

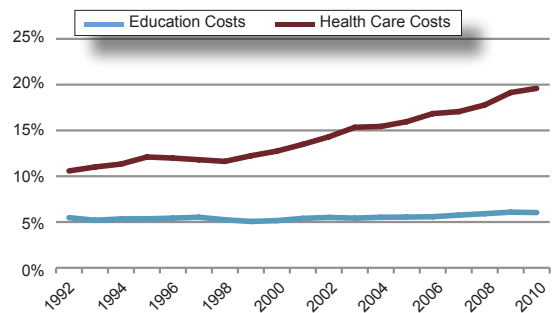
Vermont Education Spending: The Facts (2011 Update)*

Education spending is not out of control.

Education spending as a percentage of the Vermont economy (gross state product) has remained remarkably steady since the early 1990s. Contrast that with health care, which has been growing much faster than the underlying economy. Should the education line trend down because Vermont’s enrollment is declining about 1 percent a year? Perhaps. But remember: Education spending includes those rapidly rising health care costs. Regardless of the number of pupils, the cost of Vermont’s public education is neither “skyrocketing” nor “out of control.”

K-12 Education vs. Health Care Costs

As a percentage of gross state product



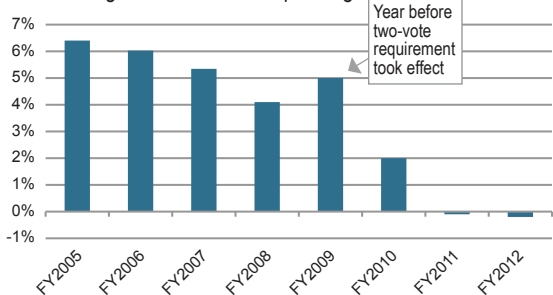
Data sources: Vermont Department of Education and U.S. Bureau of Labor Statistics

School boards have curbed spending growth.

The growth in education spending has been declining since 2005. Fiscal 2009 saw a bump following passage of legislation that required voters in school districts with high spending growth to vote twice on the school budget. Districts may have anticipated being subject to the two-vote requirement in fiscal 2010 and shifted certain purchases to fiscal 2009 to keep their 2010 growth below the threshold. In fiscal 2011 and 2012, education spending was lower than the previous year.

School Districts Are Controlling Costs

Education growth rate annual spending



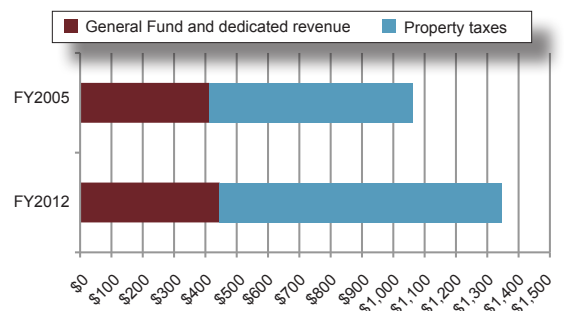
Data source: Vermont Joint Fiscal Office

Property taxes now pay a bigger share of costs.

The Legislature reduced the General Fund transfer to the Education Fund in fiscal 2010, 2011, and 2012. Other dedicated revenue sources of the Education Fund, such as proceeds from the Vermont Lottery and a portion of the sales tax, have grown slowly or not at all since the recession of 2007. Even with modest education spending growth, property taxes have had to cover the shortfalls in the General Fund transfer and dedicated taxes. In 2005, property taxes paid 61 percent of education costs; in 2012, 67 percent. If the General Fund and dedicated revenues provided the same level of support as in 2005, property taxes would be \$77 million less in fiscal 2012.

Shrinking General Fund Support for Education

In millions

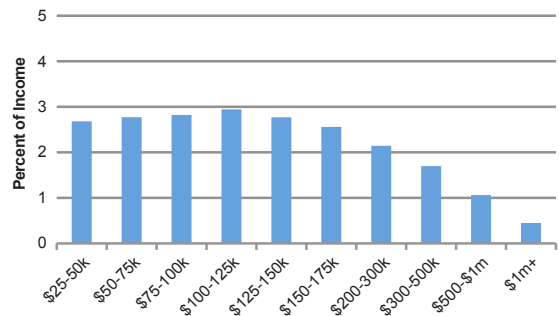


Data source: Vermont Joint Fiscal Office

Even with Act 68, school taxes are regressive.

Act 68 went far in reducing the burden of the property tax, which used to fall disproportionately on middle-income residents. More than six in 10 Vermont households now pay school taxes based on ability—on income rather than assessed property value. Even with this change, however, upper-income households pay a much smaller portion of their incomes to support schools than their less-wealthy neighbors. The chart is based on a 2010 Vermont Tax Department analysis of homestead taxes as a percentage of personal income across all tax brackets.

Homestead School Taxes As a Percent of Income*



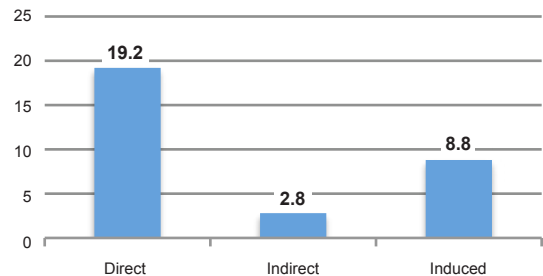
*Median percentage of income in each income bracket

Data source: Vermont Department of Taxes

Investing in education strengthens the economy.

A 2010 study by economist Jeffrey Thompson at the Political Economy Research Institute documents the benefits to states and regions of investment in education, including pre-K and higher education. The benefits include higher personal income, employment, and tax collections and reduced crime and welfare dependence. Because education is labor intensive, such spending creates more jobs per dollar than many other sectors. Those jobs are direct (teachers and school staff), indirect (electricians who wire the school), and induced (workers at the market where school staff buy groceries).

30.8 Vermont Jobs Created for \$1 Million Invested in Education



Data source: Jeffrey Thompson, *Prioritizing Approaches to Economic Development in New England: Skills, Infrastructure, and Tax Incentives*, Political Economy Research Institute, 2010.

* *The [original report](#) was published October, 2010.*

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