

August 27, 2019
From: Rep. Scott Beck
To: Tax Structure Commission
Sub: H.198

I urge the Commission to carefully consider H.198 as a solution to solving two significant issues facing Vermont's education funding system: student and district fiscal equity, and education spending growth.

H.198 would make three changes to Vermont's current education funding system.

1. Eliminate the excess spending threshold.
2. Create a base equalized pupil spending amount (BSA) supported by a \$1.00 homestead property tax rate/2.0% household income rate, JFO determined this would be \$13,920 in FY20.
3. Redefine the homestead property and income yield to only apply to district equalized pupil spending in excess of the BSA.

H.198 provides a transition from the existing system of determining rates over a five-year period.

Act 60/68 enabled equal district/student access to education dollars, but inadvertently created a wide disparity between what districts spend per equalized pupil, district rate inequity, and unsustainable education spending growth. Some advocate that Vermont should abandon Act 60/68 and create a different *Brigham* compliant funding system or defeat *Brigham* in court. Act 60/68 can be fixed.

The core root of the problems facing the current education funding system is in how homestead tax rates are calculated. Currently, rates are determined using 100% of a districts equalized pupil spending when only 31% of that spending is supported by homestead taxpayers.

This creates an equity issue. Low spending districts pay a rate premium, and high spending districts receive a rate discount. For example, in FY20 if a district spent \$13,920 per pupil, their homestead property tax rate would be \$1.31. If every district had spent \$13,920, their tax rate would be \$1.00. The same dynamic exists for the homestead income tax rate. In short, our low spending districts are paying a rate higher than necessary to support their level of spending, while our high spending districts receive a rate lower than required to support their level of spending. The more a district spends the greater value it receives, not a recipe for controlling spending increases.

By only applying the yields to spending amounts spent in excess of what \$1.00/2% can support, district equity is much more closely achieved. This much more closely ties a district's spending or saving decisions with its tax rate. It will encourage districts to find the most efficient and cost-effective means of delivering education. This lower yield effectively removes the need for the excess spending threshold, and H.198 eliminates it.