

VALA Education Fund Change Proposals

On January 7, 2015, the Board of Directors of the Vermont Assessors and Listers Association (VALA) met and discussed the State Education Fund Formula. There were 40 or more assessors and listers present from across the state and from all sizes of towns and cities. These assessors and listers are on the front line in hearing from the taxpayers and their concerns about the Vermont Education Fund formula. They find the current formula very difficult and complex to explain to these taxpayers.

From this meeting, VALA approved several concepts for the legislature to consider to make the formula easier to understand and fairer to the Vermont property taxpayer. These concepts are:

- 1.) No longer have two ED Tax Rates (Homestead and Non-Homestead), but have only one ED TR apply to all taxpayers.
 - This would help to stop the division (We against Them Attitude) between the two types of property owners that we, as assessors and listers, have to listen to, and try to explain the reasoning of, year after year.
 - It would eliminate the political turmoil each year of the legislature trying to balance the two ED Tax Rates.
 - Currently there are 112 towns that have an ED Homestead TR higher than the ED Non-Homestead TR. Probably more than half of the other towns and cities in the state now have the Non-Homestead TR within 3 to 5 cents of the ED Homestead TR.

- 2.) Change the fictitious Block Grant amount to a meaningful amount.
 - Tax rates have always been calculated as $TR = \text{Budget} / \text{Grand List}$. There is no reason why the State ED TR cannot be based on this same formula to get it out of the political arena. This would mean the State would establish a block grant amount based on a per pupil cost. This per pupil cost should be measured by an adequacy amount to ensure a good education. This cost would then be multiplied by the total number of pupils in the state to arrive at a budget which would then be divided by the State Equalized Education GL to achieve a State ED TR. The State ED TR would be leveled for each town by its CLA. Disbursement back to the towns would be based on the town's number of pupils. This would be treated as a revenue source for the town education budget.
 - All the property owners in the state would have this ED TR applied to their property GL value, regardless of their school budget. This would truly make each taxpayer pay his/her fair education tax for the adequate education of all pupils in the state.
 - Should a town choose to spend more, the town voters would vote on any excess to be applied on the town's tax bill as a local added education tax based on its grand list. The Brigham decision clearly states that a town may spend more on education should the voters so chose.
 - The current formula is doing somewhat of the above. Unfortunately, it is being done in a way that the voters are unaware of the resultant tax responsibility on

their part. The above change would clearly have the voters make a decision on their local cost of education.

- The State would have to establish a fair standard of counting pupils for the districts and also a fair standard for the cost between an elementary, middle and high school pupil. These standards should be consistent and applied to all school districts.

3.) Raise the Income Sensitivity base of 1.8% back to 2%.

- One of the recurrent themes that the assessors and listers hear is that school budgets get passed because the majority of voters are not having a sufficient enough responsibility in paying the education tax.
- The “cliff” under \$90,000 has caused some of this lack of responsibility with the income sensitivity rebates giving back too much to the recipients.
- Consider that at 2% (everything else being equal) a property owner, making \$50,000, would pay \$1,000 in education property tax on his/her property; whereas, a property owner would pay only \$800 more in education property tax on the property if he/she made \$39,999 more than the \$50,000. This is not a progressive tax, but an extremely beneficial tax for those making over the \$50,000 and under \$90,000.
- The legislature has increased the \$90,000 to \$104,000, but has allocated to these recipients a much lower rebate as the “cliff” is not involved.
- VALA believes that the legislature should reconsider how these income sensitivity payments are being made and make them more progressive than regressive. There should be a progressive slope to income amounts over \$50,000 to the \$104,000 level.

VALA presents these concepts to you for consideration. These are made to make the Education Fund formula easier to understand by the voters and fairer to all taxpayers. VALA is aware that these concepts may be moving back, somewhat, to the foundation formula. However, the present formula is so confusing to the taxpayer and is not achieving its original goals that it may be time to make the formula a hybrid of the two. By establishing a block grant that is at an adequate level (\$12,000 to \$13,000) and collecting and redistributing this back to the school districts as a revenue source would make the education system fairer to the students and taxpayers throughout the state. Income sensitize this revenue source. Then have the voters of the districts decide on the cost of any overage without income sensitivity. This formula would truly bring back to the voter the responsibility of voting a budget in the higher cost districts.

Voters are very aware of school budgets and tax rates. The present formula disguises the effect of a town’s education budget increase due to the many moving parts of the present formula. VALA urges

the legislature to simplify this formula with the above concepts so that each voter in a town will have a knowledgeable vote and a fairer responsibility in paying for the support of their local schools.