



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

Date: March 31, 2023

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### **H.492 – An act relating to setting the homestead property tax yields and the nonhomestead property tax rate**

**As passed by the House of Representatives<sup>1</sup>**

#### **Bill Summary**

**T**his bill sets the property dollar and income dollar equivalent yields and in doing so, sets the homestead property tax rates for fiscal year 2024; the bill also sets the nonhomestead property tax rate in fiscal year 2024. The bill reserves funds within the Education Fund to be used to offset education property tax rate increase in fiscal year 2025.

#### **Fiscal Summary**

For fiscal year 2024, the bill sets the following:

- The property dollar equivalent yield to be \$15,477;
- The income dollar equivalent yield to be \$17,577; and
- The nonhomestead property tax rate to be \$1.388 per \$100.00 of equalized education property value.

The property yield and nonhomestead property tax rate are expected to generate approximately \$1.45 billion in property tax revenues. Together with other non-property tax revenue sources, these revenues are expected to fully fund total education expenditures within the Education Fund in fiscal year 2024, along with the required 5% stabilization reserve.

The yields and tax rate have been set to fund the Education Fund according to the most recently available school district budget data and according to the following parameters:

- The yields and rates were set to be generally similar to the yields and rates in the December 1 consensus outlook with the same proportional average bill change across all three classes.
- \$22 million is reserved within the Education Fund to offset education property tax rate increases in fiscal year 2025.
- The yields, tax rates, and reserve were calculated assuming changes associated with legislation that is still being considered by the General Assembly.

<sup>1</sup> <https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0492/H-0492%20As%20Introduced.pdf>

## Education Fund Outlook for FY 2024 - March 2023

(millions of dollars)		FY2022	FY2023	FY2024
		Actual	Projected	H.492 - As passed by the House of Representatives Updated post town meeting
a	Average Homestead Property Tax Rate	\$1.523	\$1.386	\$1.308
b	Average Tax Rate on Household Income	2.50%	2.32%	2.31%
c	Uniform Non-Homestead Property Tax Rate	1.612	\$1.466	\$1.388
d	Property Yield Per Equalized Pupil	\$11,317	\$13,314	\$15,477
e	Income Yield Per Equalized Pupil	\$13,770	\$15,948	\$17,577
f	Equalized Pupil Count	86,944	85,806	84,415
g	Average Percentage Bill Change Compared to Prior Year			3.84%
h	Statewide Education Spending Growth	1.3%	6.2%	8.0%
i	Statewide Education Grand List Growth	3.0%	7.5%	9.7%
<b>Sources</b>				
1a	Homestead Education Property Tax	648.7	635.0	666.8
1b	Property Tax Credit	(172.3)	(164.0)	(151.0)
2	Non-Homestead Education Property Tax	752.3	727.1	781.1
3	Sales & Use Tax	545.2	589.3	576.0
4	Purchase & Use Tax - <i>one-third of total</i>	45.7	48.6	49.4
5	Meals & Rooms Tax - <i>one-quarter of total</i>	54.2	58.1	58.9
6	Lottery Transfer	30.8	31.1	32.1
7	Medicaid Transfer	11.5	10.2	10.8
8	Other Sources (Wind & Solar, Fund Interest)	3.6	3.8	4.2
9	<b>Total Sources</b>	<b>1,919.7</b>	<b>1,939.2</b>	<b>2,028.2</b>
<b>Appropriations</b>				
10	Education Payment	1,502.1	1,577.6	1,703.3
11	Special Education Aid	229.0	208.1	226.2
12	State-Placed Students	17.0	17.5	19.0
13	Transportation Aid	20.5	21.8	23.5
14	Technical Education Aid	17.2	31.3	17.0
15	Small School Support	8.1	8.2	8.3
16	Essential Early Education Aid	7.1	7.5	8.4
17	Flexible Pathways	8.2	8.3	9.3
18	Universal School Meals	-	29.0	29.0
19	Teachers' Pensions (Normal Cost Only)	37.6	33.4	33.1
20	On-going Normal Cost of Teacher's OPEB	-	15.1	15.4
21	<i>One-time COLA payment</i>	-	-	3.0
22	Other Uses (Accounting & Auditing, Financial Systems)	3.4	3.4	3.5
23	<b>Total Uses</b>	<b>1,850.1</b>	<b>1,961.2</b>	<b>2,099.0</b>
<b>Allocation of Revenue Surplus/(Deficit)</b>				
24	Revenue Surplus/(Deficit)	69.6	(22.0)	(70.8)
25	Prior-Year Reversions	(11.7)	(45.5)	0.0
26	Transfer to/(from) Stabilization Reserve	1.1	2.5	4.9
27	Transfer to/(from) additional Reserve	32.0	-	22.0
28	Transfer to/(from) Unreserved/Unallocated	48.3	21.0	(97.7)
<b>Stabilization Reserve</b>				
29	Prior-Year Stabilization Reserve	38.2	39.3	41.8
30	Current-Year Stabilization Reserve	39.3	41.8	46.7
31	Percent of Prior-Year Net Appropriations	5%	5%	5%
32	Reserve Target	39.3	41.8	46.7
<b>Additional Reserve</b>				
33	Additional Reserve for Other Post Employment Benefits	14.0	-	-
33 a.	<i>Prefund of Normal Cost of Teacher's OPEB using reserved funds</i>	(13.3)	-	-
34	PCB Reserve	32.0	32.0	29.5
34 a.	<i>Disbursement of PCB funds by the Emergency Board</i>	-	(2.5)	-
35	<i>Tax Rate Offset Reserve</i>			22.0
<b>Available Funds</b>				
36	Prior-Year Unreserved/Unallocated	28.7	77.6	98.58
37	Current-Year Unreserved/Unallocated	78	98.58	0.9

Notes:

- The FY23 special education appropriation does not reflect all special education funds to be expended due to funds that have been carry-forward from AOE.
- Shaded purple italicized lines reflect policy proposals for FY 2024, and do not reflect current law.

Prepared by JFO

3/31/2023