

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 853
3 entitled “An act relating to setting the nonresidential property tax rate, the
4 property dollar equivalent yield, and the income dollar equivalent yield for
5 fiscal year 2017, and other education changes” respectfully reports that it has
6 considered the same and recommends that the Senate propose to the House that
7 the bill, as amended by the Committee on Education, be further amended as
8 follows:

9 First: By striking out Sec. 3 (debt of merging districts) in its entirety and
10 inserting in lieu thereof the following:

11 Sec. 3. [Deleted.]

12 Second: By striking out Sec. 6 in its entirety, and inserting in lieu thereof a
13 new Sec. 6 to read as follows:

14 Sec. 6. REPORT ON THE IMPACT OF S.168 OF 2016

15 (a) On or before November 15, 2016, the Joint Fiscal Office, with the
16 assistance of the Office of Legislative Council and the Department of Taxes,
17 shall issue a report analyzing the impact of S.168 of 2016, an act related to
18 incentives for lower education spending. The report shall be delivered to the
19 Senate Committees on Finance and on Education and the House Committees
20 on Ways and Means and on Education.

1 (b) The report shall address:

2 (1) the impact of the proposed changes on education spending growth,

3 both at the district level and the State level;

4 (2) the impact of the proposed changes on school districts by spending

5 levels, size, location, and operating structure;

6 (3) the impact on homestead tax rates, income sensitivity percentages,

7 and nonresidential tax rates across the State;

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

9 (5) the funding stability of the proposed changes based on variable

10 economic conditions;

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

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

13 Third: By striking out Sec. 7 in its entirety, and inserting in lieu thereof a
14 new Sec. 7 to read as follows:

15 Sec. 7. IMPLEMENTATION OF S.175 OF 2016

16 (a) On or before December 15, 2016, the Joint Fiscal Office, with the

17 assistance of the Office of Legislative Council and the Department of Taxes,

18 shall issue a report identifying any issues related to the implementation of

19 S.175 of 2016, an act relating to creating an education tax that is adjusted by

20 income for all taxpayers. The report shall be delivered to the Senate

1 Committees on Finance and on Education and the House Committees on Ways
2 and Means and on Education.

3 (b) The report shall address:

4 (1) the impact of the proposed changes on different groups of taxpayers,
5 including taxpayers who pay an education property tax based on property value
6 and those who pay based on income, given a transition point in Sec. 4 of the
7 bill of \$47,000.00, \$90,000.00, and \$250,000.00;

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

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

13 (4) any transition issues created by the proposed changes;

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

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

17 Fourth: By inserting a Sec. 7a to read as follows:

18 Sec. 7a. CALCULATION OF TAX RATES FOR MEMBER TOWNS IN
19 VOLUNTARY SCHOOL GOVERNANCE MERGERS

20 (a) Definitions. As used in this section:

1 (1) The “tax rate reductions” means collectively the equalized
2 homestead property tax rate reductions, and related household income
3 percentage reductions, provided for voluntary school governance mergers in
4 2010 Acts and Resolves No. 153, 2012 Acts and Resolves No. 156, and 2015
5 Acts and Resolves No. 46.

6 (2) The “five percent provision” means collectively the provisions in
7 2010 Acts and Resolves No. 153, 2012 Acts and Resolves No. 156, and 2015
8 Acts and Resolves No. 46, limiting a town’s equalized homestead property tax
9 rate increase or decrease, and related household income percentage
10 adjustments to five percent in a single year during the years in which the
11 corresponding tax rate reductions apply to a new union school district’s
12 equalized unified homestead property tax rate.

13 (3) “Yield change” means the percentage change in the property dollar
14 equivalent yield from the year for which the equalized homestead property tax
15 rate is being calculated, and the prior fiscal year.

16 (b) Calculation of tax rates for member towns in voluntary school
17 governance mergers.

18 (1) In any fiscal year in which tax rate reductions are applied to the
19 equalized homestead property tax rate of a union school district, if the tax rate
20 of a member town is determined to be the same as the new district’s equalized
21 homestead property tax rate, then the member town’s tax rate shall be the same

1 as the new district’s equalized homestead property tax rate and shall not be
2 adjusted pursuant to the five percent provision in that or any subsequent year.

3 (2) In a fiscal year in which the tax rate reductions are applied, if a new
4 union school district’s education spending per equalized pupil increases by
5 more than the yield change above its education spending per equalized pupil in
6 the prior fiscal year, then the five percent provision shall be adjusted by the
7 difference between the yield change and the actual increase (the “percentage
8 point increase”) as follows:

9 (A) the tax rate of a member town that would otherwise be increased
10 by no more than five percent shall be increased by no more than five percent
11 plus the percentage point increase; and

12 (B) the tax rate of a member town that would otherwise be decreased
13 by no more than five percent shall be decreased by no more than five percent
14 minus the percentage point increase.

15 (3) For purposes of the adjustments required by subdivision (2) of this
16 subsection, in the first fiscal year in which a union school district operates, the
17 union school district’s “education spending per equalized pupil in the prior
18 fiscal year” shall be defined as the total education spending of all merging
19 districts in the year prior to merger, divided by the total number of equalized
20 pupils of all the merging districts in the year prior to merger.

1 (4) For any fiscal year in which the provisions of subdivision (2) of this
2 subsection shall apply, a union school district may appeal to the Secretary of
3 Education for an exemption in that fiscal year. The Secretary may grant the
4 requested exemption upon demonstration that the increase was beyond the
5 union school district’s control or for other good cause shown. The Secretary’s
6 determination shall be final.

7 Fifth: By striking Sec. 8 (effective dates) in its entirety and inserting in lieu
8 thereof the following:

9 Sec. 8. EFFECTIVE DATES

10 This act shall take effect on passage, except:

11 (1) Sec. 4 (data collection) shall take effect on July 1, 2019.

12 (2) Sec. 7a(b)(1) (calculation at unified rate) shall take effect on passage
13 and shall apply retroactively to any union school district created on or after
14 July 1, 2010.

15 (3) Sec. 7a(b)(2) (calculation at variance with unified rate) shall take
16 effect on passage and shall apply to calculations where the “prior fiscal year” is
17 fiscal year 2016 or after.

18 (Committee vote: _____)

19 _____

20 Senator _____

21 FOR THE COMMITTEE