

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 361
3 entitled “An act relating to making amendments to education funding,
4 education spending, and education governance” respectfully reports that it has
5 considered the same and recommends that the Report of the Committee on
6 Education be amended as follows:

7 First: In Sec. 6 (enhanced incentives), in subsection (a), by inserting a new
8 subdivision (7) to read:

9 (7) demonstrates in the study committee report presented to the State
10 Board and district voters pursuant to 16 V.S.A. chapter 11 that the proposed
11 governance changes will result in:

12 (A) increased equity in the quality and variety of educational
13 opportunities;

14 (B) increased operational efficiencies, through enhanced flexibility to
15 manage, share, and transfer resources;

16 (C) increased transparency and accountability; and

17 (D) reduced expenditures per equalized pupil;

18 and by renumbering existing subdivisions (7) and (8) to be subdivisions (8)
19 and (9)

20 Second: In Sec. 12 (declining enrollment; transition), by adding a new
21 subsection to be subsection (c) to read:

1 (15) “Property dollar equivalent yield” means the amount of spending
2 per equalized pupil that would result if the homestead tax rate were \$1.00 per
3 \$100.00 of equalized education property value, and the statutory reserves
4 under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

5 (16) “Income dollar equivalent yield” means the amount of spending per
6 equalized pupil that would result if the applicable percentage in subdivision
7 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under
8 16 V.S.A. § 4026 and section 5402b of this title were maintained.

9 Sec. 28. 32 V.S.A. § 5402 is amended to read:

10 § 5402. EDUCATION PROPERTY TAX LIABILITY

11 (a) A ~~Statewide~~ statewide education tax is imposed on all nonresidential
12 and homestead property at the following rates:

13 (1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

14 (2) The tax rate for homestead property shall be ~~\$1.10~~ \$1.00 multiplied
15 by the ~~district~~ education property tax spending adjustment for the municipality;
16 per \$100.00; of equalized education property value as most recently
17 determined under section 5405 of this title. The homestead property tax rate
18 for each municipality which is a member of a union or unified union school
19 district shall be calculated as required under subsection (e) of this section.

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

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

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

15 (3) If a district has not voted a budget by June 30, an interim homestead
16 education tax shall be imposed at the base rate determined under subdivision
17 (a)(2) of this section, divided by the municipality's most recent common level
18 of appraisal, but without regard to any ~~district~~ spending adjustment under
19 subdivision 5401(13) of this title. Within 30 days after a budget is adopted and
20 the deadline for reconsideration has passed, the Commissioner shall determine

1 the municipality's homestead tax rate as required under subdivision (1) of this
2 subsection.

3 * * *

4 (d) A municipality which has upon its grand list an operating electric
5 generating plant subject to the tax under chapter 213 of this title shall be
6 subject to the nonresidential education property tax at three-quarters of the rate
7 provided in subdivision (a)(1) of this section, as adjusted under section 5402b
8 of this chapter; and shall be subject to the homestead education property tax at
9 three-quarters of the base rate provided in subdivision (a)(2) of this section, as
10 adjusted under section 5402b of this chapter, and multiplied by its ~~district~~
11 spending adjustment under subdivision 5401(13) of this title.

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

15 (1) For a municipality which is a member of a unified union school
16 district, use the base rate determined under subdivision (a)(2) of this section
17 and a ~~district~~ spending adjustment under subdivision 5401(13) of this title
18 based upon the education spending per equalized pupil of the unified union.

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

20 (A) Determine the municipal district homestead tax rate using the
21 base rate determined under subdivision (a)(2) of this section and a ~~district~~

1 spending adjustment under subdivision 5401(13) of this title based on the
2 education spending per total equalized pupil in the municipality who attends a
3 school other than the union school.

4 (B) Determine the union district homestead tax rate using the base
5 rate determined under subdivision (a)(2) of this section and a ~~district~~ spending
6 adjustment under subdivision 5401(13) of this title based on the education
7 spending per equalized pupil of the union school district.

8 * * *

9 Sec. 29. 32 V.S.A. § 6066(a)(2) is amended to read:

10 (2) “Applicable percentage” in this section means two percent,
11 multiplied by the ~~district~~ education income tax spending adjustment under
12 subdivision 5401(13)(B) of this title for the property tax year which begins in
13 the claim year for the municipality in which the homestead residence is
14 located; ~~but in no event shall the applicable percentage be less than two~~
15 percent.

16 Sec. 30. REVISION AUTHORITY

17 Notwithstanding 4 V.S.A. § 424, the Office of Legislative Council is
18 authorized to change all instances in statute of the term “applicable
19 percentage” to “income percentage” in 32 V.S.A. chapters 135 and 154.

1 Sec. 31. 16 V.S.A. § 4031 is amended to read:

2 § 4031. UNORGANIZED TOWNS AND GORES

3 (a) For a municipality that as of January 1, 2004 is an unorganized town or
4 gore, its ~~district~~ education property tax spending adjustment under 32 V.S.A.
5 § 5401(13) shall be one for purposes of determining the tax rate under
6 32 V.S.A. § 5402(a)(2).

7 (b) For purposes of a claim for property tax adjustment under 32 V.S.A.
8 chapter 154 by a taxpayer in a municipality affected under this section, the
9 applicable percentage shall not be multiplied by a spending adjustment under
10 32 V.S.A. § 5401(13).

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

12 § 5402b. STATEWIDE EDUCATION TAX RATE ~~ADJUSTMENTS~~

13 YIELDS; RECOMMENDATION OF THE COMMISSIONER

14 ~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend~~
15 ~~to the General Assembly, after consultation with the Agency of Education, the~~
16 ~~Secretary of Administration, and the Joint Fiscal Office, the following~~
17 ~~adjustments in the statewide education tax rates under subdivisions 5402(a)(1)~~
18 ~~and (2) of this title:~~

19 ~~(1) If there is a projected balance in the Education Fund Budget~~
20 ~~Stabilization Reserve in excess of the five percent level authorized under~~
21 ~~16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the~~

1 following fiscal year only, in the statewide education tax rates which will
2 retain the projected Education Fund Budget Stabilization Reserve at the five
3 percent maximum level authorized and raise at least 34 percent of projected
4 education spending from the tax on nonresidential property; and

5 (2) If there is a projected balance in the Education Fund Budget
6 Stabilization Reserve of less than the three and one half percent level required
7 under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for
8 the following fiscal year only, in the statewide education tax rates which will
9 retain the projected Education Fund Budget Stabilization Reserve at no less
10 than the three and one half percent minimum level authorized under 16 V.S.A.
11 § 4026, and raise at least 34 percent of projected education spending from the
12 tax rate on nonresidential property.

13 (3) In any year following a year in which the nonresidential rate
14 produced an amount of revenues insufficient to support 34 percent of education
15 fund spending in the previous fiscal year, the Commissioner shall determine
16 and recommend an adjustment in the nonresidential rate sufficient to raise at
17 least 34 percent of projected education spending from the tax rate on
18 nonresidential property.

19 (4) If in any year in which the nonresidential rate is less than the
20 statewide average homestead rate, the Commissioner of Taxes shall determine
21 the factors contributing to the deviation in the proportionality of the

1 ~~nonresidential and homestead rates and make a recommendation for adjusting~~
2 ~~statewide education tax rates accordingly.~~

3 ~~(b) If the Commissioner makes a recommendation to the General Assembly~~
4 ~~to adjust the education tax rates under section 5402 of this title, the~~
5 ~~Commissioner shall also recommend a proportional adjustment to the~~
6 ~~applicable percentage base for homestead income based adjustments under~~
7 ~~section 6066 of this title, but the applicable percentage base shall not be~~
8 ~~adjusted below 1.94 percent.~~

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

14 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is
15 1.00 per \$100.00 of equalized education property value;

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

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

20 (4) the percentage change in the median education tax bill applied to
21 nonresidential property, the percentage change in the median education tax bill

1 of homestead property, and the percentage change in the median education tax
2 bill for taxpayers who claim an adjustment under subsection 6066(a) of this
3 title are equal.

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

7 * * * Fiscal Year 2016 Education Property Tax Rates, Applicable Percentage,
8 and Base Education Amount * * *

9 Sec. 33. FISCAL YEAR 2016 EDUCATION PROPERTY TAX RATES

10 AND APPLICABLE PERCENTAGE

11 (a) For fiscal year 2016 only, the education property tax imposed under
12 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and
13 shall instead be at the following rates:

14 (1) the tax rate for nonresidential property shall be \$1.535 per
15 \$100.00; and

16 (2) the tax rate for homestead property shall be \$1.00 multiplied by the
17 district spending adjustment for the municipality per \$100.00 of equalized
18 property value as most recently determined under 32 V.S.A. § 5405.

19 (b) For claims filed in 2015 only, “applicable percentage” in 32 V.S.A.
20 § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be
21 1.82 percent multiplied by the fiscal year 2015 district spending adjustment for

1 the municipality in which the homestead residence is located; but in no event
2 shall the applicable percentage be less than 1.82 percent.

3 Sec. 34. FISCAL YEAR 2016 BASE EDUCATION AMOUNT

4 As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal
5 year 2016 shall be \$9,459.00.

6 * * * Tuition; Statewide Average Rate * * *

7 Sec. 35. 16 V.S.A. § 823(b) is amended to read:

8 (b) Unless, in the case of a school located in Vermont, the electorate of a
9 school district authorizes payment of a higher amount at an annual or special
10 meeting warned for the purpose, the tuition paid to an approved independent
11 elementary school or an independent school meeting school quality standards
12 located in or outside Vermont shall not exceed the least of:

13 (1) the average announced tuition of Vermont union elementary schools
14 for the year of attendance;

15 (2) the tuition charged by the approved independent school for the year
16 of attendance; or

17 (3) the average per-pupil tuition the district pays for its other resident
18 elementary students in the year in which the student is enrolled in the approved
19 independent school.

1 Sec. 36. 16 V.S.A. § 824(c) is amended to read:

2 (c) The district shall pay an amount not to exceed the average announced
3 tuition of Vermont union high schools for the year of attendance for its
4 students enrolled in an approved independent school not functioning as a
5 Vermont area career technical center; ~~or any;~~ provided, however, that the
6 electorate may vote to pay a higher amount approved by the electorate to a
7 school located in Vermont at an annual or special meeting warned for that
8 purpose.

9 * * * Socioeconomic Isolation * * *

10 Sec. 37. SOCIOECONOMIC ISOLATION OF SCHOOL DISTRICTS

11 On or before January 15, 2016, the Secretary of Education shall:

12 (1) develop and establish guidelines and procedures by which the
13 Agency and the State Board of Education can minimize the possibility that
14 voluntary mergers and other education governance changes authorized,
15 contemplated, or incentivized by this act will result in the isolation of districts
16 with low fiscal capacity or with high percentages of students from
17 economically deprived backgrounds; and

18 (2) report to the Senate and House Committees on Education, and to
19 other standing committees upon request, regarding guidelines and procedures
20 designed to minimize the possibility of such isolation and any requests for
21 legislative action.

1 * * * Systems Evaluation and Leadership Training * * *

2 Sec. 38. SYSTEMS EVALUATION AND LEADERSHIP TRAINING

3 (a) The Secretary of Education, in consultation with the Vermont
4 Superintendents Association, the Vermont School Boards Association, and the
5 Vermont Principals' Association, shall evaluate and identify supervisory
6 unions and school districts that are experiencing chronic leadership challenges,
7 as revealed by high administrator turnover rates and other indicators. The
8 Secretary may enter into contracts with one or more qualified entities to
9 provide systems evaluation and joint leadership training to the superintendent,
10 principals, and school board members of each identified supervisory union or
11 school board, which shall be in addition to the training required by 16 V.S.A.
12 § 561(b). The systems evaluations shall identify specific problems, including
13 those associated with structure, communication, or delineation of roles and
14 responsibilities, that limit successful outcomes for leadership within the
15 identified districts and shall lead to recommendations for leadership
16 improvement.

17 (b) Prior to any reversions, of the amount appropriated in fiscal year 2015
18 pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, an amount not to
19 exceed \$50,000.00 may be expended, if necessary, by the Agency of Education
20 in fiscal year 2016 for purposes of this section.

21 and by renumbering the former Sec. 26 (effective dates) to be Sec. 39

1 Fourth: In Sec. 39 (effective dates), in subsection (m) (local education
2 agency), by striking out the year “2015” and inserting in lieu thereof the year
3 2016

4 Fifth: In Sec. 39 (effective dates), by adding five new subsections to be
5 subsections (x) through (bb) to read:

6 (x) Secs. 26–32 (yield; dollar equivalent) shall take effect on July 1, 2015,
7 and apply to fiscal year 2017 and after.

8 (y) Secs. 33–34 (fiscal year 2016; tax rates; base education amount) shall
9 take effect on July 1, 2015, and apply to fiscal year 2016.

10 (z) Secs. 35–36 (tuition amounts) shall take effect on July 1, 2015 and shall
11 apply to tuition paid in fiscal year 2017 (academic year 2016–2017) and after.

12 (aa) Sec. 37 (socioeconomic isolation) shall take effect on passage.

13 (bb) Sec. 38 (leadership training; authorization) shall take effect on
14 passage.

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17 (Committee vote: 6 – 0 – 1)

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Senator MacDonald

FOR THE COMMITTEE