



VERMONT LEGISLATIVE
Joint Fiscal Office

2024 Report on the Reallocation of Revenues Generated for the General Fund and Education Fund

JANUARY 29, 2023

Prepared in accordance with
2018 Special Session Acts and Resolves No. 11 Sec. H.9a

1 Baldwin Street • Montpelier, Vermont 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov/>

Reallocation of Revenues Generated for the General Fund and the Education Fund

Section H.9a of Act 11 of the 2018 special session requires that the Joint Fiscal Office prepare a report on the reallocation of revenues generated for the General Fund and Education Fund. Relevant statute was amended by sections H.8 and H.9 of the same act to reallocate revenues to the funds.

Section H.8 of Act 11 (2018) made the following changes to the Education Fund:

1. Repealed the General Fund transfer to the Education Fund
2. Changed the allocation of the Sales and Use Tax from a split between the Education Fund and the General Fund (36% and 64%, respectively), to a 100% allocation to the Education Fund
3. Split the allocation of the Meals and Rooms Tax, directing 25% of revenues from the tax to the Education Fund and 75% to the General Fund, rather than 100% to the General Fund¹

The Act also moved the source of several appropriations from the Education Fund to the General Fund including:

- a. Adult Education and Literacy
- b. The Community High School of Vermont
- c. The Renter Rebate
- d. Reappraisal and listing payments made to municipalities

The following table provides a summary of the impact of Act 11 (2018) changes to the Education Fund between fiscal years 2017 and 2024. In total, the Education Fund has benefited by an estimated \$277.2 million. This was primarily driven by the Sales and Use Tax change and increased collections of the tax following the *South Dakota v. Wayfair Inc.* U.S. Supreme Court decision in 2018. That decision allowed states to collect sales taxes from e-commerce. Because Act 11 amended statute to direct the entirety of Sales and Use Tax revenue the Education Fund, the Education Fund (not the General Fund) benefited from that ruling. On average, since the *Wayfair* decision, the Education Fund has received approximately \$65 million more annually than it would have under the prior revenue construct.

The estimated additional \$277.2 million that went to the Education Fund between fiscal years 2017 and 2024 is net of all other changes that would have occurred had Act 11 not been enacted. Revenues for the Education Fund are projected to total \$736.2 million in fiscal year 2024 (according to the Emergency Board's July 2023 consensus revenue forecast); the average additional \$65 million in revenue due to Act 11 changes represents 8.8% of fiscal year 2024 Education Fund revenues.

¹ Subsequently, in Sec. 3a of [Act 76 \(2019\)](#), the General Assembly modified the allocation of the Meals and Rooms Tax to dedicate 6% to the Clean Water Fund, 25% to the Education Fund, and the remaining 69% to the General Fund.

Impact of Act 11 (2018)

(millions of dollars)

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 July 2023 Forecast
Prior Law								
<u>Affected Sources</u>								
General Fund Transfer	305.9	314.7	322.9	335.1	336.0	367.7	396.1	407.8
Sales & Use Tax (36%)	131.8	132.6	137.5	144.2	169.2	181.7	194.7	195.1
Meals & Rooms Tax	-	-	-	-	-	-	-	-
Subtotal	437.7	447.3	460.4	479.2	505.2	549.5	590.7	602.9
<u>Affected Uses</u>								
Adult Education & Literacy	1.8	2.7	3.6	3.6	3.5	3.5	3.5	3.5
Community High School of VT	3.1	3.2	3.3	3.5	3.3	3.3	3.3	3.3
Renter Rebate	8.0	7.7	7.4	5.7	6.7	6.7	7.0	7.0
Reappraisal & Listing Payment	3.4	3.6	3.3	3.3	3.3	3.3	3.4	3.4
Subtotal	16.3	17.2	17.6	16.1	16.8	16.8	17.2	17.2
Total Prior Law	421.4	430.1	442.8	463.1	488.4	532.7	573.5	585.7
Current Law								
<u>Affected Sources</u>								
General Fund Transfer	305.9	314.7	-	-	-	-	-	-
Sales & Use Tax (100%)	131.8	132.6	412.5	432.5	507.6	545.2	584.0	585.2
Meals & Rooms Tax (25%)	-	-	45.5	40.9	36.0	54.2	59.4	60.5
Subtotal	437.7	447.3	458.0	473.4	543.6	599.4	643.5	645.7
<u>Affected Uses</u>								
Adult Education & Literacy	1.8	2.7	-	-	-	-	-	-
Community High School of VT	3.1	3.2	-	-	-	-	-	-
Renter Rebate	8.0	7.7	-	-	-	-	-	-
Reappraisal & Listing Payment	3.4	3.6	-	-	-	-	-	-
Subtotal	16.3	17.2	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Law	421.4	430.1	458.0	473.4	543.6	599.4	643.5	645.7
Difference between Current Law and Prior Law								
Annual Difference	0.0	0.0	15.2	10.2	55.1	66.7	69.9	60.0
Cumulative Difference	0.0	0.0	15.2	25.4	80.6	147.3	217.2	277.2

* Section H.8 of Act 11 (2018): (1) repealed the General Fund transfer to the Education Fund; (2) increased the allocation of the Sales and Use Tax to the Education Fund from 36% to 100%; (3) allocated 25% of the Meals and Rooms Tax to the Education Fund and; (4) transferred the appropriations for Adult Education and Literacy, the Community High School of Vermont, the Renter Rebate, and reappraisal and listing payments to municipalities from the Education Fund to the General Fund as of fiscal year 2019.

Authorizing Language

2018 Acts and Resolves No. 11 (Special Session)

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Sec. H.9a REPORT

(a) On or before January 1, 2024, the Joint Fiscal Office shall report to the House Committees on Appropriations and on Ways and Means and the Senate Committees on Appropriations and on Finance on the impact of the changes in Secs. H.8 and H.9 of this act reallocating the revenues generated for the General Fund and Education Fund.

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