



Lawrence O. Picus
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Dear Mr. Picus:

The Lake Champlain Regional Chamber of Commerce and GBIC represent over 2,500 Vermont businesses and nonprofit organizations. We advocate for a thriving private sector economy for the benefit of our members and the community through education, advocacy and programs. On behalf of our members, we wish to provide you with our observations and suggestions for Vermont's education finance system as you embark upon your study.

Overall Principles

We support access to a quality education for all Vermont children. The system for funding education should be fair and understandable. It should not cause divisiveness among communities or discourage economic development and should include measures to control education costs and ensure cost-effective education tied to results. We must develop a statewide vision for an education system that uniformly delivers quality outcomes, invests resources that align with economic, demographic and enrollment trends and uses resources effectively and efficiently.

Vermont's tax policy must result in a competitive advantage to retain jobs and recruit business. We must have a tax structure that places Vermont in the middle tier of comparative state tax burdens, rather than its current position of being at or near the top. Our tax system must be constructed to encourage prosperity by making it attractive for individuals, households and businesses to live here, invest here, grow here, and retire here.

Recommendations:

A better connection between spending and financing education is needed.

Given the unsustainable cost of providing income sensitivity to 70 percent of all Vermont households requires a reexamination of the income sensitivity thresholds. Act 60 created an education funding system where revenues are collected by the state and spending decisions are made locally. The lack of connection between spending and financing means costs have increased dramatically since Acts 60/68 were passed. A reinforcement of the connection

between education spending and how education is financed is critical. Many school districts use the property tax adjustment provisions as a means to sell budget increases in their communities.

Education spending continues to outpace revenues despite statewide enrollment reductions. A significant emphasis on cost control should be instituted including: an evaluation of spending patterns including administrative oversight; cost shifts at the federal and state levels, teacher and staff/pupil ratios; and increased services provided by the system. The identification of the root causes of these cost drivers is critical.

Many of our member businesses in the financial services sector observe (and advise) taxpayers and business owners making decisions to migrate to other states because of Vermont's relatively high property and income tax rates. Although the Blue Ribbon Tax Structure Commission report and other national reports dispute this contention, we should be making our tax policy attractive to high wealth individuals to remain, relocate and sell their businesses here, rather than in other states which do not penalize their success. **Our goal should be to grow this class of individuals, not for it to remain stagnant.**

There has been a significant cost shift of state responsibilities to local communities without the accompanying dollars. Programs including special education, the child care subsidy program and teen parent programs have seen significant reductions in federal and state funding and legislation is passed on an almost annual basis asking schools to address various societal mandates such as bullying, suicide prevention and nutrition education.

Review the non-homestead property tax rate. Since 2005, property taxes have been assessed based on a split grand list system, with homestead and non-homestead property taxed at different rates. Act 68 provided relief in some communities, yet increased school costs and rising property values are outweighing the reduction, and contributing to an increase in non-homestead property taxes. We support an annual decrease in the non-homestead property tax rate, corresponding to the increased value of the grand list. Requiring non-homestead property owners to pay a higher rate will undercut the cost control mechanism of the split grand list system. Any changes made to the property tax rates should be performed proportionately and not by an equal amount.

Address property valuation and other property tax issues. Review the Common Level of Appraisal to ensure that the system is statistically acceptable, fair and equitable. A permanent change in statute is needed in order to ensure that statewide education property tax rates are adjusted downward for any year that undesignated surpluses above the 5% reserve level occur.

Examine additional modifications: Additional modifications should be considered: (1) incorporate cost of living differences among regions in the block grant amount, and (2) address inequities between districts in funding for transportation and special education.

Consolidation of local school districts and facilities into regional districts/facilities cannot continue to evade scrutiny and real action. To ensure the highest quality and affordable education, we urge the legislature and Governor to enact legislation establishing a Blue Ribbon Commission that is given 24 months to recommend the consolidation of school districts and school facilities. Such a recommendation would be subject to a full up or down vote by the

General Assembly or State Board of Education. **The Commission should be given a goal of reducing costs by a realistic measure statewide, without reducing quality.**

Vermont's education finance system is complex, difficult to understand and does not lend itself to comparisons with other districts or states. The Vermont Department of Education needs to ensure that common definitions for the chart of accounts are used by school districts so that school spending by category can be compared across districts. Better information on school district costs should help school board members and voters determine whether costs are appropriate.

Workforce training and education must become a primary goal for the Administration and General Assembly as a lead component of the state's economic development strategy.

The state's workforce stakeholders must design a specific approach to assist current workforce education and training partners. The goal is to refine curriculum to encourage partnerships with businesses to develop new education and training to better meet the needs of our key economic driver sectors.

Sincerely,

Win Smith, Chair on behalf of Tax and Fiscal Policy Study Committee
Lake Champlain Regional Chamber of Commerce and GBIC