

TO: House Committee on Ways and Means
FROM: Jeff Fannon, Executive Director
DATE: Delivered orally February 29, 2024 - Emailed March 2, 2024
RE: Education Funding Discussion

- Introduction/Context

Good morning and thank you for the opportunity to talk with you today. Too often, the conversation around education only revolves around money – tax rates, funding formulas, school budgets – and in this committee that is appropriate, but I will start with who should be front-and-center when we are discussing education, regardless of which committee is having that discussion: Vermont’s children, our future.

We must put the needs of our students first. They must have all of the resources they need to succeed. They deserve schools that are staffed adequately and fairly, so that the needs of all students can be addressed. They deserve schools that aren’t filled with poison; that aren’t crumbling; and aren’t kept together with bailing twine, duct tape, and hope 20 years after the state made a decision to end state aid for school construction. And students deserve educators – thousands of your fellow working-class Vermonters – who are paid fairly; have robust healthcare benefits; and whose working conditions allow them to be the very best they can be so that all students can thrive.

- FY25

- At this date, we will all wait to see what happens on town meeting day.
- **New Revenue** - We not only think it is wise to look at new revenues, but it is necessary to put additional resources into the Ed Fund, and we support the current conversation about the addition of the cloud tax. Organizationally, we value progressive taxation and so always proceed cautiously on any sales taxes, but we see this as straight forward alignment of tax policy within an evolving commerce environment.
- **Income-Sensitivity** – Progressivity is an important value in our education funding system, and we think it wise to make adjustments to income-sensitivity, i.e., Property Tax Credit for FY25 to help address the increases. This will support middle and working class Vermonters.
 - Further protection for working people - We also believe that given the rise in the CLA, as a direct reflection of home values,

that it is worth looking at the current homesite values applied to the property tax credit (income sensitivity).

- Fair Share for High Income Folks - We also believe that like income-sensitivity for middle income and working class Vermonters, we should ensure those with the most means, high-income Vermonters, pay their fair share of the cost to educate Vermont's students.

- S.52 of 2019 proposed those Vermonters above a certain high income pay the GREATER of either their homestead property tax or the income rate. This is the opposite of the LESSER of construct for middle and working class Vermonters in our current income sensitized system.

- **Non-homestead rate**

- We believe the direction the committee is exploring with returning to a formula of not having the homestead and non-homestead rates increase at the same percentage is wise. The non-homestead rate should be higher than the homestead rate.

- Additionally, we share your concern for renters, as there should be a mechanism for targeted support for renters by adjusting the renter rebate in a way that aligns policy wise with the property tax credit adjustments contemplated.

- We know there are technical challenges with having a multi homeowner rate impact FY25, but as part of your FY25 discussions we encourage you to advance practical steps to tax second homes at a different and higher rate to ensure such a change can be stood up for FY26 or at the earliest possible opportunity.

- **Segregate Costs and Study**

- School Construction – We know the need, having heard from our members about the state of their schools, and we know that the state has a roll to play. The new costs associated with school construction should be segregated out in the Education Fund and perhaps, if the policy timeline aligns correctly, an increased property tax rate on second home could go to help rebuild our schools.

- Student Social Service – Nicole Lee outlined for you on Tuesday the shift from the GF to the EF, and this is a significant shift. Schools are spending resources because they have to meet the needs of students, and the tax shift should be made clear in the Education Fund annually so that is easily understood. Additionally, we think this is an area for further study. We know Vermont-NEA members have been talking to us about increasing student needs, and they testified in the statehouse nearly 10 years ago about the increased student needs they were seeing in their schools, and it has only gotten much

greater since the pandemic given the collapse of the state's mental health system. Collectively, we need to better understand this tax shift and the cost of not supporting students' social service needs.

- Forward looking notions
 - Simplify the funding of public education – This could include a single issue or we could look to multiple areas of the funding system.
 - Move to a fully income-based system and away from the residential property tax for homeowners and renters.
 - Improve constructs of Act 127 – This law is an important investment in our students that we supported, and we have no doubt that it will have a positive impact on student learning going forward. We also know that it only addressed local taxing capacity and didn't ensure the adequacy of spending. We think that it is possible that Act 127 could be improved to ensure the adequacy of supporting our students. For example, Brookings just did an analysis of California's 10-year old equity funding system. There, the state gave districts money to fund for students with greater needs and didn't just give school districts greater taxing capacity. https://www.brookings.edu/articles/lessons-learned-from-10-years-of-californias-local-control-funding-formula/?utm_campaign=Brown%20Center%20Newsletter&utm_medium=email&utm_content=295929303&utm_source=hs_email. Unlike Vermont/Act 127, the California equity system only affected certain low-income districts. Research into that system versus Act 127 might be a worthy endeavor.
 - BOCES – Boards of Cooperative Education Services
 - VT is 1 of 9 states without BOCES. The House Education Committee is examining the possible efficiencies that could be achieved by allowing BOCES.
 - Community Schools
 - Further build out community/full service schools to better serve kids' needs where they are-in school. See “Student Social Service.”
 - School Construction
 - The School Construction Task Force's February 2024 report is under consideration in House Ed
 - Three funding sources are necessary to meet this great need:

- New dedicated revenues to make up for the 17-year old decision to reduce taxes in response to the 2007 Great Recession
- Use the state's bonding capacity
- Use revenues derived from lawsuits against Monsanto for the cost to rehabilitate our schools from the negative affects of PCBs
- Demographics/Housing –the state must get serious about reversing the decades long demographic slide. We have a housing shortage, which negatively affects the ability to move to Vermont.
- We need to get serious and be creative to reverse our decades long demographics slide. For example, a 2005 Goldman Sachs study—What is the best way to attract younger residents to cities? Provide 2 years of partially paid family leave for the birth of a child. The House, for already passing a family leave bill, thank you.

Finally, during our discussion and immediately following there was some confusion about educator health care and how much teachers contribute towards their health coverage. I want to be crystal clear; teachers pay 20% of the health insurance premium, and while the vast majority of support staff also pay 20% of the premium, some staff are incrementally getting to 20% pursuant to the statewide health care arrangement. The two Vermont Education Health Initiative (“VEHI”) co-administrators Bobby-Jo Salls and Mark Hage may be helpful if you want to dig deeper into health insurance for school employees.