

**Education Discussion
House Committee on Appropriations
4/13/2021**

1. How local and state programs affect property taxes

a. What is education spending?

- i. Broadly defined, education spending includes spending from all sources of revenue:

- Education Fund appropriations
 - Federal aid for schools
 - General Fund appropriations

- ii. However, since General Fund appropriations (\$165 million) do not affect property taxes, they are not part of this discussion

b. School budgets and education spending

- i. Annually, school boards prepare budgets that include all district spending and submit those budgets to voters for their approval
- ii. However, property taxes are not based on budgets; instead, they are based on local education spending – the budget less “offsetting revenues”:

- State categorial aid
 - Federal aid for schools
 - Other sources, including district-level surpluses and deficits

- iii. For example:

District budget	\$1,000,000
Offsetting revenue	<u>\$100,000</u>
Local education spending	\$900,000

c. School budgets and state aid from the Education Fund

- i. All else being equal, when a cost in the Education Fund increases, property taxes must be raised to cover that cost
- ii. Local programs – if a school decides to offer a new program, the local education spending increases and local property taxes are increased directlyⁱ
- iii. State programs

Costs that “come off the top” of the Education Fund (for example, the normal cost of teacher’s pensions) are shared by all property taxpayers

Other costs affect both local education spending and the Education Fund (for example, state categorial aid), so part of the cost is borne directly by local property taxpayers and part is borne by all property taxpayers

2. How federal funds for schools affect property taxes

a. Federal aid reduces property taxes; however, some aid is recurring and some is nonrecurring

i. Recurring federal aid

Allocations from Title I, Title II, and Title IV (\$50 million)
Special education aid (\$28 million)

ii. Nonrecurring federal aid

Allocations from the CRF, ESSER I, ESSER II, and ESSER III
Total allocations are \$460 million or 26% of budgets in FY2021

b. Nonrecurring federal aid and school budgets

- i. The amount of ESSER funds allocated directly to districts is large and varies widely by Supervisory Union (see attachment)
- ii. Since this aid is allocated under Title I, districts with a high percentage of low-income students receive more aid
- iii. Permissible uses of ESSER fund allocations includes hiring new employees and avoiding layoffs; always must be COVID19 related
- iv. To the extent that districts use these funds to support existing operating costs or create new programs, there will be budgetary problems when the funds are depleted or expire:
 1. ESSER I: September 30, 2022
 2. ESSER II: September 30, 2023
 3. ESSER III: September 30, 2024
- v. The goal should be to use these nonrecurring funds wisely by making good investments that do not build budgets that depend on continuing federal funding

“The whole time I’ve been doing this, it’s always been, ‘Let’s do more with less,’ every year. Now I’m in a situation where it’s like the rich uncle has dropped the money in my lap, and the ability to effectively ramp up projects to use that money in an effective way is more challenging than one would think.”

Springfield school superintendent Zach McLaughlin, VTDigger, April 8, 2021

Appendix A

COVID19 Federal aid to Vermont Schools

This table includes the local education agency (LEA) portion of COVID19 federal aid from the Elementary and Secondary School Emergency Relief (ESSER) and the Coronavirus Relief Fund (CRF). More information on K-12 Coronavirus Relief Funding can be found on the JFO website: <https://lifo.vermont.gov/subjects/covid-19-documents/k-12-coronavirus-federal-funding>

ESSER 1	\$28
ESSER II	\$114
ESSER III	\$257
Total ESSER I, II, III	\$399
Total CRF	\$61
Total CRF and ESSER I, II, III	\$460

COVID19 Federal Relief as a percentage of FY21 district budgets

This table includes the total of ESSER I, II, and III and the CRF funding. The ESSER funding was distributed using the Title 1 formula, whereas the CRF funding was distributed through grants.

AVERAGE of Total ESSER&CRF/District Budget	26%
MINIMUM of Total ESSER &CRF/District Budget	9%
MAXIMUM of Total ESSER&CRF/District Budget	87%

ⁱ When a district's education spending increases for any reason, that district draws additional money from the Education Fund and, consequently, imposes additional costs on all other districts; however, the property tax impact on other districts is quite small – especially when that indirect impact is compared to the direct impact on the single district's property tax.