



Ethan Allen Institute

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Education Finance & Property Taxes

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BACKGROUND

In 1996 the Vermont Supreme Court issued the Brigham Decision, which required that there be “substantially equal education tax resources in every district.” (Note: It does not guarantee equal spending on students.)

In response, the legislature passed Act 60 in 1997, which, in simple terms, gives the voters of 256 school districts the responsibility for approving local school budgets, and a (then) newly established state education fund the responsibility for funding them.

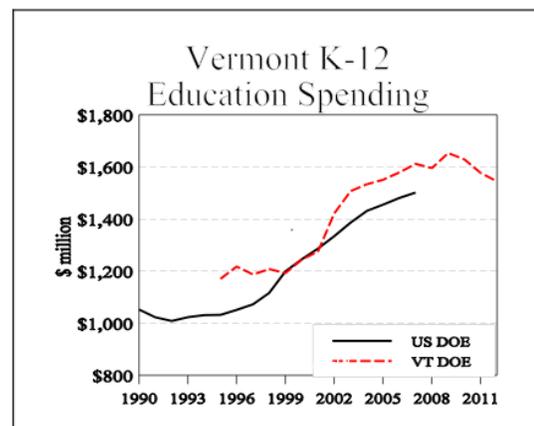
Money sources for the education fund include property taxes (homestead and non-homestead), a general fund transfer, sales & motor vehicle purchase taxes, lottery profits, and some miscellaneous funds.

However, homestead property taxpayers with household incomes of less than \$90,000 are “income sensitized” and are allowed to pay their property taxes as a percentage of income (1.8%). Roughly 70% of Vermont homesteads are income sensitized.

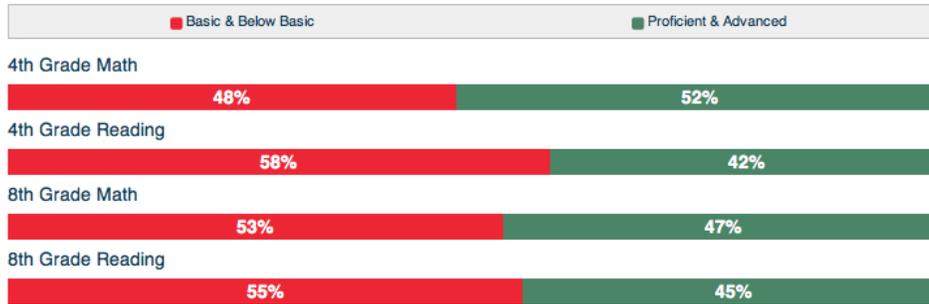
The major consequence of Act 60 has been breaking the link between what local voters choose to spend on their schools, and the responsibility for paying those bills. Now the school money drops from the sky (the Education Fund), and the costs may bear little relationship to the amount of taxes levied on local homestead owners.

IMPACT

- Since the passage of Act 60, annual education spending has risen from roughly \$780 million to over \$1.5 billion.
- Public K-12 student population has dropped from 106,000 to under 87,500.
- Public K-12 staff has grown 17.1% from 15,783 (1997) to 18,482 (2012). According to [NEA statistics](#), Vermont has the lowest student teacher ratio in the nation at 9.2 to 1. The national average is 15.9 to 1.
- Despite all of this, student SAT scores have remained largely flat, NECAP scores show that an alarming number of students remain “below proficient” in Math, Reading and Science, and no progress has been made in bridging the achievement gap between poor and more well off students.



NAEP Proficiency 2013



Source: 2013 National Assessment of Educational Progress (NAEP)

KEY POINTS

- Current property tax rates are 98¢ per \$100 of assessed value for residential, and \$1.515 per \$100 of value for nonresidential (businesses, second homes, land, etc.) property.
- According to the Vermont Housing Finance Agency, “Vermonters pay property taxes of 1.66% of their home values on average, according to a new report prepared by the [Tax Policy Center](#). *This places the state firmly in the top ten.*” Vermont’s Mean property tax payment is \$3,473 (2012).
- In the 2013-14 legislative session, Montpelier voted to raise property taxes twice, for a total increase of over \$100 million. (Roll Call Votes: House [2013](#), [2014](#). Sen. [2013](#))
- Legislation to expand publicly funded Pre-Kindergarten programs is adding to the property tax burden. ([House Roll Call Vote](#))
- The House voted in 2014 against a measure requiring the legislature to reform Vermont’s education finance system within three years. ([Roll Call Vote](#))
- School District Consolidation, which is being touted by some as a “fix” will not lower education costs/taxes, but will actually raise them. “[CFO for the Agency of Education Bill] Talbott estimated that the alignment of salary schedules could cost the expanded districts anywhere from \$6.9 million to \$11.9 million.” ([Rutland Herald, 3/23/14](#))
- 37 Vermont towns voted down school budgets in 2014, the most since 2003.

CONCLUSIONS

Since coming into being seventeen years ago, Vermont’s education finance system (Act 60) has led to an explosion in cost with no benefit to children in terms of improved educational outcomes. It has, however, funded the growth of one powerful political block (public education employees) and “bought off” another (income sensitized households), making this out-of-control tax monster difficult to reform.

The real solution to Vermont’s education challenges is the expansion of school choice. For a detailed look at this solution, see EAI publications, [Better Value, Fewer Taxpayer Dollars](#), and [School Choice in Vermont](#).