

## A Very Short History of Education Finance Prior to the *Brigham* Decision

For decades, K-12 education in Vermont was funded primarily with local property tax revenues:

- Property owners in districts with low property wealth faced higher property tax rates to fund relatively limited school budgets.
- Property owners in districts with high property wealth funded larger school budgets on relatively low property tax rates.

Recent attempts at reform:

- 1969 – The *Miller Formula* sought to equalize funding across districts by taking into account property wealth when distributing state aid.
- 1982 – The *Morse–Giuliani Formula* sought to equalize funding across districts by taking into account both district property wealth and income when distributing state aid.
- 1988 – The *Foundation Aid Formula* sought to enable each district to fund a state-defined, minimum quality education – the “foundation cost.” Towns received state aid equal to the difference between the foundation cost and how much revenue the town could raise from local resources at a state-established property tax rate:

$$\text{Local Need} = \text{Foundation Cost} - \text{Local Resources}$$

- \* Weighted pupils for secondary students, students in poverty, and transportation
- \* Modified uniform local tax rate slightly to account for differences in AGI per exemption
- \* Provided state aid based on local resources:
  - 150% of need - no state aid
  - 100% - 150% of need - flat grant of \$50 per pupil
  - Less than 100% of need – local need
- \* Provided supplemental aid to districts receiving state aid:
  - For capital debt service expenditures on approved construction projects
  - For above-average per-pupil spending
- \* Included a maximum loss provision limiting annual reductions in aid to \$150 per pupil

After two years of funding increases, the fiscal crisis of the 1990s forced cuts in the state's contribution to the foundation aid program – to compensate, local property tax contributions were increased to maintain foundation levels.

The Legislature was unwilling to support state aid at a level that would fully meet local need on an ongoing basis – not all districts were affected equally by reductions in state aid.

#### Ongoing problem:

- Under each of these formulas, local property taxes remained the mainstay of support for education spending. Consequently, unequal education funding and property tax rates persisted.
- Between 1964 and 1997, the share of education spending covered by state varied between 20% and 37% and was falling immediately prior to the *Brigham* decision.
- The Department of Education reported that in 1997, property tax rates ranged from a low of \$0.12 to fund local education spending at \$12,300 per pupil to a high of \$2.28 to fund \$7,850.

#### The *Brigham* decision:

- The *Brigham* decision called for the establishment of an education finance system that was equitable and that no longer tied local education spending to local property wealth.
- *Act 60* was the Legislature's response to the *Brigham* decision. *Act 60* transferred responsibility for funding K-12 education from municipalities to the state.

There have been significant changes to *Act 60* since it was enacted in FY1997; however, the following provisions have been consistent:

- \* Sets local property tax rates so that they are the same in every district for the same amount of per-pupil spending regardless of local property wealth.
- \* Increases property tax rates in *every* district if state aid to education is reduced (state aid = GF transfer and other non-property tax sources in EF).
- \* Provides an adjustment to local property tax bills for most taxpayers based on their household income.