

Governor's Education Finance Proposals

- Community High School of Vermont (Big Bill – Corrections and Education)
 - Restructures the Community High School of Vermont by closing field office locations
 - Redirects the administrative savings from the EF to the GF (by reducing the GF transfer to the EF)
 - FY2016 EF impact: - \$1.7 million

- State Lottery (Miscellaneous 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 (Miscellaneous Tax Bill; Big Bill - 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

- Since it is likely that farm buildings are overvalued, it is possible that the 30% tax 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
 - FY2017 GF impact - GF reimbursement to municipalities reduced by \$0.4 million
- Health Care Payroll Tax (Miscellaneous 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
 - There will be additional pressure on school district spending due to the “cadillac tax” under the Affordable Care Act
- 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 – unclear whether geographically-isolated small schools would be exempt
 - 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 (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

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