

1 H.184

2 Introduced by Representatives Beck of St. Johnsbury, Burrows of West
3 Windsor, Conlon of Cornwall, Donahue of Northfield, Graham
4 of Williamstown, Gregoire of Fairfield, Martel of Waterford,
5 Mattos of Milton, McCoy of Poultney, Savage of Swanton,
6 Strong of Albany, Sullivan of Dorset, and Toof of St. Albans
7 Town

8 Referred to Committee on

9 Date:

10 Subject: Taxation; statewide education property tax; rate calculation

11 Statement of purpose of bill as introduced: This bill proposes to eliminate the
12 excess spending penalty and change the way the homestead property tax rate is
13 calculated. Under this bill, the Agency of Education is required to make three
14 separate recommendations on pupil weighting factors, an adequacy amount for
15 all school districts' education spending, and education quality standards,
16 including mechanisms for enforcing those standards. This bill would also
17 amend the definition of education spending to include the normal contributions
18 to the Vermont Teachers' Retirement Fund that are attributable to the
19 employer.

20 An act relating to changing the education property tax rate calculations

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

2 * * * Elimination of Excess Spending * * *

3 Sec. 1. EXCESS SPENDING PENALTY REPEALS

4 The following are repealed:

5 (1) 16 V.S.A. § 4001(6)(B) (definition of education spending for the
6 purpose of excess spending);

7 (2) 16 V.S.A. § 4028(c) (district use of high spending penalty to reduce
8 future education spending); and

9 (3) 32 V.S.A. § 5401(12) (excess spending penalty).

10 Sec. 2. 16 V.S.A. § 4011(i) is amended to read:

11 (i) Annually, ~~by~~ on or before October 1, the Secretary shall send to school
12 boards for inclusion in town reports and publish on the Agency website the
13 following information:

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

16 (2) a statewide comparison of student-teacher ratios among schools that
17 are similar in number of students and number of grades.

18 Sec. 3. 24 V.S.A. § 2804(b) is amended to read:

19 (b) ~~If a reserve fund is established under subsection (a) of this section to~~
20 ~~pay a school district's future school capital construction costs approved under~~
21 ~~16 V.S.A. chapter 123, any funds raised by the district as part of its education~~

1 ~~spending to pay for those future costs shall be considered “approved school~~
2 ~~capital construction spending” in calculating excess spending under 32 V.S.A.~~
3 ~~§ 5401(12). Districts shall submit to the Agency of Education annually a~~
4 ~~report of deposits into and expenditures from a school capital construction~~
5 ~~reserve fund. If the Agency of Education determines that any amount in the~~
6 ~~reserve fund has not been used for approved school capital construction within~~
7 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~
8 ~~added to the district’s education spending in the then current year for purposes~~
9 ~~of calculating the excess spending penalty. The definitions in 16 V.S.A.~~
10 ~~chapter 133 shall apply to this subsection.~~

11 * * * Calculation of Education Property Tax Rates * * *

12 Sec. 4. 32 V.S.A. § 5401 is amended to read:

13 § 5401. DEFINITIONS

14 As used in this chapter:

15 * * *

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 amount of the school~~
20 ~~district’s education spending per equalized pupil in excess of the adequate~~
21 ~~education spending amount, as defined in subdivision (17) of this section, per~~

1 equalized pupil for the school year, divided by the yield for the school year; as
2 defined in subdivision (15) of this section.

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

8 * * *

9 (15) ~~“Property dollar equivalent yield~~ Yield” means the amount of
10 education spending per equalized pupil that would result if the adequate
11 homestead tax rate were \$1.00 per \$100.00 of equalized education property
12 value sufficient to meet the adequate education spending amount, and the
13 statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were
14 maintained.

15 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~
16 ~~equalized pupil that would result if the income percentage in subdivision~~
17 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~
18 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. [Repealed.]~~

19 (17) “Adequate education spending amount” means the total statewide
20 education spending amount per equalized pupil for the school year that is

1 determined annually by the Secretary of Education to be adequate to meet the
2 State education quality standards.

3 (18) “Adequate homestead tax rate” means the property tax rate
4 determined to be sufficient to meet the adequate education spending amount
5 for the fiscal year.

6 Sec. 5. 32 V.S.A. § 5402 is amended to read:

7 § 5402. EDUCATION PROPERTY TAX LIABILITY

8 (a) A statewide education tax is imposed on all nonhomestead and
9 homestead property at the following rates:

10 (1) The tax rate for nonhomestead property shall be \$1.59 per \$100.00.

11 (2)(A) The tax ~~rate~~ rates for homestead property shall be ~~\$1.00~~ as
12 follows:

13 (i) for the property rate, the adequate homestead tax rate
14 multiplied by the education ~~property tax~~ spending adjustment for the
15 municipality ~~per \$100.00 of equalized education property value as most~~
16 recently determined under section 5405 of this title, plus the adequate
17 homestead tax rate; and

18 (ii) for the income rate, the income percentage as defined in
19 subdivision 6066(a)(2) of this title, plus the income percentage as adopted by
20 the General Assembly for the fiscal year.

1 an adequate homestead tax rate, and a nonhomestead property tax rate for the
2 following fiscal year. In making these calculations, the Commissioner shall
3 assume:

4 (1) the ~~homestead base tax rate in subdivision 5402(a)(2) of this title is~~
5 ~~\$1.00 per \$100.00 of equalized education property value~~ adequate homestead
6 tax rate is sufficient to meet the adequate education spending amount for the
7 fiscal year pursuant to subdivisions 5401(17) and (18) of this title;

8 (2) ~~the applicable percentage in subdivision 6066(a)(2) of this title is~~
9 ~~2.0; [Repealed.]~~

10 (3) the statutory reserves under 16 V.S.A. § 4026 and this section were
11 maintained at five percent; and

12 (4) the percentage change in the average education tax bill applied to
13 nonhomestead property and the percentage change in the average education tax
14 bill of homestead property and the percentage change in the average education
15 tax bill for taxpayers who claim a credit under subsection 6066(a) of this title
16 are equal.

17 (b) For each fiscal year, the ~~property dollar equivalent~~ yield and the income
18 ~~dollar equivalent yield~~ percentage under subdivision 6066(a)(2) of this title
19 shall be the same as in the prior fiscal year, unless set otherwise by the General
20 Assembly.

21 * * *

1 Sec. 7. 32 V.S.A. § 6066(a)(2) is amended to read:

2 (2) “Income percentage” in this section means ~~two percent~~ the income
3 percentage adopted by the General Assembly for the fiscal year, multiplied by
4 the education ~~income tax~~ spending adjustment under subdivision 5401(13)(B)
5 of this title for the property tax year ~~which~~ that begins in the claim year for the
6 municipality in which the homestead residence is located.

7 * * * AOE Recommendations * * *

8 Sec. 8. PER PUPIL ADEQUACY AMOUNT RECOMMENDATION

9 On or before December 15, 2021, the Agency of Education shall
10 recommend to the House and Senate Committees on Education, the House
11 Committee on Ways and Means, and the Senate Committee on Finance a per
12 pupil adequate education spending amount for all school districts starting in
13 fiscal year 2023. The recommended adequacy amount shall take into
14 consideration the study titled “Using the Evidence-Based Method to Identify
15 Adequate Spending Levels for Vermont Schools” dated January 28, 2016,
16 conducted by Picus Odden and Associates. The Agency shall include a
17 suggested inflator for measuring and comparing spending over time as part of
18 its recommendation.

19 Sec. 9. PUPIL WEIGHTING FACTORS RECOMMENDATION

20 (a) On or before December 15, 2021, the Agency of Education shall
21 recommend to the House and Senate Committees on Education, the House

1 Committee on Ways and Means, and the Senate Committee on Finance
2 whether and how a change to pupil weighting factors should be implemented.
3 The Agency shall base its recommendation on all available sources, including
4 the Pupil Weighting Factors Report dated December 24, 2019 produced by a
5 University of Vermont-led team of researchers. In making its
6 recommendation, the Agency shall include:

7 (1) a potential timeline for phasing in any proposed equalized pupil
8 weighting changes;

9 (2) a suggested implementation design that is sensitive to the effect on
10 property taxes and budgets in all of Vermont's school districts; and

11 (3) consideration of the new formula's interaction with other provisions
12 of existing law, including the effect on nonoperating districts and the districts
13 to which they pay tuition, small school grants, and incentives created under
14 2015 Acts and Resolves No. 46.

15 Sec. 10. EDUCATION QUALITY STANDARDS RECOMMENDATION

16 On or before December 15, 2021, the Agency of Education shall
17 recommend to the House and Senate Committees on Education, education
18 quality standards for Vermont schools, including recommended enforcement
19 mechanisms and frequency of school compliance controls. In making its
20 recommendation, the Agency shall consider and advise the General Assembly
21 on the feasibility of following the New England Association of Schools and

1 Colleges' enforcement method and whether compliance controls should be
2 funded through a fee for service charged to the school districts.

3 * * * Teachers' Normal Retirement * * *

4 Sec. 11. 16 V.S.A. § 4001 is amended to read:

5 § 4001. DEFINITIONS

6 As used in this chapter:

7 * * *

8 (6) "Education spending" means the amount of the school district
9 budget, any assessment for a joint contract school, career technical center
10 payments made on behalf of the district under subsection 1561(b) of this title,
11 ~~and~~ any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is
12 paid for by the school district, and the portion of the payments to the Vermont
13 Teachers' Retirement Fund for the normal contribution made in accordance
14 with subsection 1944(c) of this title, which is attributable to the employer, but
15 excluding any portion of the school budget paid for from any other sources
16 such as endowments, parental fundraising, federal funds, nongovernmental
17 grants, or other State funds such as special education funds paid under
18 chapter 101 of this title.

19 * * *

1 (5) for fiscal years 2028 and after, the adequate education spending
2 amount shall be 100 percent of the amount otherwise calculated under
3 32 V.S.A. chapter 135.