

Preliminary Education Fund Outlook for FY2022
Updated as of March 12, 2021

- This analysis is subject to change. It is based on current law and does not reflect the impact on the Education Fund of any bills currently pending before the Legislature.
- Statewide education spending in FY2022 will increase by \$12.5 million or 1.3% over FY2021 - down significantly from the 3.8% spending growth rate assumed for the December 1st education tax rate recommendations (line 11).*
- At this statewide spending level, the average homestead property tax rates and the uniform nonhomestead tax rate may be maintained at their FY2021 levels in FY2022 (lines a, b, and c).
- Although the tax rates are flat, growth in the respective tax bases will increase statewide education property taxes by \$28.5 million over FY2021:
 - Net homestead property taxes will increase by \$5.8 million or 1.2% (line 1a)
 - Nonhomestead property taxes will increase by \$22.7 million or 3.1% (line 2)
- Setting FY2022 education property tax rates at their FY2021 levels creates a projected \$31 million surplus in the Education Fund in FY2022 (line 31).
- The projected \$31 million surplus is non-recurring revenue, so if it is used to further reduce education property tax rates in FY2022, an additional \$31 million will need to be raised in FY2023, all else equal.
- This issue may be compounded by the use of surplus funds by school boards to hold down the rate of growth in education spending in FY2022. Use of nonrecurring revenue in FY2022 may drive education spending increases in FY2023.

* Three school districts failed to pass their budgets on town meeting day; 20 have delayed their votes until later this year; and 10 have not yet reported to the Agency of Education. Collectively, these school districts account for 27% of statewide education spending. In addition, the equalized pupil count for FY2022 is not yet finalized.