

1 H.509

2 Introduced by Committee on Education

3 Date:

4 Subject: Taxation; statewide education tax; rates; yield

5 Statement of purpose of bill as introduced: This bill proposes to make three  
6 sets of changes:

7 (1) The bill sets the nonresidential property tax rate, the property dollar  
8 equivalent yield, and the income percentage for fiscal year 2018.

9 (2) The bill creates a new system for calculating spending-adjusted tax  
10 rates. It does so by calculating how much money there is in the Education  
11 Fund for a statewide base tax rate of 1.00, and it divides that number by the  
12 number of students in the State. It then allows towns to raise more than that  
13 base amount on an equalized basis. In doing so, the bill moves from a dual  
14 yield system to a single yield system. The changes in the calculation of the tax  
15 rate are phased in over a four-year period from fiscal years 2018 through 2021.  
16 During the transition period, for fiscal years 2018 through 2021, the excess  
17 spending penalty will not be in effect.

18 (3) The bill clarifies that merging school districts may transfer some  
19 assets and debt back to the towns where the assets are fixed.

20 An act relating to calculating statewide education tax rates

1 It is hereby enacted by the General Assembly of the State of Vermont:

2 ~~\*\*\* Yield, Income Percentage, and Nonresidential Tax Rate \*\*\*~~

3 Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME  
4 PERCENTAGE FOR FISCAL YEAR 2018

5 (a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2018 only, the  
6 property dollar equivalent yield shall be \$9,292.00.

7 (b) Notwithstanding any other provision of law, for fiscal year 2018 only,  
8 the income percentage under 32 V.S.A. § 6066(a)(2) shall be 1.7.

9 Sec. 2. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR  
10 2018

11 For fiscal year 2018 only, the nonresidential education property tax  
12 imposed under 32 V.S.A. § 5402(a)(2) shall be reduced from the rate of \$1.59  
13 and instead be \$1.555 per \$100.00.

14 ~~\*\*\* Excess Spending \*\*\*~~

15 Sec. 3. REPEALS

16 The following are repealed:

17 (1) 16 V.S.A. § 4001(6)(B) (education spending).

18 (2) 32 V.S.A. § 5401(12) (excess spending).

19 Sec. 4. 16 V.S.A. § 4011(i) is amended to read:

20 (i) Annually, by on or before October 1, the Secretary shall send to school  
21 boards for inclusion in town reports and publish on the Agency website the

1 following information:

2 (1) the statewide average district spending per equalized pupil for the  
3 current fiscal year; and 125 percent of that average spending; and

4 (2) a statewide comparison of student-teacher ratios among schools that  
5 are similar in number of students and number of grades.

6 Sec. 5. 24 V.S.A. § 2804(b) is amended to read:

7 ~~(b) If a reserve fund is established under subsection (a) of this section to  
8 pay a school district's future school capital construction costs approved under  
9 16 V.S.A. chapter 123, any funds raised by the district as part of its education  
10 spending to pay for those future costs shall be considered "approved school  
11 capital construction spending" in calculating excess spending under 32 V.S.A.  
12 § 5401(12). Districts shall submit to the Agency of Education annually a  
13 report of deposits into and expenditures from a school capital construction  
14 reserve fund. If the Agency of Education determines that any amount in the  
15 reserve fund has not been used for approved school capital construction within  
16 five years after deposit into the fund, then 150 percent of that amount shall be  
17 added to the district's education spending in the then-current year for purposes  
18 of calculating the excess spending penalty. The definitions in 16 V.S.A.  
19 chapter 133 shall apply to this subsection.~~

20 \* \* \* Calculation of Rates \* \* \*

21 ~~Sec. 6. 32 V.S.A. § 5401 is amended to read.~~

1 § 5401. DEFINITIONS

2 Terms used in this chapter:

3 \* \* \*

4 (13)(1)(i) ~~“Education~~ For districts with education spending per  
5 equalized pupil that is equal to or in excess of the base spending amount,  
6 “education property tax spending adjustment” means the greater of: one or one  
7 plus a fraction in which the numerator is the district’s education spending plus  
8 excess spending, per equalized pupil, above the base spending amount for the  
9 school year; and the denominator is the property dollar equivalent yield for the  
10 school year, as defined in subdivision (15) of this section.

11 (ii) For districts with education spending per equalized pupil that  
12 is less than the base spending amount, “education property tax spending  
13 adjustment” shall be one.

14 (B) ~~“Education income tax spending adjustment” means the greater~~  
15 ~~of: one or a fraction in which the numerator is the district’s education~~  
16 ~~spending plus excess spending, per equalized pupil, for the school year; and~~  
17 ~~the denominator is the income dollar equivalent yield for the school year, as~~  
18 ~~defined in subdivision (16) of this section. [Repealed.]~~

19 \* \* \*

20 (15) “Property dollar equivalent yield” means the amount of spending  
21 per equalized pupil that would result if the homestead tax rate were \$1.00 per

1 ~~\$100.00 of equalized education property value, and the statutory reserves~~  
2 ~~under 16 V.S.A. § 4026 and section 5402b of this title were maintained,~~  
3 ~~calculated as if total statewide education spending per equalized pupil were~~  
4 ~~equal to the total statewide education spending per equalized pupil minus the~~  
5 ~~total statewide base spending amount per equalized pupil.~~

6 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~  
7 ~~equalized pupil that would result if the income percentage in subdivision~~  
8 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~  
9 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. [Repealed.]~~

10 (17) ~~“Base spending amount” means the amount that results from the~~  
11 ~~following calculation:~~

12 (A) ~~the sum of the total projected Education Fund revenue sources~~  
13 ~~under 16 V.S.A. § 4025(a) for the following fiscal year, plus any reserve from~~  
14 ~~the prior fiscal year, minus the total projected amount of revenue raised by the~~  
15 ~~statewide education homestead tax in the following fiscal year; minus~~

16 (B) ~~an amount equal to the projected Education Fund expenditures~~  
17 ~~for the following fiscal year, minus the projected education payments under~~  
18 ~~16 V.S.A. § 4028 for the following fiscal year, and minus any projected~~  
19 ~~transfer to the Education Fund Budget Stabilization Reserve Fund established~~  
20 ~~under 16 V.S.A. § 4026; plus~~

21 ~~(C) the projected amount of revenue raised by the statewide~~

1 ~~education homestead tax that would result if the homestead tax rate were \$1.00~~  
2 ~~per \$100.00 of equalized education property value in the following fiscal year;~~  
3 ~~divided by~~

4 ~~(D) the total projected count of equalized, weighted pupils in the~~  
5 ~~following fiscal year.~~

6 Sec. 7. 32 V.S.A. § 5402b is amended to read:

7 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

8 RECOMMENDATION OF THE COMMISSIONER

9 (a) Annually, ~~no~~ not later than December 1, the Commissioner of Taxes,  
10 after consultation with the Secretary of Education, the Secretary of  
11 Administration, and the Joint Fiscal Office, shall calculate and recommend a  
12 property dollar equivalent yield, an income ~~dollar equivalent yield~~ percentage,  
13 and a nonresidential property tax rate for the following fiscal year. In making  
14 these calculations, the Commissioner shall assume:

15 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is  
16 \$1.00 per \$100.00 of equalized education property value;

17 (2) the ~~applicable~~ income percentage in subdivision 6060(a)(2) of this  
18 title is 2.0;

19 (3) the statutory reserves under 16 V.S.A. § 4026 and this section were  
20 maintained at five percent; and

21 ~~(4) the percentage change in the median average education tax bill~~

1 ~~applied to nonresidential property, the percentage change in the median~~  
2 ~~average~~ education tax bill of homestead property, and the percentage change in  
3 the median ~~average~~ education tax bill for taxpayers who claim an adjustment  
4 under subsection 6066(a) of this title are equal.

5 (b) For each fiscal year, the General Assembly shall set a property dollar  
6 equivalent yield and an ~~income~~ dollar equivalent yield, consistent with the  
7 ~~definitions in this chapter~~ income percentage under subdivision 6066(a)(2)  
8 of this title.

9 \* \* \*

10 Sec. 8. 32 V.S.A. § 6066(a)(2) is amended to read:

11 (2) "Income percentage" in this section means two percent, multiplied  
12 by the education ~~income~~ property tax spending adjustment under subdivision  
13 5401(13)(B)(A) of this title for the property tax year ~~which~~ that begins in the  
14 ~~claim year for the municipality in which the homestead residence is located.~~

*\* \* \* Yields and Nonresidential Tax Rate \* \* \**

*Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME*

*DOLLAR EQUIVALENT YIELD FOR FISCAL YEAR 2018*

*Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2018 only:*

*(1) the property dollar equivalent yield is \$10,077.00; and*

*(2) the income dollar equivalent yield is \$11,851.00.*

*Sec. 2. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR*

2018

For fiscal year 2018 only, the nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2) shall be reduced from the rate of \$1.59 and instead be \$1.555 per \$100.00.

*\* \* \* Unfunded Mandates\* \* \**

*Sec. 3. 32 V.S.A. § 305b is added to read:*

§ 305b. UNFUNDED EDUCATION MANDATE AMOUNT TRANSFER

Within 30 days after the end of each annual legislative session of the General Assembly, the Joint Fiscal Office and the Secretary of Administration in consultation with the Secretary of Education, and with the Secretary of Human Services as appropriate, shall estimate the “unfunded education mandate amount.” This estimate shall equal the total dollar amount required for supervisory unions and school districts to perform any action that is required pursuant to legislation enacted during that annual legislative session, and which has a related direct cost, but does not have a specifically identified appropriation for fulfilling that obligation. The estimate shall be for the fiscal year commencing on July 1 of the following year. The Joint Fiscal Office and the Secretary of Administration shall present the unfunded education mandate amount estimate to the Emergency Board at its July meeting and the Emergency Board shall determine the unfunded education mandate amount. The Governor’s budget report required under section 306 of this title shall



include a transfer of this amount from the General Fund pursuant to 16 V.S.A. § 4025(a)(2) for the fiscal year commencing on July 1 of the following year.

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

§ 4025. EDUCATION FUND

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

\* \* \*

(2) For each fiscal year, the amount of the general funds appropriated or transferred to the Education Fund shall be \$305,900,000.00, to be:

(A) the total of \$305,900,000.00 plus the unfunded education mandate amount, as defined in subsection (e) of this section;

(B) increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal Office and Administration determination of the National Income and Product Accounts (NIPA) Implicit Price Deflator for State and Local Government Consumption Expenditures and Gross Investment as reported by the U.S. Department of Commerce, Bureau of Economic Analysis through the fiscal year for which the payment is being determined;

(C) plus an additional one-tenth of one percent.

\* \* \*

(e) As used in this section, “unfunded education mandate amount” shall mean the amount appropriated by the General Assembly in any fiscal year for the purpose of providing funding for supervisory unions and school districts to

perform any action that is required pursuant to legislation, and which has a related direct cost, but does not otherwise have a specifically identified appropriation for fulfilling that obligation. The “unfunded education mandate amount” shall include the cumulative amount of these appropriations for all fiscal years in which they are made.

Sec. 5. 16 V.S.A. § 4028(d) is amended to read:

(d) Notwithstanding 2 V.S.A. § 502(b)(2), the Joint Fiscal Office shall prepare a fiscal note for any legislation that requires a supervisory union or school district to perform any action with ~~an associated~~ a related direct cost, but does not ~~provide money or a funding mechanism~~ have a specifically identified appropriation for fulfilling that obligation. Any fiscal note prepared under this subsection shall identify whether or not the estimated costs would be considered part of the “unfunded education mandate amount” under 32 V.S.A. § 305b for the next fiscal year. Any fiscal note prepared under this subsection shall be completed no later than the date that the legislation is considered for a vote in the first committee to which it is referred.

1                                   \* \* \* Property and Debt of Merging Districts \* \* \*

2                   Sec. ~~9~~ 6. TRANSFER OF PROPERTY AND DEBT OF MERGED

3                   DISTRICTS

4                   (a) Notwithstanding any other provision of law, under 16 V.S.A.

5                   § 706b(6)–(8), a study committee report may provide terms for transferring the

1 ownership of capital assets, and the liability for any associated debt, from the  
2 merging districts to the towns within the merging district where those assets  
3 are fixed. A study committee report may also provide terms for leases  
4 governing the management of these same capital assets.

5 (b) A transfer of assets included in a study committee report under this  
6 section and approved under 16 V.S.A. chapter 11 shall not be considered a sale  
7 for the purpose of the refund upon sale requirement of 16 V.S.A. § 3448(b).

8 (c) As used in this section, a union school district established under  
9 16 V.S.A. chapter 11 includes a school district voluntarily created pursuant to  
10 2015 Acts and Resolves No. 46, Sec. 6 or 7, or a regional education district, or  
11 any other district eligible to receive incentives pursuant to 2010 Acts and  
12 Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and  
13 2013 Acts and Resolves No. 56.

14 \* \* \* Effective Date, ~~Transition~~ \* \* \*

15 ~~Sec. 10. EFFECTIVE DATE AND TRANSITION~~

16 ~~(a) This act shall take effect on July 1, 2017 and apply to fiscal year 2018~~  
17 ~~and after; provided, however, for the purpose of calculating tax rates and~~  
18 ~~making recommendations under Secs. 6, 8 of this act:~~

19 ~~(1) for fiscal year 2018, the base spending amount shall be only~~  
20 ~~80 percent of the amount normally calculated under statute;~~

21 ~~(2) for fiscal year 2019, the base spending amount shall be only~~

1 ~~84 percent of the amount normally calculated under statute;~~  
2 (3) for fiscal year 2020, the base spending amount shall be only  
3 88 percent of the amount normally calculated under statute;  
4 (4) for fiscal year 2021 and after, the base spending amount shall be  
5 92 percent of the amount normally calculated under statute.  
6 (b) Secs. 3–5 (excess spending penalty) of this act shall be repealed on  
7 January 1, 2021, and the excess spending penalty shall be applied for fiscal  
8 year 2022 and after.

*Sec. 7. EFFECTIVE DATE*

*This act shall take effect July 1, 2017 and apply to fiscal year 2018 and after.*