



Memorandum

To: House Ways and Means Committee

From: Karen Horn, Director, Public Policy and Advocacy

Date: April 17, 2020

Re: COVID-19 Education Funding

Initial Proposed State Borrowing Provision to Make Education Fund Whole in 2020.

- Municipalities deliver all collected Education Fund revenues to the state on the June 1 due date or to school districts on statutory date.
- 8 percent and additional penalties on municipalities for failure to deliver entire amount of Education Fund dollars are waived in 2020.
- The State borrows to make up the difference between Education Fund dollars received and Education Fund dollars owed. One loan taken by the state is more efficient than multiple smaller loans and the interest rate is likely better than for multiple smaller loans provided to towns.
- Upon receipt of owed Education Fund property taxes by the municipality, they are provided to the Education Fund.
- Interest costs for the state loan are apportioned to and paid by the town.

Education Fund 2021

Quite clearly, the education property tax cannot be a backstop for the Education Fund shortfall in 2021. Inability to pay property taxes results in tax sales at the end of the day, which would be disastrous for stressed property taxpayers and also disastrous for the economy at large if significant numbers of properties were forced to tax sale at the same time.

Local governments are furloughing and laying off employees and reducing services now. Even with assistance that may be coming from the federal government, the situation will be worse in 2021.

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