

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.35 An act relating to eliminating eligible school construction costs from a school district's excess spending – As Introduced –**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Ways%20and%20Means/Bills/H.35/H.35~Rebecca%20Wasserman~As%20Introduced~2-24-2021.pdf>

#### **Bill Summary:**

For the purpose of calculating the excess spending penalty, current law provides that education spending excludes certain expenditures. This bill proposes to add school construction project expenditures, as defined in the State Board of Education's Rule 6134, to the expenditures excluded from the excess spending calculation.

#### **Current Law:**

Under current law, "excess spending" is defined as that portion of a school district's per-pupil education spending in excess of 121% of the statewide average education spending per pupil increased by inflation. In FY2021, the threshold is \$18,756 per equalized pupil.

The homestead property tax rate of a district with excess spending is adjusted by adding the per-pupil amount over the threshold to its actual spending. For example, a district spending \$19,000 per pupil in FY2021 had its homestead tax rate adjusted as follows:

	Without adjustment	With adjustment
Per-pupil spending	\$19,000	\$19,000
Excess spending threshold		\$18,756
Excess spending		\$244
Adjusted per-pupil spending		\$19,244
Property yield	\$10,998	\$10,998
Homestead tax rate	\$1.73	\$1.75

Approved spending for school capital construction, and a number of other expenditures, are currently excluded from the definition excess spending. This bill would also allow the exclusion of eligible school construction projects under Rule 6134.

**Fiscal Analysis:**

An informal survey of school business managers was conducted by the Agency of Education in March 2021. There were 81 districts out of 118 that responded. There were 26 districts that reported having non-exempt capital costs in their education spending budgets. Of those 26, 18 are approaching or over the excess spending threshold in FY2021. Of those 18 only four school districts passed budgets that went over the excess spending limit due to Rule 6134 construction costs in FY2021. The impact on the education fund of those 4 districts was about \$330,000.

**Table 1: FY21 excess spending threshold and H. 35 impact on the Education Fund**

	<b>All districts over excess spending threshold</b>	<b>Only H. 35 affected districts over excess spending threshold</b>
Number of Districts	10	4
Impact on Education Fund	\$930,000	\$330,000