



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

*Agency of Administration*

December 1, 2021

Rep. Krowinski, Speaker of the House  
Sen. Balint, President Pro Tempore  
Vermont State House  
115 State Street  
Montpelier, VT 05633-0004

Dear Speaker Krowinski and President Pro Tempore Balint:

The Commissioner of the Vermont Department of Taxes, after consultation with the Agency of Education, the Secretary of Administration, and the Joint Fiscal Office, is required by 32 V.S.A. § 5402b to calculate and forecast a property dollar equivalent yield, an income dollar equivalent yield, and a non-homestead 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)2023 so that the required analysis could be performed. Many thanks go to these dedicated staff for demonstrating the collaboration and meticulousness necessary to publish this forecast.

**5402b(a)(2) Mandated Forecast**

In the statutorily mandated calculation and recommendation under 32 V.S.A. 5402b, the Commissioner must assume the following:

1. The homestead base tax rate is \$1.00 per \$100.00 of equalized education property value;
2. The applicable percentage under 32 V.S.A. 6066(a)(2) is 2.0;
3. The statutory reserves under 16 V.S.A. § 4026 are maintained at five percent; and
4. The percentage change in the average education tax bill applied to homestead property, non-homestead property, and taxpayers who claim a property tax credit is the same.



The FY23 columns in the table below would satisfy the statutorily mandated parameters of the recommendation. As required by statute, the second column labeled “Scenario A” assumes the roughly \$90 million in forecasted unreserved/unallocated funds from FY22 are applied towards lowering FY23 property tax rates, “Scenario B” assumes those funds are not applied.

<b>Homestead Yields and NHS Rate</b>	<b>FY2022 (for comparison)</b>	<b>FY2023 (Scenario A)</b>	<b>FY2023 (Scenario B)</b>
Homestead Property	\$11,317	<b>\$13,846</b>	<b>\$12,937</b>
Income	\$13,770	<b>\$16,705</b>	<b>\$15,484</b>
Non-homestead Property	\$1.612	<b>\$1.385</b>	<b>\$1,482</b>

### Average Rates

If the forecasted yields and rate in the table above were adopted, the average 2022-2023 (FY2023) equalized property tax rates would be as indicated in the table below.

	<b>FY2022 (for comparison)</b>	<b>FY2023 (Scenario A)</b>	<b>FY2023 (Scenario B)</b>
Homestead Property	\$1.523	<b>\$1.308</b>	<b>\$1.400</b>
Income	2.50%	<b>2.19%</b>	<b>2.35%</b>
Non-homestead Property	\$1.612	<b>\$1.385</b>	<b>\$1.482</b>

The Scenario A rates would lead to an average bill decrease of 8.9% for all payers, the Scenario B rates would lead to an average bill decrease of 2.5%.

### Education Spending Growth

On a per-pupil basis, the expected growth in spending is forecast to be 4.74% on average.

	<b>FY2022 (for comparison)</b>	<b>FY2023</b>	<b>Rate of Growth</b>
Total Education Spending (\$Millions) <sup>1</sup>	\$1,496.6	\$1,560.7	4.28%
Equalized Pupil Count	86,975	86,596 <sup>2</sup>	-0.4%
Average Equalized Per Pupil Spending	\$17,207	\$18,023	4.74%

<sup>1</sup> Projected total education spending for property tax rate purposes as defined by 16 V.S.A. § 4001 (6)

<sup>2</sup> FY23 equalized pupils are calculated in accordance with Act 154 (2020) limitation on average daily membership (ADM) declines

### **Key Considerations from the Administration's Point of View**

This forecast is calculated as prescribed in statute and with the information that is available to date. Because of this, there are always variables or uncertainties that might result in a different outcome than what is forecasted. For instance, the December 1 letter last year predicted an average nine percent increase in education property tax bills, in large part due to a forecasted decline in non-property tax revenues in the Education Fund that did not materialize. This year, we find ourselves in a very different situation, where if the full \$90 million was applied to lowering rates, we could lower bills by an average of nearly nine percent. This illustrates the high degree of uncertainty in the Education Fund and the economy as a whole because of the pandemic.

It's important to remember the property tax rate is only one piece of the property tax bill formula. Another important factor is the Common Level of Appraisal (CLA). The CLA is a mechanism that helps ensure uniform property values across the state. When fair market property values increase in a town, it decreases the town's CLA, which causes the town's tax rate on bills to increase. Given the increased value in real estate in Vermont this year, the CLA is expected to go down in many communities which means actual tax rates in those towns could be much higher than the forecasted statewide rate. Districts should be especially mindful this year when considering the potential tax impacts that lower CLAs may have on their member towns. Other variations from the forecasted statewide rate can also be expected because locally voted per pupil spending is still the primary driver of a town's tax rate.

The \$90 million in forecasted unreserved/unallocated funds from FY22 is primarily a result of higher-than-expected performance of the non-property tax revenues, the FY22 education property tax credits costing less than anticipated, enhanced surplus from FY21, and other prior year reversions. This forecasted surplus is one time money, which means we must be careful not to use it in ways that build ongoing costs which would need to be covered by future property taxes.

While school district budgeting is well underway, the Administration would also encourage school boards to be strategic in how they deploy the nearly \$400 million they received directly through federal Elementary and Secondary School Emergency Relief (ESSER) funds. This funding can be used for impactful initiatives like universal afterschool and summer programming, improving our education infrastructure and addressing learning loss – all critical priorities to give our kids the best possible education and opportunities from cradle to career. These short-term federal funds will not replace ongoing revenue needs, and we must be cautious, regardless of the funding source, to not create budget cliffs in one to three years when these surpluses and federal dollars are depleted.

With these factors in mind, and in consideration of this extremely rare opportunity to provide relief to Vermonters who have put so much into this system, the Governor and Administration would like to see half of the surplus, \$45 million, returned to property taxpayers. There is also an opportunity to address some of the ongoing and upcoming education and workforce pipeline issues with the remaining \$45 million, an opportunity that will likely have a positive effect on student experiences and outcomes into the future. Given our workforce shortage across all

sectors, the Governor would like to see the other \$45 million reinvested into our students and used for one time school capital construction costs that will directly enhance workforce development programs, such as enhancements to CTE centers. The Administration would welcome the opportunity to work with the Legislature and school boards to achieve these two objectives.

While the pandemic has created upheaval in so many areas of our society, the impact on our students – from an educational, social, and emotional perspective – has been among the most significant. That is why it remains so critical to help Vermont’s children and families recover so they can thrive long into the future. I extend my thanks to the families, students, teachers, school boards, and support staff who have navigated this landscape with grace and a focus on the health and wellbeing of children.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Bolio". The signature is fluid and cursive, with the first name "Craig" written in a larger, more prominent script than the last name "Bolio".

Craig Bolio  
Commissioner, Department of Taxes

cc: Kristin Clouser, Interim Secretary, Agency of Administration  
Daniel French, Secretary, Agency of Education  
Adam Greshin, Commissioner, Department of Finance and Management  
Rep. Janet Ancel  
Sen. Ann Cummings  
Rep. Kathryn Webb  
Sen. Brian Champion  
Catherine Benham, Joint Fiscal Office  
Jennifer Carbee, Office of Legislative Counsel