

Education Fund Outlook - Beck Amendment H.13 - 6/4/2018

Preliminary estimates - subject to change - not for general distribution
 FY2019 education spending data as of April 18, 2018 (93% of budgets submitted to AOE)

(millions of dollars)

	FY2017 Actual	FY2018 Before Year-End Closeout	FY2019 Projections		
			H.911	Administration	Incorporating "Base Spending Amount"
a Base Homestead Property Tax Rate	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
<i>Average Homestead Property Tax Rate</i>	\$1.527	\$1.500	\$1.526	\$1.500	\$1.500
b Base Tax Rate on Household Income	2.00%	2.00%	2.00%	2.00%	1.66%
<i>Average Tax Rate on Household Income</i>	2.70%	2.55%	2.53%	2.49%	2.49%
c Uniform Non-Homestead Property Tax Rate	\$1.535	\$1.535	\$1.590	\$1.535	\$1.535
d Property Yield Per Equalized Pupil	\$9,701	\$10,160	\$10,032	\$10,221	\$10,251
Income Yield Per Equalized Pupil	\$10,870	\$11,990	\$12,135	\$12,381	
e Base Spending Amount	-	-	-	-	\$10,150
f Total Equalized Pupil Count	88,982	Recount	88,359	88,359	88,359
g Statewide Education Grand List Growth Rate	1.4%	1.4%	1.4%	1.4%	1.4%
h Statewide Education Spending Growth Rate	1.4%	3.1%	1.8%	1.8%	1.8%

Sources (actual)

1a Homestead Education Tax Raised on Yield	586.8	584.5	608.1	597.7	201.2
1b Base Homestead Property Tax Rate	-	-			396.6
Property Tax Adjustment	(170.1)	(173.0)	(163.0)	(175.0)	(163.0)
2 Non-Homestead Education Tax	632.8	646.3	677.1	653.7	653.7
3 Sales & Use Tax	131.8	136.9	403.9	144.3	403.9
4 Purchase & Use Tax	34.4	35.8	37.3	37.30	37.3
5 Meals & Rooms Tax	-	-	44.6	NA	44.6
6 General Fund Transfer	303.6	314.7	Repealed	322.90	Repealed
6a One-Time Additional GF Transfer	2.3	3.3	-	-	-
6b One-Time GF Transfer to EF -H.924 C.1000(d)(4)	-	9.8	-	-	-
6c GF Loan to EF					33.8
7 Lottery Transfer	25.5	25.2	25.6	25.6	25.6
6 Medicaid Transfer	10.6	8.6	9.6	8.6	9.6
11 Other Sources (Wind & Solar, Other)	1.4	1.5	1.6	1.6	1.6
12 Total Sources	1,559.1	1,593.6	1,644.9	1,616.7	1,644.8

Uses (appropriations)

13 Education Payment	1,311.0	1,352.2	1,375.0	1,375.0	1,375.0
<i>Recapture of VEHI Teachers' Health Care Savings</i>	-	(8.4)	(4.5)	(4.5)	(4.5)
14 Special Education Aid	180.7	188.7	197.2	197.2	197.2
15 State-Placed Students	16.7	14.7	15.7	15.7	15.7
15 Transportation Aid	18.2	18.7	19.2	19.2	19.2
16 Technical Education Aid	13.5	13.6	13.9	13.9	13.9
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	6.6
19 Adult Education & Literacy	1.8	2.7	Moved to GF	3.0	Moved to GF
20 Flexible Pathways	6.1	7.2	7.4	7.4	7.4
21 Community HS of Vermont (Corrections)	3.1	3.2	Moved to GF	3.3	Moved to GF
22 Renter Rebate (General Government) - EF share only	8.0	7.7	Moved to GF	7.9	Moved to GF
23 Reappraisal & Listing (General Government)	3.4	3.5	Moved to GF	3.3	Moved to GF
24 Teachers' Pensions - normal cost only	-	7.9	7.7	7.7	7.7
25 Other Uses (Accounting & Auditing, Other)	1.1	1.4	1.1	1.1	1.1
26 Total Uses	1,577.7	1,627.0	1,646.9	1,664.4	1,646.9

Allocation of Revenue Surplus/(Deficit)

27 Revenue Surplus/(Deficit)	(18.6)	(33.4)	(2.0)	(47.7)	(2.0)
28 Prior-Year Reversions (<i>adjusted</i>)	(12.0)	(8.5)	(2.0)	(2.0)	(2.0)
29 Transfer to/(from) Stabilization Reserve	0.9	0.6	0.9	0.9	0.9
30 Transfer to/(from) Unreserved/Unallocated	(7.5)	(25.5)	(0.9)	(46.6)	(0.9)

Stabilization Reserve

31 Prior-Year Stabilization Reserve	32.6	33.5	34.1	34.1	34.1
32 Current-Year Stabilization Reserve	33.5	34.1	35.0	35.0	35.0
33 Percent of Prior-Year Net Appropriations	5.0%	5.0%	5.0%	5.0%	5.0%
34 Maximum Reserve Target @ 5.0%	33.5	34.1	35.0	35.0	35.0
35 Minimum Reserve Target @ 3.5%	23.4	23.9	24.5	24.5	24.5

Available Funds

36 Prior-Year Unreserved/Unallocated	33.9	26.4	0.9	0.9	0.9
37 Current-Year Unreserved/Unallocated	26.4	0.9		(45.6)	-

*Reduced the maximum housesite value eligible for adjustment for incomes under \$90k from \$500,000 to \$400,000.

*Reduced the maximum housesite value eligible for adjustment for incomes over \$90k from \$250,000 to \$200,000.

Calculation of the Base Spending Amount FY19 - June 4, 2018

(millions of dollars)

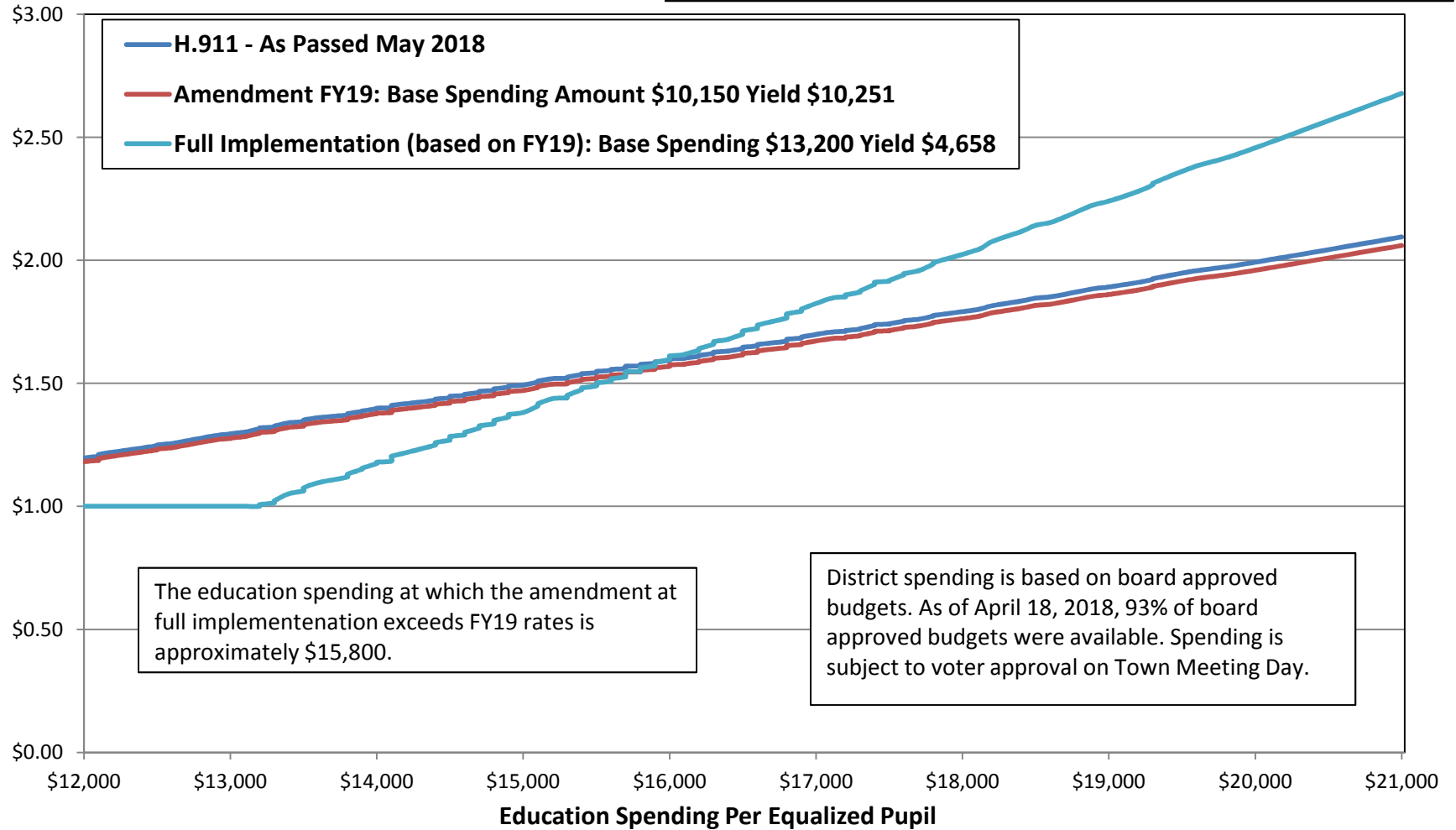
1,644.8	Education Fund Sources
<u>(597.8)</u>	Less gross homestead tax
1,047.1	
1,646.9	Education Fund uses
<u>0.9</u>	Plus FY2019 transfer to stabilization reserve
1,647.8	
<u>(1,370.5)</u>	Less net education payment (includes FY19 recapture)
277.3	Committed Education Fund uses
1,047.1	Available Education Fund sources
<u>(277.3)</u>	Less committed Education Fund uses
769.8	
<u>396.6</u>	Plus amount raised on \$1.00 on property
1,166.4	
1,166,374,000	Total Base Spending
<u>88,359</u>	Equalized pupils
\$13,200	Base spending amount per equalized pupil

Fiscal Year	Base Spending Amount	Yield	Percent of Amount Raised on \$1.00 of Property
2019	\$10,150	\$10,251	
2020	\$10,283		35%
2021	\$10,508		40%
2022	\$10,732		45%
2023	\$10,956		50%
2024	\$11,405		60%
2025	\$11,854		70%
2026	\$12,303		80%
2027	\$12,752		90%
2028	\$13,200*	\$4,658	100%

*For illustrative purposes only - the base spending amount and equivalent yield for FY20-FY28 represent iterations of the FY19 base spending amount. In practice the base spending amount will be **recalculated** each year based on the Education Fund revenues the corresponding fiscal year.

Estimated Homestead Property Tax Rates FY2019

Incorporates a base spending amount of \$10,150 with a yield of \$10,251. The base spending amount is increased annually by increasing the percentage of homestead property tax raised on \$1.00 included in the base spending amount calculation from 35% in FY20 to 100% in FY28.

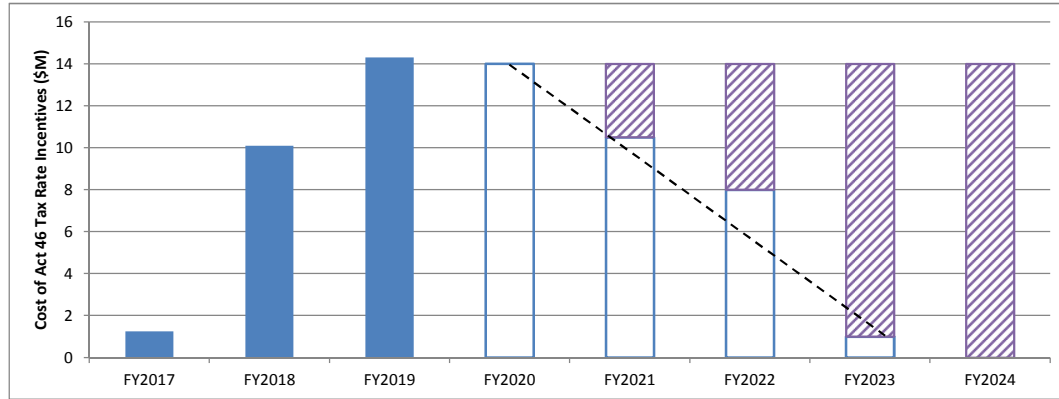


*For illustrative purposes only - the base spending amount and equivalent yields for future years are estimated based the FY19 base spending amount. In practice the base spending amount will be calculated each year base on education fund revenues and expenses.

** For clarity H.911 excess spending threshold is excluded - 6 districts affected in FY19.

Cost of Act 46 Merger Incentives
(millions of dollars)

Preliminary Estimates - subject to change



Estimates May 2018

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	Cost of Incentives FY19-FY23
1 Homestead tax rate incentives	1.25	10.1	(13.2-14.3)	(13-14.5)	(8.7-10.5)	(6.3-8)	(1-2)		(42.2-49.3)
2 Grants		1	2.3	1.6	0.7	-	-	-	2.3
3 State Administration	<i>The costs of administering Act 46 are part of AOE's budget and covered with GF dollars</i>								
Number of Unified Districts Operational	4	8	21	5	-	-	-		
4 Loan Payback				0	(3.5-5.3)	(6-7.7)	(12-13)	(12.3-14)	33.8

Notes:

- Act 46 merger incentives represent less than 1% of total EF expenditures in FY19.
- The FY19 cost ranges will range from \$13.2 - \$14.3 M depending on the final HS tax rate.
- Currently the cost of the HS tax rate incentive is spread out over all property taxpayers whether they live in an eligible or an ineligible district.
- Act 46 merger grants include: \$5,000 for consulting fees for merger exploration, \$20,000 for legal and consulting services for study committee and \$150,000 for transition costs after successful merger vote (reduced by the amount expended of the \$20,000 study grant)
- FY19 is anticipated to be the highest cost year of merger incentives - 21 new unifieds entered the program. Their incentives decrease 2 cents per year until FY23.
- If the next year of merger incentives for the existing mergers was applied to FY19 spending and tax rate data the "FY2020" cost would range from \$11-12.5M, "FY21" \$8.7-10.5M, "FY22" \$6.3-8.5M. The range is an attempt to capture the effect of the throttles provisions on the movement of town tax rates to the district rate. An additional ~\$2 million will need to be factored in for the FY20 estimate for the new eligible districts coming on which will decrease similarly to FY24.
- All merger incentives will be eliminated in FY23.

Beck Amendment to H.13

Reduce the maximum housesite eligible for adjustment for household incomes under \$90,000 from \$500,000 to \$300,000 over 5 year:

Note - Proposal also includes the legislatively-passed housesite reduction for household incomes over \$90,000 from \$250,000 to \$200,000 - which reduces program costs in FY19 by \$11.4M.

All costs based on the property tax adjustment estimates for FY19. Millions of \$\$

Fiscal Year	Maximum Housesite Value (Household Income <90k)	Net Change From Current Law	Maximum Housesite Value (Household Income >90k)	Net Change from Current Law
Current Law	\$500,000		\$250,000	
FY2019	\$400,000	(\$1.8)	\$200,000	(\$11.4)
FY2021	\$350,000	(\$4.7)	\$200,000	-
FY2023	\$300,000	(\$9.3)	\$200,000	-

Current Law - Estimated FY19 Income Sensitivity Costs

Household Income 2017	Mean Total Adjustment (\$M)	Number of Eligible Housesites (Estimate FY19)	Total Housesites
< 10,000	\$2,757	2,662	2,662
10,001 - 20,000	\$2,326	9,345	9,346
20,001 - 30,000	\$2,168	12,536	12,536
30,001 - 40,000	\$1,916	14,722	14,723
40,001 - 47,000	\$1,768	10,731	10,731
47,001 - 60,000	\$1,566	17,275	19,275
60,001 - 75,000	\$1,477	17,314	20,041
75,001 - 85,000	\$1,452	9,612	11,796
85,001 - 90,000	\$1,435	4,159	5,341
90,001 - 120,000	\$836	17,504	23,903
120,000 -147,500	\$338	7,468	11,762
> 147,500/not reported	-	-	27,402
Total	-	123,328	169,518

Proposal Estimated Income Sensitivity Costs based on FY19 data at Maximum Implementation

Reduction of maximum HS cap for household incomes under \$90,000 from \$500,000 to \$300,000.

~25 filers will lose their adjustment completely. 98,338 may see their adjustment reduced. The average reductions in adjustments for incomes <90k are summarized below.

Household Income 2017	Difference Mean Total Adjustment (\$M)	Number of Eligible Housesites (Estimate FY19)
< 10,000	(\$36)	2,662
10,001 - 20,000	(\$32)	9,345
20,001 - 30,000	(\$46)	12,535
30,001 - 40,000	(\$58)	14,719
40,001 - 47,000	(\$68)	10,729
47,001 - 60,000	(\$96)	17,272
60,001 - 75,000	(\$129)	17,309
75,001 - 85,000	(\$171)	9,610
85,001 - 90,000	(\$197)	4,157
	-	
Total	-	98,338

Housesite reduction for household incomes over \$90,000 from \$250,000 to \$200,000 - reduces program costs in FY19 by \$11.4M.

Reduces the Maximum Income Eligible from \$147,550 to \$118,010.

~8,400 filers with incomes in the range of \$118,010 - \$147,550 will lose their adjustment. 16,553 filers with incomes in the range of \$90,000 - \$118,010 may see their adjustment reduced as summarized below.

Household Income 2017	Difference Mean Total Adjustment (\$M)	Number of Eligible Housesites (Estimate FY19)
90,001 - 120,000	(\$488)	16,553
120,000 -147,500	(\$338)	-
> 147,500/not reported	-	-
	-	
Total	-	16,553