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Spec. Sess. H.16:
**AN ACT RELATING TO MAKING APPROPRIATIONS FOR THE
SUPPORT OF GOVERNMENT, FINANCING EDUCATION AND
VITAL RECORDS**

H.1-H.31 As proposed by Senate

* * * Personal Income Tax Changes * * *

* * * Taxable Income * * *

Sec. H.1 32 V.S.A. § 5811 is amended to read:

§ 5811. DEFINITIONS

* * *

(21) “Taxable income” means, in the case of an individual, federal adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

* * *

(B) Decreased by the following items of income (to the extent such income is included in federal adjusted gross income):

(i) income from U.S. government obligations;

(ii) with respect to adjusted net capital gain income as defined in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend income: either the first \$5,000.00 of such adjusted net capital gain income; or 40 percent of adjusted net capital gain income from the sale of assets held by the taxpayer for more than three years, except not adjusted net capital gain income from:

1 (I) the sale of any real estate or portion of real estate used by
2 the taxpayer as a primary or nonprimary residence; or

3 (II) the sale of depreciable personal property other than farm
4 property and standing timber; or stocks or bonds publicly traded or traded on
5 an exchange, or any other financial instruments; regardless of whether sold by
6 an individual or business; and provided that the total amount of decrease under
7 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
8 income; ~~and~~

9 (iii) recapture of State and local income tax deductions not taken
10 against Vermont income tax; and

11 (iv) the portion of federally taxable benefits received under the
12 federal Social Security Act that is required to be excluded under section 5830e
13 of this chapter; and

14 (C) Decreased by the following exemptions and deductions:

15 (i) ~~the amount of personal exemptions taken at the federal level a~~
16 personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or
17 the deceased spouse of the taxpayer whose filing status under section 5822 of
18 this chapter is married filing a joint return or surviving spouse, and for each
19 individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,
20 provided that no exemption may be claimed for an individual who is a
21 dependent of another taxpayer;

1 (ii) ~~for taxpayers who do not itemize at the federal level, the~~
2 ~~amount of the a~~ standard deduction taken at the federal level determined as
3 follows:

4 (I) for taxpayers whose filing status under section 5822 of this
5 chapter is unmarried (other than surviving spouses or heads of households) or
6 married filing separate returns, \$6,000.00;

7 (II) for taxpayers whose filing status under section 5822 of this
8 chapter is head of household, \$9,000.00;

9 (III) for taxpayers whose filing status under section 5822 of this
10 chapter is married filing joint return or surviving spouse, \$12,000.00; and

11 (iii) ~~for taxpayers who itemize at the federal level:~~

12 ~~(I) the amount of federally itemized deductions for medical and~~
13 ~~dental expenses and charitable contributions;~~

14 ~~(II) the total amount of federally itemized deductions, other~~
15 ~~than deductions for State and local income taxes, medical and dental expenses,~~
16 ~~and charitable contributions, deducted from federal adjusted gross income for~~
17 ~~the taxable year, but in no event shall the amount under this subdivision exceed~~
18 ~~two and one half times the federal standard deduction allowable to the~~
19 ~~taxpayer; and~~

20 ~~(III) in no event shall the total amount of deductions allowed~~
21 ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~

1 ~~amount of itemized deductions below the federal standard deduction allowable~~
2 ~~to the taxpayer~~ an additional deduction of \$1,000.00 for each federal deduction
3 under 26 U.S.C. § 63(f) that the taxpayer qualified for and received; and

4 (iv) the dollar amounts of the personal exemption allowed under
5 subdivision (i) of this subdivision (21)(C), the standard deduction allowed
6 under subdivision (ii) of this subdivision (21)(C), and the additional deduction
7 allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted
8 annually for inflation by the Commissioner of Taxes beginning with taxable
9 year 2018 by using the Consumer Price Index and the same methodology as
10 used for adjustments under 26 U.S.C. § 1(f)(3); provided, however, that as
11 used in this subdivision, “consumer price index” means the last Consumer
12 Price Index for All Urban Consumers published by the U.S. Department of
13 Labor.

14 * * *

15 * * * Personal Income Tax Rates * * *

16 Sec. H.2 PERSONAL INCOME TAX RATES

17 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

18 (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.
19 § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to
20 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

1 (1) taxable income that without the passage of this act would have been
2 subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent
3 instead;

4 (2) taxable income that without the passage of this act would have been
5 subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent
6 instead;

7 (3) taxable income that without the passage of this act would have been
8 subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent
9 instead;

10 (4) taxable income that without the passage of this act would have been
11 subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of
12 8.75 percent instead; the tax brackets for taxable income taxed at 8.80 percent
13 and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate of
14 8.75 percent for taxable year 2018 and after.

15 (c) When preparing the Vermont Statutes Annotated for publication, the
16 Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-
17 (5) to reflect the changes to the tax rates and tax brackets made in this section.

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(d)(1) A taxpayer shall be entitled to a credit against the tax imposed under this section of 24 percent of each of the credits allowed against the taxpayer’s federal income tax for the taxable year as follows: credit for people who are elderly or permanently totally disabled, investment tax credit attributable to the Vermont-property portion of the investment, and child care and dependent care credits.

* * *

(3) Individuals shall receive a nonrefundable charitable contribution credit against the tax imposed under this section for the taxable year. The credit shall be five percent of the first \$20,000.00 in charitable contributions made during the taxable year that are allowable under 26 U.S.C. § 170. This credit shall be available irrespective of a taxpayer’s election not to itemize at the federal level.

* * *

Sec. H.4 32 V.S.A. § 5828b(a) is amended to read:

(a) A resident individual or part-year resident individual who is entitled to an earned income tax credit granted under the laws of the United States shall be entitled to a credit against the tax imposed for each year by section 5822 of this title. The credit shall be ~~32~~ 36 percent of the earned income tax credit granted to the individual under the laws of the United States, multiplied by the

1 percentage ~~which~~ that the individual's earned income that is earned or received
2 during the period of the individual's residency in this State bears to the
3 individual's total earned income.

4 Sec. H.5 32 V.S.A. § 5830e is added to read:

5 § 5830e. SOCIAL SECURITY INCOME

6 The portion of federally taxable Social Security benefits excluded from
7 taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as
8 follows:

9 (1) For taxpayers whose filing status is single, married filing separately,
10 head of household, or qualifying widow or widower:

11 (A) If the federal adjusted gross income of the taxpayer is less than or
12 equal to \$45,000.00, all federally taxable benefits received under the federal
13 Social Security Act shall be excluded.

14 (B) If the federal adjusted gross income of the taxpayer is greater
15 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable
16 benefits received under the Social Security Act to be excluded shall be
17 proportional to the amount of the taxpayer's federal adjusted gross income
18 over \$45,000.00, determined by:

19 (i) subtracting the federal adjusted gross income of the taxpayer
20 from \$55,000.00;

1 (ii) dividing the value under subdivision (i) of this subdivision (B)
2 by \$10,000.00; and

3 (iii) multiplying the value under subdivision (ii) of this
4 subdivision (B) by the federally taxable benefits received under the Social
5 Security Act.

6 (C) If the federal adjusted gross income of the taxpayer is equal to or
7 greater than \$55,000.00, no amount of the federally taxable benefits received
8 under the Social Security Act shall be excluded under this section.

9 (2) For taxpayers whose filing status is married filing jointly:

10 (A) If the federal adjusted gross income of the taxpayer is less than or
11 equal to \$60,000.00, all federally taxable benefits received under the Social
12 Security Act shall be excluded.

13 (B) If the federal adjusted gross income of the taxpayer is greater
14 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable
15 benefits received under the Social Security Act to be excluded shall be
16 proportional to the amount of the taxpayer's federal adjusted gross income
17 over \$60,000.00, determined by:

18 (i) subtracting the federal adjusted gross income of the taxpayer
19 from \$70,000.00;

20 (ii) dividing the value under subdivision (i) of this subdivision (B)
21 by \$10,000.00; and

1 federal income tax rates under 26 U.S.C. § 1, are hereby adopted for the
2 purpose of computing the tax liability under this chapter.

3 * * * Allocation of Education Funds * * *

4 Sec. H.8 16 V.S.A. § 4025 is amended to read:

5 § 4025. EDUCATION FUND

6 (a) The Education Fund is established to comprise the following:

7 (1) ~~All~~ all revenue paid to the State from the statewide education tax on
8 nonresidential and homestead property under 32 V.S.A. chapter 135;

9 (2) ~~For each fiscal year, the amount of the general funds appropriated~~
10 ~~and transferred to the Education Fund shall be \$305,900,000.00, to be~~
11 ~~increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal~~
12 ~~Office and Administration determination of the National Income and Product~~
13 ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~
14 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~
15 ~~Department of Commerce, Bureau of Economic Analysis through the fiscal~~
16 ~~year for which the payment is being determined, plus an additional one-tenth~~
17 ~~of one percent. [Repealed.]~~

18 (3) ~~Revenues~~ revenues from State lotteries under 31 V.S.A. chapter 14,
19 and from any multijurisdictional lottery game authorized under that chapter;

20 (4) 25 percent of the revenues from the meals and rooms taxes imposed
21 under 32 V.S.A. chapter 225;

1 based on information supplied by the Commissioner of Taxes. The
2 Commissioner of Finance and Management may draw warrants for
3 disbursements from the Fund in anticipation of receipts. All balances in the
4 Fund at the end of any fiscal year shall be carried forward and remain a part of
5 the Fund. Interest accruing from the Fund shall remain in the Fund.

6 * * *

7 (c) ~~An equalization and reappraisal account is established within the~~
8 ~~Education Fund. Monies from this account are to be used by the Division of~~
9 ~~Property Valuation and Review to assist towns with maintenance or reappraisal~~
10 ~~on a case-by-case basis; and for reappraisal and grand list maintenance~~
11 ~~assistance payments pursuant to 32 V.S.A. §§ 4041a and 5405(f). [Repealed.]~~

12 * * *

13 Sec. H.9 32 V.S.A. § 435(b) is amended to read:

14 (b) The General Fund shall be composed of revenues from the following
15 sources:

16 * * *

17 (7) ~~Meals~~ 75 percent of the meals and rooms taxes levied pursuant to
18 chapter 225 of this title;

19 * * *

20 (11) ~~64 percent of the revenue from sales and use taxes levied pursuant~~
21 ~~to chapter 233 of this title; [Repealed.]~~

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Sec. H.9a REPORT

On or before January 1, 2024, the Joint Fiscal Office shall report to the House Committees on Appropriations and on Ways and Means and the Senate Committees on Appropriations and on Finance on the impact of the changes in Secs. H.8 and H.9 of this act reallocating the revenues generated for the General Fund and Education Fund.

* * * Yield and Nonresidential Rate for Fiscal Year 2019 * * *

Sec. H.10 PROPERTY DOLLAR EQUIVALENT YIELD, INCOME

DOLLAR EQUIVALENT YIELD, AND NONRESIDENTIAL
RATE FOR FISCAL YEAR 2019

(a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the property dollar equivalent yield shall be \$10,220.00.

(b) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the income dollar equivalent yield shall be \$12,380.00.

(c) Notwithstanding any other provision of law, the nonresidential rate for fiscal year 2019 shall be \$1.58 per \$100.00 of equalized education property value under 32 V.S.A. § 5402(a)(1).

1	<u>If household income (rounded to</u>	<u>then the taxpayer is entitled to</u>
2	<u>the nearest dollar) is:</u>	<u>credit for the reduced property tax in</u>
3		<u>excess of this percent of that income:</u>
4	<u>\$0.00 - 9,999.00</u>	<u>0.5</u>
5	<u>\$10,000.00 - 24,999.00</u>	<u>1.5</u>
6	<u>\$25,000.00 - 47,000.00</u>	<u>2.0</u>

7 (5) In no event shall the credit provided for in subdivision (3) or (4) of
8 this subsection exceed the amount of the reduced property tax. The
9 adjustments under subdivisions (3) and (4) of this subsection shall be
10 calculated considering only the tax due on the first \$400,000.00 in equalized
11 housesite value.

12 * * *

13 Sec. H.13 32 V.S.A. § 6067 is amended to read:

14 § 6067. CREDIT LIMITATIONS

15 Only one individual per household per taxable year shall be entitled to a
16 benefit under this chapter. An individual who received a homestead exemption
17 or adjustment with respect to property taxes assessed by another state for the
18 taxable year shall not be entitled to receive an adjustment under this chapter.
19 No taxpayer shall receive an adjustment under subsection 6066(b) of this title
20 in excess of \$3,000.00. No taxpayer shall receive ~~total adjustments under this~~
21 ~~chapter in excess of \$8,000.00 related to any one property tax year an~~ an

1 adjustment under subdivision 6066(a)(3) of this title greater than \$2,400.00 or
2 cumulative adjustment under subdivisions 6066(a)(1)-(2) and (4) of this title
3 greater than \$5,600.00.

4 * * * Statewide Education Property Tax Bills * * *

5 Sec. H.14 32 V.S.A. § 5402(b) is amended to read:

6 (b) The statewide education tax shall be calculated as follows:

7 * * *

8 (2) Taxes assessed under this section shall be assessed and collected in
9 the same manner as taxes assessed under chapter 133 of this title with no tax
10 classification other than as homestead or nonresidential property; provided,
11 however, that the tax levied under this chapter shall be billed to each taxpayer
12 by the municipality in a manner that clearly indicates the tax is separate from
13 any other tax assessed and collected under chapter 133, including an
14 itemization of the separate taxes due. The bill may be on a single sheet of
15 paper with the statewide education tax and other taxes presented separately and
16 side by side.

17 * * *

18 Sec. H.15 32 V.S.A. § 6066a(f) is amended to read:

19 (f) Property tax bills.

20 (1) For taxpayers and amounts stated in the notice to towns on July 1,
21 municipalities shall create and send to taxpayers a homestead property tax bill,

1 instead of the bill required under subdivision 5402(b)(1) of this title, providing
2 the total amount allocated to payment of homestead education property tax
3 liabilities and notice of the balance due. Nothing in this subdivision, however,
4 shall be interpreted as altering the requirement under subdivision 5402(b)(1) of
5 this title that the statewide education homestead tax be billed in a manner that
6 is stated clearly and separately from any other tax. Municipalities shall apply
7 the amount allocated under this chapter to current-year property taxes in equal
8 amounts to each of the taxpayers' property tax installments that include
9 education taxes. Notwithstanding section 4772 of this title, if a town issues a
10 corrected bill as a result of the November 1 notice sent by the Commissioner
11 under subsection (a) of this section, issuance of ~~such~~ the corrected new bill
12 does not extend the time for payment of the original bill, nor relieve the
13 taxpayer of any interest or penalties associated with the original bill. If the
14 corrected bill is less than the original bill, and there are also no unpaid ~~current~~
15 ~~year~~ current-year taxes, interest, or penalties and no ~~past-year~~ past-year
16 delinquent taxes or penalties and interest charges, any overpayment shall be
17 reflected on the corrected tax bill and refunded to the taxpayer.

18 * * *

1 (4) attending to compliance with federal rules and regulations, so as to
2 avoid jeopardizing the State’s federal funding;

3 (5) determining a mechanism or mechanisms that account for the effects
4 of familial and community-level poverty and human services need, including
5 student experiences of trauma and familial or community-level addiction, on
6 staffing ratios;

7 (6) considering the impact on staff-to-student ratios due to students’
8 enrollment with independent schools; and

9 (7) developing recommended strategies for districts to help them meet
10 targets.

11 (b) Membership. The Task Force shall be composed of the following
12 members:

13 (1) the Secretary of Education or designee;

14 (2) the Executive Director of the Vermont Superintendents Association
15 or designee;

16 (3) the Executive Director of the Vermont School Boards Association or
17 designee;

18 (4) the Executive Director of the Vermont Principals’ Association or
19 designee;

20 (5) the Executive Director of the Vermont-National Education
21 Association or designee;

1 (6) one member selected by the Vermont Association of School

2 Business Officials;

3 (7) two to four members from Vermont postsecondary institutions,
4 selected by the Task Force, who have expertise in areas among the following:
5 multi-age classrooms and teaching strategies, interdisciplinary instruction,
6 school realignment and reconfiguration, and the impact of community poverty,
7 trauma, or addiction on education staffing; and

8 (8) a national expert in rural education, selected by the Task Force.

9 (c) Assistance. The Task Force shall have technical assistance from the
10 Agency of Education.

11 (d) Report. On or before December 15, 2018, the Task Force shall present
12 to the House and Senate Committees on Education its findings concerning
13 optimum staff-to-student ratios, including optimum ratios for a variety of
14 school and school district sizes and configurations. The Task Force shall
15 include in its report a recommendation as to whether staff-to-student target
16 ratios should be included in statute for fiscal year 2021.

17 (e) Meetings.

18 (1) The Secretary of Education or designee shall call the first meeting of
19 the Task Force to occur on or before July 1, 2018.

20 (2) The Task Force shall select a chair from among its members at the
21 first meeting.

1 (3) The Task Force shall cease to exist on December 31, 2018.

2 (f) Compensation and reimbursement. Members of the Task Force who are
3 not employees of the State of Vermont and who are not otherwise compensated
4 or reimbursed for their attendance shall be entitled to per diem compensation
5 and reimbursement of expenses pursuant to 32 V.S.A. § 1010 for not more
6 than ten meetings. These payments shall be made from monies appropriated to
7 the Agency of Education.

8 (g) Appropriation. The sum of \$7,320.00 is appropriated from the General
9 Fund to the Agency of Education to provide funding for the purposes set forth
10 in this section.

11 * * * Vermont Tax Structure Commission * * *

12 Sec. H.17 VERMONT TAX STRUCTURE COMMISSION

13 (a) There is hereby established the Vermont Tax Structure Commission
14 composed of three to five members to be selected as follows:

15 (1) the Speaker of the House, the President Pro Tempore of the Senate,
16 and the Governor shall each appoint one member; and

17 (2) the three members appointed pursuant to subdivision (1) of this
18 subsection may select one or two additional members, based on a majority
19 vote.

1 (b) The Commission shall be appointed as soon as possible after the
2 effective date of this act. The Commission shall elect a chair and a vice chair
3 from among its members.

4 (c) The Commission shall prepare a structural analysis of the State's
5 revenue system and offer recommendations for improvements and
6 modernization and provide a long-term vision for the tax structure. The
7 Commission's analysis shall include a review of Vermont's income taxes,
8 consumption-based taxes, the education financing system, tax expenditures,
9 and property and asset-based taxes. The Commission shall have as its goal a
10 tax system that provides sustainability, appropriateness, and equity. For
11 guidance, the Commission may use the Principles of a High-Quality State
12 Revenue System as prepared by the National Conference of State Legislatures.
13 A high-quality revenue system:

14 (1) Comprises elements that are complementary, including the finances
15 of both state and local governments.

16 (2) Produces revenue in a reliable manner. Reliability involves stability,
17 certainty, and sufficiency.

18 (3) Relies on a balanced variety of revenue sources.

19 (4) Treats individuals equitably. Minimum requirements of an equitable
20 system are that it imposes similar tax burdens on people in similar

1 circumstances, it minimizes regressivity, and it minimizes taxes on individuals
2 with low income.

3 (5) Facilitates taxpayer compliance. It is easy to understand and
4 minimizes compliance costs.

5 (6) Promotes fair, efficient, and effective administration. It is as simple
6 as possible to administer, raises revenue efficiently, is administered
7 professionally, and is applied uniformly.

8 (7) Is responsive to interstate and international economic competition.

9 (8) Minimizes its involvement in spending decisions and makes any
10 such involvement explicit.

11 (9) Is accountable to taxpayers.

12 (d) It is the intent of the General Assembly that the work of the
13 Commission not supplant or delay the normal Legislative and Executive
14 Branch review and alteration of tax and revenue issues under State law.

15 (e) The Commission shall begin its work by:

16 (1) updating and incorporating the relevant work of the Blue Ribbon
17 Tax Structure Commission created by 2009 Spec. Sess. Acts and Resolves
18 No. 1;

19 (2) updating and incorporating work from the existing studies of
20 Vermont's education finance system since the enactment of 1998 Acts and
21 Resolves No. 60 and 2004 Acts and Resolves No. 68;

1 (f) The Commission shall submit a two-year work plan and budget to the
2 Joint Fiscal Committee, the Senate Committee on Finance, and the House
3 Committee on Ways and Means on or before February 15, 2019. The work
4 plan shall outline the work the Commission intends to complete in its review
5 of Vermont’s income taxes, consumption-based taxes, education financing
6 system, tax expenditures, and property and asset-based taxes. The final report
7 of the Commission shall be made to the General Assembly on or before
8 January 15, 2021.

9 (g) The Commission shall receive technical support from the Department
10 of Taxes, the legislative Joint Fiscal Office, and consultants.

11 (h) The Joint Fiscal Office with the assistance of the Legislative Council
12 and the Department of Taxes may contract with one or more consultants or hire
13 a limited service position to provide assistance with achieving the goals for the
14 Commission. The consultants shall have extensive experience with state tax
15 systems and shall have participated in at least one other study of a state tax
16 system.

17 (i) Members of the Commission shall be entitled to compensation as
18 provided under 32 V.S.A. § 1010.

1 * * * Public School Employee Health Benefits * * *

2 Sec. H.18 16 V.S.A. chapter 61 is added to read:

3 CHAPTER 61. COMMISSION ON PUBLIC SCHOOL EMPLOYEE

4 HEALTH BENEFITS

5 § 2101. DEFINITIONS

6 As used in this chapter:

7 (1) “Participating employee” means a school employee who is eligible
8 for and has elected to receive health benefit coverage through a school
9 employer.

10 (2) “School employee” means:

11 (A) an individual employed by a supervisory union or school district
12 as a teacher or administrator as defined in section 1981 of this title; or

13 (B) a municipal school employee as defined in 21 V.S.A. § 1722.

14 (3) “School employer” means a supervisory union or school district as
15 those terms are defined in section 11 of this title.

16 § 2102. COMMISSION ON PUBLIC SCHOOL EMPLOYEE HEALTH

17 BENEFITS CREATED

18 (a) Commission created. There is created an independent commission to be
19 called the Commission on Public School Employee Health Benefits

20 (Commission) to determine, in accordance with section 2103 of this chapter,

21 the amounts of the premiums and out-of-pocket expenses for school employee

1 health benefits that shall be borne by school employers and by participating
2 employees.

3 (b) Composition and appointment.

4 (1) The Commission shall have 10 members, of whom five shall be
5 representatives of school employees and five shall be representatives of school
6 employers.

7 (2)(A) The representatives of school employees shall be appointed as
8 follows:

9 (i) four members appointed by the labor organization representing
10 the greatest number of teachers, administrators, and municipal school
11 employees in this State; and

12 (ii) one member appointed by the labor organization representing
13 the second-greatest number of teachers, administrators, and municipal school
14 employees in this State.

15 (B) The five representatives of school employers shall be appointed
16 by the organization representing the majority of the public school boards in
17 this State.

18 (C) The appointing authorities shall select appointees who have an
19 understanding of health care and employer-employee relations and who
20 demonstrate a willingness to work collaboratively.

1 (D) The term of each member of the Commission shall be six years,
2 provided that of the members first appointed by the labor organization
3 described in subdivision (A)(i) of this subdivision (2), one appointee shall
4 serve a term of two years and one appointee shall serve a term of four years,
5 and of the members first appointed by the organization representing the
6 majority of the public school boards in this State, one appointee shall serve a
7 term of two years and one appointee shall serve a term of four years.

8 (3) In the event of a vacancy, the appointing authority of the member
9 whose seat becomes vacant shall appoint a successor to serve out the
10 remainder of the member's term.

11 (c) Chairs. The Commission shall be chaired jointly by one member
12 selected biennially by the representatives of school employees and one
13 member selected biennially by the representatives of school employers.

14 (d) Removal of Commission members. Members of the Commission may
15 be removed only for cause. The Commission shall adopt rules pursuant to
16 3 V.S.A. chapter 25 to define the basis and process for removal.

17 (e) Decisions. All decisions of the Commission shall require the votes of a
18 majority of the representatives of school employees and a majority of the
19 representatives of school employers.

1 (f) Compensation. Commission members shall be entitled to receive per
2 diem compensation and reimbursement of expenses pursuant to 32 V.S.A.
3 § 1010.

4 (g) Staffing and expenses. The Commission may hire staff as it deems
5 necessary to carry out its duties under this chapter. Compensation for
6 Commission staff and administrative expenses of the Commission shall be
7 shared equally by school employers and school employees. The
8 representatives of school employers and the representatives of school
9 employees shall equitably apportion their share of the costs of compensation
10 and administrative expenses among their members.

11 (h) Rulemaking. The Commission may adopt rules or procedures, or both,
12 pursuant to 3 V.S.A. chapter 25 as needed to carry out its duties under this
13 chapter.

14 § 2103. DUTIES OF THE COMMISSION

15 (a) The Commission shall determine the percentage of the premium for
16 individual, two-person, parent-child, and family coverage under a health
17 benefit plan that shall be borne by each school employer and the percentage
18 that shall be borne by participating employees.

19 (1) The premium responsibility percentages shall remain in effect for the
20 entire plan year.

1 (2) Each school employer shall be responsible for paying, on behalf of
2 all of its participating school employees, the applicable percentages of
3 premium costs as determined by the Commission.

4 (3) The premium responsibility percentages for each plan tier shall be
5 the same for all participating employees.

6 (b)(1) The Commission shall determine the amount of school employees’
7 out-of-pocket expenses for which the school employer and the school
8 employees shall be responsible, and whether school employers shall establish a
9 health reimbursement arrangement, a health savings account, both, or neither,
10 for their participating employees.

11 (2) The Commission also shall determine the extent to which the
12 employer or employee shall bear first dollar responsibility for out-of-pocket
13 expenses if using a health reimbursement arrangement and whether the balance
14 in a participating employee’s health reimbursement arrangement shall roll over
15 from year to year.

16 (3) The school employers’ and school employees’ responsibilities for
17 out-of-pocket expenses for each plan tier shall be the same for all participating
18 employees.

19 (c) The Commission may make recommendations regarding health benefit
20 plan design to any intermunicipal insurance association that offers health

1 benefit plans to entities providing educational services pursuant to 24 V.S.A.
2 chapter 121, subchapter 6.

3 (d) The Commission shall not make any determinations regarding school
4 employer or school employee responsibilities with respect to stand-alone
5 vision or dental benefits.

6 § 2104. NEGOTIATION; TIME TO BEGIN; GOOD FAITH; WRITTEN

7 AGREEMENT

8 (a)(1) The Commission shall commence negotiation of the matters set forth
9 in subsections 2103(a) and (b) of this chapter not later than April 1 of the year
10 before the existing agreement pursuant to this section is set to expire.

11 (2) The Commission shall meet together at reasonable times at the call
12 of the Chairs and shall negotiate in good faith on all matters set forth in
13 subsections 2103(a) and (b) of this chapter.

14 (3)(A) The Commission shall select a person to serve as a fact finder to
15 assist it in resolving any matters remaining in dispute in the event that the
16 Commission is unable to reach an agreement by August 1. The fact finder
17 shall be selected by a vote of a majority of the representatives of school
18 employees and of a majority of the representatives of school employers. If the
19 Commission cannot agree on a fact finder by April 5, the American Arbitration
20 Association shall be asked to appoint the fact finder.

1 (B)(i) The Commission shall mutually agree on an arbitrator by
2 April 5 to decide all matters remaining in dispute if it is unable to reach an
3 agreement within 30 days after receiving the fact finder’s report.

4 (ii) If the Commission is unable to mutually agree on an arbitrator,
5 it shall form a three-member panel of arbitrators to be selected as follows:

6 (I) One arbitrator shall be selected by the representatives of
7 school employees from a list prepared by the American Arbitration
8 Association.

9 (II) One arbitrator shall be selected by the representatives of
10 school employers from a list prepared by the American Arbitration
11 Association.

12 (III) The Commission shall request the services of the
13 American Arbitration Association for the appointment of the third arbitrator.

14 (b)(1) The Commission shall enter into a written agreement incorporating
15 all matters agreed to in negotiation.

16 (2) The terms of the agreement shall be incorporated by reference into
17 all collective bargaining agreements for school employees.

18 (c) The term of each agreement shall be negotiated by the Commission but
19 shall not be less than two years.

1 § 2105. DISPUTE RESOLUTION

2 (a)(1) If the Commission is unable to reach agreement by August 1, the
3 Commission shall meet with the fact finder selected pursuant to section 2104
4 of this chapter not later than August 15.

5 (2) The fact finder may schedule and hold additional meetings with the
6 Commission as necessary. The Commission shall furnish the fact finder with
7 all records, papers, and information in its possession pertaining to any matter
8 remaining in dispute.

9 (3) The fact finder shall, before issuing his or her decision, attempt to
10 mediate the matters remaining in dispute.

11 (4) If the mediation fails to produce an agreement, the fact finder shall,
12 on or before September 15, submit a written report to the Commission
13 recommending a reasonable basis for the settlement of the matters remaining in
14 dispute.

15 (b)(1) If the Commission is unable to resolve all matters remaining in
16 dispute within 30 days after receiving the fact finder's report, the Commission
17 shall submit the matters remaining in dispute to the arbitrator or arbitrators
18 selected pursuant to section 2104 of this chapter for resolution.

19 (2) The representatives of school employees and the representatives of
20 school employers shall submit to the arbitrator or arbitrators their last best

1 offer on all issues remaining in dispute. The arbitrator or arbitrators shall
2 select one of the last best offers in its entirety without amendment.

3 (3)(A) The arbitrator or arbitrators shall hold a hearing on or before
4 November 15 at which the Commission members shall submit all relevant
5 evidence, documents, and written material, and each member may submit oral
6 or written testimony in support of his or her position on any undecided issue
7 that is subject to arbitration.

8 (B) In reaching a decision, the arbitrator or arbitrators shall give
9 weight to the evidence, documents, written material, and arguments presented,
10 as well as the following factors:

11 (i) the interests and welfare of the public;

12 (ii) the financial ability of the Education Fund and school districts
13 across the State to pay for the costs of health care benefits and coverage;

14 (iii) comparisons of the health care benefits of school employees
15 with the health care benefits of similar employees in the public and private
16 sectors in Vermont;

17 (iv) the average consumer prices for goods and services
18 commonly known as the cost of living; and

19 (v) prior and existing health care benefits and coverage for school
20 employees.

1 (4) The arbitrator or arbitrators shall issue their decision within 30 days
2 after the hearing. The decision of the arbitrator or arbitrators shall be final and
3 binding upon the Commission and all school employees and school employers.
4 The decision shall not be subject to ratification.

5 (5) Upon the petition of a Commission member within not more than 15
6 days following the arbitration decision, a Superior Court shall vacate the
7 decision if:

8 (A) it was procured by corruption, fraud, or other undue means;

9 (B) there was evident partiality or prejudicial misconduct by the
10 arbitrator or arbitrators;

11 (C) the arbitrator or arbitrators exceeded their power or rendered a
12 decision requiring a person to commit an act or engage in conduct prohibited
13 by law; or

14 (D) there is an absence of substantial evidence on the record as a
15 whole to support the decision.

16 (6) At any time prior to the issuance of a decision by the arbitrator or
17 arbitrators, the Commission may notify the arbitrator or arbitrators of any
18 additional issues on which a majority of the representatives of school
19 employees and of the representatives of school employers have reached
20 agreement.

1 (7) If any provision of this subsection is inconsistent with any other
2 provision of law governing arbitration, this subsection shall govern.

3 (c) The arbitrator or arbitrators shall have the authority to address
4 complaints that either party has engaged in or is engaging in unfair bargaining
5 practices, including a refusal to bargain in good faith. It the arbitrator or
6 arbitrators find upon a preponderance of the evidence that a party has engaged
7 in or is engaging in any unfair bargaining practice, the arbitrator or arbitrators
8 may include in the decision a remedy for the unfair bargaining practice that is
9 consistent with the provisions of 21 V.S.A. § 1727(d).

10 § 2106. STRIKES AND CONTRACT IMPOSITION PROHIBITED

11 (a) School employees and the representatives of school employees shall be
12 prohibited from engaging in a strike, as defined by 21 V.S.A. § 1722(16), in
13 relation to the negotiation of an agreement pursuant to this chapter.

14 (b) The representatives of school employers shall be prohibited from
15 imposing the terms of the agreement that is subject to this chapter.

16 § 2107. RATIFICATION OF AGREEMENT

17 (a) The representatives of school employers and the representatives of
18 school employees shall each develop procedures by which their members shall
19 ratify the agreement entered into by the Commission pursuant to this chapter
20 within 30 days after the date of the agreement; provided, however, that if the

1 agreement is determined by arbitration pursuant to subsection 2105(b) of this
2 chapter, the agreement shall not be subject to ratification.

3 (b) In the event that either the school employers or school employees, or
4 both, fail to ratify the agreement, the following provisions shall apply:

5 (1) If the Commission has not engaged in mediated fact-finding
6 pursuant to subsection 2105(a) of this chapter during the current negotiation
7 cycle, the Commission shall meet with the fact finder pursuant to the
8 provisions of that subsection to settle all matters remaining in dispute. If the
9 Commission is able to reach a new agreement, that agreement shall be
10 submitted to the bargaining units for ratification. If, after mediated fact-
11 finding, the Commission is unable to reach a new agreement, the Commission
12 shall proceed to arbitration pursuant to subsection 2105(b) of this chapter.

13 (2) If the Commission has already engaged in mediated fact-finding
14 pursuant to subsection 2105(a) of this chapter during the current negotiation
15 cycle, the Commission shall proceed to arbitration pursuant to subsection
16 2105(b) of this chapter.

17 § 2108. DUTIES OF SCHOOL EMPLOYERS

18 Each school employer shall:

19 (1) deduct from the gross wages of each participating employee a sum
20 equal to the percentage of the premium determined by the Commission to be
21 the employee's responsibility for the applicable tier of coverage;

1 (2) remit to the administrator of the health benefit plan the amount
2 determined by the Commission to be the employers' premium responsibility
3 for each participating employee, along with the amount deducted from the
4 employee's wages for the employee's premium share;

5 (3) contribute toward the out-of-pocket expenses of each participating
6 employee in the amounts and manner determined by the Commission to be the
7 employer's responsibility; and

8 (4) participate in any health reimbursement arrangement or health
9 savings account, or both, in the amounts and to the extent determined by the
10 Commission.

11 Sec. H.19 16 V.S.A. § 2004 is amended to read:

12 § 2004. AGENDA

13 (a) The school board, through its negotiations council, shall, upon request,
14 negotiate with representatives of the teachers' or administrators' organization
15 negotiations council on matters of salary, related economic conditions of
16 employment, the manner in which it will enforce an employee's obligation to
17 pay the agency fee, procedures for processing complaints and grievances
18 relating to employment, and any mutually ~~agreed-upon~~ agreed-upon matters
19 not in conflict with the statutes and laws of the State of Vermont.

20 (b) As used in this section, the terms "salary" and "related economic
21 conditions of employment" shall not include health care benefits or coverage

1 other than stand-alone vision and dental benefits. Health care benefits and
2 health coverage, excluding stand-alone vision and dental benefits but including
3 health reimbursement arrangements and health savings accounts, shall not be
4 subject to collective bargaining pursuant to this chapter, but shall be
5 determined pursuant to chapter 61 of this title.

6 Sec. H.20 16 V.S.A. § 2005 is amended to read:

7 § 2005. WRITTEN AGREEMENT

8 The negotiations councils for the school board and the teachers' or
9 administrators' organization shall enter into a written agreement or agreements
10 incorporating therein matters agreed to in negotiation. The written agreement
11 shall incorporate by reference the terms of the agreement entered into pursuant
12 to chapter 61 of this title.

13 Sec. H.21 21 V.S.A. § 1722 is amended to read:

14 § 1722. DEFINITIONS

15 As used in this chapter:

16 * * *

17 (12) "Municipal employee" means any employee of a municipal
18 employer, including a municipal school employee or a professional employee
19 as defined in subdivision 1502(11) of this title, except:

20 * * *

1 Sec. H.24 TERM OF INTERIM COLLECTIVE BARGAINING

2 AGREEMENTS; COMMENCEMENT OF COMMISSION

3 NEGOTIATIONS

4 (a) All collective bargaining agreements between a supervisory union or
5 school district and school employees that take effect between July 1, 2018 and
6 June 30, 2020 shall expire between July 1, 2020 and September 1, 2020.

7 (b) The initial agreement negotiated by the Commission on Public School
8 Employee Health Benefits shall be for incorporation by reference into
9 collective bargaining agreements between a supervisory union or school
10 district and school employees that take effect on or after July 1, 2020. The
11 Commission shall, pursuant to 16 V.S.A. § 2104, commence negotiations for
12 the initial agreement on or before April 1, 2019.

13 Sec. H.25 24 V.S.A. § 4947 is amended to read:

14 § 4947. ~~INDEPENDENT SCHOOLS; ELIGIBLE TO PARTICIPATE~~

15 HEALTH BENEFIT PLANS OFFERED TO ENTITIES

16 PROVIDING EDUCATIONAL SERVICES

17 (a) As used in this section:

18 (1) “Health benefit association” means an association that offers one or
19 more health benefit plans to school employers for coverage of their school
20 employees.

1 (2) “School employee” shall have the same meaning as in 16 V.S.A.
2 § 2101.

3 (3) “School employer” shall have the same meaning as in 16 V.S.A.
4 § 2101.

5 (b) A health benefit association shall offer the same plan or plans to all
6 school employers.

7 (c) A health benefit association shall solicit the input of the Commission on
8 Public School Employee Health Benefits established in 16 V.S.A. § 2102
9 regarding the design of the health benefit plan or plans to be offered to school
10 employers for coverage of their school employees.

11 (d) The governing board of a health benefit association shall be composed
12 of the following six members:

13 (1) three members appointed by the organization representing the
14 majority of the public school boards in this State, who shall not be employees
15 of the organization; and

16 (2) three members appointed by the labor organization representing the
17 greatest number of public school employees in the State, who shall not be
18 employees of the organization.

19 (e) ~~An~~ A health benefit association ~~that offers hospital, surgical and~~
20 ~~medical benefits insurance to entities that are providing educational services~~
21 ~~under this subchapter, may shall~~ make such insurance all health benefit plans

1 that it offers available to approved or recognized independent schools
2 operating in Vermont. Participation shall ~~be on the same terms and conditions~~
3 ~~that apply to municipalities and shall~~ not create joint and several liability as a
4 result of any act or omission of any other school, municipality, or association.
5 Schools that participate under this section shall be provided with copies of the
6 annual audit. The provisions of ~~section~~ 16 V.S.A. § 166 of Title 16 shall apply
7 for purposes of determining whether a school qualifies as an “approved or
8 recognized independent school.”

9 Sec. H.26 DEPARTMENT OF FINANCIAL REGULATION;

10 RULEMAKING

11 The Department of Financial Regulation shall amend its rules pursuant to
12 3 V.S.A. chapter 25 as needed to conform to the provisions of 24 V.S.A.
13 § 4947 as amended by this act, and a health benefit association shall amend its
14 governing documents accordingly.

15 Sec. H.27 VERMONT EDUCATION HEALTH INITIATIVE PLANS;

16 BOARD TRANSITION

17 (a)(1) A health benefit association offering health benefit plans pursuant to
18 24 V.S.A. § 4947 on July 1, 2018 shall continue to make the same health
19 benefit plans available to public school employers and approved or recognized
20 independent school employers, and their participating employees, until the
21 expiration of the first agreement entered into by the Commission on Public

1 School Employee Health Benefits. A health benefit association may modify its
2 plan designs or plan offerings, or both, beginning with the health benefit plans
3 to be offered in the first plan year to which the Commission's second
4 agreement applies.

5 (2) Nothing in subdivision (1) of this subsection shall be construed to
6 limit or modify the requirement that a health benefit association file annual,
7 actuarially sound, proposed premium rates with the Department of Financial
8 Regulation in amounts sufficient to ensure the continued solvency of the
9 association and its health benefit plans.

10 (b)(1) The composition of the board of a health benefit association, as
11 defined in 24 V.S.A. § 4947(a), that is in place on the date of passage of this
12 act may continue in the same form until October 1, 2018. On October 1, 2018,
13 the terms of all board members then serving shall expire.

14 (2) Beginning on October 1, 2018, the board of a health benefit
15 association shall conform to the composition specified in 24 V.S.A. § 4947(d)
16 and the terms of all new board members shall begin on that date. Board
17 members serving immediately prior to October 1, 2018 shall be eligible for
18 reappointment to the extent permitted by the board's bylaws.

1 Committees on Economic Development, Housing and General Affairs and on
2 Finance an updated summary report that includes:

3 * * *

4 * * * Effective Dates Secs. H.1–H.31; Transition * * *

5 Sec. H.31 EFFECTIVE DATES AND TRANSITION

6 Notwithstanding any other provision of this act, this section and Secs. H.1-
7 H.30 shall take effect on passage, except:

8 (1) Notwithstanding 1 V.S.A. § 214, Secs. H.1–H.6 (income tax
9 changes) shall take effect retroactively on January 1, 2018 and apply to taxable
10 year 2018 and after.

11 (2) Notwithstanding 1 V.S.A. § 214, Sec. H.7 (income tax link to the
12 federal tax statutes) shall take effect retroactively on January 1, 2018 and apply
13 to taxable years beginning on January 1, 2017 and after.

14 (3) Secs. H.8–H.9 (General Fund and Education Fund revenues) and
15 H.10 (yield and nonresidential rate for fiscal year 2019) shall take effect on
16 July 1, 2018, and apply to fiscal year 2019 and after; provided that if the date
17 of passage of this act is after July 1, 2018, then notwithstanding 1 V.S.A.
18 § 214, Secs. H.8–H.9 and H.10 shall take effect retroactively on July 1, 2018
19 and apply to fiscal year 2019 and after.

20 (4) Notwithstanding 1 V.S.A. § 214, Sec. H.11 (calculation of property
21 tax adjustments) shall take effect retroactively to the taxable year starting on

1 January 1, 2017 and apply to property tax adjustment claims filed for fiscal
2 year 2019 (claim year 2018) and after.

3 (5) Secs. H.12–H.13 (municipal and education super-circuitbreaker and
4 credit limits) and H.14–H.15 (property tax bill requirements) shall take effect
5 on July 1, 2019 and apply to fiscal year 2020 and after.

6 (6) Secs. H.19-H.22 (subjects for collective bargaining) shall take effect
7 on January 1, 2020 and shall apply to all collective bargaining agreements
8 between a supervisory union or school district and school employees that take
9 effect on or after that date.