



## Vermont Legislative Research Service

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### How New England Funds Education

Every state in New England has a unique formula to distribute varying amounts of state aid to help fund individual school districts. Districts in every state rely on property tax to generate the majority of local revenue for the local contribution to education not covered by state aid. Aside from local funding and state aid, state education is also funded by federal aid, which on average accounts for eight percent of elementary and secondary education funding nationally.<sup>1</sup> In this report we will investigate the various ways New England states fund education, specifically regarding local and state contributions to school districts.

### Vermont

Amanda Brigham and others sued the state of Vermont arguing that the funding of schools in Vermont represented an unconstitutional treatment of low-income communities and the lack of resources for their school systems.<sup>2</sup> Before this case, *Brigham v. State of Vermont*, some districts were able to spend around \$12,000 per year on each student while other districts were only able to spend around \$4,000 per year on each student (data from fiscal year 1998).<sup>3</sup> In June 1997, the Vermont Supreme Court unanimously agreed that Vermont's method of funding education was unconstitutional.<sup>4</sup>

Following the Supreme Court ruling, the Vermont Legislature passed The Equal Education Opportunity Act (Act 60). After the passing of this act, Vermont saw a significant change. Instead of having a varying local school tax rate, it was replaced with a fixed, state-wide property tax that depended on annual income and type of property.<sup>5</sup> The act also put restrictions on districts that wanted to spend more than their allotted funds, provided rebates to low-income households with specific qualifications, made new state taxes and increased other taxes, and implemented PILOT payments which are able to give support to towns that may have loss

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<sup>1</sup> U.S. Department of Education, *Federal Role in Education*, accessed November 16, 2024, <https://www.ed.gov/about/ed-overview/federal-role-in-education>.

<sup>2</sup> *Brigham v. State of Vermont*, 166 Vt. 246 (1997).

<sup>3</sup> William J. Mathis, Brenda L. Fleming, "Vermont's Act 60: Comprehensive School Finance Reform-- Effects in the First Year of Full Implementation", *American Education Finance Association*, (2001), <https://files.eric.ed.gov/fulltext/ED458676.pdf>.

<sup>4</sup> Mathis and Fleming, "Vermont's Act 60."

<sup>5</sup> John Rappa, "Education (General); School Finance; Property Tax" *OLR Research Report*, (1998), <https://www.cga.ct.gov/PS98/rpt/olr/htm/98-R-0809.htm>.

funding for other matters due to the allocation of property taxes to education.<sup>6</sup> Act 60 was phased into Vermont over a span of four years and by 2001 went into full effect.<sup>7</sup>

Since Act 60 was passed in 1997, Vermont's education tax rate is no longer determined by a town's property wealth but instead by per-pupil spending in each district.<sup>8</sup> Residents vote on the per pupil spending amount to determine the funding their district's schools will receive from the state Education Fund. The Vermont Education Fund is primarily funded through two types of property tax: the homestead property yield and the non-homestead tax. The homestead property yield is set annually by the legislature at the amount necessary to fund voter-approved school budgets and makes up approximately 40% of Vermont's education fund. Each district's homestead property rate is determined by the education spending per equalized pupil of the district and the per pupil spending amount the state can support with a given tax rate. The non-homestead tax applies to all taxable property that doesn't qualify as a homestead, such as industrial property, commercial property, rental units, and secondary homes. The non-homestead tax is a set amount per \$100 of property value determined annually by the legislature that makes up approximately 25% of Vermont's education fund. Approximately 35% of Vermont's Education Fund revenue comes from non-property tax sources, such as Sales and Use tax revenues,  $\frac{1}{3}$  of Purchase and Use tax revenues, and  $\frac{1}{4}$  of Meal and Room tax revenues. Vermont's state education fund pools all district revenues together and redistributes them based on each town's budget determined by voters.<sup>9</sup>

## Maine

Since 2005, Maine has used the Essential Programs and Services Funding Model (EPS), in which the Maine Department of Education sets the state and local spending amount for school aid.<sup>10</sup> Local districts can spend above what the EPS model provides, but state aid will only go towards supporting districts in meeting state learning standards.<sup>11</sup> EPS estimates how much funding school districts will need so that students meet the learning requirements of the Maine Learning Results. Maine Learning Results outline expectations of Maine students in eight different subject areas, as well as general guiding principles.<sup>12</sup> When determining the amount of state funds to distribute to each district, Maine takes into account property value, cost of living, the cost of special education services, student demographics, and transportation.<sup>13</sup> Town valuation is

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<sup>6</sup> John Rappa, "Education (General); School Finance; Property Tax."

<sup>7</sup> *Brigham v. State of Vermont*, 166 Vt. 246 (1997).

<sup>8</sup> Julia Richter, "2023 Report on Vermont's Education Financing," *Vermont Legislative Joint Fiscal Office*, (2023), [https://legislature.vermont.gov/assets/Legislative-Reports/GENERAL-366459-v2-2023\\_Report\\_on\\_Education\\_Financing.pdf](https://legislature.vermont.gov/assets/Legislative-Reports/GENERAL-366459-v2-2023_Report_on_Education_Financing.pdf).

<sup>9</sup> Richter, "2023 Report on Vermont's Education Financing."

<sup>10</sup> Maine Department of Education, *Essential Programs and Services (EPS) Funding*, 2024, <https://www.maine.gov/doe/funding/gpa/eps>.

<sup>11</sup> Maine State Chamber of Commerce, *How is Public Education Funded in Maine?* 2019, [https://www.educatemaine.org/docs/17-029\\_EDME-FundingPrimer-FNL-web.pdf](https://www.educatemaine.org/docs/17-029_EDME-FundingPrimer-FNL-web.pdf).

<sup>12</sup> Maine Department of Education, *Maine Learning Results*, 2024, <https://www.maine.gov/doe/learning/diplomas/MaineLearningResults>.

<sup>13</sup> Maine State Chamber of Commerce, *How is Public Education Funded in Maine?*

determined by the Maine Revenue Service.<sup>14</sup> Maine calculates the necessary funding amount for each district and a minimum property tax to be imposed which, in combination with state aid, meets EPS requirements.<sup>15</sup> Districts with high property values receive a smaller amount of funding from the state than districts with low property values, who receive a high level of state funding.<sup>16</sup> Therefore, the EPS minus the required local share equals the state's contribution to each district.<sup>17</sup> As of 2019, 53% of funding for primary and secondary education came from municipal property taxes, which is the local share of a district's total education funding. In addition, 40% of total education funding came from state income and sales taxes and 7% came from federal funds.<sup>18</sup>

## New Hampshire

Since 2004, New Hampshire has allocated its education funding through a program known as the State Adequate Education Aid. New Hampshire has a fixed based funding amount per student, which in FY 2022 as well as FY 2023, was \$3,786.66.<sup>19</sup> Every two years the per pupil cost for education funding is reexamined and regulated based on inflation rates. Much of New Hampshire's education funding comes from property taxes and a much smaller portion comes from other forms of taxation such as business tax.<sup>20</sup> On a yearly basis, the Department of Revenue Administration calculates a minimum property tax rate to ensure that the New Hampshire Department of Education has adequate funds to allocate to all of the school districts for the fiscal year.<sup>21</sup> This program is referred to as The Statewide Education Property Tax (SWEPT) and is overseen by the local governments and allocated to the Education Trust Fund. The money that is generated using SWEPT is only allowed to be used for education funding in each district. Several wealthier communities with high property taxes end up providing excess funds to SWEPT based on the statewide funding requirements.<sup>22</sup> In this case, these communities are allowed to keep their excess funding if they put that money towards their local education. The state budget takes this money into account, and in FY 2021 it was assumed that around \$15.3 million dollars went towards these specific communities' local education funding.<sup>23</sup>

## Rhode Island

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<sup>14</sup> Maine Department of Education, *School Funding- General Purpose Aid (GPA)*, 2024, <https://www.maine.gov/doe/funding/gpa>.

<sup>15</sup> Maine Department of Education, *Essential Programs and Services (EPS) Funding*.

<sup>16</sup> Maine State Chamber of Commerce, *How is Public Education Funded in Maine?*

<sup>17</sup> Maine Department of Education, *Essential Programs and Services (EPS) Funding*.

<sup>18</sup> Maine State Chamber of Commerce, *How is Public Education Funded in Maine?*

<sup>19</sup> New Hampshire Department of Education Office of School Finance, *How the Cost of an Opportunity for an Adequate Education is Determined*, April 1, 2021,

<https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/fy2022-explained.pdf>.

<sup>20</sup> New Hampshire Fiscal Policy Institute, "The State Budget for Fiscal Years 2022 and 2023," accessed November 25, 2024, <https://nhfpi.org/resource/the-state-budget-for-fiscal-years-2022-and-2023>.

<sup>21</sup> New Hampshire Department of Education Office of School Finance, *How the Cost of an Opportunity for an Adequate Education is Determined*.

<sup>22</sup> New Hampshire Fiscal Policy Institute, "The State Budget for Fiscal Years 2022 and 2023."

<sup>23</sup> New Hampshire Fiscal Policy Institute, "The State Budget for Fiscal Years 2022 and 2023."

In 2010, Rhode Island passed the Education Adequacy Act which created a new education funding formula with the goal of equalizing funding for communities with lower property values, without raising the cost of education funding.<sup>24</sup> Education funding is provided by the state in the forms of formula aid, designated funding outside of the formula aid, and funds that are provided for a specific reason such as textbook reimbursements.<sup>25</sup> Property taxes make up a large portion of the budget that comes from local governments.<sup>26</sup> These resources are then allocated to all school districts using the funding formula. The formula works by first calculating the core amount per pupil, meaning, in general, how much money per school year is expected to be used per student. Then the number of students living in each district is calculated. Students living in poverty are accounted for by determining the percentage of those who receive free or reduced-price lunches, and this amount is then increased by 40% so these students receive more funding.<sup>27</sup> Once all numbers are figured out, they are then plugged into the formula and announced to the districts so they are aware of how much base aid they will be receiving.<sup>28</sup>

## Massachusetts

In 1993, the Massachusetts Education Reform Act was passed which included Chapter 70 of the Massachusetts General Laws outlining education funding.<sup>29</sup> The minimum spending for each school district, deemed the foundation budget, is calculated based on the number of pupils from the previous year and the approximated cost of educating each pupil.<sup>30</sup> First, each pupil is categorized by general grade level such as pre-K, kindergarten, elementary, junior high, senior high, and vocational. Since the introduction of the Student Opportunity Act in 2019, additional costs are accounted for students categorized as low-income, English learners, or requiring special education as well as benefits and fixed charges, and guidance and psychological services.<sup>31</sup> Districts with average wages greater than the state average receive subsequent increases to their foundation budgets to account for wage adjustment.<sup>32</sup> The state foundation budget is defined as the sum of all districts, and targets are developed so that 59% is paid by local revenue and 41% is paid by state aid. Wealth is viewed in terms of property value and income, so percentages of aggregate property value and income are each calculated as if to each cover half of the 59% expected to come from local revenue. These percentages are then applied to each district's

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<sup>24</sup> Barbara Feldman, and Joanne DeVoe, "The Education Adequacy Act: A Formula for the Distribution of State Aid to Schools," *League of Women Voters*, (February 2012), 1-5,

<https://ride.ri.gov/sites/g/files/xkgbur806/files/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FundingFormulaWorkingGroup/LWVRI-03.pdf>.

<sup>25</sup> State of Rhode Island Department of Education, *State Education Aid / Funding Formula*, 2024, <https://ride.ri.gov/funding-finance/funding-sources/state-education-aid>.

<sup>26</sup> Feldman and DeVoe, "The Education Adequacy Act: A Formula for the Distribution of State Aid to Schools."

<sup>27</sup> Feldman and DeVoe, "The Education Adequacy Act: A Formula for the Distribution of State Aid to Schools."

<sup>28</sup> Feldman and DeVoe, "The Education Adequacy Act: A Formula for the Distribution of State Aid to Schools."

<sup>29</sup> Massachusetts Department of Elementary and Secondary Education, *Building on 20 Years of Massachusetts Education Reform*, November, 2014, <https://www.doe.mass.edu/commissioner/BuildingOnReform.pdf>.

<sup>30</sup> Massachusetts Department of Elementary and Secondary Education, *School Finance: Chapter 70 Program*, July, 2024, <https://www.doe.mass.edu/finance/chapter70/fy2024/chapter-2024-whitepaper.docx>.

<sup>31</sup> The 193rd General Court of The Commonwealth of Massachusetts, *An Act Relative to Education Opportunity for Students*, 2024, <https://malegislature.gov/Bills/191/S2412>.

<sup>32</sup> Massachusetts Department of Elementary and Secondary Education, *School Finance: Chapter 70 Program*.

aggregate property value and income to determine their capacity to contribute, defined as combined yield effort. Local contributions are capped at a maximum contribution of 82.5% of their foundation budget as state aid is required to cover at least 17.5% of each foundation budget. Districts are permitted to pay more in addition to the foundation budget if they choose to. The target amount for each district to contribute locally is determined by applying a growth factor to their local contribution from the previous year, and if the district's combined yield effort is less than this target contribution then 1-2% increment increases are added to their combined effort yield to get closer to the goal.

While both property value and income are used to gauge district wealth, the majority of these local contributions determined by The Massachusetts Department of Elementary and Secondary Education are paid for through local property taxes.<sup>33</sup> As of 2020, property tax accounted for 58.41% of total municipal revenue along with other sources such as motor-vehicle excise taxes, investment income, occupancy taxes, fees, rentals, and charges. In 1980, Proposition 2 ½ was enacted which prohibits communities from collecting property taxes greater than 2.5% of the community's total property value.<sup>34</sup> This proposition further provides a framework for the Department of Revenue to define limits on the property taxes for each community that are below the 2.5% and based on the limit from the previous year.<sup>35</sup> In FY 2024, 52.59% of Massachusetts municipalities levied within 1% of their maximum levy permitted for that year, with the rest levying within 20% of their maximum.<sup>36</sup>

## Connecticut

In 1988 the Education Cost Sharing (ECS) grant was enacted in Connecticut to address inequitable education funding due to a reliance on municipal property tax and wealth distribution.<sup>37</sup> The ECS for each district is calculated by first defining the student need count which functions as a pupil count, although increases are added for expected elevated education costs. These increases in pupil counts include and an additional 30% for each low-income student, 25% for each English learner, and 15% for low-income concentrations. The count is multiplied by the foundation rate which functions as the minimum per-pupil expenditure, which was \$11,525 for FY 2024, to determine minimum district funding. Municipal wealth is assessed largely on property value and to a lesser degree on income to determine the capacity to fund education. Then the state aid percentage is applied to determine the amount provided in state aid, leaving the remainder to be paid for via local revenue.<sup>38</sup> There is guaranteed state aid of at least

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<sup>33</sup> The Commonwealth of Massachusetts, *Overview of the Financial Climate for Municipalities in Massachusetts*, 2022, <https://www.mass.gov/info-details/overview-of-the-financial-climate-for-municipalities-in-massachusetts>.

<sup>34</sup> Hingham Massachusetts, *What is Proposition 2 1/2*, accessed November 20, 2024, <https://www.hingham-ma.gov/FAQ.aspx?QID=314>.

<sup>35</sup> Massachusetts Department of Revenue, *Levy Limits: A Primer on Proposition 2 1/2*, June 2007, <https://www.mass.gov/doc/levy-limits-a-primer-on-proposition-2-12-0/download>.

<sup>36</sup> The Commonwealth of Massachusetts, *Trends in excess levy capacity*, 2024, <https://www.mass.gov/info-details/trends-in-excess-levy-capacity>.

<sup>37</sup> The Office of Fiscal Analysis and the Office of Legislative Research, *Education Funding 101*, February 1, 2023, [https://www.cga.ct.gov/ed/related/20230201\\_Education%20Funding%20Information/Education%20Funding%20101%20Presentation%20by%20OFA%20and%20OLR.pdf](https://www.cga.ct.gov/ed/related/20230201_Education%20Funding%20Information/Education%20Funding%20101%20Presentation%20by%20OFA%20and%20OLR.pdf).

<sup>38</sup> The Office of Fiscal Analysis and the Office of Legislative Research, *Education Funding 101*.

2% in all districts and 10% in Alliance districts, which are defined as having the lowest accountability indexes indicating poor achievement.<sup>39</sup> Minimum budget requirements prevent districts from reducing their budget from the previous year. While exceptions exist in cases of decreased enrollment and aid, schools in the top 10% of the accountability index are exempt from this and Alliance schools cannot decrease their budgets.<sup>40</sup> For FY 2024, the state net current expenditure on education was reported to be \$10,200,613,698, and \$2,233,000,000 was reported to be entitled to districts through ECS grants by the Governor's published budget.<sup>41</sup> Technical high schools are state operated and funded and tuitioning to charter schools is paid for by state grants.<sup>42</sup>

Connecticut relies largely on property tax to generate local revenue, as it accounted for 88% of local revenue in 2012, and as of 2015 Connecticut was second to last among US states regarding the use of user charges and fees to generate revenue.<sup>43</sup> No additional sales taxes can be imposed by local jurisdictions in Connecticut, unlike states such as Vermont.<sup>44</sup> McDonald and Larson reported that sales tax accounted for an average of 24% of local governments' revenues nationally in 2020.<sup>45</sup>

### Revenue Sources for Schools Across the States

New England states follow a fairly similar method of providing education funding to their school districts. Across the U.S. and New England, public primary and secondary education are primarily funded by state and local revenues. Local revenues for education primarily come from local property taxes. In 2016, 72% of local government tax revenues came from property tax. State revenues are raised from a variety of taxes, but mainly income and retail sales taxes.<sup>46</sup> While many states rely on property taxes for local contributions to their education funds, various U.S. states deviate from this trend.

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<sup>39</sup> The Office of Fiscal Analysis and the Office of Legislative Research, *Education Funding 101*; The Connecticut Department of Education, *Alliance Districts*, accessed November 22, 2024, <https://portal.ct.gov/sde/alliance-districts/alliance-and-opportunity-districts>.

<sup>40</sup> The Connecticut Department of Education, *2023\_24 Minimum Budget Requirement MBR*, accessed November 22, 2024, [https://portal.ct.gov/sde/fiscal-services/2023\\_24-minimum-budget-requirement\\_mbr](https://portal.ct.gov/sde/fiscal-services/2023_24-minimum-budget-requirement_mbr).

<sup>41</sup> Connecticut State Department of Education Bureau of Fiscal Services, *2023-2024 Net Current Expenditures (NCE) per Pupil (NCEP) and 2024-2025 Special Education Excess Cost Grant Basic Contributions*, October 2024, [https://portal.ct.gov/-/media/sde/grants-management/report1/basiccon\\_pdf.pdf](https://portal.ct.gov/-/media/sde/grants-management/report1/basiccon_pdf.pdf); State of Connecticut, *Governor Lamont's Budget, 2024*, [https://portal.ct.gov/-/media/opm/budget/2025\\_midterm/fy25-midterm-presentation-slides.pdf](https://portal.ct.gov/-/media/opm/budget/2025_midterm/fy25-midterm-presentation-slides.pdf).

<sup>42</sup> The Office of Fiscal Analysis and the Office of Legislative Research, *Education Funding 101*.

<sup>43</sup> David L. Sjoquist, "Diversifying Municipal Revenue in Connecticut," *Connecticut Tax Study Panel*, December 2015, [https://cslf.gsu.edu/files/2016/04/Diversifying-Municipal-Revenue-in-Connecticut\\_Sjoquist-2016.pdf](https://cslf.gsu.edu/files/2016/04/Diversifying-Municipal-Revenue-in-Connecticut_Sjoquist-2016.pdf).

<sup>44</sup> Connecticut State Department of Revenue Services, *Sales and Use Tax Information*, accessed November 23, 2024, <https://portal.ct.gov/drs/sales-tax/tax-information>; Agency of Administration Department of Taxes, *Local Option Tax*, accessed November 23, 2024, <https://tax.vermont.gov/business/local-option-tax>.

<sup>45</sup> Bruce D. McDonald and Sarah E. Larson, "Implications of the Coronavirus on Sales Tax Revenue and Local Government Fiscal Health," *Journal of Public and Nonprofit Affairs*, 6, 3 (July 22, 2020): 377-400, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3571827](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3571827).

<sup>46</sup> Congressional Research Service, "State and Local Financing of Public Schools," accessed December 11, 2024, <https://www.everycrsreport.com/reports/R45827.html>.

One state outside of New England that deviates from the typical reliance on property taxes as a major source of funding is Alaska. Unlike many other states, Alaska heavily relies on profits from oil and investment earnings.<sup>47</sup> They also rely heavily on federal funding, being the state with the most federal funding per pupil compared to all other states.<sup>48</sup> In Alaska, federal funding in FY 2024 was around \$4,370 per pupil, which was almost \$1,000 more than the next state, North Dakota.<sup>49</sup> One reason Alaska relies heavily on federal funding is because it cannot generate funding from sources that most states depend on, such as personal income tax and sales tax.<sup>50</sup> Another example of why Alaska is a unique case compared to other states is due to the amount they pay per pupil for education. It is one of the highest in the country, with their average per pupil spending in FY 2024 being around \$22,000.<sup>51</sup>

Another unique state is Hawaii which functions as a single school district funded by the Department of Education. Their operating budget is calculated yearly in a similar fashion to those previously mentioned regarding pupil counts and pupil weighting. About 85% of the operating budget consists of general funds from state tax revenues, with federal, special, and trust funds accounting for the rest.<sup>52</sup> State taxes primarily consist of a general excise tax imposed on businesses as there is no sales tax on customers, and individual income taxes.<sup>53</sup>

Michigan also exhibits a distinctive approach that sets them apart from other states in the U.S. since the passage of Proposal A in 1994.<sup>54</sup> The passage of Proposal A brought down property taxes from 3.4% to anywhere between 0.6% to 1.8% depending on the type of property one owned.<sup>55</sup> Although Proposal A was not originally designed to address inequalities between school districts, it nonetheless succeeded in reducing disparities in per-pupil spending by increasing state aid to lower-spending.<sup>56</sup> Although, Michigan's highest-poverty districts continue to face significant funding shortages. In FY 2021, it was reported that 37% of students in Michigan attend schools with funding levels below the amount necessary to achieve average U.S. test<sup>57</sup>

In addition, California has reduced their reliance on property tax to fund education since the 1970s when a series of court cases known as *Serrano v. Priest* were introduced with intentions of

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<sup>47</sup> Amy Dagley, "Alaska," *Journal of Education Finance*, 43 no. 3 (2018): 223-225, <https://dx.doi.org/10.1353/jef.2018.a690091>.

<sup>48</sup> Melanie Hanson, "U.S. Public Education Spending Statistics," *Education Data Initiative*, July 14, 2024, <https://educationdata.org/public-education-spending-statistics>.

<sup>49</sup> Hanson, "U.S. Public Education Spending Statistics."

<sup>50</sup> Hanson, "U.S. Public Education Spending Statistics."

<sup>51</sup> Hanson, "U.S. Public Education Spending Statistics."

<sup>52</sup> Hawai'i State Department of Education, *Operating Budget*, accessed December 9, 2024, <https://www.hawaiipublicschools.org/ConnectWithUs/Organization/Budget/Pages/operating-budget.aspx>.

<sup>53</sup> John Heckathorn and Lee S. Motteler, "Economy of Hawaii," accessed December 9, 2024, <https://www.britannica.com/place/Hawaii-state/Economy>; State of Hawaii Department of Taxation, *Tax Facts 37-1 General Excise Tax 37-1*, February 2021, <https://files.hawaii.gov/tax/legal/taxfacts/tf2015-37-1.pdf>.

<sup>54</sup> Daphne Kenyon, Bethany Paquin, and Semida Munteanu, "Public Schools and the Property Tax: A Comparison of Education Funding Models in Three U.S. States," *Lincoln Institute of Land Policy*, (November 2022): 36-38, <https://www.lincolninst.edu/app/uploads/2024/04/public-schools-property-tax-1la220406.pdf>.

<sup>55</sup> Kenyon, Paquin, and Munteanu, "Public Schools and the Property Tax."

<sup>56</sup> Kenyon, Paquin, and Munteanu, "Public Schools and the Property Tax."

<sup>57</sup> Kenyon, Paquin, and Munteanu, "Public Schools and the Property Tax."

lowing funding disparities between districts.<sup>58</sup> The outcome of *Serrano v. Priest* was the passing of Proposition 13 in 1978 which restricted the annual increase in assessed property values to 2% and implemented a capped cumulative property tax rate at 1% of their measured worth.<sup>59</sup> Proposition 13 also put in place a requirement that properties are only able to be reassessed when they are sold, which incentivized many individuals to stay in their homes for longer.<sup>60</sup> In turn, this proposition lessened local government and school district control over spending levels and budgets.<sup>61</sup> In FY 1978, tax collections were around 50% of revenue for the school districts, but, after the passing of Proposition 13, school district tax collections were only 25% of the revenue in FY 1979.<sup>62</sup> Alongside changes in tax collections, the income tax assumed a significantly larger role in funding education. In FY 1978, income tax contributed 36% of state funding, compared to 58% in FY 1979.<sup>63</sup> After the passing of Proposition 13, it was reported that since school districts lost their primary source of funding through property taxes, California saw a decline in academic achievement and public-school enrollment.<sup>64</sup> Similarly, sources indicated that, on average, per-pupil spending in California was much below the national average.<sup>65</sup> Many California residents in the past years have been strongly pushing for reforms for the funding of public education and how property taxes are handled and assessed.<sup>66</sup>

## Conclusion

While New England states vary slightly in their education funding formulas and sources of education funding, these states demonstrate a heavy reliance on property taxes as a source of local revenues and education funding overall. States such as Alaska, Hawaii, Michigan, and California are less dependent than other U.S. states on property taxes to fund education. While these states differ from Vermont in various ways, they offer insight into how state education funding models that are less reliant on property taxes function and utilize alternative revenue sources, as well as associated financial and academic impacts.

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December 13, 2024, by Carter Wallace, Leilani Krusoe, and Brooke Schimelman under the supervision of VLRS Director, Professor Anthony “Jack” Gierzynski in response to a request from Senator Martine Gulick.

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<sup>58</sup> Daphne Kenyon, Bethany Paquin, and Semida Munteanu, “Public Schools and the Property Tax: A comparison of Education Funding Models in Three U.S. States,” *Lincoln Institute of Land Policy*, (November 2022): 38-40, <https://www.lincolninst.edu/app/uploads/2024/04/public-schools-property-tax-lla220406.pdf>

<sup>59</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

<sup>60</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

<sup>61</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

<sup>62</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

<sup>63</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

<sup>64</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”

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<sup>66</sup> Kenyon, Paquin, and Munteanu, “Public Schools and the Property Tax.”



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