

**Addendum**  
**BUUSD Board Meeting**  
**March 9, 2023**

## **What Happens When the School Budget Does Not Pass**

### **All districts except those with specific charter provisions**

This memo describes what occurs if a district does not adopt its budget on the first attempt. Please keep in mind, the State does not impose a budget on a district at any time. The district must keep voting until a budget passes.

### **Budget Adoption by Floor Vote**

If a school district does not adopt a budget at its annual meeting it must try again at a duly warned special meeting – 16 VSA § 428(a) . For a union school district, the applicable section is 16 V.S.A. § 711a(a). For incorporated school districts, the requirement to try again is 16 V.S.A. § 511(a). The subsequent meeting must be held not less than 30 or more than 40 days after the warning notice (17 VSA § 2641). Under the adoption process where the vote occurs at the annual meeting, a budget is usually adopted by the end of the meeting although sometimes at a different amount than originally proposed by the board. Most failed budgets occur under the Australian ballot system.

### **Budget Adopted by Australian Ballot**

If the budget is voted using an Australian ballot and fails, the law requires the legislative body (the school board) to prepare a revised budget and set a new date for the vote. The date of an Australian ballot revote must be at least seven days following the warning notice with the informational meeting taking place at least five days after the notice. If the revised budget fails, this procedure is repeated until a budget is adopted. (17 VSA § 2680(c)). For a union school district, the applicable section is 16 V.S.A. § 711e(f).

### **Available Funding While Budget Is Pending**

If the budget has not been adopted by the start of the school year regardless of the voting method, the board must still operate the school. Categorical grants from the State will still be paid, e.g., special education, small school, and transportation aid. If a district has not adopted a budget within 30 days of the payment date, education spending payments due a district on September 10, December 10, and April 30 will be based on one-quarter of the base education amount times the number of the district's equalized pupils. Once a budget is adopted, the difference will be made up in the remaining payments (16 VSA § 4028(a)).

The limited funding described above will carry most districts through a good portion of the year. If additional funding is needed, the board may borrow enough money so that it has an amount from all funds equal to 87 percent of the most recently approved budget (16 VSA § 566).

## **Tax Rates While Budget Is Pending**

The district's associated town must collect the nonresidential education property tax, with or without an adopted budget at a rate set by the tax commissioner. If the district has not adopted a budget by June 30, the tax commissioner will issue an interim homestead tax rate by adjusting the base homestead tax rate by the town's CLA. Once a budget is adopted, the correct homestead rate will be set within 30 days, but after the 30-day reconsideration period. The difference must be collected by the town – 32 VSA § 5402(b)(3).

Housesite tax adjustments are determined using household income and school tax information from the prior year and can be made even if the district has not yet adopted a budget for the next year. Towns will have the necessary tax adjustment information to adjust the tax bills of eligible housesite owners based on data provided to them by the Tax Department. Towns will issue tax bills so that any interim tax bills will include the income adjustments.

## **Considerations for Union and Member Districts**

Union and member districts have special considerations if the budget for one, the other, or both fails. In any of these cases, the homestead tax rate collected by the associated town cannot be set by the tax commissioner until all budgets have been adopted by the voters.

Until both (in some cases all three) budgets have passed, the interim homestead tax rate provision of 32 VSA 5402(b)(3) applies. The interim tax rate is the base homestead tax rate for that year divided by the municipality's common level of appraisal. The nonresidential rate is not affected and will be set at the state rate regardless of a district's budget adoption status.

The interim tax rate provision notwithstanding, full funding will be provided to the union or member district with an adopted budget. The union or member district that has not adopted a budget will receive partial funding under the provisions of 16 VSA § 4028(a) as described above until a budget is adopted.

1. Budget Revote- If your budget failed by Australian ballot, remember that [17 VSA 2680](#) permits a municipality to do a “quick turnaround” vote for budget only. This shortened warning period is only an option and not required.

*“(2) If a budget voted on by Australian ballot is rejected, the legislative body shall prepare a revised budget.*

*(A) The legislative body shall establish a date for the vote on the revised budget and shall take appropriate steps to warn a public informational meeting on the budget and the vote. The date of the public informational meeting shall be at least five days following the public notice. **The date of the vote shall be at least seven days following the public notice.***

*(B) The vote on the revised budget shall be by Australian ballot and shall take place in the same locations that the first vote was taken; provided, however, that if that polling place is unavailable, the vote may be held at a different location, with notice posted of the meeting location at the original location.”*