



TO: Members of House Education and Ways & Means committees
FROM: Allen Gilbert, executive director, ACLU-VT
SUBJECT: “Bonus” provisions in school funding part of H. 436, miscellaneous tax bill
DATE: March 21, 2011

I wanted to express disappointment with the House Ways and Means Committee’s decision to give a tax break to school districts that met “Challenges for Change” education spending targets.

This provision -- in the miscellaneous tax bill -- supports what last year the House opposed. The Douglas administration’s proposal to “punish” districts that didn’t meet targets was shown last year to be flawed and a violation of the equity principle established in the Vermont Supreme Court’s 1997 *Brigham* decision. This year, the proposal has been resurrected and turned on its head. A “reward” for “good” towns (rather than a “punishment” for “bad” towns) will be offered, under Section 4 of the bill.

This proposal is not a good idea, for the same reasons last year’s proposal was not a good idea.

1. A town spending \$15,000 per pupil meets its spending reduction target by cutting its Russian language and swim programs. Under Section 4 of the bill, its school tax rate is reduced a penny. A town spending a third less -- \$10,000 per pupil -- feels it just wouldn’t be right to cut a calculus course and reduce phys ed time to meet its spending reduction target. Even though the second town is spending far less per pupil than the first town, it doesn’t get a tax break. In fact, its tax rate is set marginally higher to cover the costs of the tax break given to the higher-spending town. This is not equity.

2. A punishment-and-rewards budget-cutting system ignores expenses the state has told schools must be covered -- at all costs. The addition of two special needs students with severe disabilities can mean \$400,000 in new budget expenses for a district. A punishment-and-rewards budget-cutting system also ignores additions of any students anywhere. A school can, in fact, cut its per-pupil spending costs and be running more efficiently because new students have moved into town -- yet it may not be meeting budget reduction targets. School tax rates are directly related to spending per pupil, not to the size of a school’s budget.

3. The \$1 million in “rewards” that the miscellaneous tax bill offers may be seen as “inconsequential” given the size of the state’s overall education spending. But creating another “carve-out” by allowing an unequal draw on school funds trims another corner from the equitable school funding principle the state has followed for 15 years.

Our current school funding formula already has a built-in equitable system for rewarding efficient management of tax dollars. Tax rates go up when per-pupil spending rises. Tax rates go down when per-pupil spending falls. An inequitable second system is not needed.

I appreciate that crafting the miscellaneous tax bill is a difficult job. But this is one tax provision that is not sound policy.