

VLCT TESTIMONY



89 Main Street, Montpelier, Vermont 05602

To: Members of the House Ways and Means Committee
From: Karen Horn, Director, Public Policy and Advocacy khorn@vlct.org
Date: February 22, 2019
Re: Proposal to Shift Additional Costs to the Education Fund

Thank you for taking the time to hear from cities and towns regarding the proposals to move additional costs to the Education Fund.

Last June, during the special legislative session, the entirety of sales tax revenues was directed to the Education Fund at the same time that the statutory obligation to provide a transfer from the General Fund to the Education Fund was eliminated. As well, 25 percent of the meals and rooms tax was dedicated to the Education Fund.

Throughout the 2017-2018 extended biennium, you struggled with how to reduce the Education Fund's over-reliance on the property tax. The Education Fund was enacted to pay for K-12 education and the multitude of mandates that come with that responsibility. You removed obligations from the Education Fund that are inconsistent with that purpose, but which had over the years crept into the Education Fund. As of 2018, the Education Fund no longer supports Adult Education and Literacy, Community High School of Vermont, Renter Rebates, or reappraisal and listing. Our understanding of your effort was to tie Education Fund expenditures closer to the votes taken on school budgets at the local level and make real the claim that "school boards set budgets and submit them to voters for their approval, maintaining local control over education spending".

The Education Fund in FY19 is supported by \$1,106 million in property taxes and \$538 million in state revenue sources. Even with the amendments you made last year, the education property tax contribution increased by \$46 million from FY 18 to FY19 and is expected to increase by again in FY20 (*Joint Fiscal Education Fund Outlook, January 2019*).

According to the Joint Fiscal Office, net homestead property tax comprises 26 percent of the Education Fund, non-residential property tax is 41 percent and non-property tax sources comprise 33 percent of the Education Fund. Vermont has not reduced its over-reliance on the education property tax.

In his proposed budget, Governor Scott would move the total cost of dual enrollment, \$850,000 this year, to the Education Fund. The Governor's budget would also transfer the entire cost of two Agency of Education IT projects to the Education Fund. Ongoing administrative costs for the Statewide School District Data Management System (SSDDMS) and the Agency of Education Longitudinal Data System would shift to the Education Fund at a combined cost of \$1.7 million this year, a figure offset by a one-time shift of \$2.1 million to the Education Fund. In FY12, the federal government provided funding to implement statewide longitudinal data systems to improve the collection and reporting of education data. The Agency of Education memo accompanying the proposal stated, "The fund [to implement the system] does not have sufficient resources to support the project in the long term, and an on-going funding source must be identified."

Both the dual enrollment and data systems are important programs. If dual enrollment increases the cost to the Education Fund likewise increases. There is no authority at the local level to cap those costs within

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a school budget and no way to exercise local fiscal restraint. Nonetheless, education property taxes would pay for the programs. In turn, capacity to use property tax dollars to address municipal needs such as stormwater mitigation on municipal roads, programs to attract fire fighters and EMTs to local service, extending broadband service to those who are unserved,

Agency of Education data administration costs will only increase over time. The solution to the very predictable loss of federal funds for data initiatives at the agency cannot be to shift those programs from federal support to local education property taxes. Supporting the agency's administrative costs and a dual enrollment program is not the intended function of the Education Fund and the 67 percent of the fund supported by property taxes.

Despite your efforts last year, the appetite for over-reliance on the education property tax remains strong in the administration. We oppose moving these costs to the Education Fund.

Thank you for the opportunity to testify.