

Report of Committee of Conference

H.853

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

The Committee of Conference, to which were referred the disagreeing votes of the two Houses upon Senate Bill, entitled:

H.853. An act relating to setting the nonresidential property tax rate, the property dollar equivalent yield, and the income dollar equivalent yield for fiscal year 2017, and other education changes

Respectfully reports that it has met and considered the same and recommends that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

\* \* \* Yields and Nonresidential Tax Rate \* \* \*

Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME

DOLLAR EQUIVALENT YIELD FOR FISCAL YEAR 2017

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

- (1) the property dollar equivalent yield is \$9,701.00; and
- (2) the income dollar equivalent yield is \$10,870.00.

Sec. 2. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL  
YEAR 2017

For fiscal year 2017 only, the nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2) shall be reduced from the rate of \$1.59 and instead be \$1.535 per \$100.00.

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

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

(B) In excess of ~~124~~ 119 percent of the statewide average district education spending per equalized pupil increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date. As used in this subdivision, “increased by inflation” means increasing the statewide average district education spending per equalized pupil for fiscal year 2014 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2014 through the fiscal year for which the amount is being determined.

\* \* \* Unfunded Mandates \* \* \*

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

§ 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 a 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.

**[Omits sentence requiring amount to be reflected in Governor’s budget report]**

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

§ 4025. EDUCATION FUND

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

\* \* \*

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

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

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

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

\* \* \*

(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 a 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.

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~~ a 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~~ on or before 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.

\* \* \*

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

#### 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.

\* \* \* Duties of Secretary \* \* \*

Sec. 8. 16 V.S.A. § 212 is amended to read:

§ 212. SECRETARY'S DUTIES GENERALLY

The Secretary shall execute those policies adopted by the State Board in the legal exercise of its powers and shall:

\* \* \*

(9) Establish requirements for information to be submitted by school districts, including necessary statistical data and other information and ensure, to the extent possible, that data are reported in a uniform way. Data collected under this subdivision shall include budget surplus amounts, reserve fund amounts, and information concerning the purpose and use of any reserve funds.

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\* \* \* Study on Aggregate Common Level of Appraisal \* \* \*

Sec. 9. COMMON LEVEL OF APPRAISAL; MERGED SCHOOL  
DISTRICT; STUDY COMMITTEE; REPORT

(a) Creation. There is created a Common Level of Appraisal (CLA) Study Committee to study the use of an aggregate common level of appraisal in a merged school district to determine the statewide education tax for each municipality in that district.

(b) Membership. The Committee shall be composed of the following five members:

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

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

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

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

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

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



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

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

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

(f) Meetings.

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

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

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

(g) Nonlegislative members of the Committee shall be entitled to 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. IMPLEMENTATION OF S.175 OF 2016

(a) On or before December 15, 2016, the Joint Fiscal Office, with the assistance of the Office of Legislative Council and the Department of Taxes, shall issue a report identifying any issues related to the implementation of S.175 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 different groups of taxpayers,  
including taxpayers who pay an education property tax based on property value  
and those who pay based on income, given a transition point in Sec. 4 of this  
act of \$47,000.00, \$90,000.00, and \$250,000.00;

(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) any transition issues created by the proposed changes;

(5) the impact of the proposed changes on taxpayer confidentiality, if  
any; and

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

\* \* \* Calculation of Certain Tax Rates \* \* \*

Sec. 10. CALCULATION OF TAX RATES FOR MEMBER TOWNS IN  
VOLUNTARY SCHOOL GOVERNANCE MERGERS; REPORT

(a) Definitions. As used in this section:

(1) The “five percent provision” means collectively the provisions in 2010 Acts and Resolves No. 153, 2012 Acts and Resolves No.156, and 2015 Acts and Resolves No. 46, limiting a town’s equalized homestead property tax rate increase or decrease, and related household income percentage adjustments, to five percent in a single year during the years in which the corresponding tax rate reductions apply to a new union school district’s equalized unified homestead property rate.

(2) The “tax rate reductions” means collectively the equalized homestead property tax rate reductions, and related household income percentage reductions, provided for voluntary school governance mergers in 2010 Act and Resolves No. 153, 2012 Acts and Resolves No. 156, and 2015 Acts and Resolves No. 46.

(b) Intent.

(1) In 2010 Acts and Resolves No. 153, 2012 Acts and Resolves No. 156, and 2015 Acts and Resolves No. 46, the General Assembly has provided incentives for voluntary school governance merger in the form of equalized homestead property tax rate reductions. Depending upon the provisions of the particular act, the tax rate reductions apply to a new union school district’s equalized unified homestead property tax rate during either the first four or five years in which the district operates.

(2) The General Assembly recognizes that even with tax rate reductions, a member town in a new union school district might have an equalized unified homestead property tax rate that is either higher or lower than its pre-merger rate. As a result, in each of the three cited acts and until a member town reaches the new unified rate, the General Assembly shall ease a member town's transition to the new unified rate by limiting a town's equalized homestead property tax rate by the five percent provision. For an accelerated merger under Act 56, Sec. 6, however, if a member town's pre-merger tax rate is greater than the unified rate, then the town's rate decreases to the unified rate in the first year of operation and is not limited by the five percent provision.

(3) The five percent provision is not, and has never been, intended to be an incentive that would limit fluctuations in a member town's equalized homestead property tax rate regardless of the spending decisions a new union school district makes. It is the intent of the General Assembly that any large or unusual spending increases by a new union school district continue to be reflected in the tax rates of the member towns.

(c) Clarification of a unified rate. In any fiscal year in which tax rate reductions are applied to the equalized homestead property tax rate of a union school district, if the tax rate of a member town is determined to be the same as the new district's equalized homestead property tax rate, then the member town's tax rate shall be the same as the new district's equalized homestead

property tax rate and shall not be adjusted pursuant to the five percent provision in Act 153, 156, or 46 in that or any subsequent year.

(d) Report. On or before December 15, 2016, the Agency of Education, in consultation with representatives of the Vermont School Boards Association, the VT -National Education Association, and the Vermont Superintendents' Association, shall report to the General Assembly with recommendations on how best to calculate tax rates for member towns whose tax rates are different from the unified rate for the new union school district. As part of the report, the Agency shall request preliminary budget data from all districts to whom the tax rate reductions will apply in fiscal year 2018, and shall report on any large or unusual spending proposals. The Agency shall submit its report to the Senate Committees on Education and on Finance, and the House Committees on Education and on Ways and Means.

\* \* \* Effective Dates \* \* \*

#### Sec. 11. 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.

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

(3) Sec. 10(b) (calculation at unified rate) shall take effect on passage and notwithstanding 1 V.S.A. § 214, apply retroactively to any union school district created on or after July 1, 2010.

COMMITTEE ON THE PART OF  
THE SENATE

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SEN. ANN E. CUMMINGS

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SEN. MARK a. MACDONALD

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SEN. VIRGINIA V. LYONS

COMMITTEE ON THE PART OF  
THE HOUSE

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REP. DAVID D. SHARPE

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REP. ADAM M. GRESHIN

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REP. JAMES O. CONDON