

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Education finance; education policy; district quality standards;
4 taxation; education property tax; property tax yields; property
5 valuation; sales tax

6 Statement of purpose of bill as introduced: This bill proposes to set the
7 property dollar and income dollar equivalent yields for the purpose of setting
8 homestead tax rates and proposes to set the nonhomestead property tax rate.

9 This bill further proposes to make several changes to the education finance
10 system, education spending, education taxes, property valuation, and taxes
11 over the next three years.

12 An act relating to homestead property tax yields, nonhomestead rates, and
13 policy changes to education finance and taxation

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

15 * * * Fiscal Year 2025 * * *

16 Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME
17 DOLLAR EQUIVALENT YIELD, AND NONHOMESTEAD
18 PROPERTY TAX RATE FOR FISCAL YEAR 2025

19 For fiscal year 2025 only:

1 (1) Pursuant to 32 V.S.A. § 5402b(b), the property dollar equivalent
2 yield shall be \$X.XX.

3 (2) Pursuant to 32 V.S.A. § 5402b(b), the income dollar equivalent yield
4 shall be \$X.XX.

5 (3) Notwithstanding 32 V.S.A. § 5402(a)(1) and any other provision of
6 law to the contrary, the nonhomestead property tax rate shall be \$X.XX per
7 \$100.00 of equalized education property value.

8 (4) The Commissioner of Taxes shall increase the property tax credit
9 determined pursuant to 32 V.S.A. § 6066a by XX percent.

10 Sec. 2. 32 V.S.A. § 9701(7) is amended to read:

11 (7) “Tangible personal property” means personal property that may be
12 seen, weighed, measured, felt, touched, or in any other manner perceived by
13 the senses. “Tangible personal property” includes electricity, water, gas,
14 steam, and prewritten computer software regardless of the method in which the
15 prewritten computer software is paid for; delivered; or accessed, including
16 remotely, hosted by a vendor or the vendor’s designee, or both.

17 Sec. 3. REPEAL

18 2015 Acts and Resolves No. 51, Sec. G.8 (prewritten software accessed
19 remotely) is repealed.

20 Sec. 4. CAPITAL RESERVE ACCOUNTS; EDUCATION SPENDING

1 Notwithstanding 16 V.S.A. § 4001(6) and any other law to the contrary, a
2 school district’s education spending, as defined under 16 V.S.A. § 4001(6),
3 shall not include any amount of the school district’s 2025 budget designated to
4 be deposited in a capital reserve fund created pursuant to 24 V.S.A. § 2804.

5 Sec. 5. EFFECTIVE DATE

6 (a) This section and Sec. 1 (property tax rates and yields) shall take effect
7 on passage.

8 (b) Secs. 2 and 3 (cloud tax) and Sec. 4 (capital reserve fund excluded from
9 education spending) shall take effect on July 1, 2024.

10 * * * Fiscal Year 2026 * * *

11 Sec. 6. 16 V.S.A. § 563 is amended to read:

12 § 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE

13 The school board of a school district, in addition to other duties and
14 authority specifically assigned by law:

15 * * *

16 (11)(A) Shall prepare and distribute annually a proposed budget for the
17 next school year according to such major categories as may from time to time
18 be prescribed by the Secretary.

19 * * *

20 (D) The board shall present the budget to the voters by means of a
21 ballot in the following form:

1 “~~Article #1 (School Budget):~~

2 ~~Shall the voters of the school district approve the school~~
3 ~~board to expend \$ _____, which is the amount the school board has~~
4 ~~determined to be necessary for the ensuing fiscal year? It is estimated that this~~
5 ~~proposed budget, if approved, will result in education spending of \$ _____ per~~
6 ~~equalized pupil. This projected spending per equalized pupil is _____%~~
7 ~~higher/lower than spending for the current year.~~

8 Article #1 (School Budget):

9 Shall the voters of the school district approve the board to
10 expend \$ _____, which is the amount the school board has determined to
11 be necessary for the ensuing fiscal year? The _____ District estimates that
12 this proposed budget, if approved, will result in per pupil education spending
13 of \$ _____, which is _____% higher/lower than per pupil education
14 spending for the current year. The District estimates that this education
15 spending will lead to a homestead property tax rate of \$ _____, which is
16 _____ % higher/lower than the homestead property tax rate for the current year.
17 This proposed education spending is \$ _____ over the excess spending
18 threshold, which is estimated to increase the homestead tax rate by
19 \$ _____ for the ensuing fiscal year.

20 * * *

21 Sec. 7. REPEAL

1 2022 Acts and Resolves No. 127, Sec. 8(c) (suspension of ballot language
2 requirement) is repealed.

3 Sec. 8. AGENCY OF EDUCATION; POSITION

4 One new permanent classified position, to be the District Quality Standards
5 Advisor, is established in the Agency of Education in fiscal year 2025 to
6 provide assistance to supervisory union boards and school boards in following
7 consistent and financially sound processes, effectively managing school district
8 budgets, efficient use of resources, and ensuring transparency in financial
9 operations, as required under Agency of Education, District Quality Standards
10 (CVR 23-020). The District Quality Standards Advisor shall work to ensure
11 each supervisory union board and the board of each member school district
12 within a supervisory union is substantially compliant with the District Quality
13 Standards and is successful in the District Quality Review Process.

14 Sec. 9. 32 V.S.A. § 5413 is added to read:

15 § 5413. CREATION; EDUCATION FUND ADVISORY COMMITTEE

16 (a) Creation. There is created the Education Fund Advisory Committee to
17 monitor Vermont’s education financing system, conduct analyses, and to
18 perform the duties under subsection (c) of this section.

19 (b) Membership. The Committee shall be composed of the following seven
20 members:

21 (1) the Commissioner of Taxes or designee;

1 (2) the Secretary of Education or designee;

2 (3) the chair of the State Board of Education or designee;

3 (4) two members of the public with expertise in education financing,
4 who shall be appointed by the Speaker of the House;

5 (5) two members of the public with expertise in education financing,
6 who shall be appointed by the Committee on Committees;

7 (6) one member of the public with expertise in education financing, who
8 shall be appointed by the Governor; and

9 (7) the President of the Vermont Association of School Business
10 Officials or designee.

11 (c)(1) Powers and duties. Annually, on or before December 15, the
12 Committee shall make recommendations to the General Assembly regarding:

13 (A) updating the weighting factors, which may include recalibration,
14 recalculation, adding or eliminating weights, or any combination of these
15 actions, as necessary;

16 (B) changes to, or the addition of new or elimination of existing,
17 categorical aid, as necessary;

18 (C) changes to income levels eligible for a property tax credit under
19 32 V.S.A. § 6066;

20 (D) means to adjust the revenue sources for the Education Fund;

1 (E) means to improve equity, transparency, and efficiency in
2 education funding statewide; and

3 (F) the amount of the stabilization reserve.

4 (2) The Committee shall recommend updated weights and categorical
5 aid to the General Assembly at least every five years, which may include a
6 recommendation not to make changes where appropriate.

7 (d) Assistance. The Committee shall have the administrative, technical,
8 and legal assistance of the Department of Taxes and the Agency of Education.

9 (e) Meetings.

10 (1) The Commissioner of Taxes shall call the first meeting of the
11 Committee to occur on or before July 15, 2025.

12 (2) The Committee shall select a chair from among its members at the
13 first meeting.

14 (3) A majority of the membership shall constitute a quorum.

15 (f) Compensation and reimbursement. Members of the Committee shall be
16 entitled to per diem compensation and reimbursement of expenses as permitted
17 under section 1010 of this title for up to four meetings per year.

18 Sec. 10. 32 V.S.A. § 5402(b) is amended to read:

19 § 5402. EDUCATION PROPERTY TAX LIABILITY

20 (b) The statewide education tax shall be calculated as follows:

1 (1)(A) The Commissioner of Taxes shall first divide the most recent
2 average statewide common level of appraisal by every municipality’s most
3 recent common level of appraisal.

4 (B) The Commissioner of Taxes shall then determine for each
5 municipality the education tax rates under subsection (a) of this section ~~divided~~
6 multiplied by the municipality’s most recent common level of appraisal value
7 calculated in subdivision (A) of this subdivision (1).

8 (C) The legislative body in each municipality shall then bill each
9 property taxpayer at the homestead or nonhomestead rate determined by the
10 Commissioner under this subdivision, multiplied by the education property tax
11 grand list value of the property, properly classified as homestead or
12 nonhomestead property and without regard to any other tax classification of the
13 property. Statewide education property tax bills shall show the tax due and the
14 calculation of the rate determined under ~~subsection~~ subsections (a) and (b) of
15 this section, ~~divided by the municipality’s most recent common level of~~
16 ~~appraisal~~, multiplied by the current grand list value of the property to be taxed.
17 Statewide education property tax bills shall also include language provided by
18 the Commissioner pursuant to subsection 5405(g) of this title.

19 (2) Taxes assessed under this section shall be assessed and collected in
20 the same manner as taxes assessed under chapter 133 of this title with no tax
21 classification other than as homestead or nonhomestead property; provided,

1 however, that the tax levied under this chapter shall be billed to each taxpayer
2 by the municipality in a manner that clearly indicates the tax is separate from
3 any other tax assessed and collected under chapter 133, including an
4 itemization of the separate taxes due. The bill may be on a single sheet of
5 paper with the statewide education tax and other taxes presented separately and
6 side by side.

7 (3) If a district has not voted a budget by June 30, an interim homestead
8 education tax shall be imposed at the base rate determined under subdivision
9 (a)(2) of this section, ~~divided by the municipality's most recent common level~~
10 ~~of appraisal~~ adjusted according to the calculations under subdivision (b)(1) of
11 this section, but without regard to any spending adjustment under subdivision
12 5401(13) of this title. Within 30 days after a budget is adopted and the
13 deadline for reconsideration has passed, the Commissioner shall determine the
14 municipality's homestead tax rate as required under subdivision (1) of this
15 subsection.

16 Sec. 11. ALLOWABLE GROWTH IN EDUCATION SPENDING FOR
17 FISCAL YEARS 2026 AND 2027

18 (a) Notwithstanding 2022 Acts and Resolves No. 127, Sec. 8(a), and any
19 other provision of law, for fiscal years 2026 and 2027 only, "excess spending"
20 under 32 V.S.A. § 5401(12) means the per pupil amount of the district's
21 education spending, as defined in 16 V.S.A. § 4001(6), plus any amount

1 required to be added from a Capital Construction Reserve Fund under
2 24 V.S.A. § 2804(b), that is in excess of the district’s per pupil amount of
3 education spending in the prior fiscal year, plus the district’s allowable growth.

4 (b) For fiscal years 2026 and 2027, the “allowable growth” for any
5 individual school district is an amount equal to the actual amount of per pupil
6 education spending in the district in the prior fiscal year, multiplied by the
7 district’s “allowable growth percentage.” A district’s “allowable growth
8 percentage” means a percentage that results from the following equation: the
9 highest per pupil amount of the education spending in any district in the State
10 in the prior fiscal year, divided by the actual amount of per pupil education
11 spending in the district in the prior fiscal year, minus one, multiplied by five
12 and one-half percent. For the purpose of the calculations made under this
13 section, the term “education spending” refers to education spending as used to
14 calculate excess spending under 16 V.S.A. § 4001(6), excluding all the
15 adjustments under 16 V.S.A. § 4001(6)(B).

16 Sec. 12. REPEAL

17 2022 Acts and Resolves No. 127, Sec. 8(a) (suspension of laws) is repealed.

18 Sec. 13. EQUALIZATION STUDY; REVIEW PERIOD

19 In determining the equalized education property tax grand list pursuant to
20 32 V.S.A. § 5405 in 2025, the Commissioner may consider property sales for
21 up to the previous four years.

1 Sec. 14. EFFECTIVE DATE

2 This section and Secs. 6 (16 V.S.A. § 563; ballot language), 7 (repeal of
3 budget ballot language pause), 8 (district quality standards; consultant), 9
4 (Education Fund Advisory Committee), 10 (CLA effect on tax rates), 11
5 (allowable growth in education spending), 12 (repeal of suspension), and 13
6 (equalization study) shall take effect on July 1, 2024.

7 * * * Fiscal Year 2027 * * *

8 Sec. 15. 16 V.S.A. § 4019 is added to read:

9 § 4019. EDUCATIONAL OPPORTUNITY PAYMENTS

10 (a) A school district shall annually receive an educational opportunity
11 payment, which shall be \$X.XX.XX, increased by the most recent New
12 England Economic Project Cumulative Price Index, as of November 15, for
13 state and local government purchases of goods and services from fiscal year
14 2025 through the fiscal year for which the amount is being determined,
15 multiplied by a district’s weighted long-term membership as determined under
16 section 4010 of this chapter.

17 (b) Educational opportunity payments under this section shall be paid from
18 the Education Fund and shall be added to education spending payment receipts
19 under section 4011 of this title.

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

21 § 4001. DEFINITIONS

1 As used in this chapter:

2 * * *

3 (6) “~~Education~~ Excess spending” means the amount of the school
4 district budget, any assessment for a joint contract school, career technical
5 center payments made on behalf of the district under subsection 1561(b) of this
6 title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b)
7 that is paid for by the school district, but excluding any portion of the school
8 budget paid for from any other sources such as endowments, parental
9 fundraising, federal funds, nongovernmental grants, or other State funds such
10 as special education funds paid under chapter 101 of this title, and educational
11 opportunity payments under section 4019 of this chapter.

12 (A) [Repealed.]

13 (B) ~~For purposes of calculating excess spending pursuant to 32~~
14 ~~V.S.A. § 5401(12), “education spending” shall not include:~~

15 ~~(i) Spending during the budget year for:~~

16 ~~(I) approved school capital construction for a project that~~
17 ~~received preliminary approval under section 3448 of this title, including~~
18 ~~interest paid on the debt, provided the district shall not be reimbursed or~~
19 ~~otherwise receive State construction aid for the approved school capital~~
20 ~~construction; or~~

1 ~~(H) spending on eligible school capital project costs pursuant to~~
2 ~~the State Board of Education’s Rule 6134 for a project that received~~
3 ~~preliminary approval under section 3448 of this title.~~

4 ~~(ii) For a project that received final approval for State construction~~
5 ~~aid under chapter 123 of this title:~~

6 ~~(I) spending for approved school capital construction during the~~
7 ~~budget year that represents the district’s share of the project, including interest~~
8 ~~paid on the debt; or~~

9 ~~(II) payment during the budget year of interest on funds~~
10 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
11 ~~State aid for the project.~~

12 ~~(iii) Spending that is approved school capital construction~~
13 ~~spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future~~
14 ~~approved school capital construction costs, including that portion of tuition~~
15 ~~paid to an independent school designated as the public high school of the~~
16 ~~school district pursuant to section 827 of this title for capital construction costs~~
17 ~~by the independent school that has received approval from the State Board of~~
18 ~~Education, using the processes for preliminary approval of public school~~
19 ~~construction costs pursuant to subdivision 3448(a)(2) of this title.~~

1 ~~(iv) Spending attributable to the cost of planning the merger of a~~
2 ~~small school, which for purposes of this subdivision means a school with an~~
3 ~~average grade size of 20 or fewer students, with one or more other schools.~~

4 ~~(v) Spending attributable to the district’s share of special~~
5 ~~education spending that is not reimbursed as an extraordinary reimbursement~~
6 ~~under section 2962 of this title for any student in the fiscal year occurring two~~
7 ~~years prior.~~

8 ~~(vi) A budget deficit in a district that pays tuition to a public~~
9 ~~school or an approved independent school, or both, for all of its resident~~
10 ~~students in any year in which the deficit is solely attributable to tuition paid for~~
11 ~~one or more new students who moved into the district after the budget for the~~
12 ~~year creating the deficit was passed.~~

13 ~~(vii) For a district that pays tuition for all of its resident students~~
14 ~~and into which additional students move after the end of the census period~~
15 ~~defined in subdivision (1)(A) of this section, the number of students that~~
16 ~~exceeds the district’s most recent average daily membership and for whom the~~
17 ~~district will pay tuition in the subsequent year multiplied by the district’s~~
18 ~~average rate of tuition paid in that year.~~

19 ~~(viii) Tuition paid by a district that does not operate a school and~~
20 ~~pays tuition for all resident students in kindergarten through grade 12, except~~
21 ~~in a district in which the electorate has authorized payment of an amount~~

1 higher than the statutory rate pursuant to subsection 823(b) or 824(c) of this
2 title.

3 ~~(ix) The assessment paid by the employer of teachers who become~~
4 ~~members of the State Teachers' Retirement System of Vermont on or after July~~
5 ~~1, 2015, pursuant to section 1944d of this title.~~

6 ~~(x) School district costs associated with dual enrollment and early~~
7 ~~college programs.~~

8 ~~(xi) Costs incurred by a school district or supervisory union when~~
9 ~~sampling drinking water outlets, implementing lead remediation, or retesting~~
10 ~~drinking water outlets as required under 18 V.S.A. chapter 24A. [Repealed.]~~

11 * * *

12 Sec. 17. 16 V.S.A. § 4032 is added to read

13 § 4032. EXCESS SPENDING RESERVE

14 (a) There is hereby created an Excess Spending Reserve within the
15 Education Fund. At the close of a fiscal year, any undesignated Education
16 Fund surplus and accrued interest remaining after the Education Fund budget
17 stabilization reserve has been brought to the maximum authorized level
18 pursuant to section 4026 of this chapter shall be reserved within the Excess
19 Spending Reserve.

20 (b) In any fiscal year, if the Education Fund is found to have an
21 undesignated fund deficit, the Excess Spending Reserve shall be used by the

1 Commissioner of Finance and Management to the extent necessary to offset
2 the undesignated fund deficit as determined by generally accepted accounting
3 principles.

4 (c) If the funds in the Excess Spending Reserve exceed XX at the close of
5 the fiscal year, after accounting for all obligations on the Education Fund, for
6 YY consecutive years, the total funds in excess of XX shall be deposited into
7 the State Aid to School Construction Special Fund pursuant to section 3441 of
8 this title.

9 *****This will either require a notwithstanding of 4025 or an amendment to**
10 **make this an allowable use of the Ed Fund.**

11 Sec. 18. 16 V.S.A. § 3441 is added to read:

12 **§ 3441. STATE AID TO SCHOOL CONSTRUCTION SPECIAL FUND**

13 There is created the State Aid to School Construction Special Fund to
14 provide grants to supervisory unions and independent career and technical
15 education districts to assist in funding school construction projects that are
16 approved through the State Aid to School Construction Program. The excess
17 funds from the Education Spending Reserve under subsection 4032(c) shall be
18 deposited into the State Aid to School Construction Special Fund, which shall
19 be administered by the Agency of Education.

20 Sec. 19. 16 V.S.A. § 511 is amended to read:

21 § 511. **BUDGET EXCESS SPENDING VOTE**

1 (a) At a meeting legally warned for that purpose, the electorate within an
2 incorporated school district shall vote ~~such sums of money as it deems~~
3 necessary for the support of schools on the district's excess spending, as
4 defined in subdivision 4001(6) of this title. If the ~~sums are~~ district's excess
5 spending is not approved or acted upon at the annual meeting, the electorate
6 shall vote the questions at a duly warned special school district meeting. A
7 district may vote on excess spending for ~~money necessary for~~ the support of
8 schools to the end of the full school year next ensuing.

9 * * *

10 *****Should there be a limit on the amount of times excess spending can go to a**
11 **vote?**

12 Sec. 20. 16 V.S.A. § 563 is amended to read:

13 § 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE

14 The school board of a school district, in addition to other duties and
15 authority specifically assigned by law:

16 * * *

17 (11)(A) Shall prepare and distribute annually a proposed budget for the
18 next school year according to such major categories as may from time to time
19 be prescribed by the Secretary.

20 (B) [Repealed.]

1 (C) At a school district’s annual or special meeting, the electorate
2 may vote to provide notice of availability of the school budget required by this
3 subdivision to the electorate in lieu of distributing the budget. If the electorate
4 of the school district votes to provide notice of availability, it must specify how
5 notice of availability shall be given, and such notice of availability shall be
6 provided to the electorate at least 30 days before the district’s annual meeting.
7 The proposed budget shall be prepared and distributed at least ten days before
8 a sum of money is voted on by the electorate. Any proposed budget shall show
9 the following information in a format prescribed by the Secretary:

10 (i) all revenues from all sources, and expenses, including as
11 separate items any assessment for a supervisory union of which it is a member
12 and any tuition to be paid to a career technical center; and including the report
13 required in subdivision 242(4)(D) of this title itemizing the component costs of
14 the supervisory union assessment;

15 (ii) the specific amount of any deficit incurred in the most recently
16 closed fiscal year and how the deficit was or will be remedied;

17 (iii) the anticipated homestead tax rate and the percentage of
18 household income used to determine income sensitivity in the district as a
19 result of passage of the budget, including those portions of the tax rate
20 attributable to supervisory union assessments; and

1 (iv) the definition of “~~education excess~~ excess spending,” the number of
2 pupils and number of ~~equalized~~ weighted pupils in the school district, and the
3 district’s education spending per ~~equalized~~ weighted pupil in the proposed
4 budget and in each of the prior three years.

5 (D) The board shall present the budget to the voters by means of a
6 ballot in the following form:

7 Article #1 (School Budget):

8 Shall the voters of the school district approve the board to
9 expend \$ _____ in excess spending as defined in 16 V.S.A. § 4001(6),
10 which is the amount the school board has determined to be necessary for the
11 ensuing fiscal year beyond the amount the district shall receive from other
12 State funds, such as educational opportunity payments under 16 V.S.A.
13 § 4019? ~~The _____ District estimates that this proposed budget excess~~
14 ~~spending, if approved, will result in per pupil education spending of~~
15 ~~\$_____, which is _____% higher/lower than per pupil education spending~~
16 ~~for the current year.~~ The District estimates that this ~~education~~ excess spending
17 will lead to a homestead property tax rate of \$_____, which is _____%
18 higher/lower than the homestead property tax rate for the current year. ~~This~~
19 ~~proposed education spending is \$_____ over the excess spending threshold,~~
20 ~~which is estimated to increase the homestead tax rate by \$_____ for the~~
21 ~~ensuing fiscal year.~~

1 * * *

2 Sec. 21. REPEAL

3 16 V.S.A. § 566 (authority to borrow) is repealed.

4 Sec. 22. REPORT AND RECOMMENDATIONS; EDUCATIONAL
5 OPPORTUNITY PAYMENTS; AGENCY OF EDUCATION

6 On or before December 15, 2024, the Agency of Education, in consultation
7 with the Department of Taxes, the Vermont Association of School Business
8 Officials, the Vermont School Boards Association, the Vermont
9 Superintendents Association, and the Vermont Principal’s Association, shall
10 submit a written report to the House Committees on Education and on Ways
11 and Means and the Senate Committees on Education and on Finance with
12 recommendations for...

13 Sec. 23. CONTINGENT EFFECTIVE DATE OF EDUCATIONAL
14 OPPORTUNITY PAYMENTS

15 Secs. X-X of this act shall not take effect unless, on or before July 1, 2026,
16 the General Assembly enacts legislation establishing all of the following:

- 17 (1) an excess spending reserve within the Education Fund;
18 (2) the process for setting the yields prior to the December 1 letter, once
19 the Educational Opportunity Payment is established under 16 V.S.A. § 4019;
20 and

1 (3) the process for determining and applying the excess spending
2 adjustment.

3 **Sec. 24. 32 V.S.A. § 5401 is amended to read:**

4 § 5401. DEFINITIONS

5 As used in this chapter:

6 * * *

7 (5) “Education property tax grand list” means the list of property
8 determined pursuant to section 5404 of this title. When the listed value of real
9 property for school tax purposes is credited by a board of civil authority or a
10 court, that board or court shall make a corresponding credit to the listed value
11 for purposes of taxation under this chapter.

12 (6) “Equalized education property tax grand list” means one percent of
13 the aggregate fair market value of all nonhomestead and homestead property
14 that is required to be listed at fair market value as certified during that year by
15 the Director of Property Valuation and Review under section 5406 of this title,
16 plus one percent of the aggregate value of property required to be listed at a
17 value established under a stabilization agreement described under section
18 5404a of this title, plus one percent of the aggregate use value established
19 under chapter 124 of this title of all nonhomestead property that is enrolled in
20 the use value appraisal program.

21 * * *

1 (8) ~~“Education spending” means “education spending” as defined in 16~~
2 ~~V.S.A. § 4001(6). [Repealed.]~~

3 * * *

4 (11) “Education property value” means the aggregate fair market value
5 of all nonhomestead and homestead real property that is required to be listed at
6 fair market value as certified during that year by the Director of Property
7 Valuation and Review under section 5406 of this title, plus the aggregate value
8 of property required to be listed at a value established under a stabilization
9 agreement described under section 5404a of this title, plus the aggregate use
10 value established under chapter 124 of this title of all nonhomestead real
11 property that is enrolled in the use value appraisal program.

12 (12) “Excess spending adjustment” means: a district’s excess spending,
13 as defined under 16 V.S.A. § 4001(6), divided by the district’s long-term
14 membership, as defined under 16 V.S.A. § 4001(7), further divided by the
15 property dollar equivalent yield. Still use a dollar equivalent yield? Define?

16 ~~(A) The per equalized pupil amount of the district’s education~~
17 ~~spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be~~
18 ~~added from a capital construction reserve fund under 24 V.S.A. § 2804(b).~~

19 ~~(B) In excess of 121 percent of the statewide average district~~
20 ~~education spending per equalized pupil increased by inflation, as determined~~
21 ~~by the Secretary of Education on or before November 15 of each year based on~~

1 the passed budgets to date. As used in this subdivision, “increased by inflation”
2 means increasing the statewide average district education spending per
3 equalized pupil for fiscal year 2015 by the most recent New England
4 Economic Project cumulative price index, as of November 15, for state and
5 local government purchases of goods and services, from fiscal year 2015
6 through the fiscal year for which the amount is being determined.

7 (13)(A) “Education property tax spending adjustment” means the
8 greater of one or a fraction in which the numerator is the district’s per pupil
9 education spending plus excess spending for the school year, and the
10 denominator is the property dollar equivalent yield for the school year, as
11 defined in subdivision (15) of this section.

12 (B) “Education income tax spending adjustment” means the greater
13 of one or a fraction in which the numerator is the district’s per pupil education
14 spending plus excess spending for the school year, and the denominator is the
15 income dollar equivalent yield for the school year, as defined in subdivision
16 (16) of this section.

17 * * *

18 (15) “Property dollar equivalent yield” means the amount of per pupil
19 education spending that would result if the homestead tax rate were \$1.00 per
20 \$100.00 of equalized education property value and the statutory reserves under
21 16 V.S.A. § 4026 and section 5402b of this title were maintained.

1 (16) “Income dollar equivalent yield” means the amount of per pupil
2 education spending that would result if the income percentage in subdivision
3 6066(a)(2) of this title were 2.0 percent and the statutory reserves under 16
4 V.S.A. § 4026 and section 5402b of this title were maintained.

5 Sec. 25. 32 V.S.A. § 5402b is amended to read:

6 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

7 RECOMMENDATION OF THE COMMISSIONER

8 (a) Annually, no later than December 1, the Commissioner of Taxes, after
9 consultation with the Secretary of Education, the Secretary of Administration,
10 and the Joint Fiscal Office, shall calculate and recommend a property dollar
11 equivalent yield, an income dollar equivalent yield, and a nonhomestead
12 property tax rate for the following fiscal year. In making these calculations,
13 the Commissioner shall assume:

14 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is
15 \$1.00 per \$100.00 of equalized education property value;

16 (2) the applicable percentage in subdivision 6066(a)(2) of this title is
17 2.0;

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

20 (4) the percentage change in the average education tax bill applied to
21 nonhomestead property and the percentage change in the average education tax

1 bill of homestead property and the percentage change in the average education
2 tax bill for taxpayers who claim a credit under subsection 6066(a) of this title
3 are equal.

4 (b) For each fiscal year, the property dollar equivalent yield and the income
5 dollar equivalent yield shall be the same as in the prior fiscal year, unless set
6 otherwise by the General Assembly.

7 (c) Annually, on or before December 1, the Joint Fiscal Office shall prepare
8 and publish an official, annotated copy of the Education Fund Outlook. The
9 Emergency Board shall review the Outlook at its meetings. As used in this
10 section, “Education Fund Outlook” means the projected revenues and expenses
11 associated with the Education Fund for the following fiscal year, including
12 projections of different categories of educational expenses and costs.

13 (d) Along with the recommendations made under this section, the
14 Commissioner shall include the range of per pupil spending between all
15 districts in the State for the previous year.

16 Sec. 26. 32 V.S.A. § 5402 is amended to read:

17 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

20 (1) The Except as otherwise provided in this subsection, the uniform tax
21 rate for nonhomestead property shall be ~~\$1.59~~ per \$100.00 set at a rate

1 sufficient to fund educational opportunity payments for the fiscal year, as
2 determined pursuant to 16 V.S.A. § 4019, and all other obligations on the
3 Education Fund, but after reducing that amount by the revenue projected for
4 the fiscal year from revenues deposited under 16 V.S.A. § 4025(a)(3)–(11).

5 (2) ~~The~~ Except as otherwise provided in this subsection, the uniform tax
6 rate for homestead property shall be \$1.00 multiplied by the education property
7 tax spending adjustment for the municipality per \$100.00 of equalized
8 education property value as most recently determined under section 5405 of
9 this title. The homestead property tax rate for each municipality that is a
10 member of a union or unified union school district shall be calculated as
11 required under subsection (e) of this section set at a rate sufficient to fund
12 educational opportunity payments for the fiscal year, as determined pursuant to
13 16 V.S.A. § 4019, and all other obligations on the Education Fund, but after
14 reducing that amount by the revenue projected for the fiscal year from
15 revenues deposited under 16 V.S.A. § 4025(a)(3)–(11). How to determine

16 yields for homestead and nonhomestead? How to treat rates for unified school
17 districts?

18 (3) For a district with excess spending, as defined by 16 V.S.A.
19 § 4001(6), the homestead and nonhomestead rates shall be the uniform rates
20 for the fiscal year plus a rate equal to the excess spending adjustment. How to
21 calculate and apply the excess spending adjustment?

1 (b) The statewide education tax shall be calculated as follows:

2 (1) The Commissioner of Taxes shall determine for each municipality
3 the education tax rates under subsection (a) of this section, divided by the
4 municipality’s most recent common level of appraisal. The legislative body in
5 each municipality shall then bill each property taxpayer at the homestead or
6 nonhomestead rate determined by the Commissioner under this subdivision,
7 multiplied by the education property tax grand list value of the property,
8 properly classified as homestead or nonhomestead property and without regard
9 to any other tax classification of the property. Statewide education property
10 tax bills shall show the tax due and the calculation of the rate determined under
11 subsection (a) of this section, divided by the municipality’s most recent
12 common level of appraisal, multiplied by the current grand list value of the
13 property to be taxed. Statewide education property tax bills shall also include
14 language provided by the Commissioner pursuant to subsection 5405(g) of this
15 title.

16 (2) Taxes assessed under this section shall be assessed and collected in
17 the same manner as taxes assessed under chapter 133 of this title with no tax
18 classification other than as homestead or nonhomestead property; provided,
19 however, that the tax levied under this chapter shall be billed to each taxpayer
20 by the municipality in a manner that clearly indicates the tax is separate from
21 any other tax assessed and collected under chapter 133, including an

1 itemization of the separate taxes due. The bill may be on a single sheet of
2 paper with the statewide education tax and other taxes presented separately and
3 side by side.

4 (3) If a district has not voted a budget by June 30, an interim homestead
5 education tax shall be imposed at the base rate determined under subdivision
6 (a)(2) of this section, divided by the municipality's most recent common level
7 of appraisal, but without regard to any spending adjustment under subdivision
8 5401(13) of this title. Within 30 days after a budget is adopted and the
9 deadline for reconsideration has passed, the Commissioner shall determine the
10 municipality's homestead tax rate as required under subdivision (1) of this
11 subsection.

12 (c)(1) The treasurer of each municipality shall by December 1 of the year in
13 which the tax is levied and on June 1 of the following year pay to the State
14 Treasurer for deposit in the Education Fund one-half of the municipality's
15 statewide nonhomestead tax and one-half of the municipality's homestead
16 education tax, as determined under subdivision (b)(1) of this section.

17 (2) The Secretary of Education shall determine each municipality's net
18 nonhomestead education tax payment and its net homestead education tax
19 payment to the State based on grand list information received by the Secretary
20 not later than the March 15 prior to the June 1 net payment. Payment shall be
21 accompanied by a return prescribed by the Secretary of Education. Each

1 municipality may retain 0.225 of one percent of the total education tax
2 collected, only upon timely remittance of net payment to the State Treasurer or
3 to the applicable school district or districts. Each municipality may also retain
4 \$15.00 for each late property tax credit claim filed after April 15 and before
5 September 2, as notified by the Department of Taxes, for the cost of issuing a
6 new property tax bill.

7 (d) [Repealed.]

8 (e) The Commissioner of Taxes shall determine a homestead education tax
9 rate for each municipality that is a member of a union or unified union school
10 district as follows:

11 (1) For a municipality that is a member of a unified union school
12 district, use the base rate determined under subdivision (a)(2) of this section
13 and ~~a the excess spending adjustment under subdivision 5401(13) subdivisions~~
14 ~~5401(12) and 5402(a)(3) of this title based upon the per pupil education excess~~
15 ~~spending of the unified union.~~

16 (2) For a municipality that is a member of a union school district:

17 (A) Determine the municipal district homestead tax rate using the
18 base rate determined under subdivision (a)(2) of this section and ~~a the excess~~
19 ~~spending adjustment under subdivision 5401(13) subdivisions 5401(12) and~~
20 ~~5402(a)(3) of this title based on the per pupil education excess spending in the~~
21 ~~municipality who attends a school other than the union school.~~

1 (B) Determine the union district homestead tax rate using the base
2 rate determined under subdivision (a)(2) of this section and ~~a~~ the excess
3 spending adjustment under ~~subdivision 5401(13)~~ subdivisions 5401(12) and
4 5402(a)(3) of this title based on the per pupil ~~education~~ excess spending of the
5 union school district.

6 (C) Determine a combined homestead tax rate by calculating the
7 weighted average of the rates determined under subdivisions (A) and (B) of
8 this subdivision (2), with weighting based upon the ratio of union school long-
9 term membership, as defined in 16 V.S.A. § 4001(7), from the member
10 municipality to total long-term membership of the member municipality; and
11 the ratio of long-term membership attending a school other than the union
12 school to total long-term membership of the member municipality. Total long-
13 term membership of the member municipality is based on the number of pupils
14 who are legal residents of the municipality and attending school at public
15 expense. If necessary, the Commissioner may adopt a rule to clarify and
16 facilitate implementation of this subsection (e).

17 Sec. 27. 32 V.S.A. § 5405 is amended to read:

18 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY
19 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

20 (a) Annually, on or before April 1, the Commissioner shall determine the
21 equalized education property tax grand list and coefficient of dispersion for

1 each municipality in the State; provided, however, that for purposes of
2 equalizing grand lists pursuant to this section, the equalized education property
3 tax grand list of a municipality that establishes a tax increment financing
4 district shall include the fair market value of the property in the district and not
5 the original taxable value of the property, and further provided that the unified
6 towns and gores of Essex County may be treated as one municipality for the
7 purpose of determining an equalized education property grand list and a
8 coefficient of dispersion, if the Director determines that all such entities have a
9 uniform appraisal schedule and uniform appraisal practices.

10 (b) The sum of all municipal equalized education property tax grand lists
11 shall be the equalized education property tax grand list for the State.

12 (c)(1) In determining the fair market value of property that is required to be
13 listed at fair market value, the Commissioner shall take into consideration
14 those factors required by section 3481 of this title. The Commissioner shall
15 value property as of April 1 preceding the determination and shall take account
16 of all homestead declaration information available before October 1 each year.

17 (2) When using sales comparisons to determine fair market value, the
18 Commissioner may use sales within the previous five years.

19 * * *

20 Sec. 28. 16 V.S.A. § 4025 is amended to read:

21 § 4025. EDUCATION FUND

- 1 (a) The Education Fund is established to comprise the following:
- 2 (1) all revenue paid to the State from the statewide education tax on
- 3 nonhomestead and homestead property under 32 V.S.A. chapter 135;
- 4 (2) [Repealed.]
- 5 (3) revenues from State lotteries under 31 V.S.A. chapter 14 and from
- 6 any multijurisdictional lottery game authorized under that chapter;
- 7 (4) 25 percent of the revenues from the meals and rooms taxes imposed
- 8 under 32 V.S.A. chapter 225;
- 9 (5) one-third of the revenues raised from the purchase and use tax
- 10 imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);
- 11 (6) revenues raised from the sales and use tax imposed by 32 V.S.A.
- 12 chapter 233; ~~and~~
- 13 (7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of
- 14 this title; and
- 15 (8) land use change tax revenue deposited pursuant to 32 V.S.A.
- 16 § 3757(d);
- 17 (9) uniform capacity tax revenue deposited pursuant to 32 V.S.A.
- 18 § 8701(3);
- 19 (10) wind-powered electric generating facilities tax deposited pursuant
- 20 to 32 V.S.A. § 5402c; and
- 21 (11) any interest generated by this fund.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

* * *

Sec. 29. EFFECTIVE DATES

(a) The following sections shall take effect on July 1, 2026:

(1) Sec. 15 (16 V.S.A. § 4019; educational opportunity payments);

(2) Sec. 16 (16 V.S.A. § 4001(6); amendment to definition of education
pending);

(3) Sec. 17 (16 V.S.A. § 4032; excess spending reserve);

(4) Sec. 18 (16 V.S.A. § 3441; State Aid to School Construction Special
Fund);

(5) Sec. 19 (16 V.S.A. § 511; excess spending vote);

(6) Sec. 20 (16 V.S.A. § 563; amendment to powers of school boards);

(7) Sec. 21 (repeal of 16 V.S.A. § 566; authority to borrow);

(8) Sec. 24 (education tax definitions);

(9) Sec. 25 (December 1 letter);

(10) Sec. 26 (tax rate calculations);

(11) Sec. 27 (equalization study); and

(11) Sec. 28 (education fund).

(b) This section and Secs. 22 (report and recommendations; educational
opportunity payments) and 23 (contingent effective dates) shall take effect on
July 1, 2024.

* * * Act 127 Conforming Amendments * * *

1 Sec. 30. 16 V.S.A. § 4016 is amended to read:

2 § 4016. REIMBURSEMENT FOR TRANSPORTATION EXPENDITURES

3 (a) A school district or supervisory union that incurs allowable
4 transportation expenditures shall receive a transportation reimbursement grant
5 each year. The grant shall be equal to 50 percent of allowable transportation
6 expenditures; provided, however, that in any year the total amount of grants
7 under this subsection shall not exceed the total amount of adjusted base year
8 transportation grant expenditures. The total amount of base year transportation
9 grant expenditures shall be \$10,000,000.00 for fiscal year 1997, increased each
10 year thereafter by the annual price index for state and local government
11 purchases of goods and services. If in any year the total amount of the grants
12 under this subsection exceed the adjusted base year transportation grant
13 expenditures, the amount of each grant awarded shall be reduced
14 proportionately. Transportation grants paid under this section shall be paid
15 from the Education Fund and shall be added to ~~adjusted~~ education spending
16 payment receipts paid under section 4011 of this title.

17 * * *

18 (c) A district or supervisory union may apply and the Secretary may pay
19 for extraordinary transportation expenditures incurred due to geographic or
20 other conditions such as the need to transport students out of the school district
21 to attend another school because the district does not maintain a public school.

1 The State Board shall define extraordinary transportation expenditures by rule.
2 The total amount of base year extraordinary transportation grant expenditures
3 shall be \$250,000.00 for fiscal year 1997, increased each year thereafter by the
4 annual price index for state and local government purchases of goods and
5 services. Extraordinary transportation expenditures shall not be paid out of the
6 funds appropriated under subsection (b) of this section for other transportation
7 expenditures. Grants paid under this section shall be paid from the Education
8 Fund and shall be added to ~~adjusted~~ education spending payment receipts paid
9 under section 4011 of this title.

10 Sec. 31. 16 V.S.A. § 4026 is amended to read:

11 § 4026. EDUCATION FUND BUDGET STABILIZATION RESERVE;

12 CREATION AND PURPOSE

13 (a) It is the purpose of this section to reduce the effects of annual variations
14 in State revenues upon the Education Fund budget of the State by reserving
15 certain surpluses in Education Fund revenues that may accrue for the purpose
16 of offsetting deficits.

17 * * *

18 (e) The enactment of this chapter and other provisions of the Equal
19 Educational Opportunity Act of which it is a part have been premised upon
20 estimates of balances of revenues to be raised and expenditures to be made
21 under the act for such purposes as ~~adjusted~~ education spending payments,

1 categorical State support grants, provisions for property tax income sensitivity,
2 payments in lieu of taxes, current use value appraisals, tax stabilization
3 agreements, the stabilization reserve established by this section, and for other
4 purposes. If the stabilization reserve established under this section should in
5 any fiscal year be less than 5.0 percent of the prior fiscal year’s appropriations
6 from the Education Fund, as defined in subsection (b) of this section, the Joint
7 Fiscal Committee shall review the information provided pursuant to 32 V.S.A.
8 § 5402b and provide the General Assembly its recommendations for change
9 necessary to restore the stabilization reserve to the statutory level provided in
10 subsection (b) of this section.

11 Sec. 32. 16 V.S.A. § 4028 is amended to read:

12 § 4028. FUND PAYMENTS TO SCHOOL DISTRICTS

13 (a) On or before September 10, December 10, and April 30 of each school
14 year, one-third of the ~~adjusted~~ education spending payment under section 4011
15 of this title shall become due to school districts, except that districts that have
16 not adopted a budget by 30 days before the date of payment under this
17 subsection shall receive one-quarter of the base education amount and upon
18 adoption of a budget shall receive additional amounts due under this
19 subsection.

20 * * *

21 Sec. 33. EFFECTIVE DATE

1 This section and Secs. 30–32 shall take effect on July 1, 2024.

2