

# Expenses out of the Education Fund

House Committee on Education  
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March 21, 2024



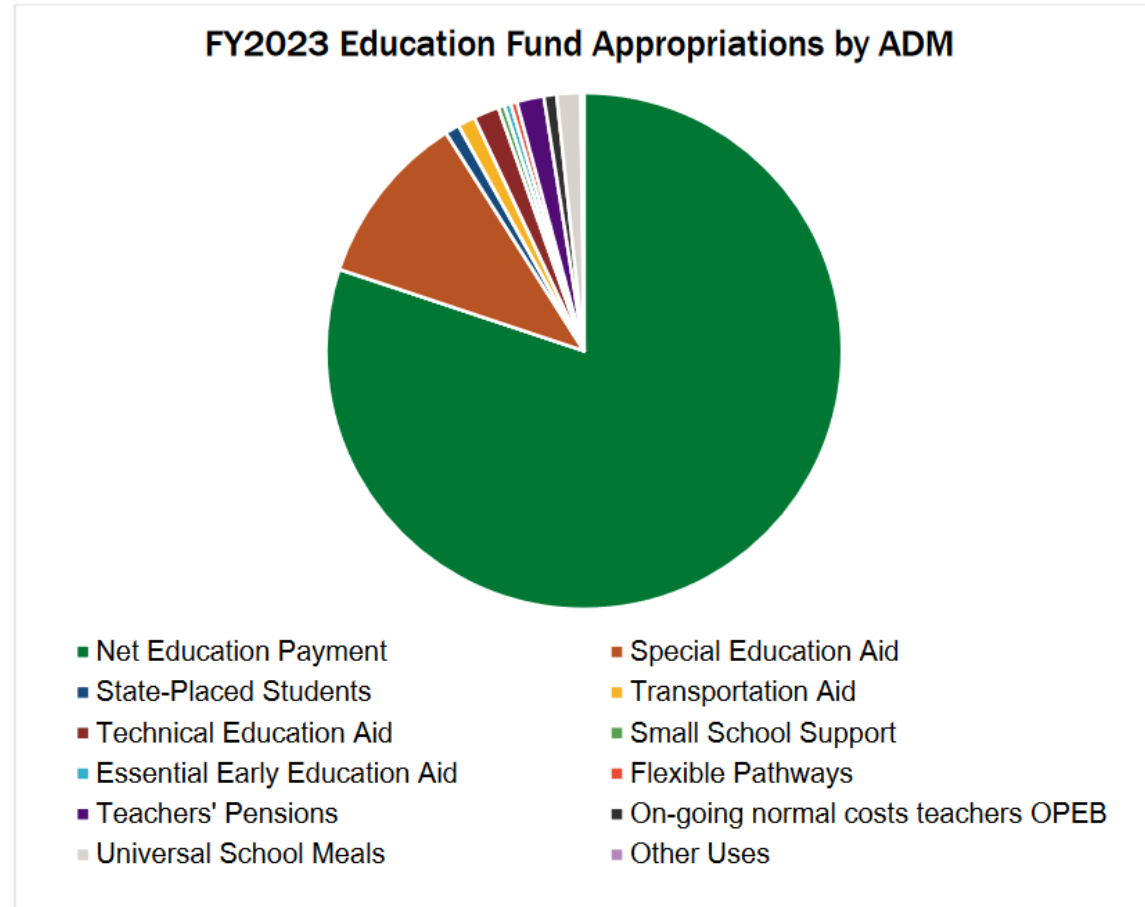
# Outline of talk

- Overview of expenses out of the Education Fund
- Categorical aid and other expenses out of the Education Fund



# Education Fund Appropriations

- About 80% of the Education Fund is spent on the “net education payment”
- The remainder of the Education Fund is appropriated for other purposes, most of which are categorical aid.



Source: [Agency of Education FY2024 Budget Book, Page 51](#)



# Education Payment

- The education payment is the aggregate of “Education Spending” across the state
  - Education Spending is calculated as a school district’s budget minus all offsetting revenues
- Education payment includes salaries and benefits of teachers and staff, overhead costs, facilities costs, tuition payments, local share of special education costs, local share of transportation costs, prekindergarten, etc.

## Adjusted education payment by year *(Millions of dollars)*

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 <i>(forecast)*</i>
Education Fund	\$1,372.9	\$1,428.8	\$1,480.6	\$1,502.0	\$1,577.6	\$1,703.3	\$1,914.0

*\*Note: Latest forecast as of March 14, 2024*



# Categorical Aid and Other Expenses to the Education Fund



# Special Education Aid

- Special Education Aid is paid through multiple grants from the Education Fund and may also be included a school district’s education spending.
- Categorical Aid grants include:
  - Special education census block grant
    - FY 2023 was the first year of the census block grant
    - The census block grant is calculated for each supervisory union/district based on a uniform base amount multiplied by the 3-year average ADM
  - Extraordinary reimbursement
    - Grants provide 95% reimbursement for “high-cost students for costs in excess of \$60,000 for individualized education programs (IEPs)”
    - The excess cost threshold increases annually by an inflation index
    - For FY 2024, the threshold was \$66,206.

## Special education formula grants by year

*(Millions of dollars)*

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Gov Rec)
Education Fund	\$198.5	\$213.0	\$223.7	\$229.0	\$208.1	\$226.2	\$264.6



# Universal School Meals

- Universal school meals categorical aid provides State funding of school meals (breakfast and lunch) to all publicly funded students at no charge to students or families.
- This appropriation reimburses schools for providing meals to students who are not qualified for free or reduced-price meals from the Federal government

## Universal school meals cost by year *(Millions of dollars)*

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Gov Rec)
Education Fund	-	-	-	-	\$29.0	\$24.0	\$24.0



# Transportation Aid

- Transportation aid funds are used to reimburse up to half of supervisory union and supervisory district expenditures to transport students to and from school based on actual transportation costs from two years prior.

## Transportation categorical aid by year

*(Millions of dollars)*

<b>Fund</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25 (Gov Rec)</b>
Education Fund	\$19.2	\$19.8	\$20.5	\$20.5	\$21.8	\$23.5	\$25.3





# State-Placed Students

- A state-placed student is a student who is placed in a school district outside of his or her parents'/guardians' district(s) of residence
- This categorical aid is used to cover expenses associated with the education of these students such as tuitions

## State-placed students categorical aid by year

*(Millions of dollars)*

<b>Fund</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25 (Gov Rec)</b>
Education Fund	\$20.4	\$18.0	\$18.0	\$17.0	\$17.5	\$19.0	\$20.0



# Technical Education Aid

- Technical Education Aid includes multiple grants which include:
  - Technical Education Tuition Reduction Grant
  - Technical Education Salary Assistance Grant
  - Technical Education Transportation Grant
  - Others

## Technical Education categorical aid by year

*(Millions of dollars)*

<b>Fund</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25 (Gov Rec)</b>
Education Fund	\$13.9	\$14.2	\$14.8	\$15.5	\$16.3	\$17.0	\$17.9



# Flexible Pathways

- School districts serving students grades 7 – 12 offering flexible pathways to graduation are required to document the personalization process in Personal Learning Plans (PLPs).
- Flexible pathways, as a component of PLPs, can include:
  - Work-based learning experiences,
  - CTE, online or blended learning,
  - Dual enrollment and early college,
  - The High School Completion Program,
  - and other pathways

## Flexible Pathways funding by year *(Millions of dollars)*

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Gov Rec)
Education Fund	\$7.3	\$7.7	\$8.3	\$8.2	\$8.2	\$9.2	\$9.8
General Fund	-	\$0.9	\$1.0	\$0.9	\$0.9	\$0.9	\$0.9
<b>Total</b>	<b>\$7.3</b>	<b>\$8.6</b>	<b>\$9.2</b>	<b>\$9.1</b>	<b>\$9.1</b>	<b>\$10.1</b>	<b>\$10.7</b>



# Essential Early Education Aid

- Essential Early Education grants fund preschool special education services for children ages 3 through 5 per 16 V.S.A. § 2948(c).
- If grant funds are available after providing preschool special education services, the balance of funds can be used to provide child find services or to serve preschool children ages 3 through 5 at risk of school failure.

## Essential Early Education categorical aid by year *(Millions of dollars)*

<b>Fund</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
Education Fund	\$6.6	\$6.8	\$7.0	\$7.1	\$7.5	\$8.4



# Normal Cost of VSTRS Pensions

- The *Normal Cost* is paid by the Education Fund.
  - Normal Cost: Funds the future retirement benefits earned by the current workforce each year. Normal Cost is part of compensating today's teachers, just like salaries.
  - Normal Cost determined by actuarial assumptions and characteristics of the active membership.
- The *Unfunded Liability* amortization payments are paid from the General Fund.
  - Unfunded Liability: The shortfall between assets on hand and assets needed to pay accrued liabilities. Reflects the cumulative impacts of assumption changes, legacy underfunding, and actuarial and investment risks.

## Appropriation for state teachers' retirement system by year

*(Millions of dollars)*

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Gov Rec)
Education Fund	\$7.7	\$6.8	\$6.9	\$37.6	\$33.4	\$33.1	\$36.0
General Fund	\$92.7	\$113.5	\$119.0	\$277.1	\$154.6	\$151.7	\$155.4
<b>Total</b>	<b>\$100.4</b>	<b>\$120.2</b>	<b>\$125.9</b>	<b>\$314.6</b>	<b>\$188.1</b>	<b>\$184.8</b>	<b>\$191.4</b>



# Normal Cost of VSTRS Health Care Benefits

- OPEB: Other Post Employment Benefits (subsidized retiree health care)
- Since FY 2023, OPEB is prefunded similarly to pensions:
  - Normal Cost paid by Ed Fund – funds a future benefit earned by today’s workforce.
  - Unfunded Liability paid by General Fund.
- Prior to FY 2023, OPEB was funded on a “paygo” basis or out of the corpus of the VSTRS pension system. Only the actual annual cost of providing benefits to current retirees was funded.
- Prefunding OPEB costs more in the short term than paygo, but saves significant taxpayer funds in the long term due to the ability to fund benefits with investment gains over time.

## Appropriation for state teachers’ OPEB by year (Millions of dollars)

Fund	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Gov Rec)
Education Fund	-	-	-	-	\$15.1	\$15.4	\$19.1
General Fund	\$31.1	\$31.1	\$31.8	\$48.4	\$35.1	\$38.3	\$43.0
<b>Total</b>	<b>\$31.1</b>	<b>\$31.1</b>	<b>\$31.8</b>	<b>\$48.4</b>	<b>\$50.2</b>	<b>\$53.7</b>	<b>\$62.1</b>

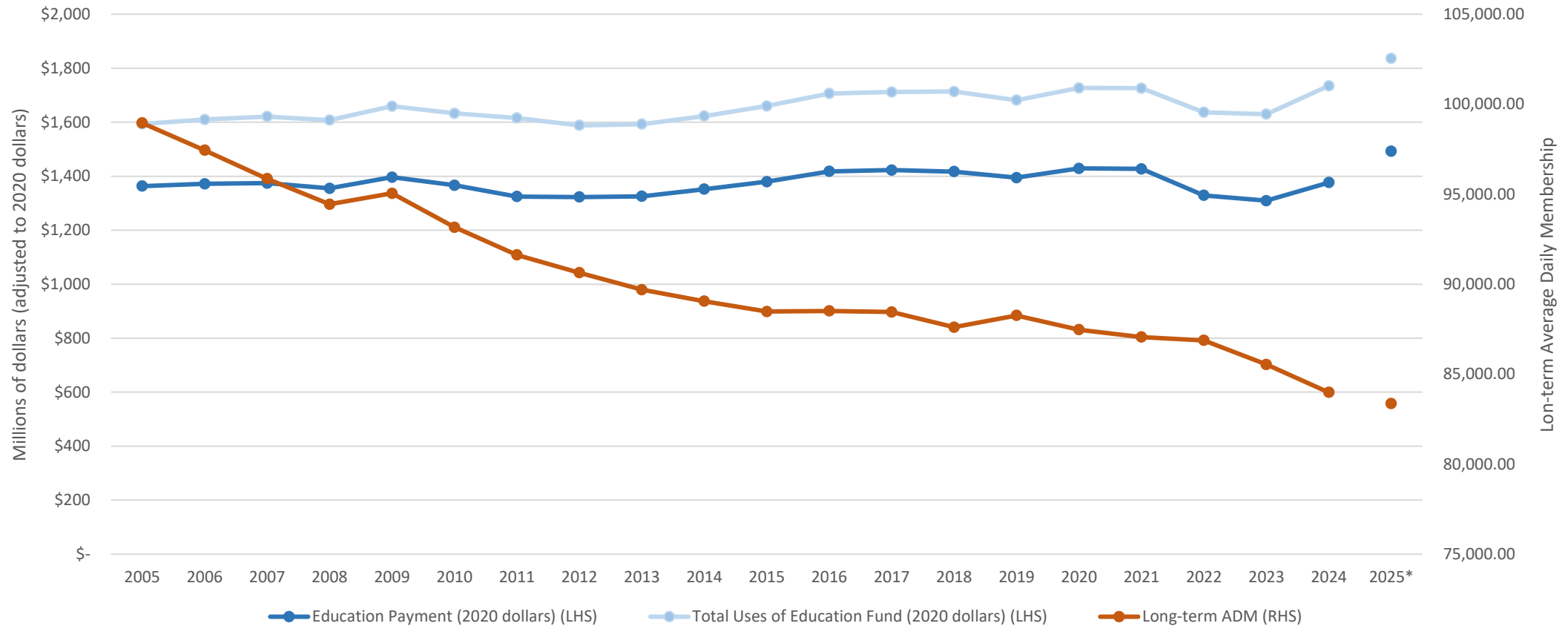


# One-Time Appropriations

- One-time appropriations are also made from the Education Fund
- In recent years, these have included:
  - PCB remediation grants
  - One-time CTE construction and rehabilitation learning program
  - One-time COLA payment (VSTRS)



# History of Education Fund Appropriations (adjusted for inflation) and Long-term Average Daily Membership



\*Note: 2025 figures reflect latest forecasts and estimates as of March 14, 2024





# Other Expenses to the Education Fund

- Tax expenditures and tax credits can also be considered as expenses to the Education Fund.
- These include:
  - The property tax credit
  - Tax expenditures to non-property revenue sources
    - (e.g. Current Use, Sales tax exemptions, etc.)



# Questions?



# Resources

- Agency of Education FY 2024 Budget Book
  - <https://education.vermont.gov/sites/aoe/files/documents/edu-budget-book-agency-of-education-FY2024.pdf>
- JFO 5-Year Growth and Appropriations: FY2019 – FY2024
  - [https://ljfo.vermont.gov/custom\\_reports/5yr/2024\\_Conf\\_BigBill%20-%202023-09-19/default.php#id4-2](https://ljfo.vermont.gov/custom_reports/5yr/2024_Conf_BigBill%20-%202023-09-19/default.php#id4-2)

