger percentage of their income on property taxes than do high-income households), but research has concluded that the tax is only regressive in select cases. On the plus side, researchers have found that the property tax is a more stable source of revenue than progressive income or sales taxes.

LAND LINES: *What is the most important theme of your paper?*

DAPHNE KENYON: Over the last 50 years policy discussions have tended to tie school finance reform to reduced reliance on property taxation to an unhealthy degree. For example, policy makers sometimes use school aid to provide property tax relief or seem to equate school finance reform with reduced reliance on property taxes. I argue for unraveling the school funding–property tax connection. In my opinion it is better to employ school aid for school-related goals (such as increasing student achievement) and to focus specific tax policies, like circuit breakers, on targeted property tax relief. **I**

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