

Act 127 of 2022

House Committee on Education
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Overview of Act 127 (2022)

An act relating to improving student equity by adjusting the school funding formula and providing education quality and funding oversight

- Adjusted and added pupil weights, which impacts Vermont's education finance system
- Limited homestead property rates increases for FY 2025 through FY 2029
- Suspended the excess spending adjustment, the Hold Harmless provision, and ballot language requirements
- Established categorical aid for school districts with fewer than 26 English learners (ELs) enrolled
- Created five AOE positions
- Tasked AOE with the development of a universal income declaration form
- Amended the Education Quality Standards (EQS)
- Required several reports



Pupil Weights



Review of Pupil Weights

- Pupil weights adjust student counts to account for the variation in costs incurred by schools serving different student needs or circumstances
- After Average Daily Membership (ADM)¹ is reported, weights are applied to certain types of students to account for the potential higher costs to school districts to educate these students



Note: 1) ADM is Average Daily Membership (ADM) is a count of resident and state-placed students who receive an elementary or secondary education at public expense (16 V.S.A. § 4001)

Review of the Adjustment to Homestead Tax Rates Based on Locally-Voted Education Spending Per Equalized Pupil

Recall:

- After voters approve the school budget, the homestead property tax rate is adjusted by education spending per equalized pupil

$$\text{Education spending per equalized pupil} = \frac{\text{Education spending}}{\text{Equalized pupils}}$$

$$\text{Spending adjusted equalized property tax rate} = \$1.00 \times \frac{\text{ed. spending per eq. pupil}}{\text{property yield}}$$

- With the adjustment of pupil weights in Act 127, school districts will see changes (to varying degrees) to their number of weighted pupils, which in turn, may affect their tax rates



Pupil Weights and Equalization Ratio Prior to Act 127

- Pupil weights currently adjust student counts according to *Table 1*
- The weights are applied to the calculation in a specific order
- After weights are applied, the equalization ratio is used to make the number of state equalized pupils match the overall student count

Table 1: Current weights

Weighting category		Current weights (prior to Act 127)
Grade level weights	PreK/EEE	0.46
	K-6	1
	7-12	1.13
Poverty weight		0.25
EL weight		0.2



Act 127 Adjusted and Added Pupil Weights

- Pupil weights were adjusted for:
 - Grade levels
 - Students from economically deprived backgrounds
 - ELs
- Pupil weights were added for:
 - Low population density districts
 - Small schools
- The equalization ratio was eliminated

Changes are effective FY 2025 (school year 2024/2025)



Act 127 Adjusted Pupil Weights

Table 2: Weights after implementation of Act 127

Weighting category		Weight
Grade level weights	PreK/EEE	-0.54
	K-5	0
	6-8	0.36
	7-12	0.39
Poverty weight		1.03
EL weight		2.49
Sparsity weight <i>(Number of people in district)</i>	< 36 persons	0.15
	36 – 54 persons	0.12
	55 – 100 persons	0.07
Small school <i>(Only applicable for districts also receiving sparsity weight <55 persons)</i>	< 100 pupils	0.21
	100 – 249 pupils	0.07



Other Act 127 Changes



Limits FY 2025 – FY 2029 Homestead Property Tax Rate Increases

- Tax rate increases are limited to 5% per year for FY 2025 – FY 2029
- Tax rate caps are limited based on budget increases
 - If a district's per pupil education spending increases by more than ten percent year over year when calculated using the same funding formula for both years, it will be subject to a Tax Rate Review
 - If the Review determines this spending to be excessive, the annual increase of the homestead tax rate will not be capped



Suspends Several Statutory Requirements

- The excess spending adjustment¹ is suspended for FY 2024 – 2029
 - The excess spending adjustment is an additional tax liability for school districts that spend above the excess spending threshold
 - The calculation of the threshold is written into statute and is determined annually by multiplying the inflation-adjusted prior year's statewide average district education spending per equalized pupil by 121 percent
- The Hold Harmless provision² is suspended during FY 2025 – 2029
 - The hold harmless provision means a district's weighted long-term membership shall not be less than 96.5% of its actual weighted long-term membership the previous year
- The ballot language requirements³ are suspended during FY 2025 – 2029
 - School boards are required to use specified language for a school budget ballot

Note:

1) 32 V.S.A. § 5401(12))

2) 16 V.S.A. § 4010

3) 16 V.S.A. § 563(11)



Establishes Categorical Aid for Districts with Fewer Than 26 ELs

- Establishes categorical aid for some districts with EL students
 - Districts with one to five EL students enrolled shall receive State aid of \$25,000 for that school year
 - Districts with six to 25 EL students enrolled shall receive State aid of \$50,000 for that school year
- Requires certain EL services be offered by school districts and requires AOE offer specific support and guidance



Additional Changes

- AOE directed to develop a universal income declaration form
 - \$200,000 was appropriated from the General Fund to AOE in FY 2023 to fund operating expenses associated with the creation of an electronic universal income declaration form
- 5 new AOE positions
 - One full-time position to “provide guidance and support to school districts for English learner students”
 - Two full-time positions to “develop and maintain the universal income declaration form and provide guidance to school districts on its use”
 - Two full-time positions to “provide financial and data analysis for the Agency of Education”



Additional Changes (continued)

- EQS were amended
- Evaluation of the Act is required by December 15, 2029
- Several reports required from the JFO or consultant, and the Department of Taxes, including:
 - JFO to issue a report regarding EL weights and EL categorical aid
 - JFO to contract for an examination and report relating to Career Technical Education (CTE) funding and structure
 - Department of Taxes to issue a report making recommendations regarding the implementation of an income-based education tax system
 - JFO to examine and provide options on methods for cost containment, the mechanics for setting the yields in a manner that creates constitutionally adequate spending amount for school districts, and funding similar school districts in an equitable manner



Additional information

- Act 127 of 2022:
 - <https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT127/ACT127%20As%20Enacted.pdf>
- Summary of Act 127 of 2022:
 - <https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT127/ACT127%20Act%20Summary.pdf>
- Fiscal note for Act 127 of 2022:
 - <https://ljfo.vermont.gov/assets/Publications/As-Passed-by-the-General-Assembly/569e8ecafb/GENERAL-362534-v4-S 287 fiscal note - as recomended by HAC.pdf>

