

1 H.792

2 Introduced by Representatives Colburn of Burlington, Burke of Brattleboro,
3 Chesnut-Tangerman of Middletown Springs, Cina of
4 Burlington, Gonzalez of Winooski, Haas of Rochester, Howard
5 of Rutland City, Sullivan of Burlington, Troiano of Stannard,
6 and Weed of Enosburgh

7 Referred to Committee on

8 Date:

9 Subject: Education; postsecondary; tuition-free scholarship program; education
10 property tax; income adjustment

11 Statement of purpose of bill as introduced: This bill proposes to create the
12 Vermont Promise Scholarship Program to provide tuition-free scholarships for
13 Vermont students who attend the University of Vermont or a Vermont State
14 College. The Program would be funded by the creation of an education
15 property tax system in which the amount of tax due is adjusted by income for
16 all taxpayers.

17 An act relating to the creation of a tuition-free scholarship program for
18 Vermont students

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

2 * * * Vermont Promise Scholarship Program; Creation * * *

3 Sec. 1. 16 V.S.A. chapter 87, subchapter 3A is added to read:

4 Subchapter 3A. Vermont Promise Scholarship Program

5 § 2848. VERMONT PROMISE SCHOLARSHIP PROGRAM

6 (a) Title. This subchapter shall be known and may be cited as the
7 “Vermont Promise Scholarship Program.”

8 (b) Definitions. As used in this section:

9 (1) “Eligible postsecondary institutions” means the University of
10 Vermont and State Agricultural College and the Vermont State Colleges.

11 (2) “Eligible postsecondary program” means a curriculum of courses
12 leading to a certificate or an associate’s or bachelor’s degree at an eligible
13 postsecondary institution. Courses taken at a four-year postsecondary
14 institution prior to admission in, or that fulfill prerequisite requirements for, an
15 eligible postsecondary program shall not be considered part of the eligible
16 postsecondary program.

17 (3) “Full-time student” means a student who is enrolled full time at an
18 eligible postsecondary institution for at least two semesters of a single
19 academic year and enrolled in a minimum of 12 semester hours per semester.

20 “Full-time student” includes a student with a documented learning disability
21 who receives accommodations because of the student’s disability and who is

1 unable to take 12 semester hours per semester as a direct result of the student's
2 disability; provided, however, that the student takes the maximum number of
3 semester hours that is established by the eligible postsecondary institution as
4 feasible for the student to attempt.

5 (4) "Gift aid" means grant or scholarship financial aid received from the
6 federal government and grant or scholarship financial aid received from the
7 State.

8 (5) "Promise scholarship" means a scholarship awarded under this
9 section.

10 (6) "Semester" means a fall, spring, or summer semester at an eligible
11 postsecondary institution, if the institution is on a semester system, or the
12 equivalent if the institution is on a system other than a semester system.

13 (c) Administration of Program. The Corporation shall administer the
14 Vermont Promise Scholarship Program under the following terms and
15 conditions and subject to the availability of funds deposited into the Vermont
16 Promise Scholarship Fund established under section 2849 of this title:

17 (1) To qualify for a promise scholarship, the student must:

18 (A) be a Vermont resident as determined by the eligible
19 postsecondary institution;

20 (B) for the first year of undergraduate study, be enrolled full time at
21 an eligible postsecondary institution or be accepted for admission on a full-

1 time basis at such an institution, and for each year following the first year of
2 undergraduate study, be a full-time student and have been certified by the
3 institution to have a cumulative 2.5 grade point average or higher as set forth in
4 rules or policies adopted by the Corporation;

5 (C) be seeking a certificate or an associate's or bachelor's
6 degree; and

7 (D) execute a promissory note with the Corporation obligating the
8 student to repay the tuition benefit received by the student under the promise
9 scholarship if the student fails to complete the certificate or degree the student
10 seeks to obtain in accordance with the requirements of this section.

11 (2) Exceptions to the qualification requirements under subdivision (1) of
12 this subsection may be made by the Corporation for extenuating circumstances
13 as provided in rules or policies adopted by the Corporation.

14 (3)(A) Students applying for the scholarship shall complete the Vermont
15 Promise Scholarship Program application for each academic year of enrollment
16 in accordance with a schedule determined by the Corporation. Students shall
17 complete the free application for federal student aid (FAFSA) and the Vermont
18 grant application each academic year in which they seek to receive a promise
19 scholarship.

20 (B) Subject to subdivision (7)(B) of this subsection (c), promise
21 scholarships may be for a maximum of:

1 (i) three semesters for a student seeking a certificate;

2 (ii) five semesters for a student seeking an associate's degree; or

3 (iii) ten semesters for a student seeking a bachelor's degree.

4 (C) A student who has obtained a certificate under the Program shall
5 remain eligible under the Program to seek an associate's or a bachelor's
6 degree, and a student who has obtained an associate's degree under the
7 Program shall remain eligible under the Program to seek a bachelor's degree,
8 provided that, subject to subdivision (7)(B) of this subsection (c), promise
9 scholarships shall not be awarded to a student for more than ten semesters.

10 (4) A promise scholarship shall cover the cost of tuition at the eligible
11 postsecondary institution for one academic year based on full-time enrollment,
12 which shall be charged at the resident rate, less all other gift aid received under
13 subdivision (b)(4) of this section. The Corporation shall pay the promise
14 scholarship directly to the eligible postsecondary institution.

15 (5) A Vermont Promise Scholarship Program student who receives a
16 promise scholarship shall be eligible for an additional grant of up to \$200.00
17 per academic year to cover the costs of books. Funding for this book grant
18 shall be paid directly to the eligible postsecondary institution from the
19 Vermont Higher Education Endowment Trust Fund, established under section
20 2885 of this title, notwithstanding subsection 2885(f) of this title. The eligible

1 postsecondary institution shall disperse these funds in accordance with rules or
2 policies adopted by the Corporation.

3 (6) A Vermont Promise Scholarship Program student who has an
4 approved medical or personal leave of absence from an eligible postsecondary
5 institution may continue to receive the scholarship upon resuming the student's
6 education at an eligible postsecondary institution provided that the student
7 continues to meet all applicable eligibility requirements. The sum of all
8 approved leaves of absence shall not exceed six months, except as provided for
9 in rules or policies adopted by the Corporation.

10 (7)(A) A student shall be eligible for the Vermont Promise Scholarship
11 Program until the student has attended an eligible postsecondary institution as
12 a Vermont Promise Scholarship Program student for the number of semesters
13 set forth under subdivision (3)(B) of this subsection (c). This limitation shall
14 not include an approved leave of absence.

15 (B) A student with a documented learning disability shall be eligible
16 for the Vermont Promise Scholarship Program for the minimum number of
17 semesters the eligible postsecondary institution establishes as feasible for the
18 student to complete the course work for the certificate or associate's or
19 bachelor's degree the student is attempting to obtain. This limitation shall not
20 include an approved leave of absence.

1 (8)(A) To be eligible under the Vermont Promise Scholarship Program,
2 a student shall maintain enrollment as a full-time student in each academic
3 year while receiving the scholarship.

4 (B) The requirement of subdivision (1) of this subsection (c) and
5 subdivision (A) of this subdivision (8) that a Vermont Promise Scholarship
6 Program student maintain enrollment as a full-time student in each academic
7 year does not apply to a Vermont Promise Scholarship Program student who is
8 on a medical or personal leave, as approved by the student's eligible
9 postsecondary institution.

10 (9) Notwithstanding the requirement of subdivisions (1) and (8)(A) of
11 this subsection that a Vermont Promise Scholarship Program student maintain
12 enrollment as a full-time student in each academic year, a student with a
13 documented learning disability may enroll in fewer than 12 semester hours per
14 semester if required by the academic program in which the student is enrolled.
15 A student with a documented learning disability shall enroll each semester in
16 the maximum number of semester hours that is established by the eligible
17 postsecondary institution as feasible for the student to attempt.

18 (10) The Corporation is authorized to adopt rules and policies to
19 establish deadlines for applications, for appeal procedures for the denial or
20 revocation of the scholarship, and otherwise to effectuate the purposes of this
21 section. The Corporation may relieve, in whole or in part and for good cause

1 as determined by the Corporation, a student's obligation to repay the tuition
2 benefit received by the student under the promise scholarship.

3 (d) Reporting. The Corporation and the PreKindergarten-16 Higher
4 Education Subcommittee of the PreKindergarten-16 Council shall provide
5 assistance to the General Assembly by researching and analyzing data
6 concerning the effectiveness of the Vermont Promise Scholarship Program,
7 including student academic success, completion rates, scholarship retention,
8 and recommendations for future funding. The Corporation shall report its
9 findings annually to the Senate and House Committees on Education on or
10 before November 15. The provisions of 2 V.S.A. § 20(d) (expiration of
11 required reports) shall not apply to the required report to be made under this
12 subsection.

13 * * * Vermont Promise Scholarship Program; Funding * * *

14 Sec. 2. 16 V.S.A. § 2849 is added to read:

15 § 2849. VERMONT PROMISE SCHOLARSHIP FUND

16 (a) There is established the Vermont Promise Scholarship Fund to comprise
17 appropriations made by the General Assembly and grants, donations, or
18 contributions from any other sources. The Fund shall be administered pursuant
19 to 32 V.S.A. chapter 7, subchapter 5, except that interest earned on the Fund
20 and any remaining balance shall be retained in the Fund.

21 (b) Into the Fund shall be deposited the following:

1 (1) Notwithstanding subsection 4025(d) of this title, for fiscal year 2020
2 and each fiscal year after, an amount of \$30 million shall be appropriated and
3 transferred from the Education Fund to the Fund. For each subsequent fiscal
4 year, the amount appropriated and transferred under this subdivision shall be
5 increased over the fiscal year 2020 amount by the consensus Joint Fiscal
6 Office and Administration determination of the National Income and Product
7 Accounts (NIPA) Implicit Price Deflator for State and Local Government
8 Consumption Expenditures and Gross Investment as reported by the U.S.
9 Department of Commerce, Bureau of Economic Analysis, through the fiscal
10 year for which the payment is being determined.

11 (2) Proceeds from grants, donations, contributions, taxes, and any other
12 sources of revenue as may be provided by statute, rule, or act of the General
13 Assembly.

14 (c) The Fund shall be a source of financing for the Vermont Promise
15 Scholarship Program established pursuant to section 2848 of this title.

16 Sec. 3. 32 V.S.A. § 5401(7) is amended to read:

17 (7) “Homestead”:

18 (A) “Homestead” means the principal dwelling and parcel of land
19 surrounding the dwelling, owned and occupied by a resident individual as the
20 individual’s domicile or owned and fully leased on April 1, provided the
21 property is not leased for more than 182 days out of the calendar year, or for

1 purposes of the renter property tax adjustment under subsection 6066(b) of this
2 title, rented and occupied by a resident individual as the individual's domicile.
3 The determination of homestead is controlled by the domicile of the resident
4 individual and not by the legal form of ownership.

5 * * *

6 Sec. 4. 32 V.S.A. § 6062(b) is amended to read:

7 (b) ~~Only one~~ One claimant per household ~~per year shall be entitled to relief~~
8 shall file for an income adjustment under this chapter.

9 Sec. 5. 32 V.S.A. § 6063(a) is amended to read:

10 (a) The ~~right~~ requirement to file a claim under this chapter is personal to
11 the claimant and shall not survive his or her death, but ~~the right~~ may be
12 exercised on behalf of a claimant by his or her legal guardian or
13 attorney-in-fact. When a claimant dies after having filed a timely claim, the
14 property tax adjustment amount shall be credited to the homestead property tax
15 liability of the claimant's estate, as provided in section 6066a of this title.

16 Sec. 6. 32 V.S.A. § 6064 is amended to read:

17 § 6064. ~~CLAIM APPLIED AGAINST OUTSTANDING LIABILITIES~~

18 ~~The amount of any property tax adjustment amount resulting under this~~
19 ~~chapter may be applied by the Commissioner, beginning July 1 of the calendar~~
20 ~~year in which the claim is filed, against any State tax liability outstanding~~
21 ~~against the claimant.~~ [Repealed.]

1 Sec. 7. 32 V.S.A. § 6066 is amended to read:

2 § 6066. COMPUTATION OF INCOME ADJUSTMENT

3 (a) ~~An eligible~~ The homestead education property tax of a claimant who
4 owned the homestead on April 1 of the year in which the claim is filed shall be
5 ~~entitled to an adjustment amount~~ determined as follows:

6 (1)(A) For a claimant with household income of ~~\$90,000.00~~
7 \$137,500.00 or more, the homestead education property tax shall be the
8 greater of:

9 (i) the statewide education tax rate, multiplied by the equalized
10 value of the housesite in the taxable year; or

11 (ii) ~~minus (if less)~~ the sum of:

12 ~~(+)~~ the income percentage of household income for the taxable
13 year; ~~plus.~~

14 (B) For a claimant with household income of \$90,000.00 or greater,
15 but less than \$137,500.00, the homestead education property tax shall be the
16 lesser of:

17 (i) the statewide education tax rate, multiplied by the equalized
18 value of the housesite in the taxable year; or

19 (ii) the sum of:

20 (I) the income percentage of household income for the taxable
21 year; plus

1 (II) the statewide education tax rate, multiplied by the
2 equalized value of the housesite in the taxable year in excess of \$250,000.00.

3 ~~(B)~~(C) For a claimant with household income of less than \$90,000.00
4 but more than \$47,000.00, the homestead education property tax shall be the
5 lesser of:

6 (i) the statewide education tax rate, multiplied by the equalized
7 value of the housesite in the taxable year, ~~minus (if less);~~ or

8 (ii) the sum of:

9 ~~(i)~~(I) the income percentage of household income for the
10 taxable year; plus

11 ~~(ii)~~(II) the statewide education tax rate, multiplied by the
12 equalized value of the housesite in the taxable year in excess of \$500,000.00.

13 ~~(C)~~(D) For a claimant whose household income does not exceed
14 \$47,000.00, the homestead education property tax shall be the lesser of:

15 (i) the statewide education tax rate, multiplied by the equalized
16 value of the housesite in the taxable year, ~~minus the lesser of;~~ or

17 ~~(i)~~(ii) the sum of the income percentage of household income for
18 the taxable year plus the statewide education tax rate, multiplied by the
19 equalized value of the housesite in the taxable year in excess of
20 \$500,000.00; or

1 Sec. 8. 32 V.S.A. § 6067 is amended to read:

2 § 6067. CREDIT LIMITATIONS

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

10 Sec. 9. 32 V.S.A. § 6068 is amended to read:

11 § 6068. APPLICATION AND TIME FOR FILING

12 (a) A tax adjustment claim or request for allocation of an income tax refund
13 to homestead property tax payment shall be filed with the Commissioner on or
14 before the due date for filing the Vermont income tax return, without
15 extension, and shall describe the school district in which the homestead
16 property is located and shall particularly describe the homestead property for
17 which the adjustment or allocation is sought, including the school parcel
18 account number prescribed in subsection 5404(b) of this title. A renter rebate
19 claim shall be filed with the Commissioner on or before the due date for filing
20 the Vermont income tax return, without extension.

1 (b) Membership. The Committee shall be composed of the following six
2 members:

3 (1) three current members of the House of Representatives, not all
4 from the same political party, who shall be appointed by the Speaker of
5 the House; and

6 (2) three current members of the Senate, not all from the same political
7 party, who shall be appointed by the Committee on Committees.

8 (c) Powers and duties. The Committee shall study how to transition
9 Vermont from an education tax based on property taxes to an education tax
10 based completely on income, including the following issues;

11 (1) how best to structure a progressive education income tax;

12 (2) how to incorporate the revenue reductions in the education property
13 tax and the creation of the education income tax into the revenues and
14 obligations for the Education Fund;

15 (3) how best to collect and administer an education income tax; and

16 (4) how best to treat renters under an education income tax.

17 (d) Assistance. The Committee shall have the administrative, technical,
18 and legal assistance of the Office of Legislative Council. The Committee shall
19 also have the assistance of the Joint Fiscal Office, the Department of Taxes,
20 and the Agency of Education.

1 (e) Report. On or before January 15, 2019, the Committee shall report to
2 the Senate Committee on Finance and the House Committee on Ways and
3 Means with its findings and with specific recommendations for legislative
4 action.

5 (f) Meetings.

6 (1) The first meeting of the Committee shall occur before September 1,
7 2018. The Committee shall select a chair and vice chair from among its
8 members at the first meeting.

9 (3) A majority of the Committee shall constitute a quorum.

10 (4) The Committee shall cease to exist on January 16, 2019.

11 (g) Reimbursement. For attendance at meetings during adjournment of the
12 General Assembly, legislative members of the Committee shall be entitled to
13 per diem compensation and reimbursement of expenses pursuant to 2 V.S.A.
14 § 406 for not more than six meetings.

15 Sec. 11. STUDY BY THE PREKINDERGARTEN-16 HIGHER

16 EDUCATION SUBCOMMITTEE OF THE PREKINDERGARTEN-
17 16 COUNCIL

18 The Prekindergarten-16 Higher Education Subcommittee of the
19 Prekindergarten-16 Council shall conduct a study of all State funding for
20 postsecondary education, including appropriations to the Vermont Student
21 Assistance Corporation and funding to support dual enrollment and early

1 college programs, to determine those funding sources that should be redirected
2 to fund the Vermont Promise Scholarship Program established pursuant to
3 16 V.S.A. § 2848. On or before January 15, 2019, the Committee shall report
4 to the House and Senate Committees on Education with its findings and
5 recommendations.

6 * * * Effective Date * * *

7 Sec. 12. EFFECTIVE DATE

8 This act shall take effect on July 1, 2018 and shall apply to income
9 adjustment claims filed for fiscal year 2020 and after. Scholarship grants
10 under this act shall be awarded starting with the 2019–2020 academic year.