

Franklin: Success with the Tax Cap

By *Kenneth Merrifield*

I moved my family to Franklin in 1987, *not* to enjoy the city's low property taxes. By 1989, Franklin had the sixth-worst equalized tax rate in New Hampshire. The City Council, without clear and direct guidance from residents, had hiked taxes by an average of about 8.5 percent per year for more than a decade. You might expect that these high rates had yielded tremendous revenue, but quite the opposite was true. The community was essentially destitute in those days. A withering tax burden had driven away business and potential home buyers. As a new resident at the time, I vividly recall finding a local business had closed up shop and posted a notice to patrons: "Can't afford the taxes!" In 1989, insult was added to injury when property owners suffered a 34 percent increase in one year.

Voters promptly approved the first property tax cap in New Hampshire history. It has been in place in our city for nearly two decades, giving Franklin residents "bragging rights" and great credibility in discussions on the issue. Those presuming that this measure is a radical and extreme tool to slash budgets are quite mistaken. After twenty years of modest, reasonable restraint, we have finally approached the state average for tax rates. The voter-approved language allows for stable, predictable growth in taxes each year. It has a moderating effect on the immediate desires of the governing body, and demands better planning by them. In Franklin, the improvement to our tax policy has led to an advancement of our local economy, so that over the last five years, Franklin's equalized property value has grown faster than nearby communities and the state as a whole. Because the language allows the capture of new construction value, this trend increases revenue beyond the rate of inflation. Tax cap supporters *and* opponents in Franklin must uniformly agree that the city is far better off today than before the adoption of the cap.

Since adoption by a two-to-one margin in 1979, the cap has been "revisited" by voters on four occasions. The latest iteration of the tax cap was adopted in 2002 with 80 percent of the vote. In each referendum, the tax cap became more and more popular in Franklin as the people gained experience and confidence with it and its effects. Tax cap opponents in other communities envision disaster upon its approval, but Franklin voters appear to be sold on the idea. As a new mayor, I am regularly greeted by new residents who moved to Franklin in appreciation of our sensible tax control.

Recent articles have appeared that decry the arbitrary nature of the tax cap and its failure to respect uncontrolled rising costs for municipalities. In truth, Franklin has been forced to reorder priorities on occasion due to exorbitant tax increases at the county level. It seems to me that these concerns should be directed to those who control those costs. County budgets are the purview of the county delegations to the New Hampshire House (our elected State Representatives), and they must answer for the costs they direct toward our cities and towns. But municipal officials should not simply pass the bill along to their residents and walk away as if they had no responsibility for tax rates.

If some emergency or exceptional cost arises, override provisions are available. In Franklin, we have never employed an override. At the end of the day, the purpose of the tax cap is *not* to ensure that the municipality has all the money it needs. Its purpose is to ensure that our *residents* have the money *they* need.

Those who fear the moderate restraint of a tax cap will argue that education and infrastructure will suffer as a result of controlled spending. Franklin has experienced a dramatic improvement in the quality of education under the tax cap. Our educators have virtually erased a disappointing high school dropout rate. Other New Hampshire municipalities without tax caps are struggling with much higher dropout rates today. In the latest round of New England Common Assessment Program testing, Franklin High School

outperformed our neighbors in the nearby Gilford and Winnisquam school districts, neither of which are controlled by a tax cap. Franklin has completely renovated the high school, paid off the middle school bond, and renovated and expanded our elementary schools.

On the municipal side, we have never had a layoff of personnel associated with the tax cap. In recent years, we have increased salaries to market median and added some positions. We have built a “state-of-the-art” police station, purchased fire trucks and other vehicles, rebuilt a bridge linking both sides of the city and concluded a number of road projects. From 2000 to 2006, our capital reserves grew by 51 percent. During the same time period, our undesignated fund balance grew by 77 percent.

After twenty years of strict adherence to the cap, we can report no disastrous results. Voters presented with the tax cap will have to lay their tax bills on the kitchen table and decide for themselves. Why must local government increase its cost to taxpayers at a faster rate than everything else in the general economy? The simple answer is “because we allow it to happen.” The tax cap is a sensible and moderate means to change that.

Ken Merrifield is Mayor of the City of Franklin.