

To: Members, House Ways and Means Committee
From: Karen Horn, Director Public Policy & Advocacy
Re: S.287, Improving Student Equity – Adjusting the School Funding Formula
Date: April 12, 2022

The Vermont League of Cities and Towns urges you to enact the pupil weights with the methodology contemplated in S.287 as it passed the Senate.

This year, school budgets have been exceptionally difficult to assemble due to the constant curve balls thrown by the pandemic. Federal Elementary and Secondary School Emergency Relief (ESSER) and other federal COVID relief funds (\$561 million according to the Agency of Education website, if I read correctly) have been used to address not only pandemic-related but also on-going needs. An Education Fund surplus exceeds \$90 million one year after a significant predicted decline in Education Fund revenues from non-property taxes. Education spending growth is at 5.4 percent; and a 7.5 percent grand list growth, which may or may not have staying power in this uncertain and inflationary economy, has property tax payers truly alarmed.

Additionally, the legislature is adding to the Education Fund's obligations the normal cost of teachers' other post-employment benefits (OPEB) and universal school meals. A report on school district capital needs is forthcoming next year. Even as school budgets grow significantly, schools are serving fewer students every year.

The legislature is committed to correcting the inequities created by pupil weights that have been in place for decades, thus righting the system for allocating Education Fund dollars to school districts and ensuring that all students receive substantial equality of educational opportunity. We support that effort and are grateful to the legislature for focusing attention on the issue. On several occasions, we have endorsed the comprehensive work and recommendations of UVM Professor Tammy Kolbe, Rutgers University Professor Bruce Baker, and researchers from the American Institute for Research.

Also still lingering are recommendations from the Tax Structure Commission – which we also support – to move homestead tax payments entirely to the income tax, which would address equity issues on the revenues side of the ledger.

We believe that in the current environment of swirling priorities and universal pandemic exhaustion, the legislature should not completely cast aside a system of pupil weights and equalized pupil counts, which have formed the basis of the Education Fund. We are further concerned that the cost equity model would establish grant amounts in statute (Section 4 of the bill beginning on p. 8, line 17) that could easily be amended by the legislature at any time. And because the legislature is a political place, we expect those efforts would be made.

The implementation of pupil weights, because they are at least one step removed from dollar amounts in the statute, would be less vulnerable to future legislature's proposals to manipulate them. As we understand it, S.287 would apply weights to the long-term student membership - pupils, - not budgets. The increased funding that accrued as a result of the weights being applied will enable districts to address the

needs of their particular student populations, which would seem to be the purpose of the weighting system.

There seems to be no cost control incorporated in the cost equity model and we believe it is absolutely crucial that the cost side of the ledger be addressed. We believe this is also an issue with the weighting proposal from the Senate. Vermont consistently ranks among the top five or six states in terms of property tax burden; two thirds of the Education Fund is derived from property taxes; and education property taxes make up 50 to 80 percent of a property tax bill, depending upon the municipality in which a person resides. As well, the law establishes that when non-property tax revenues fall short of meeting the needs for education funding, the education property tax makes up the difference.

We strongly urge you to establish the Education Advisory Committee, created to monitor Vermont's education finance system, conduct analyses, update weighting factors, and, by January 15, 2023, make recommendations on implementing an education income tax system to replace the homestead education property tax system. We believe it would be immensely helpful to take some of that discussion out of the legislative forum. It will be equally important to benefit from a focused and continuing assessment of the education funding system that cannot be accomplished in the legislature with all its competing calls on legislators' time and attention.

Thank you for the opportunity to testify.

- [Agency of Education Federal Emergency Funds](#)