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.

**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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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

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How Vermont’s education funding cost adjustment tools work

VOTER APPROVED SCHOOL BUDGET - CATEGORICAL AID and other adjustments = SCHOOL DISTRICT’S TOTAL EDUCATION SPENDING

- WEIGHTING happens at this stage to determine the number of equalized pupils. Weighting adjustments are made for:
  - Secondary pupils
  - English language learner pupils
  - Low-income pupils
  - Pre-K pupils

NUMBER OF EQUALIZED PUPILS = PER-PUPIL SPENDING

RESIDENTIAL SCHOOL TAXES
YOUR TOWN’S:
- income rate
- property rate
FROM TAX RATE SCHEDULE

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Pupil weighting directly affects only residential taxes unlike categorical aid

**Categorical aid**
- can be supported by all revenue sources

**Pupil weighting**
- only applies to residential taxes

**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

<table>
<thead>
<tr>
<th></th>
<th>CATEGORICAL AID</th>
<th>PUPIL WEIGHTING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How they work</strong></td>
<td>Provides specific funding for eligible expenses or categories of need</td>
<td>Adjusts the district pupil count for eligible expenses or categories of need</td>
</tr>
<tr>
<td><strong>What they adjust for</strong></td>
<td>Special ed, transportation costs, and small size</td>
<td>English language learners, economic disadvantage, and grade</td>
</tr>
<tr>
<td><strong>How they impact tax rates</strong></td>
<td>Directly affects both homestead and non-homestead school tax rates</td>
<td>Directly affects only homestead school tax rates</td>
</tr>
<tr>
<td><strong>Funding limitations</strong></td>
<td>Unrestricted funds to districts with eligible needs or reimbursement for specific eligible costs</td>
<td>Unrestricted funds to districts with eligible needs, based on per-pupil spending approved by voters</td>
</tr>
<tr>
<td><strong>Differences between the tools</strong></td>
<td>• A fixed amount, a share of costs, or a per-pupil amount</td>
<td>• Not a fixed amount per pupil</td>
</tr>
<tr>
<td></td>
<td>• Amount does not vary with per-pupil spending</td>
<td>• Amount varies with per-pupil spending: The weight is worth more in higher-spending districts</td>
</tr>
<tr>
<td><strong>What’s the same</strong></td>
<td>• Voters decide how much to spend on the total school budget</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The Legislature decides on eligibility criteria and reporting requirements</td>
<td></td>
</tr>
</tbody>
</table>

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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

2/3 of homeowners pay homestead taxes based on income

Household income: $90,000 or less

1/3 of homeowners pay based on property value

Household income: $90,000-$136,000

Household income: $136,000 +

Some Vermonters pay based on both

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

1970
- **SENIORS**: State initiated property tax relief based on household income for Vermonters 65 and older.

1973
- **LOW INCOME**: Rebate program expanded to low-income Vermonters under 65 with sliding scale based on income.
- **1974-1986**: Eligibility rules changed frequently.
- **1987**: Cap lifted on household income eligibility, and cap on rebate amount eliminated.

1986-1996
- **Eligibility rules fluctuated based on General Fund appropriations.**

1997
- **MOST VERMONTERS**: Act 60 expanded access to income-based school taxes; 2/3 of homeowners pay for schools this way.

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Data source: Joint Fiscal Office
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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.
Revenue mix would change little with move to income-based school taxes  
State revenue by tax type, FY 2018

ACTUAL

- Income: 18%
- Property: 32%
- Consumption: 26%
- Other: 24%

PROJECTED

- Income: 18%
- Property: 26%
- Consumption: 20%
- Other: 36%

Projected shift of 4% from property tax to income tax

Data source: Joint Fiscal Office
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