VERMONT SCHOOL BOARDS ASSOCIATION

Great Governance, Excellent Education, Strong Communities

To: House Committee on Ways and Means
From: Nicole L. Mace, Executive Director
Re: H.509
Date: March 22, 2017

Thank you for an opportunity to share the VSBA's views on H.509. I apologize for not being able to testify in person.

The VSBA believes that changes to the education funding formula should accomplish the following objectives:

1. Maintain our constitutional obligation to ensure access to educational resources is not dependent on the wealth of a community.
2. Create greater transparency and clarity regarding the connection between decisions made at the local level and property tax rates. A new funding formula should be easier to explain and more accessible for Vermonters seeking to understand the relationship between budgets and tax rates.
3. Respond to taxpayer concerns by delivering meaningful cost-containment while at the same time preserving quality programming in schools.
4. Respect the work that local officials have already completed as part of the FY 2018 budget approval process.

With respect to *Brigham*, we do not believe H.509 raises constitutional concerns because tax rates would be established on the basis of per-pupil spending, as they are now. The property wealth of a community does not appear to be a determining factor in high spending versus low spending districts.

With respect to greater transparency and clarity, we appreciate the desire to create a clearer connection to spending decisions by ensuring that lower spending districts are not paying a "premium" so that higher spending districts have lower tax rates. However, this proposal and its implementation schedule may not have the intended result. This is because the mechanics of this proposal will not be clear to residents, particularly residents in communities that will see tax rates rise incrementally over four years. There is a risk that tax rates will continue to climb in these communities, and the mysterious mechanics of the formula, or “Montpelier” will be blamed for the increases when full implementation of the proposal takes effect.

One question to be resolved is the impact of eliminating the excess spending penalty in the transition years. If the penalty is eliminated in FY 2018, and the new calculation is phased in slowly over time, there is a risk that districts that otherwise would have responded to the penalty will spend more per pupil in the first year or two of implementation, only to be hit with significant tax rate increases when the proposal is at full implementation.

Furthermore, our understanding is that this approach does not change the CLA factor, does not address weighting for equalized pupils, nor the hold-harmless provision. All of these features of the current formula are in place for good reason, *and* they add to the complexity of the system. School officials will have to spend significant time learning the mechanics of the new formula and how the elements of the old system interact with the new calculation.

With respect to providing property tax relief by delivering meaningful cost containment, a concern is that this proposal could lead to increased education spending in lower-spending districts, without commensurate decreases in higher-spending districts. As a result, property taxes statewide would continue to increase, creating more cynicism about the inability of Montpelier to address a funding formula that many believe is the cause of the problem, rather than local spending decisions. We recommend that any change to the funding formula be part of a package that includes tools that school officials need in order to lower spending at the local level.

Finally, with respect to the timing of this proposal, we have serious concerns that it would apply to FY 2018 budgets. The vast majority of school boards have just completed the work of explaining their budgets to communities, the mechanics of the formula as they exist today, and the likely impact on local tax rates. To change the formula this year when most budgets have been approved does not adequately respect this local decision-making process.

Our association is not opposed to adjusting the education funding formula, and we believe that this proposal could lead to a fairer application of the statewide system. However, we believe that adjustments to the formula ought to be coupled with cost-containment provisions, and that the timing of the changes ought not impact districts in the midst of Act 46 implementation.