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Subject: Media Availability Follow Up Information
Date: Wednesday, June 12, 2024 4:29:02 PM
Attachments: [FW H.887 Yield Bill Conversation.msg](#)

Good afternoon,

Below is a summary of the menu of options presented to legislative leadership this afternoon. In response to the question asked regarding the timing of the meeting with legislators, I am also attaching the email string that shows our multiple attempts to meet sooner than today to discuss our proposal. You'll see no meeting was agreed to until the bill was acted upon, nor was the bill expedited per our request. The Governor acted on the bill within an hour of receiving it.

The administration is taking a phased approach to education reform. For FY25, we are focused on delivering immediate tax relief with minimum disruption to school operations for fall 2024. For FY26, we seek to implement short-term cost containment strategies while we plan for more comprehensive structural reform that would begin taking effect in FY27.

Goals:

1. Provide immediate property tax relief to Vermonters – Reduce the projected FY25 average property tax bill percentage increase to 4 – 6% more in line with average wage growth.
2. Implement short-term cost containment measures and longer-term structural reform to help reduce future year property tax spikes and stabilize the education funding system.
 - H.887 uses \$70 million of one-time money with little cost containment to prevent future property tax spikes.
 - Establish guardrails for *sustainable growth* now to guide school budget development in the fall.
 - Use short-term proposals as a bridge to implement structural reform to the education financing system and cost containment strategies.

Strategies to Meet These Goals:

1. **\$124 Million** more in property tax relief to reduce average property tax bills in FY25:
 - Apply the savings schools achieved in as-passed budgets since H.887 passed to adjust yields and non-homestead rate equally (\$4M base spending reduction)
 - Dedicate any additional GF surplus from May and June 2024 to buying down the yield (up to \$20m)
 - Dedicate any additional estimate GF Surplus at Fiscal Year Close Out above the \$20m, Direct Apps & Reversions (up to \$12m)
 - Remove the one-time property tax credit increase that would no longer be needed with a lower FY25 average bill increase (\$20.6M)

- Utilize education fund stabilization reserve to offset property taxes with a payback plan over time (\$47M)
- Repeal Universal School Meals for FY25 (\$20m) and revert to a needs-based system

2. Short-term cost containment:

- Institute allowable growth rates (as first contemplated in the House version of H.887) in FY26 to limit system-wide spending growth
 - The Administration is also open to a more aggressive Excess Spending Threshold as a possible path to short-term cost containment
 - Without some form of short-term cost containment, the risk of a FY26 property tax spike remains high.
- AOE technical assistance to districts to provide strategies to reduce cost pressures

3. Long-term Structural Reform:

- Retain a long-term planning effort to identify specific tools to help schools contain costs, find efficiencies, increase ease of budgeting, and grow education quality and equity.
- Adjust the education funding formula to better tie voter decisions to tax rates and help reduce some of the challenging incentives with the current formula by reinstating a version of the Educational Opportunity Payment language discussed in the Ways & Means Committee and Senate Finance Committee. This relies on an “adequacy investment” amount set by the State and distributed through a block grant per weighted pupil. The Legislature would work to set the adequacy investment amount and other details next session.