

1 H.853

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; statewide education tax; rates; yield

5 Statement of purpose of bill as introduced: This bill proposes to set the
6 nonresidential property tax rate, the property dollar equivalent yield, and the
7 income dollar equivalent yield for fiscal year 2017. This bill also creates a
8 system for tracking the amount of unfunded education mandates and
9 recommending those amounts be added to the budget each year. The bill
10 creates a process by which merging school districts can consider the allocation
11 of capital assets and debt in the merger process. It would require the Secretary
12 to establish requirements for school districts to report information on surpluses
13 and reserve funds. And the bill also creates a study to examine whether to use
14 an aggregate common level of appraisal for merged districts.

15 An act relating to setting the nonresidential property tax rate, the property
16 dollar equivalent yield, and the income dollar equivalent yield for fiscal
17 year 2017, and other education changes

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

2 * * * Yields and Nonresidential Tax Rate * * *

3 Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME

4 DOLLAR EQUIVALENT YIELD FOR FISCAL YEAR 2017

5 Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2017 only:

6 (1) the property dollar equivalent yield is \$9,701.00; and

7 (2) the income dollar equivalent yield is \$10,870.00.

8 Sec. 2. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR

9 2017

10 For fiscal year 2017 only, the nonresidential education property tax imposed
11 under 32 V.S.A. § 5402(a)(2) shall be reduced from the rate of \$1.59 and
12 instead be \$1.53 per \$100.00.

13 * * * Excess Spending Penalty; Fiscal Year 2020 * * *

14 Sec. 3. 32 V.S.A. § 5401(12)(B) is amended to read:

15 (B) In excess of ~~121~~ 119 percent of the statewide average district
16 education spending per equalized pupil increased by inflation, as determined
17 by the Secretary of Education on or before November 15 of each year based on
18 the passed budgets to date. As used in this subdivision, “increased by
19 inflation” means increasing the statewide average district education spending
20 per equalized pupil for fiscal year 2014 by the most recent New England
21 Economic Project cumulative price index, as of November 15, for state and

1 local government purchases of goods and services, from fiscal year 2014
2 through the fiscal year for which the amount is being determined.

3 * * * Unfunded Mandates * * *

4 Sec. 4. 32 V.S.A. § 305b is added to read:

5 § 305b. UNFUNDED EDUCATION MANDATE AMOUNT TRANSFER

Within 30 days after the end of each annual legislative session of the
General Assembly, the Joint Fiscal Office and the Secretary of Administration
in consultation with the Secretary of Education shall estimate the “unfunded
education mandate amount.” This estimate shall equal the total dollar amount
required for supervisory unions and school districts to perform any action that
is required pursuant to legislation enacted during that annual legislative
session, and which has an ~~associated~~ *related* direct cost, but does not have a
specifically identified appropriation for fulfilling that obligation. The estimate
shall be for the fiscal year commencing on July 1 of the following year. The
Joint Fiscal Office and the Secretary of Administration shall present the
unfunded education mandate amount estimate to the Emergency Board at its
July meeting and the Emergency Board shall determine the unfunded
education mandate amount. The Governor’s budget report required under
section 306 of this title shall include a transfer of this amount from the General
Fund pursuant to 16 V.S.A. § 4025(a)(2) for the fiscal year commencing on
July 1 of the following year.

1 Sec. 5. 16 V.S.A. § 4025 is amended to read:

2 § 4025. EDUCATION FUND

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

4 * * *

5 (2) For each fiscal year, the amount of the general funds appropriated or
6 transferred to the Education Fund shall be:

7 (A) the total of \$277,400,000.00 plus the unfunded education
8 mandate amount, as defined in subsection (e) of this section;

9 (B) increased by the most recent New England Economic Project
10 Cumulative Price Index, as of November 15, for state and local government
11 purchases of goods and services from fiscal year 2012 through the fiscal year
12 for which the payment is being determined;

13 (C) plus an additional one-tenth of one percent.

14 * * *

(e) As used in this section, “unfunded education mandate amount” shall
mean the amount appropriated by the General Assembly in any fiscal year for
the purpose of providing funding for supervisory unions and school districts to
perform any action that is required pursuant to legislation, and which has an
~~associated~~ *related* direct cost, but does not otherwise have a specifically
identified appropriation for fulfilling that obligation. The “unfunded education

mandate amount” shall include the cumulative amount of these appropriations for all fiscal years in which they are made.

1 ~~Sec. 6. 16 V.S.A. § 4028(d) is amended to read:~~

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

Sec. 6. 16 V.S.A. § 4028(d) is amended to read:

(d) Notwithstanding 2 V.S.A. § 502(b)(2), the Joint Fiscal Office shall prepare a fiscal note for any legislation that requires a supervisory union or school district to perform any action with an ~~associated~~ related direct cost, but does not ~~provide money or a funding mechanism~~ have a specifically identified appropriation for fulfilling that obligation. Any fiscal note prepared under this subsection shall identify whether or not the estimated costs would be considered part of the “unfunded education mandate amount” under 32 V.S.A. § 305b for the next fiscal year. Any fiscal note prepared under this subsection shall be completed no later than the date that the legislation is considered for a vote in the first committee to which it is referred.

Sec. 6a. 32 V.S.A. § 5402b is amended to read:

§ 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 nonresidential property tax rate for the following fiscal year. In making these calculations, the Commissioner shall reference the Education Fund Outlook, described in subsection (c) of this section, and 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 median education tax bill applied to nonresidential property, the percentage change in the median education tax bill of homestead property, and the percentage change in the median education tax bill for taxpayers who claim an adjustment under subsection 6066(a) of this title are equal.

(b) For each fiscal year, the General Assembly shall set a property dollar equivalent yield and an income dollar equivalent yield, consistent with the definitions in this chapter.

(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 the unfunded education mandate amount, both as estimated in section 305b of this title, and as appropriated under section 4025 of this title.

1 * * *

2 * * * Transfer of Property and Debt of Merged Districts * * *

3 ~~Sec. 7. TRANSFER OF PROPERTY AND DEBT OF MERGED DISTRICTS~~

4 ~~(a) Notwithstanding any other provision of law, under 16 V.S.A.~~
5 ~~§ 706b(6)–(8) a study committee report may provide terms for transferring the~~
6 ~~ownership of capital assets, and the liability for any associated debt, from the~~
7 ~~merging districts to the towns within the merging district where those assets~~
8 ~~are fixed. A study committee report may also provide terms for leases that the~~
9 ~~new union district established under 16 V.S.A. chapter 11 shall enter into for~~
10 ~~these same capital assets.~~

1 ~~(b) A transfer of assets included in a study committee report under this~~
2 ~~section and approved under 16 V.S.A. chapter 11 shall not be considered a sale~~
3 ~~for the purpose of the refund upon sale requirement of 16 V.S.A. § 3448(b).~~

4 ~~(c) As used in this section, a union school district established under~~
5 ~~16 V.S.A. chapter 11 includes a school district voluntarily created pursuant to~~
6 ~~2015 Acts and Resolves No. 46, Sec. 6 or 7, or a regional education district, or~~
7 ~~any other district eligible to receive incentives pursuant to 2010 Acts and~~
8 ~~Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and~~
9 ~~2013 Acts and Resolves No. 56.~~

Sec. 7. TRANSFER OF DEBT OF MERGED DISTRICTS

(a) Notwithstanding any other provision of law, in the process of forming a union school district under 16 V.S.A. chapter 11, a study committee report under 16 V.S.A. § 706b may provide terms for transferring, either in whole or part, the liability for any indebtedness held by a merging district, from the merging district to the town or towns within the merging district.

(b) As used in this section, a union school district established under 16 V.S.A. chapter 11 includes a school district voluntarily created pursuant to 2015 Acts and Resolves No. 46, Sec. 6 or 7, or a regional education district, or any other district eligible to receive incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and 2013 Acts and Resolves No. 56.

1 (1) the Director of Property Valuation and Review or designee, who
2 shall chair the Committee;

3 (2) two town listers appointed by the Vermont Association of Listers
4 and Assessors;

5 (3) one school board member from a merged district, appointed by the
6 Vermont School Board Association;

7 (4) one member from the Vermont League of Cities and Towns,
8 appointed by the Board of Directors of that organization.

9 (c) Powers and duties. The Committee shall study the impact of
10 aggregating the common level of appraisal in a merged school district,
11 including the following issues:

12 (1) how to determine and calculate the aggregate CLA; and

13 (2) the potential impacts of aggregating the CLA, including any
14 advantages or disadvantages.

15 (d) Report. On or before December 15, 2016, the Committee shall submit a
16 written report to the House Committees on Ways and Means and on Education
17 and the Senate Committees on Finance and on Education with its findings and
18 any recommendations for legislative action.

19 (e) Assistance. For purposes of scheduling meetings and preparing
20 recommended legislation, the Committee shall have the assistance of
21 Department of Taxes.

1 (f) Meetings.

2 (1) The Director of Property Valuation and Review or designee shall
3 call the first meeting of the Committee to occur on or before August 1, 2016.

4 (2) A majority of the membership shall constitute a quorum.

(3) The Committee shall cease to exist on January 31, 2017.

5 (g) Nonlegislative members of the Committee shall be entitled to
6 compensation as provided under 32 V.S.A. § 1010.

Sec. 9a. REPORT ON THE IMPACT OF H.846 OF 2016

(a) On or before November 15, 2016, the Joint Fiscal Office, with the
assistance of the Office of Legislative Council and the Department of Taxes,
shall issue a report analyzing the impact of H.846 of 2016, an act related to
making changes to the calculation of the statewide education property tax.
The analysis shall be based on the statutory language presented to the House
Committee on Education on March 11, 2016. The report shall be delivered to
the Senate Committees on Finance and on Education and the House
Committees on Ways and Means and on Education.

(b) The report shall address:

(1) the impact of the proposed changes on education spending growth,
both at the district level and the State level;

(2) the impact of the proposed changes on school districts by spending
levels, size, location, and operating structure;

(3) the impact on homestead tax rates, income sensitivity percentages, and nonresidential tax rates across the State;

(4) the impact of the proposed changes on the Education Fund balance;

(5) the funding stability of the proposed changes based on variable economic conditions;

(6) any transition issues created by the proposed changes; and

(7) any related issues identified by the Joint Fiscal Office.

Sec. 9b. REPORT ON THE IMPACT OF H.656 OF 2016

(a) On or before November 15, 2016, the Joint Fiscal Office, with the assistance of the Office of Legislative Council and the Department of Taxes, shall issue a report analyzing the impact of H.656 of 2016, an act relating to creating an education tax that is adjusted by income for all taxpayers. The report shall be delivered to the Senate Committees on Finance and on Education and the House Committees on Ways and Means and on Education.

(b) The report shall address:

(1) the impact of the proposed changes on current groups of taxpayers, including taxpayers who pay an education property tax based on property value, those who pay based on income, and renters;

(2) the impact of imposing a cap, of various amounts, on the total amount of taxes paid by a taxpayer under the proposal, but at least including an analysis of a cap of \$25,000.00;

(3) the impact of the proposed changes on towns and the State, including administrative issues resulting from the proposed changes;

(4) how the proposed changes to current definition of housesite impact taxpayers at different levels of income and different levels of property values and how the changes would affect property owners with different configurations of property ownership;

(5) any transition issues created by the proposed changes;

(6) the impact of the proposed changes on taxpayer confidentiality; and

(7) any related issues identified by the Joint Fiscal Office.

Sec. 9c. REPORT ON AN ANALYSIS OF WEIGHTING FACTORS

The Agency of Education, with the assistance of other executive agencies, shall report to the General Assembly with recommendations on how to analyze the weighting factors that are used to determine equalized pupil counts under 16 V.S.A. § 4010, and how to analyze the effect of those weighting factors on educational opportunities. The report shall also consider how best to analyze whether any additional weighting factors beyond those currently listed in statute, including population density, could be used to provide education opportunities more equitably. The report shall include recommendations related to the staffing, cost, and data needs of such a study. The report shall be submitted to the Senate and House Committees on Education on or before December 15, 2016.

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* * * Effective Dates * * *

~~Sec. 10. EFFECTIVE DATES~~

~~This act shall take effect on July 1, 2016, except for Sec. 3 (excess spending) which shall take effect on July 1, 2019 and apply to excess spending calculations for fiscal year 2020 and after.~~

Sec. 10. EFFECTIVE DATES

This act shall take effect on July 1, 2016, except for:

(1) Sec. 3 (excess spending) which shall take effect on July 1, 2019 and apply to excess spending calculations for fiscal year 2020 and after; and

(2) Sec. 8 (data collection) which shall take effect on July 1, 2019.