

## Commissioner Brighton's Notes for Education Finance Discussion (updated for July 30 meeting)

This is based on Sean's list of problems, somewhat rearranged. Below each problem are some ideas to begin the discussion. This is not an exhaustive list; it is just a starting point to help us move from hearing problems to crafting recommendations.

1. State responsibility but local control
  - a. State responsible for provision of schools and equal protection, but relies on districts to provide them.
    - i. True in most states; not a function of tax structure. **Not in our scope**
  - b. State can't control spending. **Need to reread the Brigham decision to help think about this.**
    - i. Could move to state control of spending and therefore of tax rates **Not realistic**
    - ii. For more state control while maintaining some local control: state could set clear, specific standards; move more to categorical aid; **make the link between budgets and tax bills clearer and more direct**; create a different inflection point in the yield; make the locally voted tax more progressive.
2. Property (Education) Taxes are too high
  - a. Property tax is more burdensome than other taxes
    - i. Could move more revenue into EF from GF
    - ii. Could move more to income tax
  - b. Given budgets are approved, ed taxes may be too high for lower-income people but not for higher-income people.
    - i. Could make the locally voted education tax more progressive.
  - c. Education taxes are too high because education spending is too high
    - i. To what extent is spending a function of the tax structure (or within the scope of the TSC)?
3. Link between local spending and local tax bill is not clear
  - a. Voters don't understand the tax increase that would result from a budget increase when they vote.
    - i. **Could eliminate the adjustment so that voters can estimate their tax bill given the budget.**
    - ii. **Could be clear that a spending increase of X means a tax bill increase of Y%, for either property or income.**
  - b. At town level, the rate can increase even if the budget doesn't. This is true in any system in which a portion of the funds come from another source (eg. State aid) that may go down; the locally raised tax is the shock absorber.
    - i. The likelihood could be reduced by:
      1. a stabilization reserve,
      2. keeping the EF fund only for costs that districts can control,

3. directing non-homestead revenue at stabilizing the cost of an “adequate” education, making the tax for additional spending more expensive (and volatile).
4. Complexity
    - a. Voters don’t understand what their tax bill will be, and they don’t understand the adjustment.
      - i. Could eliminate the PTA and vote directly on the lesser of income and property
      - ii. Could eliminate the PTA and vote directly on income. (Notes on moving to income tax: volatility of income tax; need to line up with problems presented in testimony)
      - ~~iii. —Could eliminate the local vote entirely and have a uniform state education rate~~
      - iv. Could replace PTA with generous housesite exemption
    - b. Household income calculation cumbersome and error-prone.
      - i. Could replace household income with AGI, VT Taxable Income, or VT tax.
    - c. Adjustment is processed by state, sent to towns, added to local tax bill creating extra work at the town level.
      - i. Could eliminate adjustment and its local processing.
    - d. CLA causes confusion.
      - i. Could adjust the house value instead of the tax rate to account for appreciation
      - ii. Could use a uniform state appreciation factor between reappraisals
  5. Perceptions of Unfairness—Taxpayer Equity
    - a. Perception that some people get “subsidy” instead of paying full share
      - i. Could get rid of the PTA and determine what is a fair amount to pay (rather than what is a fair amount to not pay).
    - b. What is a fair amount to pay should consider family size. Adds complexity, although fair
      - i. Could use VT Taxable income
      - ii. Could apply exemptions to income for each family member
    - c. What is a fair amount to pay should consider both income and assets.
      - i. Could research ways to inventory and value assets to see if and how this could be approached.
    - d. Tax bills increase sharply as income rise above \$47K and again at \$90K Need to explore ways to eliminate
      - i. Could eliminate the housesite caps, or have only one, higher cap
      - ii. Could re-examine the circuit breaker; move toward a sliding scale rather than a circuit breaker. This would be especially important in the housesite exemption model.
    - e. Renters and Owners are treated differently
      - i. Could move to income tax for both homeowners and renters, so all voters could see the direct link between their vote and their tax bills. (With a credit to renters for ed tax paid through rent).
      - ii. Could restructure a renter program to parallel the homeowner tax, covering all renters—not just those earning less than \$47K.

- iii. Could set up system for listing apartments individually and having renters declare their home. This would enable research, analysis, and development of a fair approach.
6. Need a plan for capital expenditures
- a. Need more state funding
    - i. Could reinstitute capital support program
  - b. Need to control flow of projects and state debt level
    - i. Could require standards, prioritization, review by AOE
  - c. Wealthy districts have greater ability to have better facilities
    - i. May need separate calculation of yield for Local share, depending on the extent to which student weighting or taxpayer progressivity are used to address poverty.
7. Student Equity
- a. Not a clear way to measure this
    - i. May need more research on how to measure student outcomes to monitor our progress
  - b. Not a clear way to provide equity through the tax structure
    - i. Weighting study indicates students from poverty cost about 4X average, but weighting may not be the best approach
    - ii. Could use weighting, categorical aid, or partnership with other service providers, along with a more progressive tax, or a combination (in all proposals)
    - iii. May need more research into what programs are entailed before proposing changes to the tax

\*Goldilocks structure: perfect mix of categorical aid and costs that are raised on the local tax based on perfect weighting of students; locally voted tax that equalizes pain for individual people (not just individual districts) to raise an equal amount per weighted student; that provides an adequate amount for all districts; that makes it harder but possible to raise amounts greater than the adequate amount.