

Overview of Public Education Funding, FY2019

Important Point to Remember

1. Vermont does not have a per pupil funding system for school districts

How Funding Works – a Four Step Process

1. Districts adopt budgets
2. Districts submit voter approved budget data
3. AOE determines district education spending amount
4. AOE pays districts the education spending amount from Education Fund plus any categorical grants

Note: Both homestead and non-residential property taxes are part of the Education Fund.

What Are Categorical Grants?

FY2019 data, in millions

Special Education Aid	\$ 197
Transportation Aid	\$ 19
Aid for State-Placed Students	\$ 16
Technical Education Aid	\$ 14
Small School Grants	\$ 8
Essential Early Education Aid	\$ 7
Total	\$ 260

What Is Education Spending?

Budget adopted by Town or Union School District
+ Deficit from prior year (if any)

Budgeted Expenditures

Budgeted Expenditures

– Expected revenues, state categorical grants,
federal revenues, etc., (i.e., non-prop. tax)

Education Spending

(Statewide total about \$ 1,375 million in FY2019, before \$ 4.5 million healthcare recapture)

Ed Fund Pays To Districts

FY2019 data, in millions

Categorical Grants ~ \$ 260 Million

Other uses ~ \$ 16 Million

Net Education Spending ~ \$ 1,375 Million

Less Health care recapture ~ \$ 4.5 Million

Total payments ~ \$ 1,647 Million

Education Fund, FY2019 Revenues

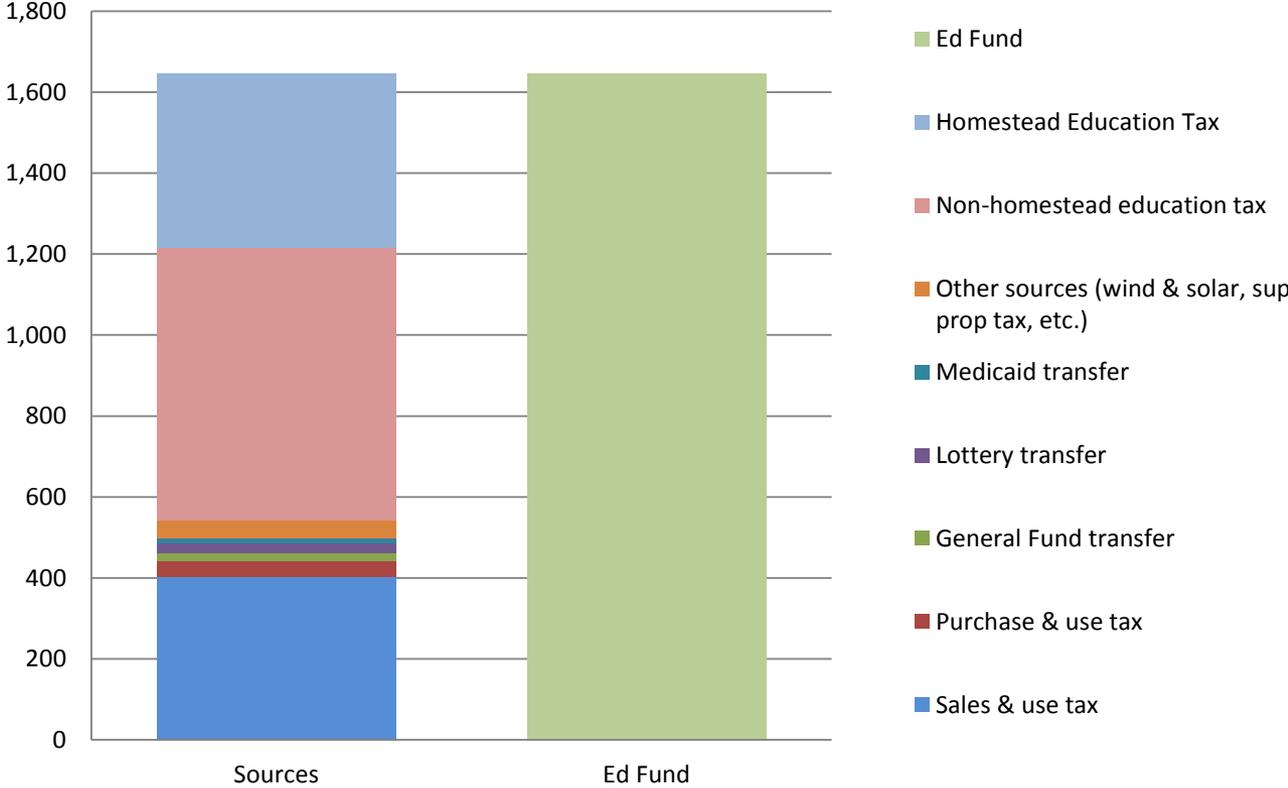
Fixed sources, estimates in millions

Non-residential property tax	\$ 673
General Fund Transfer	repealed
One-time General Fund Transfer	\$ 20
100% sales and use tax	\$ 404
1/3 purchase and use tax	\$ 37
25% meals and rooms tax	\$ 45
Lottery	\$ 26
Medicaid Transfer	\$ 10
Other (wind, solar tax, etc.)	\$ 2
Total	\$ 1,216

Where's the Other Money?

- FY19 Homestead property tax = \$ 429 million
 - Homestead taxes, gross = \$ 598 million
 - Homestead tax adjustments = \$ 169 million
 - Homestead tax rates are based on per pupil spending
 - Taxes paid are based on:
 1. one percent of homestead market value, or
 2. two percent of household income

FY2019 Education Fund



How Do Homestead Tax Rates Vary?

- Rates vary as average per pupil spending varies
- Average per pupil spending =
Education Spending \div district's equalized pupil count
- Example: Ed Spending = \$ 4,292,400
Eq. Pupil Count = 300

$$\text{\$ } 4,292,400 \div 300 = \text{\$ } 14,308$$

FY2019 Base Amounts

- Property Yield = \$10,220
- Base homestead property rate = \$ 1.00
 - or 1.00% of market value
- Base non-residential property rate = \$ 1.580
 - or 1.580% of market value
- Income Yield = \$12,380
- Base income rate = 2.0% of household income

A way to think about the yields . . .

- Property yield – for every \$10,220 spent per equalized pupil, the homestead tax rate will be \$1.00.
- Income yield – for every \$12,380 spent per equalized pupil, an eligible taxpayer will pay 2.0% of their household income.

Equalized Homestead Tax Rates & Income Percentages, FY2019

		FY19 Base Homestead Rate 1.00		FY19 Base Income Percentage 2.0%
Education Spending per Eq. Pupil	Property Yield	Equalized Homestead Tax Rate	Income Yield	Percentage of Household Income
11,242	10,220	1.10	12,380	2.00%
12,264		1.20		2.00%
13,286		1.30		2.15%
14,308		1.40		2.31%
15,330		1.50		2.48%
16,352		1.60		2.64%

Homestead Property Tax Rate

- District Rate = \$ 1.40
 - i.e., the equalized rate, which is
- Adjusted for each town by dividing by its CLA to get the actual rate on the tax bill
 - If CLA = 93%, the \$ 1.40 rate would become:
 $\$1.40 \div 93\% = \$ 1.5054$ (rate appearing on bill)

FY2019 Homestead Rate Calculation

1.	Expenditures =	\$ 4,542,400
2.	<u>- Offsetting revenues =</u>	<u>\$ 250,000</u>
3.	Education spending =	\$ 4,292,400
4.	<u>÷ Equalized pupils =</u>	<u>300</u>
5.	Ed Spending / EqPup =	\$ 14,308
6.	<u>÷ Property yield per \$1.00 rate =</u>	<u>\$ 10,220</u>
7.	Equalized homestead rate =	\$ 1.40
8.	<u>÷ CLA =</u>	<u>93%</u>
9.	Actual homestead rate =	\$ 1.5054

Homestead Income Rate

- For eligible taxpayers: i.e., household income less than \$90,000
- Each current year tax bill is adjusted by:
 1. the prior year property tax amount
 2. minus the prior year income amount
 3. equals the tax credit

Why does my tax rate go up even though the school district budget is flat?

Possibility 1

The student count may have dropped while the budget has remained flat.

Tax rates are dependent on spending per pupil, not the overall budget.

1.	Expenditures	4,542,400	4,542,400	
2.	- <u>Offsetting Revenues</u>	<u>250,000</u>	<u>250,000</u>	
3.	Education Spending	4,292,400	4,292,400	
4.	÷ <u>Equalized Pupils</u>	<u>300.00</u>	<u>290.00</u>	←
5.	Ed Spend / EqPup	14,308.00	14,801.38	←
6.	÷ <u>Property yield per \$1.00 rate</u>	<u>10,220</u>	<u>10,220</u>	
7.	Equalized Homestead Rate	1.4000	1.4483	←
8.	÷ <u>CLA</u>	<u>93.00%</u>	<u>93.00%</u>	
9.	Actual Homestead Rate	1.5054	1.5573	←

Why does my tax rate go up even though the school district budget is flat?

Possibility 2

Revenue sources may have changed and less offsetting revenues are available to reduce education spending.

Therefore, if education spending increases, tax rates will increase, all else being constant.

1.	Expenditures	4,542,400	4,542,400	
2.	- <u>Offsetting Revenues</u>	<u>250,000</u>	<u>200,000</u>	←
3.	Education Spending	4,292,400	4,342,400	←
4.	÷ <u>Equalized Pupils</u>	<u>300.00</u>	<u>300.00</u>	
5.	Ed Spend / EqPup	14,308.00	14,474.67	←
6.	÷ <u>Property yield per \$1.00 rate</u>	<u>10,220</u>	<u>10,220</u>	
7.	Equalized Homestead Rate	1.4000	1.4163	←
8.	÷ <u>CLA</u>	<u>93.00%</u>	<u>93.00%</u>	
9.	Actual Homestead Rate	1.5054	1.5229	←

Why does my tax rate go up even though the school district budget is flat?

Possibility 3

Property values may have increased without a town-wide reappraisal as reflected by a lower CLA.

Education property tax rates are assessed on the fair market value for properties.

1.	Expenditures	4,542,400	4,542,400
2.	- <u>Offsetting Revenues</u>	<u>250,000</u>	<u>250,000</u>
3.	Education Spending	4,292,400	4,292,400
4.	÷ <u>Equalized Pupils</u>	<u>300.00</u>	<u>300.00</u>
5.	Ed Spend / EqPup	14,308.00	14,308.00
6.	÷ <u>Property yield per \$1.00 rate</u>	<u>10,220</u>	<u>10,220</u>
7.	Equalized Homestead Rate	1.4000	1.4000
8.	÷ <u>CLA</u>	<u>93.00%</u>	<u>90.00%</u> ←
9.	Actual Homestead Rate	1.5054	1.5556 ←

Why does my tax rate go up even though the school district budget is flat?

Possibility 4

The majority of the other districts in the state may have increased their overall education spending.

It is a statewide system and local decisions are felt throughout the state via the base education tax rates.

1.	Expenditures	4,542,400	4,542,400	
2.	- <u>Offsetting Revenues</u>	<u>250,000</u>	<u>250,000</u>	
3.	Education Spending	4,292,400	4,292,400	
4.	÷ <u>Equalized Pupils</u>	<u>300.00</u>	<u>300.00</u>	
5.	Ed Spend / EqPup	14,308.00	14,308.00	
6.	÷ <u>Property yield per \$1.00 rate</u>	<u>10,220</u>	<u>10,100</u>	←
7.	Equalized Homestead Rate	1.4000	1.4166	←
8.	÷ <u>CLA</u>	<u>93.00%</u>	<u>93.00%</u>	
9.	Actual Homestead Rate	1.5054	1.5233	←

Important Points to Remember

1. Vermont does not have a per pupil funding system for school districts
2. School districts are owed their education spending plus categorical grants
3. Homestead property taxes are based on education spending per equalized pupil
4. All towns pay to the Education Fund; all school districts receive from the Education Fund
5. It is a statewide funding system – decisions in one district affect every other district