

Education Fund and COVID-19 Preliminary Analysis

- Revenue in FY2020
 - Non-property tax revenue may be lower than original projections
 - Final installment of education property tax still outstanding in some municipalities
 - Local reserve funds available?

- Spending in FY2020
 - Ongoing spending:
 - Keep all school staff, including hourly employees, on payroll?
 - Continue tuition payments to private pre-K providers
 - Additional spending considerations:
 - Remote continuing education through school year
 - Childcare for “essential” employees required at schools in Gov’s directive (GF cost?)
 - School meals – districts offering universal school meals, so far, no guidance on if additional federal funds are available above current funding for free and reduce lunch students
 - Continuing services for special needs students
 - Cleaning costs

- Cash flow in FY2020
 - Projected \$12.9 million surplus will offset some of any reduction in EF revenues
 - \$36.4 million in stabilization reserve
 - Last payment to schools (from municipalities and EF) due on April 30th – final-third of total

- Potential impacts on property taxpayers
 - 8% penalty for late property tax payments – municipal law
 - Filing deadlines – IRS guidance did not grant extension for filing (4/15), extension for payment (7/15/20)
 - If Vermont follow suit, homestead declaration and household income will information will be collected even if income tax liabilities are not due immediately
 - If Vermont delays filing deadline there could be a timing issue with issuance of property tax bill which are transmitted in July

- Setting education tax rates for FY2021
 - If the yields and nonhomestead tax rate are not set prior to adjournment, the yields remain at their FY2020 level and the nonhomestead tax rate remains at its statutory level of \$1.59
 - At these default rates, education property tax revenue would decrease by \$14.5 million compared to the December 1 projections
 - Districts have already voted a ~4.4% increase or \$62 million increase in education spending for FY2021; otherwise, there are several unknowns:
 - Additional adverse revenue impacts?
 - Additional Federal assistance?
 - Increased funding required by districts for employee health reimbursement accounts (HRA) if utilization increases significantly
 - Maintenance of the 5% EF stabilization reserve?
 - Property tax credit that will be receive on calendar year 2020 tax bill is based on 2019 income - no relief from loss of household income in 2020 because property tax credits are lagged