

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 Senate propose to the House that  
6 the bill 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:** After Sec. 25, by adding **15** new sections to be Secs. 26 through  
21 **40** and their related reader assistance headings to read:



1 ~~the averaging shall continue until the district no longer qualifies for such~~  
2 ~~treatment.~~

3 (B) “Education income tax spending adjustment” means the greater of:  
4 one or a fraction in which the numerator is the district’s education spending  
5 plus excess spending, per equalized pupil, for the school year; and the  
6 denominator is the income dollar equivalent yield for the school year, as  
7 defined in subdivision (16) of this section.

8 \* \* \*

9 (15) “Property dollar equivalent yield” means the amount of spending  
10 per equalized pupil that would result if the homestead tax rate were \$1.00 per  
11 \$100.00 of equalized education property value, and the statutory reserves  
12 under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

13 (16) “Income dollar equivalent yield” means the amount of spending per  
14 equalized pupil that would result if the applicable percentage in subdivision  
15 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under  
16 16 V.S.A. § 4026 and section 5402b of this title were maintained.

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

18 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

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

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

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

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





1 located; but in no event shall the applicable percentage be less than two  
2 percent.

3 Sec. 30. REVISION AUTHORITY

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

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

8 § 4031. UNORGANIZED TOWNS AND GORES

9 (a) For a municipality that as of January 1, 2004 is an unorganized town or  
10 gore, its ~~district~~ education property tax spending adjustment under 32 V.S.A.  
11 § 5401(13) shall be one for purposes of determining the tax rate under  
12 32 V.S.A. § 5402(a)(2).

13 (b) For purposes of a claim for property tax adjustment under 32 V.S.A.  
14 chapter 154 by a taxpayer in a municipality affected under this section, the  
15 applicable percentage shall not be multiplied by a spending adjustment under  
16 32 V.S.A. § 5401(13).

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

18 § 5402b. STATEWIDE EDUCATION TAX RATE ADJUSTMENTS

19 YIELDS; RECOMMENDATION OF THE COMMISSIONER

20 ~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend~~  
21 ~~to the General Assembly, after consultation with the Agency of Education, the~~

1 Secretary of Administration, and the Joint Fiscal Office, the following  
2 adjustments in the statewide education tax rates under subdivisions 5402(a)(1)  
3 and (2) of this title:

4 (1) ~~If there is a projected balance in the Education Fund Budget~~  
5 ~~Stabilization Reserve in excess of the five percent level authorized under~~  
6 ~~16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the~~  
7 ~~following fiscal year only, in the statewide education tax rates which will~~  
8 ~~retain the projected Education Fund Budget Stabilization Reserve at the five~~  
9 ~~percent maximum level authorized and raise at least 34 percent of projected~~  
10 ~~education spending from the tax on nonresidential property; and~~

11 (2) ~~If there is a projected balance in the Education Fund Budget~~  
12 ~~Stabilization Reserve of less than the three and one half percent level required~~  
13 ~~under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for~~  
14 ~~the following fiscal year only, in the statewide education tax rates which will~~  
15 ~~retain the projected Education Fund Budget Stabilization Reserve at no less~~  
16 ~~than the three and one half percent minimum level authorized under 16 V.S.A.~~  
17 ~~§ 4026, and raise at least 34 percent of projected education spending from the~~  
18 ~~tax rate on nonresidential property.~~

19 (3) ~~In any year following a year in which the nonresidential rate~~  
20 ~~produced an amount of revenues insufficient to support 34 percent of education~~  
21 ~~fund spending in the previous fiscal year, the Commissioner shall determine~~

1 ~~and recommend an adjustment in the nonresidential rate sufficient to raise at~~  
2 ~~least 34 percent of projected education spending from the tax rate on~~  
3 ~~nonresidential property.~~

4 ~~(4) If in any year in which the nonresidential rate is less than the~~  
5 ~~statewide average homestead rate, the Commissioner of Taxes shall determine~~  
6 ~~the factors contributing to the deviation in the proportionality of the~~  
7 ~~nonresidential and homestead rates and make a recommendation for adjusting~~  
8 ~~statewide education tax rates accordingly.~~

9 ~~(b) If the Commissioner makes a recommendation to the General Assembly~~  
10 ~~to adjust the education tax rates under section 5402 of this title, the~~  
11 ~~Commissioner shall also recommend a proportional adjustment to the~~  
12 ~~applicable percentage base for homestead income based adjustments under~~  
13 ~~section 6066 of this title, but the applicable percentage base shall not be~~  
14 ~~adjusted below 1.94 percent.~~

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





1 6066(b) of this title in excess of \$3,000.00. No taxpayer shall receive total  
2 adjustments under this chapter in excess of \$8,000.00 related to any one  
3 property tax year.

4 (b) To be eligible for an adjustment under this chapter, a claimant shall  
5 verify on a form prescribed by the Commissioner that the aggregate net worth  
6 of all members of the household does not exceed \$1,000,000.00. If the claim  
7 for adjustment is prepared by a professional tax preparer, the preparer shall  
8 affirm after reasonable inquiry that, to the best of his or her knowledge, the  
9 claim regarding net worth is accurate and complete. As used in this  
10 subsection, “net worth” means the excess of total assets over total liabilities;  
11 provided, however, that in determining net worth, the claimant shall disregard  
12 the following:

13 (1) the value of and the liability, if any, on the claimant’s primary  
14 residence; and

15 (2) the value of any nonrevocable trust fund established for the benefit  
16 of a minor or a disabled adult.

17 \* \* \* Tuition; Statewide Average Rate \* \* \*

18 **Option A – VT and Outside VT:**

19 Sec. 36. 16 V.S.A. § 823(b) is amended to read:

20 (b) ~~Unless the electorate of a school district authorizes payment of a higher~~  
21 ~~amount at an annual or special meeting warned for the purpose, the~~ The tuition

1 paid to an approved independent elementary school or an independent school  
2 meeting school quality standards shall not exceed the least of:

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

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

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

10 Sec. 37. 16 V.S.A. § 824(c) is amended to read:

11 (c) The district shall pay an amount not to exceed the average announced  
12 tuition of Vermont union high schools for the year of attendance for its  
13 students enrolled in an approved independent school not functioning as a  
14 Vermont area career technical center, ~~or any higher amount approved by the~~  
15 ~~electorate at an annual or special meeting warned for that purpose.~~

16 **Option B – Outside VT only:**

17 Sec. 36. 16 V.S.A. § 823(b) is amended to read:

18 (b) Unless, in the case of a school located in Vermont, the electorate of a  
19 school district authorizes payment of a higher amount at an annual or special  
20 meeting warned for the purpose, the tuition paid to an approved independent

1 elementary school or an independent school meeting school quality standards  
2 located in or outside Vermont shall not exceed the least of:

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

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

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

10 Sec. 37. 16 V.S.A. § 824(c) is amended to read:

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

1                   \* \* \* Education Spending; Health Care Costs \* \* \*

2           Sec. 38. EDUCATION SPENDING: HEALTH CARE COSTS

3           (a) Findings. The General Assembly finds:

4                   (1) Health care expenses are a major cause of increases in school  
5                   budgets and education property taxes.

6                   (2) Until the State solves problems associated with the **rate** of health  
7                   care **cost increases**, it will be increasingly difficult for school districts to  
8                   contain education spending and education property taxes.

9           (b) On or before November 1, 2015, the Director of Health Care Reform in  
10           the Agency of Administration shall report to the Health Reform Oversight  
11           Committee, the House and Senate Committees on Education, the House  
12           Committee on Health Care, and the Senate Committee on Health and Welfare  
13           with options for **regarding**:

14                   (1) **the cost of health care as a percentage of total educational**  
15                   **spending, including the costs of staff benefits, special education Medicaid**  
16                   **costs, and any other health-care-related cost included in district and**  
17                   **supervisory union budgets;**

18                   (2) **the design of options for providing** health benefits for school  
19                   employees that will not trigger the excise tax on high-cost,  
20                   employer-sponsored insurance plans pursuant to 26 U.S.C. § 4980I; and



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

2           Sec. 40. SYSTEMS EVALUATION AND LEADERSHIP TRAINING

3           (a) The Secretary of Education shall evaluate and identify supervisory  
4           unions and school districts within them that are experiencing chronic  
5           leadership challenges, as revealed by high administrator turnover rates and  
6           other indicators. The Secretary shall enter into contracts with one or more  
7           qualified entities to provide systems evaluation and joint leadership training to  
8           the superintendent, principals, and school board members of each identified  
9           supervisory union or school board, which shall be in addition to the training  
10           required by 16 V.S.A. § 561(b).

11           (b) Prior to any reversions, of the amount appropriated in fiscal year 2015  
12           pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, the sum of  
13           \$50,000.00 may be expended by the Agency of Education in fiscal year 2016  
14           for purposes of this section.

15           and by renumbering the former Sec. 26 (effective dates) to be Sec. 41

16           **Third:** In Sec. 41 (effective dates), in subsection (m) (local education  
17           agency), by striking out the year “2015” and inserting in lieu thereof the year  
18           2016

19           **Fourth:** In Sec. 41 (effective dates), by adding seven new subsections to be  
20           subsections (x) through (dd) to read:

1        (x) Secs. 26 through 32 (yield; dollar equivalent) shall take effect on July 1,  
2        2015, and apply to fiscal year 2017 and after.

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

5        (z) Sec. 35 (asset limits) shall take effect on January 1, 2016 and shall  
6        apply to claims filed in 2016 and after.

7        (aa) Secs. 36–37 (tuition amounts) shall take effect on July 1, 2015 and  
8        shall apply to tuition paid in fiscal year 2017 (academic year 2016–2017) and  
9        after.

10       (bb) Sec. 38 (health care costs; proposals) shall take effect on passage.

11       (cc) Sec. 39 (socioeconomic isolation) shall take effect on passage.

12       (dd) Sec. 40 (leadership training; authorization) shall take effect on  
13       passage.

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17       (Committee vote: \_\_\_\_\_)

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\_\_\_\_\_

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Senator \_\_\_\_\_

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FOR THE COMMITTEE