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## **Summary of the Education Fund**

August 30, 2017

### **Box 1 – As Passed Education Fund Status**

This box represents a summary of the sources and uses of the Education fund, appropriated and approved by the Legislature and signed by the Governor at the end of June 2017. The box demonstrates that the net of the base sources and uses of the education fund result in a \$35.2M operating deficit.

### **Box 2 – Use of One time Funds in FY 2018**

The Legislature passed, and the Governor signed a balanced budget. The operating deficit was mitigated through the use of \$35.2M in one-time funds, including, an assumed reversion from FY 2017, transfers from the stabilization reserve, and the use of unreserved/unallocated funds. The net of the sources, uses, and the use of one time money result in a balanced FY 2018 Education Fund. However, the use of one-time funds will create a challenge in FY 2019 (discussed below).

### **Box 3 – Revenue Changes Adopted by the Emergency Board**

On July 21, 2017 the Emergency Board adopted an updated revenue forecast for the Sales and Use Tax, the Purchase and Use, and the Lottery transfer. The net change in revenue for the education fund adopted by the Emergency Board was reduced \$2.8M; the adjusted operating deficit is \$37.9M.

### **Box 4 – Closeout Adjustments**

In addition to changes adopted by the Emergency Board, some estimates from FY 2017 were finalized. This adjusted the amount of unreserved/unallocated available by \$0.3M, increased the amount transferred from the stabilization reserve by \$1M and increased available prior year reversions by \$1.4M. The adjusted one-time sources match the operating need of \$37.9M.

### **Box 5 – Estimated FY 2018 Fund Positions**

At the end of FY 2018 the stabilization reserve is projected to be funded at 3.6%, with a balance of \$24.7M. Statute dictates that the fund must be between 3.5 and 5% (16 V.S.A. §4026). It is projected that the unreserved/unallocated balance the end of FY2018 will be zero.

### **Box 6 – FY 2019 Estimated Budget Gap Drivers**

In FY 2019 the Governor will have to propose a plan, and the Legislature will have to adopt laws, that reconcile the potential financial challenges. First, they will have to manage replacing one-time funds. Second, they will have to determine what level to fund the stabilization reserve. If increased to the statutory maximum of 5%, it require additional resources. These two issue will need to be reconciled with cost pressures as well as the rate of revenue growth.

*Note: numbers may not add to do rounding*

## Update on the FY 2018 Education Fund Budget - August 30, 2017

Note: Numbers may not add due to rounding

### Box 1 - As Passed Education Fund

<i>outlook</i> <i>reference</i> <b>Sources</b>		
1	Net Homestead Education Tax	416.2
2	Non-Homestead Education Tax	641.3
3	Sales & Use	139.4
4	Purchase & Use	35.6
5	General Fund Transfer	314.7
	One-time FY 18 GF transfer	3.3
6	Lottery Transfer	24.8
7	Medicaid Transfer	8.6
8	Other	1.6
9	<b>Total Sources</b>	<b>1,585.5</b>
<b>Uses</b>		
10	Education Payment	1,352.2
	VEHI Health Care Savings	(8.5)
11,16	Special Education Payment & EEE	187.1
12,13	State Placed Students & Transportation	35.4
14,19,20	Tech. Ed, Adult Ed, & Flexible Pathways	23.5
15	Small Schools	7.6
21	Community High Schools	3.2
22,23	Renter Rebate & Reappraisal & Listing	10.9
24	Teacher Pension - Normal Cost	7.9
25	Other	1.1
26	<b>Total Uses</b>	<b>1,620.7</b>
27	<b>Operating Surplus/(Deficit)</b>	<b>(35.2)</b>

(a)

### Box 2 - Use of One-time Funds in FY 2018

Prior Year Reversions	1.3
Transfer from the Stabilization Reserve	7.8
Transfer from Unreserved/Unallocated	26.1
<b>Total Use of One time Funds</b>	<b>35.2</b>

(b)

(a) + (b) = 0

### Box 3 - Revenue Changes Adopted by the Emergency Board

	<u>As Passed</u>	<u>E-Board</u>	<u>Change</u>
Sales & Use Tax Change	139.4	136.8	(2.6)
Purchase & Use Tax Change	35.6	35.4	(0.2)
Lottery Change	24.8	25.3	0.5
Other Sources	1.6	1.1	(0.5)
<b>Total Revenue Changes</b>			<b>(2.8)</b>
<b>As Passed Operating Deficit</b>			<b>(35.2)</b>
<b>Adjusted Operating Deficit</b>			<b>(37.9)</b>

(c)

### Box 4 - One-time Closeout Adjustments

	<u>As Passed</u>	<u>E-Board</u>	<u>Change</u>
Prior Year Reversions	1.3	2.7	1.4
Transfer from the Stabilization Reserve	7.8	8.8	1.0
Transfer from unreserved/unallocated	26.1	26.4	0.3
<b>Subtotal Closeout Adjustments</b>			<b>2.8</b>
<b>Total Adjusted Onetime Funds</b>		<b>37.9</b>	

(d)

(c) + (d) = 0

### Box 5 - Estimated FY 2018 Fund Position

<b>Stabilization Reserve</b>	
FY17 Closeout - 5%	33.5
Transfer out of stabilization reserve	(8.8)
<b>FY 2018 Projected Reserve - 3.6%</b>	<b>24.7</b>
<b>Unreserved Unallocated</b>	
FY 2017 Closeout	26.4
Use of Unreserved/Unallocated	(26.4)
<b>FY 2018 projected unreserved/unallocated</b>	<b>-</b>

### Box 6 - 2019 Estimated Budget Gap Drivers

One time Money	37.9
Refilling the Reserve	8.8
Bring to reserve to 5%	0.6
Expenditure Pressures	????
<b>Total</b>	<b>47.3</b>