

Testimony to the Senate Education Committee January 23, 2018

Good afternoon. My name is Martha Heath. I am a former State Representative from Westford, Vermont. I served in the House for 22 years, 6 years on the House Education Committee and 16 years on House Appropriations, the last 10 years as chair.

In 1997, I was one of three House members who served on the Conference Committee for the bill that became Act 60.

Paul Cillo has given you excellent testimony on the process that created Act 60, including the principles that guided our work as we created the bill.

I thought it might be helpful if I gave you some context. I was elected to the School Board in Westford in 1985. As a property poor community, we were struggling to pass very modest school budgets. Some in the community could afford high property taxes but many of their neighbors could not. It quickly became apparent to us that the system for funding education was built on a model for measuring wealth that no longer existed...the time when the value of a person's property was a good measure of their wealth had passed. It was also clear that the education of our children was suffering under a system that made paying for education in property poor towns extremely difficult.

I was elected to the legislature in 1992 hoping to be able to reform the education funding system. Proposals passed the House in both the 93-94 and 95-96 sessions but failed to become law. Then in February of 1997, the Supreme Court announced what became known as the Brigham Decision.

Paul Cillo has explained how we came to have our present funding system. I think it works fairly well in terms of allowing a large percentage of Vermont residents to pay their education taxes based on their ability to pay. It is complicated though and because of the way income sensitivity is accounted for, it is too easy to see it as a type of rebate program instead of a method for paying education taxes as it was intended to be. In presenting school budgets in my school district (I have continued to be on my local school board), I have always talked about THREE education tax rates; the homestead rate, the nonresidential rate and the income rate. I talk about the consequences of budget decision on those who pay based on property and those who pay based on income. I don't think this type of communication is widespread though and it is very difficult to ever get the press to report on the income rate. Because the income sensitivity provisions of Act 60/Act68 are not well understood, it is easy to mischaracterize how they affect voter decisions.

There is no question that moving to a pure education income tax for Vermont residents would make for a simpler and more transparent system. I have never served on Ways and Means so I won't pretend to understand the obstacles that have prevented this change from happening to date. Certainly there are some who argue that income is a less stable source of revenue. (although others dispute this assertion). It has always been my understanding that there are a number of technical challenges as well. That said, I do believe it is worth exploring a move to a completely income based system for Vermont residents because it would be easier to understand and less open to mischaracterization. And yes, in response to Senator's Baruth's question, I do believe it would be fairer as well.

Thank you for inviting me to testify. I hope this is helpful.