HWM Education Finance Proposal  
February 28, 2018

For the purpose of discussion only

1. Retains the current-law property tax adjustment and the homeowner rebate
   
   (a) Reduces the maximum housesite value for a property tax adjustment from $500,000 to $400,000 (first impacts education tax bills in FY2020)

2. Reduces the average homestead property tax rate in FY2019 from $1.554 to $1.404 and the average tax rate on household income from 2.58% to 2.32% by:
   
   (a) Adding $59 million to the Education Fund from a school income tax surcharge
   
   (b) Providing a base payment of $11,916 per equalized pupil to all districts
   
   (c) Lowering the yield from $9,832 to $8,500
   
   (d) Setting the base homestead property tax rate at $1.00 and the base tax rate on household income at 1.66%

3. Sets the FY2019 base payment at 92% of the calculated amount ($11,916) and phases the full base payment from FY2019 to FY2021

4. Maintains the nonresidential property tax rate at its current law amount of $1.591

5. Splits the homeowner rebate into two components: homestead and municipal property tax

6. Maintains the existing renter rebate program (but transfer it to the General Fund (see below)

7. Repeals the GF transfer in a revenue neutral fashion by:
   
   (a) Dedicating General Fund revenues to the Education Fund:
   
      i. 100% of the sales tax
      ii. 25% of the meals & rooms tax

   (b) Transferring $21.5 million of EF uses to the GF:
   
      i. Adult Education & Literacy
      ii. Flexible Pathways
      iii. Community High School of Vermont
      iv. Renter Rebate

8. Adds the normal cost of teachers’ pensions to each district’s education spending amount; remains an Education Fund use

Prepared by the Joint Fiscal Office
### Current Law Compared to HWM Proposal March 1, 2018

(millions of dollars)

<table>
<thead>
<tr>
<th>Proposal has not been adopted by the House Ways &amp; Means Committee</th>
<th>Current Law</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Average Homestead Property Tax Rate</td>
<td>$1.554</td>
<td>$1.404</td>
</tr>
<tr>
<td>b Average Tax Rate on Household Income</td>
<td>2.58%</td>
<td>2.32%</td>
</tr>
<tr>
<td>c Uniform Non-Homestead Property Tax Rate</td>
<td>$1.591</td>
<td>$1.591</td>
</tr>
<tr>
<td>d Base Spending Amount</td>
<td>NA</td>
<td>$11,916</td>
</tr>
<tr>
<td>e Base Homestead Property Tax Rate</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>f Base Homestead Income Tax Rate</td>
<td>2.00%</td>
<td>1.66%</td>
</tr>
<tr>
<td>g Property Yield Per Equalized Pupil</td>
<td>$9,832</td>
<td>$8,500</td>
</tr>
<tr>
<td>h Income Yield Per Equalized Pupil</td>
<td>$11,880</td>
<td>$8,500</td>
</tr>
</tbody>
</table>

### Sources (actual)

1. Base Homestead Property Tax NA 396.6
2. Homestead Property Tax Based on Yield 619.6 164.0
3. Property Tax Adjustment and Rebate (176.4) (176.4)
4. Education Income Tax Surcharge NA 59.0
5. Non-Homestead Education Tax 677.5 677.5
6. Purchase & Use Tax 37.3 37.3
7. General Fund Transfer 322.9 -
8. Sales & Use Tax 144.3 400.9
9. Meals & Rooms Tax - 44.6
10. Lottery Transfer 25.6 25.6
11. Medicaid Transfer 8.6 8.6
12. Other Sources (Wind & Solar, Other) 1.5 1.5
13. Total Sources 1,660.9 1,639.1

### Uses (appropriations)

14. Education Payment 1,372.3 1,372.3
15. Recapture of Teachers' Health Care Savings (4.5) (4.5)
16. Special Education Aid 189.2 189.2
17. State-Placed Students 16.7 16.7
18. Transportation Aid 19.2 19.2
19. Technical Education Aid 13.9 13.9
20. Small School Support 7.6 7.6
21. Essential Early Education Aid 6.6 6.6
22. Adult Education & Literacy 3.0 -
23. Flexible Pathways 7.3 -
24. Community HS of Vermont (Corrections) 3.3 -
25. Renter Rebate (General Govt) - EF share 7.9 -
26. Reappraisal & Listing (General Govt) 3.3 3.3
27. Teachers' Pensions - normal cost 7.7 7.7
28. Other Uses (Accounting fees, Other) 1.1 1.1
29. Total Uses 1,654.6 1,633.1

### Operating Result

30. 6.3 6.0
Estimated Homestead Property Tax Rates
Current Law Compared to HWM Proposal as of March 1, 2018
FY2019

District spending is based on board approved budgets. As of February 13, 2018, 89% of board approved budgets were available. Spending is subject to voter approval on Town Meeting Day.
Estimated Homestead Property Tax Rates

Current Law Compared to HWM Proposal as of March 1, 2018

FY2019

District spending is based on board approved budgets. As of February 13, 2018, 89% of board approved budgets were available. Spending is subject to voter approval on Town Meeting Day.
Calculation of the Base Spending Amount FY19
(millions of dollars)

\[
\begin{align*}
&1,639.1 & \text{Education Fund sources} \\
&(443.2) & \text{Less net homestead tax} \\
&1,195.9 & \\
&1,633.1 & \text{Education Fund uses} \\
&6.3 & \text{Plus FY2019 transfer to stabilization reserve} \\
&1,639.4 & \\
&(1,367.8) & \text{Less net education payment (includes FY19 recapture)} \\
&271.6 & \\
&1,195.9 & \text{Available Education Fund sources} \\
&(271.6) & \text{Less committed Education Fund uses} \\
&924.3 & \\
&220.2 & \text{Plus amount raised on $1.00 on property and equivalent household income} \\
&1,144.5 & \\
1,144,477,000 & \text{Total Base Spending} \\
88,359 & \text{Equalized pupils} \\
\hline
\text{\$12,953} & \text{Base spending amount per equalized pupil}
\end{align*}
\]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Base Spending Amount Approximated From FY19</th>
<th>Implementation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$11,916</td>
<td>92%</td>
</tr>
<tr>
<td>2020</td>
<td>$12,435</td>
<td>96%</td>
</tr>
<tr>
<td>2021</td>
<td>$12,953</td>
<td>100%</td>
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</tbody>
</table>