

MEMORANDUM

TO: Tax Structure Commissioners - Deb Brighton, Bram Kleppner and  
Stephen Trenholm  
FROM: Jeff Fannon, Vermont-NEA Executive Director *J.F.F.*  
DATE: August 29, 2019

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Good afternoon and thank you for allowing me the opportunity to speak with today about our statewide education funding system. I will start with a few questions that, I believe, your mission may beg to be answered.

- Do local communities in Vermont invest too much in their children? Our answer is simple: no, they reaffirm their commitment to their children every year at Town Meeting.
- Does the fact that more than 94% of Vermont school district budgets were passed on Town Meeting Day suggest that Vermonters generally support their schools and trust their school boards not to overspend? We think the answer is obvious.
- Isn't the most important issue about the fundamental desire of Vermonters for a taxing system that is clearly tied to their ability to pay, where wealthy Vermonters begin to pay their fair share? We think it is.

As we all look at our current educational funding system, we should adopt the physician's oath: "first, do no harm."

First and foremost, we must do nothing to compromise the high quality education provided our children in all corners of the state. By virtually any measure in use – standardized reading, math, and science test scores, breadth of curriculum, SAT participation rates, AP offerings and test results, graduation rates, attendance at institutions of higher education, student-teacher ratio, ratings by various non-education entities – we are providing our children a fine education and a great start in life.

Second, while it is always proper to examine the costs of our schools, it is not proper to call simply for the elimination of the present method through which the funds are raised to meet those costs. There was a reason our Supreme Court decided what it did in *Brigham v. State of Vermont* in the winter of 1997: our children deserve – under our constitution they are entitled to – substantially equal educational opportunities, regardless of the wealth or lack of wealth of the community in which they live.<sup>1</sup> Revolting against and repealing our equity-driven method of paying for our schools are precisely the wrong things to do. They are the wrong things to do because they would violate our own constitution and simply be unfair to our children.

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<sup>1</sup> "The distribution of a resource as precious as educational opportunity may not have as its determining force the mere *fortuity* of a child's residence. It requires no particular constitutional expertise to recognize the capriciousness of such a system." *Brigham*, 166 Vt. 246, 265 (1997).

Third, our community schools are acknowledged as the place that both holds and reflects our community values. We are constrained in no small degree by our geography and demography: Vermont is the second largest state in New England geographically, divided into some 250 towns and municipalities, but we have only slightly more than 1/2 the population of any other New England state. The reality is that we are a rural state,<sup>2</sup> but we are proud and hold dear our local control knowing that our children are educated by our neighbors and governed also by our neighbors.

Vermont's school funding mechanism is unique: it accomplishes the State's fundamental and constitutional duty to assure equity in access to resources while permitting local communities to set their own spending path. It is unique in other respects as well. In particular, it is tied indirectly to local taxpayers' ability to pay in ways beyond that of any other state, and that is among its chief benefits and its chief challenges. As a benefit, every low and middle income taxpayer is able to pay their school taxes as an income tax rather than a property tax. As a challenge, however, most taxpayers still believe their school taxes are substantial property taxes, and property taxes are viewed with great hostility as both simply "unfair" and regressive as property taxes are not attached to the taxpayer's ability to pay. Moreover, our education and municipal property taxes are experienced in lump sum increments, which is different than any other tax we pay. That lump sum aspect and a rather confusing one at that, breeds frustration.

You might ask, therefore, what should we do to address the "challenge"? We believe the solution is to eliminate the residential property tax and substitute it for an income tax. This would ensure an equitable distribution of taxes based upon an ability to pay. The income tax, contrary to what some might say, is stable. While at an individual level income fluctuates, in the aggregate, it is a remarkably stable source of revenue for the state – so much so, the state relies on it to fund the general fund. Indeed, when a household's income drops or rises, the amount of tax levied to pay for our children adjusts accordingly. And that is an important aspect of an income-based school funding mechanism.

Obviously eliminating the residential property tax and switching to the income tax requires more study, but that honest study should be undertaken not avoided. The time to take a serious look at this issue is now.

Thank you for giving me this opportunity to meet with you and I'm happy to answer any questions.

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<sup>2</sup> Underneath every tax discussion is the single greatest issue Vermont faces: our demographics. Unless and until we have a nonpolitical conversation about the demographics of the state, we will continue to wrestle with the tax and spend question. The demographic question, however, may be beyond the scope of this Commission but it is, nevertheless, the critical issue going forward that needs to be honestly discussed and confronted.