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Subject: Education funding
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Education funding reform in Vermont is crucial to address persistent inequities and ensure all students receive a high-quality education. The current system, shaped by multiple legislative acts like Act 60, Act 68, and Act 127, has made strides towards equity but still faces challenges.

Rising property taxes and inflationary pressures have highlighted the need for a more sustainable and equitable funding model. Reform efforts aim to balance the financial burden across districts, particularly supporting those with higher needs, such as rural and low-income areas. By restructuring the funding formula, Vermont can better meet the diverse needs of its student population and promote long-term educational success. The time is now. Vermonters cannot wait for more studies and the state government must stop kicking the can down the road. Over the past decade, numerous studies have been conducted on education funding in Vermont. These include comprehensive reports by the Legislative Joint Fiscal Office, such as the 2023 Report on Vermont's Education Financing, and academic analyses like the one from Penn State University on Vermont Educational Reform. Additionally, various legislative acts, including Act 46 (2015), Act 173 (2018), and Act 127 (2022), have prompted detailed examinations of the state's education finance system. While it's challenging to pinpoint an exact number, it's clear that the topic has been extensively researched and debated. Vermont must take action now and stop burdening taxpayers with high taxes and poor outcomes. I propose the following actions.

Goals to improve the current funding of the VT education funding model.

-Reduce the numbers of schools and supervisory unions

Maximize the number of students and strive for commutes of 30 minutes focusing on regional population centers and commuting corridors. Research suggests that travel times exceeding 30 minutes may have negative effects on young children**.**

Elementary Schools: Research suggests that the most efficient size for elementary schools is around 403 students and developments of schools should prioritize school sizes at this capacity.

Secondary Schools: For secondary schools, the optimal size is approximately 721 students.

Supervisory Unions: Vermont has approximately 83,000 students enrolled in public schools. With 59 supervisory unions, this averages to about 1,407 students per supervisory union. In the 2022-2023 school year, the average number of students per district in the U.S. was approximately 2,578 students. Clearly, we can find significant savings in reducing the amount of overhead per student in VT.

-Cap the cost per student

Enact a penalty at 20% more than the national average or cap spending at 20% over the national average. This could be done incrementally over a period of several years to assist supervisory unions and districts in the ability to adjust and increase efficiencies. Would this be non-inclusive to new construction or modernization and expansion of an existing construction (we know this almost became a disaster last year, so how do we fix this?). By penalizing or capping the cost per student above 20% above the national average, Vermont could potentially save **$144 million** annually. Additionally, this would tie Vermont's education spending to national averages ensuring that VT's education is competitive with the national trends. The 20% above the National Average ensures that Vermont can accommodate its rural nature and transportation challenges. In my SU this would equate to approximately 2 million dollars in savings or approximately $625 per taxpayer.

Vermont's current costs per pupil

- Grade School (K-5): Approximately $19,400 per student[1].
- Middle School (6-8): Around $20,000 per student[1].
- High School (9-12): About $21,000 per student[1].

Vermont's New Capped Costs (20% above National Average)

- Grade School (K-5): $14,000 * 1.20 = $16,800
- Middle School (6-8): $15,000 * 1.20 = $18,000
- High School (9-12): $16,000 * 1.20 = $19,200

-Reduce financial impact on Property Owners

Vt's property taxpayers currently are footing a significant amount of the current education formula. Sharing this funding with more Vermonters will reduce the average property owners' financial impact thus increasing their ability to own property.

Funding including the addition of income tax.

The proposed income-based tax system strives to be fair and equitable for Vermont as a collective. It aligns with the principles of vertical and horizontal equity, provides stability and predictability in revenue, and addresses the unique challenges faced by different groups within the state.

1. **Property Taxes:**
    - **Homestead Property Taxes: Approximately 15% of the total Education Fund.**
    - **Non-Homestead Property Taxes: Approximately 40% of the total Education Fund.**

2. **Other Sources:33% of the total Education fund**
3. **Income tax. 12% of the total Education Fund (approx. 216 million (or 1.12% average income tax))**

- Low-Income Bracket(40% of households): 2%(.13% tax rate)
- Middle-Income Bracket(40% of households): 4%(.39% tax rate)
- High-Income Bracket(20% of households) : 6%(.65% tax rate)

Income/Non-property owners and prospective data:

In Vermont, approximately **27.3%** of the population does not own property[1]. This includes individuals who rent their homes or live in other non-owner-occupied housing arrangements.

Given Vermont's population of around 645,000 people, this means roughly **176,000 people** do not own property[2] and thus do not pay taxes to the education fund via property taxes.

To estimate the potential revenue from an income tax on non-property owners in Vermont, we need to consider the income distribution among these 176,000 individuals.

1. **Low-Income Bracket (1% tax rate)**:
   - Assume 40% of non-property owners fall into this bracket.
   - Average income: $25,000.
   - Calculation: (176,000 \times 0.40 \times 25,000 \times 0.01 = $17,600,000).
2. **Middle-Income Bracket (3% tax rate)**:
   - Assume 40% of non-property owners fall into this bracket.
   - Average income: $50,000.
   - Calculation: (176,000 \times 0.40 \times 50,000 \times 0.03 = $105,600,000).
3. **High-Income Bracket (5% tax rate)**:
   - Assume 20% of non-property owners fall into this bracket.
   - Average income: $100,000.
   - Calculation: (176,000 \times 0.20 \times 100,000 \times 0.05 = $176,000,000).

Adding these amounts together gives us the total potential revenue:

[$17,600,000 + $105,600,000 + $176,000,000 = $299,200,000]

So, approximately **$299.2 million** could be generated annually from this income tax on non-property owners in Vermont.

Principles of Tax Fairness

1. **Vertical Equity**: This principle states that taxpayers with a greater ability to pay should contribute more. A progressive income tax system aligns well with this principle, as higher-income individuals would pay a larger share of their income towards education funding[1].
2. **Horizontal Equity**: This principle states that taxpayers with similar financial situations should be taxed similarly. By maintaining some property tax contributions, the system ensures that property owners, including businesses and vacation homes, contribute to the funding[1].

Impact on Different Groups

1. **Low-Income Residents**: The proposed system would likely be more equitable for low-income residents, as they would pay a smaller percentage of their income in taxes compared to a property tax-based system[1].
2. **Retirees and Fixed-Income Residents**: Retirees and those on fixed incomes would benefit from reduced property taxes, making it easier for them to afford their homes[1].
3. **Out-of-State Property Owners**: By maintaining non-homestead property taxes, out-of-state property owners would continue to contribute to the education fund, ensuring that they share in the responsibility of funding local schools[1].

Revenue Stability and Predictability

1. **Income Tax Stability**: Income taxes can provide a more stable and predictable source of revenue compared to property taxes, which can fluctuate based on property values and market conditions[1].
2. **Balanced Revenue Sources**: By combining income taxes with non-homestead and a small amount of homestead property taxes, the system diversifies its revenue sources, reducing the risk of shortfalls[1].

Conclusion

The proposed income-based tax system, supplemented by non-homestead and homestead property taxes, appears to be fair and equitable for Vermont as a collective. It aligns with the principles of vertical and horizontal equity, provides stability and predictability in revenue, and addresses the unique challenges faced by different groups within the state.