

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.152 - An act relating to education property tax as passed by the House

Bill Summary:

- Sets the uniform nonhomestead property tax rate, the property dollar equivalent yield, and the income dollar equivalent yield for FY2022.
- Excludes spending on eligible school construction projects from the determination of “excess spending” if the project has received preliminary approval from the Agency of Education (AOE).
- Provides that no school district’s equalized pupil count shall be less than 96.5% of the actual number of equalized pupils in the school district in the previous year.
- Extends eligibility for merger support grants to those school districts that were involuntarily-merged under the State Board of Education’s (SBE) final order on Act 46 mergers.

1. Education Property Tax Rates for FY2022

Section 1 sets the uniform nonhomestead tax rate at \$1.612 per \$100 of fair market value, the property equivalent yield at \$11,317 per equalized pupil, and the income equivalent yield at \$13,770 per equalized pupil.

The following table compares the average education property tax rates proposed in this bill to actual average education property tax rates in FY2021:

| | <u>FY2021</u> | <u>FY2022</u> | <u>Change</u> |
|--------------------------------------|---------------|---------------|---------------|
| Average homestead property tax rate | \$1.538 | \$1.523 | -\$0.015 |
| Average tax rate on household income | 2.5% | 2.5% | 0.0% |
| Uniform nonhomestead tax rate | \$1.628 | \$1.612 | -\$0.016 |

The education tax rates proposed in this bill are set high enough to fully cover projected FY2022 education spending, to maintain the 5% stabilization reserve, and to carry a projected \$17 million surplus into FY2023.

An updated Education Fund Outlook for FY2022 is available here:

<https://ljfo.vermont.gov/assets/Subjects/Education-Fund-Outlooks-for-2021-Session/f90f5b7112/EF-Outlook-March-16.pdf>

2. Determination of “Excess Spending” and Capital Costs

Under current law, “excess spending” is defined as that portion of a school district’s per-pupil education spending in excess of 121% of the statewide average per-pupil education spending increased by inflation. The homestead property tax rate of a school district with excess spending is adjusted by adding the per-pupil amount over the threshold to its actual spending, which increases the school district’s homestead tax rate. Spending on school capital construction projects that have received final approval from AOE, and a number of other expenditures, are currently excluded from the definition of “excess spending.” This bill would add an exclusion for eligible school capital project costs that have received preliminary approval from AOE. “Eligible” school construction costs are enumerated in SBE’s Rule 6134.

Estimated fiscal impact on Education Fund: \$330,000 decrease

A more detailed explanation of this section is available here: [\[link to fiscal note on H.35\]](#)

3. Determination of the Equalized Pupil Count and the Hold-Harmless Provision

Under current law, the equalized pupil count of a school district that merged voluntarily under the SBE’s final order under Act 46 shall not be less than 96.5% of the actual number of equalized pupils in the school district in the previous year. School districts that did not merge voluntarily either because they were not required to merge or were required to merge by the SBE are currently not allowed to use this provision. Section 3 of this bill would extend the hold-harmless provision to all school district as of FY2022.

Equalized Pupil impact: 14 school districts could count an additional 29 equalized pupils in FY22
Estimated fiscal impact on Education Fund: No impact

A more detailed explanation of this section is available here: [\[link to fiscal note on H.31\]](#)

4. Merger Support Grants

Under current law, a voluntarily-merged school district that included a forming district that received a small schools support grant (SSG) prior to the merger shall receive a merger support grant (MSG) equal to the SSG grant received by the forming district two years prior to the merger. Unlike the SSG, the MSG does not vary annually with changes in enrollment. Section 2 of this bill would extend this provision to school districts that were merged as of FY21 under the State Board of Education’s Act 46 final order.

- School districts in which the FY2018 SSG is less than the FY2021 SSG would have received a MSG that is \$300,000 lower; and
- School districts in which the FY2018 SSG is less than the FY2021 SSG would have received a MSG that is \$314,000 higher.

Estimated fiscal impact to involuntarily merged districts collectively: \$16,000 decrease
Estimated fiscal impact on Education Fund: No impact

A more detailed explanation of this section is available here: [\[link to H.31\]](#)