



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

Date: May 8, 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 Senate in concurrence¹ with proposal of amendment²

Bill Summary

This 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 \$15,443;
- The income dollar equivalent yield to be \$17,537; and
- The nonhomestead property tax rate to be \$1.391 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:

- \$13 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.

¹ <https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0492/H-0492%20As%20passed%20by%20the%20House%20Official.pdf>

² <https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0492/H-0492%20Senate%20proposal%20of%20amendment%20Official.pdf>

May 8, 2023

Education Fund Outlook for FY 2024 - May 2023

| (millions of dollars) | | FY2023 | FY2024 | FY2024 |
|--|---|----------------|---|---|
| | | Projected | H.492 - As passed by the House of Representatives | H.492 - As passed in concurrence with proposal of amendment by the Senate |
| a | Average Homestead Property Tax Rate | \$1.386 | \$1.308 | \$1.311 |
| b | Average Tax Rate on Household Income | 2.32% | 2.31% | 2.32% |
| c | Uniform Non-Homestead Property Tax Rate | \$1.466 | \$1.388 | \$1.391 |
| d | Property Yield Per Equalized Pupil | \$13,314 | \$15,477 | \$15,443 |
| e | Income Yield Per Equalized Pupil | \$15,948 | \$17,577 | \$17,537 |
| f | Equalized Pupil Count | 85,806 | 84,415 | 84,415 |
| g | Average Percentage Bill Change Compared to Prior Year | | 3.84% | 4.06% |
| h | Statewide Education Spending Growth | 6.2% | 8.0% | 8.0% |
| i | Statewide Education Grand List Growth | 7.5% | 9.7% | 9.7% |
| Sources | | | | |
| 1a | Homestead Education Property Tax | 628.0 | 666.8 | 668.2 |
| 1b | Property Tax Credit | (164.0) | (151.0) | (151.0) |
| 2 | Non-Homestead Education Property Tax | 739.1 | 781.1 | 782.7 |
| 3 | Sales & Use Tax | 589.3 | 576.0 | 576.0 |
| 3a. | Cannabis portion of sales tax to be dedicated to afterschool | - | (6.2) | - |
| 4 | Purchase & Use Tax - one-third of total | 48.6 | 49.4 | 49.4 |
| 5 | Meals & Rooms Tax - one-quarter of total | 58.1 | 58.9 | 58.9 |
| 6 | Lottery Transfer | 31.1 | 32.1 | 32.1 |
| 7 | Medicaid Transfer | 10.2 | 10.8 | 10.8 |
| 8 | Other Sources (Wind & Solar, Fund Interest) | 3.8 | 4.2 | 4.2 |
| 9 | Total Sources | 1,944.2 | 2,022.0 | 2,031.3 |
| Appropriations | | | | |
| 10 | Education Payment | 1,577.6 | 1,703.3 | 1,703.3 |
| 11 | Special Education Aid | 208.1 | 226.2 | 226.2 |
| 12 | State-Placed Students | 17.5 | 19.0 | 19.0 |
| 13 | Transportation Aid | 21.8 | 23.5 | 23.5 |
| 14 | Technical Education Aid | 31.3 | 17.0 | 17.0 |
| 15 | Small School Support | 8.2 | 8.3 | 8.3 |
| 16 | Essential Early Education Aid | 7.5 | 8.4 | 8.4 |
| 17 | Flexible Pathways | 8.3 | 9.3 | 9.3 |
| 18 | H.165 - Universal School Meals | 29.0 | 29.0 | 29.0 |
| 19 | H.494 as passed Senate - Afterschool grants | - | - | 6.0 |
| 20 | Teachers' Pensions (Normal Cost Only) | 33.4 | 33.1 | 33.1 |
| 21 | On-going Normal Cost of Teacher's OPEB | 15.1 | 15.4 | 15.4 |
| 22 | One-time COLA payment | - | 3.0 | 3.0 |
| 23 | Other Uses (Accounting & Auditing, Financial Systems) | 3.4 | 3.5 | 3.5 |
| 23 a. | Transfer for Tax Department IT Fund Maintenance | - | - | 1.1 |
| 24 | Total Uses | 1,961.2 | 2,099.0 | 2,106.1 |
| Allocation of Revenue Surplus/(Deficit) | | | | |
| 25 | Revenue Surplus/(Deficit) | (17.0) | (77.0) | (74.8) |
| 26 | Prior-Year Reversions | (45.5) | 0.0 | 0.0 |
| 27 | Transfer to/(from) Stabilization Reserve | 2.5 | 4.9 | 4.9 |
| 28 | Transfer to/(from) Additional Reserves | - | 22.0 | 22.1 |
| 29 | Transfer to/(from) Unreserved/Unallocated | 26.0 | (103.9) | (101.8) |
| Stabilization Reserve | | | | |
| 30 | Prior-Year Stabilization Reserve | 39.3 | 41.8 | 41.8 |
| 31 | Current-Year Stabilization Reserve | 41.8 | 46.7 | 46.7 |
| 32 | Percent of Prior-Year Net Appropriations | 5% | 5% | 5% |
| 33 | Reserve Target | 41.8 | 46.7 | 46.7 |
| Additional Reserve | | | | |
| 34 | Additional Reserve for Other Post Employment Benefits | - | - | - |
| 34 a. | Prefund of Normal Cost of Teacher's OPEB using reserved funds | - | - | - |
| 35 | Reserve for Future COLA provisions | - | - | 9.1 |
| 36 | PCB Reserve | 32.0 | 29.5 | 29.5 |
| 36 a. | Disbursement of PCB funds by the Emergency Board | (2.5) | - | - |
| 36 b. | H.486 - Appropriation of PCB funds to AOE for grants | - | (29.5) | (29.5) |
| 37 | Cannabis funds to be dedicated for afterschool | - | 6.2 | - |
| 38 | H.492 - Tax Rate Offset Reserve | - | 22.0 | 13.0 |
| Available Funds | | | | |
| 39 | Prior-Year Unreserved/Unallocated | 76.9 | 102.9 | 102.9 |
| 40 | Current-Year Unreserved/Unallocated | 102.9 | (1.0) | 1.2 |

Notes:

1) 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.

2) Shaded purple italicized lines reflect new lines and/or policy proposals for FY 2024.

Prepared by JFO

5/8/2023