

Vermont School Funding

Senate Education Committee

Paul A. Cillo

Public Assets Institute

February 22, 2019

The Dark Ages: Before Act 60 of 1997

- Local property taxes raised + state aid
- Property-rich towns (ski resorts, lakes, big corporations, high-value homes) could spend more with a lower rate than property-poor towns

Town	Per pupil spending	Tax rate	Equalized Pupils
Addison	\$5,241	\$1.38	233
Dover	\$7,968	\$0.43	210

Brigham v. State of Vermont

“To keep a democracy competitive and thriving, students must be afforded equal access to all that our educational system has to offer. (p. 14)”

“Children who live in property-poor districts and children who live in property-rich districts should be afforded a substantially equal opportunity to have access to similar educational revenues. (p. 15)”

Common Benefits Clause

Article 7. That government is, or ought to be, instituted for the common benefit, protection, and security of the people, nation, or community, *and not for the particular emolument or advantage of any single person, family, or set of persons*, who are a part only of that community; and that the community hath an indubitable, unalienable, and indefeasible right, to reform or alter government, in such manner as shall be, by that community, judged most conducive to the public weal.

We all have a stake in every child's future

Before Act 60 'our kids' meant the kids in our own town



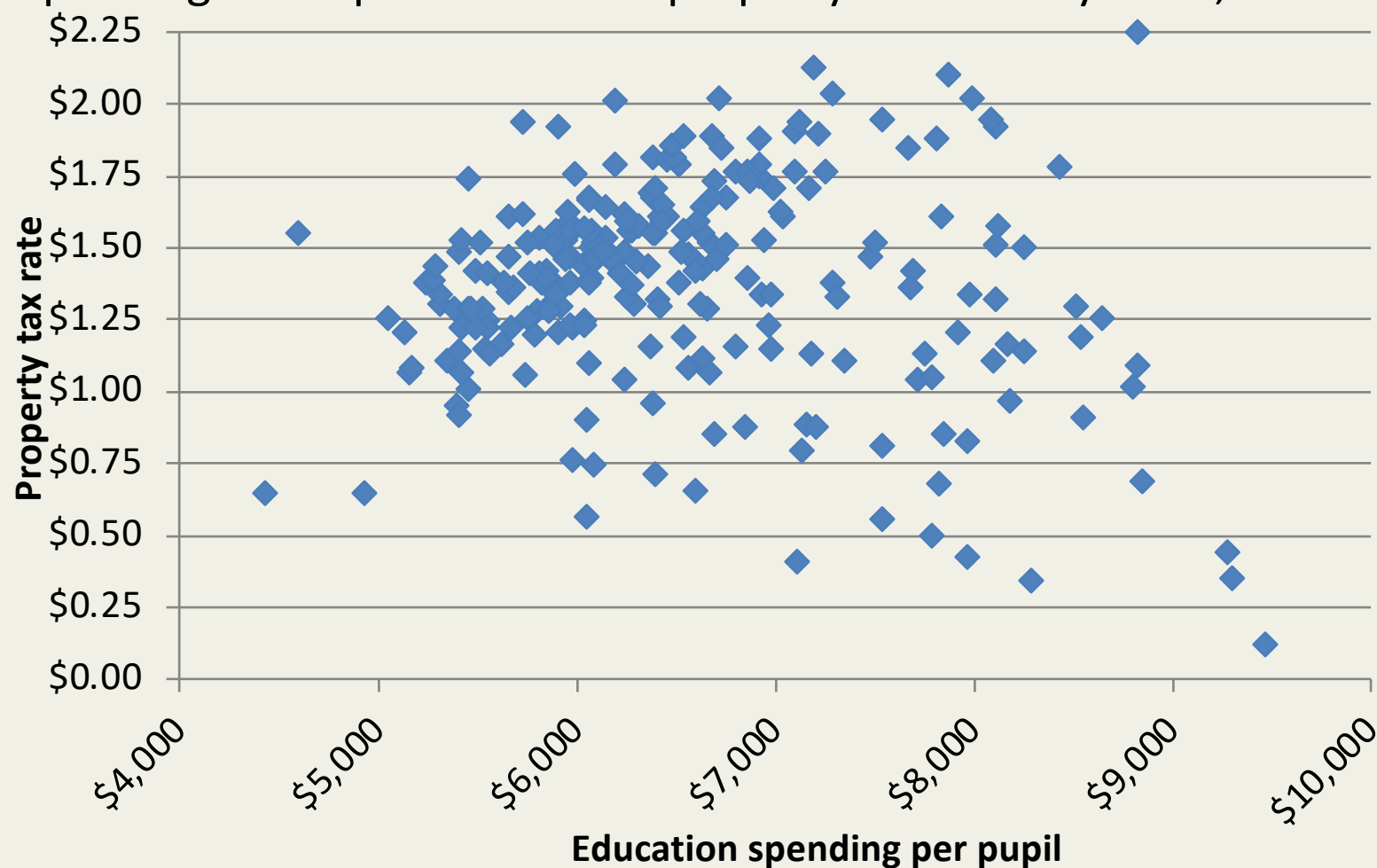
Since Act 60 'our kids' includes all the children in Vermont



Before Act 60:

Little correlation between taxes and spending

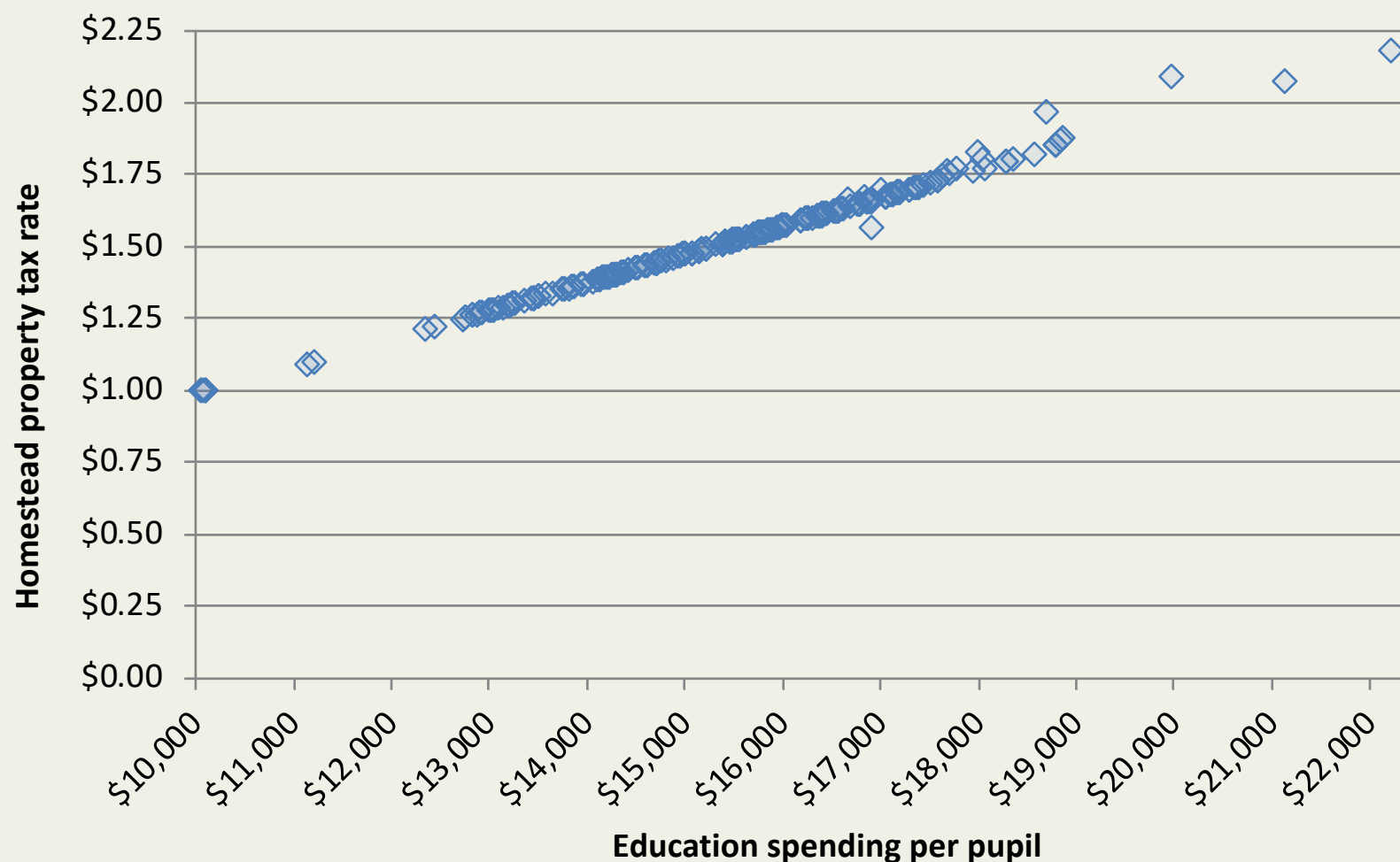
Per pupil spending and equalized school property tax rates by town, FY1997



After Act 60 & 68:

Towns with the same spending per pupil have the same tax rates

Per pupil spending and equalized school property tax rates, by town, FY2018



Five Principles of Vermont's School Funding System

1. Local control
2. Fairness for students
3. Fairness for taxpayers
4. Simplicity & transparency for citizens
5. Taxes based on ability to pay

2

Fairness for students Equal access to educational resources

BEFORE ACT 60/68:

A student's hometown tax base determined the resources available for their education

\$ LOCAL HOMEOWNER TAXES



A rural or bedroom community town like Walden or Topsham

\$ LOCAL HOMEOWNER TAXES

\$ RETAIL AND SMALL
MANUFACTURING TAXES



A commercial and industrial center like Rutland Town

\$ LOCAL HOMEOWNER TAXES

\$ RETAIL TAXES

\$ SECOND HOME TAXES

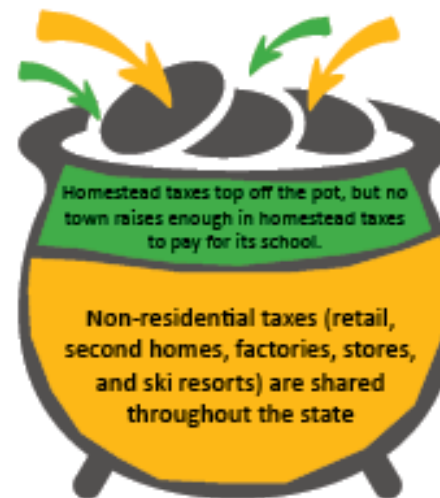
\$ SKI RESORT TAXES



A ski town like Stowe or Killington

AFTER ACT 60/68:

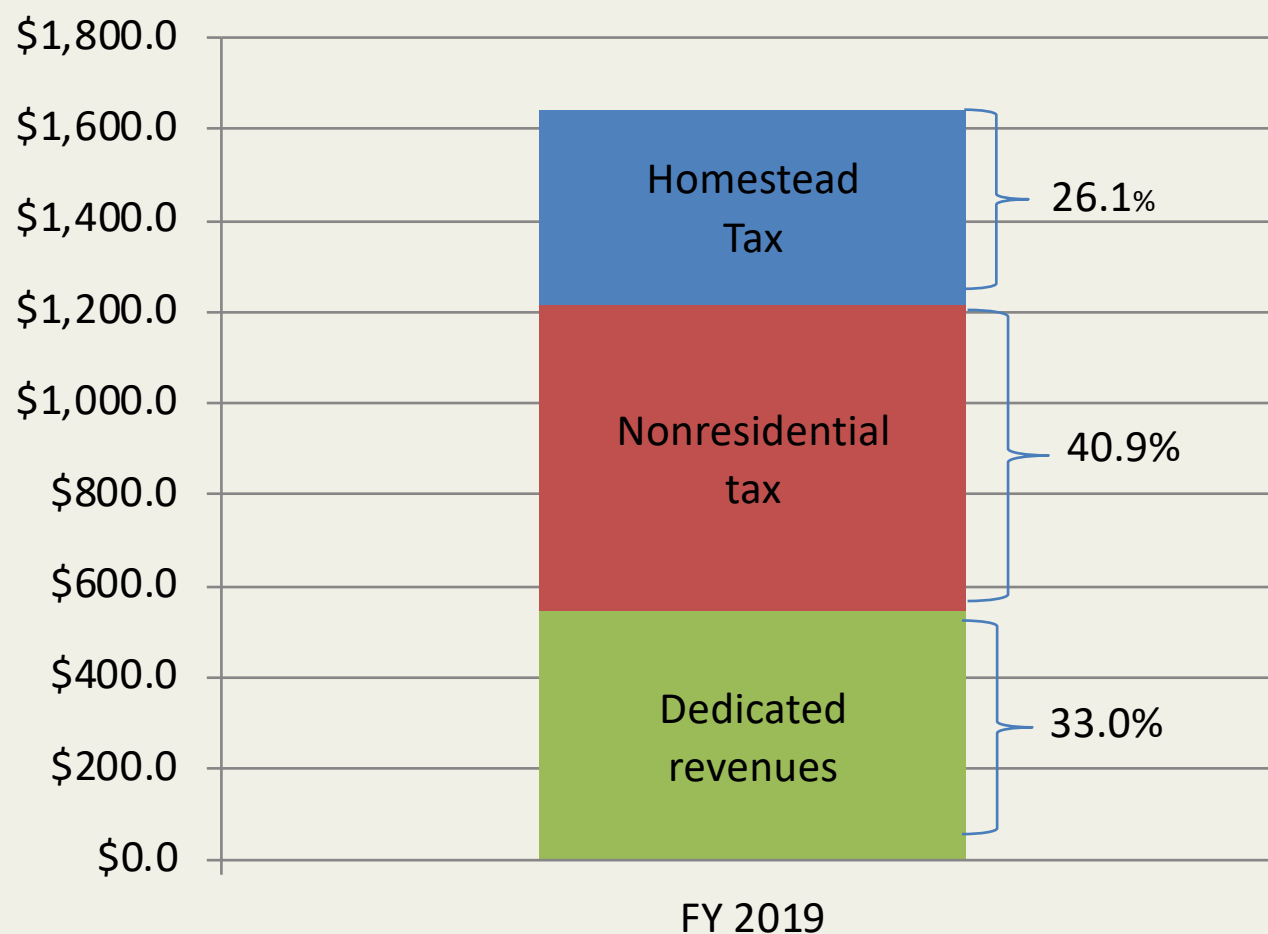
All Vermont's students have the same opportunity to access funding



Q:

Does the proposal maintain, reduce or increase fairness for students?

Education Fund Revenue Sources (\$ millions)

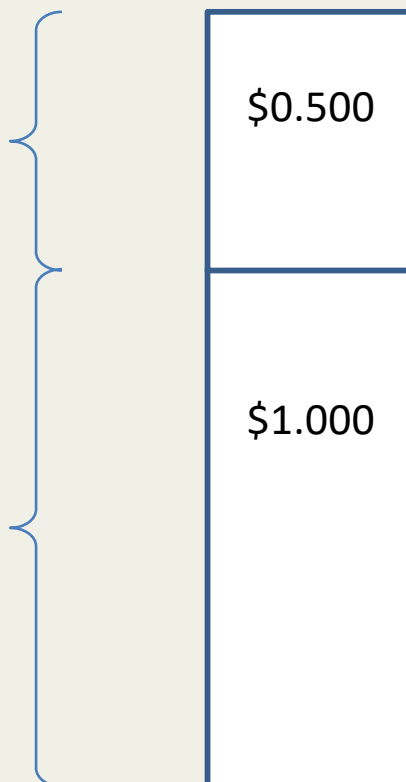


FY2019

Total Education
Spending per pupil
\$15,330

50% above base
\$5,110

Base amount
\$10,220



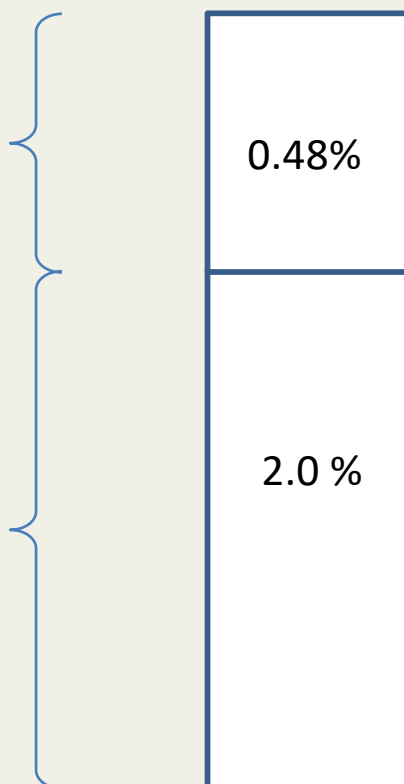
Total Homestead Tax Rate
\$1.500

FY2019

Total Education
Spending per pupil
\$15,330

24% above base
\$2,950

Base amount
\$12,380



Total Income Tax Rate
2.48%

3

Fairness for taxpayers

Same spending per pupil, same tax rates

Town A

\$12,245 per pupil
2.25% income rate
\$1.26 homestead rate

Town C

\$15,640 per pupil
2.88% income rate
\$1.61 homestead rate

Town B

\$12,245 per pupil
2.25% income rate
\$1.26 homestead rate

Town D

\$15,640 per pupil
2.88% income rate
\$1.61 homestead rate



4

Simplicity and transparency for citizens



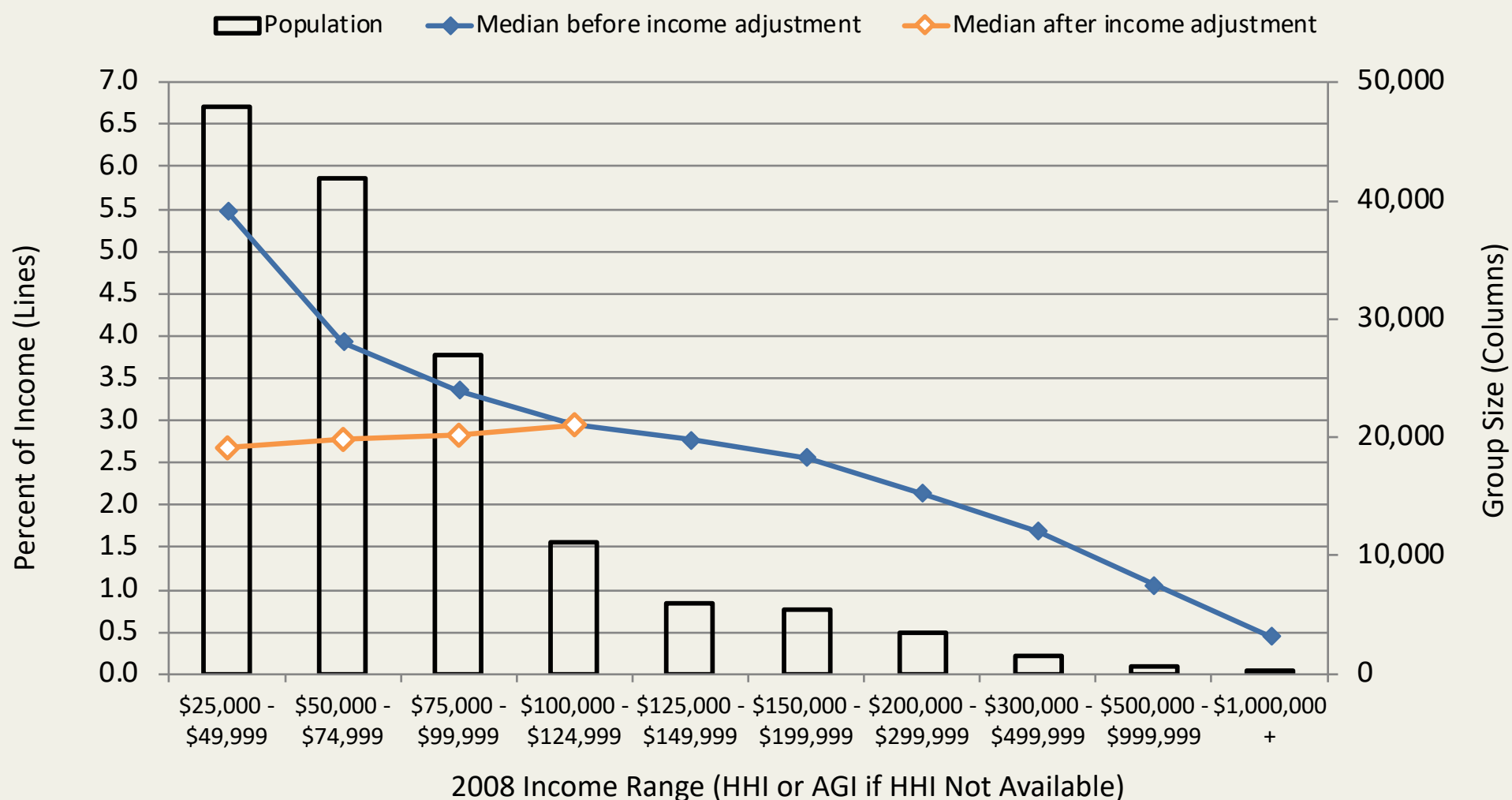
There are tax consequences for spending decisions



The tax consequences are clear to the voter at the time of their vote

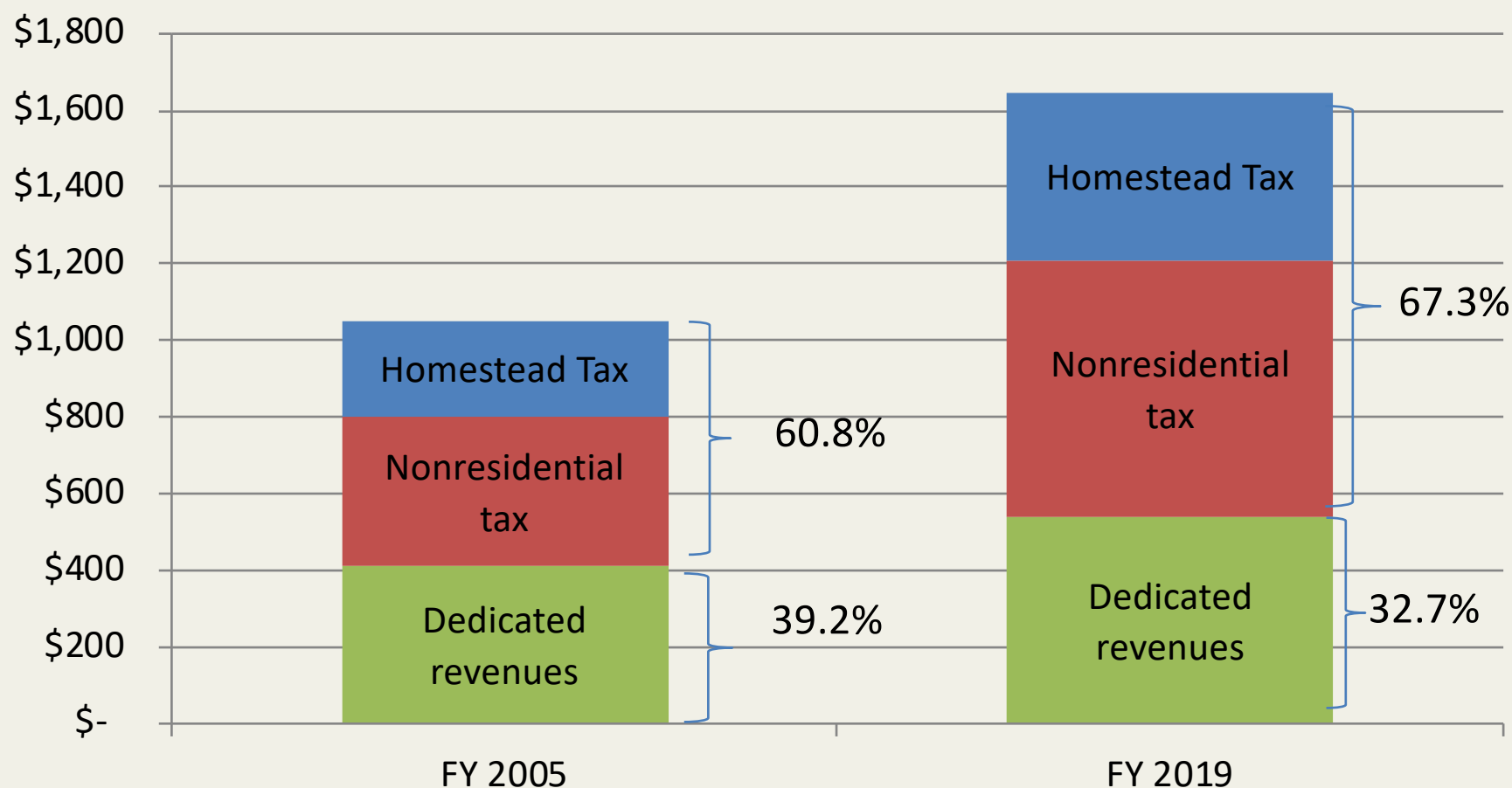
5. Taxes based on ability to pay?

Homestead taxes as a percentage of income



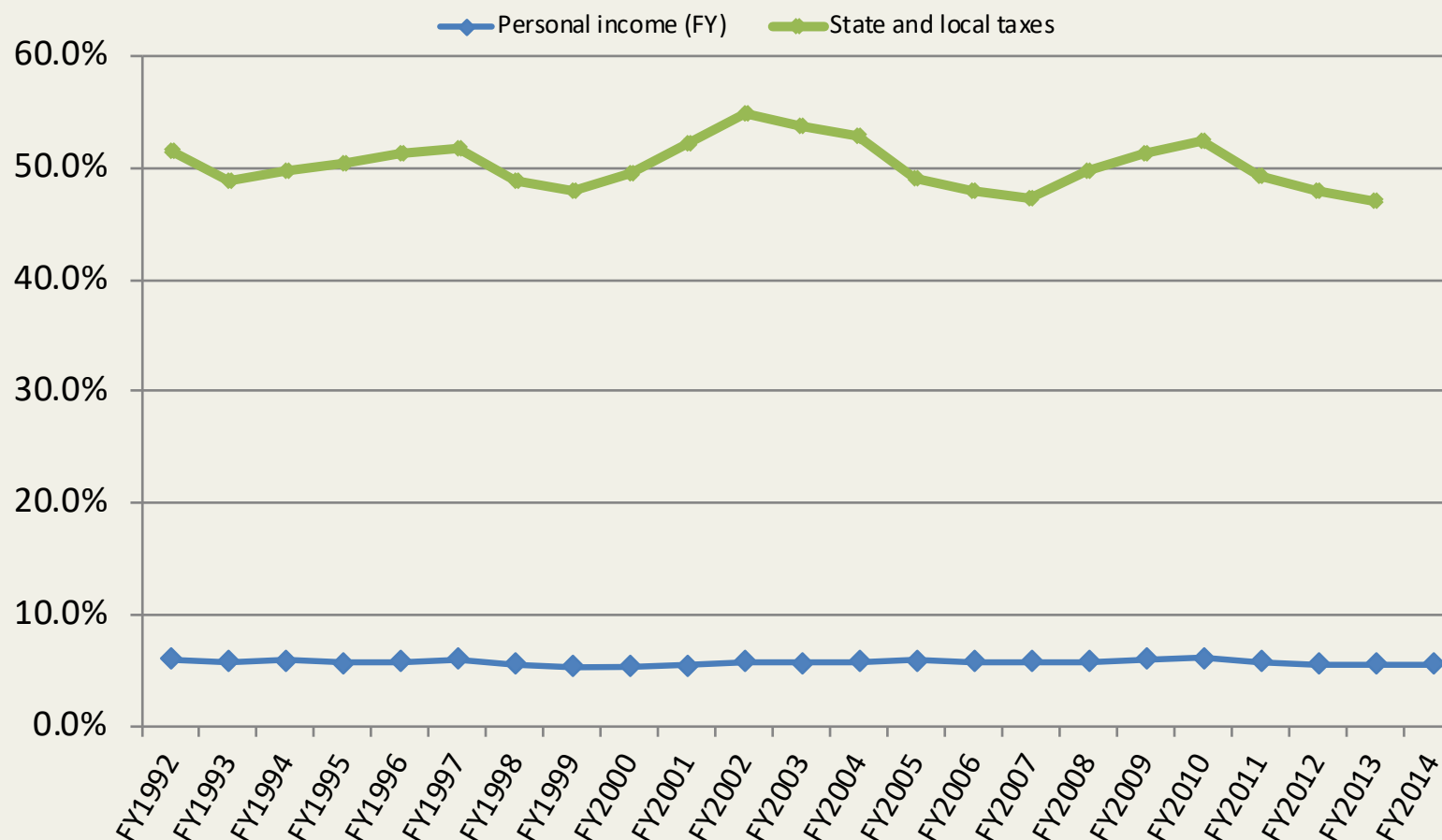
Property tax share has been growing

If dedicated revenue share remained constant, property taxes would be \$106 million less
 Education Fund revenue sources, FY 2005 and FY 2019



Education spending: steady for more than 20 years

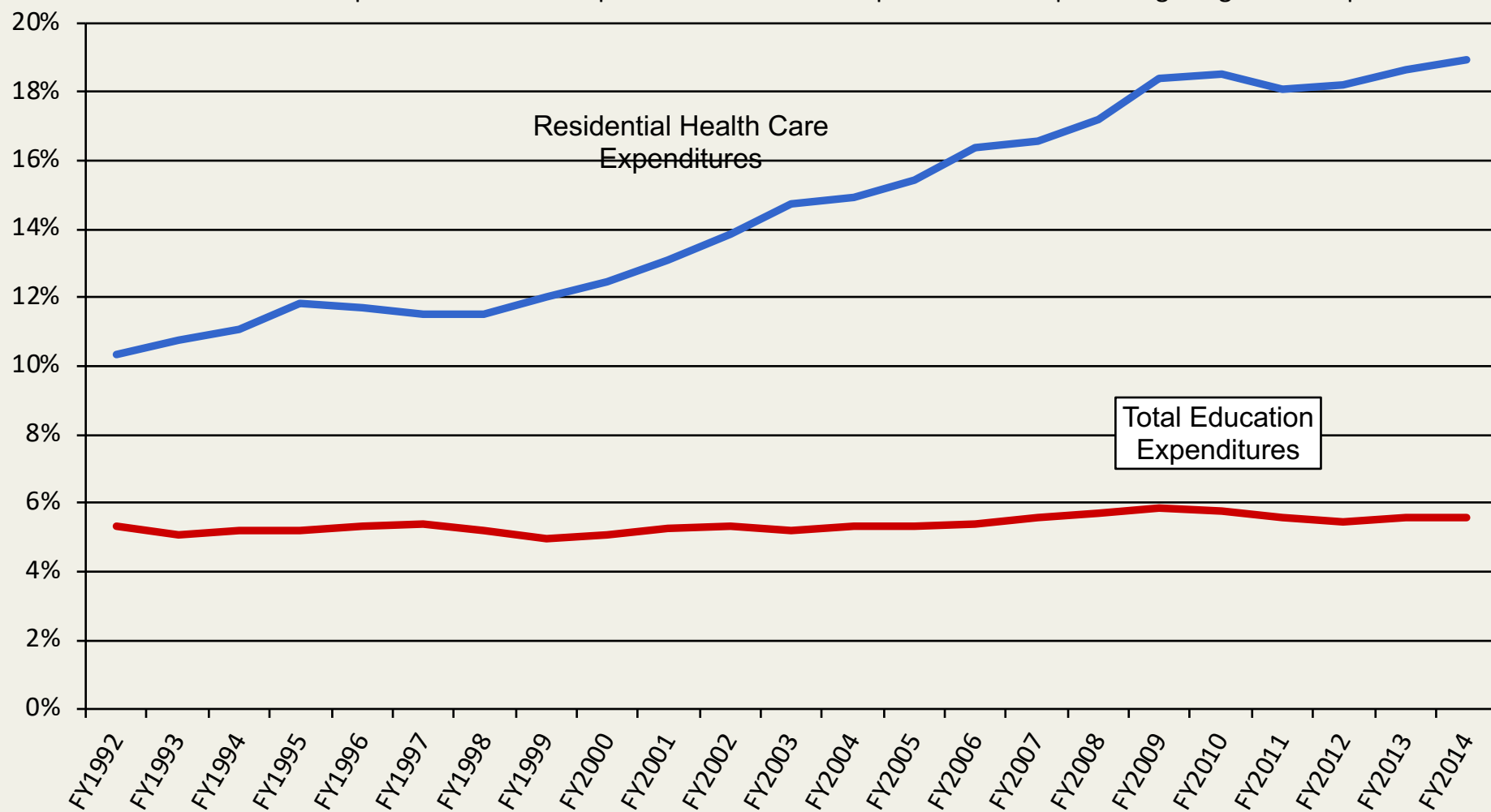
Education spending as a percentage of personal income, state and local taxes



Data source: U.S. Bureau of Economic Analysis, U.S. Census, Vermont Public School Finance Data

Unsustainable vs. Sustainable Growth

Residential health care expenditures and total pre-K to 12 education expenditures as a percentage of gross state product



Remaining problems: It's complicated

For a voter to determine their tax bill before they vote on the school budget, they need to know:

1. Whether all of the income in their household was above or below \$90,000 last year
 - if below, how much of their housesite value is above \$400,000
 - if above, how much of their housesite value is above \$225,000
2. Whether household income was above or below \$47,000
3. Their homestead listed value
4. Their housesite listed value
5. The town's Common Level of Appraisal
6. The equalized homestead property tax rate required for proposed budget
7. The income-based tax rate required for proposed budget

An income-based system for all residents



- Eliminates the school property tax on all primary residences
- Taxes all Vermont residents based on ability to pay
- Creates a simple and easy to understand system for voters



The next step for Vermont schools: Eliminate the school property tax on primary residences

	Before Act 60	Current system: Act 60/68	Income- based system
Local school districts set school budgets & make school spending decisions	●	●	●
Weighted pupil count – recognizing the variable costs to educate different kids	●	●	●
Statewide education fund		●	●
Non-residential taxes shared statewide		●	●
Towns with same per-pupil education spending have same tax rates		●	●
All Vermont kids have equal access to education resources		●	●
Taxes based on ability to pay		◐	●
Entirely eliminates school property tax on primary residence			●
Eliminates the influence of local changes in home values on school tax rates			●
School tax payments spread out over the year			●

www.fairforvtkids.com