

I'm glad our neighbor brought up the proposed school budget tax increase that will be on the ballot March 6, 2018. The school board understands the concern about school spending and the proposed 7.9% tax rate increase. This note will shed a little light on the budget request.

First, voters should know that the District's proposed budget represents a spending increase of less than 1% (roughly \$464,000) from FY18 to FY19 - a rate of growth that below the inflation, which is 2.7%. Burlington's per pupil spending is increasing from \$14,991 to \$15,111; the budget is increasing from \$84,528,113 to \$84,997,349.

To achieve this, we are cutting \$787,000 out of the budget, \$540,00 from administration, and \$177,000 from the high school and tech center. We are adding \$850,000 to support our Strategic priorities, including social workers, teachers, multilingual liaisons, restorative practices training, and professional development for paraeducators, which is one of their contract negotiation requests.

The portion of our budget that comes from the state's education fund is increasing from \$61,489,419, to \$61,953,419. The remainder of our budget is \$23,043,930, which comes from federal and state grant funds for a range of needs, the largest of which is for special education.

The final budget presentation is here:

<http://www.bsdt.org/wp-content/uploads/2018/01/20180124-Board-Approved-Budget-Presentation-1.pdf>

Only 1% of the requested 7.9% tax increase is driven by factors within the Board's control. This may seem contradictory, If the Board is proposing a level funded budget, why is the tax rate increasing so much? The answer - over 6% of the tax rate increase is related to the statewide education fund dynamics and legislative decisions over the past two years. While our spending increase proposed in the budget is less than 1%, the funds the state will allocate to Burlington will fall in FY19.

Why? First, between 2000 - 2015, the legislature decreased the percentage of non-property tax revenue (mostly sales tax) from 42% to 33%, resulting in an increasing reliance on property taxes to make up the difference.

Second, Act 46 resulted in "bonuses" paid to Districts that consolidate schools and has transferred the cost of those bonuses onto Districts like Burlington, which do not have consolidation options. Act 46 also restricted the tax rate increase Burlington could propose to the voters in order to inhibit education spending increases.

Third, the legislature transferred teachers' pension costs out of the state general fund and into the education fund, which contributes to a \$50M gap as of January 2018.

Fourth, the legislature prevented much of a property taxes increase last year by applying \$20M in reserves to ed fund spending increases, and taking back \$10M after Districts passed their

FY18 budgets, in order to pressure local Districts to negotiate health care savings with teachers. These “reserves” must be replenished this year.

Finally, the tax rate is affected by Burlington’s Common Level of Appraisal - the “CLA” - a component of the Education Funding formula. If a District’s CLA is near 100%, the tax impact is lower. The farther away the CLA is from 100%, the higher the tax impact will be. For the CLA to stay near 100%, Burlington must reappraise property at appropriate intervals. This year, Burlington’s CLA fell to 79.42%, so on average, houses in Burlington are being taxed at 79% of market value, which generates less money from the Ed Fund for our District. The good news is that the City plans to reappraise, and when Burlington’s property is taxed at closer to market value, it will drive the education fund tax rate down.

This webpage provides an excellent, clear description of Vermont’s education spending formula:<http://tax.vermont.gov/research-and-reports/tax-rates-and-charts/education-tax-rates/faqs>.