Education Legislative Report

March 27, 2017 – Issue #9

H.509 Sets FY2018 Yields and Nonresidential Tax Rate

The annual bill to establish the property dollar equivalent yield, income dollar equivalent yield, and nonresidential tax rate has been debated in two House committees, and is now headed to the House floor. H.509 was introduced by the House Education Committee, and amended by the House Ways & Means Committee. Both the underlying bill and the amendment will be taken up by the full House of Representatives next week.

The House Education Committee's version of the bill would change the statewide education funding formula, which would also change the yield calculation. Therefore, the yields appearing in section 1 of H.509 as introduced do not reflect the current education property tax landscape and should not be relied upon unless the House Education Committee's version of the bill is enacted into law.

As discussed in greater detail in the next article, the House Ways & Means Committee rejected the House Education Committee's proposal to amend the education funding formula. This means the Ways & Means Committee's proposed yields follow current law. They are as follows:

Property Dollar Equivalent Yield:	$10,077
Income Dollar Equivalent Yield:	$11,851
Nonresidential Property Tax:	$1.55

The Ways & Means amendment to the House Education bill also includes a provision intended to eliminate unfunded mandates. Sections 3 - 5 of the amendment dictate that any legislation enacted into law that will have a direct cost to school districts and supervisory unions will be analyzed by the Joint Fiscal Office, the Agency of Administration, and the Emergency Board in order to estimate the cost to districts. That cost will be included in the Governor's proposed budget for the following fiscal year. The money to fund the mandate would then

Table of Contents

Yields and Nonresidential Rate 1

New Funding Formula 2

PreK Bill 3

Budget Bill 4

become a part of the General Fund transfer to the Education Fund.

Section 9 of H.509 of the House Education version of the bill includes a provision that allows study committees to transfer debt from the school district to the town in Articles of Agreement that are developed as part of the union school district formation process. This provision is retained in the Ways & Means amendment.

New Funding Formula Rejected by Ways & Means Committee

[H.509](#) as introduced by the House Education Committee included a new [formula](#) to calculate statewide education property tax obligations. The proposal was rejected in the Ways & Means Committee, which makes it unlikely that it will be enacted into law. However, the proposal is supported by enough members to ensure that it will be debated by the full House when H.509 comes to the floor.

The new formula would create two levels of education spending, one that is shared among all school districts and one that is shared only among districts spending more than the "base spending amount." The base spending amount would be determined by adding all anticipated revenue to the Education Fund, including revenue from a statewide homestead tax of $1.00, minus certain expenditures not included in "education spending," divided by the total number of equalized pupils. The base spending amount would be expressed in dollars per equalized pupil.

Districts spending less than the base spending amount would receive a homestead tax rate of $1.00 and an equivalent income percentage. Districts spending more than the base spending amount would see tax rates increase [more rapidly](#) than under the current formula. For these districts, the relationship between budgeted education spending and the district's tax rate would be determined by a yield applied only to the aggregate of all district spending above the base spending amount. This means that statewide spending would only be shared for those dollars up to and including the base spending amount. All education spending beyond that point would be shared by districts spending above the base amount. For FY18 the base spending amount would be $10,489. This amount reflects a four-year phase-in of the new formula, which applies 80% of the base amount in the first year, and 84%, 88%, and 92% over the next three years.

This spending proposal is unlikely to be adopted into law, given that the Ways & Means Committee voted against it, and many representatives' districts would see sharp education tax increases under this formula. You can access a complete list of district by district hypothetical tax rates here. Please note that these rates are estimates only, and are subject to many changing variables including Act 46 mergers and incentives.

VSA and VSBA offered testimony on the House Education Committee's proposed funding formula. Both associations' testimony stressed that any change to the education funding formula should make the funding system easier to understand. It should also be coupled with meaningful cost containment in order to respond to taxpayer concerns. Our associations also expressed serious concerns that the proposal would apply to FY 2018 budgets. The vast majority of school boards have just completed the work of explaining their budgets to communities, the mechanics of the formula as they exist today, and the likely impact on local tax rates. To change the formula this year when most budgets have been approved does not adequately respect this local decision-making process.

PreK Bill Approved by House Education Committee

On Friday, the House Education Committee voted to advance a bill that would separate the provision of PreK to three and four year olds in public schools and the delivery of child development programs for three and four year olds in private settings. Under the bill's provisions, parents retain the ability to access the state-provided benefit for 3 and 4 years olds in either a public school program or through a private provider. However, school districts, and the Education Fund, are only obligated to cover the costs associated with programs administered by the school district.

Parents who select private programs would be eligible, based on income, for a child care development subsidy to cover all or part of the cost of enrolling a qualified student in a high quality program. These programs, as well as the administration of the subsidy, would be regulated by the Child Development Division of the Agency of Human Services.

Families opting to enroll a student in a public school PreK program would continue to be able to do so at no cost. Public schools operating a PreK program would count enrolled resident students in the district's average daily membership and fund the program through the district budget. The Agency of Education would have oversight of the public school PreK programs.

Under the bill's provisions, schools could enroll nonresident students on a space-available basis, by using a lottery system.

The bill would redirect the state lottery proceeds from the Education Fund to the General Fund in order to pay for the childcare subsidies. This year the lottery proceeds total $24 million. Our associations strongly oppose this move, which would put greater pressure on property taxes. Current costs of PreK in private providers total approximately $13 million. This provision would divert another $11 million from the Education Fund into the child care system.

Budget Bill Closes $72 Million Gap Without New Taxes or Fees

On Friday, the House Appropriations Committee completed its work on the "Big Bill" which cuts $67 million from the state budget. An additional $5 million in revenue is anticipated to come from tighter enforcement of existing taxes, closing the state's $72 million budget gap. The committee did not rely on Governor Scott's budget recommendations that would have balanced the state's budget through level-funding school district budgets and through transfers from the General Fund to the Education Fund.

The budget bill does not include changes to education funding, or to school district employee health insurance, although both topics were examined in committee discussions as potential sources of savings. Ultimately, the Appropriations Committee opted for a study of PreK to 12 education spending study committee. The legislative study committee will be made up of one member each from the House Education Committee, House Ways & Means Committee, the Senate Education Committee and the Senate Finance Committee. It will also include two members of the community, to be selected by the Speaker of the House. The Chair of the committee will be the Secretary of Education. The charge of the committee is to examine the cost drivers in school districts and to recommend strategies to slow education spending growth. The committee is to present its recommendations to the General Assembly in the form of draft legislation by December 1, 2017.