

## Preliminary Analysis of a Proposal to Finance Education Spending in FY2021

Prepared by the Joint Fiscal Office

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### **DRAFT – NOT FOR DISTRIBUTION**

***This proposal is intended to limit the increase in education property taxes on taxpayers during the COVID-driven recession.***

1. Determine the *total increase* in the education property tax that is needed to finance voter-approved education spending in both FY2020 and FY2021.<sup>1</sup>
  - \$39.5 million to cover the projected FY2020 deficit
  - \$38.0 million to restore the FY2021 stabilization reserve
  - \$73.6 million to fully fund voter-approved school budgets for FY2021
  
2. Set the “normal” education property tax rates for FY2021 based on the December 1<sup>st</sup> parameters. School boards prepared, and voters approved, education spending increases based on these tax rates.
  - Raises the *average* homestead tax rate by 4.8 cents
  - Raises the uniform nonhomestead tax rate by 6.0 cents
  - Raises the *average* tax rate on household income by 0.8%
  
3. Determine the *additional increase* in the education property tax in both FY2020 and FY2021 that is solely attributable to the COVID-related recession.<sup>1</sup> The increase in COVID-related education property taxes in FY2021 would result in an unprecedented increase in tax rates.
  
4. Use a portion of Vermont’s \$1.25 billion allocation from the Federal CARES Act to offset all or a portion of the unprecedented FY2021 increase in education property taxes that is attributable solely to the COVID-related recession.

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<sup>1</sup> The COVID-related need for additional education property tax revenue in FY2020 is estimated to be about \$89 million. We have no reliable estimates of the need for additional education property tax revenue in FY2021 at this time.