

HISTORY OF VLCT INITIATIVES ON LOCAL REVENUE REFORM

YEAR	VLCT PROPOSAL	OUTCOME
1973	<p>VLCT Municipal Policy contains the following sections:</p> <ul style="list-style-type: none"> • (The time is right for tax reform now. Since the property tax has increased so dramatically in the past few years, it has reached the saturation point – people on fixed incomes, and on farms especially, are getting taxed off their land. We feel that a close examination of all municipal revenues must be made. The personal property tax, if replaced, should not mean any loss in revenue to a community.” • “An additional 1% should be added to the state sales tax. This \$7 million in new revenue shall be returned to the towns on an equalized grand list basis to help reduce the overburdened property tax.” • “The cost of education is climbing at nearly 20% per year, yet municipal revenues are growing at one-third that rate. As 70% of all local government revenues are going toward education, even greater State assistance in education is required.” <p>Included language supporting PILOT, state payment for county expense, local retention of the property transfer tax, caution in amending the Miller education funding formula.</p>	<p>Legislature enacted Gov. Salmon’s Property Tax Relief program – significantly expanding the benefits provided in the homeowners and renters rebate program (established in 1969), limiting property taxes to 5% of income on homestead and two acres.</p>
1976	<p>VLCT Municipal Policy contains all of the above. Sales tax language was replaced with the following section:</p> <ul style="list-style-type: none"> • “Towns should have the option of referendum vote to adopt and collect a local income tax.” 	
1978		<p>Sen. Ogden introduces his bill to have the income tax fund education. Current Use Program instituted.</p>
1982		<p>Morse-Giuliani Formula enacted</p>
1983	<p>In 1982, VLCT membership adopts “Vermont Municipal Revenue Reform Act of 1983”. Proposal included</p> <ul style="list-style-type: none"> • \$20 million state revenue sharing program for cities and towns • \$10 million PILOT payment • Local option income, payroll, rooms and meals taxes • Full reimbursement for new mandates • Local approval of almost all property tax exemptions 	
1984	<p>In 1983, VLCT membership adopts “Proposal for Vermont Revenues for the State and Local Governments”. Proposal included:</p> <ul style="list-style-type: none"> • returning state income tax to that of 1980 (due to federal changes, it would have been 29.87% of federal) • raising the rooms and meals tax from 5% to 6% • increasing the property transfer tax to one percent and allow a local option additional 0.5%. • dedicating increased revenue from above taxes to fund a state revenue sharing program for towns and PILOT 	
1985	<p>VLCT takes out full page ads in the Sunday newspapers calling</p>	<p>Kunin elected Governor. Calls for \$5</p>

YEAR	VLCT PROPOSAL	OUTCOME
	for legislature to address property tax problem.	million municipal revenue sharing, education aid increase. House member proposed \$60 million in sales tax exemption elimination to go to revenue sharing, state education aid and property tax relief. Senate rejects 2nd home state property tax 20-10. Property tax relief plan improved.
1986	<p>In 1985, VLCT membership adopts “Vermont Property Tax Relief and Local Revenue Alternative”. Proposal included:</p> <ul style="list-style-type: none"> • \$7,500 state-funded homestead exemption with \$17.3 million of property tax relief • \$12.1 million state revenue sharing program • Increase in state aid to education by \$20 million • Expand Property Tax Relief Program by \$ million • Paid for by growth in existing state revenues, \$30.7 million expanded sales tax to services, other items, eliminating a sunset on a 2.5% state income tax surcharge. <p>VLCT Board endorses Kunin plan</p>	Senate spends time developing “Municipal Education Tax Resource Sharing” (METRS) state property tax plan. Kunin proposes \$5,000 state-funded homestead exemption. Bill ends up enhancing Property Tax Relief Program and current use.
1987	<p>In January, VLCT Board adopted “1987 Vermont Education Funding and Local Revenue Alternative”. Proposal included:</p> <ul style="list-style-type: none"> • Increase state aid to education [current Morse Giuliani formula] by \$21 million through limited expansion of sales tax (beer, wine, liquor and soda) • Allow voters to replace residential education property tax with a local income tax (surcharge on state tax) • Allow voters to adopt a one percent rooms and meals and one-half percent property transfer tax 	Foundation Plan approved with \$36 million increase over two years. Early version included “recapture state property tax.” Received 17 votes in House. VLCT-endorsed bill introduced by Rep. Westman and others. Senate Finance works on “Vermont Tax Sharing Plan.” Fails in Senate 16-12. Hoff proposed state assume running schools, failed 13-14.
1988		Act 200. Senate proposes (METRS) plan again. Foundation Plan fully funded for second year and last year.
1989	In 1988, VLCT membership adopted “Program for Revenue Options to Mitigate Property Taxes (PROMPT)”.	Gov. Kunin’s Commission on Property Taxes concludes that “for the foreseeable future, property taxes will remain the largest single revenue source for state and local government” (because it was already too big to replace). Recommended against a statewide property tax because it “is widely viewed as a key element in Vermont’s system of town governance and there is virtually no public support for any structural change in the tax.”
1990	<p>In 1989, VLCT membership adopted “1990 Program for Revenue Options to Mitigate Property Taxes (PROMPT)”. Proposal included:</p> <ul style="list-style-type: none"> • Local option rooms and meals, sales, property transfer, liquor, beer and wine taxes with 70% retained locally and 30% 	<i>“Desirable as other property tax initiatives may be, we simply can’t afford them now.”</i> Gov. Kunin in her Budget Address. State property tax initiatives abound, including “second home tax.”

YEAR	VLCT PROPOSAL	OUTCOME
	<p>shared with all towns through a revenue sharing formula</p> <ul style="list-style-type: none"> • Allow voters to replace the residential education property tax with a local option income tax surcharge • Prohibit any new unfunded state mandates • Increase state funding of education to 50% through growth in existing state revenues and possibly one or two cents on the sales tax 	<p>State aid increased 8%</p>
1991	<p>In 1990, VLCT membership adopted “1991 Program for Revenue Options to Mitigate Property Taxes (PROMPT)”. Same proposal as 1990. Mandate control is first priority.</p>	<p>House and Senate each consider and drop “minimum state property tax” assessed on property wealthy towns. Level-funded education aid.</p>
1992	<p>VLCT members Local Government Day voted 54-11 to “call for the eliminating the shifting of necessity for tax raising from the state to local level as a result of the state under-funding state aid to education, current use and property tax relief. We also called for a 1.5% increase in the state income tax rate to offset proposed state cuts”.</p>	<p>State cut general state aid to education by 4%, special ed by 2.5%, current use by 11.6%</p>
1993	<p>VLCT members at Local Government Day approve resolution encouraging the legislature to “pursue a bold and significant attempt to reform Vermont’s education funding system”. Provided a list of state taxes totaling \$185 million that the legislature “should explore local option taxes”. Members narrowly defeated support for a non-residential state property tax.</p>	<p><i>“We cannot continue to rely exclusively on the property tax to fund school.”</i> Gov. Dean in his Budget Address. Wright introduces statewide teacher contract bill. No action taken by either House.</p>
1994	<p>VLCT membership adopted a municipal policy stating principles of an education finance system it would support . Held a special membership meeting in January and adopted a proposal that included:</p> <ul style="list-style-type: none"> • Retaining the penny surcharge on the sales tax (enacted temporarily for deficit reduction) to increase state aid to education and fund PILOT • Allow voters to replace residential education property tax with local option income tax surcharge • Allow local option taxes with a 70-30 split - 30% shared through state aid to education and revenue sharing. 	<p>Nothing really. Sales tax retained and committed to general state obligations. Successfully fought off another statewide property tax – H. 541 passed by the House but not by the Senate</p>
1995	<p>In 1994 VLCT membership adopted a municipal policy that set forth guiding principles and goals (e.g. achieve property tax relief, respect local governance).</p>	<p>Some changes to property tax relief program. \$500,000 payment for PILOT, small increase in general state aid.</p>
1996	<p>In 1995 VLCT membership adopted the “1996 Fair Tax Reform Proposal.” Proposal included:</p> <ul style="list-style-type: none"> • Increase funding for education by eliminating non-essential state programs and redirecting existing state revenues to education funding • Broaden the sales to tax almost all goods and services, including gasoline • Return the income tax rate to that of 1993 and direct the revenue to education • Local option taxes with 20% of the proceeds of consumption taxes shared in education formula and income tax retained locally 	<p>Local assumption of current use shortfalls, small improvement in property tax relief program, elimination of PILOT payment, small decrease in state aid to education funding</p>

YEAR	VLCT PROPOSAL	OUTCOME
	<ul style="list-style-type: none"> • “Gold towns” don’t receive as much special education or school construction assistance • Mandate control 	
1997	In 1996, VLCT membership adopted the “1997 Fair Tax Reform Proposal.” Same as 1996 model	<i>Brigham</i> decision and Act 60
1998	VLCT membership adopted “Recommendations for Changes to Act 60 for the 1998 Legislative Session” at a special meeting in January, 1998. Urged “New Directions” by altering Act 60 to “incorporate” VLCT’s 1997 proposal, education resource strategies (ERS), full funding of Foundation and/or use of a gross receipt’s tax or other broad-based consumption tax. Also contained long list of specific changes that should happen to Act 60.	Act 71
1999	In 1998 VLCT members adopted “1999 Policy on Education Finance”. Basically the same as 1998 but with greater emphasis on the Education Revenue Sharing proposal	Act 49
2000	In 1999, VLCT members adopted “2000 Policy on Municipal and Education Finance”. Continued 1999 format, but with less emphasis on replacing Act 60 and more on fixes. Board prioritized home rule, property tax reduction, downtown development, local roads and health care.	Nothing really
2001	Reincorporated proposal into the Municipal Policy as “Property Tax Reduction.” It laid out principles and goals (many borrowed from previous proposals with refinement) for any Vermont Property Tax Reduction Initiative.	\$6.5 million in surplus general fund revenues (about 2/3 of 1% percent of total education cost) spent on one-time increase in block grant
2002	VLCT FAIR Committee and Board recommend the “Next” Education Funding Plan with uniform non-residential state property tax and residential income tax. Non-residential property tax and General Fund support would pay for block grant; equalized yield income tax. Membership tables proposal to determine economic impact of plan. VLCT obtains a quote of \$60,000 to conduct study of impact. Price too much of an economic impact and Board shelves plan.	Nothing really
2003	Continued approach of 2001 with principles and goals	Enacted Act 68 with new sales tax and other non-property tax revenues for Education Fund. Uniform state non-residential property tax and adjustable rate homestead property tax based on spending.
2004	Applauded Act 68 changes and turned more toward technical fixes rather than general reform (e.g., better assessments, protecting Education Fund from raids)	Minor technical changes.
2005	More technical issues	Ditto

YEAR	VLCT PROPOSAL	OUTCOME
2006	Ditto.	Act 185 changed the income sensitivity system from state checks being mailed out to “property tax adjustments” being made on the property tax bills that towns send out. Also established a summer study committee to research and flesh out “Proposal #1” that looked uncannily like VLCT’s “Next” Education Finance Plan.
2007	VLCT declared education funding system to be “in crisis”: calls on legislature to repeal current Act 68 system and replace it with one that relied less heavily on property taxes; control education spending without interfering with local decision-making; provide schools with resources they need to educate our children; and fairly distribute resources and tax burdens throughout state. Specifically supported adoption of Proposal #1 studied.	Made up for previous years underfunding of General Fund support for education. Claimed cost controls achieved through passage of “two-vote” requirement for high spending school district budgets
2008	VLCT membership adopts municipal policy: “It is time for all interested parties to agree that all present and future attempts to make the current system work have and will fail. The only way to re-establish clarity, comprehension and accountability to our education system is choose either to return to a system that is governed, managed and, to the extent allowed by our constitution, funded locally, or to complete the conversion to a fully state-run and financed system. “VLCT calls upon state leaders to engage all Vermonters in an open, honest and thorough discussion and debate about which of these two paths we should follow and develop a list of the benefits and disadvantages of either path. The Legislature and Administration must select and then effect the selected plan by implementing constitutionally correct changes found to be in the best interest of Vermont.”	Nothing much except increased raids on the Education Fund.
2009	“Municipal government should no longer be responsible for administering a state education property tax. The state must bill, collect and administer all education taxes. We should maintain local control of curriculum, administration and staffing.”	Nothing much except stepped up raids and underfunding due to economic situation

YEAR	VLCT PROPOSAL	OUTCOME
2010	<p>2010 adopted Municipal Policy stated, given that</p> <ul style="list-style-type: none"> • Education finance is largely controlled by the state, • Each year the state has raided the Education Fund, with this year being the largest raid yet, • For next year, there is already discussion of even greater raids on the Education Fund, and • While this is happening, local officials continue to spend significant time trying to understand, explain and implement the education finance system, <p>“VLCT recommends the creation of a new education finance system that takes into consideration both the Brigham decision and the lessons of the past 11 years. Local officials are willing to assist in the creation of a new system, provided that such efforts will be taken seriously by the administration and the legislature.”</p>	<p>General Fund contribution to Education Fund reduced by \$23 MM from statutory obligation, however state General Fund transfer to the Education Fund is up by \$41.4 million over 2009. Federal American Recovery and Reinvestment Act (ARRA) funds that went directly to school districts began to wind down. \$1.1 million diversion to the Agency of Human Services’ early education initiative grants for at-risk preschoolers. Adult Education added to Education Fund.</p>
2011	Same position as 2010	<p>Added Community High School education to Education Fund. Recalibrated amount of education aid to be adjusted annually – cost an additional \$27.5 million in property taxes needing to be raised in FY 13 and succeeding years.</p>
2012	<p>VLCT Municipal Policy highlights the increasingly negative impact on the ability of municipalities to craft necessary budgets. Unless changes are made to Act 60 and Act 68, predicts there will be a need for significant property tax increases in the next few years.</p> <ul style="list-style-type: none"> • Education finance is largely controlled by the state, • Each year the state has raided the Education Fund, failing to restrict the uses of the Education Fund to those originally specified in Act 60 and failing to fully fund the General Fund support of education originally specified in Act 68, and • Local officials continue to spend significant time trying to understand, explain and implement the education finance system, <p>It is imperative that the legislature create a new education finance system that focuses on cost containment and that includes local officials in the decision-making process.</p>	<p>Act 72: towns required to make payments to the state Education Fund that were hard hit by floods allowed to defer payments from Dec. 1, 2011 to Feb. 28, 2012.</p> <p>\$29.6 million reduction from 2011 built into the base state support. H.781 committed half of growth expected in General Fund taxes for one year to be added back to the Education Fund transfer.</p> <p>Remaining balance in the newly-created “supplemental property tax relief fund” (the other half of the growth in one-half of the General Fund tax base) available for the development of proposals for property tax relief. Uses considered include incentives to promote or control education spending while improving quality, ways to reduce the base percentage of income used to determine income sensitivity, options to increase the base education payment, and additional deposits into the education fund to reduce tax rates. All provisions prospectively repealed on June 30, 2014.</p>

YEAR	VLCT PROPOSAL	OUTCOME
2013	Same as 2012. Adds call for action to ensure all three main components of Vermont’s tax structure—income, sales, and property—are analyzed and reformed to be simpler, sustainable, equitable, balanced, and make Vermont economically competitive. Involve municipal officials in analysis and reform process. Vermont’s reformed tax structure should include sufficient revenues to pay for initiatives local governments need but cannot afford.	Property taxes make up 67.2 % of total state school spending.
2014	<p>Municipal Policy reiterates that unless changes are made to Act 60 and Act 68, continuing pressure will result in significant and unsustainable property tax increases in the coming years. Failure to restrict uses of the Education Fund to those specified in Act 60 and failure to fully fund the General Fund support of education originally specified in Act 68. Calls for municipal and school officials, the state administration, and the legislature, as equal partners, to accurately analyze the issues within Acts 60/68 (including ways in which they do not meet the <i>Brigham</i> decision) and create a new education finance system that reduces and reforms the property tax burden.</p> <p>Repeats call for overhaul of tax structure.</p>	School districts to pay for retired teachers’ health insurance. Additional \$1,072/year for each new teacher hire to pay for benefit.
2015	<p>Same as 2014. Notes the act of rejecting school budgets on Town Meeting Day, which occurred in 35 municipalities in 2014. Includes call for tax structure overhaul.</p> <p>In March, the VLCT Board endorsed H. 361 the school consolidation legislation and spending caps on school budgets.</p>	Act 46, School Consolidation law passed. As part of Act 46 , the Tax Department was directed to move to a yield basis for their recommendations.
2016	<p>Education funding structure makes it harder for municipalities to craft municipal budgets and secure voter approval. Especially difficult to fund expensive and needed municipal improvements. Municipal officials who have to administer the billion-dollar-plus property tax system and who provide essential services and infrastructure are compelled to rely overwhelmingly on property taxes. Act 46 (H.361), passed this year, does little to ease the education property tax burden. Additions to the costs to the Education Fund will eliminate any savings that school district consolidation efforts might generate.</p> <p>Emphasizes raids and expanded uses on the Education Fund and calls for tax structure overhaul. VLCT Board</p>	<p>Act 93 suspended until 2020 the statute that states if a school district sells an item or building that was financed with state construction aid through the capital bill, the district shall refund to the state that percent of the sale price that equals the percentage of construction aid received, but in no event more than the amount of the original state aid received.</p> <p>Yield basis used for first time. CLA study committee created, report on changing calculation of education property tax, impact on education spending and tax rates.</p>

YEAR	VLCT PROPOSAL	OUTCOME
2017	<p>Analyze issues within Acts 60, 68, and 46 and create a new education finance system that reduces and reforms property tax burden.</p> <p>Assess whether Act 46 has resulted in cost reductions in school district budgets and per-pupil expenditures. Develop a tangible definition of success.</p> <p>Education Fund monies should <i>only</i> be used for pre-K-12 education.</p> <p>VLCT supports:</p> <ol style="list-style-type: none"> 1. legislation to reform Vermont’s income, sales, and property taxes; and 2. providing sufficient revenue for local government initiatives and reimbursing municipalities for all state-mandated property tax exemptions or providing local voters with the authority to impose municipal service fees on such properties. <p>VLCT opposes any new state property taxes until a reformed tax structure is adopted.</p>	<p>Governor proposed one negotiation for school employees’ health insurance benefits, and vetoed budget. In budget, Act 85, education fund payments to school districts were reduced by \$13 million over 2 years - savings to be realized by health insurance negotiations or cutting district budgets. “Normal contribution” cost of teachers’ retirement was transferred to the Education Fund, partially covered by a General Fund appropriation.</p>
2018	<p>VLCT supports municipal and school officials, state administration, and the legislature working as equal partners to create a new education finance system that reduces and reforms the property tax burden; a legislative assessment to determine if Act 46 has resulted in cost reductions in school district budgets and per-pupil expenditures without affecting educational quality; using Education Fund monies only for pre-K-12 education; simplifying the education finance system to make it understandable, transparent, and reasonable to implement.</p>	<p>H. 911 vetoed. Education Funding legislation in the Appropriations bill, Act 11. General Fund contribution to Ed Fund eliminated, 100% of sales tax, 25% rooms & meals tax and 33% purchase & use tax dedicated to Ed Fund. Aid for Adult Education, Community High School, Renter Rebate, Aid for Reappraisal & Listing transferred to General Fund obligations. Average homestead tax rate \$1.50, non-homestead tax rate \$1.535.</p>
2019	<p>VLCT policy same as 2018 + reforming the education funding system so the education property tax no longer severely constrains the ability to fund vital municipal services and priorities; reform Vermont’s income, sales, and property taxes to ensure simplicity, equity, balance, and sustainability; extend locally implemented tax stabilization agreements to education tax obligations to encourage and promote economic growth.</p> <p>VLCT opposes any new state imposed property taxes.</p>	<p>Retains 100% of sales tax in Ed. Fund. Surplus revenues enabled the legislature to raise homestead and non-homestead property tax a fraction of a cent. Education Property tax = \$1.141 billion of \$1.712 billion Ed Fund. Rates don’t necessarily increase but property tax bills do, as a result of growth in the grand list. Tax Structure Commission Created.</p>
2020	<p>VLCT policy same as 2018 + reforming the education funding system so the education property tax no longer severely constrains the ability to fund vital municipal services and priorities; reform Vermont’s income, sales, and property taxes to ensure simplicity, equity, balance, and sustainability; extend locally implemented tax stabilization agreements to education tax obligations to encourage and promote economic growth.</p> <p>VLCT opposes any new state imposed property taxes.</p>	<p>COVID descends in March. CARES Act appropriation to education relief = \$35.6 million. Estimates of education property tax increases exceed 20 cents. Legislature applied CRF dollars (\$98 million) , allows for deficit spending, use of revenue surplus, stabilization reserve, unallocated funds to stabilize FY20. Same accounts used to get to 3.2 cent increase for FY21.</p>

Last Updated, January 2021

YEAR	VLCT PROPOSAL	OUTCOME
2021	VLCT supports a simple and transparent education finance system that reduces and reforms the property tax burden and more closely links voters' actions in approving budgets to the taxes they pay to fund their school districts.	Dept .of Tax Commissioner letter Dec. 2020 projects 10 cent increase in education property tax. Tax Structure Commission Report submitted.