## Profile of Education Fund Revenue Sources

Commission on the Future of Public Education - Education Finance Subcommittee
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## FY24 Education Fund Revenue Sources

\$508,100,000

Homestead Property Tax: The education property tax levied on primary residences
(homesteads). Tax rates are based on school district per-pupil spending divided by town CLA 24.7%

\$595,200,000 Sales and Use Tax: All state sales tax revenue goes to the Education Fund. The tax rate is 6% 28.9%

\$61,500,000
Meals and Rooms Tax: A 9% tax on meals out and rooms and 10% on onpremise alcohol. One-quarter goes to the Education Fund
3.0%

\$36,000,000 Lottery Proceeds 1.7%

\$48,300,000
Purchase and Use Tax: A 6%
sales tax on vehicle purchases.
One-third goes to the Education
Fund
2.3%

\$792,300,000

Non-Homestead Property Tax:
The education tax levied on any property that is not a homestead. Uniform statewide rate divided by town CLA 38.5%

\$9,000,000
Other sources: Fund interest
(~\$6M), wind and solar capacity
tax in lieu of property tax
(~\$2M), and Current Use land
use change tax (~\$1M)
0.4%

\$8,600,000

Medicaid Transfer: The Education fund retains a share (20 - 25%) of what supervsiory unions bill Medicaid for servicees to students on IEPs 0.4%

## Recent changes to EF Sources: <u>Decreases</u>

- Act 179 of 2022: Exempted equipment used in manufacturing from the sales tax. Expected by JFO to reduce Education Fund by \$0.9M in FY23 and thereafter.
- Act 73 of 2021: Created a sales tax exemption for feminine hygiene products, clarified that online platforms must collect the meals tax for meals sold on their platforms, exempted the sale of wood pellets for residential use from the sales tax, and exempted the sale of alcoholic beverages sold at non-profit events from the alcohol tax. Expected by JFO to reduce Education Fund revenues by \$1.7M per year.

# Recent changes to EF Sources: Increases

- Act 183 of 2024: Created a 3% surcharge on short term rentals, dedicated to the Education Fund. Expected by JFO to raise \$11.8M in FY25 and \$14.7M per year thereafter. Also repealed the sales tax exemption for prewritten computer software. Expected by JFO to raise \$14.7M in FY25 and \$16.0M per year thereafter.
- Act 71 of 2019: Expended the meals and rooms tax to the transaction fees and commissions of online travel agencies. Expected by JFO to raise \$0.9M and \$1.1M per year thereafter.

## Act 11 of 2018

- Act 11 of 2018 repealed the annual transfer from the General Fund to the Education Fund and replaced that
  revenue by increasing the allocation of sales tax going to the Education Fund from 36% to 100% and
  dedicating 25% of meals and rooms tax to the Education Fund. It also moved some EF expenses to the
  General Fund. The net effect of the changes was designed to be revenue neutral
- The Joint Fiscal Office <u>Estimates</u> that, compared to prior law, the Act 11 changes benefited the Education Fund by \$277.2M between FY17 and FY24. This increase was primarily driven by the Supreme Court's decision in South Dakota vs. Wayfair on June 21<sup>st</sup>, 18 which triggered Vermont's remote sellers provision to start on July 1st

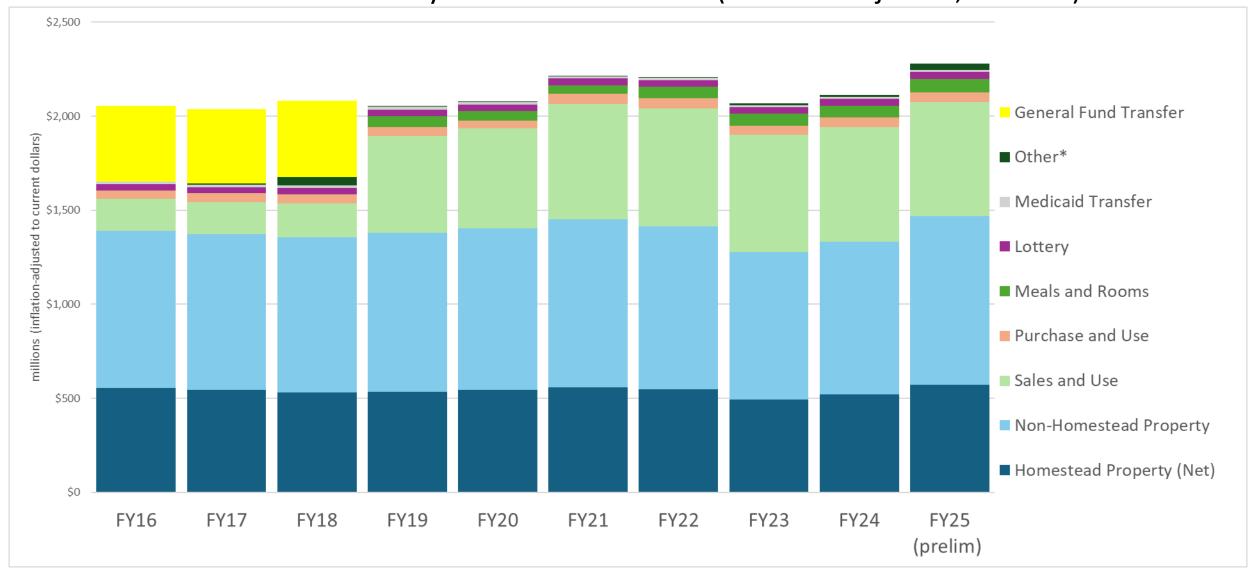
#### EF Revenue Amounts by Source: FY16 – FY25 (inflation-adjusted, millions)

Source	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (prelim)
Homestead Property (Net)	555.8	545.3	531.5	535.6	544.4	559.8	548.2	493.8	521.0	572.4
Homestead Property (Net)	333.0	545.5	331.3	333.0	J44.4	333.6	340.2	455.0	321.0	372.4
Non-Homestead Property	833.1	827.2	826.2	844.9	859.3	890.4	865.8	785.4	812.3	897.3
General Fund Transfer	400.6	396.8	403.5							
General Fund Transfer	400.6	390.0	403.3	-	-	-	-	-	-	-
Sales and Use	171.5	172.3	178.5	515.0	530.7	614.8	627.4	620.7	610.3	606.3
Purchase and Use	44.1	45.0	46.8	46.6	43.1	54.1	52.6	50.4	49.5	49.4
Meals and Rooms	-	-	-	56.8	50.2	43.6	62.4	63.1	63.1	72.1
Lottery	34.9	33.3	34.7	36.8	32.9	39.4	35.4	34.1	36.9	36.5
Medicaid Transfer	12.7	13.9	13.1	14.1	13.0	9.0	13.2	10.9	8.8	11.2
Other*	1.7	4.3	46.4	4.2	6.3	3.5	4.1	9.6	9.2	32.8
Total	2,054.4	2,038.0	2,080.8	2,054.0	2,079.8	2,214.5	2,209.1	2,068.1	2,111.1	2,278.0
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Source: Final/Actual columns from JFO Education Fund Outlooks except for FY25 which is preliminary as of 7/30/24										

Adjusted for Inflation to current dollars using the Bureau of Labor Statistics Consumer Price Index Inflation Calculator

<sup>\*</sup>Other line includes \$2.3M in GF transfer in FY17 (~\$3.0M current dollars), \$33.5M in FY18 (~\$43M in current dollars), and \$25.0M in FY25

#### EF Revenue Amounts by Source: FY16 – FY25 (inflation-adjusted, millions)



# Share of EF Revenue by Source: FY16 – FY25

Source	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (prelim)
Homestead Property (Net)	27.1%	26.8%	25.5%	26.1%	26.2%	25.3%	24.8%	23.9%	24.7%	25.1%
Non-Homestead Property	40.6%	40.6%	39.7%	41.1%	41.3%	40.2%	39.2%	38.0%	38.5%	39.4%
subtotal: property share	67.6%	67.3%	65.3%	67.2%	67.5%	65.5%	64.0%	61.9%	63.2%	64.5%
General Fund Transfer	19.5%	19.5%	19.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales and Use	8.3%	8.5%	8.6%	25.1%	25.5%	27.8%	28.4%	30.0%	28.9%	26.6%
Purchase and Use	2.1%	2.2%	2.2%	2.3%	2.1%	2.4%	2.4%	2.4%	2.3%	2.2%
Meals and Rooms	0.0%	0.0%	0.0%	2.8%	2.4%	2.0%	2.8%	3.1%	3.0%	3.2%
Lottery	1.7%	1.6%	1.7%	1.8%	1.6%	1.8%	1.6%	1.6%	1.7%	1.6%
Medicaid Transfer	0.6%	0.7%	0.6%	0.7%	0.6%	0.4%	0.6%	0.5%	0.4%	0.5%
Other*	0.1%	0.2%	2.2%	0.2%	0.3%	0.2%	0.2%	0.5%	0.4%	1.4%