Rep. Browning Amendments to H.509 in Ways & Means 3/22/17

Slowing the rate of growth of property taxes is a goal that many of us share.
I believe that three of the causes of the rate of growth of property taxes are:

(1) the rate of growth of increases in employee compensation even as the number of students declines – staff costs are around 80% of education spending and every year the terms of new contracts may increase costs by perhaps $30 million, which is 3 cents on the base property tax rate;
(2) unfunded state mandates on school districts that drive up costs;
(3) the transfer of state policy programs like Current Use and Income Sensitivity from the General Fund into the Education Fund, despite the fact that their policy goals are not directly related to education, where their presence as costs or lost revenue first drive up property tax rates and then drive up the costs of these tax support programs.

I have asked for the following amendments to H.509 which is the bill that sets the education yield (formerly the base education property tax rate) --

** Cap the rate of growth of total education employee compensation at 1% a year for three years for every school district in the state starting FY2019 (includes wages, salaries, health insurance, retirement – total compensation; for all staff including administration and support as well as teachers and aides --- the provisions of negotiated collective bargaining agreements can be implemented by school boards as possible and appropriate in different districts under that cap) and then after that the allowable increase in total compensation costs can only grow as fast as the CPI plus 1 %. School boards could allocate their resources as needed under that cap: more employees at lower compensation, or if compensation is higher there would have to be fewer employees.

** The cost of new state unfunded mandates on school boards to the Education Fund must be estimated and included in the General Fund transfer. This has been a topic of discussion in the past – such mandates vary from collecting data and submitting reports, providing pre-K education, offering certain kinds of training or facilities, and so forth. The value of the policy goals is not in question, it is who should bear the costs of implementation.

** The cost of the Income Sensitivity Adjustment in the Education Fund is frozen at the current level, and future increases in costs must either be paid for in the General Fund or through an increase in the transfer of the GF to the EF. The current cost of IS in the EF is $164 million. This is an internal allocation of EF funds that represents about 16.4 cents on the base property tax rates.

** The cost of the Current Use in lost revenue to the Education Fund is frozen at its current level, and any future increases in such costs must be paid for either in the General Fund or through an increase in the transfer from the GF to the EF. The current cost of Current Use in lost EF revenue is $45 million. The loss means that property tax rates are about 4.5 cents higher than they otherwise would be.

Altogether I believe that these provisions would function to reduce the rate of growth of property taxes by slowing the growth of education spending costs and compensating for any growth in the costs of state mandates and policies in the Education Fund.

Rep. Cynthia Browning
House Room 34, Seat 67
cbrowning@leg.state.vt.us