



State of Vermont  
Department of Taxes  
133 State Street  
Montpelier, VT 05633-1401

Agency of Administration

COMMISSIONER'S OFFICE

December 1, 2008

Honorable Gaye Symington  
Speaker of the House  
State House  
Montpelier, Vermont 05609

Honorable Peter Shumlin  
President Pro Tempore  
State House  
Montpelier, Vermont 05609

Re: Recommendation pursuant to 32 V.S.A. § 5402b

Dear Hon. *Gaye* Symington and Hon. *Peter* Shumlin:

I have reviewed the 2010 projected current law education fund operating statement incorporating the spending projections of the Department of Education and property tax impacts by Deb Brighton. Their projections include the following:

- That the base education grant increases in 2010 by 4.1% to \$8,544
- That education spending increases by 4.6%
- That property tax adjustments will grow by over \$20 million or 17% to \$141.2 million in part due to the weak economy
- That the number of equalized pupils declines by 1.4% or 1,401 pupils
- That the cost of state-placed students increases by \$3.6 million, or 23%, due to recent legislative changes, and the cost of the Adult Education and Literacy Program increases of 33%
- That the equalized grand list growth rate is 6.9%
- That the recent legislative change to "net" property tax adjustments against property tax revenues results in a significant reduction in the Budget Stabilization Reserve

Based on these assumptions, the Education Fund in fiscal 2010 at current tax rates will generate an operating surplus of \$20.5 million.

In these difficult times, it is likely that some of the above projections for the education fund operating statement might not hold true. For example, given the Department of Education's projected 4.6% increase in overall spending and the 1.5% decline in the pupil population, education spending per pupil is projected to grow at 6.1%. This is a very robust growth rate in the context of the fiscal concerns outlined in your recent letter to the Governor. The inflation plus one percent per pupil growth rate associated with the two-vote system stands at a more moderate 3.9% for FY 2010. Should education spending tend toward a rate lower than 6.1% per pupil, the operational surplus will increase.



Your recent letter to the Governor underscores the extraordinary fiscal circumstances we face as a state and nation and that these circumstances demand extraordinary cooperation between branches of government. I agree wholeheartedly.

Given the extraordinary fiscal choices before us, a recommendation from me regarding 2010 tax rates may be extraneous or even harmful to the flexibility you and the Governor need to craft an overall fiscal course for the state in these times. I hope, however, that the above profile of the education fund is helpful as you and the Governor explore options to respond to Vermont's fiscal and economic needs.

On behalf of the Administration, we wish you a healthy and rewarding new year.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom", with a stylized flourish extending from the end.

Tom Pelham  
Commissioner of Taxes