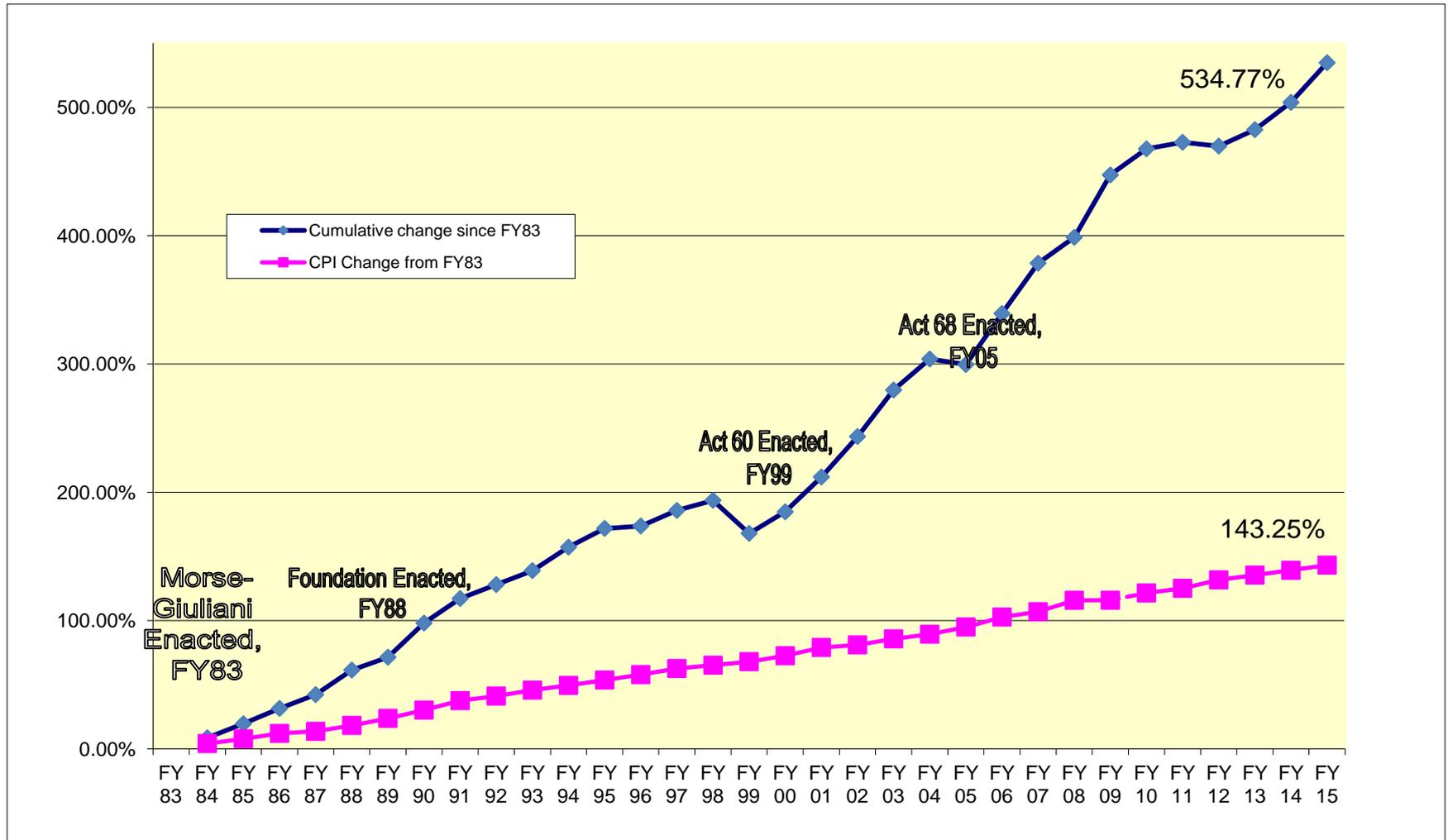


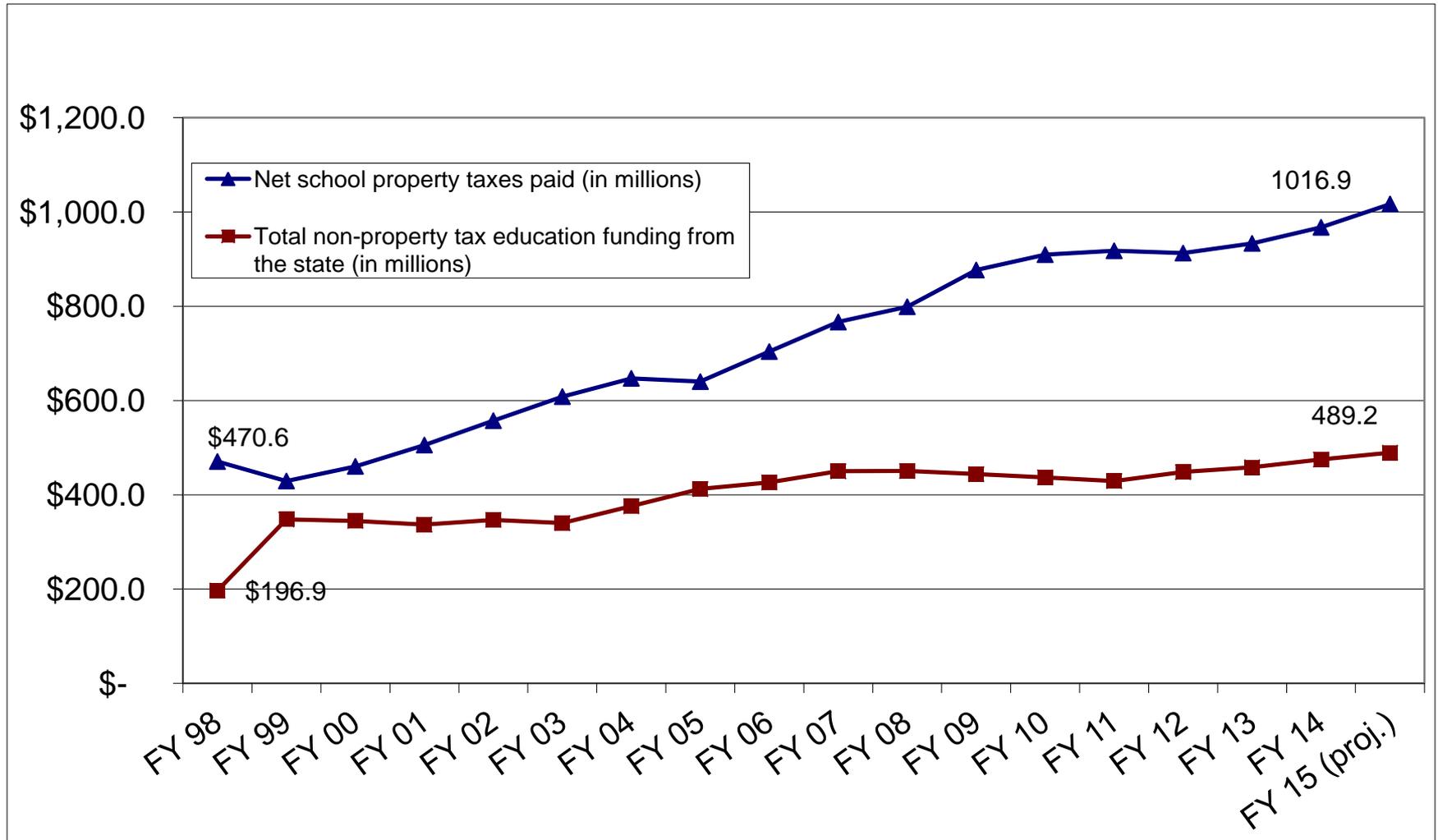
# VERMONT LEAGUE OF CITIES AND TOWNS

## CONSIDERATION FOR A 2015 EDUCATION FUNDING PROPOSAL

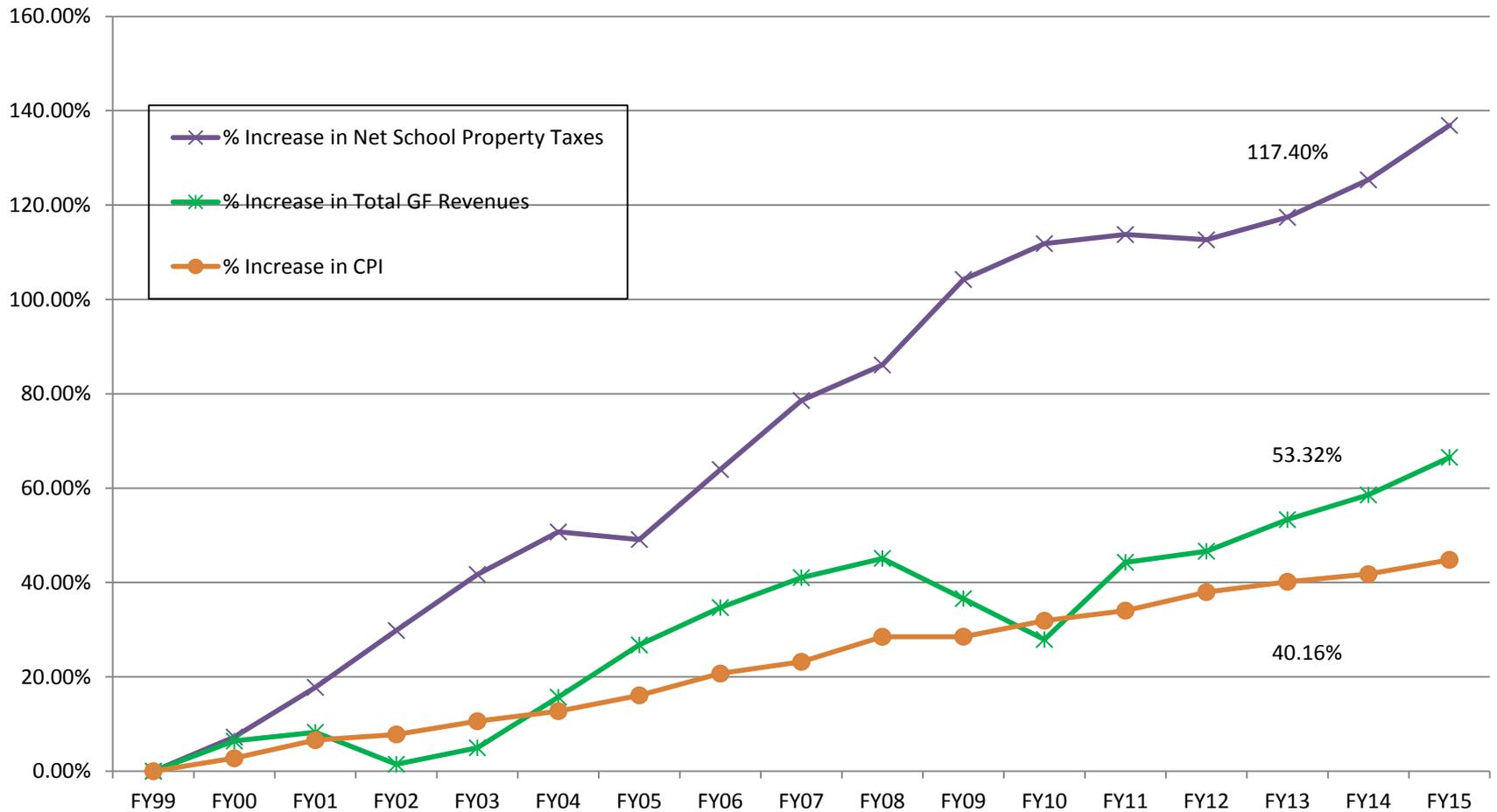
# INCREASE IN VERMONT NET SCHOOL PROPERTY TAXES, FY 1983 -- FY 2015 (Excludes Rebates, Prebates, Income Sensitivity and Current Use Reimb.)



# VERMONT EDUCATION FUND COMPONENTS SINCE ENACTMENT OF ACT 60

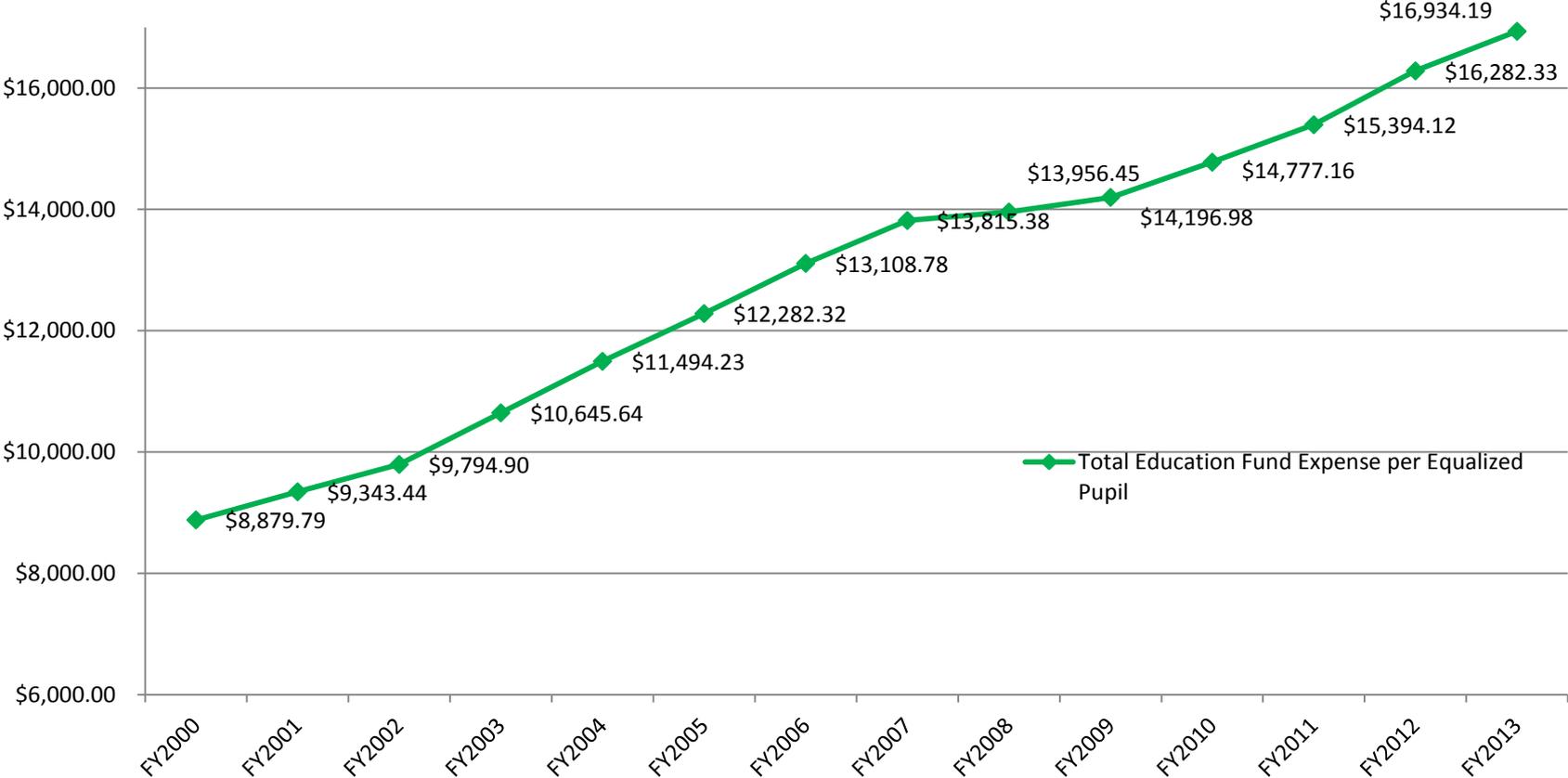


# State General Fund and Property Tax Increases since Act 60

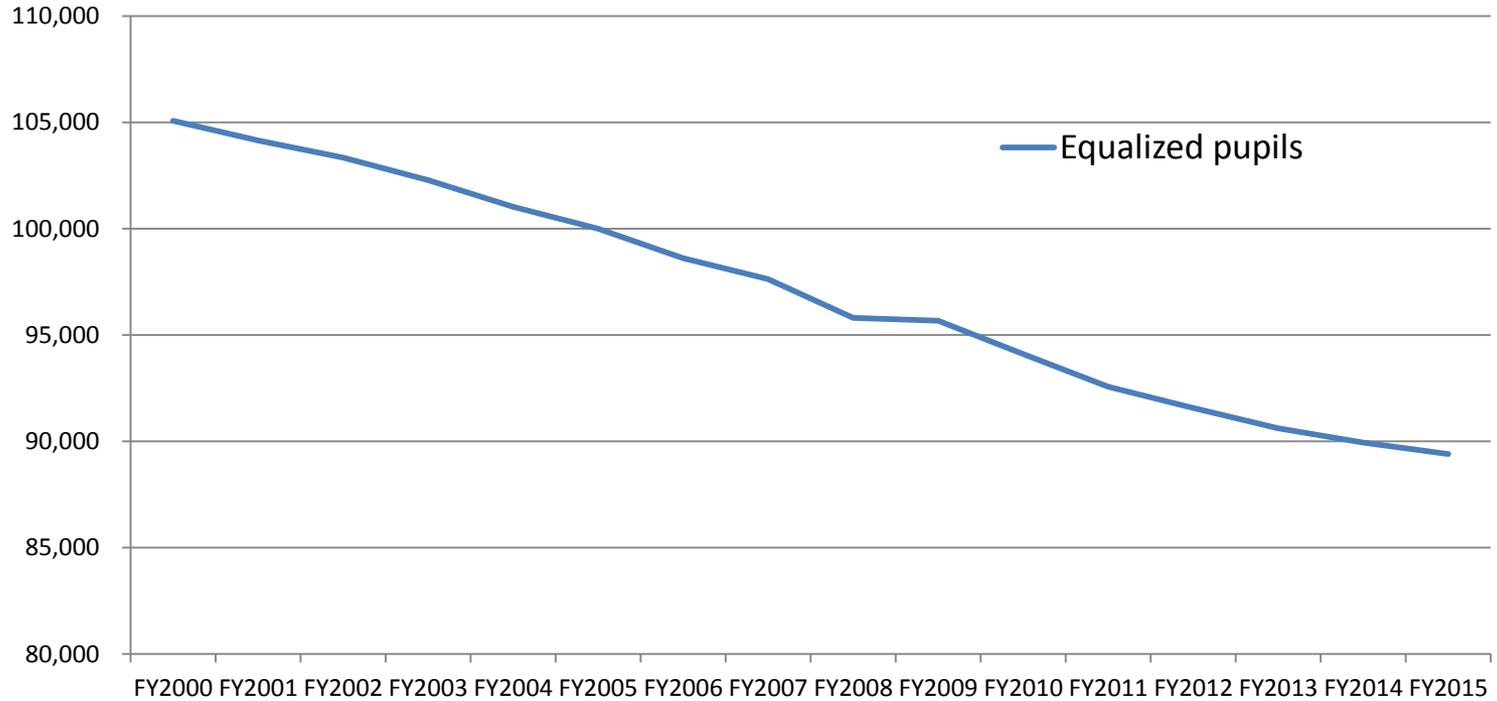


# Spending Per Pupil has Almost Doubled since FY2000

## Total Education Fund Expense per Equalized Pupil



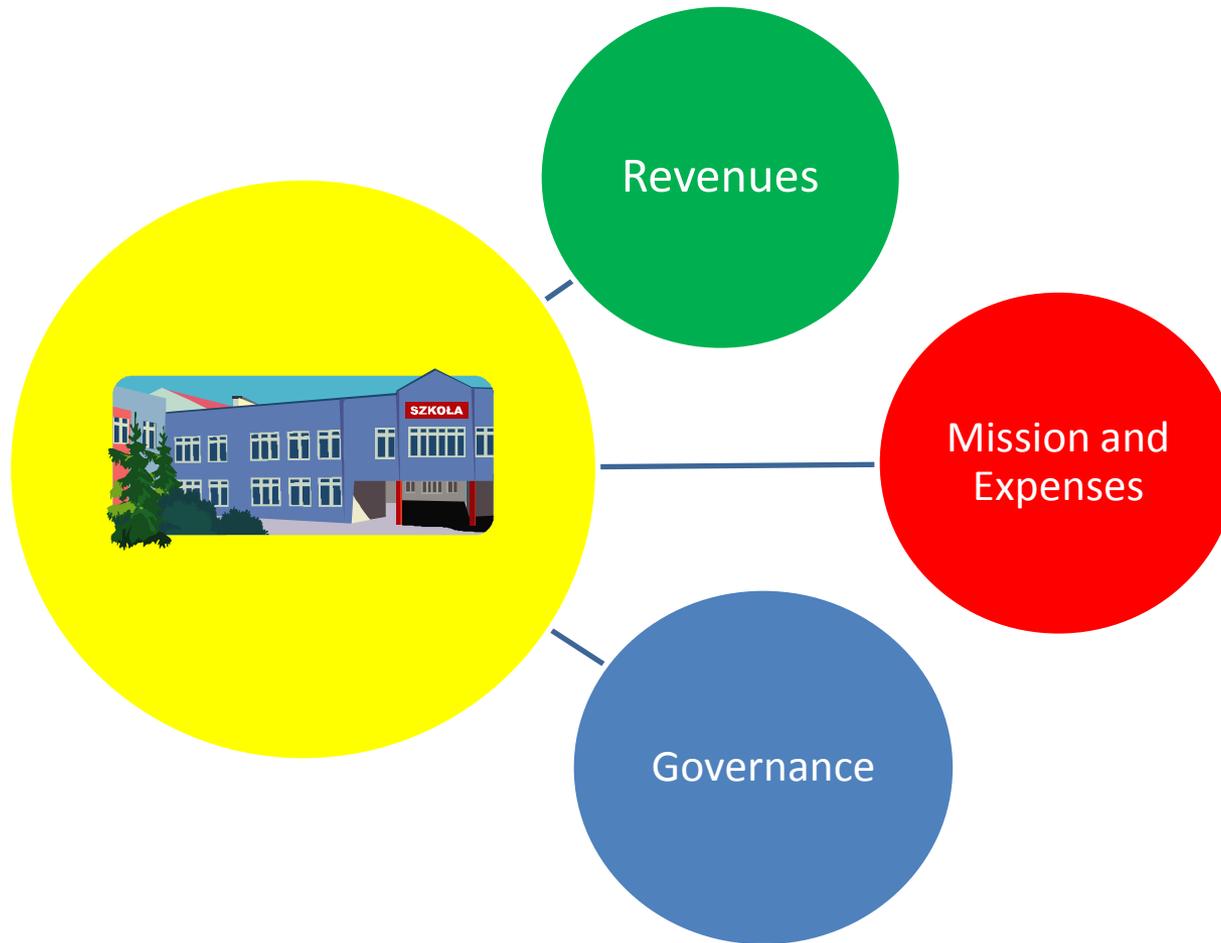
# While the number of equalized pupils has declined



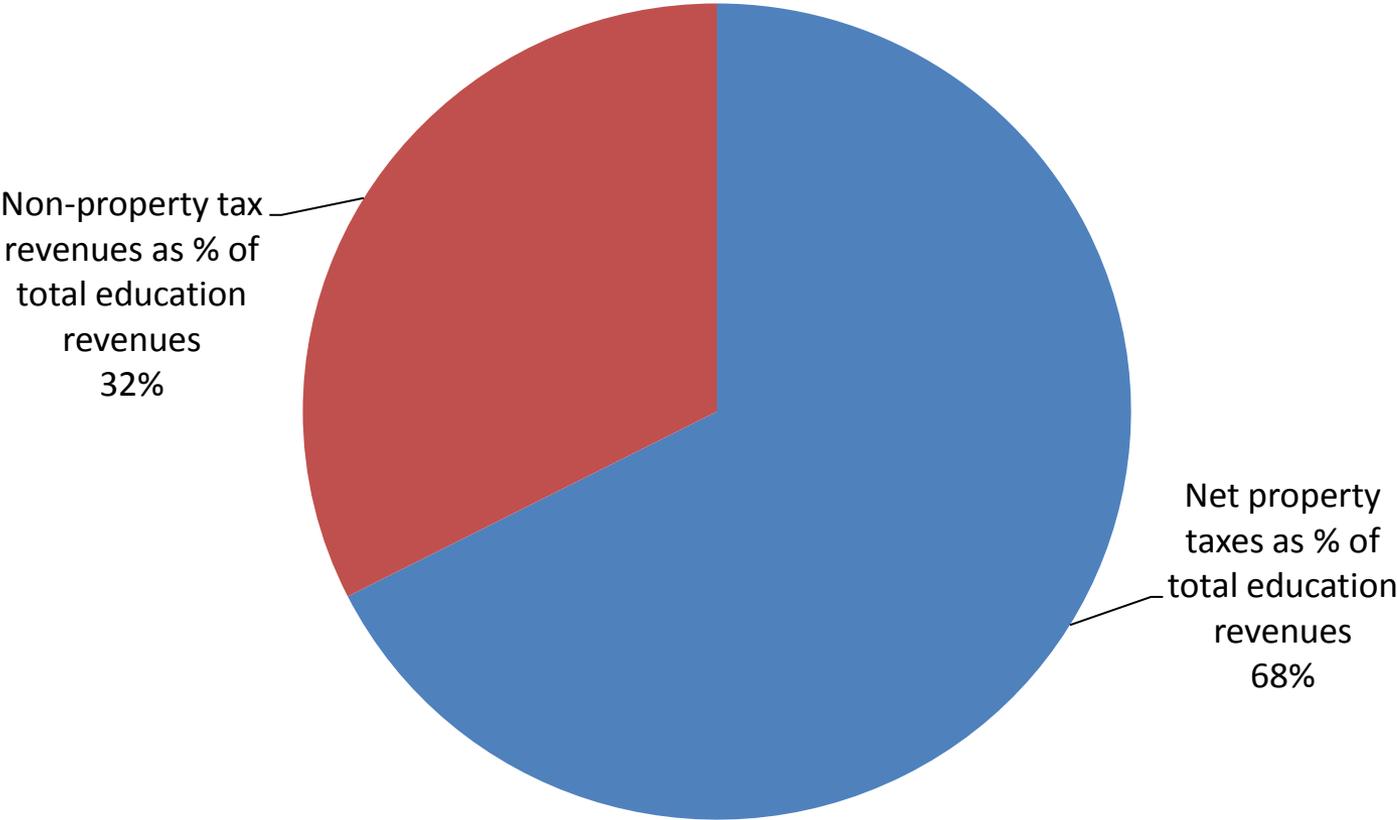
# WHITHER VLCT IN THE 2015 EDUCATION “REFORM” DEBATE?

- Q. What is municipal governments’ goal in engaging in the education policy debate?
- A. To make more state and local resources available to pay for municipal government expenses by
1. reducing state and local resources devoted to education expenses or
  2. expanding state and local resources available to provide adequately for both.

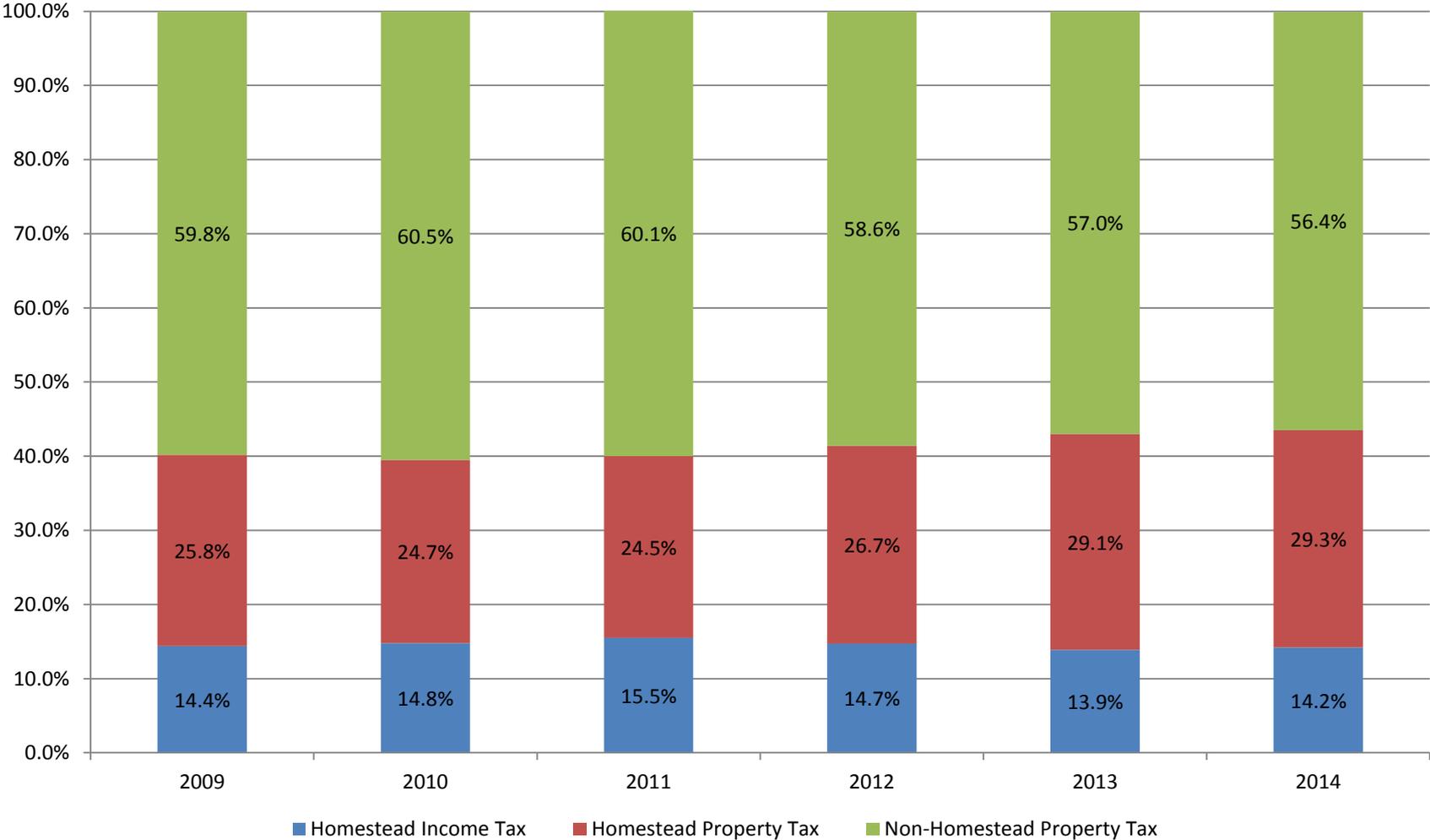
# THREE ARENAS OF VERMONT PRIMARY AND SECONDARY EDUCATION POLICY DEBATE



# EDUCATION FUND REVENUES



# SHARES OF THE EDUCATION PROPERTY TAX



**•Percent Change in the Education Tax Bill**

	<b>Add 1 penny to Homestead Base Rate</b>	<b>Add 1 penny to Nonresidential Base Rate</b>	<b>Add \$100 to Base Education Amount</b>
Non Residential	0.0%	0.7%	0.0%
Homestead Not Adjusted	1.0%	0.0%	-1.1%
Housesite Adjusted YR 1	1.8%	0.0%	-2.0%
Housesite Adjusted V.2*	0.0%	0.0%	-1.1%

**Change in Ed Fund Revenue (Million \$)**

Year 1	5.8	3.9	-6.2
Year 2 offset	-3.3	0.0	1.6
Net	<hr/> 2.6	<hr/> 3.9	<hr/> -4.6

\* If you pretend there is no lag and subtract the FY 16 adjustment from FY 15 taxes, you would see the effect on the adjusted house site tax as shown in V.2

# EXISTING VLCT POLICY ON EDUCATION REVENUES

## 1.01 EDUCATION FUNDING

The current Vermont education funding system has significantly diminished municipal tax capacity for non-education expenditures. With each passing year, the education funding structure makes it harder for municipalities to craft municipal budgets and then have the voters approve them. It is especially difficult to fund expensive and needed municipal improvements. Municipal officials who have to administer the billion-dollar plus property tax system and who provide essential services and infrastructure are compelled to rely overwhelmingly on property taxes. Unless changes are made to Act 60 and Act 68, the continuing pressure that led to the large increase in 2013 state property tax rates will only be the first of many significant and unsustainable property tax increases in the coming years. Increases in education property taxes are unsustainable.

Many aspects of education finance are controlled by the state. Each year, it has raided the Education Fund by failing to restrict the uses of the Education Fund to those specified in Act 60 and failing to fully fund the General Fund support of education originally specified in Act 68. Local officials, meanwhile, spend a good deal of time trying to understand and implement the always morphing complexities of the education finance system. Therefore, municipal and school officials, the state administration, and the legislature should begin immediately, as equal partners, to accurately analyze the issues within Acts 60/68 (including ways in which they do not meet the *Brigham* decision) and then ***create a new education finance system that reduces and reforms the property tax burden.*** Until then, Education Fund monies should only be used for functions listed in 16 V.S.A. § 4025(b). ***Further, the billing and collection of the state education property tax should remain at the local level.***

# ADDITIONAL VLCT POLICY RELATED TO EDUCATION REVENUES

## 1.03 LOCAL OPTION TAXES

*The legislature should enable all cities, towns, and villages to adopt consumption taxes.*

## 1.04 VERMONT TAX STRUCTURE OVERHAUL

The legislature should act to ensure that *all three main components of Vermont's tax structure— income, sales, and property—are thoroughly analyzed and reformed to be simpler, sustainable, equitable, balanced, and make Vermont more economically competitive.* Municipal officials should be fully involved in such an analysis and reform process. Vermont's reformed tax structure should also include sufficient revenues to pay for initiatives that local governments need but cannot afford. Since the state education property tax continues to be controversial, no new state property taxes should be imposed until such a reformed tax structure is adopted. Additionally, until such reform is adopted, *the state should either reimburse municipalities for all state-mandated property tax exemptions or give voters the authority to impose municipal service fees on those properties exempted by the state.*

**1.06 E.** *Require the state to pay its portion of costs associated with defending the grand list and property tax collections, including appeals and abatements.* The state should also pay the taxpayer directly for any education property taxes and interest required to be reimbursed due to a property valuation adjustment resulting from an appeal beyond the board of civil authority.

**1.08 C.** *Make property tax bills with homestead property tax adjustments public documents.*

**1.09 F.** *Continue to implement mechanisms to exempt resident property tax owners with high unearned income or assets from receiving a property tax adjustment.*

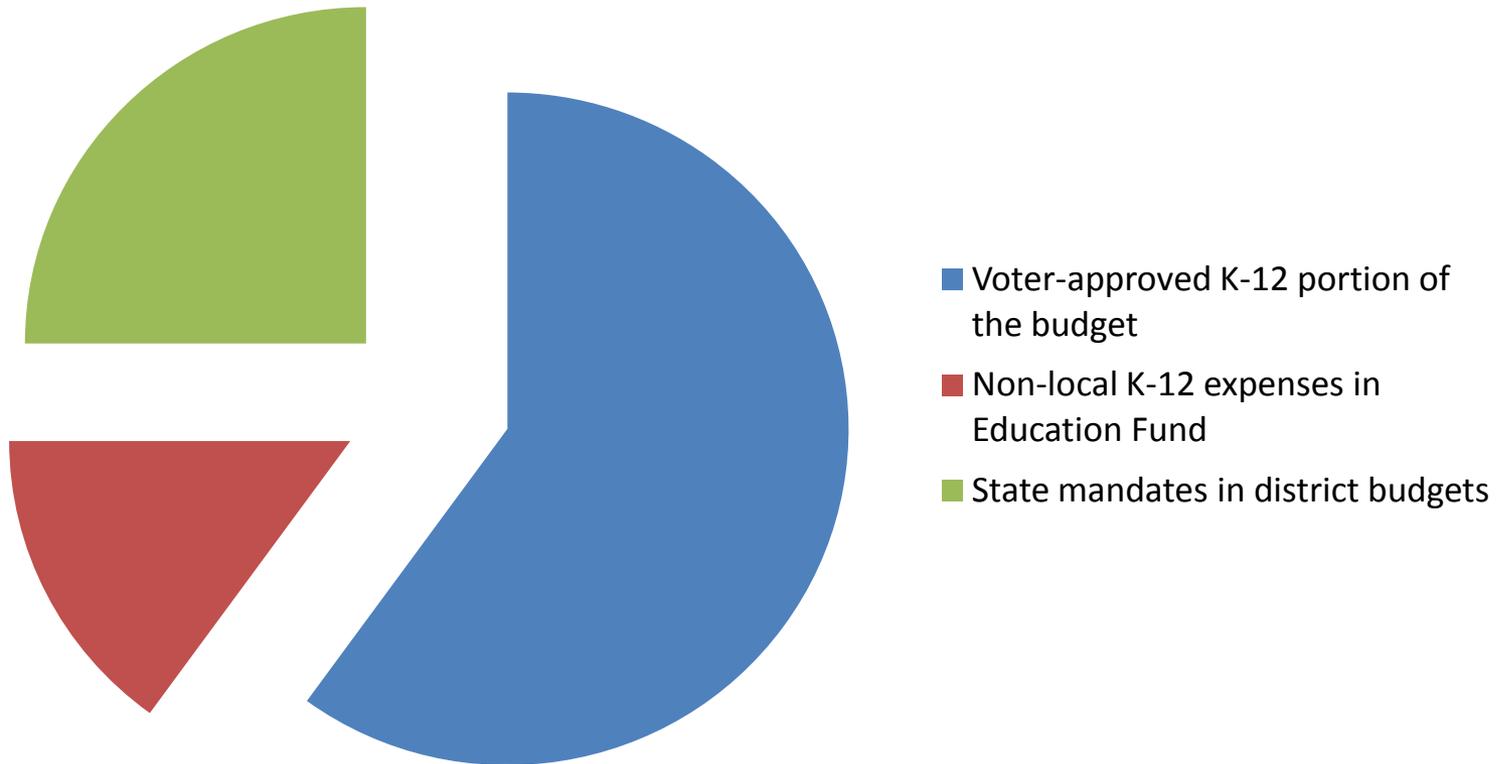
## WHITHER VLCT IN THE EDUCATION REVENUE DEBATE?

What more/different should we be doing in freeing up additional revenue for education that will free up the property tax for towns?

Are the right taxpayers paying the right amount for education revenues?

Is the question whether there is already enough revenue and it just needs to be “spent better”?

# MISSION AND EXPENSES



# VLCT POLICY RELATED TO EDUCATION MISSION AND EXPENSES

## **1.01 EDUCATION FUNDING**

Until then, Education Fund monies should only be used for functions listed in 16 V.S.A. § 4025(b).

## **1.05 UNFUNDED MANDATES**

The state should provide reimbursement for state mandates on or cost shifts to local governments. The Joint Fiscal Office must prepare and make public a fiscal impact statement showing the administrative, implementation, and service costs imposed on local governments before any state legislative or administrative action affecting them can be approved.

# WHITHER VLCT IN LIMITING EDUCATION MISSION, CONTROLLING EDUCATION EXPENSES?

Policy has been fairly consistent in trying to limit “mission creep” of local education by opposing new unfunded mandates and by trying to limit expenses deemed to eligible for Education Fund funding.

What more can we do in these parts of the pie?

What if anything should we do about controlling voter appetite/willingness for spending?

# GOVERNANCE

What does VLCT want to change to accomplish our goal:

- Reorganize/consolidate local districts?
- Supervisory districts?
- Union districts?
- Limit decision-making authority of the legislature/voters/boards/administration/staff?
- Limit expenses of support services/instructional services?
- Increase “excess spending” penalties?
- Cap spending amount, property tax rate or rate increase?

# WHADDDAYA WANNA DO?