

From: [Smith, Kendal](#)
To: [Jane Kitchel](#); [Conor Kennedy](#); [Philip Baruth](#); [Jill Krowinski](#); [Ashley Moore](#); [Ann Cummings](#); [Emilie Kornheiser](#); [Diane Lanpher](#); [Jane Kitchel](#)
Cc: [Clark, Sarah](#); [Bolio, Craig](#); [Molly Moore](#); [Saunders, Zoie](#)
Subject: RE: H.887, Yield Bill Conversation
Date: Tuesday, June 11, 2024 6:19:46 PM
Attachments: [image002.png](#)
[image003.png](#)

Good Evening All,

We are looking forward to meeting tomorrow afternoon at 1:00pm in Room 270 at the Pavilion. To confirm on our end, in the meeting will be myself, Commissioner Bolio, Int. Secretary Saunders, and Int. Secretary Clark. Depending on how the afternoon or meeting goes, we will bring in the Governor as necessary if we can reach an agreement.

We thought it would be helpful to send you our outline this evening of the menu of options to get property tax rates down further for the coming year, coupled with cost containment and structural reform that we will speak to in the meeting tomorrow. We are suggesting 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 or thereafter.

Ashley, as I relayed on the phone, the vast majority of these are concepts that we, or other legislators, brought forward in the session, so hopefully it looks familiar to folks. If there are other ideas we should be considering at this point, we are open to additional approaches. The press asked the Governor today at his weekly press conference if we would share the menu with them, and he said only after we speak with you all, so we are treating this a confidential/embargoed until after we have a chance to meet.

Administration's 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, and less than the 8% that rates went up last year.
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.

Options/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)
 - Revert School Meals to a needs-based system (\$20m)

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 spending/investment” amount set by the State and distributed through a block grant per weighted pupil. The Legislature & Administration would work to set the adequacy spending amount and other details next session.

Thank you,
Kendal

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