
TESTIMONY

Testimony To: House Ways and Means Committee
House Education Committee

Submitted by: Daniel M. French, Ed.D., Secretary of Education
Craig Bolio, Commissioner of Department of Taxes

Subject: Education Fund Surplus

Date: February 24, 2022

Background:

The Education Fund is forecast to have \$95.7M in “Current-Year Unreserved/Unallocated” funds (i.e. surplus) at the end of FY22. At the time of the Commissioner’s December 1st letter, that amount was forecast to be \$89.5M. When the FY22 yield bill was passed in May 2021 (establishing the tax rates for FY22), it was unknown to policymakers that the FY21 unreserved amount would end up being larger than expected, the FY22 non-property tax revenue would perform better than expected, FY22 property tax credits would cost less than expected, and there would be a substantial FY22 reversion (money paid back to the education fund by districts). These factors are what’s leading to an unusually large projected surplus. Had policymakers known of the above, it is expected they would have set tax rates lower, so the Education Fund was only raising the exact amount of education property taxes needed to balance the fund, as is their convention.

The Governor proposes that the surplus be treated in two ways:

1. Returning half of the surplus to homestead property owners through rebate checks; and
2. Investing in workforce development programs in K-12 settings, such as career technical education (CTE), including upgrades to existing facilities.

Rebate Checks for Homestead Property Owners

The Administration is proposing to give half of the FY22 surplus back to homestead property owners via rebate checks. The refund amount would be a flat amount per parcel, which would equate to approximately \$275.00.

In terms of property that has been sold in the past year, we recommend that we use the owner of record as of April 1, 2022, because April 1st is when listers update the town grand list, and the person owning the property has likely paid at least a portion of FY22 property taxes.



The Tax Department will be responsible for ensuring checks are issued through the following high-level process:

- Towns provide the Tax Department with current (as of April 1st) owner/payer of record and their mailing address, organized by SPAN. We will need this information in early to mid-May;
- The Tax Department would calculate the rebate amount based on the FY22 grand list, which will be final at that time and in our possession;
- The Tax Department will first seek out options to contract out the production and mailing of checks. Alternatively, the Tax Department will need to engage with the Department of Finance and Management, Department of Building and General Services, and the Treasurer's Office, to cut the checks, as this would not come out of the Tax Department system;
- There will inevitably be checks returned, which will require the Treasurer's Office to void, remediate (if possible) and reissue;
- Additionally, the Department anticipates needing eight temporary staff for a limited period (six to eight weeks) to answer calls and deal with taxpayer issues, as well as incurring other costs. Hiring eight temps for a short period will be extremely difficult with the current labor market, so one option is to leverage other existing State contracts through the Department of Labor, Department of Motor Vehicles, etc.

CTE and Workforce Expansion

1. **Priority 1:** Creation of a "revolving fund" or seed funding for CTE centers to purchase houses to flip, addressing both housing shortage and workforce training. These funds would also support CTE purchase of land for a number of possible learning activities: excavation programs; teaching how to build roads or lay broadband fiber; or to build mountain bike trails that can later be sold; etc.

Cost estimate: \$15M

2. **Priority 2:** A competitive grant program for facility and infrastructural upgrades directly tied to high-need workforce expansion. Must rely on state data and reporting regarding the high-need sector, ideally aligned also with local comprehensive needs assessment data.

Examples include but are not limited to: expansion of classroom, laboratory, or applied learning space to accommodate more students; equipment to expand access for more CTE students (adult and/or secondary) to expand access to students and training opportunities in high-need areas (programmatically or geographically); and rapid building and deployment of seamless training and education links among CTE, adult education, and post-secondary training opportunities.

Cost estimate: \$28M

3. **Priority 3:** Development of just-in-time, rapid deployment training opportunities to assist CTE students (secondary and adult) in mastering the skills for Vermont's high-need jobs in trades and healthcare. Must include new program(s) and/or training paradigm(s), grounding in the regional comprehensive needs assessment (required for Perkins V), and

consultation/collaboration with regional employers, adult education, and other relevant community partners.

Examples include but are not limited to summer training programs, “13th” year of high school as pre-apprenticeship/apprenticeship experience; “boot camp” training programs. Priority will be given to those programs that will partner with at least one community organization.

The AOE would distribute \$4 million to CTE centers to do this on a formula basis to mitigate widening the equity gap between those that apply and those that do not.

Then, with \$1 million, for centers that have innovative ideas where additional funding may be needed, will be distributed through a competitive grant process. Critical need for this training, at regional or state level, will garner highest priority points in grant review. New opportunities involving either secondary and adult CTE students, or both, are encouraged.

Cost estimate: \$5M

To support the above activities, as well as GEER II deployment, the AOE will need a limited-service position (1 FTE for 3 years).