



**House Ways and Means Committee
Vermont League of Cities and Towns
*Wednesday, February 1, 2017***

Thank you for the opportunity to testify regarding the Governor's proposal for Education Funding.

The Vermont League of Cities and Towns' Board of Directors meeting is tomorrow. We will be discussing the Governor's proposal at that meeting, as well as the Treasurer's Clean Water Report. In the interim however, we do have several comments.

Why do we care?

Municipalities, with few exceptions, have one revenue source to fund local government - the property tax. According to the National League of Cities, "property tax" was the hottest budget issue that mayors across the country discussed in their 2016 State of the City speeches. And in Vermont we have one of the highest property tax burdens in the nation.

In 18 municipalities, voters have adopted and the legislature has approved authority to levy a one-percent local option on the sales tax or the meals and rooms tax, or both on of them. To the extent that property taxes are overburdened to pay ever increasing costs of education, cities and towns are constrained in their capacity to ask voters to increase taxes for municipal obligations - police and fire protection, highway maintenance, water quality protection and stormwater, planning (including energy and forest blocs enacted last year), zoning, public recreation, financial management, and more.

General Fund Transfer

We strongly endorse the Governor's proposal to fully fund the General Fund Transfer to the Education Fund at \$314.7 million. We would hope that fully funding that obligation goes without saying.

Education Fund

Several additional components of the Governor's proposal raise red flags for cities and towns. The Governor's proposal would add \$135.9 million in expenses to the education fund, (higher education, teachers' health insurance and retirement, early education and innovation grants) but increases the General Fund Transfer to the Education by only \$86 million - leaving an unfunded obligation of almost \$50 million according to the Joint Fiscal office. The transfers would be permanent obligations of the Education Fund and there is no guarantee that funding would accompany the mandates in future years. He would resolve the General Fund deficit with that action, shifting that burden to the Education Fund.

Under current law, the total amount of money in the Education Fund for FY18 equals \$1,595,400,000. Of that amount, \$1,066,300,000 – more than two-thirds – is raised from property taxes.

Previous proposals to shift the costs of teachers' insurance and retirement, child care, and higher education to the Education Fund have been defeated. This committee has often worked to ensure that those obligations were not shifted to the Education Fund. Whatever you think of their merit, proposals to use the Education Fund to pay for the Community High School, adult basic education, dual enrollment, and pre-K education – were adopted despite the language of Act 60 – the Equal Educational Opportunity Act of 1997 – that defines education as kindergarten through grade 12 and contained a self-destruct section if the fund were used for other purposes.

(See <http://legislature.vermont.gov/statutes/section/16/133/04025>.) The statute (16 V.S.A. § 4025 (d)) is clear: “Upon withdrawal of funds from the Education Fund for any purpose other than those authorized by this section, 32 V.S.A. chapter 135 (education property tax) is repealed.”

Our position has been that these programs are very important and inasmuch as they are priorities of the administration and legislature, they should be funded from general fund revenues of the state.

Moving the School Budget Vote

The governor's budget also called for a delay in voting school budgets and instead voting revised school budgets on May 23. However, the deadline for posting warnings for March Town Meeting is February 5 (this Sunday), so warnings have to be posted by this Friday, February 3. School Boards and selectboards and city councils have worked for months to develop budgets that meet the projected needs in the coming year. Budgets have been set and many warnings for Town Meeting have already been posted. The Secretary of State is advising town and school district clerks to follow the current law in warning meetings. People will show up for Town Meeting. They will expect to vote. They *will* vote.

We believe the proposed timeframe is logistically almost impossible.

Level Funding Mandate

Any number of issues relating to particular school budgets would arise if the Governor's proposal to mandate level funding school budgets were enacted. You have heard about many of them. For cities and towns, it is clear that if the legislature enacted a level funding mandate for school budgets, it could do the same on the municipal side, wreaking the same kind of havoc and eliminating any kind of local voter control.

We may not like the results, but it is the case that school budgets and municipal budgets are adopted by the voters.

The VLCT 2017 adopted Municipal Policy states,

- “1. Municipal and school officials, state administration, and the legislature should begin as equal partners to analyze the issues within Acts 60, 68, and 46 and create a new education finance system that reduces and reforms the property tax burden.
2. The legislature should assess whether Act 46 has resulted in cost reductions in school district budgets and per-pupil expenditures. The legislature should develop a tangible definition of success.
3. Education Fund monies should *only* be used for pre-K-12 education. Billing and collection of the state education property tax should remain at the local level.”

Thank you for the opportunity to testify.

Our Local Government Day in the Legislature is Wednesday, February 15. Local officials would welcome the opportunity to discuss this proposal with the committee if you have the time.

*Karen Horn, Director
Advocacy and Public Policy
khorn@vlct.org*