

**TAX RATE INCENTIVES BASED ON STATEWIDE AVERAGE
SPENDING**

- *Districts above statewide average spending have tax rates increased*
- *Districts below statewide average spending have tax rates decreased*
- *Replaces current excess spending penalty*

Sec. 1. 16 V.S.A. § 4001 is amended to read:

§ 4001. DEFINITIONS

As used in this chapter:

* * *

(6) “Education spending” means the amount of the school district budget, any assessment for a joint contract school, career technical center payments made on behalf of the district under subsection 1561(b) of this title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is paid for by the school district, but excluding any portion of the school budget paid for from any other sources such as endowments, parental fund raising, federal funds, nongovernmental grants, or other State funds such as special education funds paid under chapter 101 of this title.

* * *

1 ~~(B) For purposes of calculating excess spending pursuant to~~

2 ~~32 V.S.A. § 5401(12), “education spending” shall not include:~~

3 ~~(i) Spending during the budget year for approved school capital~~
4 ~~construction for a project that received preliminary approval under section~~
5 ~~3448 of this title, including interest paid on the debt; provided the district shall~~
6 ~~not be reimbursed or otherwise receive State construction aid for the approved~~
7 ~~school capital construction.~~

8 ~~(ii) For a project that received final approval for State construction~~
9 ~~aid under chapter 123 of this title:~~

10 ~~(I) spending for approved school capital construction during the~~
11 ~~budget year that represents the district’s share of the project, including interest~~
12 ~~paid on the debt;~~

13 ~~(II) payment during the budget year of interest on funds~~
14 ~~borrowed under subdivision 563(21) of this title in anticipation of receiving~~
15 ~~State aid for the project.~~

16 ~~(iii) Spending that is approved school capital construction~~
17 ~~spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future~~
18 ~~approved school capital construction costs, including that portion of tuition~~
19 ~~paid to an independent school designated as the public high school of the~~
20 ~~school district pursuant to section 827 of this title for capital construction costs~~
21 ~~by the independent school that has received approval from the State Board of~~

1 ~~Education, using the processes for preliminary approval of public school~~
2 ~~construction costs pursuant to subdivision 3448(a)(2) of this title.~~

3 ~~(iv) Spending attributable to the cost of planning the merger of a~~
4 ~~small school, which for purposes of this subdivision means a school with an~~
5 ~~average grade size of 20 or fewer students, with one or more other schools.~~

6 ~~(v) Spending attributable to the district's share of special~~
7 ~~education spending in excess of \$50,000.00 for any one student in the fiscal~~
8 ~~year occurring two years prior.~~

9 ~~(vi) A budget deficit in a district that pays tuition to a public~~
10 ~~school or an approved independent school or both for all of its resident~~
11 ~~students in any year in which the deficit is solely attributable to tuition paid for~~
12 ~~one or more new students who moved into the district after the budget for the~~
13 ~~year creating the deficit was passed.~~

14 ~~(vii) For a district that pays tuition for all of its resident students~~
15 ~~and into which additional students move after the end of the census period~~
16 ~~defined in subdivision (1)(A) of this section, the number of students that~~
17 ~~exceeds the district's most recent average daily membership and for whom the~~
18 ~~district will pay tuition in the subsequent year multiplied by the district's~~
19 ~~average rate of tuition paid in that year.~~

20 ~~(viii) Tuition paid by a district that does not operate a school and~~
21 ~~pays tuition for all resident students in kindergarten through grade 12, except~~

1 ~~in a district in which the electorate has authorized payment of an amount~~
2 ~~higher than the statutory rate pursuant to subsection 823(b) or 824(e) of~~
3 ~~this title.~~

4 ~~(ix) The assessment paid by the employer of teachers who become~~
5 ~~members of the State Teachers' Retirement System of Vermont on or after~~
6 ~~July 1, 2015, pursuant to section 1944d of this title.~~

7 Sec. 2. 32 V.S.A. § 5401 is amended to read:

8 § 5401. DEFINITIONS

9 As used in this chapter:

10 * * *

11 (12) ~~"Excess spending"~~ means:

12 ~~(A) The per equalized pupil amount of the district's education~~
13 ~~spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be~~
14 ~~added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b).~~

15 ~~(B) In excess of 123 percent of the statewide average district~~
16 ~~education spending per equalized pupil increased by inflation, as determined~~
17 ~~by the Secretary of Education on or before November 15 of each year based on~~
18 ~~the passed budgets to date. As used in this subdivision, "increased by~~
19 ~~inflation" means increasing the statewide average district education spending~~
20 ~~per equalized pupil for fiscal year 2014 by the most recent New England~~
21 ~~Economic Project cumulative price index, as of November 15, for state and~~

1 ~~local government purchases of goods and services, from fiscal year 2014~~
2 ~~through the fiscal year for which the amount is being determined.~~

3 (A) “Excess spending” means twenty five percent of the per-
4 equalized-pupil amount of the district’s education spending, as defined in 16
5 V.S.A. § 4001(6), that is in excess of the statewide per pupil spending amount
6 from the prior fiscal year.

7 (B) “Lower spending” means twenty five percent of the difference
8 between the statewide per pupil spending amount from the prior fiscal year
9 minus the actual per-equalized-pupil amount of the district’s education
10 spending, as defined in 16 V.S.A. § 4001(6).

11 (13) “District spending adjustment” means the greater of: one or a
12 fraction in which the numerator is the district’s education spending per
13 equalized pupil, plus excess spending or minus lower spending, per-equalized
14 pupil, for the school year; and the denominator is the base education amount
15 for the school year, as defined in 16 V.S.A. § 4001. For a district that pays
16 tuition to a public school or an approved independent school, or both, for all of
17 its resident students in any year and which has decided by a majority vote of its
18 school board to opt into this provision, the district spending adjustment shall
19 be the average of the district spending adjustment calculated under this
20 subdivision for the previous year and for the current year. Any district opting
21 for a two-year average under this subdivision may not opt out of such

1 treatment, and the averaging shall continue until the district no longer qualifies
2 for such treatment.

3 * * *

4 (15) “Statewide per pupil spending amount” means an amount equal to
5 the statewide average education spending per equalized pupil in fiscal year
6 2016, increased in successive fiscal years by the most recent New England
7 Economic Project Cumulative Price Index, as of November 15 of each year,
8 for State and local government purchases of goods and services from fiscal
9 years 2016 through the fiscal year for which the statewide per pupil spending
10 amount is being determined.

11 Sec. 3. REPEALS

12 (a) 2014 Acts and Resolves No.174, Sec. 60 is repealed.

13 (b) 2013 Acts and Resolves No. 60, Sec. 2 is repealed.

14 Sec. 4. EFFECTIVE DATES

15 This act shall take effect July 1, 2016, and apply to fiscal year 2017 and
16 forward.