

Fiscal Unknowns in H.454

Senate Committee on Finance

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The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



Caveats

- These slides provide high level considerations
- These slides are **not** an exhaustive of all unknowns and considerations
- These slides do not reference policy changes contemplated in Senate Education because H.454 is still being considered in that committee



Weighted Student Counts



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Weighted student counts would depend on outstanding policy choices and demographic changes

- Long Term Weighted Average Daily Membership (LTWADM) across districts depends on outstanding factors, including:
 - Distribution of LTWADM across districts would depend on district boundaries,
 - Shifts of students across weighting tiers would impact weighted student count,
 - Outstanding definitions would determine the overall count of LTWADM, and
 - Demographic shifts would impact overall weighted student counts.



School District Configurations Would Impact Weighted Student Count

- School district boundaries will determine the Long Term Weighted Average Daily Membership (LTWADM) of school districts
 - The variance of weighted pupil counts across districts will depend on school district boundaries
- School district boundaries may impact the statewide count of LTWADM dependent on weighting categories
 - If a weighting category is applied at the district level, the district boundaries will impact the eligibility of students for a certain weighting category
 - H.454 As Passed by the House includes a pupil weight for sparsity to be applied at the district level



Shifts of Students Across Weighting Tiers Would Impact Weighted Student Count

- H.454 As passed by the House would include tiered English Learner (EL) weights and Special Education weights
- As proficiency level increases, the weighted student count associated with an EL pupil will decrease
 - This may result in year-to-year fluctuation in overall LTWADM across the State and within districts



The Outstanding Definition of “Small by Necessity” Will Impact the Cost of the Small School Weight

- H.454 As Passed by the House includes a weight for small schools that have fewer than 100 pupils and have been determined to be “small by necessity”
- Sec. 6 of H.454 As Passed by the House requires the State Board of Education to submit a report with proposed standards for schools to be deemed “small by necessity”
- The definition of “small by necessity” will impact the number of schools applicable for the weight, and thus the corresponding cost of the small by necessity weight



School District Boundaries



School District Configurations Would Impact Fiscal Analysis

- School district configurations would impact fiscal analysis, including:
 - The weighted student count across the State and within districts,
 - The overall cost of the Educational Opportunity Payment,
 - The amount that could be voted on for Supplemental District Spending,
 - The impact of the equalization mechanism for supplemental district spending,
 - The eligibility of students to be tuitioned, and
 - Local district decisions.



School District Configurations Would Impact the Educational Opportunity Payment

- School district boundaries would impact policy and funding
- A district's Educational Opportunity Payment is determined by multiplying a district's weighted student count by the base amount
- Because school district configurations will impact the weighted student count, they will also impact Educational Opportunity Payments



School District Configurations Would Impact the Amount that Could Be Voted

- H.454 As passed by the House caps Supplemental District Spending at 10% of the Educational Opportunity Payment
- Because the Educational Opportunity Payment is determined by LTWADM, district boundaries will impact the amount of Supplemental District Spending that would be allowed



Supplemental District Spending and Grand List Value of School Districts

- As long as there is an equalization mechanism for supplemental district spending, school district configurations will determine the impact of the equalization mechanism
- School district configurations will determine the variance of Grand List across school districts
 - The greater the variance of Grand List across districts, the greater impact the equalization mechanism will have on tax rates



School District Configurations and Tuitioning

- School district configurations may impact students eligible to be tuitioned. It is also possible that future policy choices may impact which students are eligible for tuition.
- If the school district configurations change the number of students eligible to be tuitioned, there will be impacts to the flow of funds within school districts and the total funds paid in tuition



Local District Decisions

- Future district decisions will impact the allocation of funds within districts
- The state total spending on education will depend on local decisions as long as there is an option for supplemental district spending
 - For example, with a supplemental district spending option, districts that experience a decrease in spending relative to current education spending may decide to supplement with supplemental district spending



Categorical Aid



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Categorical Aid Policy Decisions Would Impact Overall Costs

- If there were changes to categorical aid funding, that would impact overall costs to the Education Fund
 - The impact of those costs would depend on policy decisions
- For example, policy choices corresponding with categorical aid considerations in the bill may impact overall costs, including:
 - CTE, Adult Education, Prekindergarten, transportation, and school construction
- H.454 As Passed by the House includes intent language and/or report requests regarding categorical aid and education programs



Categorical Aid Policy Decisions Would Impact Overall Costs

H.454 As Passed by the House includes intent language for the future and/or report requests regarding categorical aid and education programs

For example:

- *CTE:*
 - Section 1 states that it is the intent of the General Assembly to enact updates to CTE governance and funding
- *Adult Education:*
 - Section 30 requires AOE to submit a report regarding adult education funding
- *Prekindergarten:*
 - Section 45 requires JFO to submit a report on funding systems for PreK
- *Transportation:*
 - Section 44 of H.454 requires the AOE to submit a report about transportation reimbursement



School Construction Funding

- Section 13 of H.454 As passed by the House sets up the School Construction Aid Special Fund
- The fund shall consist of:
 - amounts transferred or appropriated,
 - amounts deposited from the Supplemental District Spending Reserve, and
 - any interest earned by the Fund.
- There is no ongoing revenue source established for the School Construction Aid Special Fund



Future Economic and Demographic Trends



Future Inflation and the Inflation Index Would Impact Overall Costs to the Education Fund

- H.454 As Passed by the House includes National Income and Product Accounts (NIPA) implicit price deflator* as the inflation index to annually adjust the base amount, the homestead exemption parameters, and other pieces included in the bill
- Inflation in future years will impact the scale these amounts are adjusted
- Section 45 of H.454 As Passed by the House requires JFO to submit a report on analyzing inflation metrics to be used in Vermont's education funding system

**Note: This inflation index is the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis.*



Future Economic and Demographics Will Impact Overall Costs

- Future economic trends and revenue performance will impact the amount of funds coming into the Education Fund from non-property revenue sources
 - All else equal, this will impact the amount of revenue that needs to be made up from property taxes and/or the amount to be expended from the Education Fund
- Future growth in the Grand List will impact multiple factors including the supplemental district spending calculation and the cost of the homestead exemption
- Future demographic trends will impact multiple factors relating to the Education Fund, including:
 - The weighted student count which affects Education Opportunity Payments
 - The overall cost of the homestead exemption



Questions?



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