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[Home](#) > Education Funding

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## Education Funding

On May 25, Governor Scott vetoed H.911, the Education Funding bill that passed during the regular session. That bill would have reduced the average homestead property tax rate from \$1.527 to \$1.526 and raised the non-residential property tax rate from \$1.535 to \$1.590. The property yield per equalized pupil would have been set at \$10,032 and the income yield per equalized pupil at \$12,135. H.911 also deleted the General Fund transfer to the Education Fund, replacing it with 25 percent of the revenues of the means and rooms taxes, one-third of revenues of the purchase and use tax, and all of the revenues from the sales tax (except local option sales tax). That language was replicated in H.13, the appropriations bill that the governor vetoed on June 14.

The [Education Fund Outlook](#) [1] – which the Joint Fiscal Office prepared for the Conference Committee on H.911 and the special session bill, H.4 – indicates the proposed property and income education tax yields, the proposed property tax rates, revenue sources, and uses of the Education Fund. Regularly updated during the session, this summary is the most useful information source regarding the Education Fund.

The same day the Special Session began on May 23, the legislature introduced H.4, an income and education tax bill that was identical to H.911. Because the governor had vetoed that bill, H.4 was meant to serve as a starting point to the (very heated) conversation about how to address his insistence on no new taxes – including the property tax. In the weeks that followed, the House Ways and Means Committee met several times to figure out how to accommodate his concerns. That discussion was placed on hold until he vetoed H.13, the Appropriations bill, on June 14. A day later, the legislature asked the administration to meet to discuss a plan for a potential government shut down. No plan was provided.

On June 19, VLCT Advocacy staff testified before the House Ways and Means Committee regarding the repercussions that no education property tax rate would have on municipalities. Later in the day, the House convened to try to override the governor's veto of H.13, but the effort failed, 90 to 51 (94 votes were needed to override the veto).

So, ten, days before the end of the fiscal year, Vermont has:

- no state budget,
- no homestead education property tax rate,
- a default non-residential property tax rate of \$1.59 (a five cent increase over last year),
- no property or income yield per equalized pupil,

- no authority for state government to operate, and
- no authority for local governments to disseminate education property tax bills.

We are perilously close to a government shutdown. State Treasurer Beth Pearce has detailed [the fallout](#) [2] the state, local governments, and the residents of Vermont will experience if a budget is not in place by July 1 - and, shy of that, merely the threat of no budget, even if one is finalized by June 30.

The battle continues to rage over the issue of whether to increase homestead or non-resident property tax rates (which are not the same as your property tax bills) to fund education obligations or to earmark surplus money for writing down long-term obligations for teachers' retirement. Education Fund obligations include not only the school budgets passed by voters at town meeting (who comprise 17.4 percent of Vermont's registered voters), but also adult basic education, the Community High School of Vermont (Department of Corrections), reappraisal and listing assistance, the Flexible Pathways Initiative, Current Use reductions in education tax funding, and incentives for consolidating school districts pursuant to Act 46.

Once property tax yields and rates are finalized, and the governor signs them into law, it will take the Agency of Education and the Department of Taxes' Division of Property Valuation and Review (PVR) from two to five days to apply those figures to the statewide equalized education grand list and calculate the equalized rates for each municipality, taking into account the common level of appraisal, the co-efficient of dispersion (COD), and any "excess spending" that results from adopted school budgets. PVR then sends the equalized education property tax rates to each municipality, which in turn applies those rates to individual property tax bills. Only then can they send out their bills. (Each year, PVR conducts an equalization study to assess how close properties on the grand list are to fair market value. PVR then applies the COD to the grand list and determines the Common Level of Appraisal for each municipality's grand list to ensure that they are equitable relative to fair market value in each municipality).

### **From the Joint Fiscal Office**

1. [If there is no budget in place on July 1](#) [2]
2. [Summary of Senate Amendment to H.16 \(Education Finance\)](#) [3]



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**Links**

[1] [http://www.leg.state.vt.us/jfo/education/EFOutlook-Conference-5\\_12\\_2018.pdf](http://www.leg.state.vt.us/jfo/education/EFOutlook-Conference-5_12_2018.pdf)

[2] [http://www.leg.state.vt.us/jfo/appropriations/fy\\_2019/Special%20Session%202018/1\\_page\\_if\\_there\\_is\\_no\\_budget\\_july\\_1.pdf](http://www.leg.state.vt.us/jfo/appropriations/fy_2019/Special%20Session%202018/1_page_if_there_is_no_budget_july_1.pdf)

[3] [http://www.leg.state.vt.us/jfo/appropriations/fy\\_2019/Special%20Session%202018/Summary%20H16%20Education%20Finance.pdf](http://www.leg.state.vt.us/jfo/appropriations/fy_2019/Special%20Session%202018/Summary%20H16%20Education%20Finance.pdf)