DOCUMENT RESUME

ED 127 719 EA 008 637

TITLE	The Funding of Education in Vermont. A Working Report.
INSTITUTION	League of Women Voters of Vermont, Montpelier.
SPONS AGENCY	Ford Foundation, New York, N.Y.
PUB DATE	Jan 76
NOTE	51p.
EDRS PRICE	MF-$0.83 HC-$3.50 Plus Postage.
DESCRIPTORS	*Educational Finance; Elementary Secondary Education; Equalization Aid; Federal Aid; *Finance Reform; Graphs; School District Spending; *State Aid; State School District Relationship; *Tax Allocation; *Tax Effort
IDENTIFIERS	*Vermont

ABSTRACT

This report is intended to provide a brief overview of public school finance in Vermont as of 1975. Because it is aimed at a wide audience including legislators, school board members, and taxpayers, the booklet is written in generally nontechnical language and each section is designed so that it may be read independently. Separate sections of the booklet discuss important court cases involving school finance, Vermont's legal responsibility to provide public education, the organization of school districts in Vermont, state and local provisions for education, state and local mechanisms for funding education, possible alternatives within Vermont's present school finance system, school finance alternatives that would change present methods of revenue raising, and school finance alternatives that would change present methods of revenue distribution. The appendix briefly compares federal funds provided to Vermont and New Hampshire under the Elementary and Secondary Education Act and presents several graphs that summarize school finance data on local and state revenues and expenditures for Vermont. (JG)

Contents

League of Women Voters of Vermont
through a grant from the Ford Foundation

Introduction

Vermont has yet to make a decision on equality of educational opportunity. It does admit that the current system of state aid for education and the property tax have problems.

Is there really a problem at all?

Without looking to other states (what has been done in their courts or what changes have their legislatures accomplished in education finance reform), does Vermont need reform?

Do certain towns tax at a very high rate and produce fewer dollars than other towns?

Do some towns tax at a lower rate and produce more dollars?

Is the property tax, which makes up most of education's revenue, becoming a terrible burden to many?

Should it concern anyone what the tax burden is in any given town?

Is the property tax in need of reform?

Is the Miller Formula doing its job in equalizing educational opportunity?

Do some towns have to forego new equipment and methods of teaching because they do not have the money to buy them?

Should it concern anyone that one district spends less than \$500 a pupil while another spends more than \$1700?

Should it concern anyone that transportation costs across the state range from over \$600 a pupil all the way down to less than \$1.00?

Does it make sense that a starting teacher's salary can be \$5500 or \$7100?

Are we getting the wisest use of our education dollars by operating many small districts with duplication of costly services when some consolidation would produce the same services at lower cost?

Should a child's education depend on the wealth of his parents or on the wealth of the district in which he lives or on the wealth of the state as a whole? Should each town operate its own complete school system regardless of the costs? Or is there a compromise somewhere in between?

We do not attempt to answer these questions here. There are many more questions that could be raised. We hope the book will be informative and will bring education finance into focus.

The amount of information today's children must learn in order to keep up with today's world is increasing at an alarming rate. Some children will have the chance to keep pace and others will not, because of the inequities in our finance system.

This report is designed to be used as an overview of financing public education, kindergarten through grade 12 in Vermont today—the current status of programs and costs, the problems, possible alternatives to solve some of the problems, and current studies examining the latter. The intent of this working paper is that it be subject to further modification as more information becomes available.

The writers of this report realize that the backgrounds of our reading audience will be varied—legislator, school board member, average taxpayer. Therefore, we have written this document in sections that can be read separately, depending on the need of the reader for information.

Writing committee:

Verna Gordon, *Chairman*
Karin Larsen
Amy Bond
Nancy Chase
Sheri Larsen

I
Court Cases

In the past few years, the method of financing public education has been challenged in the courts in a great number of states. Although the court cases have varied from state to state, they generally have been the result of two factors common throughout the United States: (1) the rising cost of public education coupled with a revenue structure that relies heavily on higher property taxes to raise the needed revenue, and (2) the increased demand for equality of educational opportunity.

Those who have challenged school finance systems in the courts have argued that taxpayers in poor school districts tax themselves at higher rates to produce substantially less revenue for public education and that state educational aid has not substantially reduced the disparities in spending among school districts. More specifically, the plaintiffs in these cases have argued that the present school finance systems violate the equal protection clause of the 14th amendment to the U.S. Constitution (which provides that no state shall "deny to any person within its jurisdiction the equal protection of the laws"). This clause was violated, according to the plaintiffs, because the wide disparities in public education revenue available to school districts result in a lower quality of education being made available to students in poorer school districts.

The first, and most famous, court ruling of *Serrano v. Priest* adopting this line of reasoning was decided by the California Supreme Court in August 1971.[1] The plaintiffs in *Serrano* were public school students and their parents in the Baldwin Park Unified School District, a poor district that neighbored the wealthy Beverly Hills Unified School District.

Since it was the *Serrano v. Priest* case that revealed the inequities of school finance systems to the nation, it may be useful to look at the situation described in the case. In 1968-69, the Baldwin Park District expended $577.49 per pupil while the wealthier Beverly Hills District spent $1,231.72 per pupil. The source of this large disparity in expenditures is revealed in the data below.

Even though the residents of the Baldwin Park District taxed themselves at twice the rate as did those in the Beverly Hills District, the difference in revenue raised remained very great. State aid somewhat tempered the disparities in wealth between the districts, but not enough to offset the large difference in assessed valuation per pupil.[2]

	Baldwin Park Unified School District	*Beverly Hills Unified School District*
$ expended per pupil in 1968-69	$ 577.49	$ 1,231.72
assessed valuation per child	$3,706.00	$13,706.00
$ raised with a tax of $1.00 per $100 assessed valuation	$ 47.91	$ 870.00
1968-69 school tax rate per $100 assessed valuation	$ 5.48	$ 2.38

Source: *Serrano v. Priest*, 96 Cal. Rptr. 601,607

The California Supreme Court agreed with the plaintiffs in *Serrano* that the method of funding education in California was unconstitutional. The court's ruling read as follows:

> We have determined that this funding scheme invidiously discriminates against the poor because it makes the the quality of a child's education a function of the wealth of his parents and neighbors.[3]

To reach the conclusion that the system was unconstitutional, the California Supreme Court went through three steps. First, the court ruled that wealth in this case was a "suspect classification," that the plaintiff children were being discriminated against on the basis of wealth. Second, the court found that the right to an education was a "fundamental interest." Finally, the court adopted the "strict scrutiny standard of equal protection," which requires the state prove that the finance system was necessary to attain a compelling state interest. Using this standard, the California Court found that no compelling state purpose necessitated the current method of financing education in California.

Just what did this decision mean? As the Education Commission of the States[4] and others point out, the *Serrano* court ruled that in California the "quality of a child's education must be based on the wealth of the state as a whole and not on the wealth of a child's parents and neighbors in the school district." The decision, however, did *not* rule that:

> (1) use of the property tax as a source of revenue for public education is unconstitutional, (2) the same number of dollars must be spent on each pupil, or (3) the state must adopt a

certain kind of school finance system specified by the court.

The movement to reform school finance received a big impetus when the California Supreme Court announced its decision. In the months following the *Serrano* ruling, scores of suits using similar reasoning were filed throughout the U.S.[5] In addition, federal and state courts declared unconstitutional the school finance systems in four other states. These states were Minnesota, Texas, New Jersey and Arizona.[6] The decision in Texas was appealed directly to the U.S. Supreme Court. The U.S. Supreme Court's ruling in the Texas case *(San Antonio Independent School System v. Rodriquez*[7]*)* on March 21, 1973 was a big blow to those wanting to reform methods of school finance through the courts. In this important decision, the Supreme Court overturned the lower court's ruling, thus declaring the Texas school finance system to be constitutional.

In *Rodriquez*, the Supreme Court proceeded as follows. First, it ruled that the Texas school finance system did not discriminate against a suspect class of persons. It determined that wealth was not suspect in this case because there was no clearly definable class of poor persons and that no absolute deprivation of the right to an education had occurred. Second, the Supreme Court declared that education is not a fundamental interest because it is not explicitly or implicitly guaranteed in the U.S. Constitution. And, even though education is closely linked to the guaranteed rights of free speech and voting, the Court found that the Texas system did not deprive children of an adequate education to exercise these rights. Finally, since the Court found no suspect classification or fundamental interest, the standard of "strict scrutiny" was not required. Instead, the Court used the "reasonable test" to decide whether the system of financing education rationally furthered a legitimate state interest. The U.S. Supreme Court held that the system in Texas did serve the state purpose of encouraging local participation in and control of public education.

The Supreme Court's decision in *Rodriquez*, however, did not stop reform of school finance systems. According to the Lawyers' Committee for Civil Rights Under Law, in the 14 months following *Rodriquez* over a dozen states reformed their methods of financing education.[8] Indeed, the *Serrano* decision as well as subsequent court cases had exposed the inequities in public education to the glare of national publicity and thus prompted state legislators and other state officials to look more closely at how public education is funded.

Although the *Rodriquez* decision made it clear that further litigation in the Federal courts would be fruitless, school finance suits are still possible in the state courts. As the Lawyers' Committee points out, the cases which are most promising are those in states with the following characteristics:

> (1) wide disparities among districts in educational opportunity, (2) state constitutional provisions and precedents that are favorable toward a reform oriented suit, and (3) a sufficiently active state judiciary to condemn educational inequities that run afoul of state constitutional provisions.[9]

This strategy has worked in two major cases. First, in *Robinson v. Cahill*,[10] the New Jersey Supreme Court found that the school finance system in that state violates a state constitutional clause which requires the state to provide a "thorough and efficient" system of public education. Second, hearing the *Serrano* case on remand,[11] a trial court in California found that, based upon the California Supreme Court's earlier holding, the California finance system violated the state constitution's equal protection clause.

The strategy outlined above, however, will encounter problems in Vermont since Vermont does not have either a state constitution education clause of the type found in the New Jersey Constitution or a specified constitutional provision that has been interpreted as an equal protection clause of the variety in the California or U.S. Constitutions. Consequently, the main strategy for reform of the school finance system in Vermont will most likely be a change in the system through the legislative process.

COURT CASES FOOTNOTES

1. 96 Cal. Rptr. 601,487 P. 2d 1241 (1971).
2. In 1970-71 the percentage of revenue for public education in California provided by source was as follows: 59.8% local, 35.2% state and 5.1% federal. "Annual Education Review," *The New York Times*, Jan. 10, 1972, p. E2.

   In 1968-69 the California system of state aid consisted of a flat grant of $125 per pupil and a foundation program that guaranteed $355 for elementary pupils and $438 for high school pupils in districts that tax a $1.00 on each $100 of assessed valuation in elementary school districts and $.80 per $100 in high school districts. Since Beverly Hills Unified School District's minimum tax effort put it over the foundation level, the flat grant was anti-equalizing. The flat grant for Baldwin Park Unified School District, however, was essentially meaningless because it was included in the foundation grant from the state. Although the foundation aid helps Baldwin Park and somewhat tempers the disparity in wealth between the two districts, differences in revenue available and thus the level of education expenditures between them remained great.
3. *Serrano v. Priest*, 92 Cal. Rptr. 601,604.
4. Education Commission of the States, *A Legislator's Guide to School Finance*. Feb. 1973, Report no. 31, pp. 19-20.
5. Lawyers' Committee for Civil Rights Under the Law, *A Summary of State Wide School Finance Cases*, School Finance Project, May, 1971.

6. *Van Dusartz v. Hatfield*, 334 F.Supp. 870 (D. Minn. 1971), *Rodriquez v. San Antonio Independent School District*, 337 F.Supp. 280 (W.D. Texm 1971), *Robinson v. Cahill*, 118 N.J. Super. 223.287 A. 2d 187 (1972). *Hollins v. Shofstall*, N6. C-253652 (Super. Ct. Ariz., Jan. 13, 1972).
7. 411 U.S. 1 (1973).
8. Lawyers' Committee, p. i.
9. Ibid, p. ii.
10. 62 N.J. 473, 303 A. 273 (1973).
11. *Serrano v. Priest*, No. C-938254 (Calif. Super. Ct., April 10, 1974).

II
Responsibility for Education

The Vermont constitution provides that "a competent number of schools ought to be maintained in each town unless the General Assembly permits other provisions for the convenient education of youth." Vermont carries out this responsibility first by passing appropriate legislation for the support and regulation of education. Vermont laws include such topics as definition of school districts, regulations on special school programs, and regulations for appropriation and distribution of state aid.

Legislation passed in 1967 revising laws on the formation of union school districts states that "It is declared to be the policy of the state to provide equal educational opportunities for all children in Vermont. . . ."

The state responsibility for schools is further carried out by maintaining a State Department of Education headed by a Commissioner of Education and supervised and managed by a State Board of Education. This unit designates supervisory unions, supplies consultative services, allocates financial aid, and monitors the programs and general administration of the local school districts.

The local school district is governed by state statute, is subject to the rules and regulations of the State Board of Education, and within this framework is further subject to the policies designated by the local Board of School Directors, under the guidance of a superintendent of schools. Each superintendent of schools, however, is appointed by a school district or by a group of school districts in the case of a supervisory union. Since the choice of a superintendent should reflect the interests and goals of each school district in the supervisory union, it is important that the group of school districts comprising the union should reflect some cohesiveness socially and politically. Vermont has 55 supervisory unions.

A major responsibility of the local Board of School Directors is to set a budget. This budget not only affects the quality of education in that school district but, under the present method of allocation of funds for state aid, tends to affect the amount of state aid available not only to itself but also to all other school districts in the state (see section IV). Hence it becomes apparent that local school district policies have both regional and statewide influence on the quality of education in Vermont.

12

III
Organization of School Districts

According to state statutes, school districts are formulated in several ways. The most common is the town or city school district which has the same political boundaries as the town or city. Some towns have two or more incorporated districts within their boundaries. In other cases towns have joined together to form a union school district or a union high school district.

Union school districts may determine their own method of assessing each member town for the cost of education often on a cost per pupil basis. For union school districts state aid is distributed to each member town on the basis of its own average daily membership and equalized grand list. If a union school district has one member town with a relatively low equalized grand list per student and another with an equalized grand list per student which is well above the cutoff point for qualification for state aid under the Miller Formula, the first town will have to tax itself at a much higher rate than the second to supply the same education for its students. If the first town also has a smaller voting voice in the union it is doubly disadvantaged.

A unified union school district is organized to operate both the elementary and the secondary schools within the union. In this case state aid is paid directly to the unified union district based on the aggregate grand list of the member towns and the aggregate average daily membership. However, the share of local costs to be paid by each member town is arrived at in the same manner as for union school districts. It would be possible for the district to choose to use the aggregate grand list and set a uniform school tax rate for the whole district.

In 1973 Vermont had 31 union districts of which 4 were unified union districts, 3 were elementary only, and the rest were secondary only.

The advantages of the union school district are: 1) to provide more specialized personnel than a smaller unit could afford such as a music teacher, art teacher, reading specialist, etc.; 2) to provide special education programs within the school district; 3) to realize economies in administrative costs and to use the superintendent's time to better advantage—one district rather than three or four each with their respective boards; 4) greater flexibility in staffing as needs change in each of the schools.

Whether more union school districts are formed or whether some other form of reorganization of school districts takes place depends at least in part on overcoming certain political obstacles. At present these obstacles appear to be: 1) reluctance of one town to join with another whose goals and philosophies may differ considerably; 2) fear that joining a union district may increase tax rates, or decrease the quality of education; 3) disagreement with the idea that "bigger is better"; 4) fear of being subject to a "dictatorial" whim of the State Department of Education concerning reorganization.

There seems to be some question that these political problems can be overcome. There is even a question that they could be considered of less importance than the advantages to be gained by consolidation. Nothing in the present state aid formula provides incentive for consolidation.

IV
State and Local Provisions for Education

In this section an overview will be given of the state and local programs for providing for public education with reference to pertinent statutes from Title 16. (Vt. Education Laws.)

A. State Programs

Department of Education: (see Chart 1)

"The Department of Education executes laws relating to education, administers State Board of Education rules and regulations, and allocates expenditures of state money for elementary and secondary education, including general state aid, aid for school construction, driver education and special education, and federally-funded programs. It serves as a service agency to local education agencies and the citizens of Vermont. These functions are carried out through the following appropriations."

1. *Department Services*—"direction of departmental policies, procedures, accounting, budgeting, personnel administration, purchasing; compilation, analysis, and dissemination of educational statistics and information; computation and distribution of general state aid; public information services, partially financed under federal Elementary and Secondary Education Act. It provides legal advisory service to the State Board of Education and to local school districts."

2. *General State Aid*—"state grants to local school districts to assist in providing quality education in K through 12. Grants are based on a formula designed to equalize educational opportunity throughout the state, taking into account average daily school membership, state average per pupil costs, and local ability to support schools as indicated by equalized property valuation" (see section IV for more analysis).

3. *Elementary and Secondary Education*—"from early childhood through grade 12, provides for improvement and instructional materials, facilities, and techniques through the publication of curriculum guides, classroom visits, conferences, workshops and meetings. Administers the approval process for public elementary and secondary schools with program development and implementation

services involving all Vermont towns. Administers the Right-to-Read Program. Services Career Education. Administers the Neighborhood Youth Corps Program. Provides for assistance for critical subjects at the elementary and secondary school levels. Provides funding for Bookmobile Service to schools. Directs the Driver Education program and the Alcohol and Drug Abuse Education program."

4. *Special Education and Pupil Personnel Services*—"administration and supervision of special education programs for mentally and physically handicapped children and children with learning disabilities; administering pupil personnel services; administering federally-aided programs to assist schools in improvement of guidance services, and for handicapped children under the Elementary and Secondary Education Act. Administers a program for graduate study for teachers of handicapped childien or supervisors of such teacheis." As of 1974 there were 105 programs maintained for pupils with retarded development.

T. 16, §§ 2941-2954, amended in 1972, provide that all costs for special education, above that which a local school district would pay on an average per pupil basis, will be carried by the state. This includes reimbursement of 75% of the actual salaries and wages of special education personnel in districts having programs. It also includes paying that portion of the tuition in excess of the average pupil cost for a child (residing in a district where no program exists) sent to another district where a program exists, as well as covering his/her transportation costs.

5. *Teacher and Continuing Education*—"administers evaluation of teacher preparation programs at Vermont public and private colleges; responsible for certification of teachers and school administrators; administers three federal programs—Educational Professional Development Act—Career Opportunities Program—Adult Basic Education and Consortium on performance based teacher education; approves and administers in-service training programs for teachers and consults with college faculties and school administrators on the improvement of teacher education programs. Administers the high school equivalency diploma program."

6. *Vocational-Technical Education*—"administers the vocational-technical education program for youth and adults under the provisions of Public Law 90-576 (Federal), as amended. Provides leadership, consultative services, and teacher education both pre-service and in-service, in agriculture and environmental protection, health occupations, vocational home economics, homemaking and consumer education, office occupations and distributive education and trade and industrial education; assists in the operation of three school of practical nurse education; cooperates with the Vermont Firefighters Association in providing fire service education; and ad-

ministers and supervises the manpower and development training program for unemployed or underemployed adults in cooperation with the Department of Employment Security. Administers manpower development training grants to school districts, plans and supervises training programs for unemployed or underemployed persons for occupations in which the Department of Employment Security has determined there are job opportunities and has identified trainees. Assists area vocational centers in administration, program planning, operation, and evaluation. These programs are partially financed from federal funds."

The area vocational centers serve a region with a 15 mile radius from each center. The 15th and 16th centers currently being planned are in St. Albans and Richford. Essex County is the one county not relatively near one of the 15 centers.

Funding of vocational-industrial arts programs in local school districts is based on approval of the local district's plan or proposal, the state and federal monies available, and a funding formula that considers the following factors about the district: manpower needs (measured by comparisons of non-professional workers and vocational enrollments), vocational education needs (measured by unemployment rate and average income), programs already available, ability to pay (measured by a district multiplier as used in the Miller Formula and funds available per vocational student statewide), and unanticipated needs of the district. Title 16, § 833 provides the basis for districts with no vocational education program to send students to districts with programs for the vocational-education portion of their secondary education. The state pays one-half the vocational tuition for such students and reimburses the sending district for half of the transportation costs.

7. *Federal Programs*—"administers federally funded programs under the Elementary and Secondary Education Act of 1965, and National Defense Education Act of 1958. It includes programs for disadvantaged children, improvement of library resources, innovative educational programs and equipment for critical programs, and the Head Start Follow Through program" (for a summary of these federal programs see Appendix 1).

8. *School Administrative Services*—"administration of state school building aid, school lunch and school milk programs; consultation with local school officials on problems of transportation, building maintenance and other administrative matters and with officials and local lay study groups on district organization problems and school building needs and standards; making recommendations to the State Board of Education on building projects, union school districts and adjustment of supervisory unions. Also provides recruitment and placement service for teachers. It administers the approval programs for private elementary and secondary schools."

9. *School Lunch and Milk Program*—The School Lunch and Milk program has as its objective to provide all children in schools and Child Care Centers in Vermont with nutritious meals regardless of ability to pay. The Legislature passed a bill in 1974 which will require all school districts without a lunch program and with over 25% needy children to vote on hot lunches at a properly warned meeting before the 1975-76 school year. All school districts without a lunch program and with under 25% needy children must vote on hot lunches before the 1976-77 school year.

10. *State Aid for School Construction*—Under Title 16, § 3448, subject to State Board approval, building construction, extensive additions or alterations (not including equipment for the new building or addition) are funded by a flat 30% grant from the state, the remaining 70% to be raised by the community itself. Half of the state aid is given to the district when construction begins. The remaining state aid is given the district after the project has been completed, inspected and audited. This past winter the State School Board stipulated that the state will no longer fund any project under $10,000, or less than 10% of the value of the existing plant. The purpose of this stipulation is to encourage school districts to make more careful forecasts of their capital budget needs.

In addition the State Department of Education provides 20% reimbursement of the interest and principal paid by school districts on outstanding indebtedness for school facilities. (debt service)

The money for the 30% grants toward building construction is raised through the state's General Bond Fund that raises money for all state funded construction. From 1960-74 state funding for public school building costs has been 33.6% of the General Bond Fund (at a total of $67,862,000).

11. *Planning Services*—"provides educational Research and Development service, comprehensive planning and evaluation of educational programs throughout the state, and consultant service to local educational agencies in the development of their comprehensive long-range educational plans and evaluation programs." This service is completely funded from federal sources.

12. *Civil Defense Education*—"organization and promotion of civil defense classes to teach techniques for surviving enemy attack and natural disaster; training teachers and developing course materials for these classes; financed entirely from federal funds."

13. *Arts and Crafts*—"with the advice of the Arts and Crafts Advisory Council, the arts and crafts service promotes arts and crafts in the school and local community, to raise the standard of production, assist in securing adequate market outlets for such work, and the establishing of training opportunities for those with interest and ability."

14. *Alcohol and Drug Abuse Education*—"consultant service to schools and teachers. Technical support in the implementation and development of exemplary programs. With emphasis on the role of education in preventing abuse, presents workshops and prepares curriculum guides to incorporate into the school curriculum information on the causes and effects of alcohol and drug use; financed from liquor control and federal funds."

15. *Driver Education*—"provide quality driver education to an increasing number (approximately 3%) of pupils in public and private secondary schools and out-of-school youth." The state statutes 1045-48 provide the authorization of the program and that "the state shall pay to each school providing an approved driver education and training course the reasonable cost thereof." In 1974 there were 59 public high schools and 12 private high schools participating with approximately 10,000 students.

The source of funds has been the Highway Fund, but the program is administered by the Department of Education. As of January 1974, the Highway Fund lacked sufficient funds to continue financing the program, so the costs became part of the budget of the Department of Education.

The State Department of Education annually constructs a budget that includes its expenditures for operating costs, and money disbursed to school districts for special programs. Following a budget hearing in December, the Governor then sets his recommendations and budget for the next legislative session. The education budget must vie for funding with all other state programs (see Appendix 3, a and b). In 1975 the legislature began a new procedure of setting its own budget recommendations.

The Appropriations Committees of both the House and the Senate have the power to change amounts depending on their priorities and the total General Fund amount they recommend. State aid, as distributed under the Miller Formula, is considered separately by the Appropriations Committees. Starting with the 1975 Legislature, the General Fund budget will be adopted biennially so that decisions reached in the 1975 session will be binding for two years.

Chart I is a breakdown of programs and expenditures for 1974 by the Department of Education as well as those items funded by the General Fund that are not part of the Department of Education Budget. Also included in the chart are federal funds that were provided in 1974. Information in this section was provided by:

Executive Budget, 1975, pp. 193-196.

Vermont State Plan for Vocational-Technical Education, 1974.

CHART I

STATE & FEDERAL ESTIMATED EXPENDITURES FOR 1974 ELEMENTARY & SECONDARY EDUCATION

	STATE	*FEDERAL*
DEPARTMENT OF EDUCATION BUDGET		
State Aid—(Miller Formula)	$33,800,000	
Special Education	2,799,951	$ 294,582
Vocational Technical	1,930,059	1,891,819
State Aid—School Debt Service	1,845,000	
Elementary & Secondary Education (Services)	272,365	1,020,538
School Lunch & Milk	200,000	2,500,600
Others—Teacher & Continuing Education, Adm. Services, Arts & Crafts	272,685	298,132
Categorical Federal Programs	11,512	3,849,917
Other Federal monies—Alcohol-Drug Ed., Civil Defense, Planning Services, Learning Services		184,043
	$41,131,572	$10,039,631
OTHER SEPARATE FUNDS		
Bond payment for Elementary-Secondary Construction	$ 5,100,000	
Teachers' Retirement System	4,055,000	
Vermont ETV (Elem.-Sec. Portion)	336,000	
Education Comm. of States	9,0C0	
General Fund:	$50,631,572	

1. Additional funding for Special Education not from General Fund or Federal Funds—$1,380,486
2. Figures for Federal Funds have been subject to change due to impoundment and release from impoundment procedures
3. Driver Education—until January '74—from Highway Fund—$665,862; now being paid by Department of Education

Above statistics from Executive Budget, Dec., 1973.

* Separate from the General Fund is the approximately $3 million out of $5 million for property tax relief that reimbursed local taxpayers for school taxes.

B. Local Programs

T. 16, §§ 821-832 stipulate that each school district shall provide for elementary (kindergarten not mandatory) and secondary education either with their own schools or with a tuition arrangement with a near-by district. Tuition charges are based on the receiving district's average per pupil cost. Those districts, then, that provide elementary or secondary education by sending their children to other districts do not have control over that portion of their local budget. However, they do receive state aid through the Miller Formula to the extent that the tuition charges make up part of their current expenditure budget.

The following break-down of items that make up a district's budget includes references to pertinent state statutes to show items that are required versus items where there is latitude of choice at the local level. (The quality of programs is not part of this study. A good summary of the current status of elementary and secondary standards and the School Approval Plan now under discussion is given in the October 1974 issue of the VEA's *Vermont Blackboard.*)

CODE
SERIES *CATEGORY*

100 — Administration—includes all central administrative salaries and expenses.

200 — Instruction—includes salaries of principals and instructional staff; instructional materials.

Chapter 53 § 1792 gives the following minimum salary ranges:

		Experience Levels	
	Begin	*5 Years*	*10 Years*
College Preparation			
4 Years	\$5800	\$6300	\$6800
5 Years	\$6100	\$C600	\$7100

In a salary survey done by the Vermont State School Directors' Association for the school year 1973-1974 in which 6 supervisory unions and 64 school districts responded, the following salary figures were reported:

	BA	*MA*
Average beginning salary	\$ 6413	\$ 7299
Low beginning salary	\$ 5800	\$ 6519.50
High beginning salary	\$ 7100	\$10439.25
High salary on scale	\$11360	\$13067
Average number of steps	9	11
Average increment (%)	5%	5%

300 — Attendance Services

Chapter 25 § 1125 requires the school board to appoint annually one or more truant officers with remuneration for time actually spent in performance of their duties.

400 — Health Services

Chapter 31 § 1386 states the school board "may expend" funds not to exceed 3% of that year's current expense budget for health services necessary to improve physical efficiency of school children of low-income parents. Milk, lunch, dental service, glasses are allowable items.

§ 1422 requires hearing tests for children in grades 1, 2, 3, 5. 7, and 9 and eye tests in grades 1, 3, 5, 7, 9 or 10.

500 — Transportation—includes drivers' salaries, replacement of vehicles, maintenance of buses and garage, gas. Chapter 16 § 1222 states that elementary and secondary pupils "shall be furnished with total or partial transportation to school, or board, as in the opinion of the board of school directors is reasonable and necessary to enable him to attend school."

This wording in the statutes allows wide latitude in what local districts provide for transportation. Some districts provide complete transportation services, some none, others transportation for special events.

600 — Operation of plants—includes contracted services, utilities, custodial supplies.

700 — Maintenance of plants—contracted services for care, custodial salaries, replacement and repair of equipment.

800 — Fixed charges—Social Security, pensions, BC/BS, insurances, fidelity bonds, interest on loans.

900 — Food Services—see section IV A. item 9 for state summary. Food services would be an item in the budget to the extent that the program is not paying for itself through state and federal support and lunch fees.

1000 — Student Activities and Athletics.

1100 — Community Services—for example, janitorial services for use of school building after school hours.

1200 — Capital Outlay—new buildings and additions, sites, new equipment of any type. New equipment purchases not used for teaching are not funded under the Miller formula or school building aid.

1300 — Debt Service—principal and interest payments on bonds and short term loans.

1400 — Outgoing transfer accounts—payment to other school districts for vocational education, special education, or elementary or secondary education.

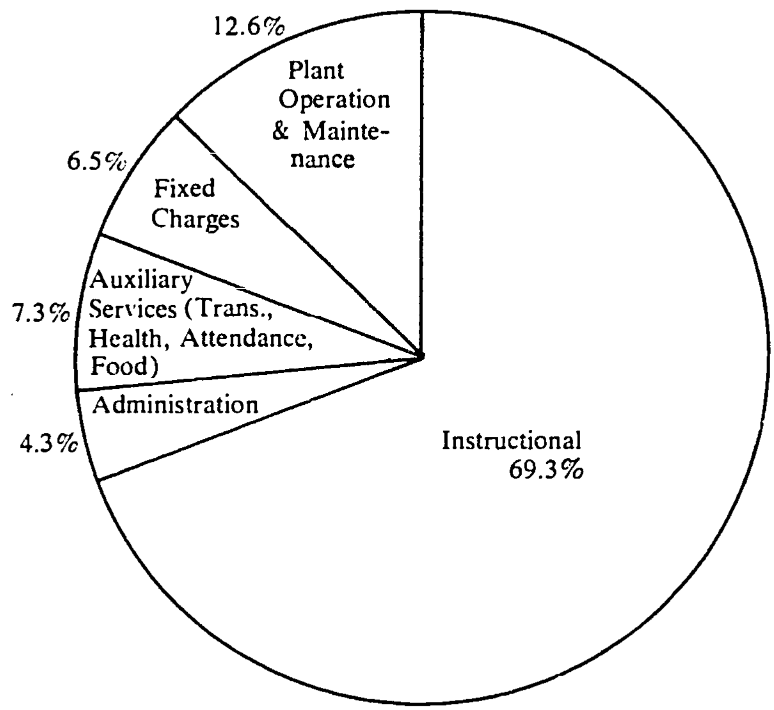
Items in the 100-1000 and 1400 series only are used in determining the current expenditures, for computing state aid under the Miller formula.

Local districts offer a wide range of programs in addition to those required by the state. Local control provides the mechanism for increasing or curbing costs. Those districts that offer more program by local choice, are reimbursed their appropriate percent in state aid for the costs of those programs.

Chart 2 is a pie chart showing total expenditures for all districts in Vermont for 1972-73. Chart 3 shows what the local district burden was statewide in contrast to what the state and federal governments provided. Summary figures for state and federal expenditures for 1972-73 are given. Based on the figures given in Chart 3, the local districts provided for 60% of all school expenditures, the state for 33% and the federal government for 7%.

CHART 2

DISTRIBUTION OF TOTAL OPERATING EXPENDITURES
FOR ALL DISTRICTS, 1972-73.



$97,493.192—Break-down by Budget Categories in Pie Chart

$29,712,107 was paid in state aid in Dec., 1972

CHART 3

TOTAL ELEMENTARY-SECONDARY EXPENDITURES FOR 1972-73

By Source of Funds:

Locally:	$ 67,781,000	Current exp. minus state aid
	1,870,000	Capital outlay
	12,524,000	Debt service minus state aid
	$ 82,175,000[1]	
State:	$ 44,104,000[2]	(Includes items not under Dept. of Ed. as listed in Appendix I.)
Federal:	$ 9,065,000[3]	
	$135,344,000	

Local %: 60.7 State %: 32.5 Federal %: 6.8

1. Financial Statistics—Dept. of Education—1972-73.
2. Dept. of Budget & Management—May 21, 1974.
3. Governor's Budget—1973 for FY 1973.

V
State and Local Mechanisms for Funding Education

A. State Funding of Local Programs

State funding of local programs is done primarily through four mechanisms: particular programs that are funded, capital outlay assistance, debt service aid, and state aid distributed by the Miller Formula. The first three are described in detail in Section IV.

Attempting to equalize educational opportunity and also to reward school districts for greater effort, the 1968-69 Legislature passed the Miller Formula (T 16, §§ 3458-3475) which incorporated several factors in determining a district's aid from the state.

THE FORMULA: (a working sample is on pages 30-31)

(100-60 x District Multiplier) x (Current Expenditure)
Budget

The Components of the Miller Formula are:

1. A district's equalized grand list (EGL) and the state's equalized grand list. The district's EGL is 1% of Fair Market Value of all taxable property in a school district plus $1 for each taxable poll. The EGL is determined by the State Department of Taxes biennially through a statistical random sample, usually on the basis of recent sales of properties in a town. Comparison of the spot check valuations is made with the local listers' appraisal, and an adjustment based on the discrepancies is applied to local appraisals. In essence then there are two district grand lists—the equalized grand list the State Department of Education uses in distributing General State Aid and the grand list compiled by the local listers used in computing local taxes. Theoretically they should agree. Communities that have not kept up-to-date in their own local listing may lose taxing power, but if the EGL is fairly applied they will not lose their appropriate percentage of state aid.

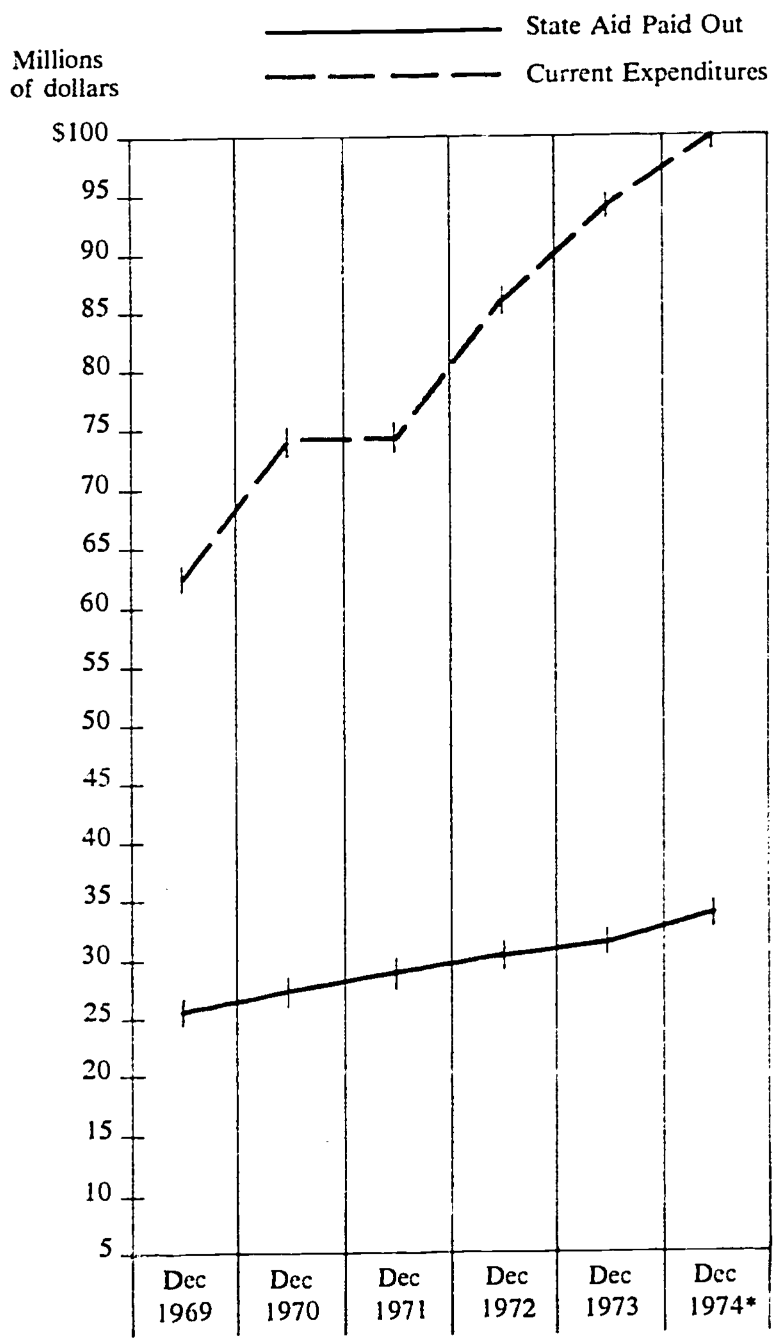
   The state's equalized grand list is the sum of all district equalized grand lists.

2. A district's average daily membership (ADM) and the state's ADM are put in ratio with the district EGL and state EGL to determine the district multiplier.
3. The current expenditure budget of the second preceding year is the budget used in determining the amount of state aid.

Additional aspects of State Aid under the Miller Formula:

1. Initially, the state multiplier was designated at 60. This would have meant that a district with an EGL per ADM equal to the state EGL per ADM would have a district multiplier of 1.0. Therefore in the formula: (100-60 x 1) x current expenditures, that district would get 40% funding of its current expenditure budget. The legislature has never appropriated enough money for full funding. As a result, the state multiplier has to be computed in a manner that will make the state appropriation "go around." So the appropriation level has become a factor in the formula, although not originally intended to be. Graph 4 shows the state appropriations declining as a percentage of the current expenditure budgets. It should also be noted there is a time lag in the current expenditure budget reimbursement. For example, in December 1972, the $29.7 million paid in state aid was based on the 1970-71 current expenditures budgets and was 34.5% of these budgets. However, the school districts were into FY 1973, and so aid was being used to pay the current expenditures of 1973, for which the aid accounted for 33.9%.
2. The original intent of the Miller Formula was to have no floor payments. These payments were inserted into state aid when the original legislation was passed in 1969. Floor payments were dropped and in 1974 a minimum payment of $50 per student for minimum districts was inserted. This minimum payment accounted for $600,000 of the $33,800,000 appropriated for FY 1975. This means that only $33.2 million was actually used for distribution by the formula for FY 1975.
3. School districts can run into difficulties in estimating the amount of state aid they will receive. In most districts, budgets and tax rates are set in early March, but supplemental state aid payments or reimbursements to the state have occurred that also would affect fiscal planning.
4. Since current expenditure is a variable in the formula, it does mean that a district that can and does opt to spend more, will receive more aid than it would if it did not spend any additional money, leaving less for other districts.

GRAPH 4



* Estimate based on incomplete figures

WORKING SAMPLE OF THE MILLER FORMULA:

Components of the formula:

1. EGL—equalized grand list: a biennial determination of property values in each district throughout the state based on spot appraisals and recent sales of property. The EGL is used in the formula on a district and state basis.

2. ADM—average daily membership: computed by each school as the total daily membership in that school for the month of September divided by 30 days. It is used in the formula on a district and state basis.

3. The multiplier: a factor determined for a district by dividing the district's EGL per ADM by the state's EGL per ADM. The state's multiplier, originally set at 60, is set by the Department of Education (.7267 for 1973) to reflect the amount of funds allocated by the legislature for state aid each year.

4. C.E.—current expenditure: the operating cost of a school for the year excluding capital cost and debt service and federal funds.

For state aid payments in December of each year, the Department of Education computes the district multiplier for each district using the preceding year's ADM and the second preceding year's EGL for that district. The C.E. used is from the second preceding year also (payment made in December of 1974 was based on the C.E. of the 1972-73 school year).

Formula example:

Hypothetical district:
Dist. EGL: $47,000
Dist. ADM: 135
State EGL: $43,310,729
State ADM: 109,000
State multiplier: .7267
Dist. C.E.: $75,000

step 1: $$\frac{\text{dist. EGL}}{\text{dist. ADM}} = \text{dist. wealth} \qquad \frac{\$47,000}{135} = \$348.15$$

step 2: $$\frac{\text{state EGL}}{\text{state ADM}} = \text{state wealth} \qquad \frac{\$43,310,729}{109,000} = \$394.81$$

step 3: $$\frac{\text{dist. wealth ADM}}{\text{state wealth/ADM}} = \text{local dist. multiplier} \qquad \frac{\$348.15}{\$394.81} = .88$$

step 4: percent of state aid due is determined by subtracting from 100% the following: state multiplier x dist. multiplier

100% − (.7267 x .88) = 36.06%

step 5: the amount of state aid due is determined by multiplying the percent of state aid times the current expenditures of the district.	36.06% x $75,000 = $27,045

The district will receive $27,045 in state aid that year.

A district with a multiplier of 1.0 would receive the exact percentage of state aid authorized for that year. Districts with multipliers below 1.0 would receive more and districts with multipliers higher than 1.0 would receive less, to the "cut-off point"—see Graph 5. In December of 1974, districts considered "minimum" because of their high multipliers received $50 per pupil and not a percentage of their current expenditures.

Chart 6 is a break-down by counties showing the way in which aid was distributed on an ADM basis in 1972-73, the current expenditures/ADM, and the EGL/ADM, and the tax dollars raised/ADM. A survey of the chart showing how varying counties rank in local tax dollars raised per pupil compared to expenditure per pupil and state aid per pupil raises some questions whether the state aid is being distributed equitably in every case. (It is noted that in the table counties and not school districts are being compared, but, hopefully, the chart can serve as stimulus for further investigation in the 246 districts.)

B. Local Funding of Education

Property Tax

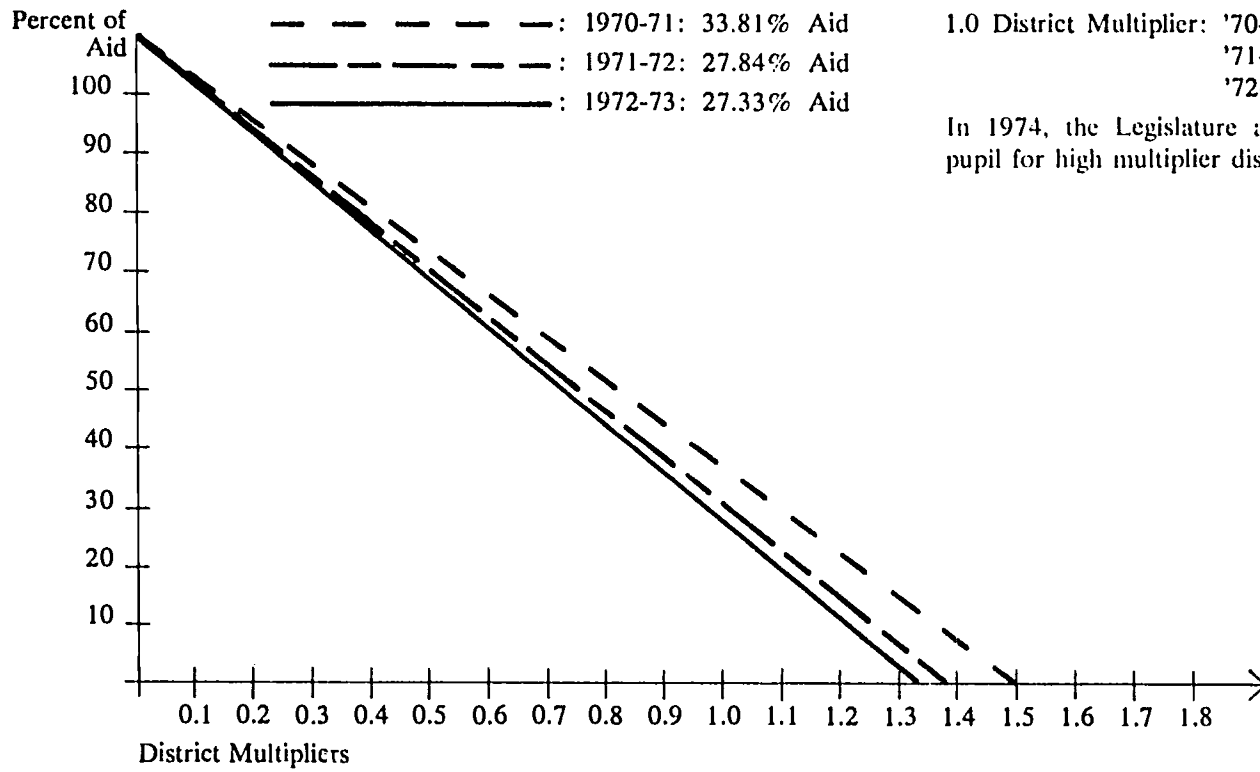
The property tax, now the main source of education revenue, would be difficult to replace. It raises an amount equal to the General Fund total of $116.1 million.

By statute, property is to be appraised every four years at 100% fair market value (FMV) and listed at 50% FMV. Appraisals are done either by local listers or a town can contract with the state for appraisal. Local appraisals plus $1 for each taxable poll gives the town its grand list.

Appraisals are also done on an every two year basis by the state for the equalized grand list (see State Provisions). Appraisals are done by banks when buildings are to be sold. What usually occurs is three different valuations for the same piece of property.

Local listers work on a part-time basis, usually a five or six week stretch during the year. Training of listers is not required. Though the state operates a training school, few listers avail themselves of it, mainly because it takes up part of the time they would use for appraising, and, also, perhaps there is not enough

GRAPH 5



1.0 District Multiplier: '70-'71 .66194781
'71-'72 .72163004
'72-'73 .7267356

In 1974, the Legislature allotted $50 per pupil for high multiplier districts.

CHART 6

	Current Expenditures/ADM	State Aid/ ADM	EGL/ ADM	Equalized Tax Rate	Tax $ *Raised* pupil	Rank in Current Exp/ ADM	Rank in State Aid/ ADM	Rank in EGL/ ADM	Rank in Tax $ raised/ ADM
Addison	$ 855	$287	$372	1.79	$666	6	8	9	6
Bennington	$ 872	$255	$501	1.35	$677	4	11	3	5
Caledonia	$ 810	$346	$308	1.84	$567	10	2	13	11
Chittenden	$ 911	$320	$347	1.98	$688	3	4	11	4
Essex	$ 771	$295	$372	1.28	$476	13	6	10	14
Franklin	$ 839	$340	$300	1.60	$480	9	3	14	13
Grand Isle	$ 790	$ 89	$577	1.27	$733	12	14	2	2
Lamoille	$ 799	$288	$407	1.29	$525	11	7	5	12
Orange	$ 854	$275	$375	1.66	$623	7	9	3	7
Orleans	$ 851	$306	$391	1.48	$578	8	5	6	9
Rutland	$ 760	$264	$387	1.47	$569	14	10	7	10
Washington	$ 859	$372	$328	1.79	$587	5	1	12	8
Windham	$1,001	$196	$644	1.36	$875	1	13	1	1
Windsor	$ 901	$232	$450	1.55	$698	2	12	4	3
State	$ 860	$292	$395	1.62	$640				

1 — greatest
14 — least

1972-73 Department of Education Statistics Report
Computations rounded to nearest dollar, except for equalized tax rate

compensation for attendance—loss of job time, cost of travel, etc.

The State Property Tax Department functions to assist the appraising function and maintain duplicate property records. In 1973, the department started a tax mapping operation that operates when money is available. The object is to get every piece of property into the records. Property that has been lost to the rolls over the years, or was never recorded, would produce a lot more tax revenue.

Real estate values have been climbing so fast in Vermont, that a great deal of potential tax revenue is not realized because appraisals are not kept up to date. Using the present methods of hand transcribed records, personal eye to eye evaluation and limited manpower, it is not possible to have current appraisals across the state.

From district to district there are great differences in the kinds of property that are taxed. Some towns, particularly those near ski areas, have seen their real estate values soar with the increase in vacation homes. A few towns have been fortunate to have a major industry settle within their boundaries with their inventory tax along with the property tax. While it may not have improved their own property values, the property tax derived from the industry now supports most of the town budget (i.e., Vernon, with almost 97% of their taxes derived from the Vernon plant). Other Vermont towns, in the meantime, are fighting to stay alive. They do not have industry, are not near resort areas, and their maximum tax effort with low property values just doesn't produce enough dollars for schools comparable to those of their "richer" neighbors.

	WARREN	BRISTOL
EQ School tax rate	$ .72	$ 3.06
Actual School tax rate	$ 1.94	$ 8.55
ADM	155.73	828.83
EGL	$215,398.00	$150,160.00
EGL/ADM	$ 1,383.15	$ 181.17
CE/ADM	$ 870.93	$ 881.84
% of property tax used for schools	51.4%	84.4%

The reader is referred to Chart 6, which shows wide variation between some counties on the dollars per pupil raised through local taxes, with varied degrees of tax effort (equalized tax rate) and varied grand list wealth available. Chart 7 illustrates the burden that the property tax places on those at lower income levels, in terms of the higher percentage that the property tax requires on their income.

CHART 7
PROPERTY TAXES

Income Level	*Property Taxes as % of Income*
Under $1,000	39.4
1,000- 1,999	15.5
2,000- 2,999	8.1
5,000- 5,999	4.7
10,000-14,999	3.1
25,000 and over	1.8

* This study was done before circuit breaker property tax relief was enacted and thus percentages for all income groups might be lower except for the last one.

Source: *Property Tax Guides in Vermont.* Sinclair and Craig, 1968.

Poll Tax

The poll tax is a minor source of revenue available to school and town budgets. The poll tax rate in a given town is the same as the property tax rate in that town applied to an evaluation of $1.00 per adult. The evaluation of the polls is added to the property evaluation for the purpose of setting the tax rate. This tax is a way of taxing residents of the town who do not own property in the town.

The name "poll" is misleading. It is no longer tied to the privilege of voting, but does have the insidious side effect of having people avoid registering to vote so their names do not appear on the check list. Your name on the check list is certain to produce a poll tax bill.

There are many exemptions to the poll tax such as veterans (verified by the Veterans Administration), persons over 65, persons with over 50% disability, individuals who receive state aid (not food stamps) and special hardship cases determined by the local lister.

There have been several attempts to repeal the poll tax but so far to no avail. Opponents of repeal fear the loss of that revenue and having to increase the property tax to make it up. Proponents of repeal speak to difficulties and dollars spent in collecting it, the above checklist problems and spreading the revenue burden among all property owners to include industrial, commercial and vacation property.

Capital Funding

Any building or alterations project adopted by a school district, aside from state or federal aid, is paid for by the individual district. When the plans for new building have been approved by the State School Board, the district then has to raise the necessary money. This is done by money held in the town treasury or by bond issue.

Bond issues are put before the public for vote. If passed, the local district can then market the bonds through the state bond bank. This makes the bond easier to market. The bond remains the liability of the local district, however, and is not backed by state funds.

VI
Possible Alternatives within the System

A. Changes in the Administration of the Property Tax

There are ways to change the property tax within the system that would possibly make it a fairer tax.

Governor Salmon appointed a committee in 1974 to study the administration of the property tax and make recommendations to reform its administration. Dr. Robert Sinclair of U.V.M. headed a panel of economists and legislators expert in the field. Part of their report dealt with changes in the property tax appeals system. Other findings were:

1. that towns be required to send at least one person to lister's school or instructional meetings and give him adequate ($30 per diem) compensation.

2. that the Tax Commissioner produce base maps for the towns and the towns develop their own property tax map subject to state specifications.

3. that the state Tax Department be authorized (and funds provided) to start a data collection system to computerize town Grand Lists.

4. that once the computer system is developed, the Tax Department be authorized to offer the system to towns on a voluntary basis at nominal cost.

5. that the Tax Department be able to study the possibility of computerized assessments for Vermont. If feasible, the Tax Department would then proceed to complete the system.

Other suggestions for "insystem" reform have cropped up in recent years, some in legislation.

1. Have only state appraisers, trained and qualified, and eliminate the office of local lister. The state appraisers would work full time, all year. This would mean enlarging that particular state department, giving it much greater funding and would take that cost from the town.

2. Keep the local lister, but have a mandatory training school and frequent classes for updating appraisal techniques. Give the local lister greater funding, providing more work time.

3. Another alternative is to tax *property* by larger districts

than individual towns. This does not mean losing local schools—only the taxing of property would be done on a large district basis, then that revenue would be shared throughout that district. The fewer and larger the districts, the greater equity achieved in taxation; greatest equity would be to have only one district, the state.

4. Property in Vermont is to be appraised every 4 years by Statute. Even so, in many areas, property goes without appraisal for 10 to 20 years. What results is new buildings and those which are resold (and thus reevaluated) carry the brunt of the tax load, since their appraisal goes up while others sit still. Annual appraisal for Vermont would be too costly. The alternatives are unknown at this time. (Estimates to appraise the entire state at one time range from $800,000 to $3,000,000.) It might be possible to divide the state into sections, appraising one section a year so all four sections are done once every 4 years with annual updatings of property sales and new buildings.

5. Another option for reform of the property tax which would produce more income is to review the exemptions under the property tax. Most towns do not know the total acreage of their tax exempt property or its value. Perhaps all property should pay some form of property tax.

6. Tax mapping of the state is being done. The mapping goes on when money is available, and stops when the money runs out. When the mapping is finished, it will undoubtedly put thousands of acres back on the tax rolls that have been lost over the years or were never accounted for. The estimate of increased revenue from this property is $4,000,000.

B. Changes of Distribution of General State Aid

1. Full-funding of the Miller Formula for state aid to education is listed as an alternative. If the state were to increase the aid to 40% this year, for instance, $10,800,000 more would be needed ($44,600,000 instead of $33,800,000). To increase revenue within the system would mean increasing some of the current taxes. For example: raising the sales tax by one penny would produce an extra $8,000,000.

The question here is: should we put more money into the Miller Formula which has problems now and which is not bringing about the equalization it should? National studies on education finance all recommend increasing state aid to at least 65% of total public education expenditures. It is difficult to see how this would be possible for Vermont at this time.

2. Keep the Miller Formula but eliminate minimum payment amounts for those towns which can raise their own funds and have little or no need for state aid.

3. Put a factor for inflation into the Miller Formula so that funding would reflect more closely the needs of the current school year budget and not simply be a percent reimbursement of a school's expenditures of 2 years before.

4. Have the Department of Education determine a specific amount for a minimum level in current expenditures per pupil per year (precisely how many dollars each child should be guaranteed as a minimum); determine which districts are making more than a specified tax effort and still not meeting that minimum: have the state allocate funds to reach that minimum and distribute the remaining state aid funds by the Miller Formula.

Example: State set minimum amount Elementary School $800—Secondary $950

Connecticut has opted for a plan similar to this. The initial funding was given a price tag of $10 million and future funding would be over $140 million. At this time, Connecticut, as most other states, does not have the extra funds for this new plan.

5. Apply the cost of need per pupil in the formula rather than the current expenditures.

6. Put an income factor into the Miller Formula so that aid distribution is based more on ability to pay. Instead of having only property wealth, as shown by the equalized grand list of a town in the formula, also include the total income of the wage earners in that town.

The Miller Formula defines "ability" by property wealth (the EGL) and puts it in ratio to average daily membership. If the definition of ability were changed to more accurately reflect the income level of the town plus eliminating the minimum payments to towns that can pay for their own education, this might make the Miller Formula more equitable.

A possibility is substituting: (100-80 x dist. property multiplier)
(100-80 x dist. income multiplier)
for: 100-60 x dist. multiplier.

The tax commissioner would compute the income multiplier from the second year preceding per ADM. The amount of money allocated by the legislature for school aid would be reflected in the 80 multipliers by increasing or decreasing those multipliers.[1]

A side effect is seen in an income factor that might have a town receive less state aid because their income factor is high due to a few high incomes. They might have to increase their property tax rate for schools thus disadvantaging the low income owner. (The state's circuit-breaker property tax relief plan would come into play here.)

VII
Alternatives that Change Revenue Raising

A. State Property Tax

A state property tax for education is an alternative. At present, about 60% of property taxes across the state is used for education. (The range is about 37% to 91%.)[2]

The state would set a property tax rate that would produce a certain level of funding for each school child in the state. This amount would then be distributed throughout the state based on the number of students.

The local school district might choose to supplement these funds through additional property taxes. In this case, the state would set a limit on the amount raised per pupil by each cent on the tax rate that could be kept by the local district. For instance, if one cent raises $5 per student in a certain district, and the state limit is one cent raises $4, the town may keep $4 and return $1 to the state. If the town chooses to spend $8 more per student, they would raise $10 on a 2 cent rate and have to return $2 to the state.

Town government expenses would still have to be raised by an additional tax rate voted locally.

B. Pure Power Equalizing

With this revenue plan, each district would first determine its own budget for school expenses. The town would then divide the per pupil expenditures planned by the *average state grand list per pupil*, to arrive at the school tax rate. In a district with low property wealth per pupil any reasonable tax rate would not be able to raise enough money for education and the state would contribute what is necessary to achieve a set target amount. In a high property wealth per pupil district, the tax rate would return more than needed for the budget and that excess would be collected by the state and redistributed to poorer property districts. The entire system would operate on a lower tax rate because additional tax dollars would come from those districts currently making little tax effort. Power-equalizing focuses attention on different abilities of districts to raise money and also on the variations in costs per pupil. Each district would set its target cost per pupil and the tax rate would vary to meet that cost. Each district could compare rates and costs with neighboring districts which might lead to consolidation of some small districts. This is not saying that bigger is better, but small districts have higher costs to produce the same or less results than larger districts. They could also increase their program if operating on a larger scale. A study[3] suggestion here is to set a minimum expenditure per pupil so each district would be required to make and to keep expenditures within the resources of the state budget. Power-equalizing is seen as an incentive for local districts to provide a better education more efficiently, money-wise.

There may be a loss of incentive to low GL/ADM districts that find it difficult to pull above the state foundation and to high GL/ADM districts that cannot keep what money they raise.

C. Income Tax for Education

An income tax for education, strictly ability to pay, is another option. That portion of the property tax used for education would be dropped (60%)—and a tax rate on income substituted—(a rate on total incomes that would produce about $77.5 million). The tax would be collected by the state and distributed by a formula. If collected at the local level, the same disparity problems would exist with the income tax as with the property tax. (In some instances, low income wealth goes hand in hand with low property wealth and vice-versa.) Our current income tax of 28.75% of federal now raises about $54,000,000. You would have to raise the % by about 133% to get the $54,000,000 plus $77,500,000 for education. An individual paying $500 to Vermont in a given year (28.75% of his Federal Income Tax in ability) would then be paying about $1,300 instead. This individual's property taxes would be lowered by 60%.

The old question of how we get to the non-resident property owner, if we turn to an income tax for education, arises. Under an income tax for education, his property taxes would drop by 60% too. Vermont might become a state with only second homes. (It's a nice place to visit at a 40% property tax rate, but who wants to live there and pay a 65% income tax?)

An income tax for education would also rise and fall with the times. As any income tax, when money is not being earned at a good rate, income and the tax along with it either decline or do not have the anticipated steady incline. Education revenues would rise and fall with each recession or boom.

D. Lottery

Talk filters in and out of Vermont about the possibility of a lottery to bring in more money. New Hampshire was the first state to have a lottery, starting theirs in 1964 and for a couple of years went unchallenged. Today a large number of states have joined the ranks. New Jersey adopted a lottery two years ago with a surprising first year reaction of having the numbers racket cut into by lottery ticket buyers. Since Pennsylvania has adopted a lottery, New Jersey now says their lottery revenues have dropped somewhat, but they plan to keep it. Vermont is surrounded by lottery states: Massachusetts, New Hampshire, Maine, Connecticut, and New York. With the proliferation of lottery states, so far no state has said they would give theirs up. About 47% of lottery revenues is channeled back into the state treasury and 53% goes for administration of the lottery and prizes.

In 1973, the total lottery "take" in all lottery states exceeded $500 million. Tickets cost from 50¢ to $3.00 in most states. Top prizes range from $50,000 for a 50¢ ticket to a guaranteed minimum of $1,000,000 for a $3.00 ticket in New York State. Tickets are purchased at designated places and cannot be ordered or sent by mail. States can now advertise their lotteries and lottery winners. The general advice for a lottery is to keep it simple as possible, have frequent drawings to keep buyer interest, and keep the ticket prices low.

The major objections to lotteries are the bureaucracy needed to run a lottery and the questionable morality.

VIII
Alternatives that Change Revenue Distribution

A. The Voucher

The voucher is not an experiment but a system with definite education goals built in. Dr. Milton Friedman of Chicago University is called the "father" of the Voucher Plan. His purpose was to take public funds away from public schools and put them into private institutions. His original plan was for what is known as "consumer sovereignty" . . . Parents could choose what school their child would attend. He used the premise that the demands and desires of the consumer are what determine the quality of goods and services available. If the business (school) has no reason to compete as in a monopoly (and it is reasoned a school is a monopoly), then the consumer has little effect on it. Schools do differ from one district to another, but usually the parent can only send his child to the school in his neighborhood.

According to the Friedman Plan, the government would set a minimum level of education and would insure the schools themselves met minimum standards. Approved schools, run by private or non-profit organizations, would be encouraged and public schools would remain only where there was no other choice. The government would then give out the vouchers for a set amount. If the particular school charged more for tuition, the parent would pay the difference. This does promote parental choice but the outcome is seen as a division of students, eventually, by socio-economic levels, religious differences, etc.

There are revisions to make this system fairer. One change would be to have the state pick up part of the difference between voucher and tuition cost. The separation by academic achievement would still be a possible outcome' (the dumb school, the smart school, etc.). Another plan would have the schools charging only what the voucher is worth, and they would have to admit on a first come first serve basis, with excess applicants going into a "pool." The school could not expel anyone and would be subject to the government agency in charge. This particular system would have a complete new agency to distribute the vouchers, pay the schools for vouchers and pay parents the transportation costs for their children. (There would be a great increase in administrative costs.)[5]

Coons, Clune and Sugarman came up with a "Family Power Equalizer Plan," in which the family was taxed according to the tuition of the school they chose and the size of their income. (A wealthy family choosing a $1400 tuition school would be taxed at a $2,000 tuition rate and their excess raised would go to a poorer family to help pay the tuition.) This would be attacking the rich and would probably result in a mass pullout by the rich from the system, leaving the poor worse off than ever.

In San Jose, California, a school voucher plan experiment is going into its third year. Only public schools have been included in the program. There are 43 public schools in the area. Parents receive a voucher *at the amount their community spends on education* and choose the school for their child. Each school has set up its own courses and teachers. Minority applicants must be accepted in the same proportion in which they apply. Poverty level students are given an extra voucher ($275 at Alan Rock) along with the regular voucher so schools will be encouraged to develop special programs for them. Schools take children in the order of the applications. Overflow students then have to choose another school.

Absenteeism has dropped as one good point for the system. Also teachers say the program makes them more accountable—they are responsible if a child asks for a transfer.

The harshest criticism is that the teachers tend to become quite competitive since the voucher's worth determines the school budget. They were offering luaus, field trips, etc., to lure voucher money. The suggestion made for this was to send parents progress reports. If a child in a class with a lot of field trips wasn't reading well, another school could be chosen. This whole program was started with a $2.2 million OEO Grant.

The ability to choose the school is the vital part of the voucher plan. You choose the school with the program you want your child to have. This writer has not seen the evaluation done on the San Jose Experiment. It was to be done by the Sequoia Institute and the Rand Corporation in 1974.

The cons of Voucher Systems:

1. Some parents could use the vouchers to set up segregated schools.
2. Principle of separation of church and state would be violated (with parochial, private and public schools all in program).
3. If all students in the state (public and private) were included in the voucher system, a sudden and great burden

would be placed on the treasury of the state and schools. All the students would receive vouchers.

4. The difficulties of administering such a system are termed great and may be disrupting.
5. The voucher system could lead to profiteering and quick "overnight" schools.

The pros of the Voucher Systems:

1. Expansion of the public system would occur by including private schools.
2. It would make all schools more accessible to all children.
3. It would provide other choices for parents.
4. It would give the parent more control over the education of the child.
5. It would help in the development of new schools.
6. It would speed up economic and racial desegregation.[6]

B. Distribution by Weighted Pupil Categories

One result of the studies done at the national level is: to distribute funds strictly on a cost per pupil basis has a deadening effect on the education system. If all costs are really taken down, it is found that different groups of students require different amounts of money for an adequate education at their particular grade level.

Following is simply a model, not specifically for any state; an average per pupil cost based on normal operating expenditures for three districts; a central city, an independent, and a suburban district.

Parent Education	1.40
Day Care	1.30
Nursery School	1.40
Kindergarten	1.30
Special Ed. Handicapped	2.55
Special Ed. Maladjusted	2.95
Compensatory	1.68
Basic Ed. grades 1-6	1.00
Basic Ed. grades 7-12	1.28
Vocational	1.52[7]

The whole scale is related to grades 1-6, which have a weighting of 1.0. The average expenditure per pupil in a sample district for grades 1-6 is $750; for basic grades 7-12 it is $960 and in vocational grades, $1,140. Special weighting is suggested for small isolated schools. The basic elementary pupil weighting in a school of less than 100 students is 1.30. Vermont would have to find its own particular weightings for the different categories.

C. Income Design for Education Aid (Vt. IDEA)

A group of private citizens has been working on a new concept for the allocation of state aid to public schools. Their formula, they hoped, would more closely reflect the ability of a district to pay for education. They began surveying each town for income, resident property taxes paid and non-resident property taxes paid. Part of the state has been covered but not all.

The plan uses three formulas for establishing the amount of state aid. The determination is first made of: the average local effort; the educational offering; and the education goal. Aid is then distributed by: Need Aid, Effort Aid, and Goal Aid.

1. The first step determines local effort by:
   $$\frac{\text{resident school taxes}}{\text{resident gross income}} = \text{average local effort}$$
2. Educational Offering: calculated from state data—relates total school cost per pupil to resident income per pupil in each district.
3. Educational Goal: is established by the Legislature as a policy goal.

Aid is distributed as follows:

1. Effort Aid: given to districts making above average effort calculated for their district. This would allow the district to lower its effort if it wishes, to the average. A district making less than the computed average effort would receive no effort aid.
2. Need Aid: would be given districts lacking industrial or non-resident tax receipts to meet the educational offering level. Those districts with ample help from industrial or non-resident tax receipts would receive no Need Aid.
3. Goal Aid: based on the established legislative education goals. It would make up the difference between the existing education offering and the desired goal of the state.

Vermont I.D.E.A. has become a part of a coalition of school districts and groups interested in education finance. They plan to do research on several aspects of school funding.

D. Distribution on a per Pupil or Flat Grant System

This method has the state paying a set amount to each pupil across the state. It does not take into account the different costs among the levels of education. It does not take into consideration the ability of a town to pay for its education. It pays the same amount per pupil whether the town has a lot of money to spend for education or whether it has very little. Connecticut's flat grant system was declared unconstitutional according to the Connecticut

Constitution. They now have to move to another method of distributing state aid.

E. Capital Costs Aid

In September 1973, a plan for distributing state aid for construction by formula was devised. The purpose was to make this type of aid more equitable; give "poorer" districts more help with their capital costs and less help or none to the "rich" districts. The formula had a variable factor in it to reflect the amount of money available for aid.

Tying capital costs into the Miller Formula along with current expenditures is also a possibility toward equalizing this aid.

There is also a study being done on introducing program budgeting in a simplified form, to all the school districts in the state. In accounting of this form, capital costs and debt service would be disbursed throughout the programs. These costs would then be covered in the current formula.

FOOTNOTES

1. H. 74, 1975 Legislature.
2. Property taxes for 1974. Property Tax Department.
3. *Alternative Programs for Financing Education.* Vol. 5. National Education Finance Project (Financed by ESEA 1965. Public Law 89-10, Title V, Sec. 505).
4. *Constitutional Reform of School Finance.* Edited by Alexander & Jordan. National Education Finance Project (Financed by ESEA 1965. Public Law 89-10. Title V, Sec. 505).
5. *Ibid.*
6. *Ibid.*
7. National Education Finance Project. *op. cit.*

Appendix

1. FEDERAL PROGRAMS UNDER ESEA AND COMPARISON TO NEW HAMPSHIRE AND MAINE

The State Board of Education through the Department of Education administers any federal funds made available to the state through the Elementary and Secondary Education Act (ESEA). This act of 1965 was renewed in August of 1974. In Chart 1 (page 20) these funds appear under "Categorical Federal Programs." Below is a breakdown of the Titles for which Vermont (and Maine and New Hampshire) received funds in 1974.
Title numbers used are from 1965 Act.

Title I—a categorical aid program with allocations computed on a county basis according to the number of children from families with income below certain criteria, families receiving Aid to Dependent Children payments, or children in foster homes and institutions supported by public funds. The Title also allows for programs for youngsters that are culturally deprived, not necessarily economically deprived.

Title II—authorizes funds to improve instruction through acquisition of library resources and printed materials for use by teachers and pupils. The State Department of Education determines which districts receive this. Current levels of state and local support must be maintained for continued funding.

Title III—supports supplementary education centers and services to stimulate and assist in providing educational services not available in regular school programs. FY 1975 is the third and last year of this program which has provided "mini-grants" to local districts for development of new programs.

Title IV—applies to areas with bilingual students and provides printed and audio-visual materials.

Title V—grants to states on a non-matching basis to strengthen the leadership resources of their state education agencies and to strengthen the state's ability to identify and meet the needs of elementary and secondary education. These funds will no longer be available in Jan. 1975.

Title VI—assistance to states in initiating, expanding, and improving programs and projects for education of handicapped children at pre-school, elementary and secondary levels.

Currently under study by the Department of Education is Vermont's eligibility for Title VIII funds which consider proposals for dealing with the drop-out problem. In the past Vermont has been considered a state too rural to have enough students to qualify for Title VIII.

ESEA FY '74 FUNDS

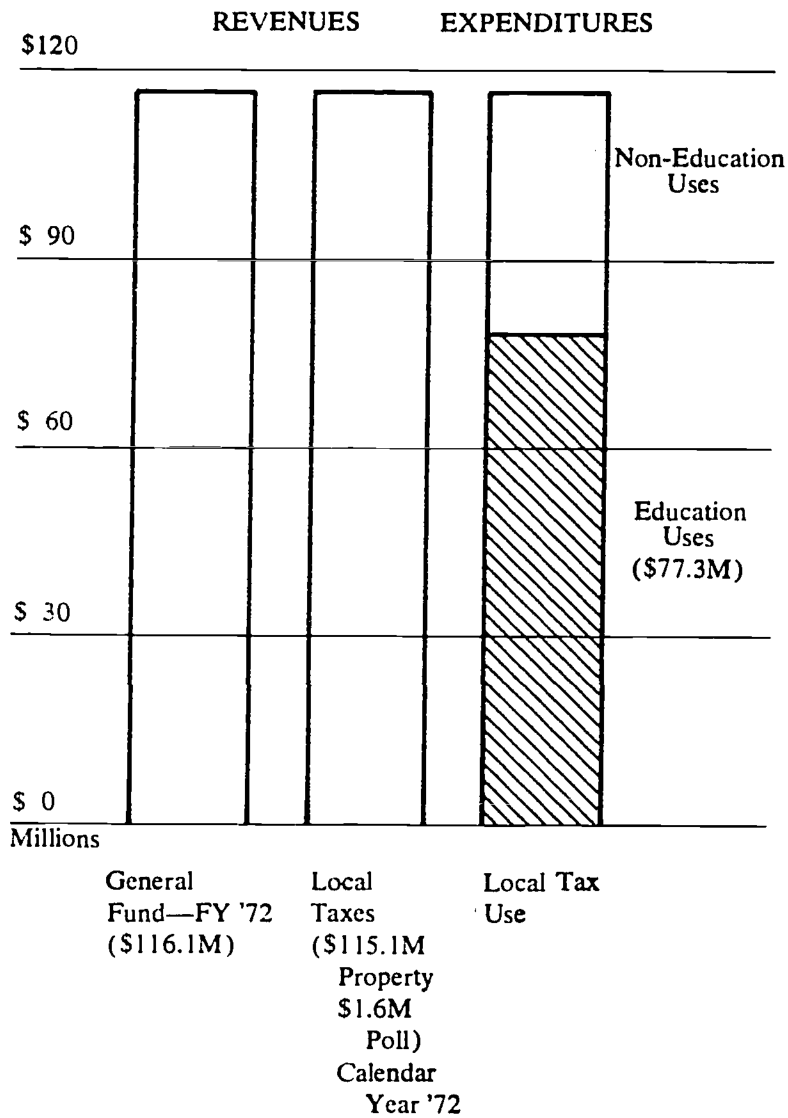
	Maine	New Hampshire	Vermont
Title I	6,955,000	2,862,170	3,456,911
Title II	463,000	335,975	206,217
Title III	965,000	687,868	544,927
Title IV	–0–	46,775	41,732
Title V	356,000	322,173	348,457
Title VI	–0–	200,000	200,000
TOTALS	8,739,000	4,454,961	4,798,244*

State Department of Education—November 1974

* This amount differs from amount in Chart 1 under Categorical Aid Programs because the figures for Chart 1 were estimates made in December 1973 in the Governor's Fiscal Budget Proposal for FY 1975.

2. LOCAL AND STATE REVENUES AND EXPENDITURES

TAXES

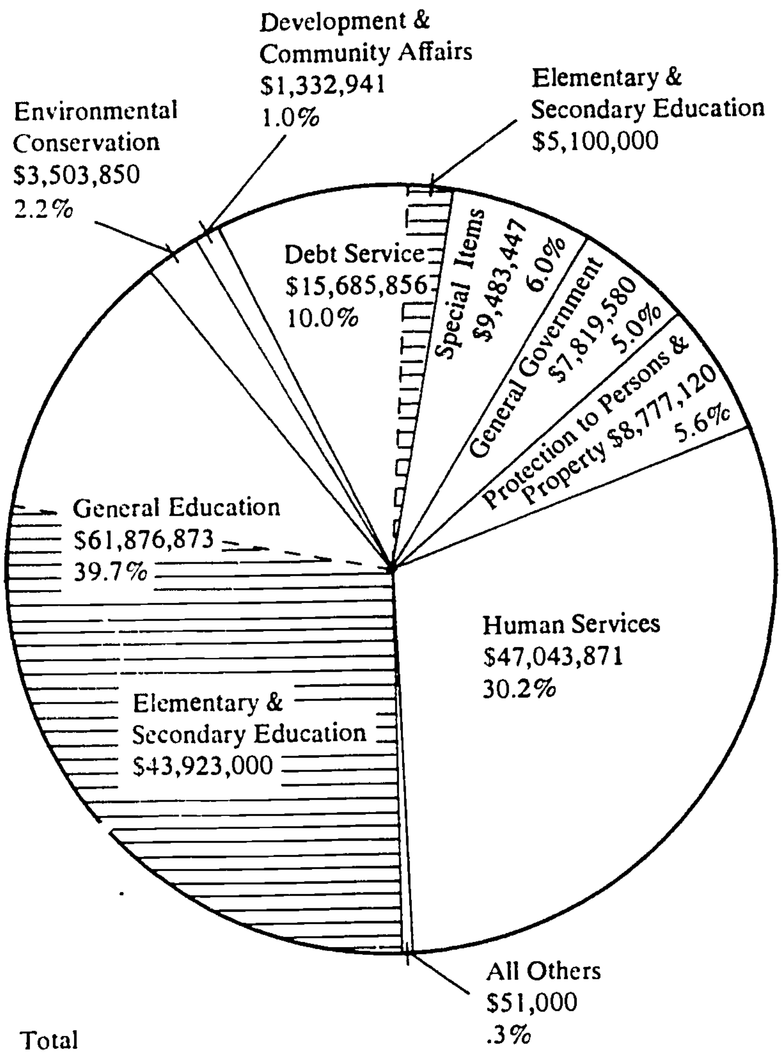


Sources: 1) Department of Education State Report 1971-2, p. 37
2) Property Tax Burden in Vermont, *op. cit.*, p. 17
3) Executive Budget 1974

3a. GENERAL FUND

Fiscal Year 1974

Estimated Expenditures by Function*

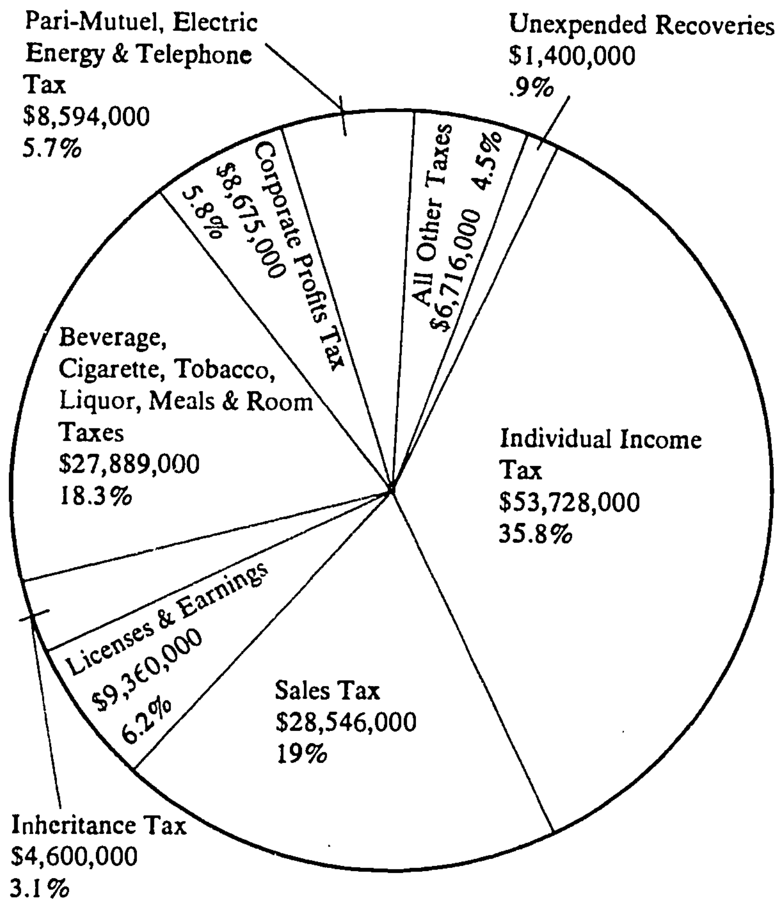


Total
$155,574,538

* Includes Federal Revenue Sharing Funds and interest, plus receipts from capital gains tax. recommended to be used for property tax relief.

Source: Executive Budget FY 1975.

3b. ESTIMATED GENERAL FUND REVENUES*—FISCAL YEAR 1974



TOTAL: $149,508,000

* Does not include Revenue Sharing Funds, interest or receipts from capital gains tax.

Source: Executive Budget FY 1975.