



**House Ways and Means Committee
Wednesday, February 28, 2018
Education Funding Proposal A, X**

Thank you for the opportunity to testify on the newest proposal for education funding reform. We thank you for tackling the issue of how to pay for K-12 education.

It is difficult to assess the impacts of the newest proposal, given the information available in the spreadsheets to date. We can offer some comments based on VLCT's 2018 Municipal Policy, which called on the legislature to:

- reform all Vermont taxes to ensure simplicity, equity, balance, and sustainability
- assess Act 46 effectiveness in reducing costs without adversely affecting educational quality
- use Education Fund monies only for pre-K-12 education
- simplify the education finance system.

Most school districts have done a good job of keeping their cost increases down this year, although much more work could be done in this regard to help them contain costs. We understand that the Education Committee is working on a special education proposal to address that cost item. Nevertheless, in 2017, according to the Agency of Education, budgeted expenditures per equalized pupil ranged from \$14,937 – which was a figure from a small district – to \$20,659. The Beck proposal is also an effort to contain costs, although we are not certain that it will be particularly effective in that regard.

The base education spending amount per equalized pupil in Proposal X is \$12,953; Proposal A's figure was a bit higher at \$12,982 per equalized pupil. We have always considered the difference to be curious. We note that this morning there was discussion of having an education adequacy report completed. In January 2016, Picus Odden and Associates wrote a draft report titled "Using the Evidence Based Method to Identify Adequate Spending levels for Vermont Schools." They indicated that Education Week's Quality Counts for 2016 "shows that Vermont has the highest per pupil expenditures among the 50 states, after adjusting for regional cost differences." We do not know what Vermont's rank is in per pupil expenditures in 2017. It may be time to update the Picus draft report.

In the past, we have supported moving more completely to the income tax and reducing reliance on the education property tax. This proposal does accomplish that for homestead properties to a certain extent, although not as much as Proposal A (last week's version of the initial proposal). This proposal would lower the average homestead property tax rate from \$1.554 to \$1.404. Proposal A in January would have reduced the average homestead property tax rate from \$1.594 to \$0.909 by lowering the base homestead property tax from \$1.594 (projected) to \$0.25. It seems that Proposal X is a slower approach to an income based system, that does not tie people's votes as closely to their tax increases as Proposal A did.

We are disappointed that the Proposal X on the table today seems to not be more simple or understandable than the formula currently in statute.

We support the proposals to move adult education, flexible pathways, the community high school of Vermont, and renter rebates out of the Education Fund.

We are concerned that the tax expenditure representing current use (approximately \$45 million) remains an expenditure borne by the Education Fund.

We are concerned that the recapture of teacher health care savings (\$4.5 million) may not be real – as school districts discovered this year when many were not able to find those savings.

We are concerned that if the legislature eliminates its obligation to make a General Fund transfer to the Education Fund and instead dedicates the sales and a portion of meals and rooms tax to the Education Fund, its interest in keeping those revenue sources robust and up to date, will be diminished over time.

We are concerned about what how this proposal would play out in the future in to which year the proposal might be applied.

These represent a few of the issues we have been able to decipher to date. Our next VLCT Board meeting is Thursday March 8, and we will discuss this proposal – or any proposal that is voted out of committee – at that meeting.

Thank you for the opportunity to testify.

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