



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

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dr req 22-0593 (Draft 4.3) – An act relating to improving student equity by adjusting the school funding formula and providing education quality and funding oversight

URL for bill:

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Finance/Bills/22-0593/Drafts,%20Amendments%20and%20Legal%20Documents/W~James%20DesMarais~DR%2022-0593,%20Draft%204.3,%203-2-2022~3-8-2022.pdf>

Bill Summary

This bill adjusts and adds pupil weights beginning in Fiscal Year 2024; in Fiscal Year 2023 it creates an Education Fund Advisory Committee, adds six Agency of Education staff positions, and requires a performance audit. The bill also establishes categorical aid of \$25,000 for school districts with one to five English Language Learning (ELL) students enrolled, and categorical aid of \$50,000 for school districts with six to 25 ELL students enrolled.

Fiscal impact

In Fiscal Year 2023, JFO estimates this bill would result in a \$602,500 fiscal impact to the General Fund and would have an unclear fiscal impact to the Education Fund in future years.

In Fiscal Year (FY) 2023, JFO estimates this bill would result in a \$602,500 fiscal impact to the General Fund. This fiscal impact is the result of two General Fund appropriations included in the bill:

- \$2,500 for per diem and reimbursement of expenses for members of the Education Fund Advisory Committee; and
- \$600,000 for the salaries, benefits, and operating expenses of six new full time, classified positions for the Agency of Education.

In FY 2024, if all ELL categorical grants were to result in increased spending, JFO estimates this bill would result in an approximate \$1.75 million fiscal impact to the Education Fund, assuming there is no phase-in of ELL categorical aid. This fiscal impact stems from categorical aid of \$25,000 provided to districts with one to five ELL students, and \$50,000 categorical aid provided to districts with six to 25 ELL students. Absent any other changes in policy, the base homestead yield and/or base non-homestead tax rate would need to be adjusted to account for the anticipated increase in categorical aid.

Per diem costs

In Fiscal Year 2023, this bill would result in a fiscal impact of \$2,500 from the General Fund for per diems and reimbursement of expenses for members of the Education Fund Advisory Committee.

Following JFO's general methodology for estimating per diems and expense reimbursement, the annual cost of the Education Fund Advisory Committee is estimated to be approximately \$2,530. This estimate assumes that the five members of the public who will be part of the Education Fund Advisory Committee will receive a standard per diem of \$50 per day, average expenses for travel and food will be \$76.50 per day, and the Committee will meet a total of four times per year.

Transition costs

As the bill is drafted, there would be no anticipated transition costs to the Education Fund or the General Fund.

Audit costs

There is no anticipated auditing fiscal impact in FY 2023. In future years, the cost and funding of the audit included in Sec. 14 is unclear.¹

Other potential fiscal issues

- With the adjustment of pupil weights, this bill will shift tax capacity for most school districts and towns, meaning that with constant Education Spending, some towns' tax rates would increase, while other towns' tax rates would decrease.
 - In other words, assuming all education spending remains constant, towns that would have fewer equalized pupils with the new weights than they had from the prior weights would have higher tax rates; towns that would have more equalized pupils with the new weights than they had with prior weights would have lower tax rates.
 - This will likely have an effect on the Education Fund, including the property and income yields.
- Total education spending is determined by local votes and may increase. Districts with increased tax capacity may increase education spending, while districts with decreased equalized pupils, and thus, tax capacity, may not choose to decrease spending significantly. While changes in weights and changes in ELL funding may change local decisions, the actual change in total education spending will be determined by local votes.

¹ The audit would occur in FY 2029.