

1 H.402

2 Introduced by Representatives Greshin of Warren, Wright of Burlington, and
3 Condon of Colchester

4 Referred to Committee on

5 Date:

6 Subject: Taxation; statewide education property tax; education financing

7 Statement of purpose of bill as introduced: This bill proposes to set a
8 statewide per pupil spending amount for each equalized student in each
9 district. The spending amount would be indexed to inflation. The State would
10 provide education funding up to that amount on an equalized basis. Towns
11 could spend up to 20 percent over that amount, but any additional spending
12 would be raised on the municipal property tax base, not the statewide property
13 tax base.

14 An act relating to creating a statewide per pupil spending amount

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

16 * * * Statewide Per Pupil Spending Amount * * *

17 Sec. 1. STATEWIDE PER PUPIL SPENDING AMOUNT

18 (a) On or before January 15, 2018, the Agency of Education, in
19 consultation with the Department of Taxes and the Joint Fiscal Office, shall
20 determine a statewide per pupil spending amount. The statewide per pupil

1 spending amount shall be the average amount required to provide an education
2 for a student in the State of Vermont, based on the State's obligation to its
3 citizens, as well as the educational standards adopted under Vermont law. The
4 determination shall consider all sources of education spending, but not
5 spending that is currently considered categorical grants or capital expenditures.

6 (b) On or before July 1, 2018, the General Assembly shall determine a
7 formula for equalizing a school district's pupil count and shall amend
8 16 V.S.A. § 4010 and any related sections of law, as necessary. The
9 equalization of district pupil counts will adjust the spending permitted for each
10 district based on each of the following factors, and any additional factors the
11 General Assembly deems necessary:

12 (1) whether a student is a prekindergarten, kindergarten, or elementary
13 student, or secondary school student;

14 (2) whether a student is from an economically deprived background;

15 (3) whether a student is one for whom English is not his or her primary
16 language;

17 (4) whether a student has special education needs;

18 (5) whether any student requires extraordinary transportation
19 expenditures;

20 (6) whether the student attends a small school; and

21 (7) regional differences in staff expenses.

1 (c) On or before July 1, 2017, the General Assembly shall determine an
2 inflationary index for the statewide per pupil spending amount.

3 * * * Changes in Title 16 * * *

4 Sec. 2. 16 V.S.A. § 428 is amended to read:

5 § 428. BUDGET TO BE VOTED

6 (a) At each annual town school district meeting, the electorate shall vote
7 such sums of money as it deems necessary for the support of schools. If such
8 sums are not approved or acted upon at the annual meeting, the electorate shall
9 vote such questions at a duly warned special school district meeting. A district
10 may vote money necessary for the support of schools therein to the end of the
11 full school year next ensuing.

12 (b) If the electorate of a school district votes for its budget by Australian
13 ballot, it shall do so using ballot language jointly developed by the Secretary of
14 Education and the Secretary of State and adopted by the State Board, by rule.

15 (c) A budget will be deemed to have failed if the budget voted includes
16 education spending for the school district that exceeds the sum of:

17 (1) the statewide per pupil spending amount multiplied by the number of
18 equalized pupils in the district; plus

19 (2) any amounts raised by municipal taxes under Title 24 that are
20 designated by the towns in the district under subsection 4011(i) of this title.

1 Sec. 3. 16 V.S.A. § 511 is amended to read:

2 § 511. BUDGET

3 (a) At a meeting legally warned for that purpose, the electorate within an
4 incorporated school district shall vote such sums of money as it deems
5 necessary for the support of schools. If the sums are not approved or acted
6 upon at the annual meeting, the electorate shall vote the questions at a duly
7 warned special school district meeting. A district may vote money necessary
8 for the support of schools to the end of the full school year next ensuing.

9 (b) If the electorate of an incorporated school district votes for its budget
10 by Australian ballot, it shall do so using ballot language jointly developed by
11 the Secretary of Education and Secretary of State and adopted by the State
12 Board, by rule.

13 (c) A budget will be deemed to have failed if the budget voted includes
14 education spending for the school district that exceeds the sum of:

15 (1) the statewide per pupil spending amount multiplied by the number of
16 equalized pupils in the district; plus

17 (2) any amounts raised by municipal taxes under Title 24 that are
18 designated by the towns in the district under subsection 4011(i) of this title.

19 Sec. 4. 16 V.S.A. § 4001 is amended to read:

20 § 4001. DEFINITIONS

21 As used in this chapter:

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(6) “Education spending” means the amount of the school district budget, any assessment for a joint contract school, career technical center payments made on behalf of the district under subsection 1561(b) of this title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is paid for by the school district, but excluding any portion of the school budget paid for from any other sources such as endowments, parental fund raising, federal funds, nongovernmental grants, or other State funds ~~such as special education funds paid under chapter 101 of this title.~~

(A) [Repealed.]

(B) ~~For purposes of calculating excess spending pursuant to 32 V.S.A. § 5401(12), “education spending” shall not include:~~

~~(i) Spending during the budget year for approved school capital construction for a project that received preliminary approval under section 3448 of this title, including interest paid on the debt; provided the district shall not be reimbursed or otherwise receive State construction aid for the approved school capital construction.~~

~~(ii) For a project that received final approval for State construction aid under chapter 123 of this title:~~

1 ~~(I) spending for approved school capital construction during the~~
2 ~~budget year that represents the district's share of the project, including interest~~
3 ~~paid on the debt;~~

4 ~~(II) payment during the budget year of interest on funds~~
5 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
6 ~~State aid for the project.~~

7 ~~(iii) Spending that is approved school capital construction~~
8 ~~spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future~~
9 ~~approved school capital construction costs, including that portion of tuition~~
10 ~~paid to an independent school designated as the public high school of the~~
11 ~~school district pursuant to section 827 of this title for capital construction costs~~
12 ~~by the independent school that has received approval from the State Board of~~
13 ~~Education, using the processes for preliminary approval of public school~~
14 ~~construction costs pursuant to subdivision 3448(a)(2) of this title.~~

15 ~~(iv) Spending attributable to the cost of planning the merger of a~~
16 ~~small school, which for purposes of this subdivision means a school with an~~
17 ~~average grade size of 20 or fewer students, with one or more other schools.~~

18 ~~(v) Spending attributable to the district's share of special~~
19 ~~education spending in excess of \$50,000.00 for any one student in the fiscal~~
20 ~~year occurring two years prior.~~

1 ~~(vi) A budget deficit in a district that pays tuition to a public~~
2 ~~school or an approved independent school or both for all of its resident~~
3 ~~students in any year in which the deficit is solely attributable to tuition paid for~~
4 ~~one or more new students who moved into the district after the budget for the~~
5 ~~year creating the deficit was passed.~~

6 ~~(vii) For a district that pays tuition for all of its resident students~~
7 ~~and into which additional students move after the end of the census period~~
8 ~~defined in subdivision (1)(A) of this section, the number of students that~~
9 ~~exceeds the district's most recent average daily membership and for whom the~~
10 ~~district will pay tuition in the subsequent year multiplied by the district's~~
11 ~~average rate of tuition paid in that year.~~

12 ~~(viii) Tuition paid by a district that does not operate a school and~~
13 ~~pays tuition for all resident students in kindergarten through grade 12, except~~
14 ~~in a district in which the electorate has authorized payment of an amount~~
15 ~~higher than the statutory rate pursuant to subsection 823(b) or 824(e) of this~~
16 ~~title.~~

17 ~~(ix) The assessment paid by the employer of teachers who become~~
18 ~~members of the State Teachers' Retirement System of Vermont on or after~~
19 ~~July 1, 2015, pursuant to section 1944d of this title.~~

1 ~~(x) School district costs associated with dual enrollment and early~~
2 ~~college programs.~~ [Repealed.]

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4 Sec. 5. 16 V.S.A. § 4011 is amended to read:

5 § 4011. EDUCATION PAYMENTS

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7 (c) Annually, each school district shall receive an education spending
8 payment for support of education costs. ~~An unorganized town or gore shall~~
9 ~~receive an amount equal to its adjusted education payment for that year for~~
10 ~~each student based on the weighted average daily membership count, which~~
11 ~~shall not be equalized. In fiscal years 2007 and after, no district shall receive~~
12 ~~more than its education spending amount.~~ The payment shall be no more than
13 the statewide per pupil spending amount multiplied by the equalized pupil
14 count for the district as determined under section 4010 of this title.

15 * * *

16 (i) ~~Annually, by October 1, the Secretary shall send to school boards for~~
17 ~~inclusion in town reports and publish on the Agency website the following~~
18 ~~information:~~

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

1 ~~(2) a statewide comparison of student teacher ratios among schools that~~
2 ~~are similar in number of students and number of grades. In addition to the~~
3 ~~payments under this chapter from the State, school districts may also receive~~
4 ~~funds transferred from the municipalities within the district equaling up to~~
5 ~~20 percent of the district's education spending.~~

6 Sec. 6. 16 V.S.A. § 4028(c) is amended to read:

7 ~~(c)(1) Any district that has adopted a school budget that includes high~~
8 ~~spending, as defined in 32 V.S.A. § 5401(12), shall, upon timely notice, be~~
9 ~~authorized to use a portion of its high spending penalty to reduce future~~
10 ~~education spending;~~

11 ~~(A) by entering into a contract with an operational efficiency~~
12 ~~consultant or a financial systems consultant to examine issues such as~~
13 ~~transportation arrangements, administrative costs, staffing patterns, and the~~
14 ~~potential for collaboration with other districts;~~

15 ~~(B) by entering into a contract with an energy or facilities~~
16 ~~management consultant; or~~

17 ~~(C) by engaging in discussions with other school districts about~~
18 ~~reorganization or consolidation for better service delivery at a lower cost.~~

19 ~~(2) To the extent approved by the Secretary, the Agency shall pay the~~
20 ~~district from the property tax revenue to be generated by the high spending~~
21 ~~increase to the district's spending adjustment as estimated by the Secretary, up~~

1 ~~to a maximum of \$5,000.00. For the purposes of this subsection, “timely~~
2 ~~notice” means written notice from the district to the Secretary by September 30~~
3 ~~of the budget year. If the district enters into a contract with a consultant~~
4 ~~pursuant to this subsection, the consultant shall not be an employee of the~~
5 ~~district or of the Agency. A copy of the consultant’s final recommendations or~~
6 ~~a copy of the district’s recommendations regarding reorganization, as~~
7 ~~appropriate, shall be submitted to the Secretary, and each affected town shall~~
8 ~~include in its next town report an executive summary of the consultant’s or~~
9 ~~district’s final recommendations and notice of where a complete copy is~~
10 ~~available. No district is authorized to obtain funds under this section more~~
11 ~~than one time in every five years. [Repealed.]~~

12 Sec. 7. 16 V.S.A. § 4029(b) is amended to read:

13 (b) Funds received by a municipality other than a school district may not be
14 used directly or indirectly for education expenses, except for funds raised from
15 municipal taxes and transferred to a school district under subsection 4011(i) of
16 this title.

17 * * * Changes in Title 32 * * *

18 Sec. 8. 32 V.S.A. § 5401 is amended to read:

19 § 5401. DEFINITIONS

20 As used in this chapter:

21 * * *

1 (12) ~~“Excess spending” means:~~

2 ~~(A) The per equalized pupil amount of the district’s education~~
3 ~~spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be~~
4 ~~added from a capital construction reserve fund under 24 V.S.A. § 2804(b).~~

5 ~~(B) In excess of 121 percent of the statewide average district~~
6 ~~education spending per equalized pupil increased by inflation, as determined~~
7 ~~by the Secretary of Education on or before November 15 of each year based on~~
8 ~~the passed budgets to date. As used in this subdivision, “increased by~~
9 ~~inflation” means increasing the statewide average district education spending~~
10 ~~per equalized pupil for fiscal year 2015 by the most recent New England~~
11 ~~Economic Project cumulative price index, as of November 15, for state and~~
12 ~~local government purchases of goods and services, from fiscal year 2015~~
13 ~~through the fiscal year for which the amount is being determined. “Statewide~~
14 ~~per pupil spending amount” means the amount determined by the Agency of~~
15 ~~Education on or before January 1, 2018.~~

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

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

6 * * *

7 * * * Effective Dates * * *

8 Sec. 9. EFFECTIVE DATES

9 (a) This section and Sec. 1 shall take effect on passage.

10 (b) Secs. 2 through 8 (changes in Titles 16 and 32) shall take effect on
11 July 1, 2018, and apply to fiscal year 2019 and forward.