

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2016

Bill Number: H. 853 **Name of Bill:** An act relating to setting the nonresidential property tax rate, the property dollar equivalent yield, and the income dollar equivalent yield for fiscal year 2017, and other education changes

Agency/ Dept: Education **Author of Bill Review:** Brad James

Date of Bill Review: May 10, 2016 **Related Bills and Key Players** _____

Status of Bill: (check one): ☐ Upon Introduction ☐ As passed by 1st body ☒ As passed by both

Recommended Position:

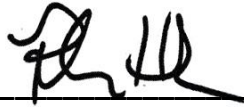
☒ Support ☐ Oppose ☐ Remain Neutral ☐ Support with modifications identified in #8 below

Analysis of Bill

- 1. Summary of bill and issue it addresses.** The bill sets the property and income yields for education tax rates along with the non-residential rate. The excess spending threshold was anchored to the FY2015 statewide per pupil spending rather than the FY2014 figure. JFO will list more detail on the Education Fund Outlook statement as well as analyze the impact of H. 846 of 2016 (an act related to making changes to the calculation of the statewide education property tax) and S.175 (an act to creating an education tax that is adjusted income for all taxpayers). A study will be done on how the common level of appraisal in each town of newly merged district should be calculated, led by PV&R. AOE will collect and report more detail on budget surplus amounts and the purpose of reserve funds from school districts. Section 9 states when a town in merging school districts reaches the incentive rate, its rate will not be subject to the +/- 5.0% limiter from the prior year's rate. It also directs the AOE to review proposed budgets for merging districts for any large or unusual spending proposals and make a recommendation to the Legislature on how best to calculate tax rates for member towns transitioning to the new unified tax rate.
- 2. Is there a need for this bill?** Yes. Education tax rates (both property and income) require the setting of the yields while the non-residential rate would default to \$1.59. Section 9 clarifies earlier intent of the Legislature.
- 3. What are likely to be the fiscal and programmatic implications of this bill for this Department?** The bill adds two exemptions for which we will have to draft language, as the bill a) exempts the districts for a cost that is actually born at the state level in the case of dual enrollment, and b) will compel to create phantoms to adjust for the phantoms created by early college to serve the the intent of the bill language. This sounds convoluted and it is, so we will need to write the language that clarifies and edifies. In addition, AOE will have to review proposed budgets for newly merged districts and recommend how to approach adjusting corresponding tax rates for the affected towns. The increased complexity increases risk of error.

4. **What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?** PV&R will be required to do a study on CLAs of towns in newly merging districts. I do not anticipate them objecting to the study. JFO will analyze the impact of two proposed bills, but much of that work is already done. AOE will have to collect data and report on surpluses and how districts use them.
5. **What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?** The bill primarily sets tax education rates which do not make people happy.
6. **Other Stakeholders:**
- 6.1 Who else is likely to support the proposal and why? NA
- 6.2 Who else is likely to oppose the proposal and why? NA
7. **Rationale for recommendation:** The bill is necessary to set education tax rates.
8. **Specific modifications that would be needed to recommend support of this bill:** None.
9. **Will this bill create a new board or commission AND/OR add or remove appointees to an existing one? If so, which one and how many?** No.

Secretary/Commissioner has reviewed this document:



Date: 5/12/16