

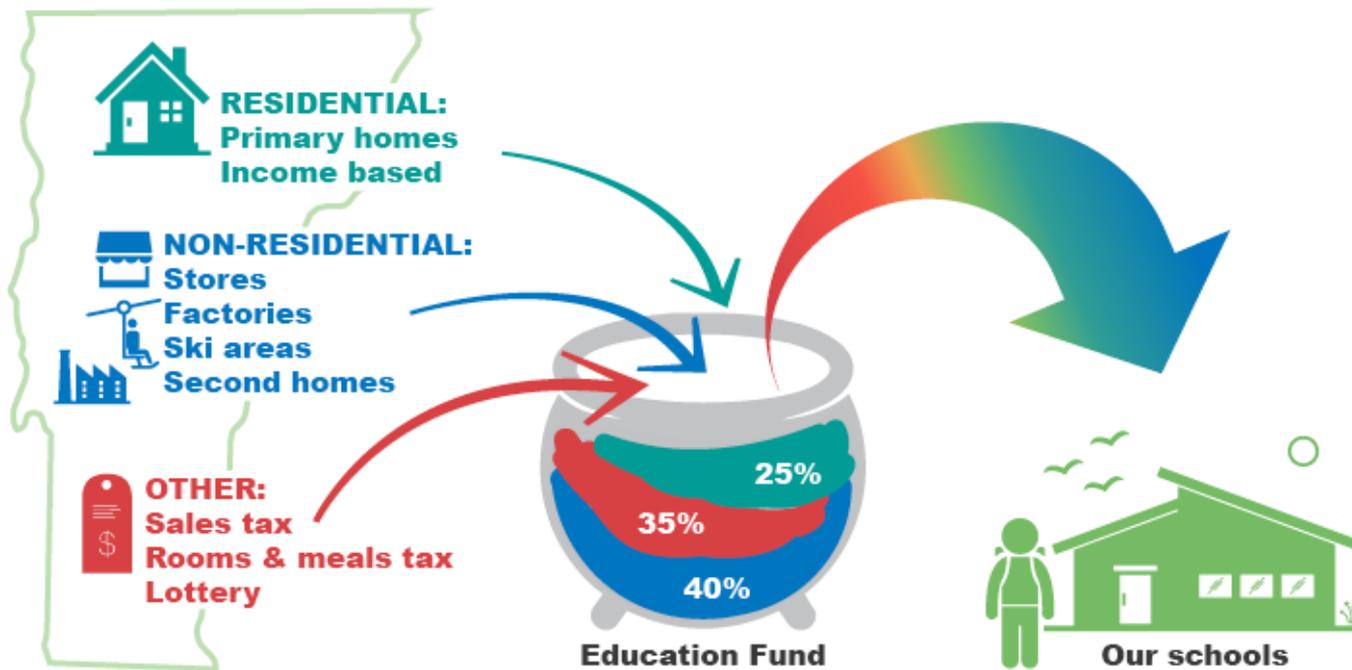


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House Committee on Ways and Means
February 3, 2022

All school taxes go into a single pot—the Education Fund

Resources available per pupil do not depend on the actual dollars generated by each community

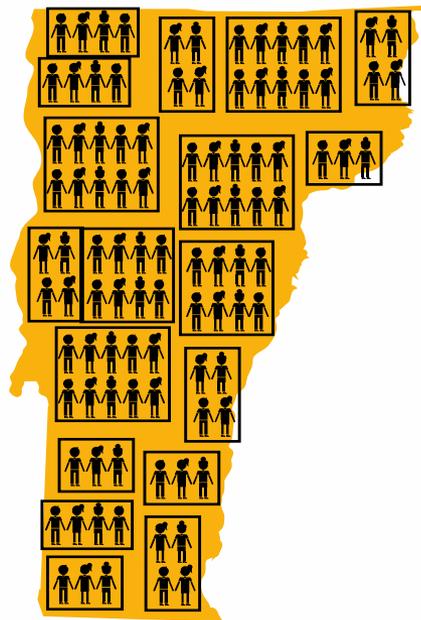


Data source: Joint Fiscal Office
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We all have a stake in every child's future

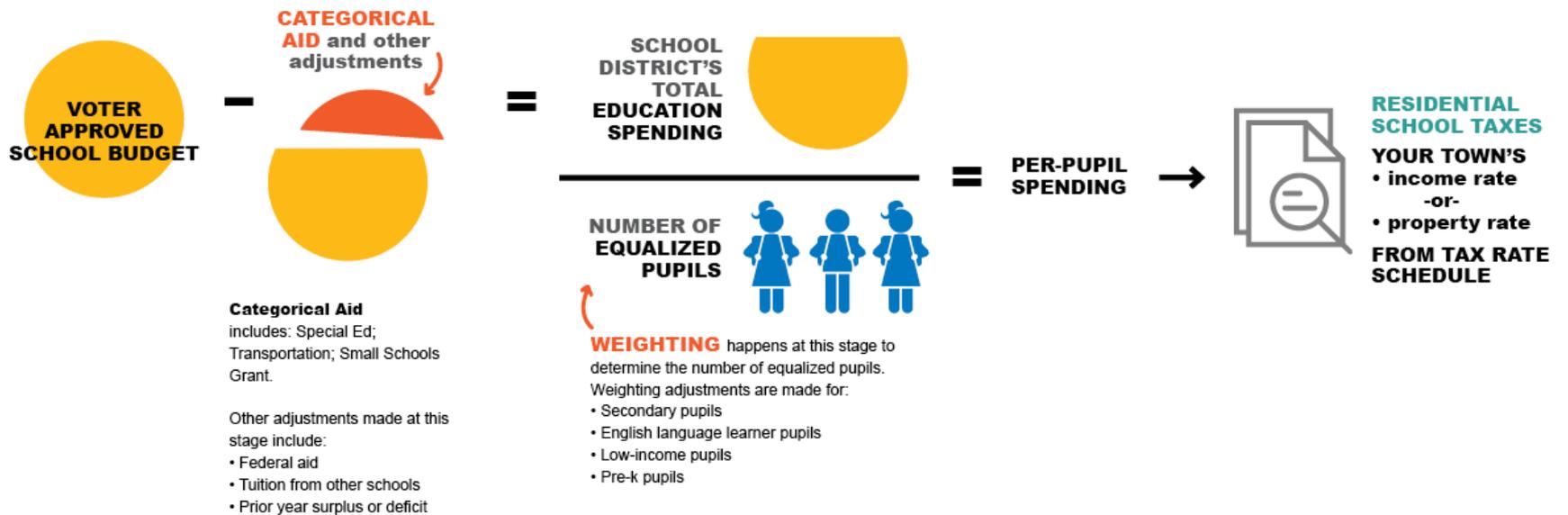
Before Act 60 'our kids' meant the kids in our own town



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

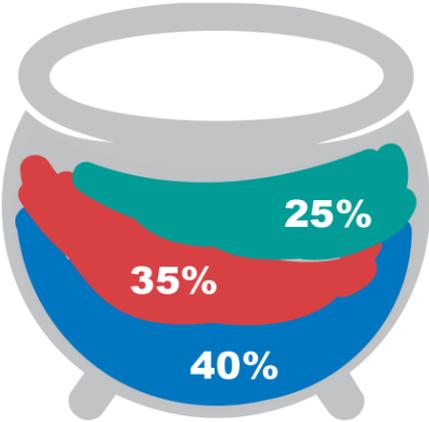


How Vermont's education funding cost adjustment tools work



Pupil weighting directly affects only residential taxes unlike categorical aid

Categorical aid
can be supported by
all revenue sources



Education Fund

Pupil weighting
only applies to
residential taxes



Education Fund

- RESIDENTIAL:**
 - Primary homes
 - Income based
- NON-RESIDENTIAL:**
 - Stores
 - Factories
 - Ski areas
 - Second homes
- OTHER:**
 - Sales tax
 - Rooms & meals tax
 - Lottery

Data source: Joint Fiscal Office
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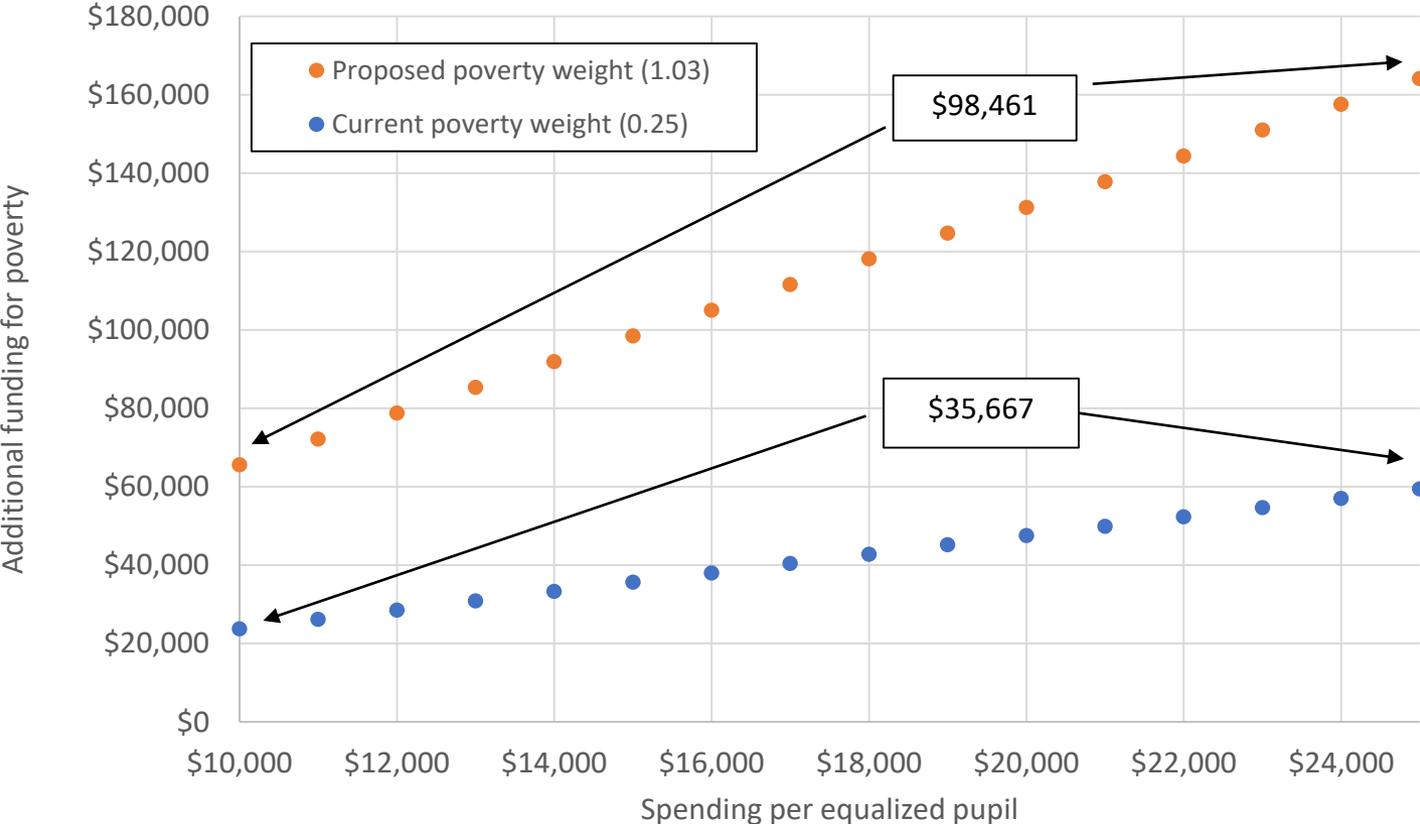
Fig 2. Comparing Vermont’s two education equity cost adjustment tools

	CATEGORICAL AID	PUPIL WEIGHTING
How they work	Provides specific funding for eligible expenses or categories of need	Adjusts the district pupil count for eligible expenses or categories of need
What they adjust for	Special ed, transportation costs, and small size	English language learners, economic disadvantage, and grade
How they impact tax rates	Directly affects both homestead and non-homestead school tax rates	Directly affects only homestead school tax rates
Funding limitations	Unrestricted funds to districts with eligible needs or reimbursement for specific eligible costs	Unrestricted funds to districts with eligible needs, based on per-pupil spending approved by voters
Differences between the tools	<ul style="list-style-type: none"> • A fixed amount, a share of costs, or a per-pupil amount • Amount does not vary with per-pupil spending 	<ul style="list-style-type: none"> • Not a fixed amount per pupil • Amount varies with per-pupil spending: The weight is worth more in higher-spending districts
What’s the same	<ul style="list-style-type: none"> • Voters decide how much to spend on the total school budget • The Legislature decides on eligibility criteria and reporting requirements 	



Larger weights create greater disparity of funding

Additional funding for schools with 10 poverty students and increasing spending per pupil

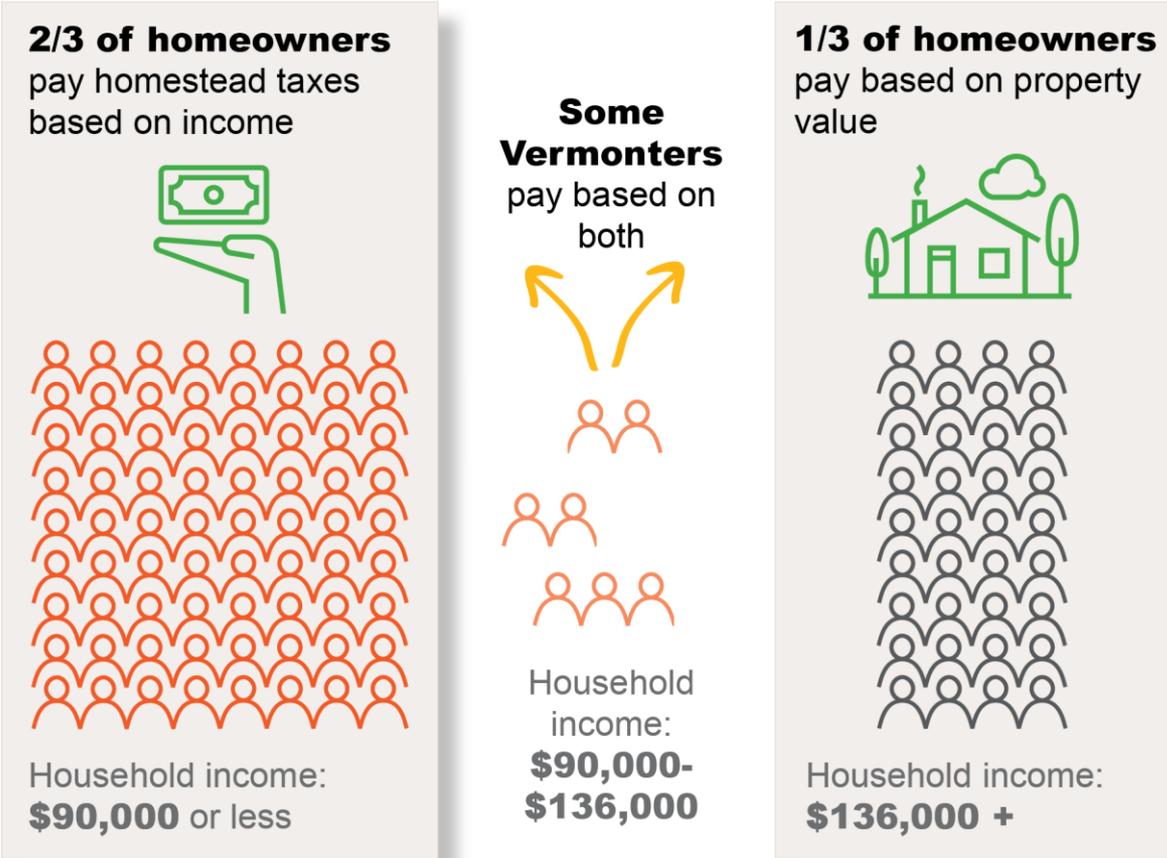


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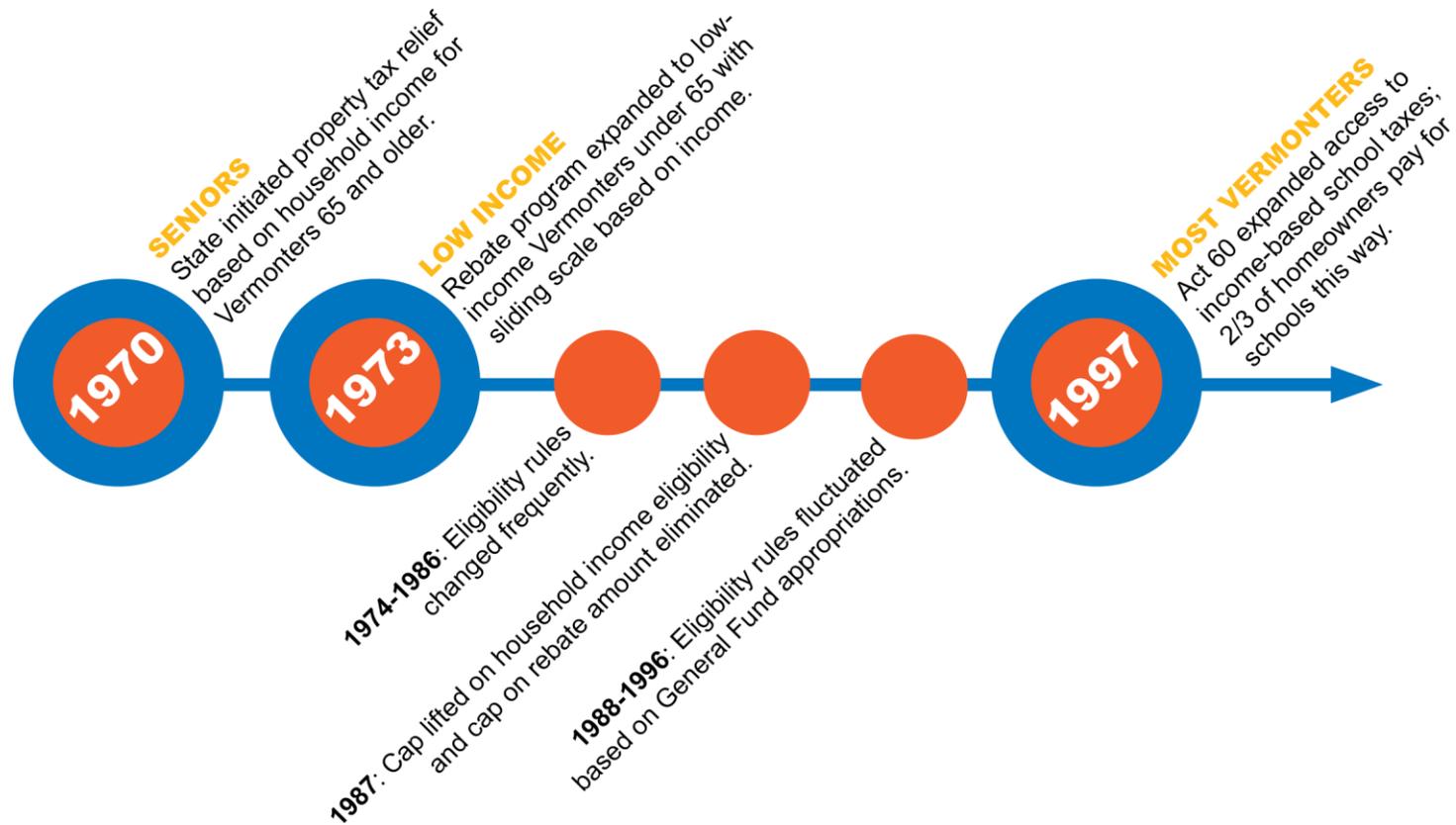


Vermont school funding: two parallel systems

The way it is now

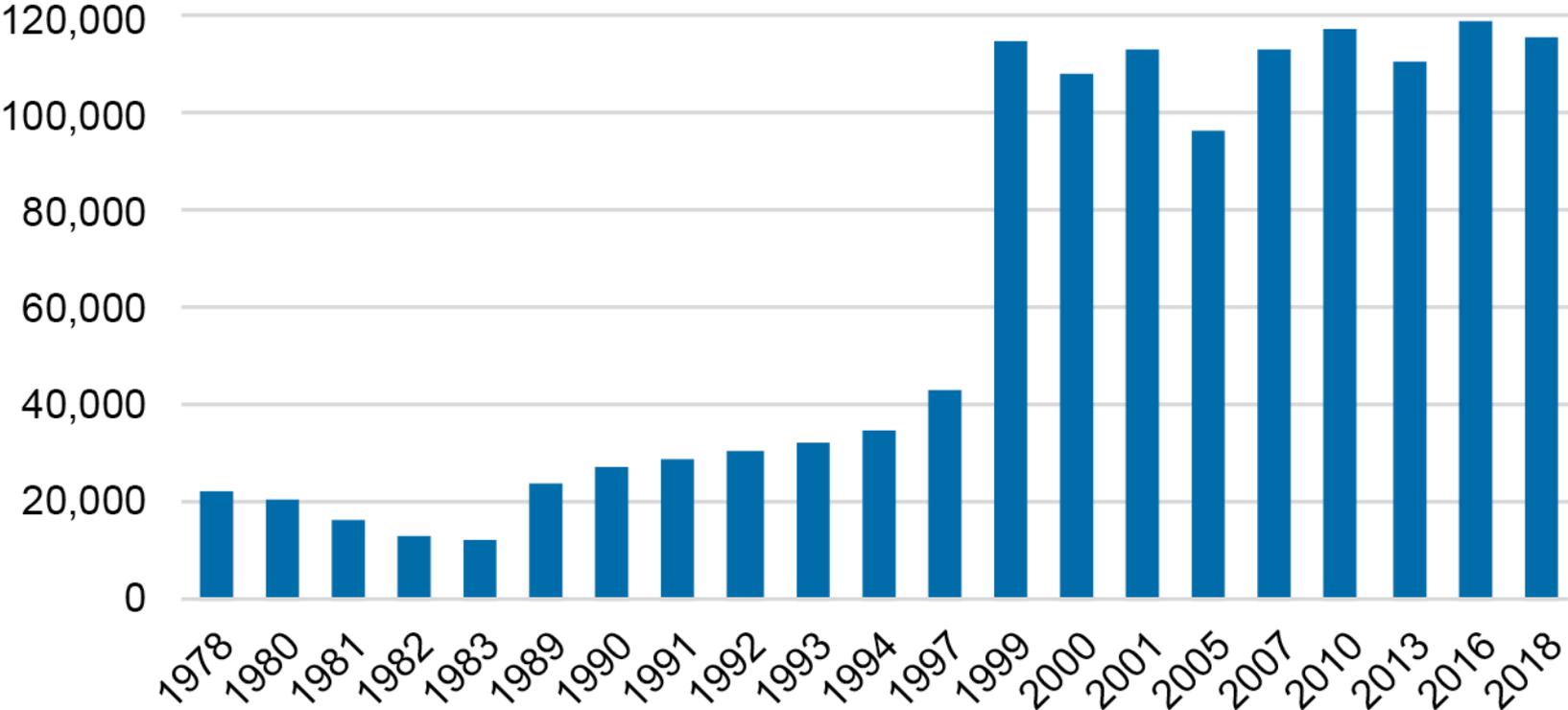


Vermont has been moving toward income-based school taxes for 50 years



More and more Vermonters take advantage of income-based school taxes

Households paying by income, selected years 1978-2018

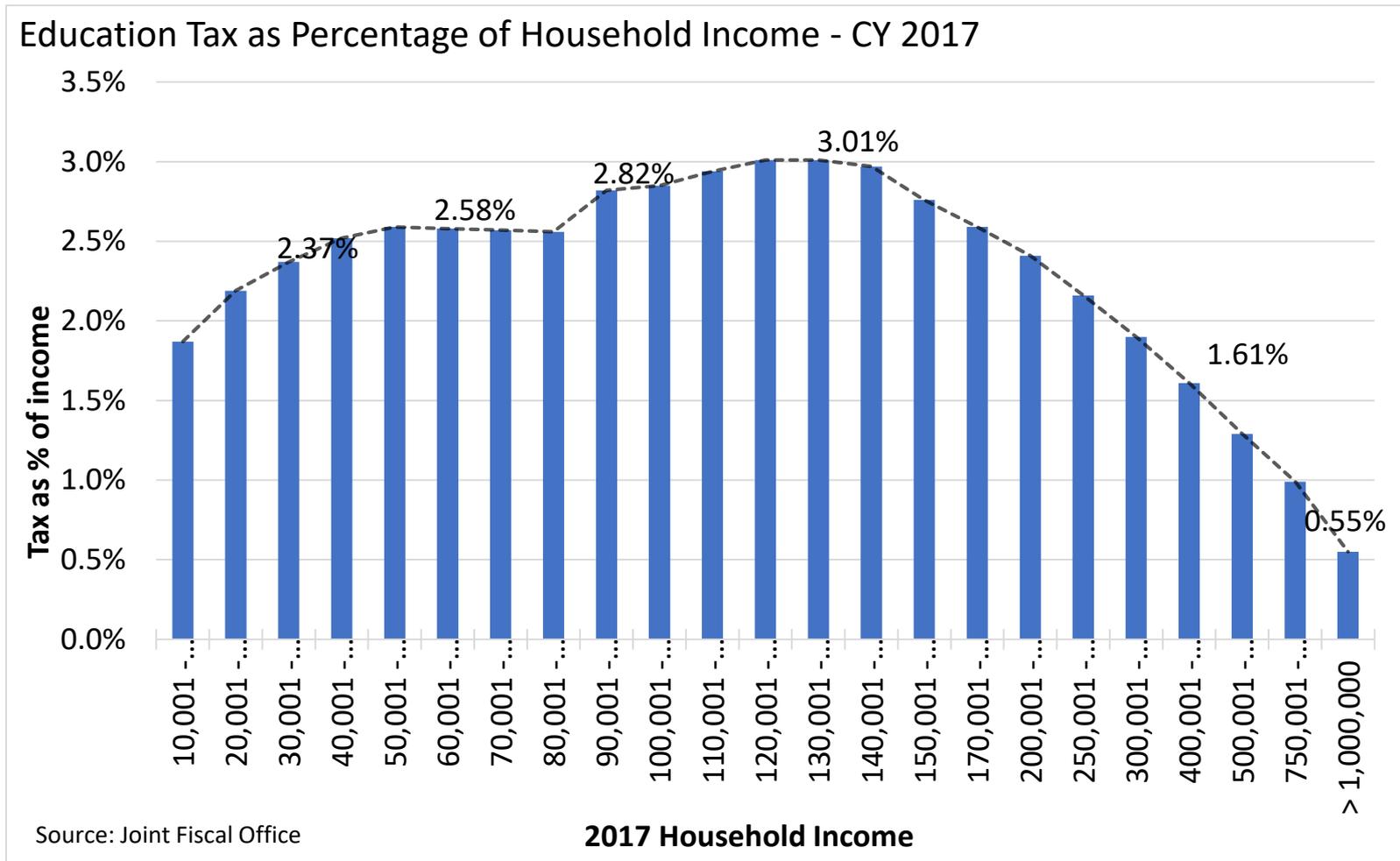


Data source: Vermont Department of Taxes
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The system is skewed toward high-income Vermonters

Those who pay based on property tend to pay a smaller share of income



The Tax Structure Commission found that both the property and income tax bases change over time

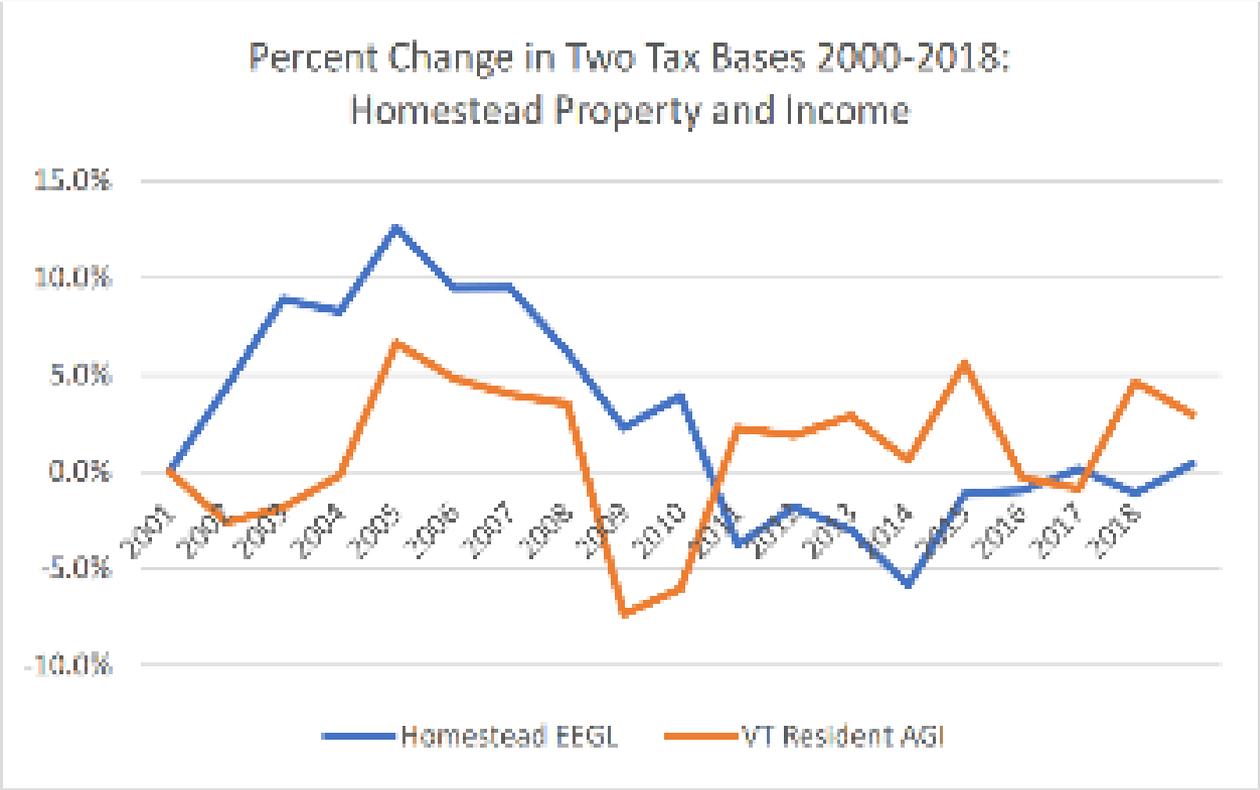
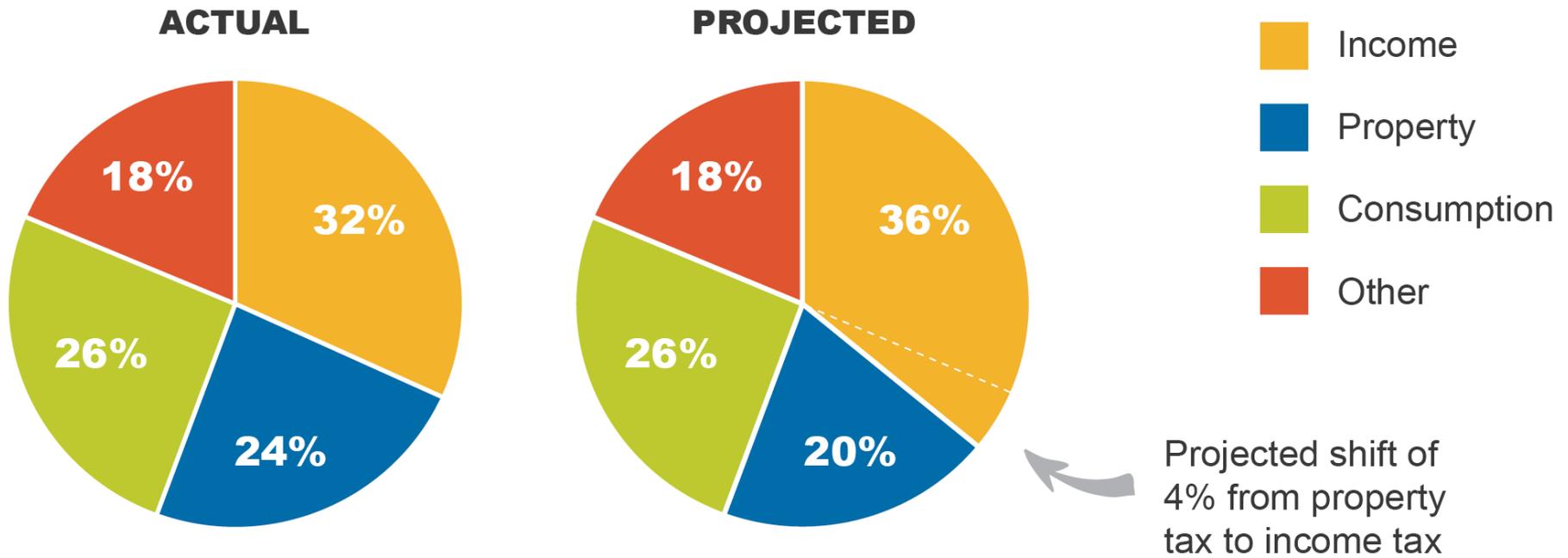


Figure 16 Data from Vermont Department of Taxes



Revenue mix would change little with move to income-based school taxes

State revenue by tax type, FY 2018



Data source: Joint Fiscal Office
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