



**House Ways and Means Committee
February 23, 2016
Education Property Taxation**

Thank you for the opportunity to testify on draft education property tax legislation.

In part, the VLCT Municipal Policy for 2016 states, ... “The current Vermont education funding system has significantly diminished municipal tax capacity for non-education expenditures. With each passing year, the education financing structure makes it harder for municipalities to craft municipal budgets and then have the voters approve them.”

“Municipal and School officials, the state administration, and the legislature should begin immediately, as equal partners, to analyze the issues within Acts 60/68 (including ways in which they do not meet the *Brigham* decision), and now Act 46, and then create a new education finance system that reduces and reforms the property tax burden. The legislature should assess Act 46’s success in curbing the rate at which education property taxes increase and establish the target rate of increase that will define the legislation’s success. Until then, Education Fund monies should be *only* used for functions listed in 16 V.S.A 4025 (b)”.

We are concerned that with a continuing declining student enrollment and even with the efforts of school districts and the state to hold needed education property tax dollars below the amended Act 46 thresholds, budgets continue to climb. It remains to be seen whether Act 46 as amended will bend the curve on education spending or stress on the education fund.

Section 3 (page 2 of 7, draft 2.17.16) Thank you for proposing a remedy for new unfunded mandates that are imposed on schools. It does not address mandates that have been imposed in the past, nor expansions of uses of the education property tax, such as the pre-K education that is to be fully implemented this year.

It is clear to us that estimating the unfunded education mandate amount after the session has ended, and new mandates are in place, will not prevent new mandates from being paid for by the education fund. The Unfunded Education Mandate amount should be calculated at the time the mandates are being considered for

adoption. If there are insufficient General Fund dollars to pay for those new mandates, they should be deemed unsustainable and not passed. Once mandates are imposed and the Emergency Board is asked to recommend that the Governor find general fund dollars to pay for them, it will be all too easy, in the face of competing demands on scarce dollars, to decide funding is unavailable. The mandate will remain in place.

We note that at Section 6, a study committee report “may” provide terms for transferring ownership of capital assets and associated debt from merging districts to towns or provide for leases of those capital assets. We presume that those terms would be subject to healthy negotiation between the host town and the merging district and that the town would have the option of agreeing or declining to take on those assets.

We urge you to include a municipal official in the study committee on aggregate common levels of appraisal in a merged district.

We also urge you to establish the study committee our members recommended in the VLCT adopted Municipal Policy – to analyze and assess how to create a new equitable education financing system. Senator Pollina introduced S. 175, that would establish a committee to study moving from a education property tax to an education income tax. H. 656 addresses the same issue, which we believe is worth y reconsideration along with other potential funding options.

Thank you for the opportunity to testify.

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