



State of Vermont
Department of Taxes
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Agency of Administration

TO: House Committee on Ways and Means
Representative Emilie Kornheiser, Chair

FROM: Craig Bolio, Commissioner, Department of Taxes
Heather Bouchey, Deputy Secretary, Agency of Education

DATE: April 12, 2024

SUBJECT: DR 24-0692 Yield Bill

Members of the House Committee on Ways and Means,

Early this week, the Administration was pleased to see the Committee discussing meaningful changes to the education funding formula, even if it was in future years. We viewed the proposal to shift to “educational opportunity payments” as an important recognition that additional financial controls are necessary to restore sustainable growth to the Education Fund. So, we are very disheartened by developments Thursday to backtrack, and instead raise more taxes and consider another study.

If a 17% projected property tax increase doesn’t lead to action, what will?

Additionally, in all versions of the draft, the Administration’s chief concern is that **not enough is being done to reduce property taxes on Vermonters for this year (FY25)**. Vermonters have made themselves clear. They cannot afford anything near a 17% property tax increase, and they need us to do what we can to prevent such a crushing tax increase – especially considering it was forecasted in [December 2023](#), and comes on the heels of the new taxes and fees imposed by the Legislature last year.

The Administration urges the Committee not to back away from this work. We can work together to prevent the FY25 property tax spike, and set Vermont on a clear, multi-year path toward meaningful reforms that stabilize spending growth and tax rates in the Education Fund.

As of Thursday afternoon, it appears the only provisions to reduce overall property tax bills are a regressive tax on cloud software and a tax on short term vacation rentals. The Governor has made his position clear that new revenue as the sole relief valve for property taxes isn’t a solution. Increasing taxes without reform doesn’t reduce the overall tax burden but makes the impacts of the unsustainable growth trends in the Education Fund less transparent and reduces the state’s taxing capacity. For instance, if additional tax revenue is to be generated from short-term vacation rentals it would be better spent in a program like the Vermont Housing Improvement Program (VHIP), to produce housing units, increasing the property tax base, and helping relieve pressure in the long run for the Education Fund.





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Further, the proposal to increase property tax credits for FY25 is not a reduction in total property taxes, but a cost shift that will be paid by renters and businesses. This is a puzzling approach when you consider the affordability crisis renters and employers currently confront.

We believe a key part of long-term stability of the Education Fund will be to help districts address cost pressures in ways that help them *lower* costs and prioritize spending.

The Governor has previously put forward ideas to help with this including phased increases in staffing ratios, health care benefit reform, a statewide contract, and more. The Administration is ready to discuss any of these ideas again.

We are also willing to find fair and reasonable ways to lower taxes for FY25. For instance, adjusting the universal meals program to make it progressive, so low- and moderate-income Vermonters are not paying for meals for affluent families.

Additionally, the Legislature could defer a large portion of the projected increase in education spending, to be held as a 'deferred payable' to the Education Fund by districts, spread out over several years. For schools committed to improving outcomes, the Legislature could also provide an incentive -- forgiveness of some or all of the deferment-- based on improving existing high-priority performance metrics, like math and reading scores and the percentage of students with a plan following graduation.

An idea like this (which we're happy to develop with you further if you support it) would reduce the property tax burden for this year, allow school boards to plan for clearly defined targets spread out over multiple years and prioritize improved outcomes.

Pairing this kind of idea with both meaningful reforms to reduce cost pressures to districts, and the allowable growth rates already contemplated in the draft, could help restore a sustainable growth rate to property taxes and stability to our education funding system.

This year, more than ever, shows the trends the Administration has been highlighting for years in the Education Fund are not sustainable. It is no longer working for schools, students, or taxpayers, and we believe Vermonters want both immediate relief and longer-term structural improvements.

The Governor does not accept that nothing can be done to address the projected 17% property tax increase. An education system that is always moving from one budget and property tax crisis to the next is not in the best interest of our children or communities. Restoring stability in school spending and Vermont's property tax rates is essential to improving student outcomes.

If the Committee is motivated to tackle this in a comprehensive way, we stand ready to assist.