

VT Education: Quality, Equity and Sustainability





Agenda

- Big Picture: Statewide Fiscal Pressures
- Overview of Education Finance Mechanism
- Act 46 and Future of Education in Vermont



Why Have We Not Fixed the Funding System?

Don't tax you.

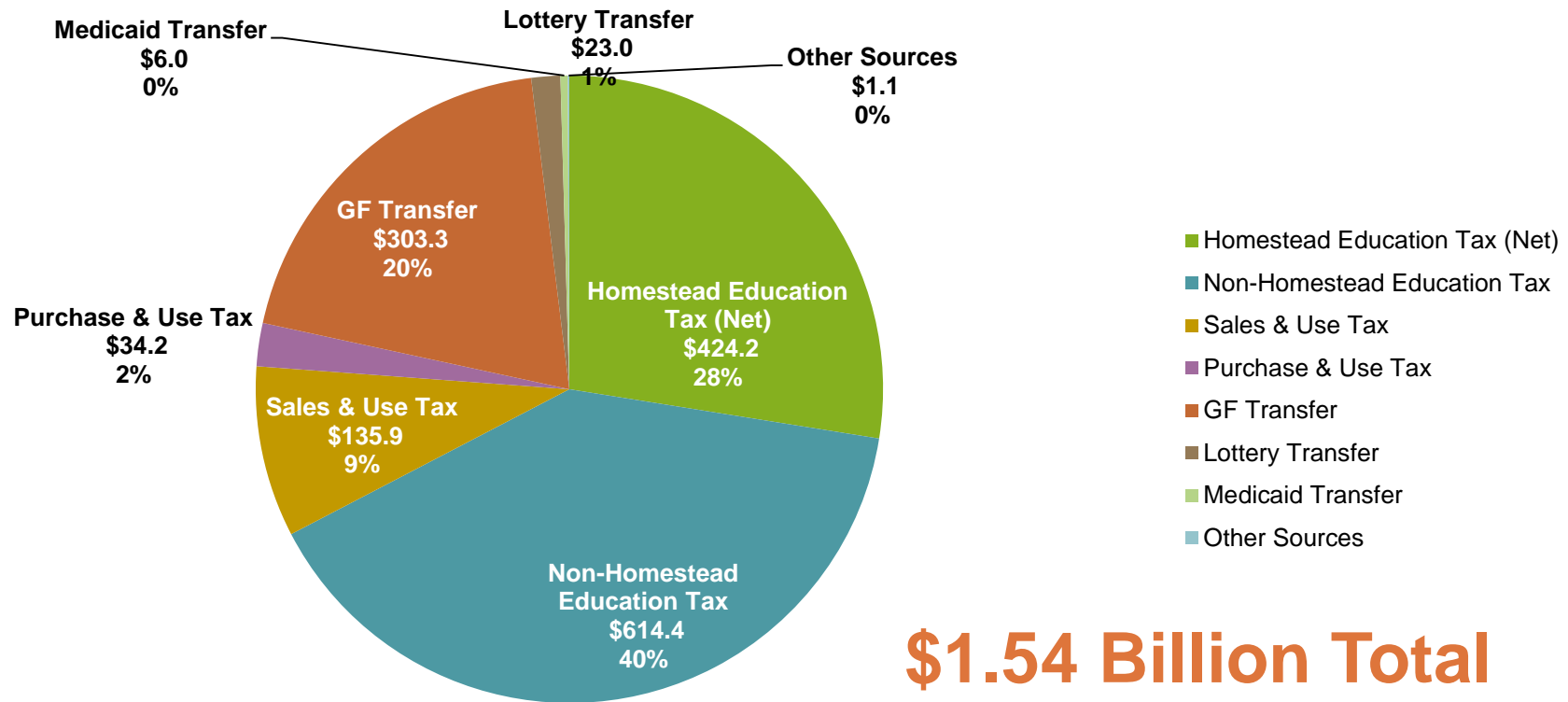
Don't tax me.

Tax that fellow behind the tree.

-- Russell B. Long, Former US Senator



State Education Fund: FY16 Revenue Sources



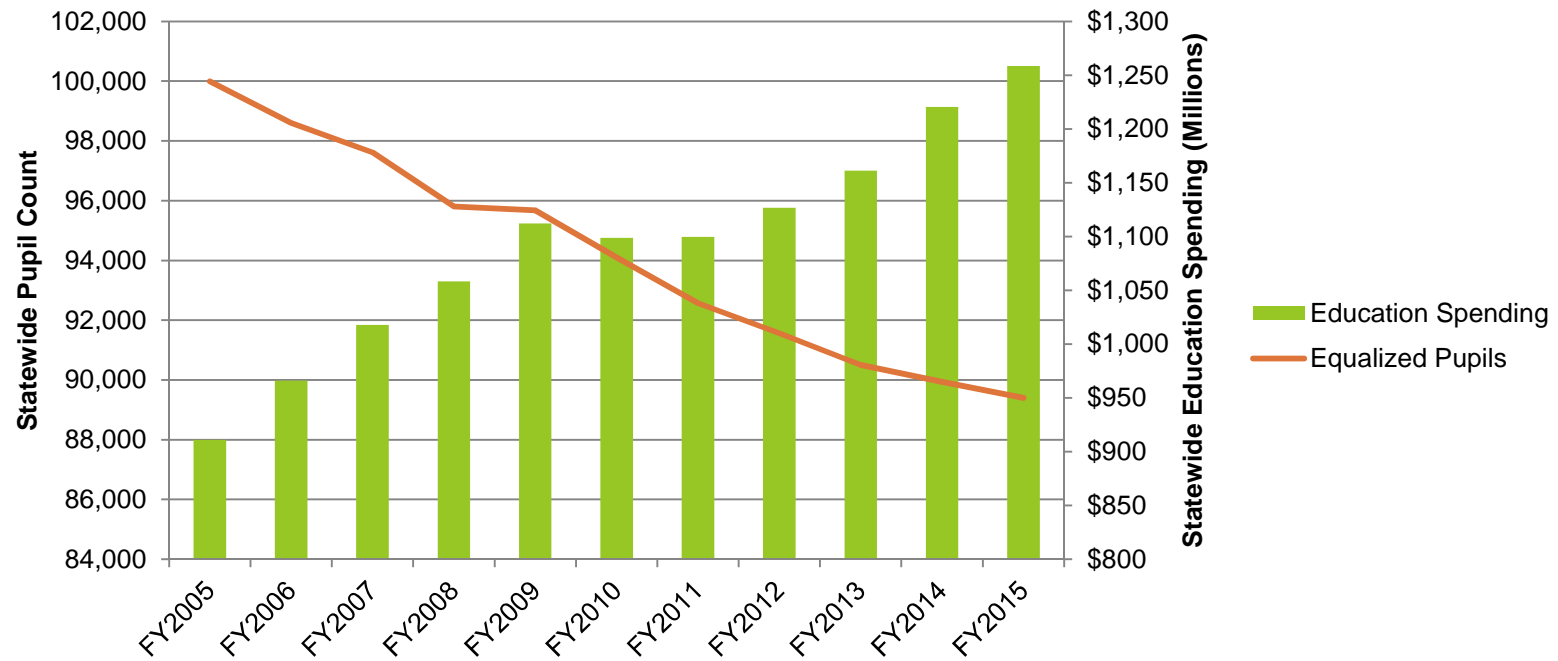
Preliminary Education Fund Outlook

Preliminary Education Fund Outlook (millions of dollars)			
		FY2015	FY2016
		Final	Preliminary
a	Base Homestead Property Tax Rate	\$0.98	\$0.99
	Average Homestead Property Tax Rate	\$1.50	\$1.53
b	Uniform Non-Residential Property Tax Rate	\$1.515	\$1.535
c	Base Tax Rate on Household Income	1.8%	1.8%
d	Base Education Amount Per Equalized Pupil	\$9,285	\$9,459
e	Total Equalized Pupil Count	89,257	89,163
f	Statewide Education Grand List Growth Rate	-0.5%	0.3%
g	Statewide Education Spending Growth Rate	3.1%	3.0%
Sources			
1	Homestead Education Tax	573.6	590.5
1a	Income Sensitivity Adjustment	(151.1)	(158.8)
1b	Homeowner Rebate - EF share only*	Included in line 1a.	(7.5)
2	Non-Homestead Education Tax	603.4	614.4
3	Sales & Use Tax	127.6	133.8
4	Purchase & Use Tax	32.4	34.1
5	General Fund Transfer	295.8	303.3
5a	Transfer from Rainy Day Reserve	1.8	0.0
6	Lottery Transfer	22.8	23.2
7	Medicaid Transfer	7.6	6.0
8	Other Sources (Wind & Solar Property Tax, Other)	1.1	1.1
9	Total Sources	1,515.1	1,540.1

Uses			
10	Education Payment	1,258.5	1,289.6
11	Special Education	173.3	179.8
12	State-Placed Students	16.9	16.4
13	Transportation	17.2	17.7
14	Technical Education	13.7	13.3
15	Small Schools	7.7	7.6
16	Essential Early Education	6.3	6.4
17	Adult Education & Literacy	5.8	5.8
18	Community HS of Vermont (Corrections)	3.8	3.6
19	Renter Rebate (General Gov't) - EF share only**	6.6	6.8
20	Reappraisal & Listing (General Gov't)	3.3	3.4
21	Other Uses (Accounting & Auditing, Other)	1.3	1.1
22	Total Uses	1,514.3	1,551.5
Allocation of Revenue Surplus/(Deficit)			
23	Revenue Surplus/(Deficit)	0.9	(11.4)
24	Prior-Year Reversions	(5.9)	(16.8)
25	Transfer to/(from) Stabilization Reserve	1.7	0.5
26	Transfer to/(from) Unreserved/Unallocated	5.1	4.9
Stabilization Reserve			
27	Prior-Year Stabilization Reserve	30.3	32.0
28	Current-Year Stabilization Reserve	32.0	32.5
29	Percent of Prior-Year Net Appropriations	5.00%	5.00%
30	Maximum Reserve Target @ 5.0%	32.0	32.5
31	Minimum Reserve Target @ 3.5%	22.4	22.8
Available Funds			
32	Prior-Year Unreserved/Unallocated	10.0	15.1
33	Current-Year Unreserved/Unallocated	15.1	20.0
* GF share of homeowner rebate:		14.6	16.9
** GF share of renter rebate:		2.8	2.9



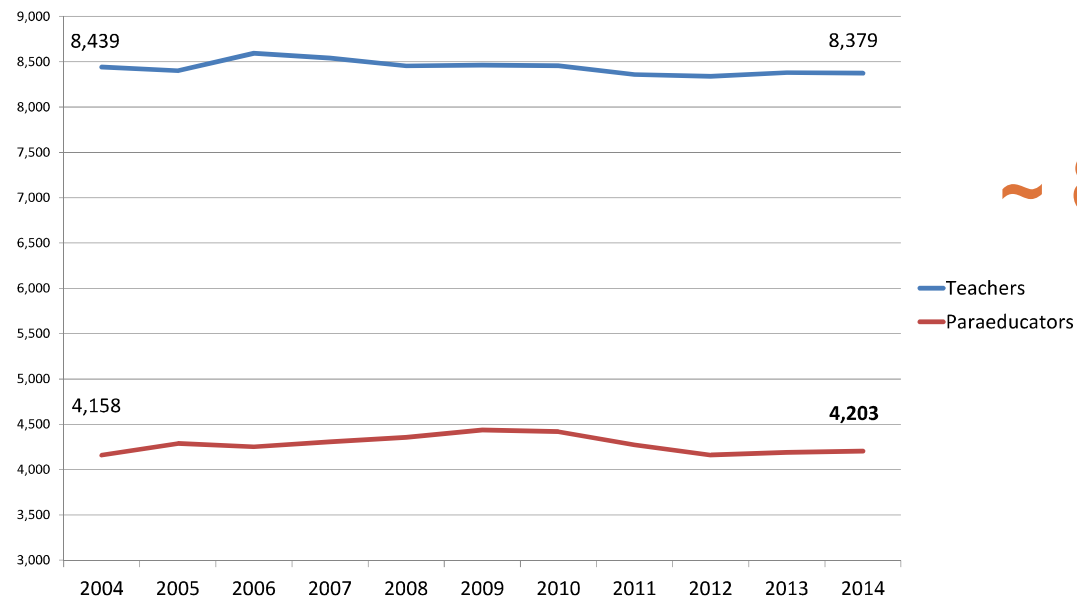
Enrollment Declines, Spending Increases...





...Staffing Levels Remain Constant

Public School FTE Teachers and Paraeducators:
FY 2004 – FY 2014



**Personnel
~ 80% of Cost**

Source: Vermont Agency of Education

7

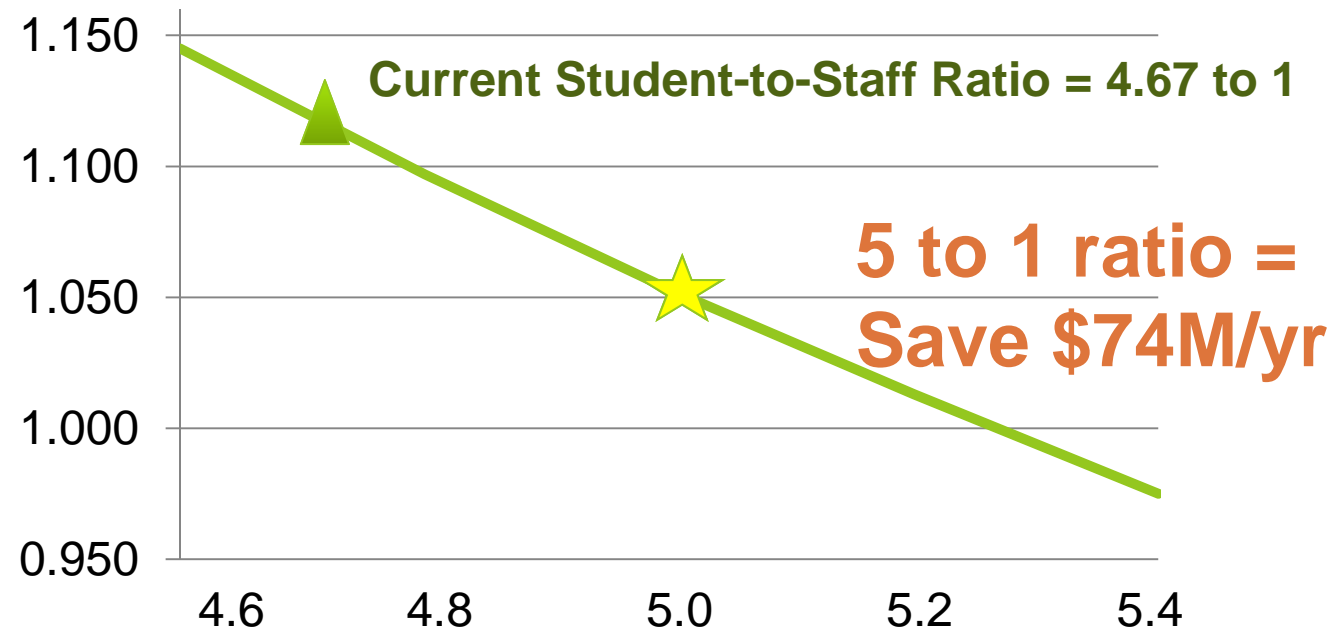


Student/Staff Ratio

Hypothetical Costs Savings Through Staff Attrition (Retirements, etc.)

\$ Billion

Estimated
expenditures
on salaries
and benefits



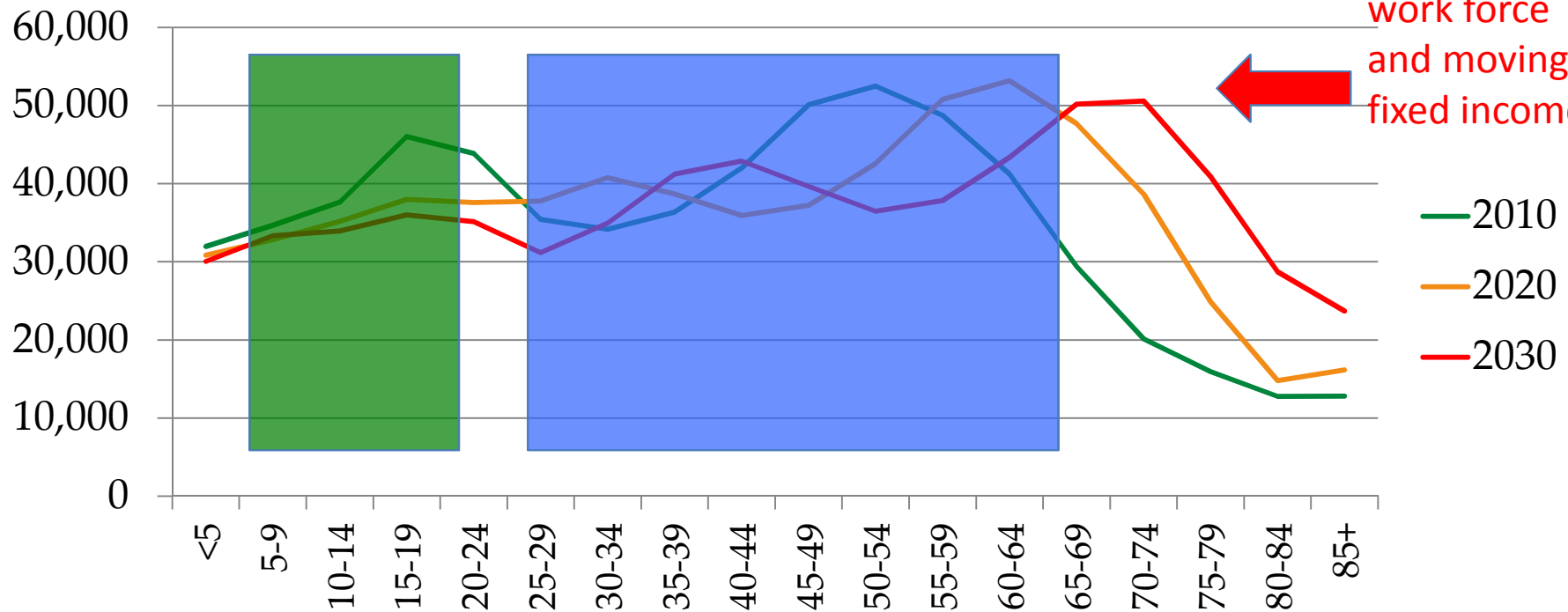
Source: Vermont AOE

Demographic Challenges: We are not just losing students

Vermont Population Projections. 2010 Census, 2020, 2030

Ken Jones, Ph.D., Economic Research Analyst

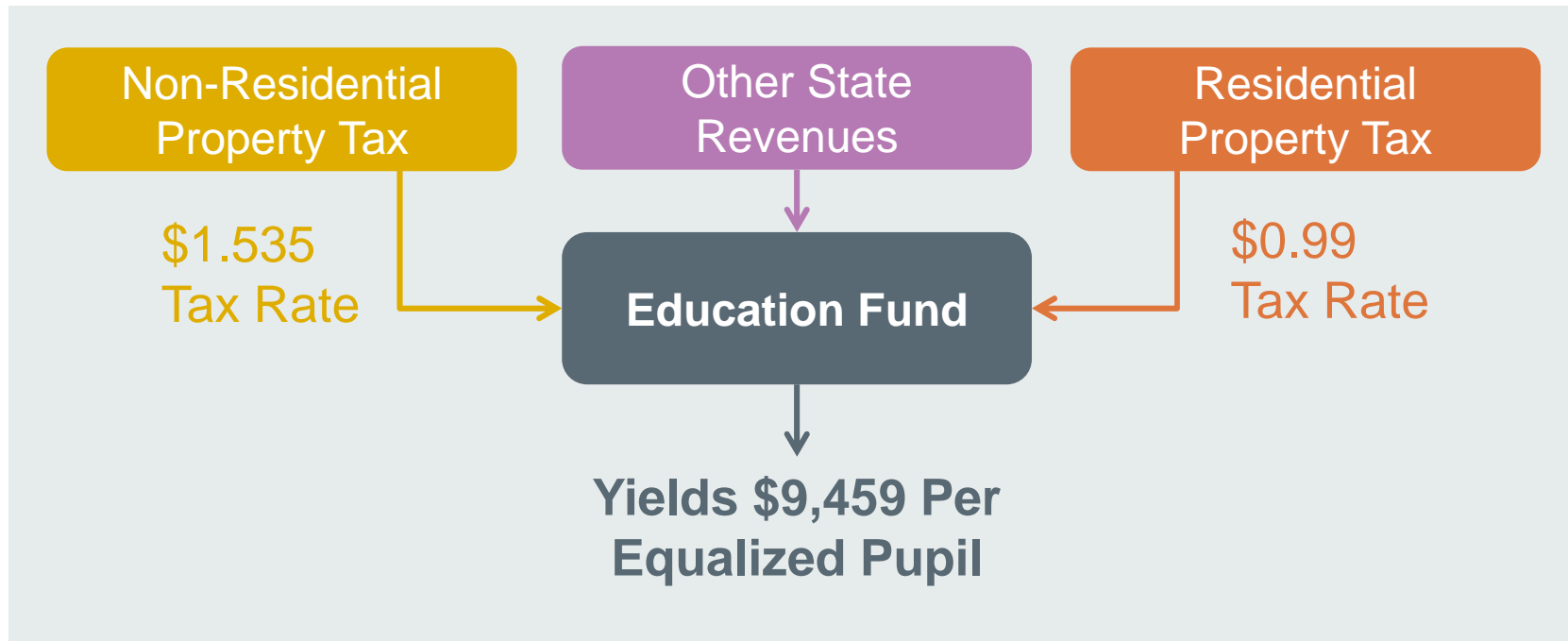
Baby boomers
leaving the
work force
and moving to
fixed incomes.





High Level Overview

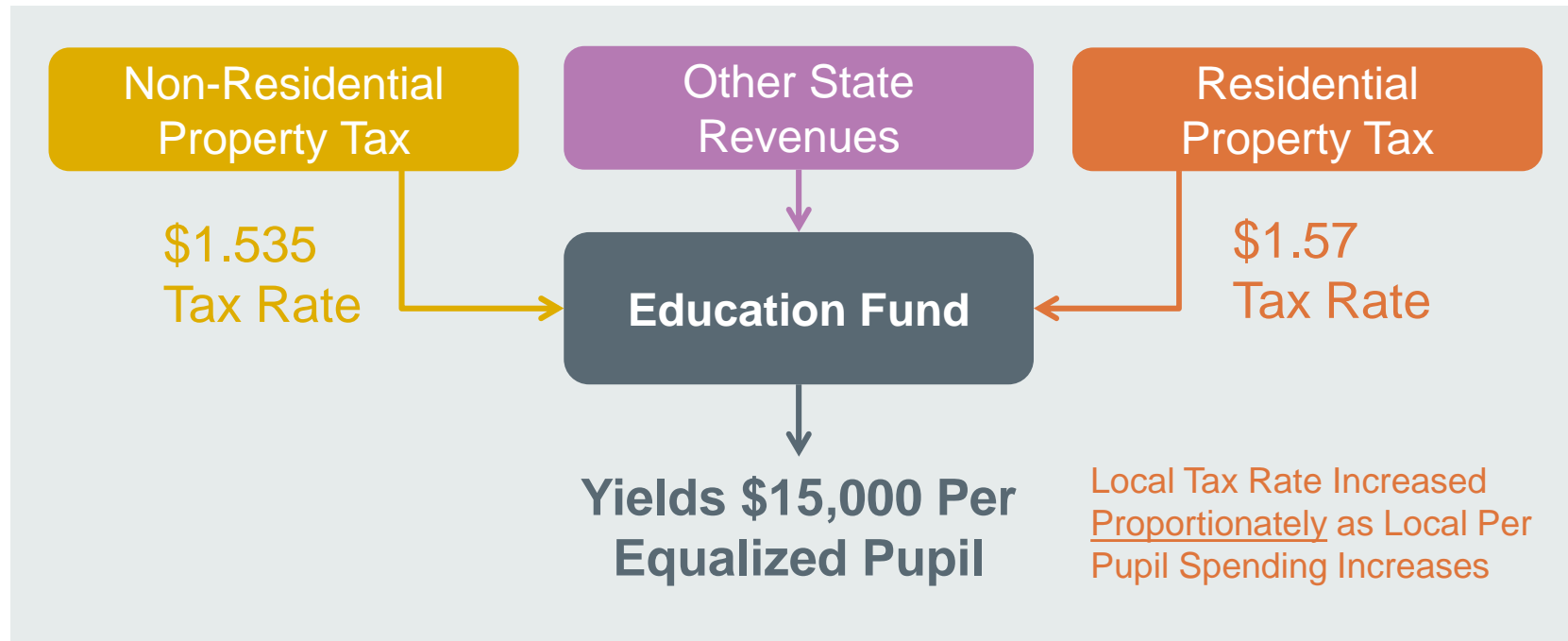
Vermont K-12 Education Baseline Finance Construct (FY16)





High Level Overview

Vermont K-12 Education Finance Construct (FY16 Example)





Budget vs. Per Pupil Spending

Going Beyond the Newspaper Headline

School budget up less than 1 percent

Less than 1%
increase...

... So why are my taxes
going up more than
10%?





Budget vs. Per Pupil Spending

Going Beyond the Newspaper Headline

School budget up less than 1 percent

	FY14	FY15
Total Expenses	\$27,687,316	\$27,866,206 0.6% Increase

*Caution: Simplified
example for illustration
purposes*



Budget vs. Per Pupil Spending

Going Beyond the Newspaper Headline

School budget up less than 1 percent

	FY14	FY15
Total Expenses	\$27,687,316	\$27,866,206 0.6% Increase
“Local” Revenues	\$8,401,747	\$8,401,747
Equalized Pupils	1,200	1,150

**What the headline
doesn't tell you**



Budget vs. Per Pupil Spending

Going Beyond the Newspaper Headline

School budget up less than 1 percent

	FY14	FY15
Total Expenses	\$27,687,316	\$27,866,206 0.6% Increase
“Local” Revenues	\$8,401,747	\$8,000,000
Equalized Pupils	1,200	1,150
Ed Spending per Eq. Pupil	\$16,071	\$17,275 7.5% Increase

“Local” Revenue is typically federal and state grants, e.g. SPED and small school grants. These revenues are NOT counted towards per pupil spending used to set tax rate.

Fewer Students

Per Pupil Spending
Drives Tax Rates



Budget vs. Per Pupil Spending

Going Beyond the Newspaper Headline

School budget up less than 1 percent

	FY14	FY15
Total Expenses	\$27,687,316	\$27,866,206 0.6% Increase
"Local" Revenues	\$8,401,747	\$8,000,000
Equalized Pupils	1,200	1,150
Ed Spending per Eq. Pupil	\$16,071	\$17,275 7.5% Increase

$$\frac{\text{Ed Spending Per Pupil}}{\text{State Base Spending Amount}} = \text{District Spending Adjustment}$$

$$\text{District Spending Adjustment} \times \text{Statewide Base Tax Rate}$$

= Local Tax Rate

**7.5% Per Pupil Cost Increase
7.5% Tax Increase**



Impact of Property Value on Ed Tax Rates

Example: \$200K House

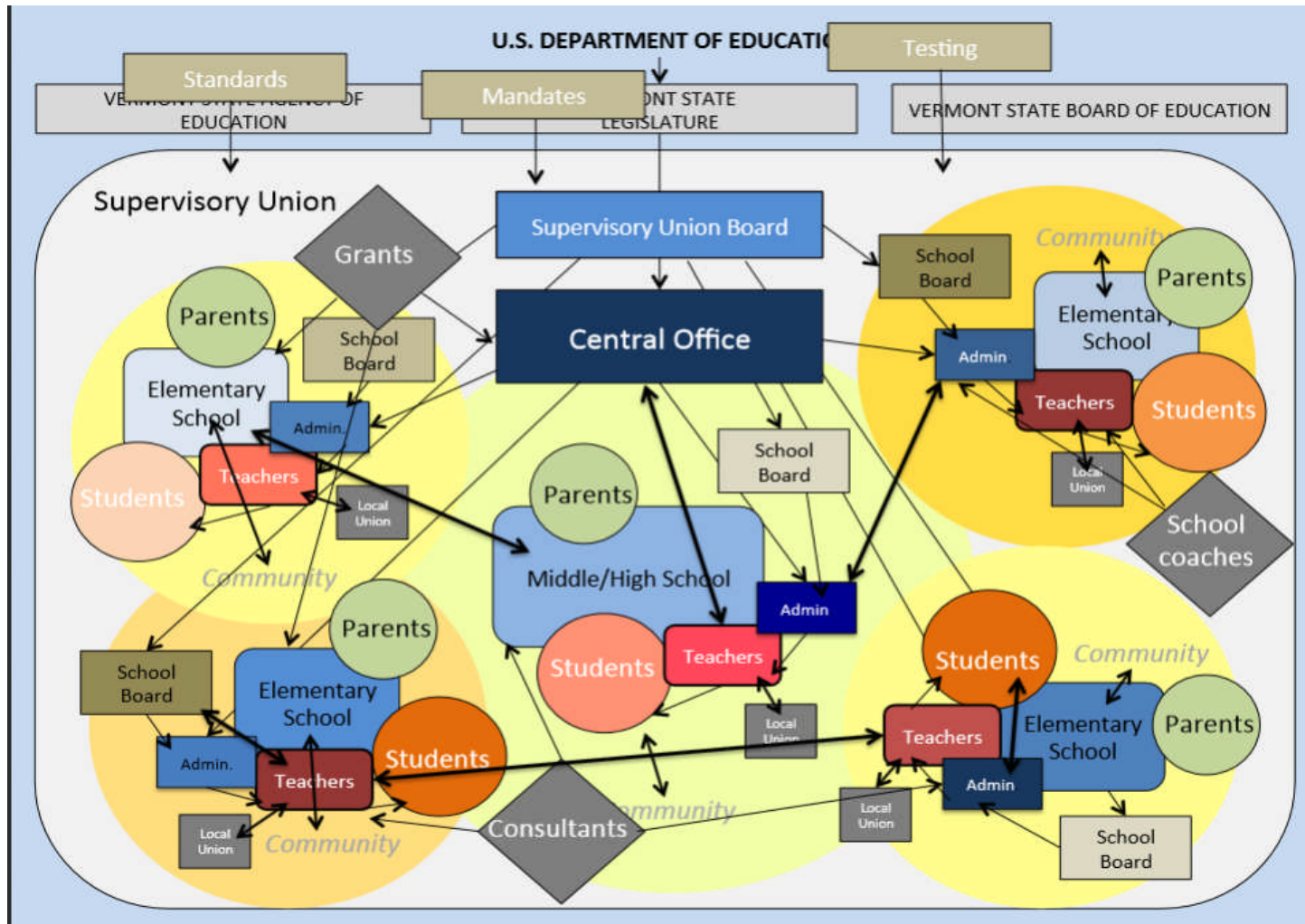
	2014 Tax Bill	2015 Tax Bill
Listed Value	\$200,000	\$200,000
Education Tax Rate	\$1.523	\$1.637 7.5% Increase
CLA	104.45%	97.55% 6.6% Change
Adjusted Tax Rate	\$1.458	\$1.678 12.2% Increase
Actual Tax Due	\$2,916	\$3,274 \$358 Increase



Where We Go From Here

AKA: Act 46







Act 46: Goals

- Move state towards sustainable education governance models
- Encourage local decisions and actions that:
 1. Provide substantial equity in the quality and variety of education opportunities
 2. Lead students to meet or exceed state Educational Quality Standards
 3. Maximize operational efficiencies through greater flexibility to manage, share, and transfer resources, with a goal of increasing district-level student-to-staff ratios
 4. Promote transparency and accountability
 5. Are delivered at a cost valued by parents, voters, and taxpayers



Act 46: Major Components

Governance Reform

- Merger of school districts and supervisory unions into expanded districts
 - *Preferred governance* model is a Supervisory District resulting from the merger of an SU and its member school districts with 900+ students
 - *Alternative governance* model is one with a Supervisory Union and a small number of merged school districts with 900+ students in aggregate
- Transition encourages local development of mergers
 - Initial phases are voluntary with three phases of tax incentives
 - Education Secretary will propose a plan to merge remaining districts, as necessary to achieve goals
 - In November 2018 State Board of Education will issue final plan to merge remaining districts



Act 46: Major Components

Realignment of Financial Support to Achieve Goals

- Phases out “phantom students” (effective FY21)
- Small School Grants:
 - Converted into Merger Support Grants that remain in perpetuity unless school is closed and if merger complete by FY20
 - Beginning FY20, other school districts receive small school grant if average grade size is 20 or fewer **and** the district is eligible because it:
 - Is geographically isolated from a school with excess capacity **or**
 - Has demonstrated academic excellence and operational efficiency



Act 46: Major Components

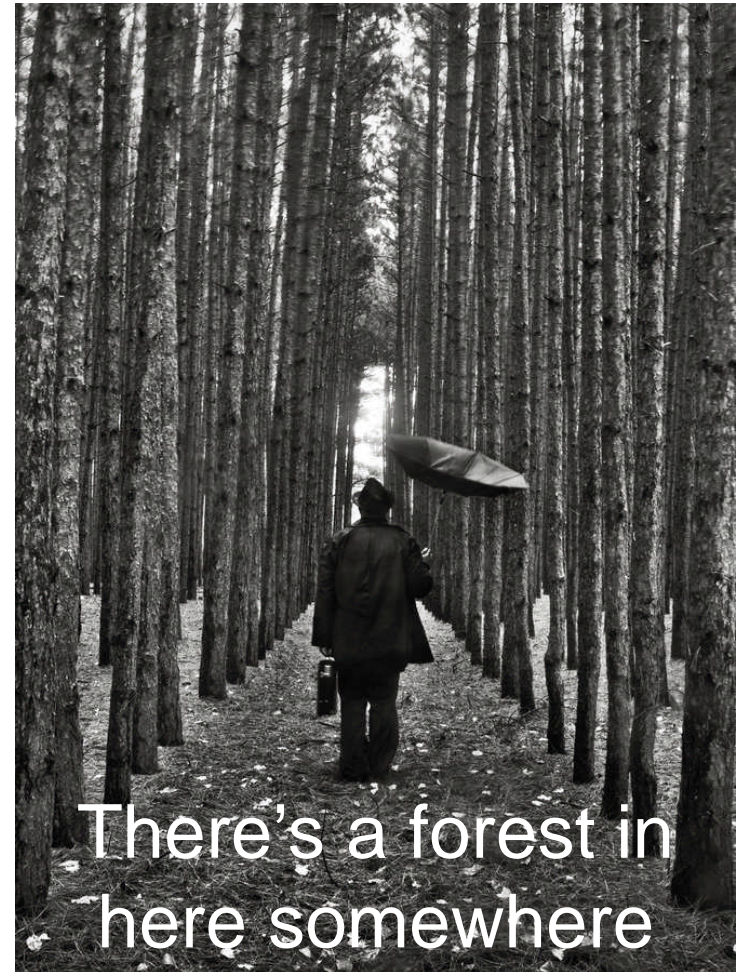
Cost Containment

- Temporary cost control mechanism to moderate spending growth
 - Replaces “Excess Spending” penalty for FY17 and FY18 budgets
 - Applies fairly to all school districts (large and small)
 - Higher spending districts allowed smaller increases in education spending
 - Allows for more growth in low spending districts
 - Spending penalty triggered for spending in excess of allowable growth threshold



OK, but why merge districts?

Where is the value in an expanded school district?

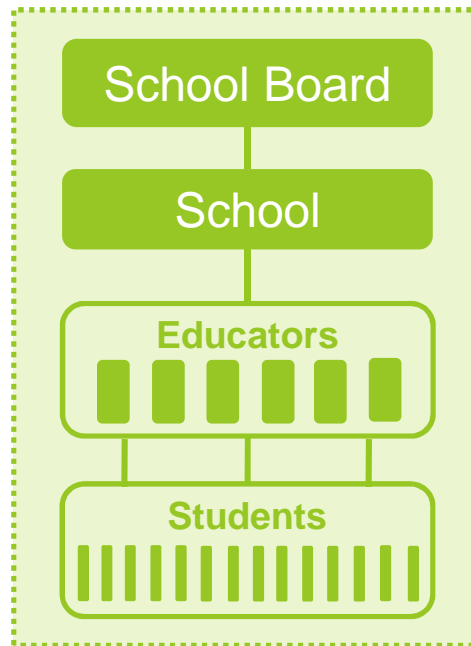




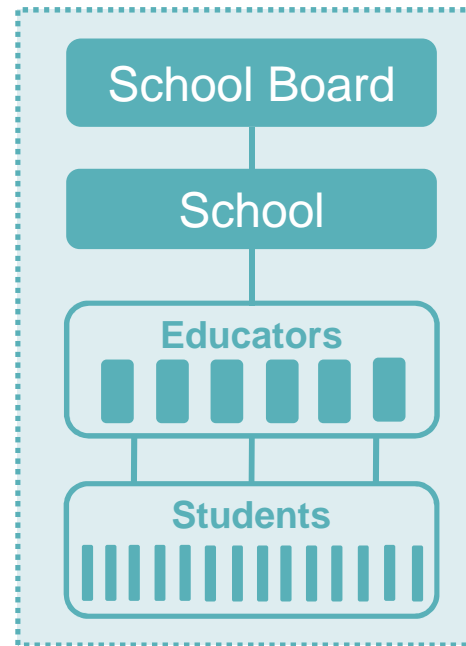
Traditional Governance Model

Aligned to Municipal Boundaries

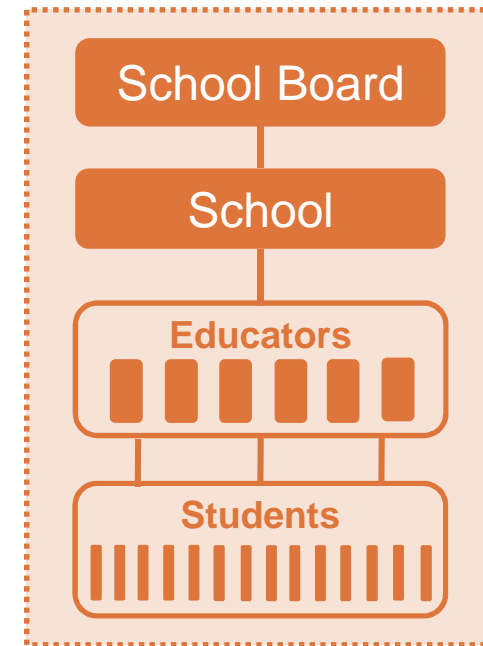
Green Town



Blue Town



Red Town

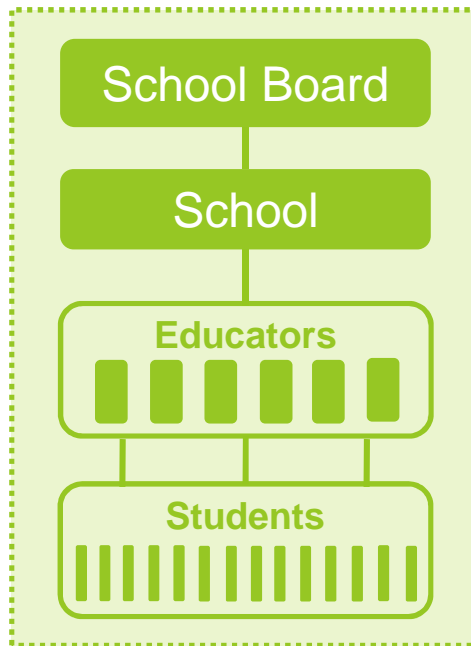




Traditional Governance Model

Response to Declining Enrollment & Staff Retirement

Green Town

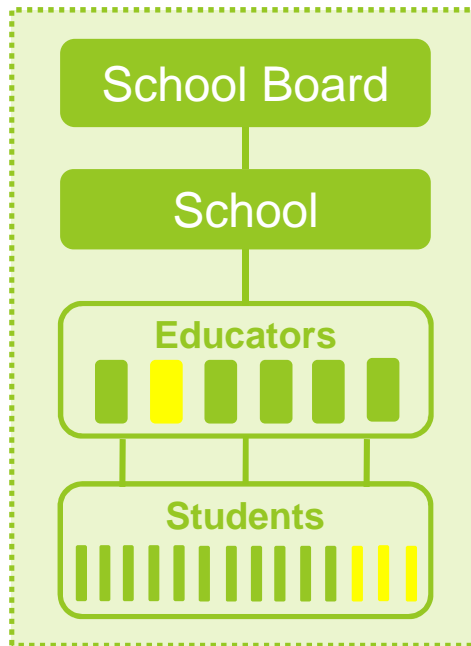




Traditional Governance Model

Response to Declining Enrollment & Staff Retirement

Green Town



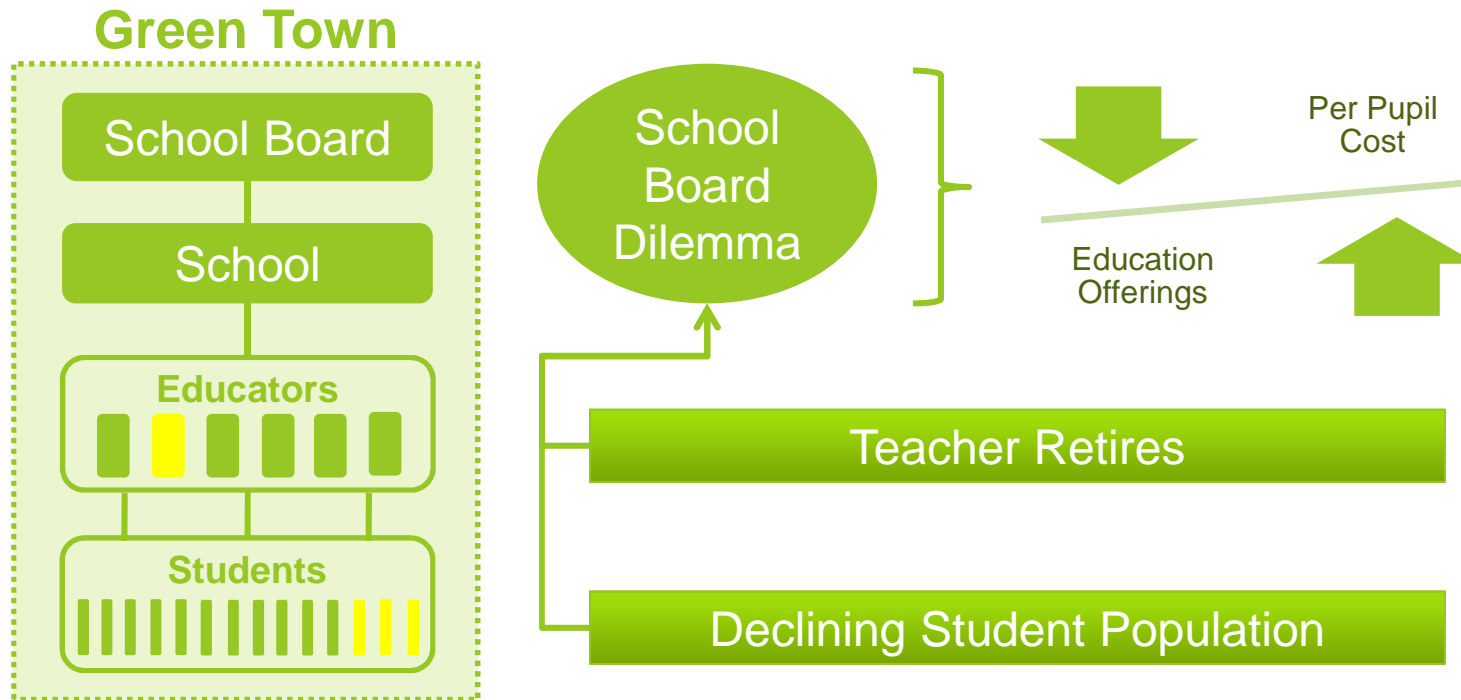
Teacher Retires

Declining Student Population



Traditional Governance Model

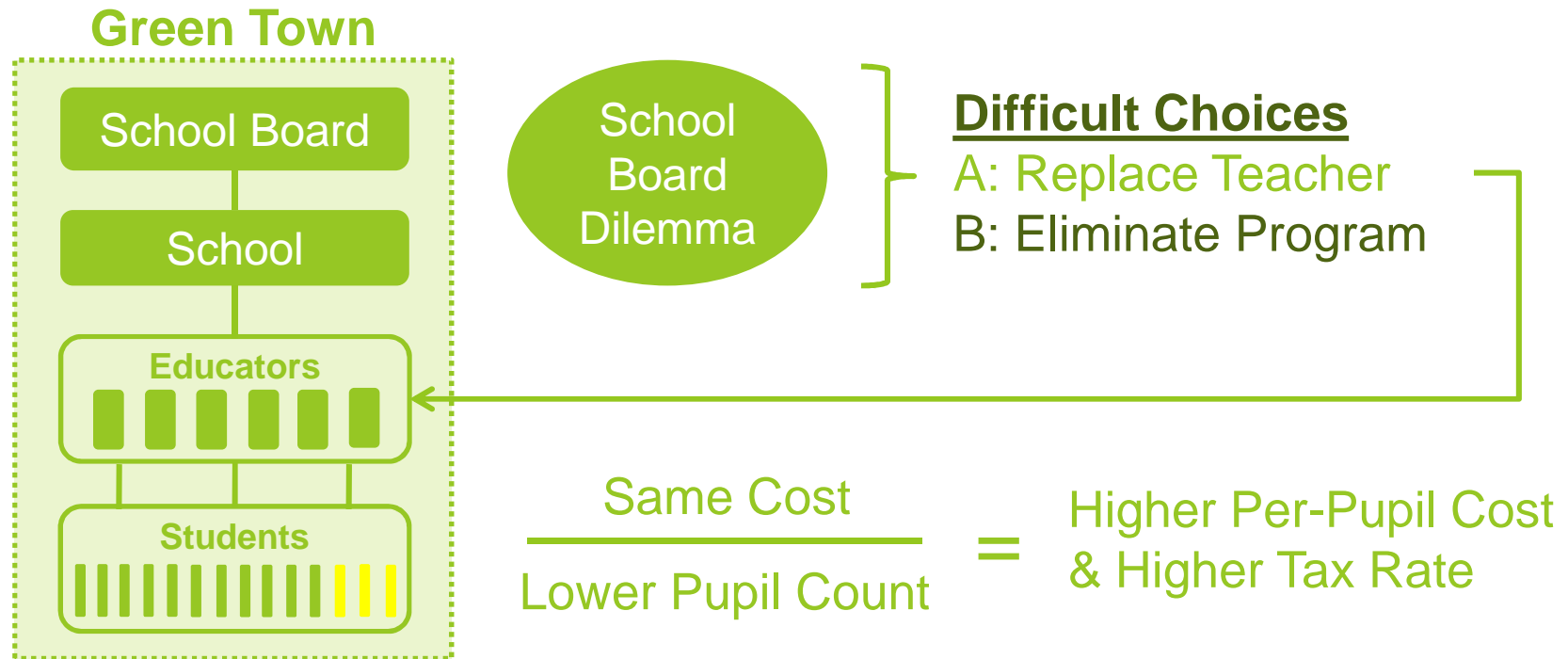
Response to Declining Enrollment & Staff Retirement





Traditional Governance Model

Response to Declining Enrollment & Staff Retirement





Traditional Governance Model

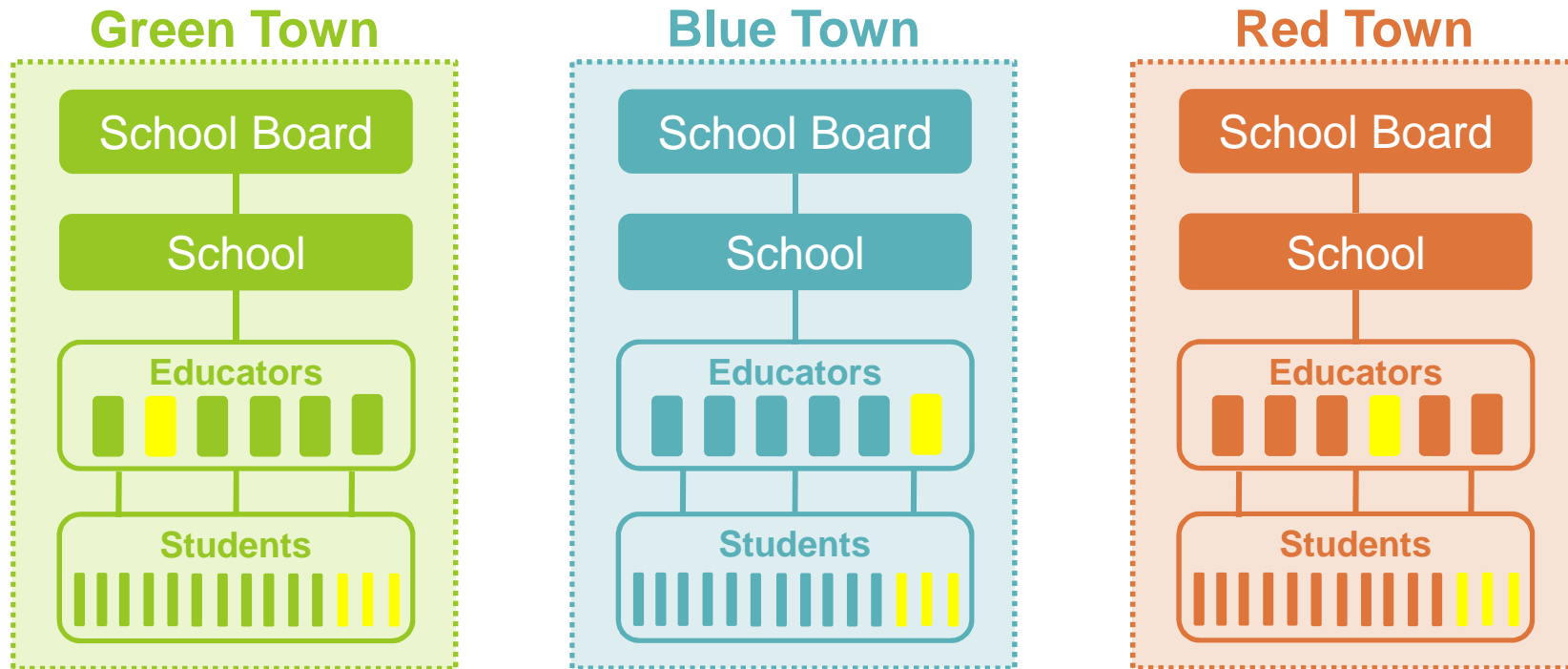
Response to Declining Enrollment & Staff Retirement





Traditional Governance Model

Shared Challenges; Individual Districts Trying to Solve in Silos





Expanded Governance

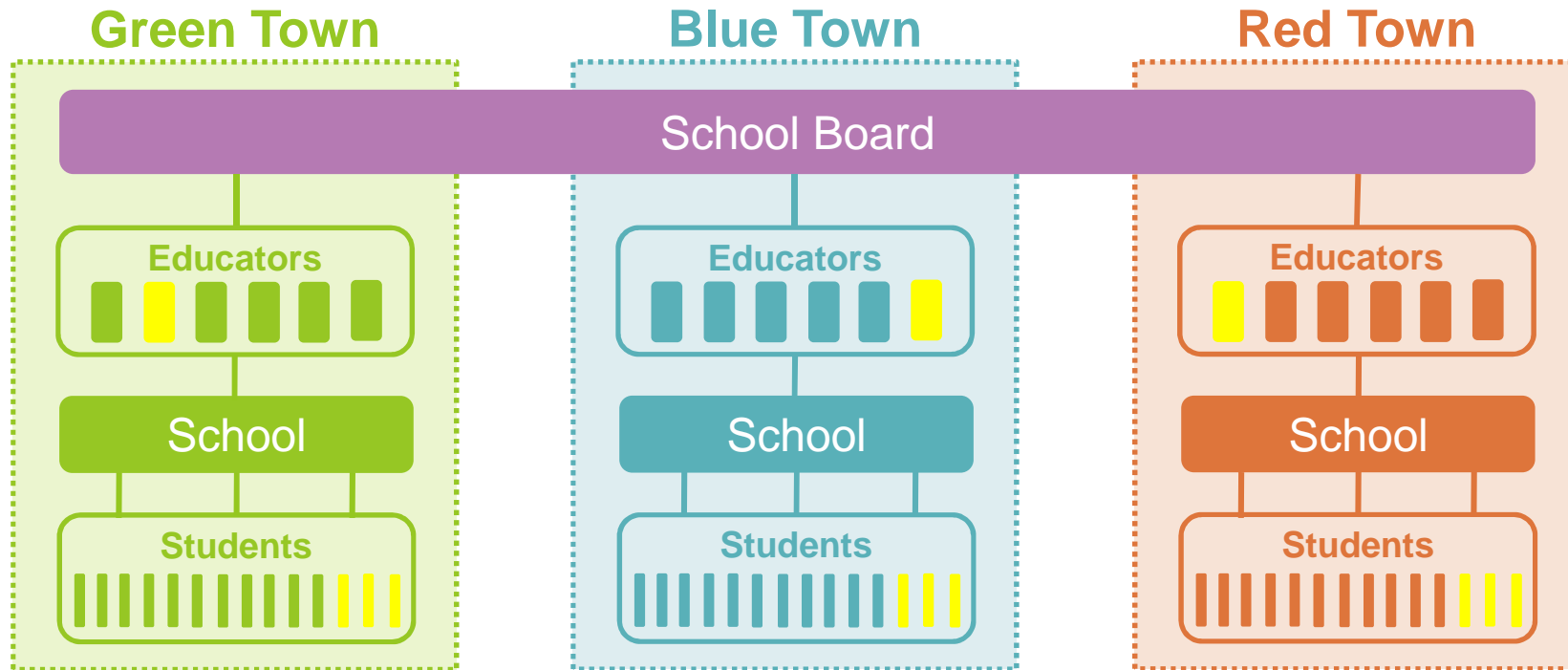
Broader Perspective





Expanded Governance Model Under Act 46

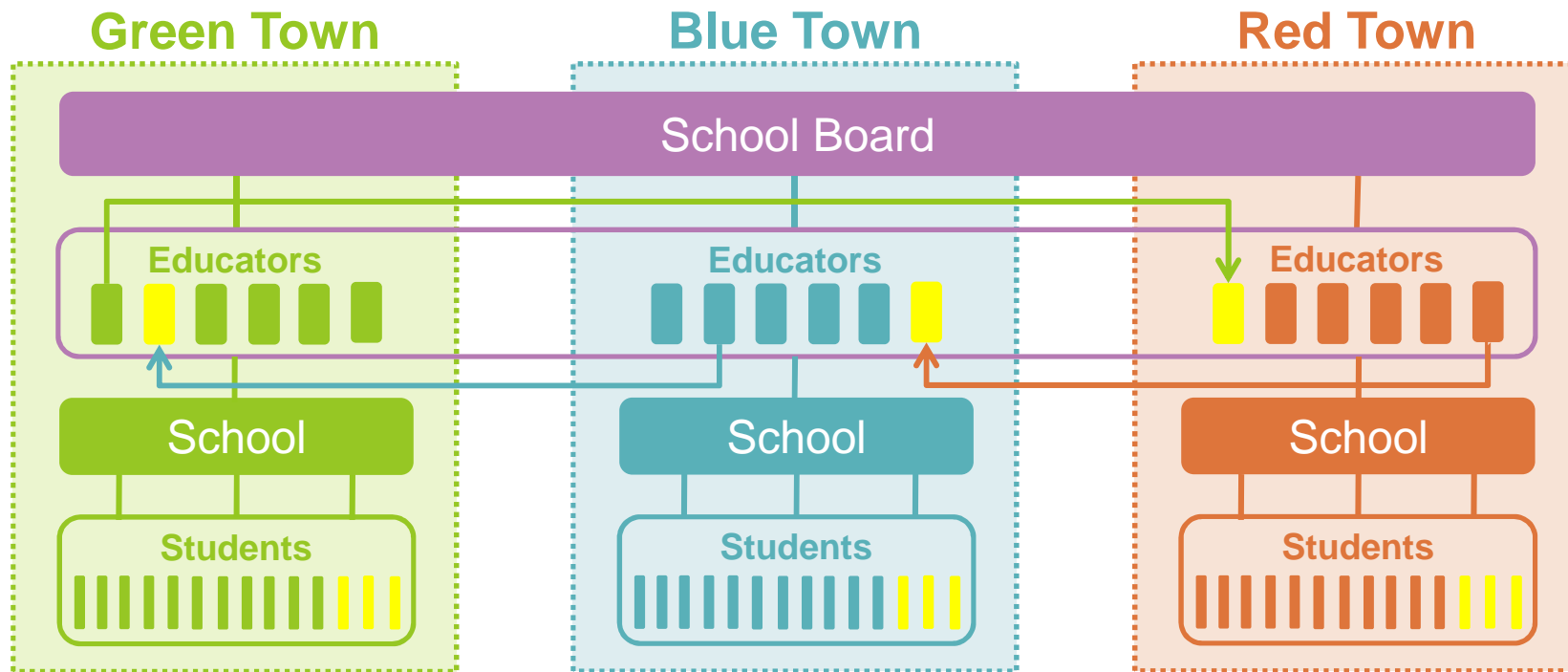
One District Collaborating to Maximize Value Across Boundaries





Expanded Governance Model Under Act 46

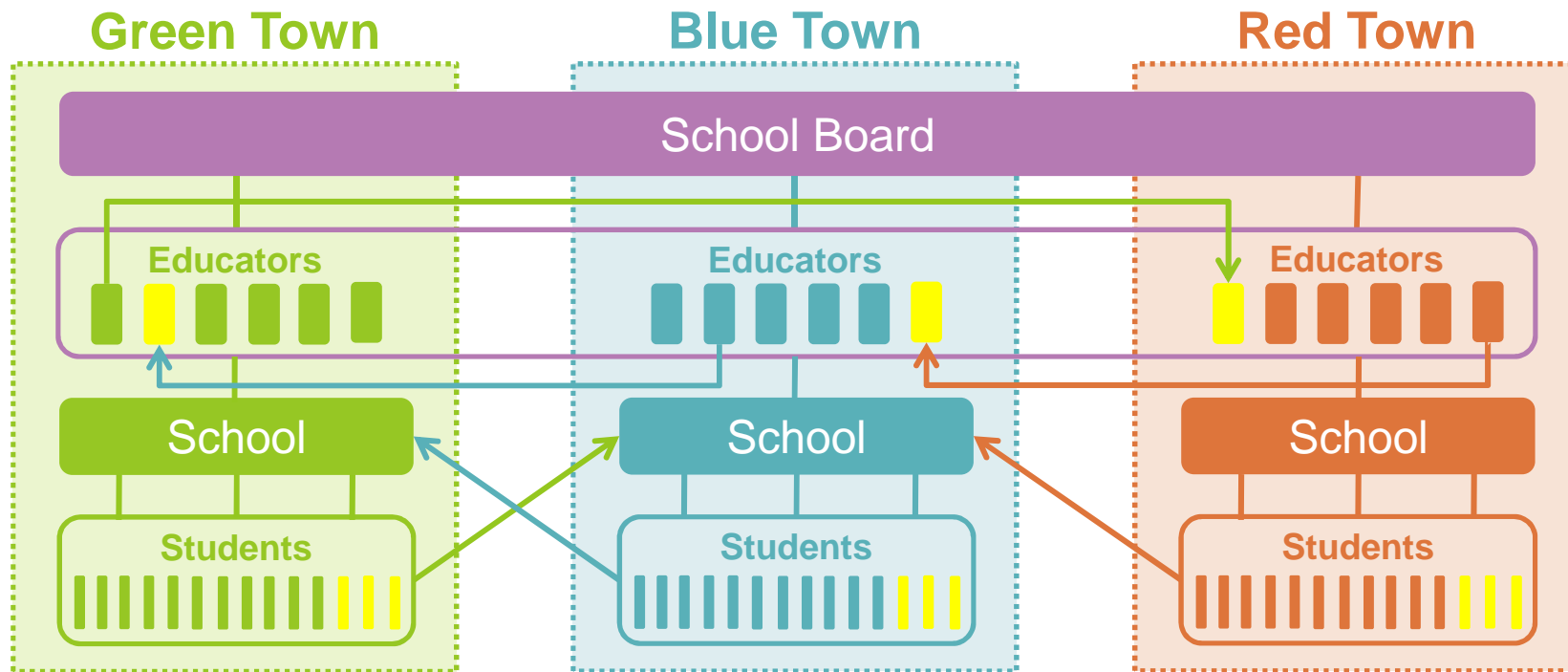
Expanded District Allows for Flexible Staffing to Meet Changing Needs





Expanded Governance Model Under Act 46

... And New Alternatives for Students





Expanded Governance Model Under Act 46





Expanded Governance Model Under Act 46

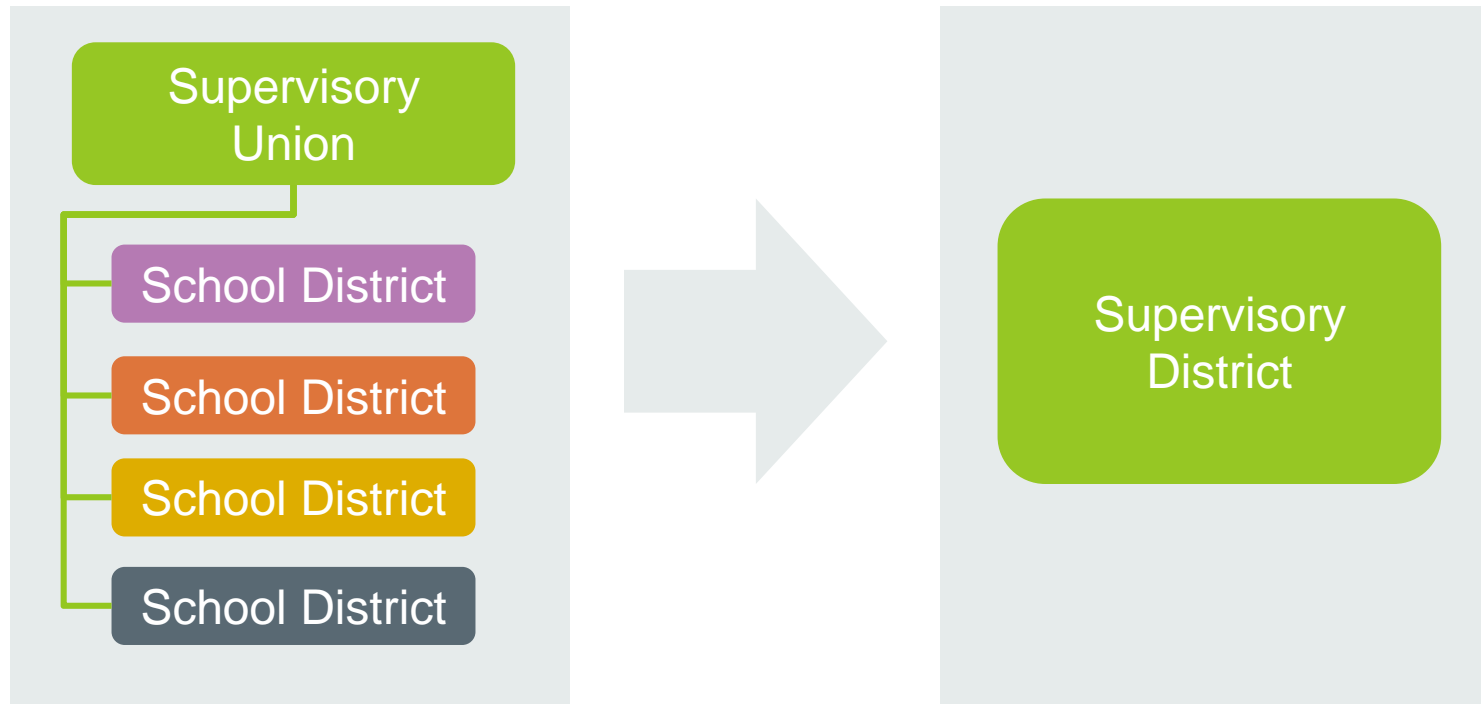
Act 46 Provides Catalyst & Incentive, Local Communities Drive Change

- Flexibility with how expanded districts are formed
 - Local communities choose their own destiny
 - Options to merge districts inside and outside an SU (except for Phase 1 mergers)
- Merger agreements are developed locally and outline key details:
 - Representation on expanded school boards (consistent with one person, one vote constitutional requirement)
 - School choice arrangements
 - Budgets and voting
- Guarantees continued school choice if local voters want it to continue **and** allows for expansion of choice for those that wish to adopt choice



Expanded Governance Model Under Act 46

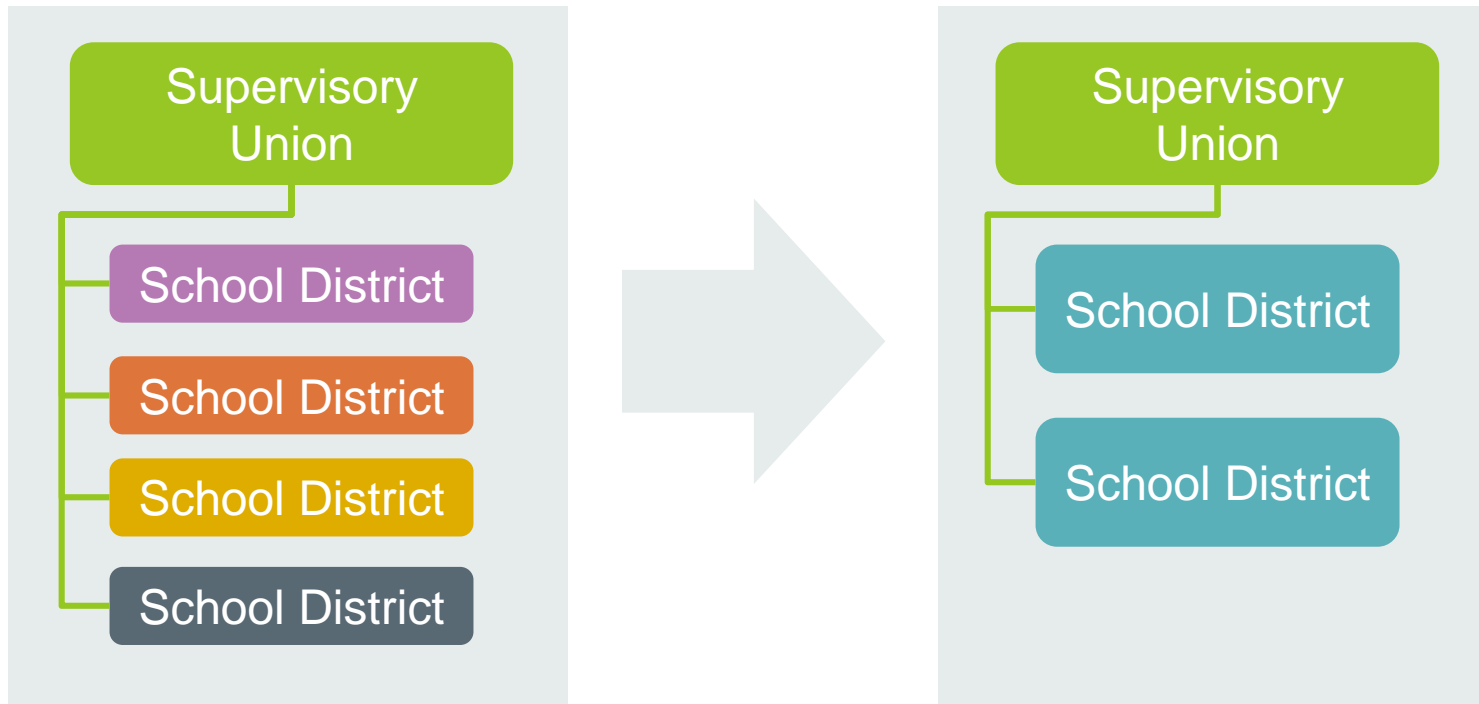
Merger from Current Structure to Preferred Model





Expanded Governance Model Under Act 46

Merger from Current Structure to Alternative Model



Act 46 Timeline

The Vermont Agency of Education, in cooperation with the Vermont State Board of Education, are dedicated to the implementation of Act 46 of 2015. The new legislation is an opportunity for school districts and supervisory unions to unify existing, disparate governance structures to preferred governance structure by 2020; while providing substantial equity in the quality and variety of educational opportunities statewide. This timeline visually represents actions needed by education entities.

Legend

Local Education Agency Action

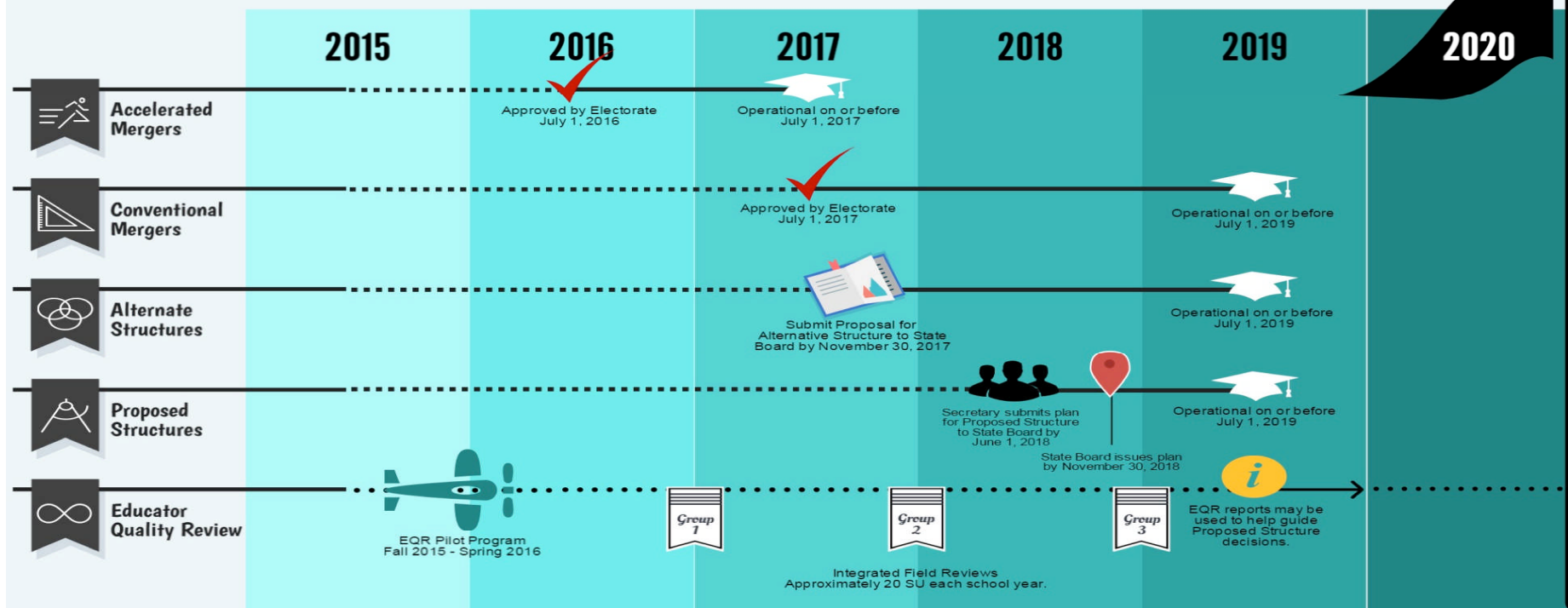
State Board of Education Action

Agency of Education Action

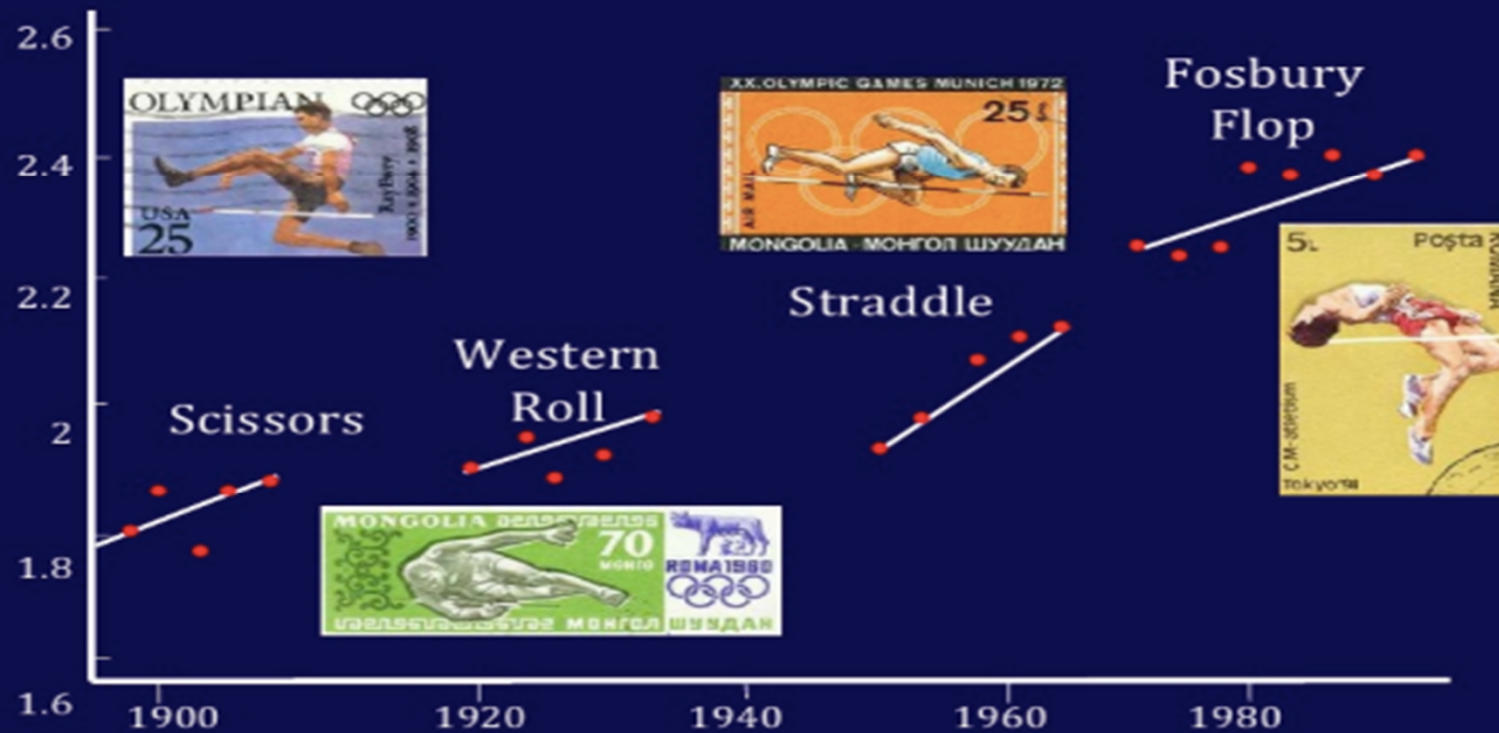
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Olympic Gold Medal Winners in High Jump



William F. Achtmeyer Center for Global Leadership - Tuck School of Business at Dartmouth

Source: Pascale

Vijay Govindarajan, Tuck School of Business

Moving ahead:

- What limitations prevent us from making our system better?
- How can we change, break or bend those limits?
- What “how we’ve always done it” assumptions might be keeping us from finding ways to create a better set of opportunities for our children?

Discussion



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

December 1, 2015

Rep. Shap Smith, Speaker of the House
Sen. John Campbell, President Pro Tempore
Vermont State House
115 State Street
Montpelier, VT 05633-0004

Dear Speaker Smith and President Pro Tempore Campbell:

The Commissioner of Taxes, after consultation with the Agency of Education (AOE), the Secretary of Administration and the Joint Fiscal Office (JFO), is required by 32 V.S.A. § 5402b to calculate and forecast a property dollar equivalent yield, an income dollar equivalent yield, and a nonresidential tax rate by December 1. This letter is submitted in fulfillment of the statutory obligation. The Department of Taxes, Department of Finance and Management, Agency of Education, and the Joint Fiscal Office prepared consensus forecasts on various components of the Education Fund Operating Statement for Fiscal Year (FY) 2017 so that the required analysis could be performed.

Many thanks go to these departments for their hard work. As discussed below, the construct of the statutory exercise has changed significantly. Staff has done its best to fulfill the statutory intent of these changes, but it must be noted that the calculations and forecasts are complex. The legislature will set the yields and rate that will be the foundation of education tax bills this year during the upcoming session.

Statutory Change and Act 46 Changes

Since 2003, this letter communicated three education tax rates: a rate on non-residential property, a rate on homestead property, and a rate for those paying based on income. The letter began the conversation of whether the base education tax rates needed to be increased to cover projected spending in the coming year.

Act 46 of 2015 changed the structure of this letter. The homestead property rate is set in statute at \$1.00 per \$100 of equalized education property value for FY2017 and all subsequent years. 32 V.S.A. § 5402(a)(2). Similarly, the rate for those paying on income is 2% beginning in FY2017.



32 V.S.A. § 6066(a)(2). This year's letter is an introduction to two numbers that are new to the education funding landscape: a "property dollar equivalent yield" and an "income dollar equivalent yield." These two numbers are designed to illustrate how much per pupil spending the \$1.00 and 2% education property tax rates will support in the coming year. How much each district chooses to spend per pupil compared to the enacted yields will determine its locally adjusted rates on homestead value and income. The non-residential rate will continue to be communicated as a traditional rate and its calculation is tied to the yields for purposes of this letter.

The \$1.00 and 2% rates will yield different amounts from year to year because of the various economic forces that affect the Education Fund, including Vermont property values, household incomes, and anticipated education spending. A district's residential education tax rates will be its per-pupil spending divided by the property dollar equivalent yield or the income dollar equivalent yield.¹

Current Forecast of Education Tax Components

The forecasts in this letter still depend on total anticipated education fund spending and total pupil count.

Total Equalized Pupil Count		
FY15 (Final)	FY16 (Preliminary)	FY17 (Projection)
89,257	89,163	88,572

Total Education Fund Spending (millions)		
FY15 (Final)	FY16 (Preliminary)	FY17 (Projection)
1,514	1,552	1,582

Source: AoE

¹ Previously, a district's education tax rates were its per-pupil spending divided by the statewide base amount multiplied by the base education tax rate set in statute. The statewide base amount was set at \$6,800 in FY2005 and grew according to a NEEP (New England Economic Project) cumulative price index in subsequent years. 16 V.S.A. § 4011(b). Beginning with the FY2017 rates, the statewide base amount from 2005 is no longer a factor in determining tax rates.



It should be noted that the term "yield" is not used in the same manner as in a traditional property tax equation. For example, to calculate the per pupil spending that the \$1.00 (per \$100.00) of homestead property rate "yields" one might think it would be solved by multiplying 1% by the total homestead grand list, and then dividing by the number of equalized pupils, thus solving for the yield per pupil. However, that is not how either the property yield or the income yield is determined. Both "yields" in this education formula are sensitive to a variety of factors, and heavily influenced by the anticipated amount of education spending around Vermont.



Unfortunately, the number of pupils continues to decline in Vermont even with the expansion of pre-kindergarten programs. The state is projected to lose 591 equalized pupils next year. Total education fund spending is projected to increase by 2.5%.

The amount of total education fund expenses remaining after accounting for the general fund transfer (\$303.6M), sales and use (\$138M), purchase and use (35.6M), and all other sources is what needs to be generated through the education taxes.

Calculating Yields

As discussed earlier, this is the first year with a property dollar equivalent yield on a \$1.00 rate and an income dollar equivalent yield on a 2% rate. In prior years, this letter would forecast the rates themselves. Now that the rates for homestead and income are set in statute, this letter forecasts how much statewide per-pupil spending (yield) the statutory rates will support in the coming year.

Previous Calculation Process		
Rates	Base Amount	Total Spending
?		

FY2017 Calculation Process		
Rates	Yields	Total Spending
	?	

The process still depends on forecasting the independent spending decisions of every town, the equalized education grand list of every town, and incomes. In past years, there was an excess spending threshold that few towns exceeded. 32 V.S.A. § 5401(12). This year there are caps on allowable growth that are different for every town and are based on per pupil spending from last year. Sec. 37 of Act 46. A higher spending town is allowed less growth, whereas a lower spending town is allowed more. Additionally, districts that vote to merge are afforded reductions in their tax rates. These growth constraints and tax incentives are a result of Act 46, and add another level of complexity to the yield/rate-setting process.

5402b(a)(2) Mandated Forecast

As defined in statute, the homestead education property tax rate for FY2017, and all years forward, will be \$1.00 and the homestead income rate will be 2%. Act 46 directs the Commissioner to calculate the two yields and the non-residential tax rate as of December 1 by assuming that the “percentage change in the median education tax bill” of all three types of

payers is equal. 32 V.S.A. §5402b(a)(4). However, it is the legislature that ultimately sets the yield. 32 V.S.A. §5402b(b).

In any given year, the median bill, that is, the bill literally at the midpoint in the range for each of the payer types, will depend on a number of factors, including property sizes and improvements, property appreciation, income growth, local rate adjustments for spending on residential rates. The total revenue raised from each of the three groups depends both on the growth in the total bases of income and property and the rates applied. Staff derived the calculations herein by estimating the average growth in each of the bases and then calculating yields/rate so that the change in the average bill for each of the three types of taxpayers would increase by the same percentage, while raising enough money to fill the reserve. Under this scenario, the average homestead rate grows slightly more because the average homestead property is estimated to experience the least percentage of growth in value. The legislature will need to thoroughly vet this new calculation to determine if it meets the intent of §5402b(a)(4) prior to setting the yields and rate.

With all contributing factors as they appear on December 1, 2015, the property yield, income yield, and non-residential rate are forecasted as followed:

FY 17 Base Rates and Yields		
	Base Rate	Yield
Homestead Property	\$1.00	\$9,955
Income	2.00%	\$11,157
Non-Residential Property	\$1.538	-----

At this time, these forecasted yield amounts and the non-residential rate are anticipated to generate enough tax revenue to pay for the education spending that remains after the other sources are taken into account and to maintain the statutory reserves at 5.00%.²

Because of the change from rates to yields, the best way to compare this year to the previous two years is to look at the average rate forecasted to be paid by the different types of taxpayers:

² This forecast relies on devoting all of the reverted funds from prior years to increase the yields for everyone. Alternative approaches include not using all of the savings in reserve this year but instead spreading it out over the next few years, and/or only applying the funds strategically to support the goals of Act 46.

Average Tax Rates	FY2015	FY2016 (preliminary)	FY2017 (projected)³
Homestead Property	\$1.50	\$1.525	\$1.535
Income	2.72%	2.74%	2.72%
Non-Residential Property	\$1.515	\$1.535	\$1.538

The average homestead rate is forecast to be one cent higher this year, while the average income rate decreases slightly. The average bill (rate applied to property or income) is projected to increase by the same percentage (1.12%) for all three types of payers. In any given year, there is a broad range of equalized homestead tax rates around Vermont. In FY2016 homestead taxpayers in the majority of towns paid near the average rates in the previous table, but many paid less and many paid more depending on local spending decisions. Due to changes from Act 46, FY2017 projects to have even more variation in the rates taxpayers actually pay. Rates will be influenced by the allowable growth percentage, as well as accelerated merger incentives.

Working with Yields

The example of a district which spends the exact same amount per pupil in FY2016 and 2017 shows how the locally adjusted rates are derived (without reference to the allowable growth percentage or any merger incentive).

FY2016 Education Tax Rate Calculation:

Per Pupil Spending	Base Per Pupil Amount	Statewide Homestead Rate	Tax Rate
\$15,000	÷ \$9,459	x \$0.99	= \$1.570

FY2017 Education Tax Rate Calculation:

Per Pupil Spending	Property Yield	Statewide Homestead Rate	Tax Rate
\$15,000	÷ \$9,955	x \$1.00	= \$1.507

It is important to note that this town's homestead tax rate went down from FY2016 to FY2017, even though the statewide base rate appeared to increase by a penny (from 0.99 to 1.00).

The changes to the calculation for someone paying education taxes based on income are basically the same. Here's an example for someone in that same town, but who is paying the income rate:

³ If the forecasts in this letter are enacted, these are the projected average rates paid by the three different types of taxpayers.

FY2016 Education Tax Rate Calculation:

Per Pupil Spending		Base Per Pupil Amount		Statewide Income Rate		Tax Rate
\$15,000	÷	\$9,459	x	1.8%	=	2.854%

FY2017 Education Tax Rate Calculation:

Per Pupil Spending		Income Yield		Statewide Income Rate		Tax Rate
\$15,000	÷	\$11,157	x	2.0%	=	2.689%

This taxpayer's tax rate also went down even though the statewide base income rate appeared to increase from 1.8% to 2%.⁴

Local Homestead Tax Rates Determined After Budget Votes

Many assumptions inform these yield projections, but perhaps none is more important than the level of spending per pupil that local districts ultimately settle upon in budget votes this spring. The level of spending in each district contributes to the amount needed statewide. If districts (cumulatively) can hold down spending per pupil, then the statewide yields could be set higher, leading to lower local rates across the state. In that case, the non-residential rate should be set lower as well.

Act 46 attempted to make the connection between education spending and tax rates clearer by changing the budget language districts should use when presenting their budgets (Sec. 33 of Act 46, 16 V.S.A. § 563). This new language includes the total budget for the upcoming fiscal year, as well as what the education spending will be per pupil. It also includes a percentage change from the current year to the upcoming fiscal year for the spending per pupil. Since per pupil spending is the driver for local homestead tax rates and rates for folks paying based on income, this change in budget language is designed to allow for a better understanding of how local budget votes will impact the local rates.⁵

⁴ As in past years, the state adjustment for the difference between what the taxpayer would have paid based on property and the percentage of their income from the rate above will not be applied until their FY2018 property tax bill.

⁵ Every town's education tax rate on property also is impacted by a CLA. The CLA is a number computed by the state in order to "equalize" the grand list. If property in a town is generally selling for more than its list price, the CLA will be less than 100%. If it is selling for less than list price, the CLA will be more than 100%. The CLAs are necessary because some towns have reappraised recently (bringing their listed property values close to fair market value) and others have not. A town's education rate gets divided by the CLA, so a town where the grand list is generally below fair market value (CLA less than 100%) will see its education tax rate adjusted up. The median CLA is expected to be 102.21% this year, so more than half of the towns should see an adjustment downward of their education tax rates.

Conclusion

Act 46 of 2015 was a comprehensive piece of legislation advancing many changes to how Vermont School Districts should be structured in the 21st century. The goal of the legislation was to broaden and improve the educational experience of students in every region of the state while providing needed relief to Vermont's taxpayers. It is too early to know what the long-term impact of these changes will be on education taxes. The yields forecasted in this letter would suggest that average tax bills may rise a little over 1% in the coming year, however the yields and corresponding non-residential tax rates will be set by the legislature based on updated information during the session.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mary Peterson". The signature is fluid and cursive, with the first name "Mary" and last name "Peterson" clearly distinguishable.

Mary Peterson
Commissioner, Department of Taxes

cc: Justin Johnson, Secretary, Agency of Administration
Rebecca Holcombe, Secretary, Agency of Education
Andy Pallito, Commissioner, Department of Finance and Management
Rep. Janet Ancel
Sen. Tim Ashe
Rep. David Sharpe
Sen. Ann Cummings
Stephen Klein, Joint Fiscal Office
Luke Martland, Legislative Council



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Phone: (802) 828-5860
Fax: (802) 828-2824

Agency of Administration

December 16, 2015

Town Clerk
Town of Colchester
PO Box 55
Colchester, VT 05446

Division of Property Valuation and Review
Certified Equalized Education Property Value (Effective 1/1/2016)

This letter serves to notify you of the results of the Division's 2015 equalization study. We are required to annually certify the equalized education property value (EPPV) and coefficient of dispersion (COD) for each Vermont school district. 32 V.S.A. §5406. For your municipality these values are:

Equalized Education Property Value:	\$2,109,397,000
Coefficient of Dispersion:	7.66 %

The equalized education property value is the sum of:

- 1) the aggregate fair market value of all non-residential and homestead property required to be listed at fair market value;
- 2) the aggregate use value of all property enrolled in use value appraisal;
- 3) the aggregate value of property established under a local agreement in accord with 32 V.S.A. §5404a.

The coefficient of dispersion (COD) is a measure of uniformity of appraisal for all properties in the grand list. It measures the average deviation from market value of sold properties from the average townwide level of appraisal. A coefficient of dispersion of 0.00% is perfect as it indicates absolute fairness insofar as every taxpayer is appraised at exactly the same percentage of fair market value. Such perfection is impossible to achieve and COD's close to zero usually indicate sales chasing.

The higher the COD, the greater the disparity in how properties are assessed in that town. A COD of 10% or lower is considered to reflect a relatively high level of equity across taxpayers' assessments.

Included with the listers' copy of this notice is a report showing the sales and, where necessary, appraisals used in the study. A town or city may petition the director of Property Valuation and Review for a redetermination of the EPPV and/or COD. 32 V.S.A. §5408. All petitions must be in writing and signed by the chair of the legislative body of your town or city. Petitions should contain a plain statement of the matters being appealed and a statement of the remedy the



municipality is seeking. **Petitions must be received in my office by the close of business on the 30th day following receipt of this notice by the clerk.** Additional instructions on appeals can be found in the booklet described below.

Additional study results include:

Education Grand List (from 411):	\$20,376,005
Equalized Education Grand List:	\$21,093,970
Common Level of Appraisal:	96.60 %

The education grand list is one percent of the total assessed value of taxable property (including cable, if applicable) as reported on form 411. The equalized education grand list is one percent of the equalized education property value. The education grand list is divided by the equalized education grand list to determine the common level of appraisal (CLA). As such, the CLA provides a town or citywide comparison of your total listed value to our estimate of total fair market value.

There is a brief explanation of the reported values and how they were determined in our publication entitled "Introduction to Vermont's Equalization Study." (This booklet can be found on the Tax Department's website. Go to: <http://tax.vermont.gov/content/introduction-equalization-study>.)

If you have any questions, please contact your district advisor or call 828-5860.

Sincerely,



Douglas R. Farnham, Director
Property Valuation and Review

cc: Chair, Board of Listers
Chair, School Board
Chair, Select Board
Superintendent of Schools

Colchester		4153				Education	Municipal			Education	Municipal	Average LV	
School District ID:	50	Category	Property Count	ED Form 411 Listed Value	CUSE Value	Listed Value Excl. CUSE	Listed Value Excl. CUSE	Applied Ratio	Equalized Value	Equalized Value	COD	Incl. St. Exemption	
		1 R1	4,616	1,293,863,244	0	1,293,863,244	1,292,693,244	96.77	1,337,049,958	1,335,840,905	6.44	280,046	
		2 R2	215	105,003,884	101,300	104,902,584	104,872,584	87.44	120,073,807	120,039,498	13.00	494,061	
		3 MHU	737	22,402,900	0	22,402,900	22,202,900	105.71	21,192,792	21,003,595	14.28	30,126	
		4 MHL	16	1,992,400	0	1,992,400	1,992,400	96.70	2,060,393	2,060,393		124,525	
		5 S1	364	103,235,725	0	103,235,725	103,235,725	96.87	106,571,410	106,571,410	6.43	283,615	
		6 S2	4	4,211,800	0	4,211,800	4,211,800	96.70	4,355,533	4,355,533		1,052,950	
		7 COMM	397	385,048,820	0	385,048,820	386,418,427	97.19	396,181,521	397,590,726	6.26	973,346	
		8 CMA	0	0	0	0	0	0.00	0	0	0.00		
		9 IND	19	27,403,000	0	27,403,000	27,403,000	97.19	28,195,288	28,195,288	0.00	1,442,263	
		10 UE	6	34,492,029	0	34,492,029	34,758,439	96.91	35,591,816	35,866,721	0.00	5,793,073	
		11 UO	2	15,432,670	0	15,432,670	15,432,670	97.65	15,804,066	15,804,066	0.00	7,716,335	
		12 FRM	17	7,166,167	234,100	6,932,067	6,932,067	106.32	6,757,740	6,757,740	0.00	481,753	
		13 OTH	29	3,124,692	0	3,124,692	3,124,692	100.00	3,124,692	3,124,692	0.00	107,748	
		14 WOOD	221	23,029,775	46,800	22,982,975	22,982,975	106.32	21,664,321	21,664,321		115,102	
		15 MISC	101	10,094,934	163,800	9,931,134	9,931,134	104.44	9,675,282	9,675,282	5.38	112,655	
			6,744	2,036,502,040	546,000	2,035,956,040	2,036,192,057		2,108,298,617	2,108,550,169			
PERSONAL PROPERTY:					Cable:	1,098,410	0	100.00	1,098,410	0			
					Inventory:	Inventory Exempt	0	100.00	Inventory Exempt	0			
					Machinery and Equip:	M and E Exempt	0	100.00	M and E Exempt	0			
TOTAL PERSONAL PROPERTY:						1,098,410	0		1,098,410	0			
GRAND TOTAL (REAL and PERSONAL PROPERTY):						\$2,037,054,450	\$2,036,192,057	96.60	\$2,109,397,027	\$2,108,550,169	7.66	Townwide COD	

LISTED VALUE of CONTRACTS AND EXEMPTIONS			
		Total Grandfathered Exemptions:	0
Total Approved VEPC:	0	Total Municipal Contracts (Owner Pays Ed. Tax):	0
Total Approved TIF District:	0	Total Special Exemptions Value:	1,636,017
Total Non-Approved Exemptions:	0	Total Current Use Reduction Value:	6,022,675
Total Partial-Statutory Exemptions:	0	Total PVR-Applied - MGL/EGL:	0
Total Veterans Exemptions EGL:	480,000	Total PVR-Applied - EGL:	0
Total Veterans Exemptions MGL:	1,880,000	Total PVR-Applied - MGL:	0

Certified to County: \$2,109,397,000
Certified to State: \$2,109,397,000

MANUALLY ADJUSTED APPLIED RATIOS USED IN THE FOLLOWING CATEGORIES: OTHER

CUSE Values Used in Computations: Certified

Equalization Study - 2015

Form 411 Update: 11/17/2015

Colchester		4153	CUSE CLA: 0.9847		
Category	Building Value	Use Value (Land Enrolled)	Use Value Divided By CLA	Total Cuse Subtracted from 411 LV (Col 1 + Col 2)	Total CUSE Incl. in EEGL (Col 1 + Col 3)
	<u>Col 1</u>	<u>Col 2</u>	<u>Col 3</u>		
2 R2	0	101,300	102,874	101,300	102,874
12 FRM	0	234,100	237,737	234,100	237,737
14 WOOD	0	46,800	47,527	46,800	47,527
15 MISC	0	163,800	166,345	163,800	166,345
TOTALS	0	546,000	554,484	546,000	554,484

*Excellent Education, Strong Communities:
Realizing the Opportunities of Act 46*

VSBA/VSA

June 11, 2015

Act 46: Where Do We Begin?

- ▶ Understand the context –

- ▶ Statewide:

- ▶ High expectations for our schools to meet the needs of today's students – Education Quality Standards, Universal PreK, Act 77
 - ▶ Increasing poverty and addiction rates
 - ▶ Growing inequity in student opportunity and outcomes
 - ▶ Significant cost pressures
 - ▶ High leadership turnover

- ▶ Local:

- ▶ What are the challenges facing our districts and schools? How are these challenges impeding our ability to meet student needs?



What Do We Want for All Our Children?



What Do We Want for All Our Children?

- ▶ School District Vision Statement
- ▶ Education Quality Standards: Ambitious expectations for our education systems designed to ensure every student has equal access to quality learning experiences that meet their individual aspirations, aptitudes and interests.

▶ *** INSERT LOCAL INFORMATION ON THIS SLIDE**

What Do Our Communities Value?

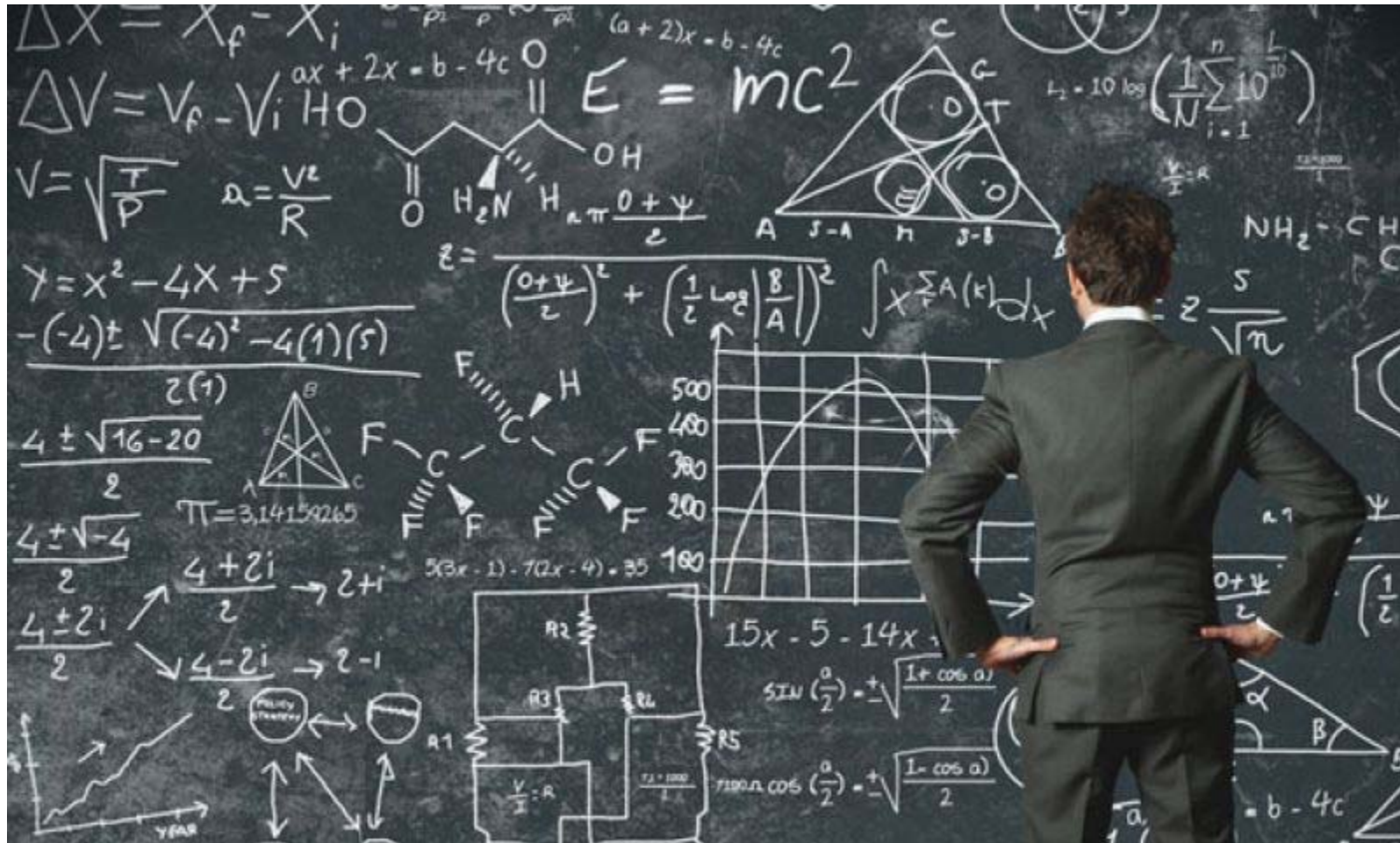


What Do Our Communities Value?

- ▶ Academic Excellence
- ▶ Early Education
- ▶ Technology
- ▶ Personalized Learning
- ▶ Multiple Pathways
- ▶ Health and Wellness
- ▶ Community Partnerships
- ▶ Personal Connections
- ▶ Highly Skilled Teachers and Staff

▶ * **CUSTOMIZE WITH LOCAL INFORMATION ON THIS SLIDE**

What Challenges Do We Face?



What Challenges Do We Face?

- ▶ Poverty/Disability Indicators
- ▶ Enrollment Trends
- ▶ Staffing Levels
- ▶ Population Projections
- ▶ Leadership Turnover
- ▶ Student Performance Indicators
- ▶ Cost pressures

▶ *** CHOOSE 2-3 MOST PRESSING ISSUES FOR YOU AND ILLUSTRATE THEM USING DATA**

What Challenges Do We Face?

- ▶ Act 46 calls for school districts of at least 900 students or supervisory unions with 1,100 students. In _____ SU, our districts range in size from _____ to _____.
- ▶ Trade-offs related to small district size:
 - ▶ Dollars go to overhead and not the classroom
 - ▶ Inconsistent data and reporting that would help school boards better monitor and respond to system performance
 - ▶ Lack of breadth and depth in educational programming



Can We Tackle These Challenges and Better Meet the Needs of All Students?



Can We Tackle These Challenges and Better Meet the Needs of All Students?

- ▶ What limitations prevent us from making our system better?
- ▶ How can we change, bend, or break those limits?
- ▶ What “how we’ve always done it” assumptions might be keeping us from finding ways to create a better set of opportunities for our children?



Act 46: Creating PreK-12 Education Systems



Act 46: Creating PreK-12 Education Systems

On or before July 1, 2019 educational opportunities in Vermont shall be provided through “**sustainable governance structures**” that provide PreK-12 educational opportunities at a reasonable cost.



Act 46: Creating PreK-12 Education Systems

These governance structures are expected to achieve the following outcomes:

- ▶ Provide equity in the quality and variety of educational opportunities
- ▶ Lead students to meet or exceed the Education Quality Standards
- ▶ Maximize operational efficiencies through greater flexibility to manage, share, and transfer resources, with a goal of increasing district-level student-to-staff ratios
- ▶ Promote transparency and accountability



Act 46: Preferred Governance Structure

- ▶ A single PreK-12 district
- ▶ Serving at least 900 students
- ▶ That has one of the four most common structures:
 - ▶ Operates all grades PreK-12;
 - ▶ Operates PreK-8 and tuitions 9-12;
 - ▶ Operates PreK-6 and tuitions 7-12; or
 - ▶ Pays tuition for all students grades PreK-12.



Act 46: Three Paths to Implementation

- ▶ *Accelerated Transition to Preferred Governance Structures*
(June 2015 – June 2016)
- ▶ *Voluntary Transition to Sustainable Governance Structures*
(June 2015 – July 2019)
- ▶ *Self-Assessment, Quality Reviews & Statewide Plan*
(July 2017 – June 2019)



Path One: Accelerated Transition

- ▶ By **July 1, 2016**, the electorate approves a plan to merge all member districts of a supervisory union into a single education district. This could also include merger with a neighboring supervisory district.
- ▶ New district must have a minimum ADM of 900, be operational on or before July 1, 2017, and agree to provide data to the Secretary of Education in order to evaluate the impact of the merger on quality and cost.



Path One: Accelerated Transition

- ▶ Accelerated mergers are intended to:
 - ▶ Produce a VT-specific research base on the process, design, benefits and opportunities associated with districts operating at scale.
 - ▶ Support supervisory unions that have previously undertaken significant planning activities related to merger.
 - ▶ Support supervisory unions that are configured in a manner that lends itself to an expedited merger process.



Accelerated Transition

▶ Incentives:

- ▶ Homestead tax rate reduction of \$.10/\$.08/\$.06/\$.04/\$.02 in the first five years of operation.
- ▶ New district will keep any small schools grants currently received by any of the merging districts.
- ▶ Transition facilitation grant of \$150,000, or 5% of the base education amount multiplied by the new district's ADM, whichever is less.
- ▶ Keep the 3.5% hold-harmless protection for declining enrollment, which otherwise will be eliminated in FY 2021.
- ▶ Exempt from the requirement to repay a portion of state construction aid upon sale of a school building.



Path Two: Voluntary Transition

- ▶ The law provides incentives for action if a merger plan that meets one of the three RED variations of Act 156 (MUUSD, “side-by-side”, union elementary district) is approved by the electorate by July 1, 2017.
- ▶ Districts that are able to merge into a “preferred structure” that is operational by July 1, 2019 are also able to obtain incentives – there is no deadline for a vote of the electorate.



Path Two: Voluntary Transition

▶ Incentives:

- ▶ Homestead tax rate reduction of \$.08/\$.06/\$.04/\$.02 in the first four years of operation.
- ▶ New district will keep any small schools grants currently received by any of the merging districts.
- ▶ Transition facilitation grant of \$150,000, or 5% of the base education amount multiplied by the new district's ADM, whichever is less.
- ▶ Keep the 3.5% hold-harmless protection for declining enrollment, which otherwise will be eliminated in FY 2021.
- ▶ Exempt from the requirement to repay a portion of state construction aid upon sale of a school building.



Path Three: Self-Assessment, Quality Reviews & Statewide Plan

- ▶ Districts that do not take action to reorganize themselves voluntarily and will not do so by July 1, 2019 are required to take certain actions prior to November 30, 2017.
 - ▶ School board must evaluate the district's ability to meet the state's goals and meet with other school boards in the region.
 - ▶ District (or group of districts) must submit a proposal to either retain its current governance structure or form a different structure with other district(s) or otherwise act jointly (joint contract school, e.g.) to the Secretary and State Board of Education.
 - ▶ The proposal should demonstrate how the district will be able to achieve the goals and must identify specific actions the district(s) will take to achieve the goals.



Path Three: Self-Assessment, Quality Reviews & Statewide Plan

- ▶ The Agency of Education will begin conducting Education Quality Reviews and site visits to evaluate districts' ability to meet the Education Quality Standards.
- ▶ The Agency will monitor activity related to governance and keep the State Board of Education apprised of progress statewide.
- ▶ Based on the results of the Quality Reviews and governance activity (including proposals submitted by districts) **in 2018** the Secretary will develop a statewide plan to transition all districts to sustainable governance structures.



Path Three: Self-Assessment, Quality Reviews & Statewide Plan

- ▶ Statewide plan will be adopted by the State Board on November 30, 2018. Implementation of the transition effective July 1, 2019.
- ▶ Statewide plan **will not** require districts to lose choice or require districts to pay tuition.
- ▶ Absolute protection from the statewide plan is provided for the following districts:
 - ▶ Interstate school districts
 - ▶ Regional career tech center school districts
 - ▶ Districts that voluntarily merge into the preferred governance structure or a structure eligible to receive RED incentives by July 1, 2019



Act 46: Financial Consequences

- ▶ Districts that do not engage in voluntary structural changes will not be able to secure tax incentives.
- ▶ After July 1, 2019 these districts will only be able to retain their small schools grants if the State Board determines they are geographically isolated or can demonstrate academic excellence and operational efficiency.
- ▶ After July 1, 2020 these districts will also lose any 3.5% ADM hold-harmless protection.
- ▶ July 1, 2017 supervisory unions found to be out of compliance with Act 153 centralization provisions will see a 5% tax penalty.



Act 46: What Are Our Options?

- ▶ Merge all member districts in the supervisory union to form a single PreK-12 district. (Vote by 7/1/16; Operational by 7/1/17)
- ▶ Create a district that meets the “preferred structure” criteria. **You are not limited to working with districts in your SU.** This option could involve giving up current choice or operating patterns or moving some districts to different SD/SU. (Operational by 7/1/19)
- ▶ If you are an SU that has a blend of choice and non-choice districts, create a district/SU that meets the Act 156 RED alternative criteria. (Vote of the electorate by 7/1/17)



Act 46: What Are Our Options?

- ▶ Develop a plan to achieve quality and cost objectives through changes in the SU operation and configuration and submit a plan for consideration to the Secretary by November 30, 2017.
 - ▶ SU should be able to demonstrate:
 - ▶ ADM of 1,100
 - ▶ Has the smallest number of districts practicable
 - ▶ Operates in a manner that maximizes efficiencies through economies of scale and the flexible management, transfer, and sharing of nonfinancial resources among the member districts
 - ▶ Member districts consider themselves to be collectively responsible for the education of all PReK-12 students in the SU
- ▶ Pursue none of the above options and wait for action by the Secretary of Education and the State Board.



Act 46: Considerations Moving Forward

- ▶ What more do we need to better understand Act 46?
- ▶ How might we leverage Act 46 to create a better system for students at a sustainable cost?
- ▶ Who are our neighbors? What opportunities might exist for partnering with districts outside of our SU?
- ▶ What structure & process shall we engage in to move forward with this work?
- ▶ How might we engage our communities in our work?



Resources and Supports

\$5,000

- * Joint Services Facilitation Reimbursement
- * Initial exploration of providing services or performing duties jointly
- * May include community and identification of next steps i.e. merger
- * Non-binding

\$10,000

- * Joint Services Analysis and Implementation Reimbursement
- * For legal and consulting services
- * Detailed analysis of advisability of merger
- * Non-committal (but exhausts further study grants)

\$20,000

- * RED/Union School Analysis
 - * Legal and Consulting services
 - * Prepare a report that addresses creating a union school district
 - * Transition facilitation (\$150K) reduced by this expenditure
-

Resources and Supports

- ▶ VSBA and partners are developing a comprehensive consulting service to respond to the complex nature of this work. The service will be up and running in September of 2015.
- ▶ If you are pursuing an accelerated merger and need immediate assistance, the VSBA has consultants with expertise available to work with you.
- ▶ The Agency of Education is available to answer questions and provide some technical assistance.



What Do We Want for All Our Children?



Attachment B:
A sampling of (unfunded) State acts that have increased property taxes
2006-2015

2006

- Annual audits for tech centers

2007

- Moratorium on school construction state aid

2008

- Increased school district payment to teen parent education programs

2009

- General Fund transfer to Education Fund frozen for 2 years
- Community High School of Vermont costs taken from Education Fund

2010

- Teacher retirement changes induce long-serving teachers to postpone retirement

2011

- "Permanent" reduction in General Fund transfer to Education Fund (>\$23 million/year)
- Community High School of Vermont funding brought permanently within Education Fund (>\$4 million/year)

2012

- Restrictive regulations regarding use of physical restraint

2013

- Dual enrollment
- Personalized learning plans
- Early college

2014

- Prekindergarten education
- Retired teachers health benefit payment

Attachment A: Excise taxes compared (The ACA and Act 46)

Congress, in the Affordable Care Act (ACA), and this Legislature, in Act 46, each enacted a tax on spending above thresholds. How do they compare?

Tax amount

- The ACA imposes a **40% tax** on "excess" spending on the cost of employee health coverage.
- Act 46 imposes a **100% tax** on "excess" spending on the cost of our children's education.

Those affected

- The ACA is dubbed a "**Cadillac**" tax, but it extends to nearly two-thirds of employer-provided health coverage now and, **ultimately**, to every "vehicle" on the road.
- Act 46 is dubbed a "cap" by some organizations and others, although it isn't, but, far from a tax on Cadillacs, it hits **every "vehicle" on the road immediately**.

When in effect

- The ACA provided **years** before the excise tax would take effect.
- Act 46 provided **no time** before the excise tax would take effect.

Purpose

- The ACA excise tax is supposed to affect the **rate of increase** in health care costs **and raise revenue** at the same time.
- The Act 46 excise tax is supposed to affect the **rate of increase** in per pupil spending and not increase taxes.

Effect on our school budgets

- The ACA excise tax, even if unchecked, will have either no or just minimal effect on school budgets (or most other budgets) until at least the early 2020's.
- The Act 46 excise tax, if unchecked, will result in unavoidable increases in school taxes in each of the next two years. Because of its timing, unless repealed, it will increase "school" taxes.

Buyer's remorse

- The ACA excise tax is the current object of "buyer's remorse," as thousands of employers and employee groups have sought its repeal and 100s in Congress are now sponsoring a bill to do just that.
- The Act 46 excise tax appears to be experiencing something akin to buyer's remorse.