

# Facts About Act 60 and Act 68

## *Vermont School Boards Association Resource Directory Spring 2004*

The following is excerpts taken from the *Vermont School Boards Association Resource Directory, Spring 2004*. Act 60 and Act 68 have been very difficult to understand and their implications have been severe to the communities of Ludlow and Mt. Holly. The information that was published in this guide defines several key components to the acts as passed and we hope they help you understand the challenges facing the school board as budget time approaches.

“Act 60, also known as the Equal Educational Opportunity Act, was signed into law in June 1997. The Legislature drafted the law in response to a Vermont Supreme court decision that said Vermont’s existing educational funding system was unconstitutional. The court, in *Brigham v. State of Vermont*, concluded that the state must provide “substantially equal access” to education for all Vermont students, regardless of where they reside.

H-480 or Act 68 was passed during the 2003 legislative session.

Most of the significant changes in Act 68 take effect in FY2005 (starting July 1, 2004) One major difference between Act 60 and Act 68 is that starting in FY2005, Vermont properties statewide are divided for purposes of school taxes into two separate grand lists.

The residential grand list consists of all property that is considered part of a homestead owned and occupied by a Vermont resident which includes the principal dwelling and all contiguous land “without regard to an road which intersects the land.” Note that the definition of homestead is changed as of FY2005 from the Act 60 definition of a residence and two acres. Excepted from the new definition of homestead are any detached (from the home) buildings used for business purposes as well as the current law that exempts up to 25% of the floor space of the principal dwelling that is used for business purposes.

Under Act 60, homeowners had to declare ownership of a homestead only for purposes of qualifying for income sensitivity. Now all residents who own and occupy a primary residence in Vermont are required to register their homesteads and there are penalties for failure to do so properly. The homestead tax rate will apply only to those for which a declaration has been made. The effective rate is \$1.05 (still adjusted by the CLA) and translates into a per equalized pupil base education payment (formerly the block grant) of \$6,800 in FY2005. The base figure will be adjusted for inflation yearly using the index for government goods and services -the same index used currently. The residential rate will vary directly with local school spending. For example if a district spends 10% more than \$6,800 per pupil (\$7,480), the effective residential tax rates will equal \$1.16 which is 10% more than \$1.05. This direct relationship between spending and tax rate should serve to make residents more attentive to the budgets for which they vote.

In an entirely new provision, Act 68 defines excess spending, and residential taxpayers will apply double for the amount of spending that falls into this category. In FY2005 excess spending is defined as spending per pupil in excess of 135% of the statewide average. The threshold drops to 130% in 2006 and settles in at 125% in 2007 and thereafter. Education spending (pre-K – 12) is

calculated as follows: starting with the budget adopted by a school district, add any union school assessment (if applicable), technical center payments and any deficit from previous year; they subtract any local non-property tax revenue and all state categorical grants (transportation, special ed, small schools, etc.) and all federal revenues. The results of this calculation is a district's education spending which when divided by equalized students is the district's per pupil spending (16 V.S.A 400(6)) *For purposes of determining 'excess spending' capital construction costs are removed from the calculation.*

The non-residential grand list will consist of all property that is not declared and determined to be a homestead. The effective tax rate (again, modified by the local CLA) on non-residential property starting in FY 2005 will be \$1.54. Unlike the residential rate which will change with changes in school spending, the non-residential rate can be modified only by the General Assembly.

While the residential property tax is assessed on the new definition of homestead -all property surrounding a primary residence -income sensitivity is provided only on a residence and two acres (as under Act 60), and that is now defined as a housesite.

The percent of income remains at 2% for spending at the \$6,800 base education payment level. Like the local residential tax rate, the percent of income will rise proportionately to per pupil spending. So in the example above, if spending is 10% more than \$6,800 per pupil (\$7,480), those who qualify for income sensitivity will pay 2.2% of their income (10% more than the base 2%). An additional help is provided to those eligible taxpayers who own more than 2 acres in the form of a \$10 per acre tax credit for up to 5 acres owned in excess of the two acres which are part of the housesite. The General Assembly noted its intent to extend this benefit to up to 25 acres (above the 2 acre housesite) when funds are available.

Currently, many eligible taxpayers pay taxes on the basis of their homestead minus \$15,000. This option will be available only to those with income below \$47,000 starting in FY2005.

Other provisions of Act 68 provide for the following:

FY2005 and after

- Split grand list — Base homestead tax rate \$1.05 — fluctuates with per pupil spending. Non-homestead tax rate \$1.54
- Tax rates could move up or down depending on the status of the education fund reserve. This is partial protection for over taxation based only on increasing property tax values as we have experienced the last several years.
- Education base payment per equalized pupil is \$6,800 in FY2005 changes annually based on current index.
- A provision to recognize and establish a method to Increase student counts for districts experiencing rapid enrollment increases.
- Tax bills will have an insert showing the relationship between school spending and the homestead tax rate.

- Current special education formula caps are retained (until enactment of new formula).
- Maintains small schools grants and provides a 5 year transition for schools that may become ineligible because of school consolidation.
- Capital construction aid at 50% for projects that consolidate grades, classes, supervisory or other functions in facilities in a more cost-effect manner or for union or joint contract districts that form a build a consolidated school.
- Establishes a requirement that any school budget proposal must outline anticipated tax rates and income sensitivity rates that will result if the budget passes.
- Directs the Commissioner of Education and the Secretary of Human Services to develop a plan for providing education and services to special education students served by both entities.
- Provides for a study of educational quality and efficiency to ascertain what level of funding is necessary and sufficient to provide for a sound education to its students (\$50,000 appropriation).
- Beginning in FY2006 establish an equalized pupil count for union school districts and directs union schools to use the count to illustrate per pupil spending amounts and tax rate effects on member school districts.
- Provides a payment for non-enrolled (e.g. home schooled) student enrolled in technical centers.
- Directs the state to pay on behalf of school districts the appropriate portion of the base education payment for each FT going to a technical center and that amount shall be considered both a revenue and an expense for the school district. The money is the same: the accounting is different to clarify that this is a district expense.
- In calculating the common level of appraisal, if an outlier would significantly affect the common level of determination. It can be eliminated from the CLA calculation.”

There are other provisions and some that have started before the 2005 Fiscal year such as the increase in sales tax from 5% to 6% as of October 1, 2003. We hope this helps you understand some of the aspects of Act 60 and Act 68. If you would like a copy of the article in full or have any questions, please feel free to contact the superintendents’ office (228-2541).

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