

Free Tuition for All Vermont Students – S.231 & H.792

This bill would create a Vermont Scholarship Promise Program, which would be a tuition-free scholarship program for Vermont students attending the University of Vermont (UVM) or the Vermont State Colleges (VSC), including the Community College of Vermont (CCV). The bill proposes to fund the scholarship program by shifting the education tax from the property tax to an income tax for many high-income Vermont homeowners.

The Vermont Scholarship Promise Program. For a student to get the scholarship they must...

1. Meet the Vermont residency requirements for the University of Vermont or the Vermont State Colleges.
2. Attend the University of Vermont or one of the Vermont State Colleges.
3. Be enrolled full time in a program that will lead to a certificate, an associate's degree or a bachelor's degree.
4. Maintain a 2.5 grade point average.
5. Graduate (or achieve the certificate).

The Vermont Scholarship Promise Fund. The bill would create the fund starting in FY2020, with \$30 million being transferred from the Education Fund into the Promise Fund. In each succeeding year the amount appropriated and transferred shall be increased over \$30 million at an amount agreed upon by Joint Fiscal Office and the Administration using the National Income and Product Accounts (NIPA) formula.

- Students will be required to fill out a FAFSA form; the Vermont Scholarship Promise Fund monies will be the “last dollar” for tuition, so other grant and scholarship funds available to the student will be leveraged first.
- Funds will be paid directly to the university or college that the student is attending.
- Students will also be eligible for \$200/year towards books and fees.
- The Fund will be administered by the Vermont Student Assistance Corporation (VSAC).
- An annual report about the Fund and its effectiveness for students will be prepared each year by VSAC and the Higher Education Subcommittee of the PreK-16 Council and delivered to the legislature.

Funding the Vermont Promise Scholarship Fund. The bill proposes to change the Education Tax system in Vermont to “income sensitize” more Vermonters.

- This change makes the education tax more progressive by ensuring that Vermonters with incomes of less than \$137,500.00 will pay either a percentage of their income, or the regular property tax rate, whichever is less.
- For Vermonters with incomes of more than \$137,500.00, they will pay either a percentage of their income, or the regular property tax rate, whichever is more.
- This change is only for residential property tax payers, and the change is only for the homestead**.

The additional revenue created by this change would flow to the education fund, and then the amount needed each year for the free tuition would go to the Vermont Promise Scholarship Fund.

***A homestead is the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by the resident as the person's domicile.*

Education Income Tax Study Committee. The bill would create a study committee to analyze how to transition Vermont from a statewide education property tax to an education tax based solely on income. The committee would specifically be tasked with investigating:

1. How best to structure a progressive education income tax;
2. How to incorporate the revenue reductions in the education property tax and the creation of the education income tax into the revenues and obligations for the Education Fund;
3. How best to collect and administer an education income tax; and
4. How best to treat renters under an education income tax.

The committee would be comprised of 3 members of the House of Representatives and 3 members of the Senate, not all from the same political party. The committee would write a report with its findings and specific recommendations for legislative action on or before January 15, 2019.