

Transition Topics

November 19, 2021

Transition. “recommend how to transition to the recommended weights and categorical aid to promote equity and ease the financial impact on school districts during the transition, including the availability and use of federal funding” Sec. 2(c)(6)

Homestead Tax Rate Mitigation. “recommend ways to mitigate the impacts on residential property tax rates and consider tax rate equity between districts;” Sec. 2(c)(9)

Excess Spending Threshold. “recommend whether to modify, retain, or repeal the excess spending threshold under 32 V.S.A. § 5401(12) and 16 V.S.A. § 4001(6)(B).” Sec. 2(c)(10)

Hold-Harmless Provision. Consider the impact of the 3.5% equalized pupil hold-harmless provision in current law on the transition to proposal

- 1) Transition period
 - a) How big are the changes requiring transition?
 - i) Act 46 Mergers: 4-5 years
 - ii) Act 173 special education funding changes: 4-5 years
 - iii) Act 60 tax rate: increases spread over three years, decreases occurred in first year

- 2) Homestead Tax Rate mitigation
 - a) Who?
 - i) Districts with increasing tax rates
 - ii) Districts with decreasing tax rates
 - b) phase in tax rates for either formula
 - i) For example, taxes rates can only change by a maximum of \$0.05 or 5%
 - c) Weights
 - i) Use a rolling average equalized pupil count
 - d) Cost equity
 - i) Phase in cost equity formula: e.g. 20% each year

- 3) Use EF surplus to help with mitigation
 - a) These funds are available to reduce property taxes
 - b) Could direct that these be used specifically to phase in districts with increasing rates and therefore allow decreasing rate to decrease faster
 - i) One time money for one time use
 - c) \$66.7 million unreserved/unallocated Education Fund 7/1/2022
 - d) Spread over x years

- 4) Excess spending threshold
 - a) May need to recalibrate the threshold depending on how new formula changes spending per pupil
 - b) Suspend excess spending threshold for transition period?
 - c) Increase excess spending threshold for transition period?

- 5) 3.5% hold-harmless provision
(Note: due to COVID-19, FY 2021 ADM pupil count no less than FY 2020)
 - a) Depending on transition provisions, suspend hold-harmless for the transition?