

## Report on the Impact of House Bill No. 846 of 2016

### 1. Statutory Charge

Act No. 132 of 2016 directs the Joint Fiscal Office, with the assistance of the Office of Legislative Council and the Department of Taxes, to prepare a report on the impact of House Bill No. 846 as presented to the House Committee on Education on March 11, 2016. These documents are included at the end of this report.

### 2. Overview

House Bill No. 846 (the proposal) would change the way homestead tax rates are calculated beginning in FY2020.<sup>1</sup> Compared to current law, the proposal would increase homestead tax rates in districts with high per-pupil spending and decrease homestead tax rates in districts with low per-pupil spending. In addition, the bill would repeal the current-law penalty for “excess” spending beginning in FY2020. All other provisions of current law, including the homeowner rebate<sup>2</sup>, would remain unchanged.

Key findings:

- While it is not possible to know with certainty, it is not likely that the proposal would result in a significant change in education spending statewide.
- In FY2017, the proposal would have increased homestead tax rates in 46% of districts and reduced homestead tax rates in 54% of districts.
- The average homestead tax rate in the highest-spending decile would have increased by \$0.33 and the average homestead tax rate in the lowest-spending decile would have decreased by \$0.26.<sup>3</sup>
- There are several intrinsic transition issues that would need to be addressed before the proposal could be implemented.
- The ongoing implementation of Act 46 and related legislation would complicate the implementation of the proposal in FY2020.

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<sup>1</sup> The proposal would not be implemented before July 1, 2019, the date that school districts voluntarily merging into new sustainable governance models must become operational under Act No. 46 of 2015.

<sup>2</sup> The homeowner rebate, which is available to taxpayers with household income under \$47,000, effectively limits combined education and municipal property taxes to a fixed percentage of household income between 2% and 5%.

<sup>3</sup> For this purpose, five districts at the minimum homestead tax rate have been excluded.

### 3. Calculation of the Homestead Tax Rates

This section describes how the homestead property tax rate and the tax rate on household income are calculated under current law and how these tax rates would be calculated under the proposal.

#### a. Homestead Property Tax Rate

Under current law, the base homestead property tax rate is \$1.00 per \$100 of homestead value. To account for differences in per-pupil<sup>4</sup> spending between districts, this base homestead tax rate is multiplied by each district's property spending adjustment. The property spending adjustment is a district's per-pupil spending divided by the yield.<sup>5</sup> For example, the homestead property tax rate in a district spending \$15,000 per pupil in FY2017 is \$1.55:

$$\begin{aligned} \$1.00 \times (\text{Per-Pupil Spending} / \text{Yield}) &= \text{Property Tax Rate} \\ \$1.00 \times (\$15,000 / \$9,701) &= \$1.55 \end{aligned}$$

A district's homestead property tax rate may not be less than \$1.00, so the yield effectively establishes a floor on per-pupil spending and sets the homestead tax rate in a few districts that do not have any pupils.

Under the proposal, the base homestead property tax rate would remain at \$1.00 per \$100 of homestead value for most districts. However, the yield would be set only after assuming that all districts would first receive a grant to reduce the amount of spending that is subject to the yield. This grant, or base amount, would equal the per-pupil amount of Education Fund revenue that would be available with a homestead tax rate of \$1.00 in all districts. In FY2017, the base amount would have been \$12,437 per pupil:

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<sup>4</sup> Throughout this report, "pupils" refers to "equalized" pupils. The calculation of equalized pupils is complicated and currently undergoing modification pursuant to Act 46. However, the proposal would make no changes to current law in this regard.

<sup>5</sup> A yield is simply a number used to set tax rates. A property yield and an income yield are set annually subject to the following conditions: (1) the base homestead tax rate is \$1.00; (2) the base tax rate on household income is 2%; (3) the Education Fund's statutory reserve is maintained at 5% of prior-year net appropriations; and (4) the percent change in the median homestead property tax, the median tax on household income, and the nonresidential property tax is equal. In FY2017, the property yield is \$9,701 and the income yield is \$10,870.

**Calculation of the Base Amount for FY2017**

(Millions of Dollars)

Total Education Fund Sources	1,558.1
Prior-Year Surplus	18.8
<u>Actual Homestead Property Tax</u>	<u>-597.6</u>
Net Sources	979.3
Total Education Fund Uses	1,575.8
Transfer to Stabilization Reserve	0.8
<u>Education Payment to School Districts</u>	<u>-1,311.1</u>
Net Uses	265.5
Net Amount Available (Sources - Uses)	713.8
<u>Homestead Property Tax at \$1.00</u>	<u>392.9</u>
Total Base Amount	1,106.7
Total Base Amount	1,106.7
<u>Pupil Count</u>	<u>88,982</u>
Base Amount Per Pupil	12,437

Source: Preliminary Education Fund Outlook for FY2017, Conference Committee Report on H.853, May 2016.

For example, the homestead property tax rate in a district spending \$15,000 per pupil in FY2017 would have been \$1.56:

$$\begin{aligned} \$1.00 + (\text{Per-Pupil Spending} - \text{Base Amount}) / \text{Yield} &= \text{Property Tax Rate} \\ \$1.00 + (\$15,000 - \$12,437) / \$4,593 &= \$1.56 \end{aligned}$$

Since a number of districts spend less than the base amount per pupil, the proposal would set homestead property tax rates for these districts by reducing the base tax rate proportionally. For example, the homestead property tax rate of a district spending only \$12,000 per pupil in FY2017 would have been \$0.96:

$$\begin{aligned} \$1.00 \times (\text{Per-Pupil Spending} / \text{Base Amount}) &= \text{Property Tax Rate} \\ \$1.00 \times (\$12,000 / \$12,437) &= \$0.96 \end{aligned}$$

Without a minimum homestead property tax rate, there would no longer be a floor on per-pupil education spending.<sup>6</sup> For the purpose of this analysis, it is assumed that the homestead tax rate would be \$0.70 in a few districts that do not have any pupils or 70% of the minimum homestead tax rate under current law.

#### **b. Tax Rate on Household Income**

Under current law, taxpayers with household income under \$90,000 may generally pay the tax on their “housesite” on household income rather than property value.<sup>7</sup> The housesite is defined as a taxpayer’s home and up to two acres of contiguous land. Additional property is subject to the property tax regardless of a taxpayer’s household income. More than two-thirds of taxpayers currently pay the tax based on household income.

The base tax rate on household income is 2%. To account for differences in per-pupil spending between districts, this base tax rate is multiplied by each district’s income spending adjustment. The income spending adjustment is a district’s per-pupil spending divided by the yield. For example, the tax rate on household income in a district spending \$15,000 per pupil in FY2017 is 2.76%:

$$2\% \times (\text{Per-Pupil Spending} / \text{Yield}) = \text{Tax Rate on Household Income}$$

$$\$2\% \times (\$15,000 / \$10,870) = 2.76\%$$

A district’s tax rate on household income may not be less than 2%.

Under the proposal, the base tax rate on household income would remain at 2% and the yield<sup>8</sup> would be set only after deducting the base amount from each district’s per-pupil spending. For

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<sup>6</sup> Districts would still need to spend at a level that would allow the district to meet the State’s education quality standards. These standards are intended to ensure that all students are afforded educational opportunities that are substantially equal in quality and enable them to achieve or exceed the standards approved by the State Board of Education.

<sup>7</sup> There are some exceptions to the general rule that eligible taxpayers may pay the tax on household income rather than housesite: (1) housesite value in excess of \$500,000 is subject to the homestead property tax regardless of the taxpayer’s household income; (2) taxpayers with household income under \$90,000 may take the homestead exemption and pay the property tax after deducting \$15,000 from housesite value in lieu of the paying the tax on household income; and (3) a taxpayer’s property tax adjustment may not exceed \$8,000 annually. In addition, in order to eliminate a benefit cliff at \$90,000 of household income, taxpayers may pay the tax based on household income plus the property tax on housesite value in excess of \$250,000. In FY2017, this provided a partial property tax adjustment to taxpayers with household income up to \$137,500.

<sup>8</sup> Under current law, one of the conditions that must be met when setting the property and income yields is that the percent change over the prior year in the median homestead property tax, the median tax on household income, and the nonresidential property tax rate is equal. Under the proposal, a new base year would need to be established before the yields could be determined this way. This analysis assumes that in the first year of implementation, the property and income yields would be the same.

example, the tax rate on household income in a district spending \$15,000 per pupil in FY2017 would have been 3.12%:

$$2\% + (\text{Per-Pupil Spending} - \text{Base Amount}) / \text{Yield} \times 2\% = \text{Tax Rate on Household Income}$$

$$2\% + 2\% \times (\$15,000 - \$12,437) / \$4,593 = 3.12\%$$

In a district spending below the base amount, the alternative calculation that proportionally reduces the tax rate would be used. For example, the tax rate on household income in a district spending \$12,000 per pupil in FY2017 would have been 1.93%:

$$2\% \times (\text{Per-Pupil Spending} / \text{Base Amount}) = \text{Tax Rate on Household Income}$$

$$2\% \times (\$12,000 / \$12,437) = 1.93\%$$

Under the proposal, there is no minimum tax rate on household income. However, in a few districts that do not have any pupils, it is assumed that the tax rate on household income would be 1.4% for the purpose of this analysis or 70% of the minimum tax rate on household income under current law.

Under current law, the tax rate on household income in any year does not affect homestead taxes actually paid until the following year through the property tax adjustment.<sup>9</sup> The property tax adjustment is generally the difference between the housesite tax calculated on property value and the housesite tax calculated on household income in year 1. In year 2, the property tax adjustment is subtracted from a taxpayer's property tax bill to determine the amount to be paid. The proposal would not make any changes to current law in this regard.

### **c. Repeal of the Excess Spending Penalty**

The penalty for "excess" spending under current law is intended to discourage very high per-pupil spending by increasing a district's homestead tax rate. This is accomplished by adding excess spending to a district's actual spending before determining the district's homestead tax rates. Excess spending is generally defined as per-pupil spending greater than 121% of the FY2014 statewide average per-pupil spending increased by inflation.<sup>10</sup> For this purpose, the definition of spending is modified to exclude certain categories of spending, including approved capital debt service.

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<sup>9</sup> Act 185 of 2006 provides that, beginning in FY2007, homestead property tax bills are reduced by the property tax adjustment. Previously, taxpayers received a "prebate" check to be used to help pay the property tax bill. See the "Property Tax Adjustment Study" prepared by the Vermont Department of Taxes in 2016 for a discussion of the reasons for the change from prior law and the complications it created.

<sup>10</sup> Act No. 132 of the 2016 session provides that beginning in FY2018, the base year for the calculation of the excess spending threshold shall be FY2015. Act No. 132 also provides that school district costs associated with the dual enrollment and early college programs shall be excluded from the definition of education spending for this purpose.

The proposal would repeal the current-law penalty for excess spending entirely beginning in FY2020. The excess spending penalty would no longer be necessary to discourage high per-pupil spending since homestead tax rates would be significantly higher in very high-spending districts.

#### **4. Analysis of House Bill No. 846**

This analysis of homestead tax rates is based on the most recent school finance data available for 266 districts as of last May. For the purpose of comparing homestead tax rates under the proposal to current law, the impact of exceeding the allowable growth thresholds set under Act 65 and the merger incentives provided under Act 46 and related legislation are ignored.<sup>11</sup> The merger incentives provide for a reduction in homestead tax rates during the first four or five years of operation, depending on the type of merger, and limit annual changes in the homestead tax rates of member towns of the newly formed districts.

In addition, the impact of the excess spending penalty on homestead tax rates is not accounted for because the penalty was superseded by Act 65 in FY2017. Since the excess penalty would again become effective as of FY2018, it is possible that this analysis overstates the increase in homestead tax rates that would occur in a few of the highest-spending districts. However, in FY2016, only three small districts exceeded the excess spending threshold.

##### **a. Homestead Property Tax Rates by Spending Per Pupil**

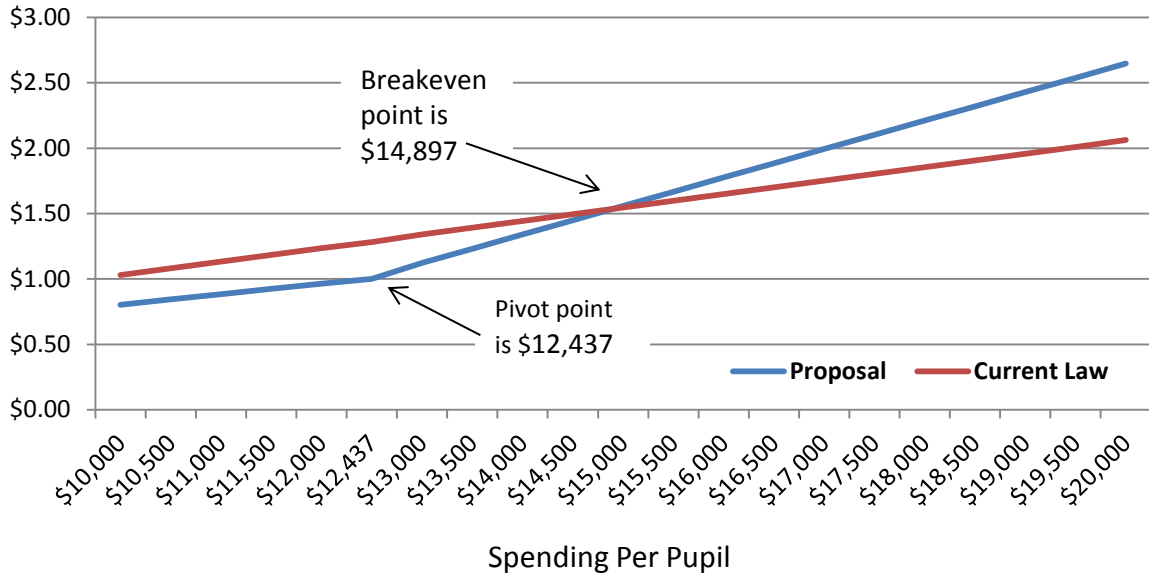
The following graphs compare FY2017 district homestead tax rates by spending per pupil.<sup>12</sup> The breakeven point, \$14,897, is the per-pupil spending amount at which homestead tax rates under current law and the proposal are the same. Below the breakeven point, homestead tax rates are lower under the proposal; above the breakeven point, homestead tax rates are higher under the proposal. The pivot point, \$12,437, is the per-pupil spending amount below which homestead tax rates are determined proportionally under the proposal.

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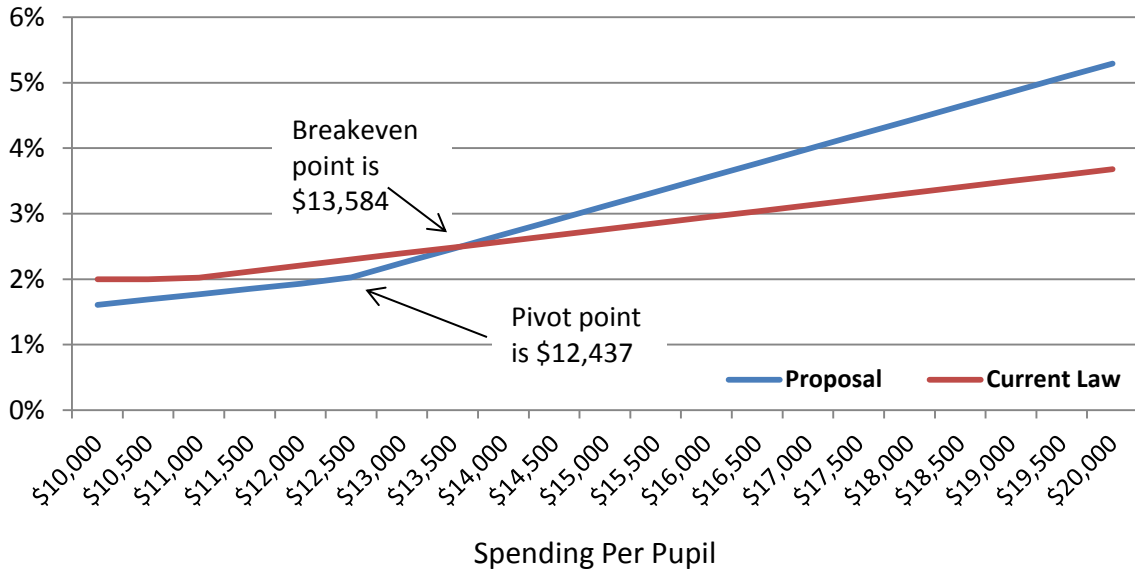
<sup>11</sup> Related legislation includes Act No. 153 of 2010 (as amended) and Act No. 156 of 2012 (as amended in 2013).

<sup>12</sup> Homestead tax rates are presented by district rather than municipality. Municipalities, which generally belong to more than one district, are the taxing entities. In addition, the tax rates are “equalized” so that it is possible to make comparisons between districts. Equalized tax rates are based on estimated fair market value; the tax rates that appear on property tax bills are based on assessed value and adjusted by the common level of appraisal, a measure of how close a municipality’s appraisals are to actual fair market value.

### Tax Rates on Homestead Property



### Tax Rates on Household Income



### b. Homestead Property Tax Rates by Size, Location, and Operating Structure of District

The following tables compare weighted average homestead property tax rates by district size, location, and operating structure. Since the proposal would set homestead tax rates for districts spending below the base amount differently, the weighted average homestead tax rates for these districts are calculated separately. Since the proposal does not set a minimum homestead property tax rate, the largest tax rate reductions by far are in these low-spending districts.

#### i. Homestead Property Tax Rates by Size of District

Districts Spending Below the Base Amount*	Number of Districts	Current Law	Proposal	Difference
Small - < 100	19	\$1.12	\$0.87	-\$0.25
Medium - 100 < 500	10	\$1.21	\$0.95	-\$0.27
Large - 500 < 1,000	3	\$1.22	\$0.95	-\$0.27
	32	\$1.21	\$0.94	-\$0.27

\* No districts with more than 1,000 pupils spend below the base amount in FY2017.

Districts Spending Above the Base Amount	Number of Districts	Current Law	Proposal	Difference
Small - < 100	59	\$1.60	\$1.68	\$0.07
Medium - 100 < 500	126	\$1.55	\$1.56	\$0.01
Large - 500 < 1,000	33	\$1.52	\$1.51	-\$0.01
Very Large - >1,000	16	\$1.50	\$1.47	-\$0.04
	234	\$1.53	\$1.52	-\$0.01

Among the districts spending above the base amount, the change in weighted-average homestead property tax rates would range from a 7-cent increase in the smallest districts to a 4-cent decrease in the largest districts.



## ii. Homestead Property Tax Rates by Location of District

Districts Spending Below the Base Amount *	Number of Districts	Current Law	Proposal	Difference
Addison	1	\$1.02	\$0.79	-\$0.22
Bennington	4	\$1.14	\$0.89	-\$0.25
Essex	4	\$1.08	\$0.84	-\$0.24
Franklin	4	\$1.25	\$0.97	-\$0.27
Orleans	8	\$1.19	\$0.93	-\$0.26
Rutland	4	\$1.09	\$0.85	-\$0.24
Washington	2	\$1.22	\$0.95	-\$0.27
Windham	1	\$1.25	\$0.97	-\$0.27
Windsor	4	\$1.15	\$0.90	-\$0.25
	32	\$1.21	\$0.94	-\$0.27

\* No districts in Caledonia, Chittenden, Grand Isle, Lamoille, or Orange Counties spent less than the base amount in FY2017.

Districts Spending Above the Base Amount	Number of Districts	Current Law	Proposal	Difference
Addison	23	\$1.63	\$1.74	\$0.11
Bennington	12	\$1.47	\$1.40	-\$0.07
Caledonia	15	\$1.49	\$1.45	-\$0.05
Chittenden	18	\$1.50	\$1.45	-\$0.04
Essex	9	\$1.57	\$1.60	\$0.03
Franklin	13	\$1.40	\$1.24	-\$0.15
Grand Isle	5	\$1.61	\$1.69	\$0.08
Lamoille	11	\$1.51	\$1.47	-\$0.03
Orange	17	\$1.55	\$1.57	\$0.02
Orleans	16	\$1.45	\$1.35	-\$0.10
Rutland	29	\$1.50	\$1.46	-\$0.04
Washington	19	\$1.60	\$1.67	\$0.07
Windham	24	\$1.65	\$1.78	\$0.13
Windsor	23	\$1.62	\$1.72	\$0.10
	234	\$1.53	\$1.52	-\$0.01

Among the districts spending above the base amount, the change in weighted-average homestead tax rates would range from a 13-cent increase in Windham County to a 15-cent decrease in Franklin County.

### iii. Homestead Property Tax Rates by Operating Structure of District

Districts Spending Below the Base Amount *	Number of Districts	Current Law	Proposal	Difference
Does not operate	16	\$1.21	\$0.94	-\$0.27
Operates PK-6 or K-6	5	\$1.14	\$0.89	-\$0.25
Operates PK-8 or K-8	10	\$1.21	\$0.94	-\$0.27
Operates PK-12 or K-12	1	\$1.17	\$0.91	-\$0.26
	32	\$1.20	\$0.94	-\$0.26

\* No districts operating grades 1-3, PK-4, PK-5, 6-12, 7-8, 7-12, or 9-12 spent below the base amount in FY2017.

Districts Spending Above the Base Amount	Number of Districts	Current Law	Proposal	Difference
Does not operate	29	\$1.62	\$1.71	\$0.09
Operates 1-3, PK-4, or PK-5	3	\$1.43	\$1.32	-\$0.11
Operates PK-6 or K-6	87	\$1.55	\$1.57	\$0.02
Operates PK-8 or K-8	56	\$1.50	\$1.45	-\$0.04
Operates PK-12 or K-12	31	\$1.50	\$1.45	-\$0.04
Operates 6-12, 7-8, 7-12, or 9-12	28	\$1.58	\$1.64	\$0.05
	234	\$1.53	\$1.52	-\$0.01

Among the districts spending above the base amount, the change in weighted-average homestead tax rates would range from an increase of 9-cents in non-operating districts to an 11-cent decrease in districts that operate grades 1-3, PK-4, or PK-5 only.

#### c. Potential Impact on Growth in Statewide Spending

While it is not possible to know with certainty how growth in spending would be affected, it is not likely that the proposal would result in a significant change in spending statewide. If the proposal had been implemented in FY2017, compared to current law, it would have increased homestead tax rates in about 46% of districts accounting for 44% of statewide spending and reduced homestead tax rates in 54% of districts accounting for 56% of statewide spending.

Faced with higher homestead tax rates, high-spending districts might choose to reduce their spending. However, some districts have been willing to pay the excess spending penalty or exceed the allowable growth thresholds of Act 65 to support high per-pupil spending. On the other hand, lower-spending districts that would realize significantly lower homestead tax rates might choose to increase their spending. In some of these districts, programs have been reduced or eliminated and maintenance has been deferred in order to keep homestead tax rates at levels that voters are willing and able to support.

## **5. Transition and Other Issues**

There are several transition issues that would arise during the first year of the implementation of the proposal. In addition, the tax rate incentives provided under Act 46 and related legislation may complicate the implementation of the proposal for several years. These issues are discussed briefly below.

### **a. Setting the Yields**

Under current law, one of the conditions that must be met when setting the property and income yields is that the percentage change over the prior year in the median homestead property tax, the median tax on household income, and the nonresidential property tax rates are equal. In order to meet this condition, it is necessary to set two yields – one for property and one for household income – and the uniform non-residential tax rate. Under the proposal, a new base year would need to be established before the two yields and the non-residential tax rate could be determined this way. This analysis assumes that in the first year of implementation, the property and income yields would be the same. Thereafter, the two yields could be set following current law.

### **b. Property Tax Adjustment**

The property tax adjustment determined in any year is not applied to tax bills until the following year. This creates a transition issue for taxpayers with a significant change in their homestead property tax rates because the property tax adjustment that will be applied to tax bills in FY2020 will have been determined on the basis of current law in FY2019. For taxpayers in districts with significantly higher homestead property tax rates, the adjustment will be too small; for taxpayers in districts with significantly lower homestead property tax rates, the adjustment will be too large. To a lesser extent, this can also happen to taxpayers in certain circumstances under current law.

### **c. Different Breakeven Points for Property and Income Payers**

There would be a different breakeven point for taxpayers that pay the homestead tax on property value and taxpayers that pay the homestead tax on household income within districts. (See the graphs on page 7 of this report.) Consequently, in the year of implementation there could be conflicting signals to voters within a district in which per-pupil spending is in between the two points. In this situation, taxpayers that pay based on income would have a tax increase and taxpayers that pay based on homestead value would have a tax decrease at the same level of per-pupil spending. In FY2017, different break points would have been an issue in 73 districts.

#### **d. Impact on Income Payers**

Under the proposal, the estimated property tax adjustment determined in FY2017 would have been about \$16.2 million<sup>13</sup> lower than under current law because the difference between the homestead tax on property value and the homestead tax on household income in low-spending districts would have been smaller. As a result, the change in taxes from current law would be different for taxpayers paying on property value and taxpayers paying on household income. Of those taxpayers eligible for an adjustment to their homestead property tax bills in FY2018 – roughly two-thirds of all homesteads - about 70% would have paid more under the proposal.

Setting the base tax rate on household income at 1.8% rather than 2.0% would result in tax rates that are closer to the ratio between homestead property tax rates and the tax rates on household income under current law. In this way, the tax bills of taxpayers paying on property value and the tax bills of taxpayers paying on income would both go up or down together under the proposal depending on the level of per-pupil spending. However, this would increase the cost of the property tax adjustment.

#### **e. Winners and Losers**

No additional revenue would be raised and, as indicated above, the proposal would not likely result in significantly lower spending statewide. Without an infusion of new revenue or a reduction in spending, changing the way in which the homestead tax rate is calculated is a zero-sum exercise. Although the same amount of homestead tax revenue would be raised statewide, there would be a shift in the homestead tax burden between districts. In order to avoid significant changes in tax rates in a single year, application of the calculated base amount could be phased in over a period of time. This would allow districts with significant changes in their homestead tax rates more time to adjust their budgets in response to the higher and lower tax rates at given levels of per-pupil spending.

#### **f. Implementation of Act 46**

By necessity, this report analyzes the proposal as if it had been in effect in FY2017. However, the ongoing implementation of Act 46 and related legislation will lead to the reconfiguration of districts as they currently exist and the homestead tax rates of member towns in new unified districts will converge as a result. In addition, Act 46 limits changes in a member town's homestead tax rates to 5% in a single year during which merger incentives apply to the new union district's unified homestead tax rate. This could present a complication for the implementation of the proposal in FY2020 because the homestead tax rate incentives provided under Act 46 may continue, in some cases, until FY2024.

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<sup>13</sup> The cost of the property tax adjustment to the Education Fund would have been about \$17.3 million less than under current law; however, the cost to the General Fund would have been \$1.1 million more. The General Fund covers that portion of the homeowner rebate that is attributable to the municipal property tax.

**g. Other Issues Raised in the Statutory Charge**

The proposal would change the way a district's homestead tax rate is calculated, but makes no other changes to existing law. Consequently, the proposal would have no impact on the Education Fund balance nor would it have any impact on funding stability resulting from variable economic conditions. The Education Fund is essentially self-balancing because, by statute, tax rates for taxpayers and nonresidential property are set so that, after accounting for non-property tax revenue sources, sufficient property tax revenue will be raised to cover all expenditures and maintain the statutory reserve. The Joint Fiscal Office has not identified any other significant issues that would be raised by the implementation of the proposal.

**Act No. 132 of 2016**

## Section 7. Report on the Impact of H.846 of 2016

(a) On or before November 15, 2016, the Joint Fiscal Office, with the assistance of the Office of Legislative Council and the Department of Taxes, shall issue a report analyzing the impact of H.846 of 2016, an act related to making changes to the calculation of the statewide education property tax. The analysis shall be based on the statutory language presented to the House Committee on Education on March 11, 2016. The report shall be delivered to the Senate Committees on Finance and on Education and the House Committees on Ways and Means and on Education.

(b) The report shall address:

- (1) the impact of the proposed changes on education spending growth, both at the district level and the State level;
- (2) the impact of the proposed changes on school districts by spending levels, size, location, and operating structure;
- (3) the impact on homestead tax rates, income sensitivity percentages, and nonresidential tax rates across the State;
- (4) the impact of the proposed changes on the Education Fund balance;
- (5) the funding stability of the proposed changes based on variable economic conditions;
- (6) any transition issues created by the proposed changes; and
- (7) any related issues identified by the Joint Fiscal Office.

**House Bill No. 846**

BILL AS INTRODUCED  
2016

H.846

H.846  
SHORT FORM

Introduced by Representatives Beck of St. Johnsbury and Willhoit of St. Johnsbury

Referred to Committee on

Date:

Subject: Taxation; statewide education property tax; rates

Statement of purpose of bill as introduced: This bill proposes to make several changes to the current statewide education property tax. First, the bill removes the excess spending penalty starting in fiscal year 2019. Second, it creates a new system for calculating spending-adjusted tax rates. It does so by creating a base per pupil amount of spending for each student. It does this by calculating how much money there is in the Education Fund for a statewide base tax rate of 1.00, or a 2.0 percent income percentage, and it divides that number by the number of students in the State. It then allows towns to raise more than that base amount on an equalized basis. It also allows towns that raise less than that base amount to lower their spending-adjusted tax rates.

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

(TEXT OMITTED IN SHORT-FORM BILLS)