


# VERMONT



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*Great Governance, Excellent Education, Strong Communities*

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To: Vermont Tax Structure Commission  
From: Nicole L. Mace, Executive Director  
Re: Changes to the Education Funding Formula  
Date: August 29, 2019

Thank you for the opportunity to weigh in as the Commission considers options for redesigning Vermont's tax structure and education funding formula. The VSBA is guided by several resolutions that have been approved by the membership and are relevant to this discussion; thank you for the opportunity to share them with you now.

They are:

**REFORM THE EDUCATION TAX SYSTEM** - The General Assembly should examine alternative funding sources for our education system that are more equitable and sustainable, rather than continue a system that predominantly relies on the property tax for revenue.

Although we have a statewide property tax system, when we compare ourselves to our New England neighbors and the U.S., Vermont is more reliant on homestead and non-residential property tax revenue to fund education. Two-thirds of Education Fund revenue comes from the property tax, with just one-third coming from other broad-based taxes such as the sales tax. In 2018, the national average for state funding for education (non-property tax revenues) was closer to 45%.

**EQUALIZATION** - It is the duty of the State of Vermont to ensure fiscal equity for all school districts to allow equal educational opportunities for all students. Significant state expenditure is required to equalize the financial resources of districts and maintain the educational opportunities of students.

**USE OF THE EDUCATION FUND** - The VSBA opposes any diversion of funds raised through the statewide property tax to programs not within the jurisdiction of public school districts or supervisory unions.

**COMMON LEVEL OF APPRAISAL** - The VSBA calls upon the Governor and General Assembly to study the mechanics of the Common Level of Appraisal and its effect on education property tax rates.

**ADDRESSING EQUITY, QUALITY AND COST EFFECTIVENESS** - The VSBA supports initiatives that are designed to create greater equity in high quality learning opportunities and to achieve cost effectiveness. Such initiatives shall focus on the needs of the students and taxpayers of the state of Vermont. Any initiative that impacts our governance structure or funding system must be designed in a way that reflects our community values. School boards are in the best position to inform this process and must be fully engaged in this effort.

It is therefore critical that any proposed education funding changes are modeled and well-understood by school boards so they can weigh in with their representatives in the General Assembly regarding the specific impacts on their school district.

It is also critical to consider what purpose changing the funding formula would serve. Concerns about the costs of public education have prompted the General Assembly to consider multiple changes to the formula over the past decade, yet the solutions proposed often tend to be centered on cost containment for districts that have high per-pupil spending. Some proposals would increase the ability for districts that have average per-pupil spending to spend more while lowering tax rates in those communities. These districts tend to be larger – Burlington, Rutland, Winooski, Brattleboro – and increases in spending in those districts could have a significant impact on the Education Fund over time. Cost containment applied to high per-pupil spending districts – which tend to be small, rural districts – will not lead to lower K-12 costs statewide.

School board members are also concerned about continued emphasis on cost containment while the mission of public schools is ever-expanding. School districts are reporting the need to hire more and more positions dedicated to the socio-emotional and mental health needs of students. We support an examination of the proportion of school budgets that is spent on human services-related functions so that we can determine whether the

Education Fund is the best source of revenue for services that have historically been paid for by the General Fund.

We are also in the beginning stages of implementing Act 173, which is a significant change to the way the state pays for special education expenses, moving from a reimbursement model to a block grant. Making changes to the education funding system while this transition is occurring is, in our view, misguided. In guidance issued to the field this week, the Agency of Education stated, “Act 173 expressly recognizes that changing the delivery of special education is a significant initiative for school systems...Due to the significant implications of this policy change, we believe Act 173 should be **the policy focus** for Vermont school districts and the AOE in the coming years.”

I would also like to remind this Commission that we are awaiting the results of the UVM study on the current weights for student populations within the funding formula. Prior to making any recommendations to the General Assembly regarding the funding system, I encourage you to review the findings of that study.

Vermont’s education funding formula has not been substantially modified in over a decade. Our association is not opposed to adjusting the education funding formula. However, we believe that adjustments to the formula ought to reflect a commitment to equity and fairness, and have an implementation schedule that respects the local budget making process, as well as the timing of Act 173.