

School fund shorted by \$25 million

By Nancy Remsen
Free Press Staff Writer

January 26, 2007 MONTPELIER -- The state's Education Fund has been shortchanged between \$14 million and \$28 million in non-property-tax revenues during the past two years because of a budget mistake that neither the Legislature nor the Douglas administration noticed.

If the correct amount of money had been transferred, the statewide property tax rate could have been lower this year and last.

"This was not intentional from the administration or the Legislature," said Senate Appropriations Chairwoman Susan Bartlett. "Nobody picked it up."

A school funding law passed in 2003 included a requirement that the amount of non-property-tax dollars budgeted for the Education Fund grow at the same rate as spending from the state's General Fund. That hasn't happened.

Instead, the amount of non-property-tax dollars increased by 4 percent in both budgets, while spending from the General Fund grew by more than 7 percent each year. Most state officials said Thursday the reason for the error was no one remembered to check the ratio at the end of each legislative session after all the spending decisions had been made.

The Statehouse buzzed Thursday with questions about who knew and when, but most lawmakers said the most important question to answer now was how to remedy the problem. The budget outlined by Gov. Jim Douglas this week included no provision to cover this unmet obligation.

House Appropriations Chairwoman Martha Heath, D-Westford, said widespread concern about the error was one reason she would postpone debate on a bill making midyear changes to the budget for state government.

"We wouldn't want the budget adjustment going to the floor until that issue was thoroughly investigated and understood," Heath said.

Rep. Rick Hube, R-South Londonderry, wants to amend the budget adjustment bill with a provision to repay the \$25 million he said is due the Education Fund. "It's an obligation we have."

Although clamor over the error grew this week, an outside budget analyst had discovered the problem six months ago.

Paul Cillo, president of Public Assets Institute and a former legislator who helped write the state's school-funding law, unearthed the mistake. He said he was studying rates of growth in General Fund spending when he remembered the law change that called for parallel growth in the amount of General Fund tax dollars transferred to the Education Fund to help pay for schools.

He found that the percentages didn't match. He calculated that the Education Fund was shortchanged by \$7.6 million one year and \$17.1 million the next. "Every dollar you short the Education Fund is in effect a property tax increase," Cillo noted.

Cillo started to spread the word last summer, but the concern built slowly. Steve Jeffrey, executive director of the Vermont League of Cities and Towns, learned of the error from Cillo in October, but said he didn't begin pressing the Douglas administration or lawmakers for a correction until two weeks ago.

Any remedy would involve more than repaying the amount due to the Education Fund, Jeffrey said. The past error affects future calculations. As a result, Jeffrey said the budget the governor outlined this week doesn't have enough earmarked for the Education Fund because "the base from which we are building is way low and needs to be adjusted upward."

Legislative leaders said Thursday they still weren't sure \$25 million was the amount due to the Education Fund because it wasn't clear how to define General Fund spending.

"We are trying to understand what the number is," Democratic House Speaker Gaye Symington said. "When you actually get down to the math of making this ratio work, what are you including?"

Once they settle on a figure, lawmakers face the equally daunting task of finding the money.

"I understand the challenge," said Jeff Francis, executive director of the Vermont Superintendents Association. Still, he argued, "That General Fund transfer is associated with some amount of property tax relief. It is a significant amount of money. I think it would be imprudent not to make it up."

Contact Nancy Remsen at nremsen@bfp.burlingtonfreepress.com