

Education Fund Budget Pressures

Income Based Education Tax Study Committee

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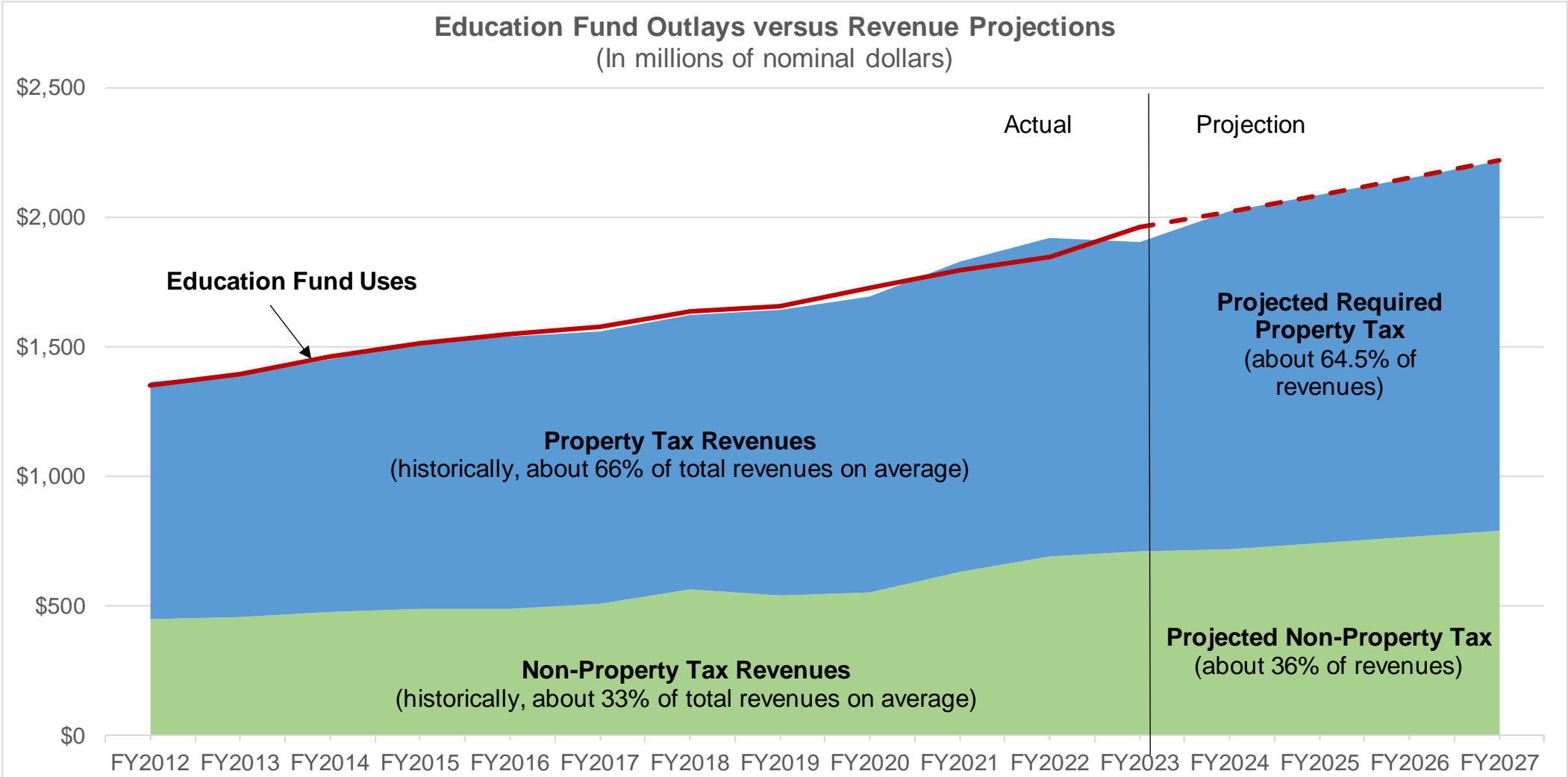
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The Big Picture



Note: Projection for Education Fund Uses is CAGR from FY2012 to FY2023. Non property tax revenue is from July 2022 Consensus Forecast. Expenditures do not assume one-time spending uses introduced in FY2023 will continue into future fiscal years.



Education Fund in the Short and Medium Term

- Pressures in the Education Fund are addressed by tax rates
- Non-property tax revenues in the fund are expected to take pressure off the property tax
 - Prior to Covid-19 pandemic, these revenues were about 33% of total revenues. Going forward, they could be closer to 35-36%.
 - This translates to roughly \$30-50 million over the projection horizon.
- Revenue pressures in Education Fund largely stem from uncertainty in the forecast
 - Current forecast projects slower growth overall for non-property tax revenues
 - 10% drop in non-property tax revenues = \$75 million
- Education Fund expenditures have been modestly above inflation over the last ten years.
 - Projection assumes roughly that same type of growth in the immediate future.
 - New expenditures in the Education Fund will come at the expense of the shift in revenue burden



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

Teacher's OPEB

- The normal cost of teacher's OPEB will become a new ongoing cost in the Education Fund in FY 2023
- This is **estimated to cost \$15 million in FY 2023**
 - Costs will be re-estimated with updated assumptions



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

Universal School Meals (USM)

- **Onetime \$29 million appropriation in FY 2023** from the Education Fund
- If program is extended, estimated to cost \$37 million going forward due to change in participation and behaviors
 - Cost will be re-estimated pending updated FY 2023 data
- Upcoming required reports:
 - AOE is required to report on the implementation of universal school meals in FY 2023 by January 15, 2023¹
 - JFO report with possible revenue sources for continuation of USM is due by February 1, 2023²
 - Revenue sources should not be “ordinarily used for General Fund”

Notes:

1) 2022 Act 151 Sec. 6

2) 2022 Act 151 Sec. 7



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

Polychlorinated biphenyls (PCBs) in Schools

- \$32 million reserved in the Education Fund for remediation and mitigation
 - A plan for the use of these reserves will be presented to the General Assembly on or before January 15, 2023 by ANR, AOE, and DHR¹
 - Testing will continue through 2025²
- **Total cost of remediation and mitigation unknown at this time**
 - We know Burlington is planning a bond of \$165 million

Notes:

1) 2022 Act 178 Sec. 3

2) 2021 Act 74 Sec. E.709.1 as amended by 2022 Act 166 Sec. 8



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

Child Care and Pre-K funding and structure: TBD

- JFO (or consultant) is required to complete childcare and early education financing study by Jan. 15, 2023¹
- **Total cost and other details are unknown at this time**
 - Legislature will determine what a future program may or may not look like and what funding source will or won't be used

Notes:

1) 2021 Act 45



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

Career and Technical Education (CTE) funding and structure: TBD

- JFO (or a consultant) is required to report on CTE governance and structure by March 1, 2023¹
 - Legislature will determine what future structure may or may not look like and what funding source will or won't be used
- One-time \$15 million appropriation in FY 2023 for a revolving loan program²

Notes:

1) 2022 Act 127 Sec. 17

2) 2022 Act 183 Sec. 16



Education Policy and Funding Pressures on the Horizon *(in no particular order)*

School Construction: TBD

- AOE is required to provide a school facilities and infrastructure assessment in October 2023¹
- Next steps to be determined by the legislature

Notes:

1) 2021 Act 72 Sec. 3 as amended by 2022 Act 166 Sec. 9



Concluding Remarks

- In the current system, pressures in the Education Fund are ultimately addressed by property tax rates
- There are a number of potential education policy and funding pressures on the horizon with varying levels of certainty and scope
- New expenditures and pressures in the Education Fund will come at the expense of the shift in revenue burden

