

CLAs and FY25

- The Common Level of Appraisal (“CLA”) is a necessary part of the shared property tax model created by Act 60. CLAs ensure that every town is sending its fair share of property tax to the Education Fund
- CLAs are always determined based on sales data and are entirely independent of the cost pressures in the Education Fund. CLAs never increase or decrease aggregate property taxes
- CLAs are not the reason taxes are forecasted to go up in FY25. Taxes are forecasted to go up because of unprecedented increases in anticipated education spending and the one-time funds used in FY23 and FY24 to artificially lower tax rates
- When CLAs are going *down* the yield goes *up* which lowers “equalized” (pre CLA) tax rates - that’s what happened the last two fiscal years. And it’s happening again this year, too, but it’s being “drowned out” by needing to re-base the yield to reflect the new way pupils are counted and the two factors listed in the previous bullet point

Preliminary Education Fund Outlook for FY 2024 Emergency Board Meeting July 31, 2023

<i>(millions of dollars)</i>		FY2022	FY2023	FY2024
		<i>Actual</i>	<i>Actual</i>	<i>Projected</i>
a	Average Homestead Property Tax Rate	\$1.523	\$1.386	\$1.315
b	Average Tax Rate on Household Income	2.50%	2.32%	2.33%
c	Uniform Non-Homestead Property Tax Rate	1.612	\$1.466	\$1.391
d	Property Yield Per Equalized Pupil	\$11,317	\$13,314	\$15,443

- It’s possible that there was confusion about the 5% limitation on homestead tax rate changes in Act 127. Those apply to the district-level equalized tax rate (pre-CLA) and not the actual town-level tax rates which are after the CLA is applied. Without the 5% limit, equalized tax rates in many of those districts would be going up even more and the same CLAs would still be applied for every town

Some resources to help understand CLAs, Act 127 impacts, and Vermont’s education funding are available on the next page.

Resources

- JFO explanation and examples for the 5% rate change limitation with town-level CLA application:
<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Education/W~Julia%20Richter~Examples%20of%20Property%20Tax%20Rate%20Calculations%20and%20Average%20Tax%20Bill%20Changes~1-24-2024.pdf>
- 2023 equalization study results affecting 2024-2025 (FY25) tax rates for towns that aren't reappraising: <https://tax.vermont.gov/municipalities/reports/equalization-study>
- The Tax Department's Frequently Asked Questions about property tax rates: <https://tax.vermont.gov/property/education-property-tax-rates/faqs>
- The Joint Fiscal Office's issue brief on Act 127: https://jfo.vermont.gov/assets/Subjects/Issue-Briefs-Related-to-Education-Finance/8e94aa83db/GENERAL-371568-v3-Understanding_Pupil_Weights-v3.pdf
- The Joint Fiscal Office's presentation on Education Finance: https://jfo.vermont.gov/assets/Subjects/Education-Finance-101/f8ce800b5a/GENERAL-364387-v1-Ed_Finance_101_W+Ms.pdf
- Vermont School Boards Association Education Funding Video: <https://www.vtvsba.org/copy-of-funding-video>
- VSBA/VSA/VASBO Webinar on Act 127 and FY25 Budgeting: <https://link.vtvsba.org/23-11Budgeting.pdf>