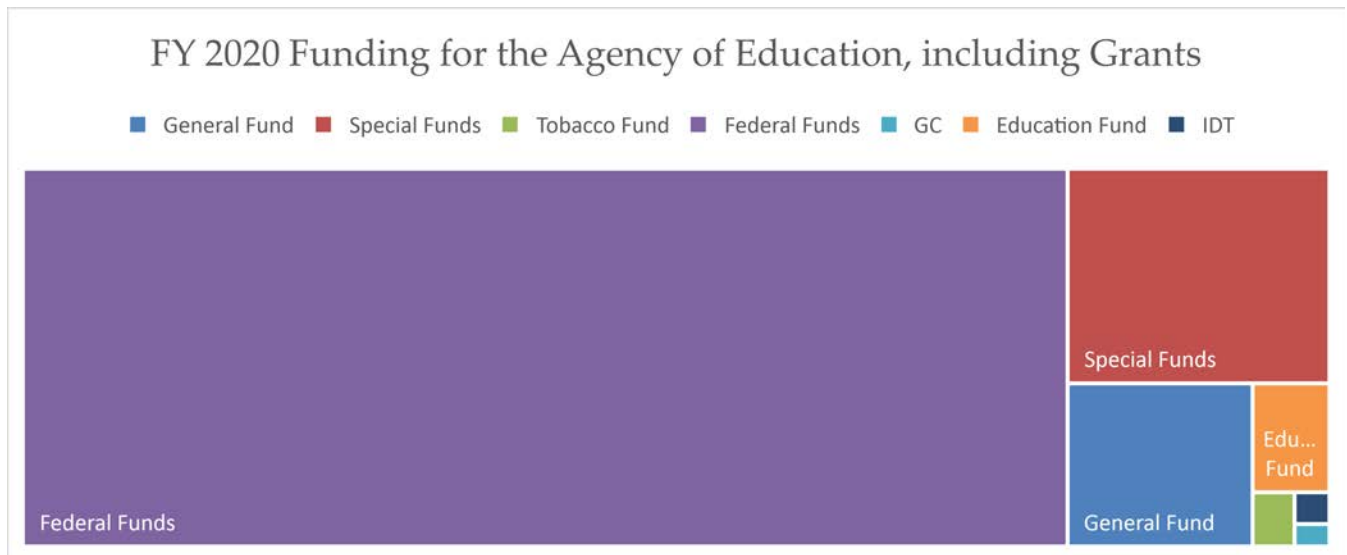


Agency of Education FY 2020 Budget Overview

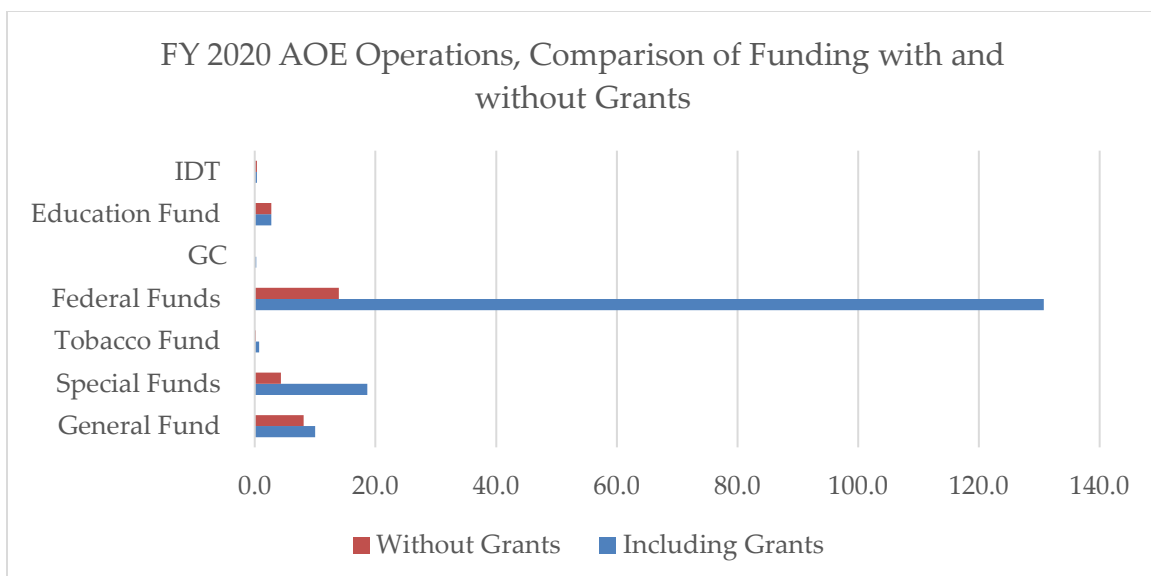
In FY 2020 the budget for the Agency of Education (and excluding the Education Fund expenditures) is reflected in Sections B.500 Finance and Administration and B.501 Education Services. These two appropriations support all work that is done by the Agency of Education to support the implementation of initiatives adopted by the General Assembly, the State Board of Education, and the U.S. Department of Education and the U.S. Department of Agriculture (along with smaller programs funded by a few other Federal Agencies).

\$163.5M is appropriated in these two sections. The following chart shows the distribution of these funds by funding source:



Of the \$163.5M appropriated to the Agency, only \$29.7M supports operating and personnel, or about 18% of the two appropriations. If dollars spent on Agency operations are compared to the dollar value of grants included in the operating budget, education fund grants, the cost of the State Board of Education and teacher's retirement obligations, the cost of the Agency's total operations reflects 1.5% of the total \$2,034.9M appropriated for general education.

Funding for operations at the Agency are reflected in the chart and table below:



Summary of Agency of Education Appropriations with and without Grants

| <i>(Dollars in Millions)</i> | Including Grants | | Without Grants | | Difference |
|------------------------------|------------------|-------|----------------|-------|--------------|
| General Fund | 10.0 | 6.1% | 8.1 | 27.3% | 1.9 |
| Special Funds | 18.6 | 11.4% | 4.3 | 14.6% | 14.3 |
| Tobacco Fund | 0.8 | 0.5% | 0.2 | 0.7% | 0.5 |
| Federal Funds | 130.7 | 80.0% | 13.9 | 46.9% | 116.8 |
| Global Commitment | 0.3 | 0.2% | - | 0.0% | 0.3 |
| Education Fund | 2.8 | 1.7% | 2.8 | 9.3% | - |
| IDT | 0.4 | 0.2% | 0.4 | 1.2% | - |
| Total | 163.5 | | 29.7 | | 133.8 |

General Funds to Support Education

In FY 2019 the General Assembly repealed the long standing transfer of Education funds to the General Fund, and directed 100% of the Sales and Use Tax and 25% of the Rooms and Meals Tax to the Education Fund. The support for General Education from the General Fund is only used to support Adult Education and Literacy, the Community High School of Vermont, the unfunded liabilities for the Teachers’ Pension and Other Post-Employment Benefits, and the Administration at the Agency that is not covered by Federal Funds or other sources. In FY 2020, 10% of the General Fund is dedicated to education, which includes the costs related to the teachers’ pension system and retired teachers’ health care (\$144.5M), and costs to support Adult Education (\$3.6M), the cost of the Community High School of Vermont (\$3.5M), and funds to support the State Board of Education (\$0.08M). The remaining funds, \$10M or 6% of General Funds for Education, is allocated to the Agency to support operations at the Agency, including the allocation of the Education Fund and activities to support Vermont’s public school system. The table below provides a high level summary of the General Fund support for education.

| General Fund for Education (in millions) | |
|---|-------------------|
| | FY2020 Gov Rec |
| Total | 161.68 |
| Less Teachers' Pension/Healthcare | 144.53 |
| Less Community High School | 3.46 |
| Less State Board of Education | 0.08 |
| Less Support for Adult Education | 3.61 |
| Total Non-Agency GF funding for Education | 151.68 |
| Remainder for AOE | 10.00 |
| Finance & Administration | 3.75 |
| Education Services | 6.25 |
| Total Agency General Funds | 10.00 |
| AOE percentage Education GF | 6% |

General Fund appropriated to the AOE support activities including:

- The Secretary's Office and Legal Division
- The Finance Division (to manage and allocate state and federal dollars),
- Provides the required minimum state matches to retain federal dollars, and
- Administration of several programs including: Drivers Education, Oversight of Home Schooling, Independent School review and approval, Act 77/Flexible Pathways work, Instructional Technology Support, and Adult Education and Literacy.

Education Fund and Agency Operations

By statute, Education Fund dollars cannot be used for state level activities, and thus cannot support AOE operations or activities.

Historically, the funds appropriated to the Agency from the Education Fund in B.500 reflect the Education Fund's share of internal service fund costs (VISION) and the audit allocation. These costs are about \$1M.

In the FY 2020 budget, the Agency is proposing to add \$1.7M to the administrative appropriation to support two statewide technology activities from the education fund. These two activities include the Statewide Longitudinal Data System (SLDS) and the Statewide School District Data Management System (SSDDMS). These two systems are required by state and federal law and are utilized by all school districts.

The Agency is recommending the following amendment to Title 16 to allow Education Funds to be utilized for statewide systems managed by the Agency:

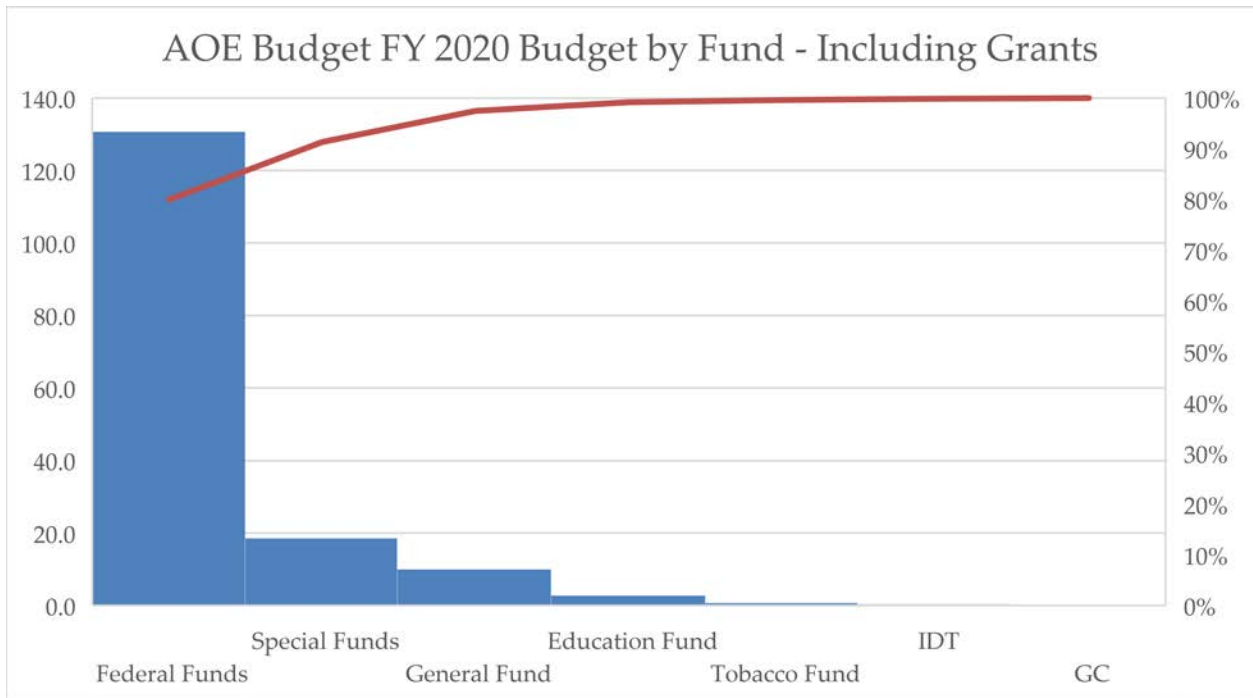
Sec. E.500.1 16 V.S.A. Sec. 4025(b) is amended to read:

(5) To make payments for contracted services to support statewide administrative education systems, including the costs of the statewide school finance and financial management data system to complete the reporting required by 16 V.S.A. § 242(4) and pursuant to 2018 Special Session Act 11, Sec. E.500.1.

This amendment will ensure that the Agency has the funds necessary to continue to operate these systems to meet state and federal data reporting requirements to achieve statewide efficiencies through the use of a centralized system.

Federal Funds

Federal dollars fund many education initiatives at the Agency, including AOE staff for support of Career and Technical Education, Accountability, Special Education, Education Quality and School Improvement, Farm-to-School, and nutrition support for day cares, PKs, schools and adult care programs. Of the \$130.7M federal funds appropriated to the AOE, approximately 10.7% or \$13.9M is used to fund personal services and operating costs of the Agency, the remaining is granted out.



When the state accepts federal funds, we accept the responsibility to execute and monitor the grants on behalf of the federal government. Much of the work of the Agency is to ensure that Vermont continues to be good stewards of allocated federal dollars. The majority of these federal dollars are granted to school districts to support many of Vermont’s most vulnerable students. The only way that districts can continue to receive these funds is if the Agency provides the federally required fiscal monitoring and oversight.

In addition to federal funds, the Agency relies on Medicaid funds to support operations at the Agency, innovation grants to school districts, and to supplement revenues in the Education Fund. School districts generate this revenue through billing at the local level. Uncertainty around the future of Medicaid may impact this funding source in the future, with implications for operations at both AOE and AHS.

To support administration of federal funds, the federal government provides a “small state minimum” allocation, however, this small state minimum has not increased in about 20 years and has not been adjusted for inflation. Thus, AOE has many fewer staff administering federal funds than it did 20 years ago, and tight staffing does increase the risk of audit findings. To the extent this threshold does not change as administrative costs increase and absent support from State funds, the Agency will continue to face challenges in meeting its federal requirements.

The breadth of federal grants provided by the Agency are outlined in the specific team budgets throughout this document.