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: Tax

Author(s) of Bill Review: Candace Morgan

Date of Bill Review: 05/12/2016

Related Bills & Key Players: AOE, H.653, H.516, H.718, S.175, H.846

Status of Bill: As passed by both

Recommended Position: Support

Analysis of Bill

1. **Summary of bill and issue it addresses.** *Describe what the bill is intended to accomplish and why.*
   This bill sets the yields and rate for FY2017 and also makes a few changes related to education.

   Secs. 1 and 2 set the yields and rate for FY2017. The conference committee chose to go with the House version of the yields/rates. This uses up all of the money that was a carryforward from the last few fiscal years, while still maintaining a 5% reserve. The property dollar equivalent yield is $9,701; income dollar equivalent yield is $10,870; nonresidential rate is $1.535. The yield/rates are different than when we wrote the December letter, however due to spending coming in at closer to 1.47% (as opposed to an estimated 2.52% increase), the average tax rates are actually lower than in the December letter. Average homestead rate is $1.529; median income rate is 2.71%; and the nonresidential rate is $1.53. In December, the average homestead rate was projected to be $1.535 and the income rate was going to be 2.72%.

   Secs. 3 and 3a deal with the excess spending calculation. Sec. 3 exempts costs associated with dual enrollment and early college programs from the amount used to calculate the excess spending calculation. Sec. 3a moves the "anchor" year for excess spending threshold from FY2014 to FY2015.

   Sec. 4 asks JFO to prepare an offical ed fund outlook by December 1 of each year to give to the Emergency Board for review. Sec. 5 requires AOE to collect information around surpluses and reserve funds in each district. This is not effective until July 1, 2019.

   Sec. 6 creates a study committee to study the use of an aggregate common level of appraisal in merged school districts. The Director of PVR is the chair of the committee and must call the meeting by August 1, 2016. Report is due December 15, 2016. Committee includes two town listers (appointed by VALA), one school board member (appointed by VSBA), and one member of VLCT (appointed by VLCT).

   Secs. 7 and 8 are two reports requested from JFO. Tax is to offer assistance on each report. One deals with H.846, which changes how the statewide property tax should be calculated. The other is about the implementation of moving to an income senstivity for all system (S.174/H.656). Both are pretty similar to things that have been looked at before, but may require some updated work from Tax.

Sec. 9 is a fix around the loophole identified by AOE around mergers formed under Act 153 and how much their tax rates could go up in the years following a merger. In addition to a fix in the intent, it asks for AOE, VSBA, VT-NEA, and VT Superintendents' Association to report on recommendations about how to best calculate tax rates for member towns whose rates are different from the unified rate. Report is due December 15, 2016.

2. **Is there a need for this bill?** *Please explain why or why not.*
Yes. This bill is needed to set the FY2017 rate/yields.

3. **What are likely to be the fiscal and programmatic implications of this bill for this department?**
The study committee is to be chaired and staffed by the Tax Department. But there is no set number of meetings we must have and it is largely work that we would have been doing anyway, so it should not be too much of a lift.

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?**

5. **What might be the fiscal and programmatic implications of this bill for others and what is likely to be their perspective on it?** (*e.g., public, municipalities, organizations, business, regulated entities)*

6. **Other Stakeholders**
   - **6.1 Who else is likely to support the proposal and why?**
   - **6.2 Who else is likely to oppose the proposal and why?**

7. **Rationale for recommendation:** *Justify recommendation stated above.*

8. **Specific modifications that would be needed to recommend support of this bill***: Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

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? *This is simply expanded language to indicate whether the bill would also add or remove appointees to existing board or commission, under the administration's control.*

Yes - but there are no governor appointees. All members of the CLA study committee are appointed by their respective organizations.

Secretary/Commissioner has reviewed this document. Name: Mary Peterson ***Date:*** 05/18/16