Good evening, Ann and Janet.

Mark and Chloe sent me the attached draft bill, asking me to review it, specifically subsection (c). Their question was around whether I saw subsec. (c) as creating any problems for cash flow from municipalities to the EF or school districts. As I read the draft, the answer is no, I don't see it creating any major problems in FY2020, although there may be some issues in FY2021.

As I read it and am briefly restating, subsec. (a) allows towns to revise or change tax due dates for both municipal and state education property taxes, waive or loser penalties and interest, and reduce the municipal tax. Subsec. (b) provides the mechanism for those decisions to be made.

Subxec. (c) specifies the above applies only to the taxes collected, but it also specifically says the obligations of a town to pay state education taxes it has collected to a school district or the Ed Fund do not change. In other words, current law is in force and towns must pay any outstanding education property tax obligations to a school district no later than the end of the school year, June 30 – 16 V.S.A. § 426(b). Additionally, for those towns with grand lists that raise more education property tax than their school districts require, they must still meet their June 1 obligation to the Ed Fund by paying the second half of those property taxes collected – 32 V.S.A. § 5402(c). If they are late in paying, they are subject to the 8% penalty – 32 V.S.A. § 5409(1).

As I said, I don't see any major problems with the language. FY2020 will work as usual for the districts and Ed Fund although the towns may have to borrow funds to cover obligations due to late tax payments.

But in FY2021, if a town has delayed its tax collections, the school district will see an impact on its cash flow, as the town will not have the education property taxes to pay the district on the normal date. Depending on how delayed the tax collection is, this will potentially require the district to borrow additional funds for a longer period of time. Most districts use short-term borrowing near the beginning of the new school year to tide them over until tax collections come in, so borrowing and interest are normal to a degree. Delaying the tax due date will potentially extend the period over which a district borrows and incurs additional interest.

As I see it, depending on if tax collections are delayed or not, either the school district or town will have to borrow funds, thereby incurring additional expense in the form of interest. Any taxpayer in that town will pay their portion, either as a slightly higher education rate or a slightly higher municipal rate. It goes to the old question, which pocket do you want me to pay from – my left or my right? That's my rather long-winded two cents worth.

Brad