

Testimony to Ways and Means
Tuesday April 23, 2024
H.887 Yield Bill

For the record, Rep. Laura Sibilia, independent, representing Dover, Jamaica, Stratton, Somerset and Wardsboro.

This bill does two things:

Section 1

1. Defines State-directed spending in Section 1 to include specific aid from the Education Fund to school districts and certain Education Fund appropriations, excluding special education funding and transportation reimbursements.
2. Adds to 32 V.S.A. § 5402b(d) requiring the Commissioner to estimate State-directed spending for the next fiscal year and include that estimate in the December 1 letter..

Section 2 amends the effective date to make this change effective immediately

Why is this necessary?

Various factors outside the control of school districts, such as demographic changes, pandemic disruptions, and flawed equity calculations in education finance, have been affecting school budgets and tax rates. Additionally, there has been a significant amount of state-directed spending and unfunded mandates passed by the Legislature and agreed to by the Governor, which directly impacts the Education Fund. By including state-directed spending in the December 1 letter, we can increase transparency and accountability for the impact state decisions have on property tax rates. This may help us restrain our spending or find ways to pay for it.

16 V.S.A. § 4025

§ 4025. Education Fund

(a) The Education Fund is established to comprise the following:

(1) all revenue paid to the State from the statewide education tax on nonhomestead and homestead property under 32 V.S.A. chapter 135;

(2) [Repealed.]

(3) revenues from State lotteries under 31 V.S.A. chapter 14 and from any multijurisdictional lottery game authorized under that chapter;

(4) 25 percent of the revenues from the meals and rooms taxes imposed under 32 V.S.A. chapter 225;

(5) one-third of the revenues raised from the purchase and use tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

(6) revenues raised from the sales and use tax imposed by 32 V.S.A. chapter 233; and

(7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of this title.

(b) Monies in the Education Fund shall be used for the following:

(1) To make payments to school districts and supervisory unions for the support of education in accordance with the provisions of section 4028 of this title, other provisions of this chapter, the provisions of 32 V.S.A. chapter 135, and the Flexible Pathways Initiative established by section 941 of this title, but excluding adult education and literacy programs under section 945 of this title.

(2) To cover the cost of fund auditing, accounting, and of short-term borrowing to meet fund cash flow requirements.

(3) To make payments required under 32 V.S.A. § 6066(a)(1) and only that portion attributable to education taxes, as determined by the Commissioner of Taxes, of payments required under 32 V.S.A. § 6066(a)(3). The State Treasurer shall withdraw funds from the Education Fund upon warrants issued by the Commissioner of Finance and Management based on information supplied by the Commissioner of Taxes. The Commissioner of Finance and Management may draw warrants for disbursements from the Fund in anticipation of receipts. All balances in the Fund at the end of any fiscal year shall be carried forward and remain a part of the Fund. Interest accruing from the Fund shall remain in the Fund.

(4) To make payments to the Vermont Teachers' Retirement Fund and the Retired Teachers' Health and Medical Benefits Fund for the normal contributions in accordance with subsections 1944(c) and 1994b(h) of this title.

(5) To make payments for contracted services to support statewide administrative education systems, including the costs of the statewide school finance and financial management data system to complete the reporting required by subdivision 242(4) of this title and pursuant to 2018 (Sp. Sess.) Acts and Resolves No. 11, Sec. E.500.1.

(c) [Repealed.]

(d) Upon withdrawal of funds from the Education Fund for any purpose other than those authorized by this section, 32 V.S.A. chapter 135 (education property tax) is repealed. (Added 1997, No. 60, § 18, eff. July 1, 1998; amended 1997, No. 71 (Adj. Sess.), § 4, eff. March 11, 1998, § 68; 1997, No. 147 (Adj. Sess.), § 159(a); 1999, No. 1, § 102, eff. March 31, 1999; 1999, No. 62, § 127; 1999, No. 66 (Adj. Sess.), § 52, eff. Feb. 8, 2000; 1999, No. 152 (Adj. Sess.), § 166b; 2001, No. 63, § 277; 2001, No. 102 (Adj. Sess.), § 35a, eff. May 15, 2002; 2003, No. 19, § 50, eff. May 6, 2003; 2003, No. 68, § 36, eff. July 1, 2004; 2005, No. 38, § 4a, eff. June 2, 2005; 2005, No. 215 (Adj. Sess.), § 285; 2007, No. 65, § 184; 2009, No. 1 (Sp. Sess.), § E.513.1, eff. June 2, 2009; 2009, No. 67 (Adj. Sess.), § 63, eff. Feb. 25, 2010; 2009, No. 156 (Adj. Sess.), § E.139; 2011, No. 63, § E.513.1, eff. July 1, 2012; 2011, No. 63, § E.513.2; 2011, No. 143 (Adj. Sess.), § 56, eff. July 1, 2013; 2013, No. 179 (Adj. Sess.), § E.513.1; 2015, No. 48, § 7; 2015, No. 172 (Adj. Sess.), § E.513; 2017, No. 85, § E.500.2; 2017, No. 85, § H.3, eff. July 1, 2018; 2018, No. 11 (Sp. Sess.), § H.8; 2019, No. 72, § E.500.1; 2019, No. 88 (Adj. Sess.), § 66, eff. March 4, 2020; 2021, No. 114 (Adj. Sess.), § 25, eff. July 1, 2022.)

32 V.S.A. § 5402b)

§ 5402b. Statewide education tax yields; recommendation of the Commissioner

(a) Annually, no later than December 1, the Commissioner of Taxes, after consultation with the Secretary of Education, the Secretary of Administration, and the Joint Fiscal Office, shall calculate and recommend a property dollar equivalent yield, an income dollar equivalent yield, and a nonhomestead property tax rate for the following fiscal year. In making these calculations, the Commissioner shall assume:

(1) the homestead base tax rate in subdivision 5402(a)(2) of this title is \$1.00 per \$100.00 of equalized education property value;

(2) the applicable percentage in subdivision 6066(a)(2) of this title is 2.0;

(3) the statutory reserves under 16 V.S.A. § 4026 and this section were maintained at five percent; and

(4) the percentage change in the average education tax bill applied to nonhomestead property and the percentage change in the average education tax bill of homestead property and the percentage change in the average education tax bill for taxpayers who claim a credit under subsection 6066(a) of this title are equal.

(b) For each fiscal year, the property dollar equivalent yield and the income dollar equivalent yield shall be the same as in the prior fiscal year, unless set otherwise by the

General Assembly.

(c) Annually, on or before December 1, the Joint Fiscal Office shall prepare and publish an official, annotated copy of the Education Fund Outlook. The Emergency Board shall review the Outlook at its meetings. As used in this section, "Education Fund Outlook" means the projected revenues and expenses associated with the Education Fund for the following fiscal year, including projections of different categories of educational expenses and costs. (Added 2003, No. 68, § 5, eff. June 18, 2003; amended 2005, No. 185 (Adj. Sess.), § 10; 2009, No. 160 (Adj. Sess.), §§ 50, 51, eff. June 4, 2010; 2013, No. 92 (Adj. Sess.), § 285, eff. Feb. 14, 2014; 2013, No. 174 (Adj. Sess.), § 52; 2015, No. 46, § 32; 2015, No. 132 (Adj. Sess.), § 4; 2018, No. 11 (Sp. Sess.), §§ H.10a, H.29.)