

**Preliminary Education Fund Outlook - Veto Session Agreement**

(millions of dollars)

	FY2017	FY2018 Projections			
		House	Senate	Conference	Agreement
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	\$1.520	\$1.527	\$1.505	\$1.505
b Uniform Non-Residential Property Tax Rate	\$1.535	\$1.555	\$1.563	\$1.555	\$1.535
c Base Tax Rate on Household Income	2.00%	2.00%	2.00%	2.00%	2.00%
<i>Average Tax Rate on Household Income</i>	2.70%	2.60%	2.60%	2.57%	2.57%
e Property Yield Per Equalized Pupil	\$9,701	\$10,077	\$10,015	\$10,160	\$10,160
Income Yield Per Equalized Pupil	\$10,870	\$11,851	\$11,820	\$11,990	\$11,990
f Total Equalized Pupil Count	88,982	87,684	87,684	87,684	87,684
g Statewide Education Grand List Growth Rate	1.4%	1.4%	1.4%	1.4%	1.4%
h Actual Statewide Education Spending Growth Rate	1.4%	3.4%	3.4%	3.4%	3.4%

**Sources**

1 Homestead Education Tax	586.3	593.1	596.0	587.5	587.5	<sup>1</sup>
Income Sensitivity Adjustment	(164.2)	(164.1)	(164.1)	(164.1)	(164.1)	
Homeowner Rebate - EF share only	(7.3)	(7.2)	(7.2)	(7.2)	(7.2)	
2 Non-Homestead Education Tax	634.5	649.6	652.9	649.6	641.3	
3 Sales & Use Tax	133.7	138.8	138.8	139.4	139.4	<sup>2</sup>
4 Purchase & Use Tax	34.4	35.6	35.6	35.6	35.6	
5 General Fund Transfer	303.6	314.7	314.7	314.7	314.7	
One-Time Additional General Fund Transfer	-	-	-	3.3	3.3	
Supplemental Property Tax Relief Fund Transfer	2.3	-	-	-	-	
6 Lottery Transfer	24.6	24.8	24.8	24.8	24.8	
7 Medicaid Transfer	9.6	9.6	6.6	8.6	8.6	
8 Other Sources	1.1	1.6	1.6	1.6	1.6	
9 <b>Total Sources</b>	<b>1,558.6</b>	<b>1,596.5</b>	<b>1,599.7</b>	<b>1,593.8</b>	<b>1,585.5</b>	<sup>3</sup>

**Uses (appropriations)**

10 Education Payment	1,311.0	1,352.2	1,352.2	1,352.2	1,352.2	
VEHI Teachers' Health Care Savings (65% in FY2018)	-	-	-	-	(8.5)	<sup>4</sup>
11 Special Education	180.7	180.7	180.7	180.7	180.7	
12 State-Placed Students	16.7	16.7	16.7	16.7	16.7	
13 Transportation	18.2	18.7	18.7	18.7	18.7	
14 Technical Education	13.5	13.6	13.6	13.6	13.6	
15 Small Schools	7.7	7.6	7.6	7.6	7.6	
16 Essential Early Education	6.4	6.4	6.4	6.4	6.4	
19 Adult Education & Literacy	1.8	3.1	2.7	2.7	2.7	
20 Flexible Pathways	6.1	7.2	7.2	7.2	7.2	
21 Community HS of Vermont (Corrections)	3.1	3.2	3.4	3.2	3.2	
22 Renter Rebate (General Gov't) - EF share only	8.0	7.4	7.4	7.4	7.4	
23 Reappraisal & Listing (General Gov't)	3.4	3.5	3.5	3.5	3.5	
24 Teachers' Pensions - Normal Cost	-	-	7.9	7.9	7.9	
25 Other Uses (Accounting & Auditing, Other)	1.1	1.1	1.1	1.1	1.1	
26 <b>Total Uses</b>	<b>1,577.7</b>	<b>1,621.6</b>	<b>1,629.3</b>	<b>1,629.1</b>	<b>1,620.7</b>	

**Allocation of Revenue Surplus/(Deficit)**

27 <b>Revenue Surplus/(Deficit)</b>	<b>(19.1)</b>	<b>(25.1)</b>	<b>(29.5)</b>	<b>(35.3)</b>	<b>(35.2)</b>	
28 Prior-Year Reversions	(12.0)	-	-	-	(1.3)	<sup>5</sup>
29 Transfer to/(from) Stabilization Reserve	0.8	0.8	(3.4)	(9.2)	(7.8)	
30 Transfer to/(from) Unreserved/Unallocated	(7.8)	(25.9)	(26.1)	(26.1)	(26.1)	

**Stabilization Reserve**

31 Prior-Year Stabilization Reserve	32.6	33.3	33.3	33.3	33.3	
32 Current-Year Stabilization Reserve	33.3	34.1	29.9	24.1	25.5	
33 Percent of Prior-Year Net Appropriations	5.0%	5.0%	4.4%	3.5%	3.7%	
34 Maximum Reserve Target @ 5.0%	33.3	34.1	34.1	34.1	34.1	
35 Minimum Reserve Target @ 3.5%	23.3	23.9	23.9	23.9	23.9	

**Available Funds**

36 Prior-Year Unreserved/Unallocated	33.9	26.1	26.1	26.1	26.1	
37 Current-Year Unreserved/Unallocated	26.1	0.2	-	-	-	

<sup>1</sup> Act 46 merger incentives lower homestead taxes by \$10.1 million in eligible districts.

<sup>2</sup> Beginning in FY2019, the sales & use tax allocation to the Education Fund increases from 35% to 36%.

<sup>3</sup> Foregone education tax revenue due to tax increment financing (TIF) districts: FY2017 - \$6.3M; FY2018 - \$7.4M.

<sup>4</sup> The remaining 35% or \$4.5 million in VEHI teachers' health care savings will be offset in FY2019.

<sup>5</sup> Known results of FY2017 closeout: (1) property taxes (-\$1.4M) and (2) education payment (-\$2.7M). The net change is reflected in the Agreement column only.

## Education Tax Rates: FY2017 and Agreement

	FY2017	Conference	Difference
Average homestead property tax rate	\$1.527	\$1.505	(\$0.022)
Average tax rate on household income	2.70%	2.57%	-0.13%
Uniform nonresidential property tax rate	\$1.535	\$1.535	\$0.000

	FY2017	Conference	Difference
\$200,000 homestead	\$3,054	\$3,010	(\$44)
\$75,000 household income	\$2,025	\$1,928	(\$98)
\$200,000 nonresidential property	\$3,070	\$3,070	\$0

### Notes:

Homestead tax rates are directly affected by a district's per-pupil education spending. In addition, homestead tax rates include \$10.1M in Act 46 merger incentives.

The nonresidential tax rate is uniform statewide; it is not directly affected by per-pupil education spending.

The tax rate on household income does not affect the Education Fund until FY2019, but income-sensitized taxpayers will pay less in FY2018 because their property tax adjustment will be applied to a smaller homestead property tax bill.