

Rutland Herald

Editorial

Replacing Act 60 wouldn't be so easy

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When it convenes in January, the new Legislature will face pressure from several quarters to do something about property taxes.

Gov. James Douglas has a cap on spending hikes beyond which increases would require approval of 60 percent of the voters. Democrats in the Legislature have been cool to this idea, and there's no reason to believe they will be less cool next year. There is also pressure coming from legislators who are urging repeal of Act 68, the revised version of Act 60, the education funding law adopted in 1997.

It will be important for the Legislature to separate the noise of the campaign from the reality of property taxes. Property taxes are a perennial topic of election campaigns. That's because property taxes are always painful. If they weren't painful, voters would probably raise them until they were painful. The pain is what tells them they have reached the limit of what they can do for their children's schools.

So the pain of property taxes is nothing new. What's new in the past few years is the pain felt by the property-rich towns that had been cushioned from the sting of property taxes before Act 60 because of the abundance of taxable property in their towns. Now residents in towns such as Ludlow, Killington, Manchester, Dorset and Stowe are paying property taxes at a rate comparable to everyone else, and it hurts.

Voters are also feeling the effects of a rapid rise in property values and continuing increases in the cost of education. Reappraisals made necessary by rising property values sometimes sock homeowners with unwelcome tax increases. And voters have watched helplessly as the demands of school budgets have continued to push their taxes higher.

But these varying forms of pain have not created a crisis that requires the wholesale demolition of Vermont's education finance system. For one thing, property taxes, proportionately, are not nearly the burden on the family budget that other costs are. Paul Cillo, a former legislator who was one of the architects of Act 60, completed a study recently showing that, as a percentage of household spending, the costs of housing, health care and transportation each exceeds the cost property taxes by far. Trimming property taxes by a given percentage will yield far less in savings for the family budget than a similar percentage savings in those other areas.

It is different for wealthier residents. Wealthy owners of expensive houses probably do not benefit from the income-sensitivity provisions of Act 68, so their property tax bills take a relatively higher proportion of their income. The cost of housing, health care and transportation is likely to take a lower proportion, leaving wealthy taxpayers with abundant discretionary income to spend on baubles, boats or trips to Bermuda. If wealthy residents are looking for ways to curb the demands on their household budgets, curbs on property taxes will make sense.

It is not clear that cushioning the family budgets of wealthy Vermonters, or wealthy out-of-staters with homes in Vermont, ought to be an imperative next year. Nor is it clear that middle-

class Vermonters are facing an excessive burden from property taxes, as annoying as the taxes may be. An analysis by the Addison Independent, the Middlebury weekly, has shown that about 26 percent of the residential property tax collected has gone back to residents in the form of income-sensitive rebates. The state's system of rebates is a way of distributing the school tax burden according to the taxpayer's ability to pay.

Critics of Act 68 often argue that school costs should be switched from the property tax to the income tax because the income tax is based on the ability to pay. But the way Act 68 works, the cost of school is already based on the ability to pay. Further, doing away with the property tax would do away with millions in revenues that come from businesses and second homes. We have yet to hear a reason for doing that.

Douglas argues that the income-sensitivity provisions of Act 68 insulate Vermont taxpayers from the effect of their votes to increase school budgets and that is true for those with household incomes less than \$47,000. But for those earning from \$47,000 to \$110,000, budget hikes diminish the benefits received from income-sensitive rebates, so they have an incentive to control spending.

Rising school costs remain a concern that the Legislature will have to address. One idea that has been floated is a state fund to help school boards offer early retirement to teachers with seniority as a way to cut costs in the face of declining enrollments.

Legislators ought to remember the years of exhaustive study and hard work that went into Act 60 before it was finally adopted. Those calling for its repeal haven't begun to do that kind of work. The Legislature will consider a variety of ideas to ease the cost of school budgets, but Vermont's schools still benefit from the equity created by Acts 60 and 68. It is a pioneering law that has done Vermont much good.