Preliminary Overview of the Administration's Education Finance Proposal – Key Issues
Joint Fiscal Office, January 26, 2017

- FY2018 -

Adds $135.9 million in expenses to the Education Fund, but increases the General Fund transfer to the Education Fund by only $86 million – a difference of nearly $50 million

- Existing General Fund expenses transferred to the Education Fund include: higher education - $83.7 million; retired teachers' health insurance - $27 million; and normal teachers' retirement - $8 million
- New spending added to the Education Fund includes: early education: $9.6 million; higher education: $6 million; and innovation grants - $1.6 million

Balances the Education Fund by level funding school district spending, by requiring teachers to pay for 20% of their health insurance premiums, and through the use of one-time revenues

- Level funds spending at its FY2017 level
  - Many districts used one-time revenues to hold their FY2017 spending below the Act 46 allowable growth thresholds – this may create problems for these districts in FY2018
- Requires all teachers to pay at least 20% of their health insurance premiums reducing spending by an additional $15 million statewide
- Uses $31 million in one-time revenues: a $26 million Education Fund surplus anticipated at the close of FY2017; and a $5 million reversion to the Education Fund anticipated in FY2018

Allows school districts to fund up to 5% of additional spending on their local education grand list (FY2018 only)

- The ability of school districts to raise these additional funds varies widely because of disparities in local education grand lists
- No income sensitivity or homeowner rebate is available for this additional tax increasing education taxes for some low-income Vermonters
- These additional funds are a one-time revenue source – these funds would not be included in a district's base spending in FY2019

- FY2019 –

Dedicates 1% of total Education Fund revenues to early education and child care

- Statewide spending on early education and child care would increase by approximately $16 to $17 million beginning in FY2019

Ties changes in spending in each school district to the percent change in student population

- School districts would be indefinitely locked into current spending levels that vary widely
- The administration assumes that statewide spending will be reduced by an additional 1% in FY2019 because of continuing loss of students

Reduces the maximum property tax adjustment from $8,000 to $5,000 per household increasing education taxes for a small number of low- and middle-income Vermonters

- Implementation -

Postpones voting from March 7th to May 23rd to allow school boards to renegotiate teacher contracts and develop FY2018 budgets in compliance with the spending mandate

- Board-approved school budgets will be sent to printers and town meeting will warned very soon, if not already
- The Legislature would need to act quickly to provide guidance to school boards and enact the proposal
- It is unclear whether the May 23rd meeting would be in addition to, or in place of, town meetings scheduled in March – if they are additional meetings, what would be the cost of the meetings and who would pay for them?

- Other Issues -

- Do the mandated spending limits comply with the Brigham decision?
- How would towns that tuition all of their students in grades K-12 comply with the spending limits?
- How would very small school districts deal with shocks to their budgets? (for example, a family with a child with extraordinary special needs moves into the district)