

Education Fund Outlook: H.911 as passed by the Legislature and Governor's Plan*

This outline summarizes the major points of agreement and disagreement between the Legislature and the Administration that affect the Education Fund and education property tax rates in FY2018-FY2020.

1. FY2018

- Both the Legislature and the Governor have agreed to transfer \$9.8 million from GF surplus to EF
- This use of one-time money serves a one-time purpose – to fully restore the EF stabilization reserve in both FY2018 and FY2019

2. FY2019

- Both H.911 and Governor's plan repeal GF transfer to EF on a revenue-neutral basis
 - Dedicates 100% of sales & use tax to EF and 25% of meals & rooms tax to EF
 - Transfers EF uses to GF:
 - Adult education
 - Community High School of VT
 - Renter rebate
 - Reappraisal & listing payment
- Both H.911 and Governor's plan reduce the property tax adjustment
 - Lowers the housesite value limit for full property tax adjustment from \$500k to \$400k beginning in FY2019 - \$1.8 million
 - Lowers the housesite value limit for a partial property tax adjustment:
 - H.911 - from \$250k to \$200k beginning in FY2019 - \$11.4 million in FY2019
 - Governor – from \$250k to \$225k in FY2019 and to \$200k beginning in FY2020 - \$5.9 million in FY2019
- Both H.911 and Governor's plan set education property tax rates – education spending increased by 1.7% (well below the 2.8% rate of inflation)
 - H.911
 - Increases the *average* homestead property tax rate from \$1.500 to **\$1.526** (a 1.7% increase in the tax rate)
 - Increase the uniform nonresidential property tax rate from \$1.535 to **\$1.590**
 - Fully funds the stabilization reserve to 5% at these tax rates
 - This sets education tax rates that are commensurate with the growth in education spending and creates no shortfall in the Education Fund in FY2020

- Governor
 - Maintains the *average* homestead property tax rate at **\$1.500**
 - Maintains the uniform nonresidential tax rate at **\$1.535**
 - Requires an additional **\$39.6 million** in one-time funds to fully fund the stabilization reserve to 5% at these tax rates
 - This use of one-time funds artificially lowers education property tax rates to cover an ongoing expenditure creating a shortfall in the Education Fund that will have to be addressed in FY2020

3. FY2020

Consequences for the Education Fund and education property tax rates assuming that statewide education spending grows by 2.6% in FY2020 (below the 2.9% rate of inflation)

- Legislature
 - Sets education property tax rates based on voter-approved growth in spending under current law
 - Fully funds the stabilization reserve at 5%
- Governor
 - *Option 1* – requires an additional **\$49.7 million** in one-time funds to maintain education property tax rates at their FY2019 levels and fully fund the stabilization reserve
 - *Option 2* – requires an increase education property tax rates
 - The average homestead property tax rate would increase from \$1.500 to **\$1.562**
 - The uniform nonresidential property tax rate would increase from \$1.535 to **\$1.591**
 - *Option 3* – requires school district to reduce statewide education spending by \$49.7 million

* There have been several proposals and draft legislation submitted to the Legislature by the Administration. Although this analysis does not conform to the draft legislation, this represents our best understanding of what the Governor has agreed to as of June 15th.

Education Fund Outlook: H.911 and Governor's Proposal

(millions)

	A	B	C		D	E
	FY2017 Actual	FY2018 Current	FY2019		FY2020	
			H.911	Governor	Governor	
a Average Homestead Property Tax Rate	\$1.527	\$1.500	\$1.526	\$1.500	\$1.562	
b Uniform Non-Homestead Property Tax Rate	\$1.535	\$1.535	\$1.590	\$1.535	\$1.591	
c Total Equalized Pupil Count	88,982	87,745*	88,359	88,359	87,475	
d Statewide Education Grand List Growth	1.67%	1.34%	1.35%	1.35%	2.10%	

Sources (actual)

1 Homestead Education Property Tax	586.8	584.5	608.2	597.7	632.5
1a Property Tax Adjustment	(170.1)	(173.0)	(163.2)	(168.7)	(164.1)
2 Non-Homestead Education Tax	632.8	646.3	677.2	653.7	691.7
3 Purchase & Use Tax	34.4	35.8	37.3	37.3	38.7
4 Meals & Rooms Tax	-	-	44.6	44.6	46.0
5 General Fund Transfer	305.9	318.0	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>
5a One-Time GF Transfer to EF	-	9.8	-	39.6	-
6 Sales & Use Tax*	131.8	136.9	403.9	403.9	412.5
7 Lottery Transfer	25.5	25.2	25.6	25.6	25.8
8 Medicaid Transfer	10.6	8.6	9.6	9.6	9.6
9 Other Sources (Wind & Solar, Other)	1.4	1.5	1.6	1.6	1.7
10 Total Sources	1,559.1	1,593.6	1,644.8	1,644.9	1,694.4

Uses (appropriations)

11 Education Payment	1,311.0	1,352.2	1,375.0	1,375.0	1,410.0
12 <i>Recapture of Teachers' Health Care Savings</i>	-	(8.4)	(4.5)	(4.5)	-
13 Special Education Aid	180.7	188.7	197.2	197.2	203.1
14 State-Placed Students	16.7	14.7	15.7	15.7	15.7
15 Transportation Aid	18.2	18.7	19.2	19.2	19.7
16 Technical Education Aid	13.5	13.6	13.9	13.9	14.0
17 Small School Support	7.7	7.6	7.6	7.6	7.6
18 Essential Early Education Aid	6.4	6.4	6.6	6.6	6.7
19 Adult Education & Literacy	1.8	2.7	<i>To GF</i>	<i>To GF</i>	<i>To GF</i>
20 Flexible Pathways	6.1	7.2	7.4	7.4	8.3
21 Community HS of Vermont (Corrections)	3.1	3.2	<i>To GF</i>	<i>To GF</i>	<i>To GF</i>
22 Renter Rebate (General Govt) - EF share	8.0	7.7	<i>To GF</i>	<i>To GF</i>	<i>To GF</i>
23 Reappraisal & Listing (General Govt)	3.4	3.5	<i>To GF</i>	<i>To GF</i>	<i>To GF</i>
24 Teachers' Pensions - normal cost	-	7.9	7.7	7.7	7.7
25 Other Uses (Accounting fees, Other)	1.1	1.4	1.1	1.1	1.1
26 Total Uses	1,577.7	1,627.0	1,646.9	1,646.9	1,693.9

Allocation of Revenue Surplus/Deficit

27 Revenue Surplus/(Deficit)	(18.6)	(33.4)	(2.0)	(2.0)	0.4
28 Prior-Year Reversion	(12.0)	(8.5)	(2.0)	(2.0)	-
29 Transfer to/(from) Stabilization Reserve	0.9	0.6	0.9	0.9	0.4
30 Transfer to/(from) Unreserved/Unallocated	(7.5)	(25.5)	(0.9)	(0.9)	(0.0)

Stabilization Reserve

31 Prior-Year Stabilization Reserve	32.6	33.5	34.1	34.1	35.0
32 Current-Year Stabilization Reserve	33.5	34.1	35.0	35.0	35.4
33 Percent of Prior-Year Net Appropriations	5.0%	5.0%	5.0%	5.0%	5.0%
34 Reserve Target @5.0%	33.5	34.1	35.0	35.0	35.4

Available Funds

35 Prior-Year Unreserved/Unallocated	33.9	26.4	0.9	0.9	-
36 Current-Year Unreserved/Unallocated	26.4	0.9	-	-	-