

H. 480 - Education Funding— Conference Committee Report - May 28, 2003

School Year 2004-2005 (FY 2005)

Base Education Payment

\$6,800 base education payment per pupil (FY05) grown by index + 0.1% (equiv. to growth on \$7000)

Tax Rates and Equity

Split the Grand List

Homestead Property = home of a Vermont resident and all contiguous land

Nonresidential property = all other property

Homestead school tax rate varies proportionally with spending: 1% per pupil spending increase causes a 1% tax rate increase
Base rate of \$1.10 property or 2% income for \$6,800 per pupil spending. (see other side for further details)

\$1.59 Non-Residential property - uniform statewide rate, does not vary from town to town

Tax rate changes: Base rates are only changed by legislative action. Commissioner recommends new base tax rate depending on education fund reserves and non-residential revenues as a % of education spending.

Cost Containment Through Simplification

Clear and direct relationship between spending and tax rate: tax rate increases proportionally as spending increases
Excess spending surcharge— excess double counted for tax purposes: 135% of statewide average in 2005, 130% in 2006, 125% in 2007 on (capital construction is excluded from this calculation)

Clear and consistent information to voters to clarify the link between spending per pupil and tax rates

Special Education cost containment plan (Agency of Human Services and the Department of Education)

Study burdensome education mandates, implications of rules, cost containment, governance, and other issues

New Revenues and Tax Changes (in \$ millions)

	FY 2004	FY 2005	Effective Date
6% Sales Tax (up from 5%)	\$27.8	\$43.2	Effective 10/1/03
Telecommunications @ 6% (up from 4.36%)	\$3.7	\$5.8	Tax rate only, effective 10/1/03
Use Tax Table on Personal Income Tax forms	\$0.5	\$0.5	Effective tax year 2003
Current Use Penalty	\$0.6	\$0.6	Effective FY04
Total	\$32.7	\$50.1	

Contingent Streamlined Sales Tax Conformity (effective no sooner than January 1, 2005)

FY 2005 simplification of taxes dedicated to Education Fund

Non-Education Fund Tax Issues:

Local Option Tax sunset extended to 2008

Interest on refunds limited to 45 days from date of amended return

Protection from loss of federal dividend changes

Income Sensitivity Continues For Taxpayers Who File For Prebate

- current law income limit (household income up to \$75,000, \$160,000 homestead cap over limit)

- only applies to house + 2 acres

- \$10 per acre tax credit for up to 5 additional acres

- \$15,000 homestead exemption only for people earning less than \$47,000

Other Provisions

Collection fee: 1/8% of total property taxes (accrues to municipality as compensation for collecting tax)

50% capital construction aid for consolidation (available for projects approved by June 2008)

Teacher negotiations: \$5,000 grant to supervisory unions: try to have members jointly negotiate a contract

Rent-restricted low-income housing receives a property tax credit

Transition School Year 2003-2004 (FY2004)

Block grant increased to \$5,810 = 3.9 cents tax rate decrease below Town Meeting projections in most towns

New revenues to the education fund include the General Fund Transfer, Powerball and Telecommunications tax

Farm buildings enrolled in current use are exempt from all property taxes (in budget adjustment bill)

Tax Rate Calculation Examples for school year 2004 – 2005

Base rate = \$1.10

Base payment = \$6,800

District A: spends \$6,800: $\$6,800 / \$6,800 = 100\% \times \$1.10 = \1.10

District B: spends \$7,480: $\$7,480 / \$6,800 = 110\% \times \$1.10 = \1.21

District C: spends \$8,160: $\$8,160 / \$6,800 = 120\% \times \$1.10 = \1.32

District D: spends \$10,200: $\$10,200 / \$6,800 = 150\% \times \$1.10 = \1.65

Income Sensitivity Calculation Examples for school year 2004 – 2005

Base income sensitivity percent = 2.0%

District A: spends \$6,800: $\$6,800 / \$6,800 = 100\% \times 2.0\% = 2.0\%$

District B: spends \$7,480: $\$7,480 / \$6,800 = 110\% \times 2.0\% = 2.2\%$

District C: spends \$8,160: $\$8,160 / \$6,800 = 120\% \times 2.0\% = 2.4\%$

District D: spends \$10,200: $\$10,200 / \$6,800 = 150\% \times 2.0\% = 3.0\%$