

Municipal Opportunities & Regional Efficiencies

Municipal Tax Authority Working Group

Vermont's Education Funding System

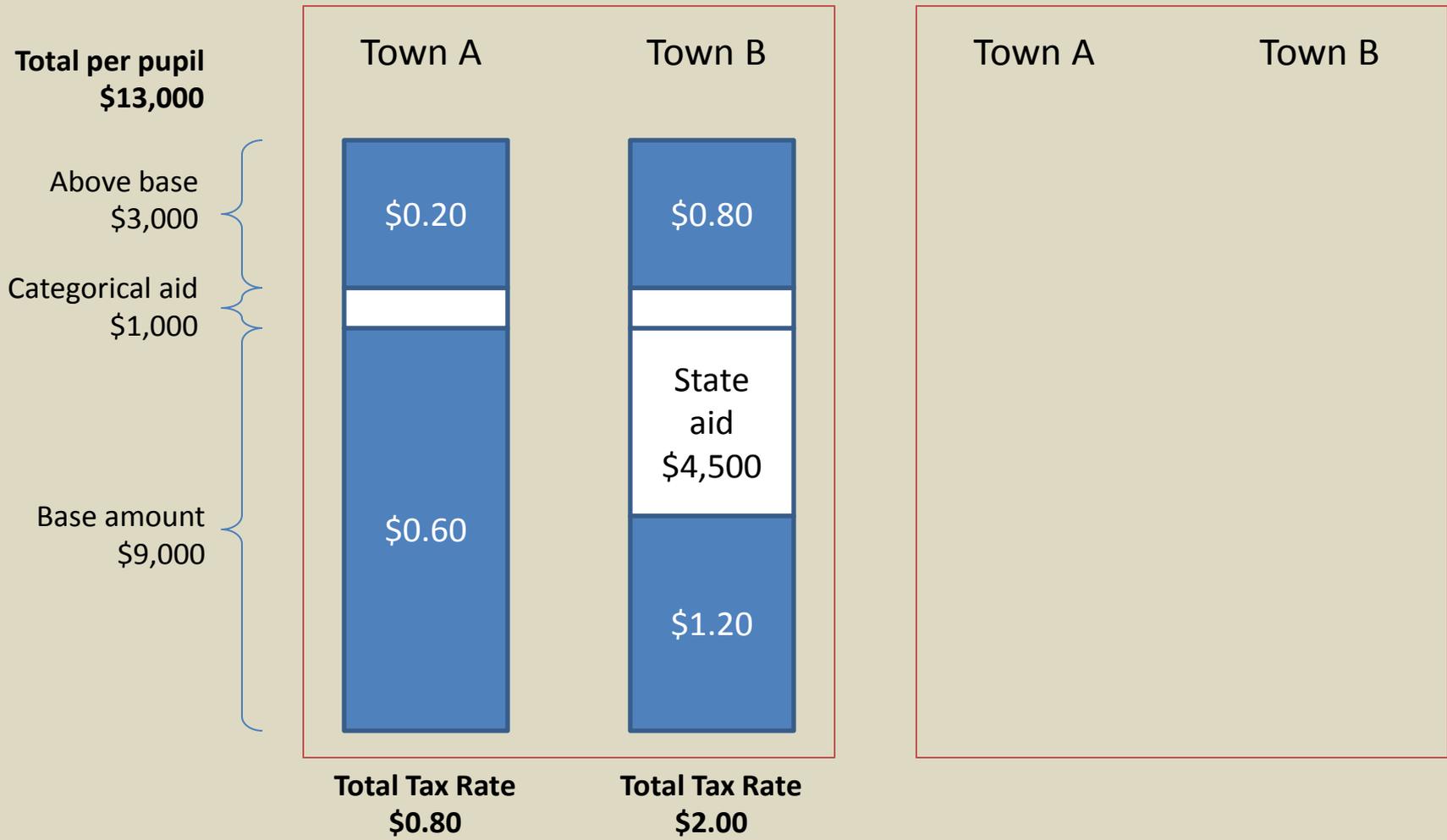
Hartford — April 18, 2013

Paul A. Cillo

Fundamentals of Vermont's Education Funding System

Foundation

Act 68

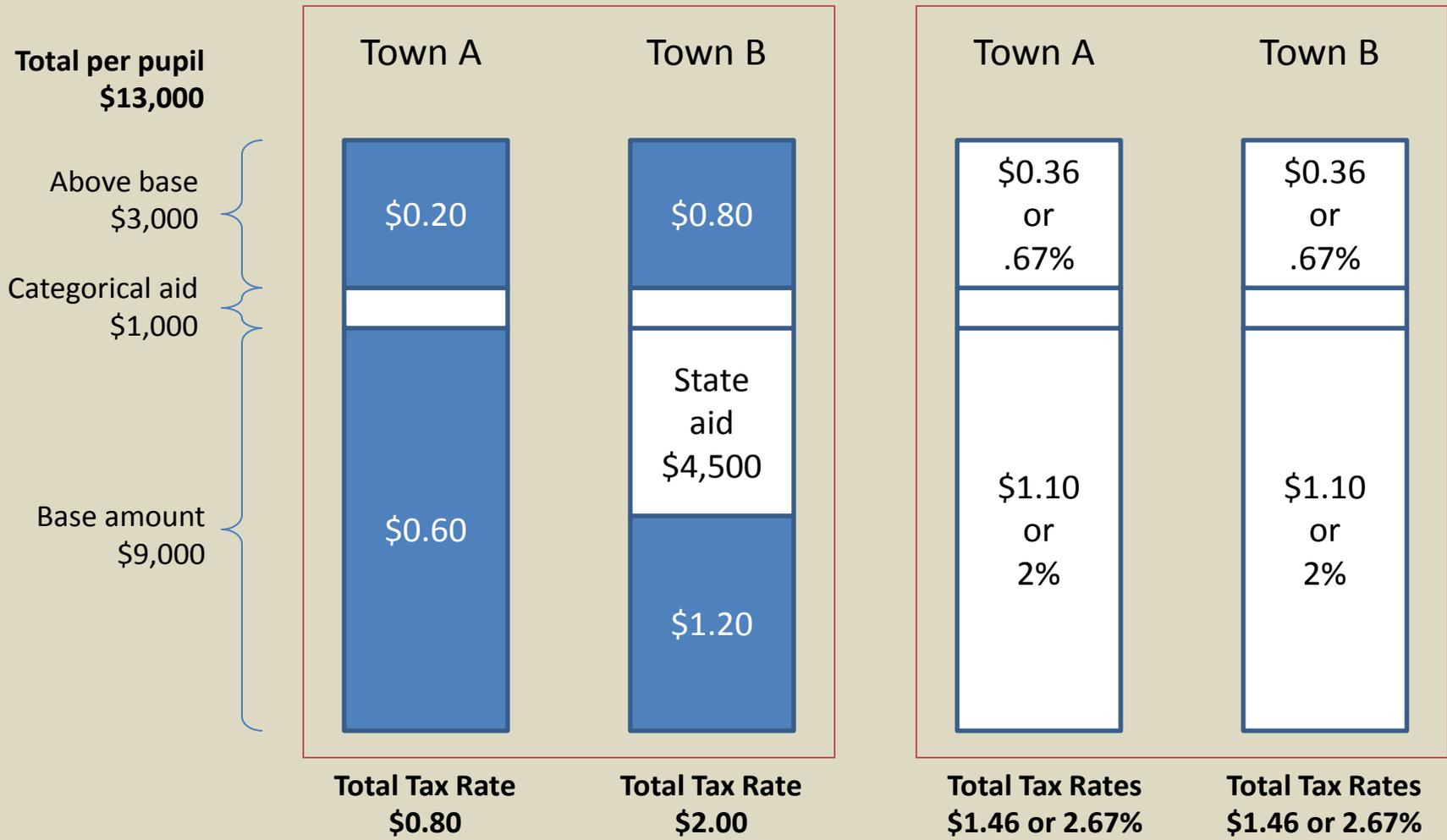


Four fundamental changes from Foundation to Act 68

1. State taxes; not local taxes.
2. Town spending directly affects taxes on primary residences only
3. Homeowners can pay based on a home's property value or household income.
4. Same tax rates for same per-pupil spending in every town regardless of the amount the district spends.

Foundation

Act 68



Education Funding Analysis

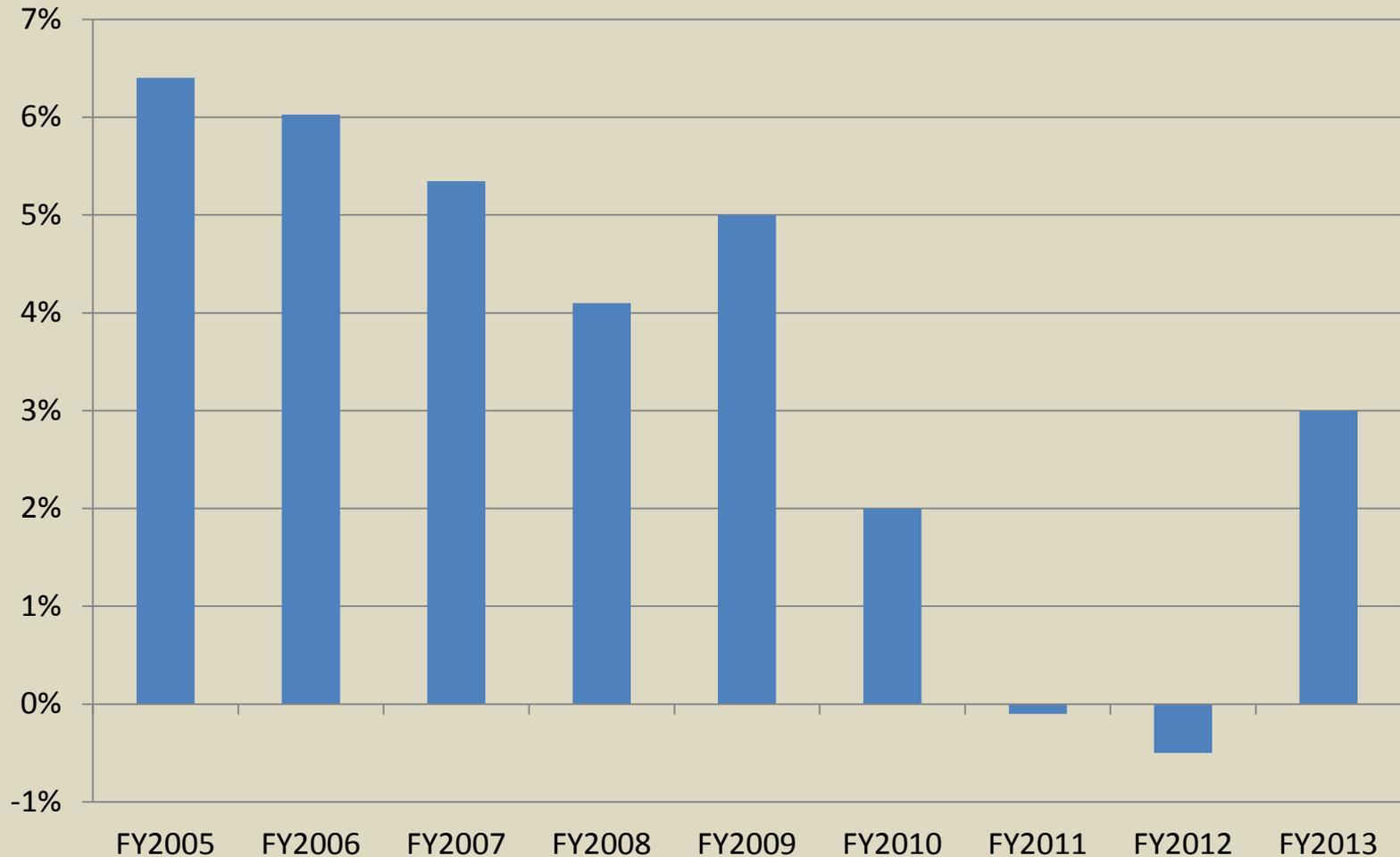
Excess Spending Threshold

Fiscal 2013 \$14,841/pupil

Fiscal 2014 \$15,456/pupil

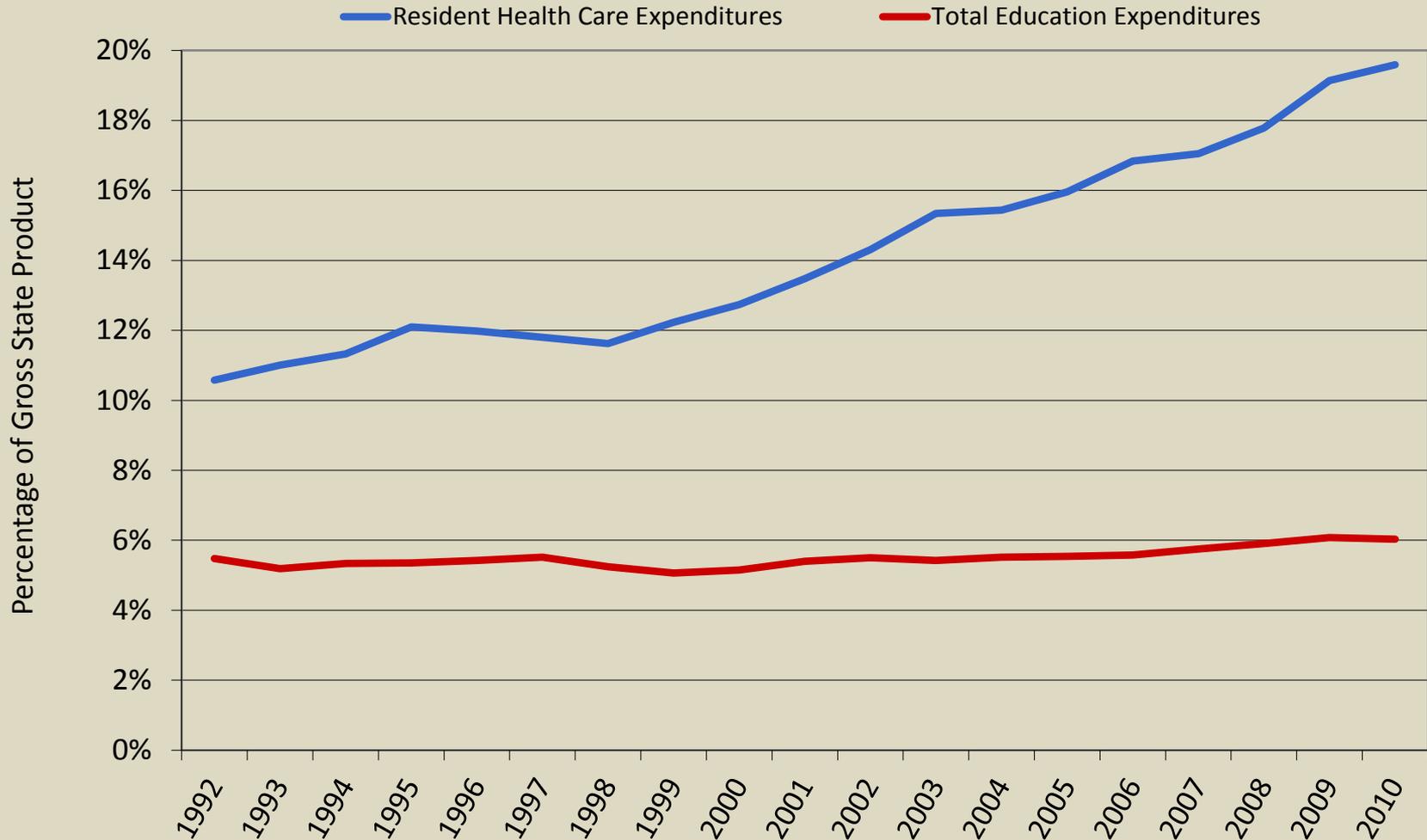
School Districts Have Controlled Spending

Annual change in education spending, FY2005-2013



Sustainable and unsustainable growth:

Health care vs. education spending as a percentage of Gross State Product



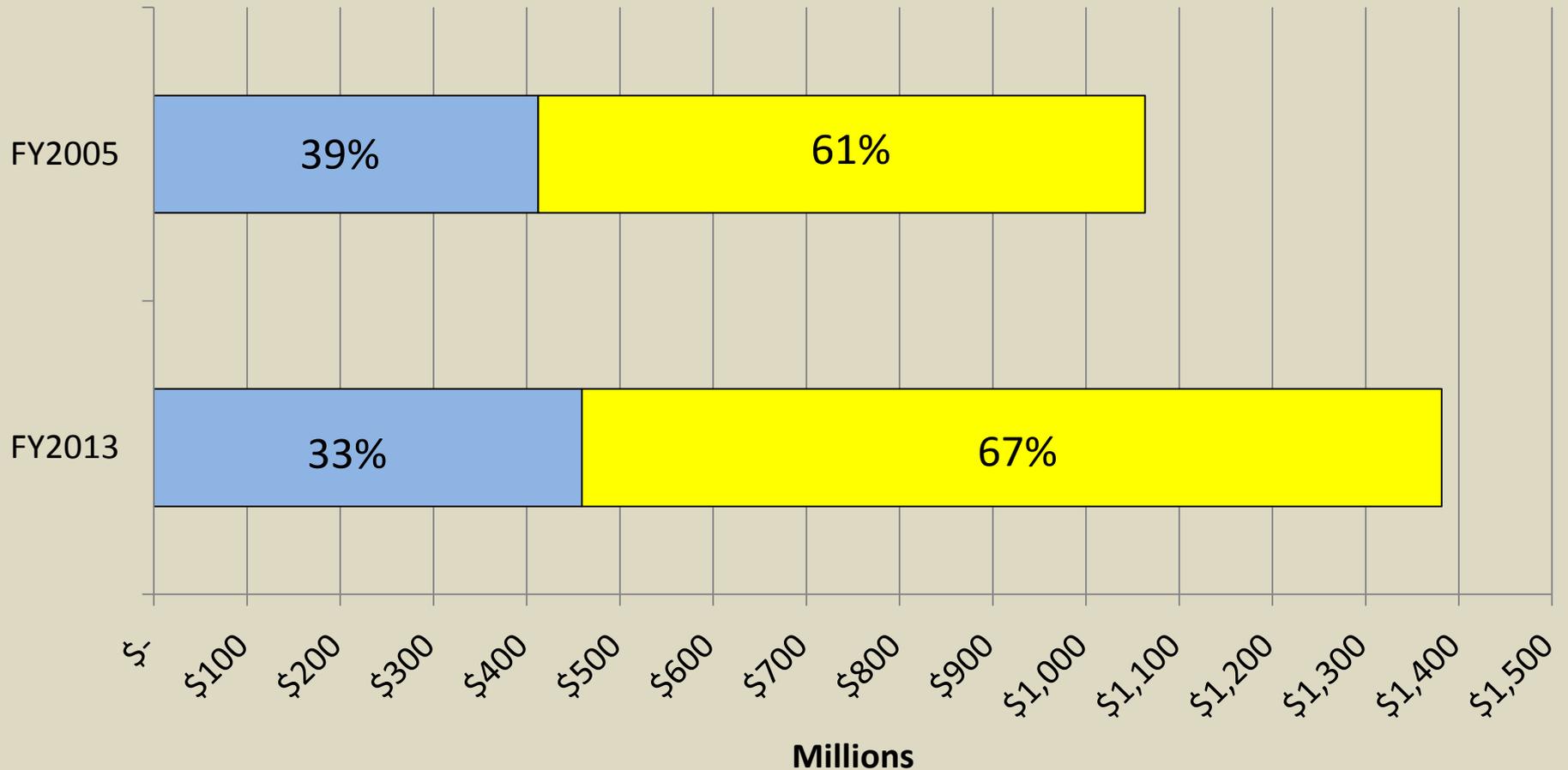
Four Components of a Town's School Tax Changes

1. Voted education spending
2. Number of equalized pupils
3. Common level of appraisal
4. General Fund transfer and
dedicated taxes

General Fund Support for Education Has Shrunk

If Support Remained at 2005 Level, Education Property Taxes Would Be \$76 Million Less in 2013

General Fund and dedicated revenue Property taxes



Vermont school taxes are still regressive

Homestead taxes as a percentage of income

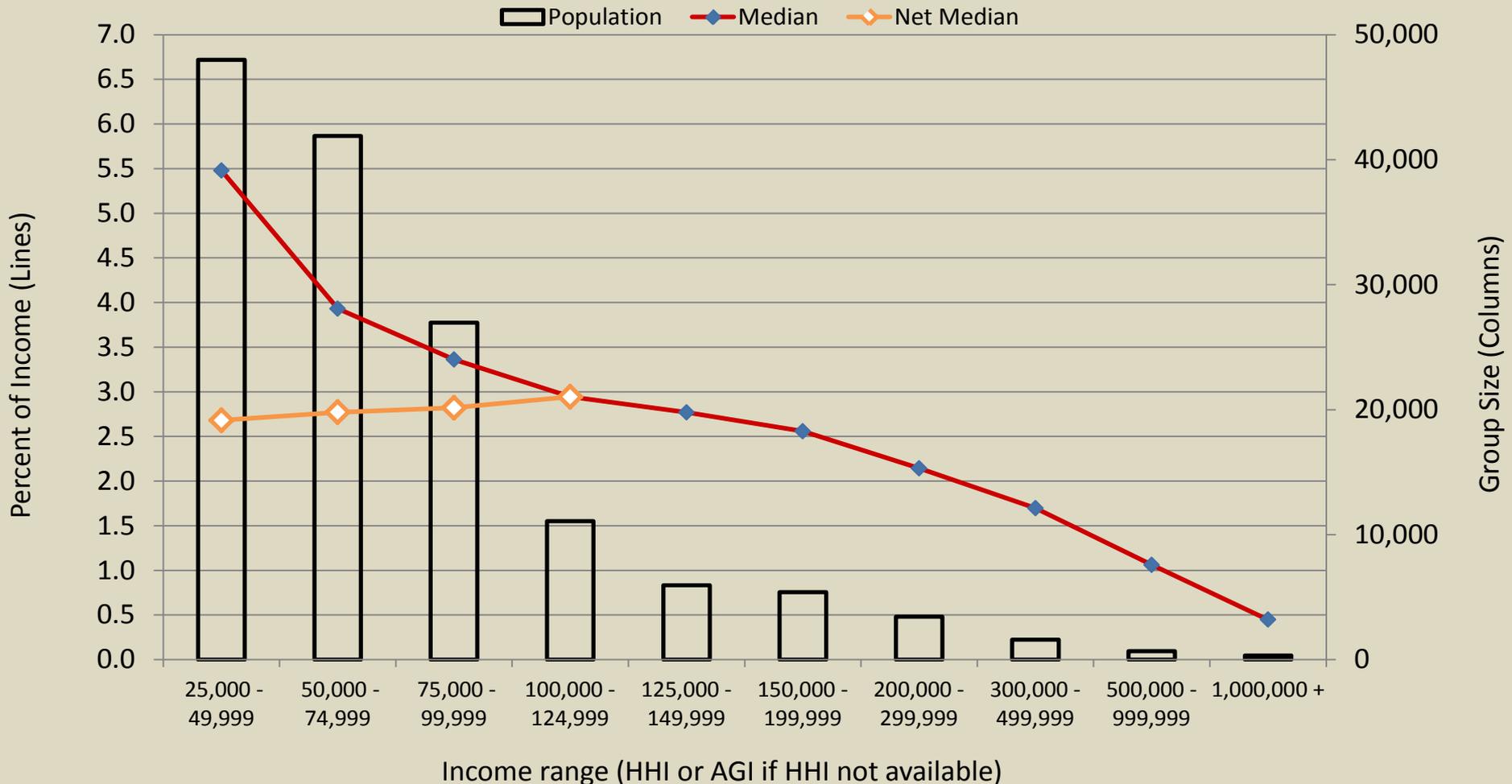
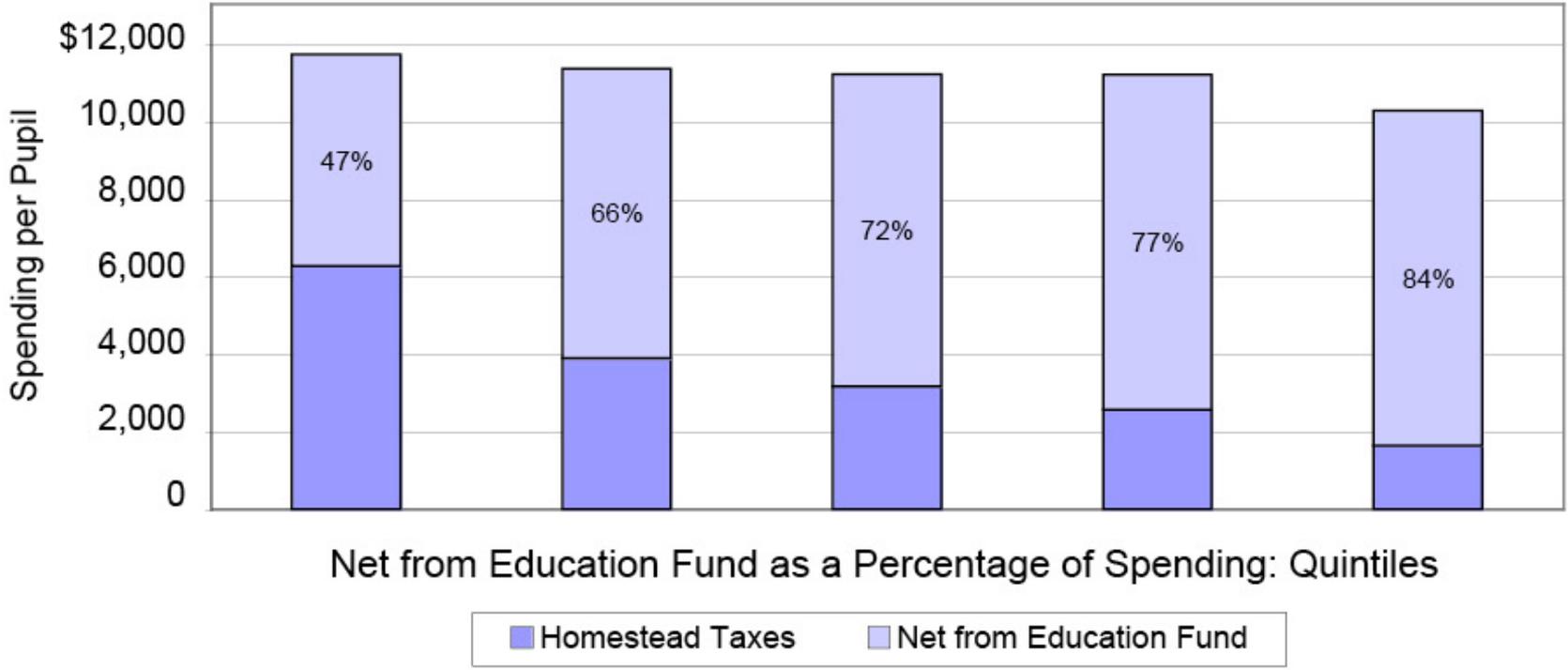


Figure 2. Education Spending and Return from Education Fund, FY 2008



Sources: Vermont Department of Education, Vermont Department of Taxes, Public Assets Institute