

# **ADDENDUM**

**Finance Committee Meeting**

**October 16, 2023**

# FY25 Budgeting Information

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# FY25 Budgeting

- Impact of Act 127
- Homestead Tax Rate Calculation

# Act 127

- Signed into law in 2022
- **Changes to weighting structure implemented under Act 60 of 1997**
- Act 60 came about as a response to the Vermont Supreme Court's ruling that the current education formula violated the state's constitution
- A study determined that the formula used for determining the costs for educating students was outdated and did not reflect true costs
- The intent is to allow districts with students deemed to cost more to educate to increase services and educational capacity
- The equalized pupil calculation will change to long-term weighted ADM starting in FY25 with new weights for students
- Equalized pupils applies different weighting based on Pre-K, Elementary, Secondary, Poverty, and ELL

# Act 127

New weights: Every student starts with a weight of 1.0

- Grade Level:
  - PreK (-0.54), Grades K-5 (0), Grades 6-8 (+0.36), Grades 9-12 (+0.39)
- Free and Reduced Lunch Status (+1.03)
- Population Density per square mile (sparsity)
  - <36 (+0.15), 36-55 (+0.12), 55-100 (+0.07)
- Small Schools by Enrollment:
  - <100 (+0.21), >100 but <250 (+0.07) \*This provision eliminates the Small School Grant
- English Language Learner status (+2.49)

# Act 127

## Factors affecting BUUSD district student weights

- We have high FRL numbers in BC, low FRL numbers in BT
- Barre doesn't qualify for sparsity weights
- Barre doesn't qualify for small school status
- We have significantly low ELL numbers

# Act 127

The impact in numbers:

## *FY24 Equalized Pupil Comparison*

	EqPupil	LTWADM	Change
Barre	2,205.25	3,097.47	+892.22

While this number is higher, Barre is still disadvantaged by the new weighting formula:

State Avg. 57.2%

Barre Avg. 42.2%

# Act 127 Rollout

- Property tax increase capped at 5% per year through FY29
- Tax cap requires per pupil spending increases to not exceed 10% per year
- Increases over 10% for per pupil spending will require review and approval from a committee made up of the secretary of education, along with 3 superintendents and 3 business managers
- Committee will not meet until after taxpayers have approved a budget

# Basic Homestead Tax Rate

Property taxes for education are a state tax.

There are many factors outside of local control that ultimately affect local tax rates.

# Basic Homestead Tax Rate

Expenditures  
- Offsetting Revenues  
Education Spending

**Education Spending** is defined as all of the money that a school district has determined is necessary to spend in the school year, less any offsetting revenue.

# Basic Homestead Tax Rate

Expenditures

-Offsetting Revenues

Education Spending

÷ LTWADM

Per Pupil Spending

Long Term Weighted Average Daily Membership a two year weighted average of ADM (average daily membership).

Per pupil spending is how the state determines a district's cost to educate a student. This number is required to be printed on the article for the budget vote, but that requirement has been suspended as part of Act 127.

# Basic Homestead Tax Rate

Expenditures

-Offsetting Revenues

Education Spending

÷ LTWADM

Per Pupil Spending

÷ Property Yield

Equalized Homestead Rate

The Property Yield is the amount of the per pupil spending covered by a \$1.00 tax rate. In other words, it is the value of \$1 on your property tax bill. This figure is largely determined by overall statewide education spending.

# Basic Homestead Tax Rate

Expenditures

-Offsetting Revenues

Education Spending

÷ LTWADM

Per Pupil Spending

÷ Property Yield

Equalized Homestead Rate

÷ Common Level of Appraisal

Actual Homestead Rate

The Common Level of Appraisal (CLA) is a method used by the state in an attempt to tax based on fair market value, since towns can go many years between re-appraisals.

*\*The Actual Homestead Rate is before any income sensitivity is applied.*

# Basic Homestead Tax Rate Example

Expenditures	\$50,000,000
<u>-Offsetting Revenues</u>	<u>-\$ 5,000,000</u>
Education Spending	\$ 45,000,000
<u>÷ LTWADM</u>	<u>÷ 2,500</u>
Per Pupil Spending	\$ 18,000
<u>÷ Property Yield</u>	<u>÷ \$ 12,000</u>
Equalized Homestead Rate	\$ 1.5
<u>÷ Common Level of Appraisal</u>	<u>÷ 95%</u>
Actual Homestead Rate	\$ 1.57

# FY25 Budgeting Information

Draft 1 -

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Presented to Finance Committee Nov. 13th  
Board Nov. 29th