

# **Overview of Public Education Funding, FY2024**

# Important Point to Remember

1. Vermont does not have a per pupil funding system for school districts

# How Funding Works – a Four Step Process

1. Districts adopt budgets
2. Districts submit voter approved budget data
3. AOE determines district education spending amount
4. AOE pays districts the education spending amount from the Education Fund plus any categorical grants

# What Are Categorical Grants?

FY2024 data, in millions

Special Education Aid	\$ 226
Transportation Aid	\$ 24
Aid for State-Placed Students	\$ 19
Technical Education Aid	\$ 17
Small School Grants	\$ 8
Essential Early Education Aid	\$ 8
Flexible Pathways	\$ 9
Total	\$ 311

# What Is Education Spending?

Budget adopted by Town or Union School District

+ Deficit from prior year (if any)

+ District share of regional CTE school district budget (if any)

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Budgeted Expenditures

Budgeted Expenditures

– Expected revenues, state categorical grants,  
federal revenues, etc., (i.e., non-prop. tax)

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**Education Spending**

(Statewide total about \$ 1,703 million projected FY2024)

# Ed Fund Pays To Districts

FY2024 data, in millions

Categorical Grants	\$ 311
Net Education Spending	\$ 1,703
Universal School Meals	\$ 29
PCB Remediation Grants	\$ 30
Afterschool grants	\$ 4
Accounting, auditing, etc.	\$ 5
One-time COLA payment	\$ 3
Teacher's Pension	\$ 48
<b>Total payments</b>	<b>\$ 2,133</b>

# Education Fund, FY2024 Revenues

Fixed sources, estimates in millions

Non-homestead property tax	\$ 783
100% sales and use tax	\$ 585
1/3 purchase and use tax	\$ 49
25% meals and rooms tax	\$ 61
Lottery	\$ 32
Medicaid Transfer	\$ 11
Other (wind, solar tax, etc.)	\$ 9
Total	\$ 1,530

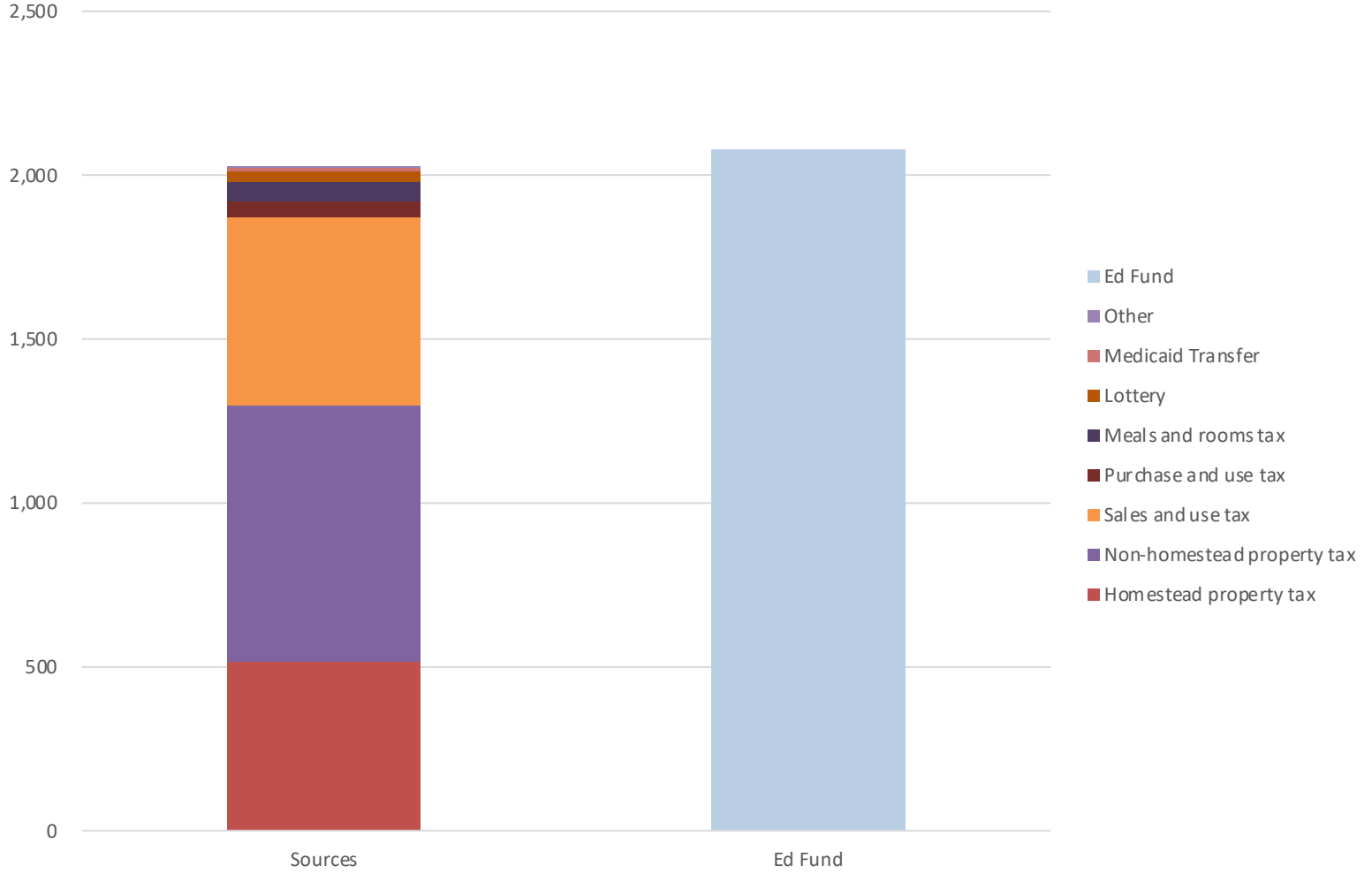
# Where's the Other Money?

- FY24 Homestead property tax = \$ 519 million
  - Homestead taxes, gross = \$ 670 million
  - Homestead tax adjustments = \$ 151 million
  - Homestead tax rates are based on per pupil spending
  - Taxes paid are based on:
    1. one percent of homestead market value, or
    2. two percent of household income

**Note:** Both homestead and non-homestead property taxes are part of the Education Fund.



# FY2024 Education Fund



# How Do Homestead Tax Rates Vary?

- Rates vary as average per pupil spending varies
- Average per pupil spending =  
Education Spending ÷ district's equalized pupil count
- Example: Ed Spending = \$ 3,243,000  
Eq. Pupil Count = 150

$$\text{\$ } 3,243,000 \div 150 = \text{\$ } 21,620$$

# FY2024 Base Amounts

- Property Yield = \$15,443
- Base homestead property rate = \$ 1.00
  - or 1.00% of market value
- Base non-homestead property rate = \$ 1.391
  - or 1.391% of market value
- Income Yield = \$17,537
- Base income rate = 2.0% of household income

## A way to think about the yields . . .

- Property yield – for every \$15,443 spent per equalized pupil, the homestead tax rate will be \$1.00.
- Income yield – for every \$17,537 spent per equalized pupil, an eligible taxpayer will pay 2.0% of their household income.

# Equalized Homestead Tax Rates & Income Percentages, FY2024

Education Spending per Eq. Pupil		FY24 Base Homestead Rate		FY24 Base Income Percentage
	Property Yield	Equalized Homestead Tax Rate	Income Yield	Percentage of Household Income
		1		2.00%
16,987	15,443	1.10	17,537	2.00%
18,532		1.20		2.11%
20,076		1.30		2.29%
<b>21,620</b>		<b>1.40</b>		<b>2.47%</b>
23,165		1.50		2.64%
24,709		1.60		2.82%

# Homestead Property Tax Rate

- District Rate = \$ 1.40
  - i.e., the equalized rate, which is
- Adjusted for each town by dividing by its CLA to get the actual rate on the tax bill
  - If CLA = 93%, the \$ 1.40 rate would become:  
 $\$1.40 \div 93\% = \$ 1.5054$  (rate appearing on bill)

# FY2024 Homestead Rate Calculation

1.	Expenditures =	\$ 4,243,000
2.	<u>- Offsetting revenues =</u>	<u>\$ 1,000,000</u>
3.	Education spending =	\$ 3,243,000
4.	<u>÷ Equalized pupils =</u>	<u>150</u>
5.	Ed Spending / EqPup =	<b>\$ 21,620</b>
6.	<u>÷ Property yield per \$1.00 rate =</u>	<u>\$ 15,443</u>
7.	<b>Equalized</b> homestead rate =	\$ 1.40
8.	<u>÷ CLA =</u>	<u>93%</u>
9.	<b>Actual</b> homestead rate =	\$ 1.5054

# Homestead Income Rate

For eligible taxpayers, each current year tax bill is adjusted by a tax credit equal to:

the prior year property tax amount minus, if less:

- a. the prior year household income amount plus
- b. the prior year property tax amount in excess of a specific amount based on household income



Why does my tax rate go up even though the school district budget is flat?

## Possibility 1

The student count may have dropped while the budget has remained flat.

Tax rates are dependent on spending per pupil, not the overall budget.

1	Expenditures	4,243,000	4,243,000
2	- <u>Offsetting revenues</u>	<u>1,000,000</u>	<u>1,000,000</u>
3	Education spending	3,243,000	3,243,000
4	÷ Equalized pupils	<u>150</u>	<u>140</u>
5	Ed Spending / EqPup	21,620	23,164
6	Property yield per \$1.00 rate	<u>15,443</u>	<u>15,443</u>
7	Equalized homestead rate	1.40	1.50
8	÷ CLA	<u>93%</u>	<u>93%</u>
9	Actual homestead rate	1.5054	1.6129



Why does my tax rate go up even though the school district budget is flat?

## Possibility 2

Revenue sources may have changed and less offsetting revenues are available to reduce education spending.

Therefore, if education spending increases, tax rates will increase, all else being constant.

1	Expenditures	4,243,000	4,243,000
2	- <u>Offsetting revenues</u>	<u>1,000,000</u>	<u>500,000</u> ←
3	Education spending	3,243,000	3,743,000
4	÷ Equalized pupils	<u>150</u>	<u>150</u>
5	Ed Spending / EqPup	21,620	24,953
6	Property yield per \$1.00 rate	<u>15,443</u>	<u>15,443</u>
7	Equalized homestead rate	1.40	1.62
8	÷ CLA	<u>93%</u>	<u>93%</u>
9	Actual homestead rate	1.5054	1.7375

Why does my tax rate go up even though the school district budget is flat?

### Possibility 3

Property values may have increased without a town-wide reappraisal as reflected by a lower CLA.

Education property tax rates are assessed on the fair market value for properties.

1	Expenditures	4,243,000	4,243,000
2	- <u>Offsetting revenues</u>	<u>1,000,000</u>	<u>1,000,000</u>
3	Education spending	3,243,000	3,243,000
4	÷ Equalized pupils	<u>150</u>	<u>150</u>
5	Ed Spending / EqPup	21,620	21,620
6	Property yield per \$1.00 rate	<u>15,443</u>	<u>15,443</u>
7	Equalized homestead rate	1.40	1.40
8	÷ CLA	<u>93%</u>	<u>90%</u>
9	Actual homestead rate	1.5054	1.5555



Why does my tax rate go up even though the school district budget is flat?

## Possibility 4

The majority of the other districts in the state may have increased their overall education spending.

It is a statewide system and local decisions are felt throughout the state via the base education tax rates.

1	Expenditures	4,243,000	4,243,000
2	- <u>Offsetting revenues</u>	<u>1,000,000</u>	<u>1,000,000</u>
3	Education spending	3,243,000	3,243,000
4	÷ Equalized pupils	<u>150</u>	<u>150</u>
5	Ed Spending / EqPup	21,620	21,620
6	Property yield per \$1.00 rate	<u>15,443</u>	<u>15,250</u>
7	Equalized homestead rate	1.40	1.42
8	÷ CLA	<u>93%</u>	<u>93%</u>
9	Actual homestead rate	1.5054	1.5244





# Student Counts at CTEs

1. Students are counted as full-time equivalents (FTEs)
  - a. Current semester data (fall of current year) are reported by CTEs to sending school districts for review.
  - b. Sending districts review data and reconcile any questions with CTEs.
  - c. CTEs send current semester data to AOE, identifying CTE attended, town of residence, and sending high school.
2. AOE data team calculates FTEs for current semester.
3. AOE data team sends current semester FTE count plus prior 5 semesters to School Finance.
4. School Finance calculates 6-semester average.

# Weighting of Pupils

- Different types of pupils cost different amounts to educate
- The idea behind weighting pupils is to make the average cost per pupil the same as it would be for an elementary pupil
- Adding weights inflates the pupil count. The current equalized pupil process weights pupils to account for cost differences
- Vermont currently weights pupils by preK, elementary, secondary, pupils in poverty, and students who are English language learners
- This will change in FY2025, with the calculation process changing weights and adding new categories
- Additionally, long-term weighted ADM counts will be used instead of equalized pupil counts

# Description of Terms

- **Average Daily Membership (ADM)**

The number of publicly funded resident students in the district as a 20-day FTE from the 11<sup>th</sup> through the 30<sup>th</sup> day of the school year

A student is one ADM if publicly funded for the full 20-day period

- **Long Term Membership (LTM)**

The average ADM for the current and prior years plus state-placed students from the prior year

# Pupil counts and the Act 127 weighting categories, **effective FY2025**

1. The new categories use differing pupil bases:
  - a. Grade level – long-term membership, LTM
  - b. Poverty – free and reduced lunch counts
  - c. Sparsity/Population density – long-term membership, LTM
  - d. Districts with small schools – two-year average enrollment of a small school
  - e. English language learners (ELL) – ELL count
  
2. Weights work in concert with one another and can mask what is happening for any given weighting factor.

	FY24	FY25
Grade Weights		
EEE/preK	0.46	(0.54)
K-6	1.00	
K-5		-
7-12	1.13	
6-8		0.36
7-9		0.39

Poverty/FRL	0.25	1.03
EL	0.20	2.49

Sparsity		
< 36 pop/mi <sup>2</sup>		0.15
36 ≤ pop/mi <sup>2</sup> < 55		0.12
55 ≤ pop/mi <sup>2</sup> < 100		0.07

Small Schools		
enrollment < 100		0.21
100 ≤ enrollment < 250		0.07

Yields will be changed accordingly with new weights

# Effect of Act 127 if Applied in FY2024

## District A

	Actual
1. Education Spending	3,243,000
2. ÷ <u>Equalized Pupils</u>	<u>150.00</u>
3. Ed Spend / EqPup	21,620
4. ÷ <u>Property yield</u>	<u>15,443</u>
5. Eq. Homestead Rate	1.4000

# Effect of Act 127 if Applied in FY2024

## District A

	Actual	If Act 127 EqPups in FY2024
1. Education Spending	3,243,000	3,243,000
2. ÷ <u>Equalized Pupils</u>	<u>150.00</u>	<u>145.00</u>
3. Ed Spend / EqPup	21,620	
4. ÷ <u>Property yield</u>	<u>15,443</u>	
5. Eq. Homestead Rate	1.4000	

# Effect of Act 127 if Applied in FY2024

## District A

	Actual	If Act 127 EqPups in FY2024
1. Education Spending	3,243,000	3,243,000
2. ÷ <u>Equalized Pupils</u>	<u>150.00</u>	<u>145.00</u>
3. Ed Spend / EqPup	21,620	22,366
4. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>
5. Eq. Homestead Rate	1.4000	1.4483



# Effect of Act 127 if Applied in FY2024

## District A

	Actual	If Act 127 EqPups in FY2024	Change in Education Spending
1. Education Spending	3,243,000	3,243,000	(108,100)
2. ÷ <u>Equalized Pupils</u>	<u>150.00</u>	<u>145.00</u>	
3. Ed Spend / EqPup	21,620	22,366	
4. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>	
5. Eq. Homestead Rate	1.4000	1.4483	

# Effect of Act 127 if Applied in FY2024

## District A

	Actual	If Act 127 EqPups in FY2024	Change in Education Spending	Back to original tax rate
1. Education Spending	3,243,000	3,243,000	(108,100)	3,134,900
2. ÷ <u>Equalized Pupils</u>	<u>150.00</u>	<u>145.00</u>		<u>145.00</u>
3. Ed Spend / EqPup	21,620	22,366		21,620
4. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>		<u>15,443</u>
5. Eq. Homestead Rate	1.4000	1.4483		1.4000

# Effect of Act 127 if Applied in FY2024

## District B

	Actual
6. Education Spending	7,251,000
7. ÷ Equalized Pupils	<u>397.00</u>
8. <u>Ed Spend / EqPup</u>	18,264
9. ÷ <u>Property yield</u>	<u>15,443</u>
10. Eq. Homestead Rate	1.1827

# Effect of Act 127 if Applied in FY2024

## District B

	Actual	If Act 127 EqPups in FY2024
6. Education Spending	7,251,000	7,251,000
7. ÷ Equalized Pupils	<u>397.00</u>	<u>442.00</u>
8. <u>Ed Spend / EqPup</u>	18,264	
9. ÷ <u>Property yield</u>	<u>15,443</u>	
10. Eq. Homestead Rate	1.1827	

# Effect of Act 127 if Applied in FY2024

## District B

	Actual	If Act 127 EqPups in FY2024
6. Education Spending	7,251,000	7,251,000
7. ÷ Equalized Pupils	<u>397.00</u>	<u>442.00</u>
8. <u>Ed Spend / EqPup</u>	18,264	16,405
9. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>
10. Eq. Homestead Rate	1.1827	1.0623

# Effect of Act 127 if Applied in FY2024

## District B

	Actual	If Act 127 EqPups in FY2024	Change in Education Spending
6. Education Spending	7,251,000	7,251,000	821,688
7. ÷ Equalized Pupils	<u>397.00</u>	<u>442.00</u>	
8. <u>Ed Spend / EqPup</u>	18,264	16,405	
9. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>	
10. Eq. Homestead Rate	1.1827	1.0623	

# Effect of Act 127 if Applied in FY2024

## District B

	Actual	If Act 127 EqPups in FY2024	Change in Education Spending	Back to original tax rate
6. Education Spending	7,251,000	7,251,000	821,688	8,072,688
7. ÷ Equalized Pupils	<u>397.00</u>	<u>442.00</u>		<u>442.00</u>
8. <u>Ed Spend / EqPup</u>	18,264	16,405		18,264
9. ÷ <u>Property yield</u>	<u>15,443</u>	<u>15,443</u>		<u>15,443</u>
10. Eq. Homestead Rate	1.1827	1.0623		1.1827

# Intent of the new weights and categories

1. For a given level of spending, a district advantaged by the new weights and categories in terms of pupil counts will have lower spending per pupil and subsequently, a lower homestead tax rate.
  - a. The district should be able to increase its overall spending to provide additional support to students in the various categories.
  - b. This will raise spending per pupil and also the homestead tax rate.
  - c. But a district should be able to fund more services for its students at or below the homestead rate it would have had without the new weights.
2. The intent was not to have districts take the additional tax capacity solely as a tax break.
3. For a district disadvantaged by the new weights, a higher tax rate will be required to maintain the same level of spending per pupil.



# Important Points to Remember

1. Vermont does not have a per pupil funding system for school districts
2. School districts are owed their education spending plus categorical grants
3. Homestead property taxes are based on education spending per equalized pupil
4. All towns pay to the Education Fund; all school districts receive from the Education Fund
5. It is a statewide funding system – decisions in one district affect every other district
6. Vermont is shifting from equalized pupils to long term weighted ADM in FY25