

**Governor's Education Finance Proposals**  
**Initial Joint Fiscal Office Analysis**  
**February 4, 2015**

- Community High School of Vermont (Big Bill – Corrections and K-12 Education)
  - Restructures the Community High School of Vermont by closing field office locations – reduces EF expenses by \$1.7M
  - Redirects the administrative savings from the EF to the GF (by reducing the GF transfer to the EF)
  - FY2016 EF impact: - \$1.7 million (net impact on EF - \$0.0M)
- State Lottery (Misc. Tax Bill)
  - The State Lottery has introduced a new way to play existing lottery games – Touch Play Lottery consoles
  - Provides that up to \$2M of profits from sales of lottery games sold on Touch Play Lottery consoles be redirected from the EF to the Vermont Veterans' Home Operations Special Fund
  - Sales through Touch Play Lottery consoles will likely reduce *existing* revenues from the Lottery to the EF (FY2016 estimate is \$22.9 million)
- Use Value Appraisal – Farm Buildings and Moratorium (Misc. Tax Bill; Big Bill – K-12 Education)
  - Increases the taxable value of farm buildings enrolled in current use from 0% to 30% of FMV
  - Places a moratorium on new enrollments in current use for 2015, 2016, 2017
  - Redirects the additional revenue that would normally accrue to the EF to the GF (by reducing the GF transfer to the EF)
  - FY2016 EF impact: - \$ 1.2 million (net impact on EF \$0.0M if existing appraisals of farm buildings are accurate – see next bullet)

- Since it is likely that farm buildings are overvalued, it is possible that taxing farm buildings at 30% of their value will not raise \$1.2 million (although that amount will be lost to the EF)
- Landowners have already submitted forestry plans as part of their current-use applications last September – these landowners would not be allowed to enroll until 2018 under the proposed moratorium
- Municipalities and GF
  - FY2016 impact on municipalities - municipal property tax would raise an additional \$0.4 million statewide (unless appraisals are high)
  - FY2017 GF impact - GF reimbursement to municipalities reduced by \$0.4 million (unless appraisals are high)
- Health Care Payroll Tax (Misc. Tax Bill)
  - Imposes a 0.7% payroll tax on all wages paid by employers including school districts
  - In the 2012-2013 school year, schools districts paid roughly \$855 million in wages
  - A 0.7% payroll tax on school districts would raise more than \$6 million per calendar year beginning in January 2016; however, some of this cost may be offset (see next bullet)
  - Use of payroll tax revenue to reduce the cost shift creates potential savings to school districts in the form of reduced health insurance premiums for teachers and staff ([working on an estimate here](#))
  - There may be additional pressure on school district spending due to the federal excise tax on high-value health insurance plans beginning in 2018 (the so-called “Cadillac tax”)
- Taxation of Municipal Garages (Miscellaneous Tax Bill)
  - Excludes parking garages owned and managed by a municipality in a designated center from the nonresidential property tax
  - FY2016 impact: small

- Tax Increment Financing Districts (Miscellaneous Tax Bill)
  - Allows TIF districts to keep certain taxes out of the increment which has the effect of decreasing the amount that would otherwise go to the EF
  - FY2016 impact: small
- Small Schools Grant
  - Administration expressed support for eliminating the small schools grant – geographically-isolated small schools would be exempt and the grant may be phased out rather than repealed
  - School districts considering mergers may be able to retain the grant for several years
  - FY2016 impact: very roughly + \$1.9 to \$3.8 million
- “Phantom” Students
  - Administration expressed support for eliminating so-called “phantom” students from the equalized pupil count - may be phased out
  - “Phantom” students are included in the equalized pupil count when a school district loses more than 3.5% of their equalized pupils from one year to the next
  - There are currently 773 phantom students in the system
  - FY2016 impact: \$0.0 million; however, eliminating phantom students would *redistribute* the education tax burden among school districts
- School Construction Aid (Capital Bill)
  - Allocates \$4.1 million from the Capital Bill for school construction aid
  - Allocates an additional \$3.0 million from the Capital Bill for incentive funding for school district consolidation projects
  - Indirect impact on EF since it may reduce interest and principal payment on capital projects and reduce education spending