

**Current law**

- Imposes a variable AGP by district 0% to 5.5%
- Imposes 100% penalty on excess spending
- Apply in FY2017 and FY2018

**House amendment - passed**

- Increases thresholds by 0.9 percentage points
- Imposes 25% penalty on excess spending
- Directs AOE to use threshold calculation that results in lowest tax rate
- No change in FY2018

**Senate amendment – proposed**

- Does not increase current law thresholds
- Exempts districts spending below statewide per pupil average in FY2016
- Imposes 30% penalty on excess spending
- AOE to use threshold calculation that results in lowest tax rate
- Repeals thresholds for FY2018

Mark Penreault 1/28/16

**Senate Bill No. 233: Act 46 Education Spending Thresholds in FY2017**

	<b>Current Law</b> Act 46 thresholds	<b>House - Amendment</b> Modifies Act 46 thresholds <sup>4</sup>	<b>Senate - Proposal</b> Modifies Act 46 Thresholds <sup>5</sup>	<b>Senate - as Passed</b> Repeals Act 46 thresholds <sup>6</sup>
Estimated number of districts over the threshold <sup>1</sup>	127 districts over their spending threshold	106 districts over their spending threshold	78 districts over their spending threshold	24 districts over \$16,905 per equalized pupil
Estimated penalty for excess spending <sup>2</sup>	\$9.5 million	\$1.8 million	\$1.9 million	\$1.2 million
Estimated property yield per equalized pupil <sup>3</sup>	\$9,870	\$9,742	\$9,744	\$9,733
Homestead property tax rate in an unpenalized district spending \$15,000 per equalized pupil	\$1.5198	\$1.5397	\$1.5394	\$1.5411
Estimated property yield per equalized pupil <sup>3</sup>	\$11,065	\$10,882	\$10,917	\$10,901
Homestead income tax rate in an unpenalized district spending \$15,000 per equalized pupil	2.711%	2.757%	2.748%	2.752%

<sup>1</sup> It is important to note that this analysis is based on AOE's preliminary estimates of per pupil education spending in FY2017. Board-approved budgets will not be available until February. Districts may choose to reduce per pupil education spending to remain below their threshold.

<sup>2</sup> The penalty for per pupil spending over the education spending thresholds shifts the education tax burden between districts; it does not raise additional revenue for the education fund.

<sup>3</sup> A lower yield increases homestead tax rates and a higher yield decreases homestead tax rates.

<sup>4</sup> Modifies the Act 46 thresholds by: (1) increasing the allowable growth percentages by 0.9 percentage points; (2) reducing the amount added to per pupil education spending for the purpose of calculating the education tax rates from 100% to 25% of excess spending; and (3) requiring AOE to calculate the spending thresholds for each district under whichever method results in a lower homestead tax rate.

<sup>5</sup> Modifies the Act 46 thresholds by: (1) reducing the amount added to per pupil education spending for the purpose of calculating the education tax rates from 100% to 30% of excess spending; (2) exempting districts with FY2016 education spending per pupil with exclusions below the statewide average; and (3) requiring AOE to calculate the spending thresholds for each district under whichever method results in a lower homestead tax rate.

<sup>6</sup> Repealing the Act 46 thresholds would mean that the excess spending penalty under 32 VSA §5401(12) would become effective. In FY2017, this penalty would apply to 100% of education spending in excess of \$16,905 per pupil.