

H.361
Senate Finance Committee – Proposals of Amendment
(5/5/2015; 6:04 PM; draft 2.1)

Section by Section Summary

First Proposal of Amendment:

- Amends Section 6 of the Report of the Committee on Education
- Section 6 provides enhanced financial incentives for districts that receive the approval of their voters before July 1, 2016 to merge into a unified union school district by July 1, 2017 and meet certain specified criteria
- *The First Proposal of Amendment* adds a new subdivision (7) to Section 6(a) making it explicit that among the other criteria, the proposal of merger must demonstrate that the new governance structure will result in:
 - increased equity in quality and variety of educational opportunities
 - increased operational efficiencies, through enhanced flexibility to manage, share, and transfer resources
 - increased transparency and accountability
 - reduced expenditures per equalized pupils

Second Proposal of Amendment:

- Amends Section 12 of the Report of the Committee on Education
- Section 12, subsection (a) requires that beginning in FY17 the 3.5% hold harmless provision will be calculated based on a district's actual number of equalized pupils, rather than on the inflated amount. Subsection (b) transitions districts to this new method of calculation over a three year period.
- *The Second Proposal of Amendment* adds a new subsection (c) to delay the effect of this new method of calculation for one year for any district that is actively engaged in merger discussion with other districts, as evidenced by forming a study committee pursuant to 16 VSA chapter 11 (the union school district formation chapter) before July 1, 2016.

Third Proposal of Amendment:

The Third Proposal of Amendment adds 13 new sections:

Secs. 26–32. Yield; Dollar Equivalent

Sections 26–32 replace the base education amount currently used to calculate base tax rates each year with a different “dollar equivalent yield” for two groups:

- (1) taxpayers who pay on the value of their property; and
- (2) taxpayers who receive an income sensitivity adjustment.

The “dollar equivalent yield” is the amount of per pupil spending that could be supported each year by a fixed homestead base tax of \$1.00 for property payers, and by a fixed applicable income percentage of 2.0 for income payers.

The Tax Commissioner would propose each dollar equivalent yield annually, but it would be the General Assembly’s responsibility to establish each dollar equivalent annually.

Sec. 26: In a dollar equivalent yield system, the base education amount is replaced by either the property dollar equivalent yield or the income dollar equivalent yield. The changes in Sec. 26 makes it clear that the base education amount is no longer used to calculate tax rates.

Sec. 27 replaces the current district spending adjustment with an education property tax spending adjustment and an education income tax spending adjustment. Both of these spending adjusters incorporate the dollar equivalent yield number as the denominator, rather than using the base education amount. The section creates new definitions for “property dollar equivalent yield” at \$1.00, and “income dollar equivalent yield” at 2.0%.

Sec. 28 sets the base homestead rate at \$1.00 and applies the new education property tax spending adjustment to that base rate.

Sec. 29 applies the new education income tax spending adjustment to the applicable percentage for determining property tax adjustments.

Sec. 30 authorizes Legislative Council to rename the “applicable percentage” used to calculate property tax adjustments as the “income percentage”.

Sec. 31 makes a conforming change in the language for unorganized towns and goes.

Sec. 32 strikes the current law that requires the Commissioner of Taxes to recommend a base homestead and nonresidential rate for the upcoming year, and inserts language requiring the Commissioner to recommend a property dollar equivalent yield and an income dollar equivalent yield. The section also specifies that the General Assembly must set the property dollar equivalent yield and an income dollar equivalent yield each year.

Effective Date: July 1, 2015; applies to fiscal year 2017 and after

Secs. 33–34. FY16 Property Tax Rates, Applicable Percentage, & Base Education Amount

Sec. 33 establishes the fiscal year 2016 property tax rates at \$1.535 and \$1.00. Section 33 also sets the applicable percentage at no less than 1.82 percent.

Sec. 34 sets the base education amount at \$9,459.00.

Effective Date: July 1, 2015; applies to fiscal year 2016

Secs. 35–36. Tuition; Statewide Average Rate

Under current law, a district that does not operate a school for one or more grades pays tuition to the schools in which its resident students enroll. The district pays the actual amount of tuition if the school is a public school or one of two types of approved independent school. To all other approved independent schools, the district pays the average announced tuition of union schools EXCEPT if the district voters approve payment of a higher amount.

Secs. 35 and 36 prohibit a district from paying more than the statewide average announced tuition if the approved independent school is located outside of Vermont.

Effective Date: July 1, 2015; applies beginning in fiscal year 2017 (academic year 2016–17)

Sec. 37. Socioeconomic Isolation of School Districts

Sec. 37 requires the Secretary of Education to develop guidelines and procedures by which the Agency and State Board of Education can minimize the possibility that the mergers and other governance changes contemplated by the bill will result in the isolation of districts with low fiscal capacity or with a high percentage of children from families in poverty. The Secretary is required to report back to the Legislature by January 15, 2016.

Secs. 38. Systems Evaluation and Leadership Training

Sec. 38 requires the Secretary of Education, in consultation with several education entities, to evaluate and identify supervisory unions and school districts that experience chronic leadership challenges as revealed by high administrator turnover and other factors. The evaluation is intended to lead to recommendations for leadership improvement.

The section authorizes the Secretary to contract with qualified entities to provide systems evaluations & training to the administrators & and school boards of the identified SUs.

The section also authorizes use by the Agency of Education of up to \$50,000 from FY2015 Education Fund appropriations, prior to reversion, for purposes of the section, if necessary.

Fourth Proposal of Amendment:

- Extends the effective date of Section 16 from July 1, 2015 to July 1, 2016
- Section 16 makes supervisory unions the LEA (local education agency) for purposes of federal accountability, as it is for other federal purposes
- The pertinent federal legislation (ESEA) is currently being reauthorized
- The extension will permit the VT Agency of Ed to update its accountability materials before switching the LEA responsibilities from the district level to the SU level

Fifth Proposal of Amendment: Effective Dates (various)