

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3 remotely) is repealed.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. As used in this subchapter, “short-term rental” does not mean
14 an occupancy in a lodging establishment, as defined under 18 V.S.A.
15 § 4301(9).

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

20 Sec. 5. 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;

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(b)(3);

19 (10) wind-powered electric generating facilities tax deposited pursuant

20 to 32 V.S.A. § 5402c; and

1 (5) the Executive Director of the Vermont School Boards Association or
2 designee;

3 (6) the Executive Director of the Vermont Principals Association or
4 designee;

5 (7) the Executive Director of the Vermont Superintendents Association
6 or designee;

7 (8) the Executive Director of the Vermont National Education
8 Association or designee;

9 (9) the President of the Vermont Association of School Business
10 Officials or designee; and

11 (10) the President of the Vermont Independent Schools Association or
12 designee.

13 (c) Educational opportunity payments. For the purposes of the Task
14 Force’s work, the educational opportunity payment shall be a base amount,
15 increased by the most recent New England Economic Project Cumulative Price
16 Index, as of November 15, for state and local government purchases of goods
17 and services from fiscal year 2025 through the fiscal year for which the amount
18 is being determined, multiplied by a district’s weighted long-term membership
19 as determined under 16 V.S.A. § 4010.

20 (d) Powers and duties. The Task Force shall recommend an
21 implementation plan for the enactment of weighted educational opportunity

1 payments utilizing the statewide grand list. The Task Force’s
2 recommendations shall be intended to result in an education funding system
3 designed to afford substantially equal access to a quality basic education for all
4 Vermont students in accordance with *State v. Brigham*, 166 Vt. 246 (1997).

5 (1) Process. In developing its recommendations, the Task Force shall:

6 (A) align its recommendations with Vermont’s educational policies,
7 including the work and recommendations of the Blue Ribbon Commission on
8 the Future of Public Education in Vermont; and

9 (B) base its analysis and recommendations for base funding on the
10 evidence-based model developed by Picus Odden & Associates in 2024.

11 (2) Policy considerations. The Task Force shall make recommendations
12 for the following:

13 (A) allowable uses for the educational opportunity payments;

14 (B) the method for setting tax rates to sustain the educational
15 opportunity payments, which shall be set in advance of budget cycles to allow
16 taxpayers and school officials to anticipate tax rates prior to finalizing school
17 district budgets;

18 (C) the source of revenue for educational opportunity payments;

19 (D) how to treat nonoperating districts that tuition their students to
20 public and approved independent schools outside of the district;

21 (E) the source of revenue for categorical aid;

1 (F) an adequate and sustainable excess spending reserve amount
2 within the Education Fund, including recommendations for when excess
3 reserve amounts could be transferred to a school construction aid special fund;

4 (G) how excess spending above the educational opportunity payment
5 is funded and the method for setting tax rates based on excess spending; and

6 (H) a transition mechanism to move from the current funding system
7 to educational opportunity payments, including an implementation timeline.

8 (e) Assistance. The Task Force shall have the administrative, technical,
9 and legal assistance of the Department of Taxes.

10 (f) Public engagement. The Task Force shall publish its preliminary
11 recommendations on or before November 1, 2024, solicit public feedback, and
12 incorporate such feedback into its final recommendations. When submitting its
13 final recommendations to the General Assembly, the Task Force shall include
14 all public feedback received.

15 (g) Proposed legislation. On or before December 15, 2024, the Task Force
16 shall submit its findings and final recommendations in the form of proposed
17 legislation to the General Assembly.

18 (h) Meetings.

19 (1) The Commissioner of Taxes shall call the first meeting of the Task
20 Force to occur on or before July 1, 2024.

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

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

4 (4) The Chair may establish subcommittees within the Task Force to
5 perform the work set forth in this section.

6 (5) The Task Force shall cease to exist on December 31, 2024.

7 (i) Compensation and reimbursement.

8 (1) For attendance at meetings during adjournment of the General
9 Assembly, a legislative member of the Task Force serving in the member’s
10 capacity as a legislator shall be entitled to per diem compensation and
11 reimbursement of expenses pursuant to 2 V.S.A. § 23 for not more than 20
12 meetings. These payments shall be made from monies appropriated to the
13 General Assembly.

14 (2) Other members of the Task Force shall be entitled to per diem
15 compensation and reimbursement of expenses as permitted under 32 V.S.A.
16 § 1010 for not more than 20 meetings. These payments shall be made from
17 monies appropriated to the Department of Taxes.

18 Sec. 8. EFFECTIVE DATE

19 (a) This section, Sec. 1 (property tax rates and yields), and Sec. 7
20 (Educational Opportunity Payment Task Force) shall take effect on passage.

1 ~~equalized pupil. This projected spending per equalized pupil is _____ %~~
2 ~~higher/lower than spending for the current year.~~

3 The _____ District estimates that this proposed budget, if
4 approved, will result in per pupil education spending of \$ _____, which is
5 _____ % higher/lower than per pupil education spending for the current year.
6 This proposed education spending is \$ _____ over the district’s excess
7 spending threshold.”

8 * * *

9 Sec. 10. REPEAL

10 2022 Acts and Resolves No. 127, Sec. 8(c) (suspension of ballot language
11 requirement) is repealed.

12 **Sec. 11. AGENCY OF EDUCATION; POSITION**

13 Sec. 12. 32 V.S.A. § 5414 is added to read:

14 **§ 5414. CREATION; EDUCATION FUND ADVISORY COMMITTEE**

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

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

- 20 (1) the Commissioner of Taxes or designee;
21 (2) the Secretary of Education or designee;

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

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

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

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

5 who shall be appointed by the Committee on Committees;

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

7 shall be appointed by the Governor;

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

9 Officials or designee;

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

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

12 Director of VSBA;

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

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

15 Director of VSA; and

16 (10) one representative from the Vermont National Education

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

18 Executive Director of VTNEA.

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

20 Committee shall make recommendations to the General Assembly regarding:

1 (A) updating the weighting factors using the weighting model and
2 methodology used to arrive at the weights enacted under 2022 Acts and
3 Resolves No. 127, which may include recalibration, recalculation, adding or
4 eliminating weights, or any combination of these actions, as necessary;

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

7 (C) changes to income levels eligible for a property tax credit under
8 32 V.S.A. § 6066;

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

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

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

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

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

16 (2) The Committee shall recommend updated weights, using the
17 weighting model and methodology used to arrive at the weights enacted under
18 2022 Acts and Resolves No. 127, and categorical aid to the General Assembly
19 at least every five years, which may include a recommendation not to make
20 changes where appropriate.

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

3 (e) Meetings.

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

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

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

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

12 Sec. 13. 32 V.S.A. § 5402(b) is amended to read:

13 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

15 (1)(A) The Commissioner of Taxes shall first divide every
16 municipality's most recent common level of appraisal by the most recent
17 average statewide common level of appraisal.

18 (B) The Commissioner shall then

19 The Commissioner of Taxes shall then determine for each
20 municipality the education tax rates under subsection (a) of this section ~~divided~~

1 ~~multiplied by the municipality's most recent common level of appraisal value~~
2 ~~calculated in subdivision (A) of this subdivision (1).~~

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

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

1 paper with the statewide education tax and other taxes presented separately and
2 side by side.

3 (3) If a district has not voted a budget by June 30, an interim homestead
4 education tax shall be imposed at the base rate determined under subdivision
5 (a)(2) of this section, ~~divided by the municipality's most recent common level~~
6 ~~of appraisal~~ adjusted according to the calculations under subdivision (b)(1) of
7 this section, 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 Sec. 14. ALLOWABLE EDUCATION SPENDING EDUCATION FOR
13 FISCAL YEARS 2026 AND 2027

14 (a) Notwithstanding any other provision of law, for fiscal years 2026 and
15 2027 only, "excess spending" under 32 V.S.A. § 5401(12) means the per pupil
16 education spending, as defined in 16 V.S.A. § 4001(14), adjusted to include
17 any amount required to be added to education spending from a Capital
18 Construction Reserve Fund under 24 V.S.A. § 2804(b), that is in excess of the
19 district's per pupil education spending in the prior fiscal year, plus the district's
20 allowable spending.

1 (b) For fiscal years 2026 and 2027, the “allowable spending” for any
2 individual school district is an amount equal to the actual amount of per pupil
3 education spending in the district in the prior fiscal year, multiplied by the
4 district’s “allowable spending percentage.” A district’s “allowable spending
5 percentage” means the greater of:

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

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

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

18 (d) Notwithstanding any provision of law to the contrary, for fiscal years
19 2026 and 2027, the school budget language required under 16 V.S.A.
20 § 563(11)(D) shall be replaced with the following:

21 “Article #1 (School Budget):

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

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

7 This proposed per pupil education spending is \$ _____ over the amount
8 designated for the district’s allowable spending under Vermont law.”

9 Sec. 15. REPEAL

10 2022 Acts and Resolves No. 127, Sec. 8(a) (suspension of laws) is repealed.

11 Sec. 16. 32 V.S.A. § 6065 is amended to read:

12 § 6065. FORMS; TABLES; NOTICES

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

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

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

4 (d) On the form used to file a property tax credit claim, the Commissioner
5 shall require claimants to report whether the household owns or controls assets
6 worth more than \$2,000,000.00. For purposes of this subsection, “assets” shall
7 include accounts, real property, business interests, funds and assets held by a
8 trust in which a household member is a beneficiary, and any other types of
9 assets as determined by the Commissioner.

10 Sec. 17. ASSET DECLARATION; REPORT

11 On or before December 15, 2025, the Commissioner shall recommend ways
12 to improve the asset declaration required under 32 V.S.A. § 6065(d).

13 Sec. 18. EFFECTIVE DATE

14 This section and Secs. 9 (16 V.S.A. § 563; ballot language), 10 (repeal of
15 budget ballot language pause), 11 (district quality standards; consultant), 12
16 (Education Fund Advisory Committee), 13 (CLA effect on tax rates), 14
17 (allowable spending in education), 15 (repeal of suspension), and 16 and 17
18 (asset declaration on PTC claim) shall take effect on July 1, 2024.

19 * * * Act 127 Conforming Amendments * * *

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

21 § 4016. REIMBURSEMENT FOR TRANSPORTATION EXPENDITURES

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

15 * * *

16 (c) A district or supervisory union may apply and the Secretary may pay
17 for extraordinary transportation expenditures incurred due to geographic or
18 other conditions such as the need to transport students out of the school district
19 to attend another school because the district does not maintain a public school.
20 The State Board shall define extraordinary transportation expenditures by rule.
21 The total amount of base year extraordinary transportation grant expenditures

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

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

9 § 4026. EDUCATION FUND BUDGET STABILIZATION RESERVE;

10 CREATION AND PURPOSE

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

15 * * *

16 (e) The enactment of this chapter and other provisions of the Equal
17 Educational Opportunity Act of which it is a part have been premised upon
18 estimates of balances of revenues to be raised and expenditures to be made
19 under the act for such purposes as ~~adjusted~~ education spending payments,
20 categorical State support grants, provisions for property tax income sensitivity,
21 payments in lieu of taxes, current use value appraisals, tax stabilization

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

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

10 § 4028. FUND PAYMENTS TO SCHOOL DISTRICTS

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

18 * * *

19 Sec. 33. EFFECTIVE DATE

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