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H.79

Introduced by Representatives Klein of East Montpelier and Greshin of
Warren

Referred to Committee on

Date:

Subject: Taxation; statewide education property tax; adequacy based financing

Statement of purpose of bill as introduced: This bill proposes to set a
statewide per pupil spending amount for each equalized student in each
district. The spending amount would be indexed to inflation. Towns could
spend over that amount in limited circumstances, but any additional spending
would be raised on the municipal property tax base, not the statewide property
tax base.

An act relating to creating a statewide per pupil spending amount

It is hereby enacted by the General Assembly of the State of Vermont:

* * * Statewide Per Pupil Spending Amount * * *

Sec. 1. STATEWIDE PER PUPIL SPENDING AMOUNT

(a) By July 1, 2016, the General Assembly shall determine a statewide per
pupil spending amount. The statewide per pupil spending amount shall be the
amount required to provide an adequate education for each student in the State
of Vermont. The determination of adequacy shall be based on the State's

1 obligation to its citizens, as well as the educational standards adopted under
2 Vermont law. The determination shall consider all sources of spending related
3 to education, including spending that is currently characterized as categorical
4 grants, but not including capital expenditures. The determination shall be
5 reached using one of the following four methods: the evidence-based model,
6 the professional judgment model, the successful schools model, or the cost
7 function model.

8 (b) By July 1, 2016, the General Assembly shall determine a formula for
9 equalizing a school district's pupil count, and shall amend 16 V.S.A. § 4010,
10 and any related sections of law, as necessary. The equalization of district pupil
11 counts will adjust the spending permitted for each district based on each of the
12 following factors, and any additional factors the General Assembly deems
13 necessary:

14 (1) whether a student is a prekindergarten, kindergarten or elementary
15 student, or secondary school student;

16 (2) whether a student is from an economically deprived background;

17 (3) whether a student is one for whom English is not his or her primary
18 language;

19 (4) whether a student has special education needs;

20 (5) whether any student requires extraordinary transportation
21 expenditures;

1 Sec. 3. 16 V.S.A. § 511 is amended to read:

2 § 511. BUDGET

3 ~~(a) At a meeting legally warned for that purpose, the electorate within an~~
4 ~~incorporated school district shall vote such sums of money as it deems~~
5 ~~necessary for the support of schools. If the sums are not approved or acted~~
6 ~~upon at the annual meeting, the electorate shall vote the questions at a duly~~
7 ~~warned special school district meeting. A district may vote money necessary~~
8 ~~for the support of schools to the end of the full school year next ensuing.~~

9 ~~(b) If the electorate of an incorporated school district votes for its budget~~
10 ~~by Australian ballot, it shall do so using ballot language jointly developed by~~
11 ~~the Secretary of Education and Secretary of State and adopted by the State~~
12 ~~Board, by rule.~~

13 The budget for each school district shall be the statewide per pupil spending
14 amount multiplied by the number of equalized pupils in the district. The
15 budget shall also include any funds raised by municipal taxes under Title 24
16 that are designated by the towns in the district under subsection 4011(i) of this
17 title.

18 Sec. 4. 16 V.S.A. § 4001 is amended to read:

19 § 4001. DEFINITIONS

20 As used in this chapter:

21 * * *

1 (6) “Education spending” means the amount of the school district
2 budget, any assessment for a joint contract school, career technical center
3 payments made on behalf of the district under subsection 1561(b) of this title,
4 and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is
5 paid for by the school district, but excluding any portion of the school budget
6 paid for from any other sources such as endowments, parental fund raising,
7 federal funds, nongovernmental grants, or other State funds ~~such as special~~
8 ~~education funds paid under chapter 101 of this title.~~

9 ~~(A) For purposes of determining whether a proposed budget shall be~~
10 ~~presented by means of a divided question pursuant to subdivision 563(11)(A)~~
11 ~~of this title, “education spending” shall not include:~~

12 ~~(i) Spending during the budget year for approved school capital~~
13 ~~construction for a project that received preliminary approval under section~~
14 ~~3448 of this title, including interest paid on the debt; provided the district shall~~
15 ~~not be reimbursed or otherwise receive State construction aid for the approved~~
16 ~~school capital construction.~~

17 ~~(ii) For a project that received final approval for State construction~~
18 ~~aid under chapter 123 of this title:~~

19 ~~(I) spending for approved school capital construction during the~~
20 ~~budget year that represents the district’s share of the project, including interest~~
21 ~~paid on the debt;~~

1 ~~(ii) payment during the budget year of interest on funds~~
2 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
3 ~~State aid for the project.~~

4 ~~(iii) For a district that provides for the education of its resident~~
5 ~~students in one or more grades by paying tuition and does not maintain a~~
6 ~~school that includes the grade or grades, in the district's discretion, the~~
7 ~~district's anticipated spending for tuition in the year for which the budget is~~
8 ~~proposed; alternatively, the district may choose to include within its definition~~
9 ~~of "education spending" its estimated tuition expenditures for the budget year.~~

10 ~~(iv) Spending attributable to the cost of planning the merger of a~~
11 ~~small school, which for purposes of this subdivision means a school with an~~
12 ~~average grade size of 20 or fewer students, with one or more other schools.~~

13 ~~(v) Spending attributable to the district's share of spending for~~
14 ~~21st Century Community Learning Centers after school programs.~~

15 ~~(vi) Spending during the budget year attributable to the costs of~~
16 ~~providing alternative educational opportunities designed to encourage at risk~~
17 ~~high school students to remain enrolled in and to graduate from high school,~~
18 ~~whether offered by the district or a contracting entity.~~

19 ~~(B) For purposes of calculating excess spending pursuant to~~
20 ~~32 V.S.A. § 5401(12), "education spending" shall not include:~~

1 ~~(i) Spending during the budget year for approved school capital~~
2 ~~construction for a project that received preliminary approval under section~~
3 ~~3448 of this title, including interest paid on the debt; provided the district shall~~
4 ~~not be reimbursed or otherwise receive State construction aid for the approved~~
5 ~~school capital construction.~~

6 ~~(ii) For a project that received final approval for State construction~~
7 ~~aid under chapter 123 of this title:~~

8 ~~(I) spending for approved school capital construction during the~~
9 ~~budget year that represents the district's share of the project, including interest~~
10 ~~paid on the debt;~~

11 ~~(II) payment during the budget year of interest on funds~~
12 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
13 ~~State aid for the project.~~

14 ~~(iii) Spending that is approved school capital construction~~
15 ~~spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future~~
16 ~~approved school capital construction costs, including that portion of tuition~~
17 ~~paid to an independent school designated as the public high school of the~~
18 ~~school district pursuant to section 827 of this title for capital construction costs~~
19 ~~by the independent school that has received approval from the State Board of~~
20 ~~Education, using the processes for preliminary approval of public school~~
21 ~~construction costs pursuant to subdivision 3448(a)(2) of this title.~~

1 ~~(iv) Spending attributable to the cost of planning the merger of a~~
2 ~~small school, which for purposes of this subdivision means a school with an~~
3 ~~average grade size of 20 or fewer students, with one or more other schools.~~

4 ~~(v) Spending attributable to the district's share of special~~
5 ~~education spending in excess of \$50,000.00 for any one student in the fiscal~~
6 ~~year occurring two years prior.~~

7 ~~(vi) A budget deficit in a district that pays tuition to a public~~
8 ~~school or an approved independent school or both for all of its resident~~
9 ~~students in any year in which the deficit is solely attributable to tuition paid for~~
10 ~~one or more new students who moved into the district after the budget for the~~
11 ~~year creating the deficit was passed.~~

12 ~~(vii) For a district that pays tuition for all of its resident students~~
13 ~~and into which additional students move after the end of the census period~~
14 ~~defined in subdivision (1)(A) of this section, the number of students that~~
15 ~~exceeds the district's most recent average daily membership and for whom the~~
16 ~~district will pay tuition in the subsequent year multiplied by the district's~~
17 ~~average rate of tuition paid in that year.~~

18 ~~(viii) Tuition paid by a district that does not operate a school and~~
19 ~~pays tuition for all resident students in kindergarten through grade 12, except~~
20 ~~in a district in which the electorate has authorized payment of an amount~~

1 ~~higher than the statutory rate pursuant to subsection 823(b) or 824(c) of this~~
2 ~~title.~~

3 ~~(ix) The assessment paid by the employer of teachers who become~~
4 ~~members of the State Teachers' Retirement System of Vermont on or after~~
5 ~~July 1, 2015, pursuant to section 1944d of this title.~~

6 * * *

7 (13) "Base education amount" means ~~a number used to calculate tax~~
8 ~~rates. The base education amount is \$6,800.00 per equalized pupil, adjusted as~~
9 ~~required under section 4011 of this title.~~

10 (14) ~~"Adjusted education payment" means the district's education~~
11 ~~spending per equalized pupil. "Extraordinary expenses" means costs borne by~~
12 ~~a school district that are unusual, unique, or above the statewide average of~~
13 ~~such costs borne by a district, and which are related to the following:~~

14 (A) special education needs in the district;

15 (B) transportation needs in the district;

16 (C) the above average or below average size of the district; or

17 (D) the population served by the district.

18 * * *

1 Sec. 5. 16 V.S.A. § 4011 is amended to read:

2 § 4011. EDUCATION PAYMENTS

3 (a) Annually, the General Assembly shall appropriate funds to pay for
4 ~~Statewide~~ statewide education spending and a portion of a base education
5 amount for each adult diploma student.

6 (b) For each fiscal year, the base education amount shall be \$6,800.00,
7 increased by the most recent New England Economic Project Cumulative Price
8 Index, as of November 15, for state and local government purchases of goods
9 and services from fiscal year 2005 through the fiscal year for which the amount
10 is being determined, plus an additional one-tenth of one percent.

11 (c) Annually, each school district shall receive an education spending
12 payment for support of education costs. ~~An unorganized town or gore shall~~
13 ~~receive an amount equal to its adjusted education payment for that year for~~
14 ~~each student based on the weighted average daily membership count, which~~
15 ~~shall not be equalized. In fiscal years 2007 and after, no district shall receive~~
16 ~~more than its education spending amount. The payment shall be the statewide~~
17 ~~per pupil spending amount multiplied by the equalized pupil count for the~~
18 ~~district as determined under section 4010 of this title.~~

19 * * *

1 (i) ~~Annually, by October 1, the Secretary shall send to school boards for~~
2 ~~inclusion in town reports and publish on the Agency website the following~~
3 ~~information:~~

4 (1) ~~the statewide average district spending per equalized pupil for the~~
5 ~~current fiscal year; and 125 percent of that average spending; and~~

6 (2) ~~a statewide comparison of student teacher ratios among schools that~~
7 ~~are similar in number of students and number of grades.~~ In addition to the
8 payments under this chapter from the State, school districts may also receive
9 funds transferred from the municipalities within the district, as prescribed by
10 this subsection. Municipalities may transfer funds to a school district equaling
11 up to ten percent of the district's education spending, if the district makes a
12 showing to the Agency of Education that additional funds are required due to
13 extraordinary expenses. The Agency of Education is authorized to publish
14 rules or procedures to implement this subsection.

15 Sec. 6. 16 V.S.A. § 4028 is amended to read:

16 § 4028. FUND PAYMENTS TO SCHOOL DISTRICTS

17 (a) On or before September 10, December 10, and April 30 of each school
18 year, one-third of the adjusted education payment under section 4011 of this
19 title shall become due to school districts; ~~except that districts that have not~~
20 ~~adopted a budget by 30 days before the date of payment under this subsection~~

1 ~~shall receive one quarter of the base education amount, and upon adoption of a~~
2 ~~budget shall receive additional amounts due under this subsection.~~

3 ~~(b) Payments made for special education under chapter 101 of this title, for~~
4 ~~career technical education under chapter 37 of this title, and for other aid and~~
5 ~~categorical grants paid for support of education shall also be from the~~
6 ~~Education Fund. [Repealed.]~~

7 ~~(c)(1) Any district that has adopted a school budget that includes high~~
8 ~~spending, as defined in 32 V.S.A. § 5401(12), shall, upon timely notice, be~~
9 ~~authorized to use a portion of its high spending penalty to reduce future~~
10 ~~education spending;~~

11 ~~(A) by entering into a contract with an operational efficiency~~
12 ~~consultant or a financial systems consultant to examine issues such as~~
13 ~~transportation arrangements, administrative costs, staffing patterns, and the~~
14 ~~potential for collaboration with other districts;~~

15 ~~(B) by entering into a contract with an energy or facilities~~
16 ~~management consultant; or~~

17 ~~(C) by engaging in discussions with other school districts about~~
18 ~~reorganization or consolidation for better service delivery at a lower cost.~~

19 ~~(2) To the extent approved by the Secretary, the Agency shall pay the~~
20 ~~district from the property tax revenue to be generated by the high spending~~
21 ~~increase to the district's spending adjustment as estimated by the Secretary, up~~

1 ~~to a maximum of \$5,000.00. For the purposes of this subsection, “timely~~
2 ~~notice” means written notice from the district to the Secretary by September 30~~
3 ~~of the budget year. If the district enters into a contract with a consultant~~
4 ~~pursuant to this subsection, the consultant shall not be an employee of the~~
5 ~~district or of the Agency. A copy of the consultant’s final recommendations or~~
6 ~~a copy of the district’s recommendations regarding reorganization, as~~
7 ~~appropriate, shall be submitted to the Secretary, and each affected town shall~~
8 ~~include in its next town report an executive summary of the consultant’s or~~
9 ~~district’s final recommendations and notice of where a complete copy is~~
10 ~~available. No district is authorized to obtain funds under this section more than~~
11 ~~one time in every five years. [Repealed.]~~

12 (d) Notwithstanding 32 V.S.A. § 502(b)(2), the Joint Fiscal Office shall
13 prepare a fiscal note for any legislation that requires a supervisory union or
14 school district to perform any action with an associated cost, but does not
15 provide money or a funding mechanism for fulfilling that obligation. Any
16 fiscal note prepared under this subsection shall be completed no later than the
17 date that the legislation is considered for a vote in the first committee to which
18 it is referred.

1 this title. ~~The homestead property tax rate for each municipality which is a~~
2 ~~member of a union or unified union school district shall be calculated as~~
3 ~~required under subsection (e) of this section.~~

4 (b) The ~~Statewide~~ statewide education tax shall be calculated as follows:

5 (1) The Commissioner of Taxes shall determine for each municipality
6 the education tax rates under subsection (a) of this section, divided by the
7 municipality's most recent common level of appraisal. The legislative body in
8 each municipality shall then bill each property taxpayer at the homestead or
9 nonresidential rate determined by the Commissioner under this subdivision,
10 multiplied by the education property tax grand list value of the property,
11 properly classified as homestead or nonresidential property and without regard
12 to any other tax classification of the property. Tax bills shall show the tax due
13 and the calculation of the rate determined under subsection (a) of this section,
14 divided by the municipality's most recent common level of appraisal,
15 multiplied by the current grand list value of the property to be taxed.

16 (2) Taxes assessed under this section shall be assessed and collected in
17 the same manner as taxes assessed under chapter 133 of this title with no tax
18 classification other than as homestead or nonresidential property.

19 ~~(3) If a district has not voted a budget by June 30, an interim homestead~~
20 ~~education tax shall be imposed at the base rate determined under subdivision~~
21 ~~(a)(2) of this section, divided by the municipality's most recent common level~~

1 ~~of appraisal, but without regard to any district spending adjustment. Within 30~~
2 ~~days after a budget is adopted and the deadline for reconsideration has passed,~~
3 ~~the Commissioner shall determine the municipality's homestead tax rate as~~
4 ~~required under subdivision (1) of this subsection.~~

5 (c) The treasurer of each municipality shall by December 1 of the year in
6 which the tax is levied and on June 1 of the following year pay to the State
7 Treasurer for deposit in the education fund one-half of the municipality's
8 statewide nonresidential tax and one-half of the municipality's homestead
9 education tax, as determined under subdivision (b)(1) of this section. The
10 Secretary of Education shall determine the municipality's net nonresidential
11 education tax payment and its net homestead education tax payment to the
12 State based on grand list information received by the Secretary no later than
13 the March 15 prior to the June 1 net payment. Payment shall be accompanied
14 by a return prescribed by the Secretary of Education. The municipality may
15 retain 0.225 of one percent of the total education tax collected, only upon
16 timely remittance of net payment to the State Treasurer. The municipality may
17 also retain \$15.00 for each late property tax adjustment claim filed after
18 April 15 and before September 2, as notified by the Department of Taxes, for
19 the cost of issuing a new property tax bill.

20 (d) A municipality which has upon its grand list an operating electric
21 generating plant subject to the tax under chapter 213 of this title shall be

1 subject to the nonresidential education property tax at three-quarters of the rate
2 provided in subdivision (a)(1) of this section, as adjusted under section 5402b
3 of this chapter; and shall be subject to the homestead education property tax at
4 three-quarters of the base rate provided in subdivision (a)(2) of this section, as
5 adjusted under section 5402b of this chapter, ~~and multiplied by its district~~
6 ~~spending adjustment.~~

7 (e) ~~The Commissioner of Taxes shall determine a homestead education tax~~
8 ~~rate for each municipality which is a member of a union or unified union~~
9 ~~school district as follows:~~

10 (1) ~~For a municipality which is a member of a unified union school~~
11 ~~district, use the base rate determined under subdivision (a)(2) of this section~~
12 ~~and a district spending adjustment based upon the education spending per~~
13 ~~equalized pupil of the unified union.~~

14 (2) ~~For a municipality which is a member of a union school district:~~

15 (A) ~~Determine the municipal district homestead tax rate using the~~
16 ~~base rate determined under subdivision (a)(2) of this section and a district~~
17 ~~spending adjustment based on the education spending per total equalized pupil~~
18 ~~in the municipality who attends a school other than the union school.~~

19 (B) ~~Determine the union district homestead tax rate using the base~~
20 ~~rate determined under subdivision (a)(2) of this section and a district spending~~

1 ~~adjustment based on the education spending per equalized pupil of the union~~
2 ~~school district.~~

3 ~~(C) Determine a combined homestead tax rate by calculating the~~
4 ~~weighted average of the rates determined under subdivisions (A) and (B) of~~
5 ~~this subdivision (2), with weighting based upon the ratio of union school~~
6 ~~equalized pupils from the member municipality to total equalized pupils of the~~
7 ~~member municipality; and the ratio of equalized pupils attending a school other~~
8 ~~than the union school to total equalized pupils of the member municipality.~~

9 ~~Total equalized pupils of the member municipality is based on the number of~~
10 ~~pupils who are legal residents of the municipality and attending school at~~
11 ~~public expense. If necessary, the Commissioner may adopt a rule to clarify~~
12 ~~and facilitate implementation of this subsection. [Repealed.]~~

13 Sec. 9. 32 V.S.A. § 5410(g) is amended to read:

14 (g) If the property identified in a declaration under subsection (b) of this
15 section is not the taxpayer's homestead, or if the owner of a homestead fails to
16 declare a homestead as required under this section, the Commissioner shall
17 notify the municipality, and the municipality shall issue a corrected tax bill that
18 may, as determined by the governing body of the municipality, include a
19 penalty of up to three percent of the education tax on the property. ~~However, if~~
20 ~~the property incorrectly declared as a homestead is located in a municipality~~
21 ~~that has a lower homestead tax rate than the nonresidential tax rate, or if an~~

1 ~~undeclared homestead is located in a municipality that has a lower~~
2 ~~nonresidential tax rate than the homestead tax rate, then the governing body of~~
3 ~~the municipality may include a penalty of up to eight percent of the education~~
4 ~~tax liability on the property.~~ If the Commissioner determines that the
5 declaration or failure to declare was with fraudulent intent, then the
6 municipality shall assess the taxpayer a penalty in an amount equal to 100
7 percent of the education tax on the property; plus any interest and late-payment
8 fee or commission which may be due. Any penalty imposed under this section
9 and any additional property tax interest and late-payment fee or commission
10 shall be assessed and collected by the municipality in the same manner as a
11 property tax under chapter 133 of this title. Notwithstanding section 4772 of
12 this title, issuance of a corrected bill issued under this section does not extend
13 the time for payment of the original bill, nor relieve the taxpayer of any interest
14 or penalties associated with the original bill. If the corrected bill is less than
15 the original bill, and there are also no unpaid current year taxes, interest or
16 penalties and no past year delinquent taxes or penalties and interest charges,
17 any overpayment shall be reflected on the corrected tax bill and refunded to the
18 taxpayer.

19 Sec. 10. 32 V.S.A. § 6061(14) is amended to read:

20 (14) "Statewide education tax rate" means the homestead education
21 property tax rate ~~multiplied by the municipality's education spending~~

1 ~~adjustment under subdivision 5402(a)(2) of this title and used to calculate taxes~~
2 ~~assessed in the municipal fiscal year which began in the taxable year under~~
3 ~~subdivision 5402(a)(2) of this title.~~

4 * * * Transition * * *

5 Sec. 11. TRANSITION

6 Notwithstanding any other provision of law, for fiscal year 2017, the
7 Agency of Education shall calculate education payments due under 16 V.S.A.
8 § 4011(c) as the amount that is halfway between the amount calculated under
9 16 V.S.A. § 4011(c) for fiscal year 2017 and the amount of the district's
10 education spending plus categorical State support grants in fiscal year 2016.

11 * * * Repeal * * *

12 Sec. 12. REPEAL

13 16 V.S.A. § 4016 (reimbursement for transportation costs) is repealed.

14 * * * Effective Dates * * *

15 Sec. 13. EFFECTIVE DATES

16 (a) This section and Sec. 1 shall take effect on passage.

17 (b) Secs. 2 through 12 shall take effect July 1, 2016, and apply to fiscal
18 year 2017 and forward.