



VLCT LEGISLATIVE ACTION ALERT

SERVING AND STRENGTHENING VERMONT LOCAL GOVERNMENTS

Date January 23, 2012
To Legislative Alert Distribution List
From Steve Jeffrey, Executive Director
Re Senate Action Needed to Reverse Reduction in State's Contribution to Education Fund

This week, the Senate will be voting on H.558, the state's FY12 budget adjustment act. Last Friday, the House approved unanimously an amendment on H.558 that could undo the change made by the legislature last year that has resulted in the state General Fund support for education dropping from the \$309.8 million that was mandated by statute to be provided in FY13 to the \$280.2 million that the Governor included in his FY13 budget. **Contact your state senators this week. Urge them to approve language in H. 558 that restores the "General Fund transfer base calculation" for education similar to that approved by the House.**

Background. As we discussed in the [2012 VLCT Legislative Preview](#) (page 6), Act 68 passed in 2003 required the legislature to annually increase the amount of the General Fund transfer to the Education Fund. This worked fine through FY09 when state support for education reached \$441.8 million of non-property tax revenues (still only 33.6 percent of the total education bill in the state, the remainder coming from property taxpayers).

Before 2011, the law stated, *For each fiscal year, the amount of the general funds appropriated or transferred to the education fund shall be \$280,200,000.00 increased by the most recent New England economic project cumulative price index, as of November 15, for state and local government purchases of goods and services from fiscal year 2008 through the fiscal year for which the payment is being determined, plus an additional one-tenth of one percent.* (16 V.S.A. § 4025(a)(2))

For FY10, 11 and 12, the state appropriations acts contained language renegeing on that commitment. For example, the appropriations bill for FY11 (Act 156 of 2010) said *"Notwithstanding 16 V.S.A. § 4025(a)(2), for fiscal year 2011, the general fund transfer to the education fund shall be \$240,803,945."* Non-property tax support of the Education Fund fell to just \$388.6 million in FY11, though that loss was partially offset by federal ARRA (stimulus) funds. Property taxes rose from a low of 60 percent of the funding of education in FY05 – the first year of Act 68 – to 68.1 percent for FY11. It is only slightly less for the current year at 67.1 percent of the total bill. (Just before the imposition of the state property tax under Act 60, property taxes were 70.9 percent of the total education tax bill.)

During the 2011 session, the legislature amended that law in its appropriations bill, Act 63. Now it reads, *"For each fiscal year, the amount of the general funds appropriated or transferred to the education fund shall be **\$276,240,000.00 increased** by the most recent New England economic project cumulative price index, as of November 15, for state and local government purchases of goods and services **from fiscal year 2012** through the fiscal year for which the payment is being determined, plus an additional one-tenth of one percent."* (Emphasis added.) Figures prepared by the legislature's Joint Fiscal Office show that if the legislature had stuck to the original language of 16 V.S.A. § 40225(a)(2), the General Fund support of education would rise to \$309.8 million for FY13. Instead, the new language only requires the state transfer to be \$282.2 million, which is what the Governor included in his budget. The difference (\$27.6 million) will have to be picked up by property taxpayers. That vote cost property taxpayers three extra cents on their state education tax rates.

What the House language does. The House language included in H. 558 would require that fifty percent of any state General Fund surpluses be used to increase the transfer to the Education Fund until the former transfer language was fulfilled. Such increased transfers would commence at the end of FY13, assuming the state had a surplus. The bigger the General Fund transfer, the lower education property taxes need to be. This is definitely a compromise and may well provide some gradual property tax relief in the future. More needs to be done, but this is a step in the right direction.

Please call, email, or speak with your Senate members this week, particularly members of the Appropriations Committee (Jane Kitchel of Caledonia, Chair, Dick Sears of Bennington, Vice Chair, Diane Snelling of Chittenden, Vincent Illuzzi of Essex-Orleans, Hinda Miller of Chittenden, Alice Nitka of Windsor, and Robert Starr of Essex-Orleans). Urge them to approve language in H. 558 that restores the “General Fund transfer base calculation” for education similar to that approved by the House. Find your legislators’ email addresses at www.leg.state.vt.us/legdir/legdirmain.cfm or call the State House at 800-322-5616 and leave a message with the Sergeant at Arms.

Please copy VLCT on any correspondence you generate in this matter.