

The Vermont Education Funding System and H.911's Potential Effects on Norwich *March 20, 2018*

At this time, there are still a number of unknowns regarding the effects House Bill 911 (on changing the Vermont Education Funding System) would have on Norwich, if passed.

As passed on Town Meeting Day, Norwich's FY19 school budget's homestead tax rate would have been \$1.92, up from the current year's \$1.81, which would result in an increase of \$430 in taxation on a \$400,000 home. If H.911 passes in its current form, the homestead tax rate for Norwich would be reduced to \$1.78. However, H.911 also includes imposition of an Education Surcharge on State income taxes, which would have the following effects:

Income of:

\$0 - \$63,300; State Income Tax Rate would lower from 3.55% to 3.45%

\$63,300 - \$153,100; State Income Tax Rate would rise from 6.80% to 7.10%

\$153,100 - \$233,300; State Income Tax Rate would rise from 7.80% to 8.10%

\$233,300 and above; State Income Tax Rate would rise from 8.80% to 9.60%

Assuming the same level of per pupil spending for the next two years (i.e., flat budgets) would result in increases to the homestead tax rate to \$1.83 in FY20 and \$1.90 in FY21. H.911 does include income sensitivity on properties up to \$400,000 in value and lowers the income sensitivity tax rate ~0.2%. This is what is known. A couple of significant unknowns are:

1. The potential effects of shifting future teacher retirement costs to the local level. These are currently borne at the State level.
2. The potential effects of a new Pre-K funding formula which would also change the calculation of the tax rate, likely in FY20, as a result of the way districts are required to count Average Daily Membership (i.e., the number of students).

The Vermont House is taking up the debate on the House Floor on Tuesday, March 20th.

For additional background information, please see:

The Ways & Means Committee's summary of H.911: <https://goo.gl/vyh2z1>

The draft of H.911: <https://goo.gl/wGtRfX>

A *VTDigger* article on the bill:

<https://vtdigger.org/2018/03/15/tax-reform-bill-clears-house-appropriations-committee/>

The Vermont School Boards Association's Testimony on H.911: <https://goo.gl/wdXtj5>

The Agency of Education and Agency of Human Services' Recommended Reform of Act 166 Report (Pre-K funding): <https://goo.gl/Tepn7Z>