H.304

Achieve education cost containment by eliminating the excess spending threshold and changing how education homestead and income tax rates are assigned, while remaining *Brigham* compliant.

H.304, as proposed, would change education funding in three ways:

1. Eliminate the excess spending threshold in FY18
2. Provide fair education homestead and income tax rates based on district spending beginning in FY18, with full implementation in FY23
3. Provide education spending cost containment beginning in FY18

● H.304 does not change the relationship between non-residential, homestead, and income education tax payers. The existing shared burden between the three would remain unchanged.

● H.304 does not change income sensitivity.

● H.304 does not limit how much a district may spend.

● H.304 does not use employee ratios to control spending

● H.304 does not use a penalty to control district education spending

● H.304 does not change existing grants or pupil weighting

Currently, the assignment of Vermont's education homestead and income tax rates is unfair, rewarding districts with higher levels of pupil spending and assigning a premium to districts with lower levels of pupil spending. By assigning the yield to a district's entire education fund spending, the current yield process would only lead to fair rates if there were no other revenues in the Education Fund. Of course, there are many other revenues in the Education Fund. This disparity is expressed by our homestead and income payers in a complaint that I often hear, "our tax rates does not seem to be connected to our level of spending".

H.304 reconnects districts to their tax rate by establishing a base education fund spending amount supported by a $1.00/2% homestead and income tax rate, and then assigning additional rate by applying a yield on an equalized basis to district spending beyond the base spending amount. In FY17 the base spending amount would have been $12,437. If a district spends this amount their district tax rate would be $1.00/2%. For districts spending more than $12,437 they would pay an additional rate for dollars spent beyond $12,437.

District spending the Base Spending Amount - $12,437

District Tax Rate = $1.00 ($1.28)

District spending MORE than the Base Spending Amount

Ex. District spends $14,000
$1.00 + 1563/4593 = $1.34 ($1.44)

Ex. District spends $17,000
$1.00 + $4563/4593 = $1.99 ($1.75)

Joint Fiscal Office
In the FY17 Education Funding Bill, a report was ordered on my proposal.
JFO issued key findings:

- 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.[3]
- 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.
- 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.

Transition
H.304 includes a five year transition beginning in FY18. For FY18 tax rates would remain virtually unchanged by using 80% of the base spending amount and the excess spending threshold would be eliminated.

FY18	80%
FY19	84%
FY20	88%
FY21	92%
FY22	96%
FY23	100%