

Education Funding – Four Step Process

1. Districts adopt budgets
2. Districts submit budget data
3. AOE determines district education spending amount
4. AOE pays districts the education spending amount from Education Fund plus any categorical grants

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What Is Education Spending?

Budget adopted by Town or Union District
 + Deficit from prior year (if any)
 Budgeted Expenditures

Budgeted Expenditures
 – Expected revenues, state categorical grants,
federal revenues, etc., (i.e., non-prop. tax)
 Education Spending

(Statewide total about \$ 1,259 million in FY2015)

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What Are Categorical Grants?

FY2015 data, in millions

| | |
|-------------------------------|---------------|
| Special Education Aid | \$ 173 |
| Transportation Aid | \$ 17 |
| Aid for State-Placed Students | \$ 17 |
| Technical Education Aid | \$ 14 |
| Small School Grants | \$ 8 |
| Essential Early Education Aid | \$ 6 |
| Total | \$ 235 |

Education Fund Pays to Districts

Categorical Grants ~ \$ 235 Million
 + Education Spending ~ \$ 1,259 Million
Total payments ~ \$ 1,494 Million

Other uses ~ \$ 20 Million
 Adult education & literacy Community High School of Vermont Renter rebate
 Reappraisal & listing Accounting & auditing

Education Fund, FY2015

Sources, estimates in millions

| | |
|---|-----------------|
| Non-residential property tax | \$ 597 |
| General Fund transfer | \$ 296 |
| 35% sales and use tax | \$ 127 |
| 1/3 purchase and use tax | \$ 32 |
| Lottery | \$ 23 |
| Medicaid transfer | \$ 6 |
| Other sources (wind & solar property tax) | \$ 1 |
| Total | \$ 1,082 |

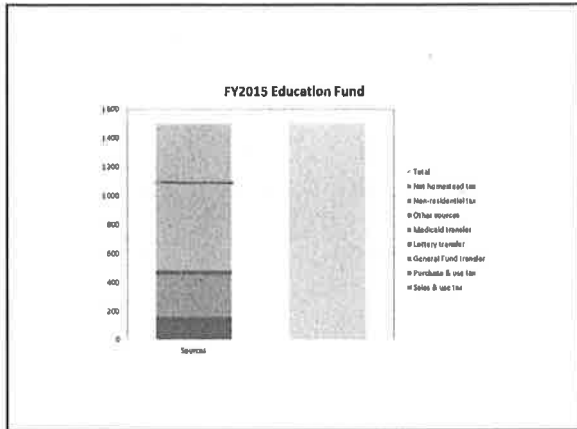
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Where's the Missing Money?

Sources, estimates in millions

- Homestead property tax = \$ 426 million
 - Homestead taxes, gross = \$ 578 million
 - Homestead tax adjustments = \$ 152 million
- Tax rates are based on per pupil spending; taxes paid are based on:
 1. percentage of homestead market value
 2. percentage of household income

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FY2015 Homestead Rate Calculation

| | | |
|-----|--------------------------------|--------------|
| 1. | Expenditures = | \$ 2,800,000 |
| 2. | - Offsetting revenues = | \$ 200,000 |
| 3. | Education spending = | \$ 2,600,000 |
| 4. | + Equalized pupils = | 200.00 |
| 5. | Ed Spending / EqPup = | \$ 13,000.00 |
| 6. | + Base education amount = | \$ 9,285 |
| 7. | District spending adjustment = | 140.011% |
| 8. | x Base homestead rate = | \$ 0.98 |
| 9. | Equalized homestead rate = | \$ 1.3721 |
| 10. | + CLA = | 90% |
| 11. | Actual homestead rate = | \$ 1.5246 |

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Why does my tax rate go up even though the school district budget is flat?

Possibility 1

The student count may have dropped while the budget has remained flat.

Tax rates are dependent on spending per pupil, not the overall budget.

Why does my tax rate go up even though the school district budget is flat?

Possibility 2

Revenue sources may have changed and less offsetting revenues are available to reduce education spending.

Therefore, as education spending increases, tax rates increase, all else being constant.

Why does my tax rate go up even though the school district budget is flat?

Possibility 3

Property values may have increased without a town-wide reappraisal, as reflected by a lower CLA.

Education property tax rates are assessed on the fair market value for properties.

Why does my tax rate go up even though the school district budget is flat?

Possibility 4

The majority of the other districts in the state may have increased their overall education spending.

It is a statewide system and local decisions are felt throughout the state via the base education tax rates.

Basic Homestead Tax Rate Derivation

| | | FY2015 |
|-----|---|----------------|
| 1. | Expenditures | 2,800,000 |
| 2. | - <u>Offsetting Revenues</u> | <u>200,000</u> |
| 3. | Education Spending | 2,600,000 |
| | | |
| 4. | + <u>Equalized Pupils</u> | <u>200.00</u> |
| 5. | Ed Spend / EqPup | 13,000:00 |
| | | |
| 6. | + <u>Base amount (divisor for tax rate)</u> | <u>9,285</u> |
| 7. | District Spending Adjustment | 140.011% |
| | | |
| 8. | x <u>Base Homestead Rate</u> | <u>0.98</u> |
| 9. | Equalized Homestead Rate | 1.3721 |
| | | |
| 10. | + <u>CLA</u> | <u>90.00%</u> |
| 11. | Actual Homestead Rate | 1.5246 |

Line notes:

1. Expenditures are all dollars a school district plans to spend - i.e., the budget.
2. Local revenues are money the school district already has or is owed: federal dollars, state aid for special education, transportation, small schools, tuitions, surplus, interest bearing accounts, private donations, etc.
3. Education spending is the amount that needs to be raised by education property taxes, augmented by other Education Fund revenues.
4. Equalized pupils are a two-year weighted average.
5. Education spending per equalized pupil determines the education homestead tax rate.
6. Base amount is statutorily set by a CPI index and is used as a comparison to a district's education spending per equalized pupil.
7. District spending adjustment is the percentage the district spends over the base amount.
8. Base homestead tax rate is set annually by the Legislature and approved by the Governor.
9. Equalized homestead tax rate is the rate a district would have if all properties were assessed at fair market value.
10. Common level of appraisal (CLA) is the ratio of the town's listed values versus the State's listed value. The State's listed value is comprised of actual sales, generally averaged over three years. The State's fair market value is the equalized education grand list.
11. Actual homestead rate is the education tax rate seen on a property tax bill of a resident homeowner.

Homestead Tax Rate Derivation Union Members

| | | Local Elementary School | Union High School |
|-------|---|----------------------------|-------------------|
| | | <u>FY2015</u> | <u>FY2015</u> |
| 1. | Expenditures | 2,800,000 | 10,600,000 |
| 2. | - Offsetting Revenues | 200,000 | 2,200,000 |
| 3. | Education Spending | 2,600,000 | 8,400,000 |
| 4. | + Equalized Pupils | 200.00 | 700.00 |
| 5. | Ed Spend / EqPup | 13,000.00 | 12,000.00 |
| 6. | + Base amount (divisor for tax rate) | 9,285 | 9,285 |
| 7. | District Spending Adjustment | 140.011% | 129.241% |
| 8. | x Base Homestead Rate | 0.98 | 0.98 |
| 9. | Equalized Homestead Rate | 1.3721 | 1.2666 |
| <hr/> | | | |
| 10. | x Percent equalized pupils | 40.00% | 60.00% |
| 11. | Actual rate attributable to local school district | 0.5488 | 0.7600 |
| 12. | Total Eq Homestead Rate | 1.3088 | |
| 13. | + CLA | 90.00% | |
| 14. | Actual Homestead Rate | 1.4542 | |

District: **Bridport**
County: **Addison Central**

LEA: **T029**
S.U.: **Addison**

| | | | | |
|-----|---|--------------------------------|-----------|-----|
| 1. | Local budgeted expenditures including any separate articles | | 1,464,069 | 1. |
| 2. | Act 144 expenditures | - | | 2. |
| 3. | Obligation to a regional technical center school district if any | - | | 3. |
| 4. | Obligation to repay a deficit per 24 V.S.A. § 1523(b) | - | | 4. |
| 5. | Obligation to repay difference between allowable and announced tuition | - | | 5. |
| 6. | Total Expenditures net of Act 144 dollars | (lines 1 + 3 + 4 + 5) - line 2 | 1,464,069 | 6. |
| 7. | Total local revenues (do NOT include revcode 3114, the on-behalf payment) | | 198,961 | 7. |
| 8. | Act 144 dedicated revenues | - | | 8. |
| 9. | Act 144 expenditures to raise locally | - | | 9. |
| 10. | Local revenues less Act 144 revenues | line 7 - (lines 8 + 9) | 198,961 | 10. |
| 11. | Initial Education Spending | line 6 - line 10 | 1,265,108 | 11. |
| 12. | Capital debt hold-harmless aid | line 16, "CDaid" page | - | 12. |
| 13. | Education Spending | line 11 - line 12 | 1,265,108 | 13. |
| 14. | Equalized pupils | | 75.03 | 14. |
| 15. | Education spending per equalized pupil | line 13 / line 14 | 16,861.36 | 15. |

| Excess Spending Calculation | | | | |
|-----------------------------|---|----------------------|-----------|-----|
| 16. | NET Eligible FY2015 construction costs, including P&I | | 55,905 | 16. |
| 17. | Borrowing in anticipation of delayed state construction aid due district | | - | 17. |
| 18. | P&I for approved construction or payment into reserve fund (24 V.S.A. § 2804) | | - | 18. |
| 19. | Cost of planning the merger of a small school (average grade size ≤ 20 students) | | - | 19. |
| 20. | SpEd costs, two years prior, in excess of \$50,000 per pupil | | - | 20. |
| 21. | If tuitioning all students, a deficit due SOLELY to the cost of new students moving in after the budget vote | | - | 21. |
| 22. | If tuitioning all students and new students move in after census period, student number greater than ADM times average tuition rate | | - | 22. |
| 23. | Total tuitions if tuitioning all K - 12 students unless electorate has authorized payments greater than average announced tuitions | | - | |
| 24. | If a district has ≤ 20 equp and tuitions grades K - 12, any excess spending due SOLELY to new special education spending (2007, No. 66, § 12) | | - | |
| 25. | Total eligible exclusions | Sum of lines 16 - 24 | 55,905.00 | 25. |
| 26. | Eligible FY2015 exclusions per pupil, including P&I | line 25 / line 14 | 745.10 | 26. |
| 27. | Per pupil figure to use for Excess Spending | line 15 - line 26 | 16,116.26 | 27. |
| 28. | Excess spending threshold | | 16,166 | 28. |
| 29. | Per pupil spending above the threshold | line 27 - line 28 | NA | 29. |

| | | | | |
|-----|---|----------------------------------|-----------|-----|
| 30. | Per pupil figure used for calculating District Spending Adjustment | line 15 + line 29 | 16,861.36 | 30. |
| 31. | District spending adjustment | max of 100% or (line 30 / 9,285) | 181.598% | 31. |
| 32. | Equalized homestead tax rate to be prorated | line 31 x \$0.98 | 1.7797 | 32. |
| 33. | Percent of Bridport equalized pupils not in a union school district | | 40.96% | 33. |
| 34. | Portion of equalized homestead tax rate to be assessed by town | lines 32 x line 33 | 0.7290 | 34. |
| 35. | Common level of appraisal | | 95.57% | 35. |
| 36. | Estimated actual homestead tax rate of district to be assessed | lines 34 / line 35 | 0.7628 | 36. |
| 37. | Equalized homestead rate from Middlebury UHSD #3 | MANUAL | 1.7377 | 37. |
| 38. | Percent of Bridport equalized pupils at Middlebury UHSD #3 | | 59.04% | 38. |
| 39. | Prorated equalized rate from Middlebury UHSD #3 | | 1.0259 | 39. |
| 40. | Estimated actual rate from Middlebury UHSD #3 to be assessed | lines 39 / line 35 | 1.0735 | 40. |
| 41. | | MANUAL | | 41. |
| 42. | | | - | 42. |
| 43. | | | - | 43. |
| 44. | | | - | 44. |
| 45. | Total equalized homestead rate for Bridport | lines 34 + 39 + 43 | 1.7549 | 45. |
| 46. | Total estimated actual homestead rate for Bridport | lines 36 + 40 + 44 | 1.8363 | 46. |
| 47. | Equalized non-residential tax rate | | 1.515 | 47. |
| 48. | Estimated actual non-residential tax rate | lines 47 / line 35 | 1.5852 | 48. |

| | | | | |
|-----|--|-----------------------|-----------|-----|
| 49. | Education spending | line 13 | 1,265,108 | 49. |
| 50. | Tech FTE's | | - | 50. |
| 51. | Base education amount for tech FTE's, paid on behalf of district (This is not a local revenue. It reduces the education spending a district is owed.) | line 50 x 9,285 x 87% | - | 51. |
| 52. | Adjusted education spending due the district from Ed Fund | lines 49 - 51 | 1,265,108 | 52. |

| | | | | |
|-----|-------------------------------------|--------|---|-----|
| 53. | Amount to raise locally for Act 144 | line 9 | - | 53. |
|-----|-------------------------------------|--------|---|-----|

| | | | | |
|-----|--|---------------------------------------|--------|-----|
| 54. | Prorated income cap percentage for Bridport education property tax if eligible | 1.80% x 0.00% x 0.00% (lines 31 & 33) | 1.34% | 54. |
| 55. | Spending adjustment from Middlebury UHSD #3 | "FY14EstUnion", line 20 (%) | MANUAL | 55. |
| 56. | Prorated income cap percentage from Middlebury UHSD #3 | 1.80% x 59.04% x 0.00% | - | 56. |
| 57. | | "FY14EstUnion", line 20 (%) | MANUAL | 57. |
| 58. | | | - | 58. |
| 59. | Estimated income cap percentage for Bridport education property tax | | 1.34% | 59. |



FY2015 Education Funding Cash Flow for Municipality, Phase I
Based on PRELIMINARY Education Grand Lists sent to PV&R as of 02-Sep-14

District: **Stowe**
s.u.: **Lamoille South S.U.**

LEA ID: **T198**
County: **Lamoille**

FY2015 Education Spending Summary

Local

| | | | | | |
|---|-----------------|-----------|-------|-------|----|
| 1. Total Education Grant Owed to the School Districts | line 19, Page 2 | 9,685,295 | - | - | 1. |
| 2. Percent of equalized pupils at school district(s) from Stowe | | 100% | 0.00% | 0.00% | 2. |
| 3. Education spending Stowe is responsible for | line 1 x line 2 | 9,685,295 | - | - | 3. |

| | Reference | Municipal Treasury | School District Treasury | State Treasury | |
|--|---|--------------------|--------------------------|----------------|-----|
| 4. Homestead Education Tax | | | | | |
| 4. Homestead Education Grand List | 4,801,823.00 | | | | 4. |
| 5. Homestead tax rate (base rate is \$0.98, adjusted by district spending per pupil and CLA) | 1.4886 | | | | 5. |
| 6. Homestead education property tax liability | 7,147,994.00 | | | | 6. |
| | <i>Homestead EGL x Homestead tax rate</i> | | | | |
| 7. Total tax credit for tax bills | 32 V.S.A. § 6066a(a) | 1,481,189.81 | | | 7. |
| 8. Municipal portion of tax credit | | 57,487.35 | | | 8. |
| 9. Education portion of homestead tax credit | | 1,423,702.46 | | | 9. |
| 10. | | - | | | 10. |
| 11. Amount raised on homestead properties | line 6 - line 9 | 5,724,291.54 | | | 11. |
| 12. 0.225 of 1.0% of homestead liability retained by municipality | 32 V.S.A. § 5402(c) | | 12,879.66 | | 12. |
| 13. Net homestead education taxes available for school districts & Education Fund | | 5,711,411.88 | | | 13. |
| 14. Local amount of homestead tax liability for education spending plus categorical grants | | 100.00% | 5,711,411.88 | | 14. |
| 15. | | | | | 15. |
| 16. | | | | | 16. |
| 17. Homestead education tax liability to the state treasury | | | | - | 17. |
| 18. Subtotals | | 5,724,291.54 | 12,879.66 | 5,711,411.88 | 18. |
| 19. Non-Residential Education Tax | | | | | |
| 19. Non-Residential education grand list | 15,593,342.00 | | | | 19. |
| 20. Non-Residential tax rate (base rate is \$1.515, adjusted by the CLA) | 1.5205 | | | | 20. |
| 21. Non-residential education liability | 23,709,677.00 | | | | 21. |
| 22. | | | | | 22. |
| 23. Amount Raised on Non-Residential properties | 23,709,677.00 | | | | 23. |
| 24. 0.225 of 1.0% of non-residential liability retained by municipality | 32 V.S.A. § 5402(c) | | 53,347.00 | | 24. |
| 25. Net non-residential education taxes available for school districts & Education Fund | | 23,656,330.00 | | | 25. |
| 26. Local amount of non-residential tax liability for education spending plus categorical grants | | 100.00% | 3,973,883.12 | | 26. |
| 27. | | | | | 27. |
| 28. | | | | | 28. |
| 29. Non-residential education liability to the State Treasury | | | | 19,682,446.88 | 29. |
| 30. Subtotals | | 23,709,677.00 | 53,347.00 | 3,973,883.12 | 30. |
| 31. Totals | line 18 + line 30 | 29,433,968.54 | 66,226.66 | 9,685,295.00 | 31. |

FY2015 Municipality Payment Schedule TO the State Treasury
(Homestead payments are based on line 18, non-residential payments on line 30)

| | September 10, 2014 | December 1, 2014 | December 10, 2014 | April 30, 2015 | June 1, 2015 |
|-----------------------|--------------------|------------------|-------------------|----------------|--------------|
| Homestead taxes | | 0.00 | | | 0.00 |
| Non-residential taxes | | 9,841,223.00 | | | 9,841,223.88 |

| A. Payments to the School District by the Town Treasurer | | School District Subtotals | |
|--|---------|---------------------------|-----|
| 16 V.S.A. §§ 426(a)(b); 32 V.S.A. § 6066a(a) | | | |
| 32. Homestead taxes to the local school district | line 14 | 5,711,411.88 | 32. |
| 33. Non-residential taxes to the local school district | line 26 | 3,973,883.12 | 33. |
| | | 9,685,295.00 | |
| 34. | line 15 | - | 34. |
| 35. | line 27 | - | 35. |
| 36. | line 16 | - | 36. |
| 37. | line 28 | - | 37. |
| 38. Act 144 local construction property tax sent to the school district by Stowe | | - | 38. |
| 39. Total education tax dollars sent to the school district by Stowe | Total | 9,685,295.00 | 39. |

If you have any questions about these data, please contact Sean Cousino at 479-1026.
If he cannot be reached, contact Brad James at 479-1043.