

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

10 (B) The increase in property tax credit provided under this subdivision
11 (4) shall not be included in the calculation required under 32 V.S.A.
12 § 5402b(a)(4).

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

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

1 Sec. 3. REPEAL

2 2015 Acts and Resolves No. 51, Sec. G.8 (prewritten software accessed
3 remotely) is repealed.

4 Sec. 4. 32 V.S.A. chapter 225, subchapter 4 is added to read:

5 Subchapter 4. Short-term Rental Impact Surcharge

6 § 9301. IMPOSITION; SHORT-TERM RENTAL IMPACT

7 SURCHARGE

8 (a) An operator shall collect a surcharge of 1.5 percent of the rent of each
9 occupancy that is a short-term rental. As used in this subchapter, “short-term
10 rental” means a furnished house, condominium, or other dwelling room or self-
11 contained dwelling unit rented to the transient, traveling, or vacationing public
12 for a period of fewer than 30 consecutive days and for more than 14 days per
13 calendar year.

14 (b) The surcharge shall be in addition to any tax assessed under section
15 9241 of this chapter. The surcharge assessed under this section shall be paid,
16 collected, remitted, and enforced under this chapter in the same manner as the
17 rooms tax assessed under section 9241 of this title.

18 Sec. 5. 16 V.S.A. § 4025 is amended to read:

19 § 4025. EDUCATION FUND

20 (a) The Education Fund is established to comprise the following:

- 1 (1) all revenue paid to the State from the statewide education tax on
- 2 nonhomestead and homestead property under 32 V.S.A. chapter 135;
- 3 (2) [Repealed.]
- 4 (3) revenues from State lotteries under 31 V.S.A. chapter 14 and from
- 5 any multijurisdictional lottery game authorized under that chapter;
- 6 (4) 25 percent of the revenues from the meals and rooms taxes imposed
- 7 under 32 V.S.A. chapter 225;
- 8 (5) one-third of the revenues raised from the purchase and use tax
- 9 imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);
- 10 (6) revenues raised from the sales and use tax imposed by 32 V.S.A.
- 11 chapter 233; ~~and~~
- 12 (7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of
- 13 this title;
- 14 (8) land use change tax revenue deposited pursuant to 32 V.S.A.
- 15 § 3757(d);
- 16 (9) uniform capacity tax revenue deposited pursuant to 32 V.S.A.
- 17 § 8701(b)(3);
- 18 (10) wind-powered electric generating facilities tax deposited pursuant
- 19 to 32 V.S.A. § 5402c; and
- 20 (11) revenues from the short-term rental surcharge under 32 V.S.A.
- 21 § 9301.

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Sec. 6. RESERVE FUND ACCOUNT STANDARDS; DISTRICT QUALITY

STANDARDS; RULEMAKING

On or before January 1, 2025, the Agency of Education shall initiate rulemaking pursuant to 3 V.S.A. chapter 25 to update the District Quality Standards rules contained in Agency of Education, District Quality Standards (CVR 23-020), to include maximum reserve fund account standards.

Sec. 7. EFFECTIVE DATE

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

(b) Secs. 2 and 3 (cloud tax), Secs. 4 and 5 (short-term rental surcharge), and Sec. 6 (capital reserve fund excluded from education spending) shall take effect on July 1, 2024.

* * * Fiscal Year 2026 * * *

Sec. 8. 16 V.S.A. § 563 is amended to read:

§ 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE

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

* * *

1 Sec. 9. REPEAL

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

4 **Sec. 10. AGENCY OF EDUCATION; POSITION**

5 Sec. 11. 32 V.S.A. § 5414 is added to read:

6 **§ 5414. CREATION; EDUCATION FUND ADVISORY COMMITTEE**

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

10 (b) Membership. The Committee shall be composed of the following
11 members:

12 (1) the Commissioner of Taxes or designee;

13 (2) the Secretary of Education or designee;

14 (3) the Chair of the State Board of Education or designee;

15 (4) two members of the public with expertise in education financing,

16 who shall be appointed by the Speaker of the House;

17 (5) two members of the public with expertise in education financing,

18 who shall be appointed by the Committee on Committees;

19 (6) one member of the public with expertise in education financing, who

20 shall be appointed by the Governor;

1 (7) the President of the Vermont Association of School Business

2 Officials or designee;

3 (8) one representative from the Vermont School Boards Association

4 (VSBA) with expertise in education financing, selected by the Executive

5 Director of VSBA;

6 (9) one representative from the Vermont Superintendent’s Association

7 (VSA) with expertise in education financing, selected by the Executive

8 Director of VSA; and

9 (10) one representative from the Vermont National Education

10 Association (VTNEA) with expertise in education financing, selected by the

11 Executive Director of VTNEA.

12 (c)(1) Powers and duties. Annually, on or before December 15, the

13 Committee shall make recommendations to the General Assembly regarding:

14 (A) updating the weighting factors using the weighting model and

15 methodology used to arrive at the weights enacted under 2022 Acts and

16 Resolves No. 127, which may include recalibration, recalculation, adding or

17 eliminating weights, or any combination of these actions, as necessary;

18 (B) changes to, or the addition of new or elimination of existing,

19 categorical aid, as necessary;

20 (C) changes to income levels eligible for a property tax credit under

21 32 V.S.A. § 6066;

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

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

4 (F) the amount of the Education Fund stabilization reserve;

5 (G) school district use of reserve fund accounts; and

6 (H) any other topic, factor, or issue the Committee deems relevant to
7 its work and recommendations.

8 (2) The Committee shall recommend updated weights, using the
9 weighting model and methodology used to arrive at the weights enacted under
10 2022 Acts and Resolves No. 127, and categorical aid to the General Assembly
11 at least every five years, which may include a recommendation not to make
12 changes where appropriate.

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

15 (e) Meetings.

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

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

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

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

4 Sec. 12. 32 V.S.A. § 5402(b) is amended to read:

5 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

10 (B) The Commissioner shall then

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

15 (C) The legislative body in each municipality shall then bill each
16 property taxpayer at the homestead or nonhomestead rate determined by the
17 Commissioner under this subdivision, multiplied by the education property tax
18 grand list value of the property, properly classified as homestead or
19 nonhomestead property and without regard to any other tax classification of the
20 property. Statewide education property tax bills shall show the tax due and the
21 calculation of the rate determined under ~~subsection~~ subsections (a) and (b) of

1 this section, ~~divided by the municipality's most recent common level of~~
2 ~~appraisal~~, multiplied by the current grand list value of the property to be taxed.
3 Statewide education property tax bills shall also include language provided by
4 the Commissioner pursuant to subsection 5405(g) of this title.

5 (2) Taxes assessed under this section shall be assessed and collected in
6 the same manner as taxes assessed under chapter 133 of this title with no tax
7 classification other than as homestead or nonhomestead property; provided,
8 however, that the tax levied under this chapter shall be billed to each taxpayer
9 by the municipality in a manner that clearly indicates the tax is separate from
10 any other tax assessed and collected under chapter 133, including an
11 itemization of the separate taxes due. The bill may be on a single sheet of
12 paper with the statewide education tax and other taxes presented separately and
13 side by side.

14 (3) If a district has not voted a budget by June 30, an interim homestead
15 education tax shall be imposed at the base rate determined under subdivision
16 (a)(2) of this section, ~~divided by the municipality's most recent common level~~
17 ~~of appraisal~~ adjusted according to the calculations under subdivision (b)(1) of
18 this section, but without regard to any spending adjustment under subdivision
19 5401(13) of this title. Within 30 days after a budget is adopted and the
20 deadline for reconsideration has passed, the Commissioner shall determine the

1 municipality’s homestead tax rate as required under subdivision (1) of this
2 subsection.

3 Sec. 13. ALLOWABLE GROWTH IN EDUCATION SPENDING FOR
4 FISCAL YEARS 2026 AND 2027

5 (a) Notwithstanding any other provision of law, for fiscal years 2026 and
6 2027 only, “excess spending” under 32 V.S.A. § 5401(12) means the per pupil
7 education spending, as defined in 16 V.S.A. § 4001(14), adjusted to include
8 any amount required to be added to education spending from a Capital
9 Construction Reserve Fund under 24 V.S.A. § 2804(b), that is in excess of the
10 district’s per pupil education spending in the prior fiscal year, plus the district’s
11 allowable growth.

12 (b) For fiscal years 2026 and 2027, the “allowable growth” for any
13 individual school district is an amount equal to the actual amount of per pupil
14 education spending in the district in the prior fiscal year, multiplied by the
15 district’s “allowable growth percentage.” A district’s “allowable growth
16 percentage” means the greater of:

17 (1) a percentage that results from the following equation: the highest
18 per pupil education spending in any district in the State, excluding gores, in the
19 prior fiscal year, divided by the actual amount of per pupil education spending
20 in the district in the prior fiscal year, minus one, multiplied by five and one-
21 half percent; or

1 (2) the percentage change in the New England Economic Project
2 Cumulative Price Index, as of November 15, for state and local government
3 purchases of goods and services between the prior fiscal year and the current
4 fiscal year.

5 (c) For the purpose of the calculations made under this section, the term
6 “per pupil education spending” shall exclude all the adjustments under 16
7 V.S.A. § 4001(6)(B).

8 (d) Notwithstanding any provision of law to the contrary, for fiscal years
9 2026 and 2027, the school budget language required under 16 V.S.A.
10 § 563(11)(D) shall be replaced with the following:

11 “Article #1 (School Budget):

12 Shall the voters of the school district approve the school
13 board to expend \$ _____, which is the amount the school board has
14 determined to be necessary for the ensuing fiscal year?

15 The _____ District estimates that this proposed budget, if
16 approved, will result in per pupil education spending of \$ _____, which is
17 _____ % higher/lower than per pupil education spending for the current year.

18 This proposed per pupil education spending is \$ _____ over the amount
19 permitted for allowable growth under Vermont law.”

20 Sec. 14. REPEAL

21 2022 Acts and Resolves No. 127, Sec. 8(a) (suspension of laws) is repealed.

1 Sec. 15. 32 V.S.A. § 6065 is amended to read:

2 § 6065. FORMS; TABLES; NOTICES

3 (a) In administering this chapter, the Commissioner shall provide suitable
4 claim forms with tables of allowable claims, instructions, and worksheets for
5 claiming a homestead property tax credit.

6 (b) Prior to June 1, the Commissioner shall also prepare and supply to each
7 town in the State notices describing the homestead property tax credit, for
8 inclusion in property tax bills. A town shall include such notice in each tax bill
9 and notice of delinquent taxes that it mails to taxpayers who own in that town a
10 homestead as defined in subdivision 5401(7) of this title.

11 (c) Notwithstanding the provisions of subsection (b) of this section, towns
12 that use envelopes or mailers not able to accommodate notices describing the
13 homestead tax credit may distribute such notices in an alternative manner.

14 (d) On the form used to file a property tax credit claim, the Commissioner
15 shall require claimants to report the following information relating to assets
16 owned by the claimant:

17 (1) funds held in checking and savings accounts;

18 (2) funds, assets, and the value of assets held by a trust in which the
19 claimant is a beneficiary;

20 (3) addresses for real property owned and the value of each property;

1 multiplied by a district’s weighted long-term membership as determined under
2 section 4010 of this chapter.

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

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

7 § 4001. DEFINITIONS

8 As used in this chapter:

9 * * *

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

19 (A) [Repealed.]

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

- 1 ~~(i) Spending during the budget year for:~~
- 2 ~~(I) approved school capital construction for a project that~~
3 ~~received preliminary approval under section 3448 of this title, including~~
4 ~~interest paid on the debt, provided the district shall not be reimbursed or~~
5 ~~otherwise receive State construction aid for the approved school capital~~
6 ~~construction; or~~
- 7 ~~(II) spending on eligible school capital project costs pursuant to~~
8 ~~the State Board of Education’s Rule 6134 for a project that received~~
9 ~~preliminary approval under section 3448 of this title.~~
- 10 ~~(ii) For a project that received final approval for State construction~~
11 ~~aid under chapter 123 of this title:~~
- 12 ~~(I) spending for approved school capital construction during the~~
13 ~~budget year that represents the district’s share of the project, including interest~~
14 ~~paid on the debt; or~~
- 15 ~~(II) payment during the budget year of interest on funds~~
16 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
17 ~~State aid for the project.~~
- 18 ~~(iii) Spending that is approved school capital construction~~
19 ~~spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future~~
20 ~~approved school capital construction costs, including that portion of tuition~~
21 ~~paid to an independent school designated as the public high school of the~~

1 school district pursuant to section 827 of this title for capital construction costs
2 by the independent school that has received approval from the State Board of
3 Education, using the processes for preliminary approval of public school
4 construction costs pursuant to subdivision 3448(a)(2) of this title.

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

8 (v) ~~Spending attributable to the district's share of special~~
9 ~~education spending that is not reimbursed as an extraordinary reimbursement~~
10 ~~under section 2962 of this title for any student in the fiscal year occurring two~~
11 ~~years prior.~~

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

17 (vii) ~~For a district that pays tuition for all of its resident students~~
18 ~~and into which additional students move after the end of the census period~~
19 ~~defined in subdivision (1)(A) of this section, the number of students that~~
20 ~~exceeds the district's most recent average daily membership and for whom the~~

1 ~~district will pay tuition in the subsequent year multiplied by the district's~~
2 ~~average rate of tuition paid in that year.~~

3 ~~(viii) Tuition paid by a district that does not operate a school and~~
4 ~~pays tuition for all resident students in kindergarten through grade 12, except~~
5 ~~in a district in which the electorate has authorized payment of an amount~~
6 ~~higher than the statutory rate pursuant to subsection 823(b) or 824(c) of this~~
7 ~~title.~~

8 ~~(ix) The assessment paid by the employer of teachers who become~~
9 ~~members of the State Teachers' Retirement System of Vermont on or after July~~
10 ~~1, 2015, pursuant to section 1944d of this title.~~

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

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

16 * * *

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

18 § 4032. EXCESS SPENDING RESERVE

19 (a) There is hereby created an Excess Spending Reserve within the
20 Education Fund. At the close of a fiscal year, any undesignated Education
21 Fund surplus and accrued interest remaining after the Education Fund budget

1 stabilization reserve has been brought to the maximum authorized level
2 pursuant to section 4026 of this chapter shall be reserved within the Excess
3 Spending Reserve.

4 (b) In any fiscal year, if the Education Fund is found to have an
5 undesignated fund deficit, the Excess Spending Reserve shall be used by the
6 Commissioner of Finance and Management to the extent necessary to offset
7 the undesignated fund deficit as determined by generally accepted accounting
8 principles.

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

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

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

17 **§ 3441. STATE AID TO SCHOOL CONSTRUCTION SPECIAL FUND**

18 There is created the State Aid to School Construction Special Fund to
19 provide grants to supervisory unions and independent career and technical
20 education districts to assist in funding school construction projects that are
21 approved through the State Aid to School Construction Program. The excess

1 funds from the Education Spending Reserve under subsection 4032(c) shall be
2 deposited into the State Aid to School Construction Special Fund, which shall
3 be administered by the Agency of Education.

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

5 § 511. ~~BUDGET~~ EXCESS SPENDING VOTE

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

14 * * *

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

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

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

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

21 * * *

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

4 (B) [Repealed.]

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

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

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

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

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

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

11 Article #1 (School Budget):

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

1 higher/lower than the homestead property tax rate for the current year. ~~This~~
2 ~~proposed education spending is \$_____ over the excess spending threshold,~~
3 ~~which is estimated to increase the homestead tax rate by \$_____ for the~~
4 ~~ensuing fiscal year.~~

5 * * *

6 Sec. 21. REPEAL

7 16 V.S.A. § 566 (authority to borrow) is repealed.

8 Sec. 22. REPORT AND RECOMMENDATIONS; EDUCATIONAL
9 OPPORTUNITY PAYMENTS; AGENCY OF EDUCATION

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

17 Sec. 23. CONTINGENT EFFECTIVE DATE OF EDUCATIONAL
18 OPPORTUNITY PAYMENTS

19 **Secs. X–X** of this act shall not take effect unless, on or before July 1, 2026,
20 the General Assembly enacts legislation **establishing all of the following:**

- 21 (1) an excess spending reserve within the Education Fund;

1 under chapter 124 of this title of all nonhomestead property that is enrolled in
2 the use value appraisal program.

3 * * *

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

6 * * *

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

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

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

1 (15) “Property dollar equivalent yield” means the amount of per pupil
2 education spending that would result if the homestead tax rate were \$1.00 per
3 \$100.00 of equalized education property value and the statutory reserves under
4 16 V.S.A. § 4026 and section 5402b of this title were maintained.

5 (16) “Income dollar equivalent yield” means the amount of per pupil
6 education spending that would result if the income percentage in subdivision
7 6066(a)(2) of this title were 2.0 percent and the statutory reserves under 16
8 V.S.A. § 4026 and section 5402b of this title were maintained.

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

10 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

11 RECOMMENDATION OF THE COMMISSIONER

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

18 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is
19 \$1.00 per \$100.00 of equalized education property value;

20 (2) the applicable percentage in subdivision 6066(a)(2) of this title is
21 2.0;

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

3 (4) the percentage change in the average education tax bill applied to
4 nonhomestead property and the percentage change in the average education tax
5 bill of homestead property and the percentage change in the average education
6 tax bill for taxpayers who claim a credit under subsection 6066(a) of this title
7 are equal.

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

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

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

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

2 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

5 (1) ~~The~~ Except as otherwise provided in this subsection, the uniform tax
6 rate for nonhomestead property shall be ~~\$1.59 per \$100.00~~ set at a rate
7 sufficient to fund educational opportunity payments for the fiscal year, as
8 determined pursuant to 16 V.S.A. § 4019, and all other obligations on the
9 Education Fund, but after reducing that amount by the revenue projected for
10 the fiscal year from revenues deposited under 16 V.S.A. § 4025(a)(3)–(11).

11 (2) ~~The~~ Except as otherwise provided in this subsection, the uniform tax
12 rate for homestead property shall be ~~\$1.00 multiplied by the education property~~
13 ~~tax spending adjustment for the municipality per \$100.00 of equalized~~
14 ~~education property value as most recently determined under section 5405 of~~
15 ~~this title. The homestead property tax rate for each municipality that is a~~
16 ~~member of a union or unified union school district shall be calculated as~~
17 ~~required under subsection (e) of this section~~ set at a rate sufficient to fund
18 educational opportunity payments for the fiscal year, as determined pursuant to
19 16 V.S.A. § 4019, and all other obligations on the Education Fund, but after
20 reducing that amount by the revenue projected for the fiscal year from
21 revenues deposited under 16 V.S.A. § 4025(a)(3)–(11). **How to determine**

1 yields for homestead and nonhomestead? How to treat rates for unified school
2 districts?

3 (3) For a district with excess spending, as defined by 16 V.S.A.
4 § 4001(6), the homestead and nonhomestead rates shall be the uniform rates
5 for the fiscal year plus a rate equal to the excess spending adjustment. How to
6 calculate and apply the excess spending adjustment?

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

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

1 (2) Taxes assessed under this section shall be assessed and collected in
2 the same manner as taxes assessed under chapter 133 of this title with no tax
3 classification other than as homestead or nonhomestead property; provided,
4 however, that the tax levied under this chapter shall be billed to each taxpayer
5 by the municipality in a manner that clearly indicates the tax is separate from
6 any other tax assessed and collected under chapter 133, including an
7 itemization of the separate taxes due. The bill may be on a single sheet of
8 paper with the statewide education tax and other taxes presented separately and
9 side by side.

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

18 (c)(1) The treasurer of each municipality shall by December 1 of the year in
19 which the tax is levied and on June 1 of the following year pay to the State
20 Treasurer for deposit in the Education Fund one-half of the municipality’s

1 statewide nonhomestead tax and one-half of the municipality’s homestead
2 education tax, as determined under subdivision (b)(1) of this section.

3 (2) The Secretary of Education shall determine each municipality’s net
4 nonhomestead education tax payment and its net homestead education tax
5 payment to the State based on grand list information received by the Secretary
6 not later than the March 15 prior to the June 1 net payment. Payment shall be
7 accompanied by a return prescribed by the Secretary of Education. Each
8 municipality may retain 0.225 of one percent of the total education tax
9 collected, only upon timely remittance of net payment to the State Treasurer or
10 to the applicable school district or districts. Each municipality may also retain
11 \$15.00 for each late property tax credit claim filed after April 15 and before
12 September 2, as notified by the Department of Taxes, for the cost of issuing a
13 new property tax bill.

14 (d) [Repealed.]

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

18 (1) For a municipality that is a member of a unified union school
19 district, use the base rate determined under subdivision (a)(2) of this section
20 and ~~a the excess spending adjustment under subdivision 5401(13)~~ 5401(12) of

1 this title and subdivision (a)(3) of this section based upon the per pupil
2 education excess spending of the unified union.

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

4 (A) Determine the municipal district homestead tax rate using the
5 base rate determined under subdivision (a)(2) of this section and a the excess
6 spending adjustment under subdivision ~~5401(13)~~ 5401(12) of this title and
7 subdivision (a)(3) of this section based on the per pupil education excess
8 spending in the municipality who attends a school other than the union school.

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

14 (C) Determine a combined homestead tax rate by calculating the
15 weighted average of the rates determined under subdivisions (A) and (B) of
16 this subdivision (2), with weighting based upon the ratio of union school long-
17 term membership, as defined in 16 V.S.A. § 4001(7), from the member
18 municipality to total long-term membership of the member municipality; and
19 the ratio of long-term membership attending a school other than the union
20 school to total long-term membership of the member municipality. Total long-
21 term membership of the member municipality is based on the number of pupils

1 who are legal residents of the municipality and attending school at public
2 expense. If necessary, the Commissioner may adopt a rule to clarify and
3 facilitate implementation of this subsection (e).

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

5 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY
6 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

7 (a) Annually, on or before April 1, the Commissioner shall determine the
8 equalized education property tax grand list and coefficient of dispersion for
9 each municipality in the State; provided, however, that for purposes of
10 equalizing grand lists pursuant to this section, the equalized education property
11 tax grand list of a municipality that establishes a tax increment financing
12 district shall include the fair market value of the property in the district and not
13 the original taxable value of the property, and further provided that the unified
14 towns and gores of Essex County may be treated as one municipality for the
15 purpose of determining an equalized education property grand list and a
16 coefficient of dispersion, if the Director determines that all such entities have a
17 uniform appraisal schedule and uniform appraisal practices.

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

20 (c)(1) In determining the fair market value of property that is required to be
21 listed at fair market value, the Commissioner shall take into consideration

1 those factors required by section 3481 of this title. The Commissioner shall
2 value property as of April 1 preceding the determination and shall take account
3 of all homestead declaration information available before October 1 each year.

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

6 * * *

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

8 § 4025. EDUCATION FUND

9 (a) The Education Fund is established to comprise the following:

10 (1) all revenue paid to the State from the statewide education tax on
11 nonhomestead and homestead property under 32 V.S.A. chapter 135;

12 (2) [Repealed.]

13 (3) revenues from State lotteries under 31 V.S.A. chapter 14 and from
14 any multijurisdictional lottery game authorized under that chapter;

15 (4) 25 percent of the revenues from the meals and rooms taxes imposed
16 under 32 V.S.A. chapter 225;

17 (5) one-third of the revenues raised from the purchase and use tax
18 imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

19 (6) revenues raised from the sales and use tax imposed by 32 V.S.A.
20 chapter 233; ~~and~~

1 (7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of
2 this title; and

3 (8) land use change tax revenue deposited pursuant to 32 V.S.A.
4 § 3757(d);

5 (9) uniform capacity tax revenue deposited pursuant to 32 V.S.A.
6 § 8701(3);

7 (10) wind-powered electric generating facilities tax deposited pursuant
8 to 32 V.S.A. § 5402c; and

9 (11) any interest generated by this fund.

10 * * *

11 Sec. 29. EFFECTIVE DATES

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

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

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

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

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

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

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

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

1 expenditures, the amount of each grant awarded shall be reduced
2 proportionately. Transportation grants paid under this section shall be paid
3 from the Education Fund and shall be added to ~~adjusted~~ education spending
4 payment receipts paid under section 4011 of this title.

5 * * *

6 (c) A district or supervisory union may apply and the Secretary may pay
7 for extraordinary transportation expenditures incurred due to geographic or
8 other conditions such as the need to transport students out of the school district
9 to attend another school because the district does not maintain a public school.
10 The State Board shall define extraordinary transportation expenditures by rule.
11 The total amount of base year extraordinary transportation grant expenditures
12 shall be \$250,000.00 for fiscal year 1997, increased each year thereafter by the
13 annual price index for state and local government purchases of goods and
14 services. Extraordinary transportation expenditures shall not be paid out of the
15 funds appropriated under subsection (b) of this section for other transportation
16 expenditures. Grants paid under this section shall be paid from the Education
17 Fund and shall be added to ~~adjusted~~ education spending payment receipts paid
18 under section 4011 of this title.

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

20 § 4026. EDUCATION FUND BUDGET STABILIZATION RESERVE;

21 CREATION AND PURPOSE

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

5 * * *

6 (e) The enactment of this chapter and other provisions of the Equal
7 Educational Opportunity Act of which it is a part have been premised upon
8 estimates of balances of revenues to be raised and expenditures to be made
9 under the act for such purposes as ~~adjusted~~ education spending payments,
10 categorical State support grants, provisions for property tax income sensitivity,
11 payments in lieu of taxes, current use value appraisals, tax stabilization
12 agreements, the stabilization reserve established by this section, and for other
13 purposes. If the stabilization reserve established under this section should in
14 any fiscal year be less than 5.0 percent of the prior fiscal year's appropriations
15 from the Education Fund, as defined in subsection (b) of this section, the Joint
16 Fiscal Committee shall review the information provided pursuant to 32 V.S.A.
17 § 5402b and provide the General Assembly its recommendations for change
18 necessary to restore the stabilization reserve to the statutory level provided in
19 subsection (b) of this section.

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

21 § 4028. FUND PAYMENTS TO SCHOOL DISTRICTS

1 (a) On or before September 10, December 10, and April 30 of each school
2 year, one-third of the ~~adjusted~~ education spending payment under section 4011
3 of this title shall become due to school districts, except that districts that have
4 not adopted a budget by 30 days before the date of payment under this
5 subsection shall receive one-quarter of the base education amount and upon
6 adoption of a budget shall receive additional amounts due under this
7 subsection.

8 * * *

9 Sec. 33. EFFECTIVE DATE

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