

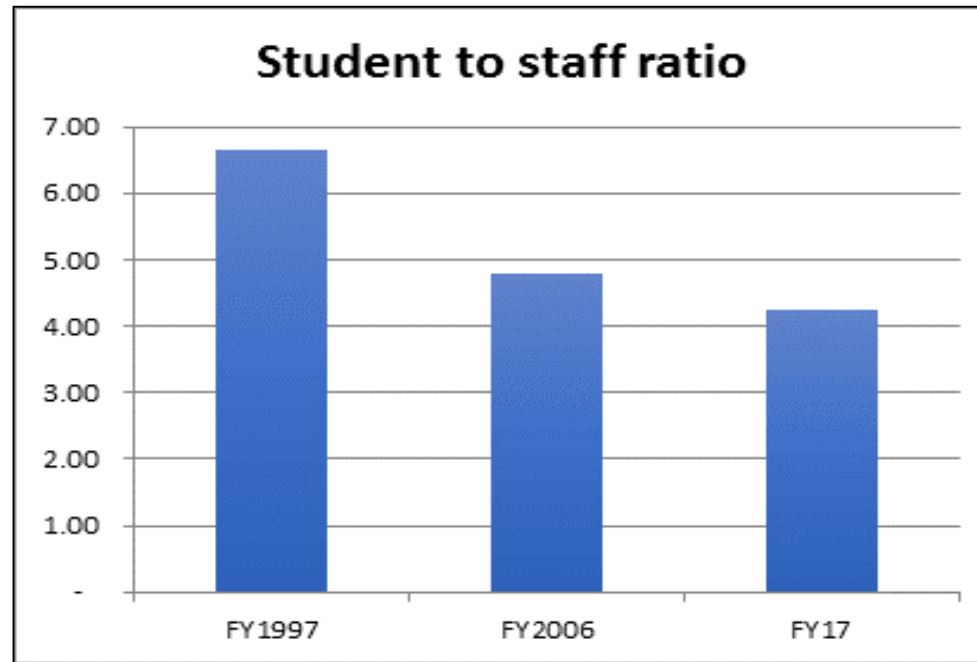


Five-Year Education Revitalization, Tax Stabilization, and Investment Act

May 23, 2018



Student to Staff Ratio

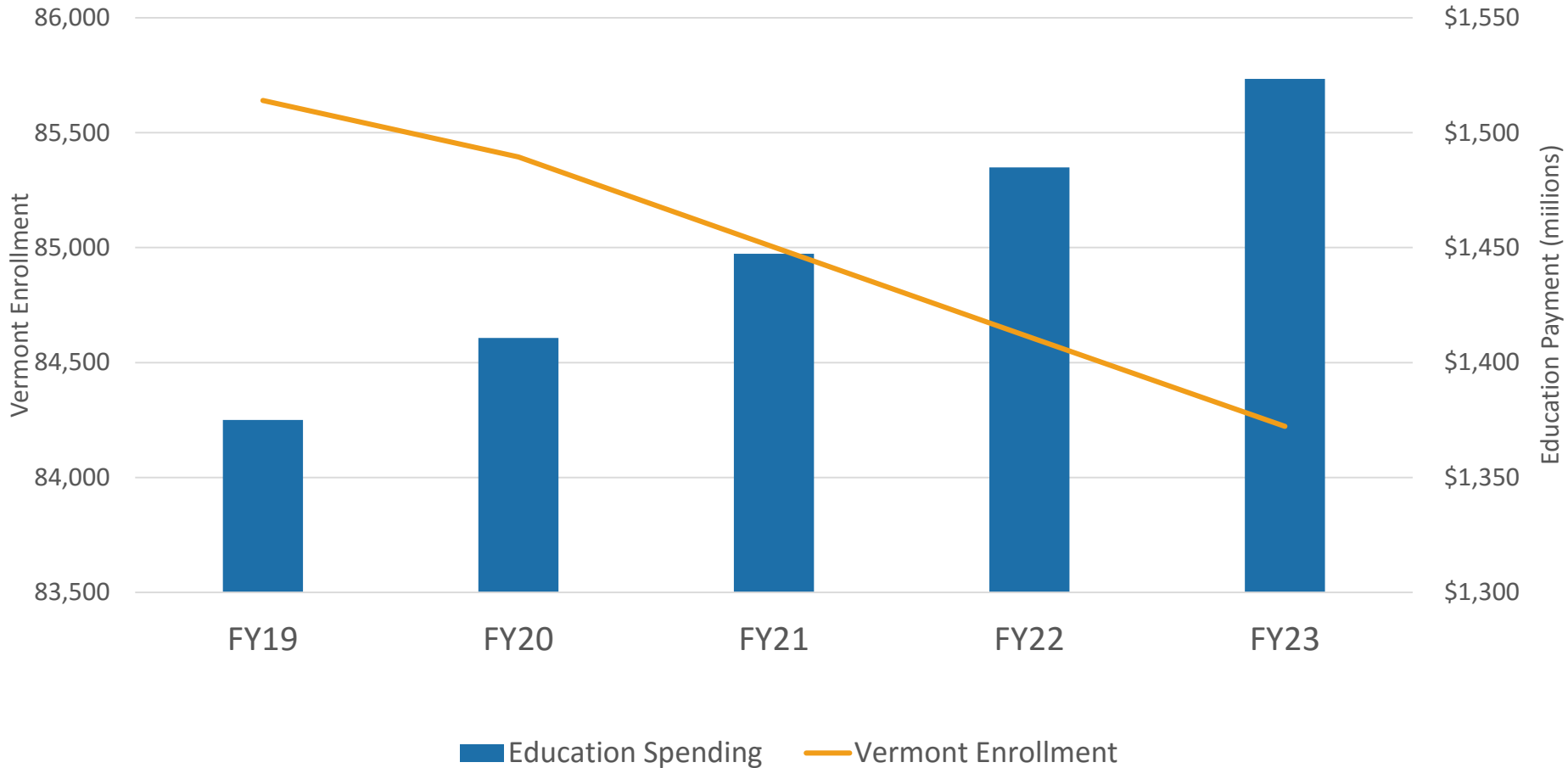


6.67

4.77

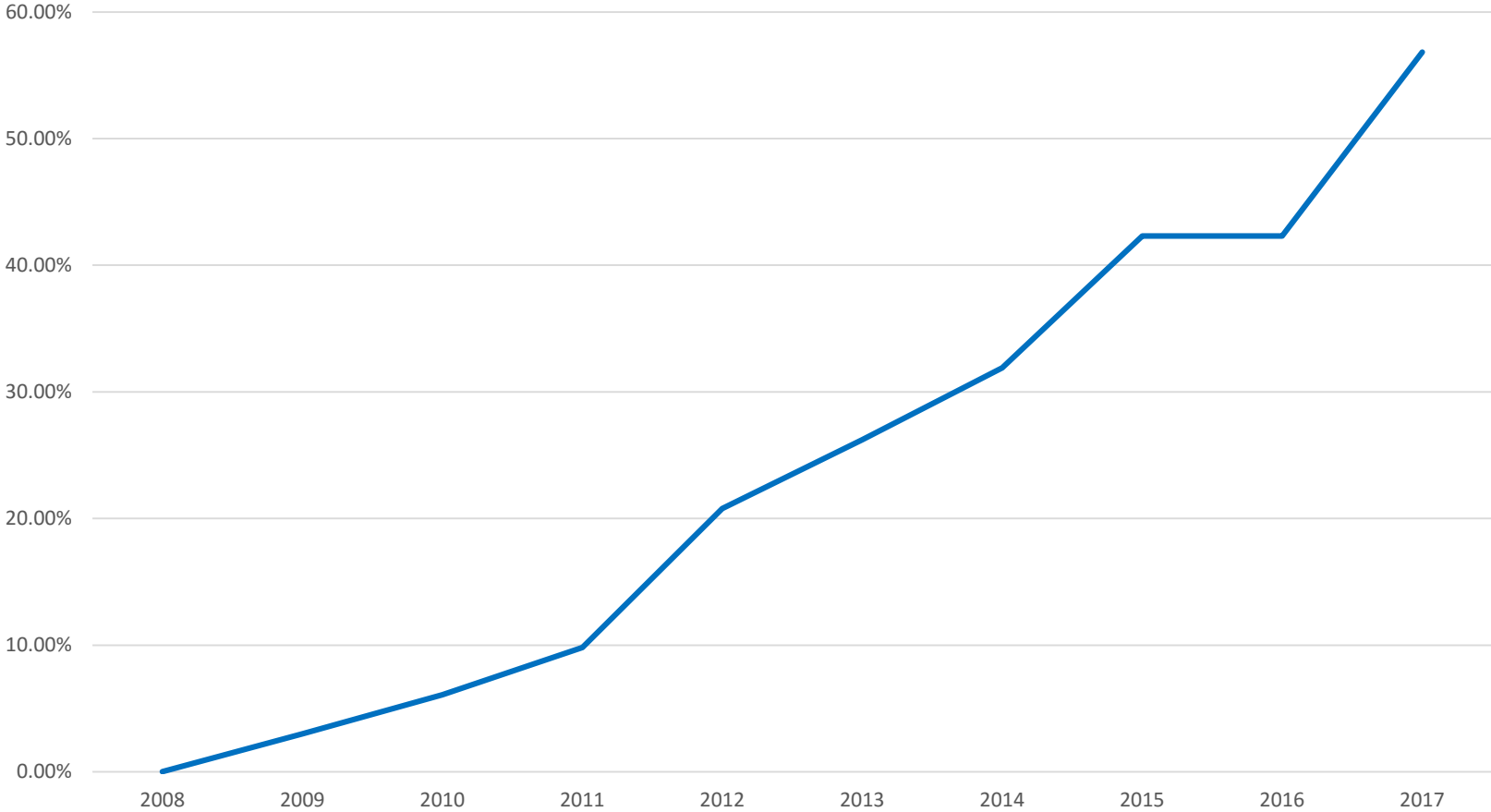
4.23

FY19- FY23 Education Spending Enrollment Projections

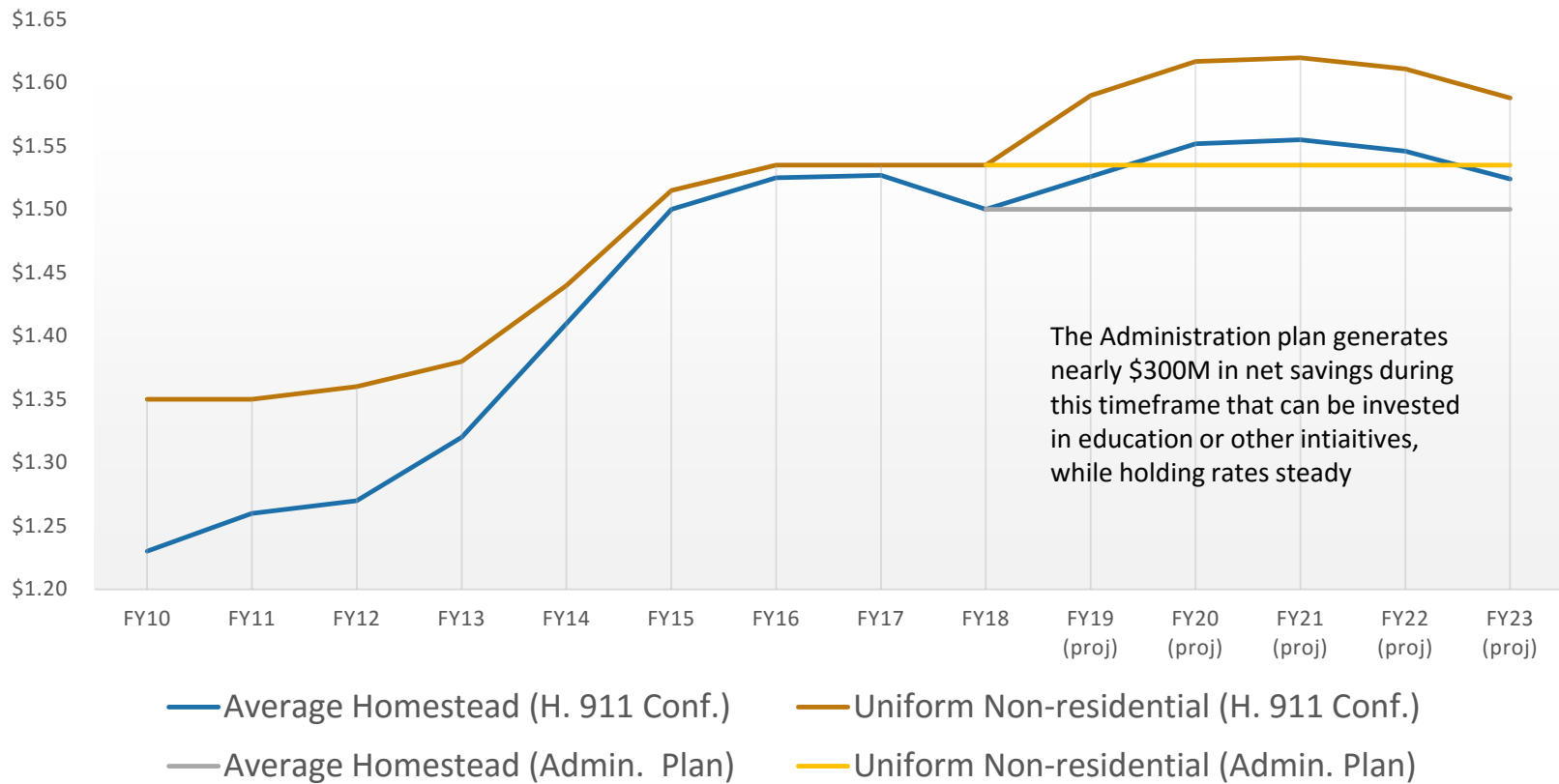


Enrollment projection is Consensus JFO and Administration Forecast through FY20, then grown by 2016 - 2020 CAGR (-.46%)
Education spending projection is FY19 "Education Payment" line from EF Outlook grown by FY15-FY19 CAGR (2.238%)

Cumulative Health Care Insurance Premium Increase 2008-2018



Property Tax Rate History and Five-Year Projection



Education Fund Outlook

FY18-FY23 EF Outlook Projections

(millions of dollars)
Updated 5/22/2018 2:00 pm

This five year projection assumes all EF outlook items continue to grow as normal and identifies the "Gap" (line 13) needed to keep average equalized tax rates flat from FY18

	FY2017 Final	FY2018 Before Year- End Closeout	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	Assumptions
a Average Homestead Property Tax Rate	\$1,527	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	Consensus JFO, Admin GL Forecast: 2.1%, 2.9%, 3.6%, 4.4%
b Average Tax Rate on Household Income	2.70%	2.55%	2.50%	2.43%	2.36%	2.29%	2.22%		3% Income Growth, AVG bill increase matches HS
c Uniform Non-Homestead Property Tax Rate	\$1,535	\$1,535	\$1,535	\$1,535	\$1,535	\$1,535	\$1,535	\$1,535	Consensus JFO, Admin GL Forecast: 2.1%, 2.9%, 3.6%, 4.4%
d Base Homestead Property Tax Rate	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00		Current Law
e Base Homestead Income Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		Current Law
f Property Yield Per Equalized Pupil	\$9,701	\$10,160	\$10,224	\$10,491	\$10,760	\$11,043	\$11,327		Produces average HS rate
g Income Yield Per Equalized Pupil	\$10,870	\$11,990	\$11,880	\$12,966	\$13,698	\$14,480	\$15,298		Produces average Income Rate

Sources (actual)

1 Homestead Education Property Tax	586.8	584.5	598.0	610.5	628.4	650.8	679.6		Set to produce flat avg. equalized HS tax rate from FY18
2 Property Tax Adjustment (EF Portion)	(170.1)	(173.0)	(176.4)	(177.4)	(179.6)	(183.3)	(188.2)		Assumes flat HS rate and consensus GL growth
3 Non-Homestead Education Tax	632.8	646.3	653.7	667.5	687.0	711.6	743.0		Set to produce flat avg. equalized NR tax rate from FY18
4 Purchase & Use Tax	34.4	35.8	37.3	38.7	39.6	40.7	41.9		Jan. 18 Consensus Forecast
5 General Fund Transfer	305.9	318.0	322.9	332.2	340.1	350.2	359.8		Consensus Forecast NIPA (thru FY21), then avg. And + 1%
6 Sales & Use Tax	131.8	136.9	144.3	147.4	150.1	153.6	157.8		Jan. 18 Consensus Forecast
One-Time GF Transfer to EF - H.924 C.1000(d)(4)		9.8							
7 Lottery Transfer	25.5	25.2	25.6	25.8	26.0	26.1	26.2		Jan. 18 Consensus Forecast
8 Medicaid Transfer	10.6	8.6	9.6	9.6	9.6	9.6	9.6		FLAT from FY19
9 Other Sources (Wind & Solar, Other)	1.4	1.5	1.6	1.7	1.8	1.9	2.0		\$.1M per year
11 Total Sources	1,559.1	1,593.6	1,616.6	1,656.0	1,703.0	1,761.2	1,831.7	1,889.8	FY24 is FY19-FY23 CAGR * FY23

Uses (appropriations)

12 Education Payment	1,311.0	1,352.2	1,375.0	1,410.7	1,447.3	1,484.9	1,523.5	1,563.1	FY15-FY18 CAGR (2.597%) (FY19 dropped as low year)
Recapture of Teachers' Health Care Savings	-	(8.4)	(4.5)	-	-	-	-	-	none after FY19
13 "GAP": \$ Needed to Fill to Keep Rates Flat			(45.5)	(57.9)	(55.1)	(44.6)	(22.9)	(14.3)	See "Cost Containment & Investment" Tab
14 Special Education Aid	180.7	188.7	197.2	205.1	211.2	219.7	228.4	236.9	From AoE (except FY24)
15 State-Placed Students	16.7	14.7	15.7	16.7	16.7	16.7	16.7	16.7	FLAT from FY17
16 Transportation Aid	18.2	18.7	19.2	19.7	20.3	20.9	21.4	22.0	FY15-FY19 CAGR (2.788%)
17 Technical Education Aid	13.5	13.6	13.9	13.9	13.9	13.9	13.9	13.9	FLAT from FY19
18 Small School Support	7.7	7.6	7.6	7.6	7.6	7.6	7.6	7.6	FLAT from FY19
19 Essential Early Education Aid	6.4	6.4	6.6	6.7	6.8	6.9	7.1	7.2	FY15-FY19 CAGR (1.170%)
20 Adult Education & Literacy	1.8	2.7	3.0	3.0	3.0	3.0	3.0	3.0	FLAT from FY19
21 Flexible Pathways	6.1	7.2	7.4	8.1	8.7	9.4	10.0	10.7	FY17-FY19 AVG Growth = \$.65M
22 Community HS of Vermont (Corrections)	3.1	3.2	3.3	3.3	3.3	3.3	3.3	3.3	FLAT from FY19
23 Renter Rebate (General Govt) - EF share	8.0	7.7	7.9	8.1	8.3	8.5	8.7	8.7	FY18-FY19 Increase (\$.2M) continued
24 Reappraisal & Listing (General Govt)	3.4	3.5	3.3	3.4	3.4	3.4	3.4	3.4	FLAT from FY17
25 Teachers' Pensions - normal cost	-	7.9	7.7	7.8	7.8	7.8	7.8	7.8	FY18, FY19 AVG Amount = \$7.8M
26 Other Uses (Accounting fees, Other)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	FLAT from FY19
27 Total Uses	1,577.7	1,626.8	1,618.9	1,657.3	1,704.4	1,762.5	1,833.0	1,891.1	

Allocation of Revenue Surplus/(Deficit)

28 Revenue Surplus/(Deficit)	(18.6)	(33.2)	(2.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	Total sources minus total uses
29 Prior-Year Reversions (adjusted)	(12.0)	(8.5)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	Flat from FY19 (-\$.20M)
30 Transfer to/(from) Stabilization Reserve	0.9	0.6	0.9	0.7	0.7	0.7	0.7	0.7	To maintain at 5%
31 Transfer to/(from) Unreserved/Unallocated	1.6	(26.4)	(1.2)	0.0	(0.0)	0.0	0.0	0.0	

Stabilization Reserve

32 Prior-Year Stabilization Reserve	32.6	33.5	34.1	35.0	35.7	36.4	37.1	37.8	
33 Current-Year Stabilization Reserve	33.5	34.1	35.0	35.7	36.4	37.1	37.8	38.5	Assume \$.7M increase necessary per year
34 Percent of Prior-Year Net Appropriations	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
35 Maximum Reserve Target @ 5.0%	33.5	34.1	35.0	35.7	36.4	37.1	37.8	38.5	Assume \$14M Net Appropriation increase per year
36 Minimum Reserve Target @ 3.5%	23.4	23.9	24.5	25.0	25.5	26.0	26.5	27.0	Moves with line 33

Available Funds

37 Prior-Year Unreserved/Unallocated	33.9	26.4	1.2	(0.0)	0.0	(0.0)	(0.0)	(0.0)	
38 Current-Year Unreserved/Unallocated	26.4	1.2	(0.0)	0.0	(0.0)	(0.0)	(0.0)	0.0	

Reform Initiatives

Updated 5/23/2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	TOTAL
Increase student/staff ratio		32.0	42.0	51.0	59.0	65.0	249.0
Transitions to statewide healthcare bargaining		6.0	12.0	14.0	14.0	16.0	62.0
Transition to new SpEd payment method		2.0	8.0	17.0	25.0	34.0	86.0
Reduce excess spending threshold gradually over 5 years(beginning in FY20)		3.0	5.0	8.0	13.0	19.0	48.0
Property Tax Adjustments changes to new homesteads established after July 1, 2018		1.0	1.0	2.0	3.0	4.0	11.0
House site value from \$500k to \$400k (income<90)	1.8	1.8	1.8	1.9	1.9	2.0	11.2
House site value from \$250k to \$200k (income>=90)		11.5	11.6	11.8	12.2	12.5	59.6
Total savings (\$ millions)	\$1.8	\$57.3	\$81.4	\$105.7	\$128.1	\$152.5	\$526.8
"GAP": \$ Needed to Fill to Keep Average Rates Flat	-\$45.5	-\$57.9	-\$55.1	-\$44.6	-\$22.9	-\$14.3	-\$240.3
One-Time Money and payback	43.7			-17.8	-17.8	-17.8	
Net savings/ available for investment (\$ millions)	\$0.0	-\$0.6	\$26.3	\$43.3	\$87.3	\$120.3	\$286.5

A Transformative Plan

- Balances the Education Fund in FY19 with no increase in property tax rates;
- Stabilizes statewide property tax rates for 5 years;
- Fully funds the school budgets local voters have approved for next year;
- Generates almost \$300 million in net savings in 5 years that can be reinvested in early care & learning, K-12 education, technical education, higher education and lower tax rates.
- Allows full repayment of the General Fund transfer and contributions to VSTRS unfunded liability; and
- Sets Vermont on a stable 5-year trajectory allowing local school districts to take full advantage of the governance changes made under Act 46.