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Preliminary Education Fund Outlook for FY2014

Impact of FY2012 Closeout and FY2013 Update

Revenue -

- FY2013 property tax adjustment was overestimated by about \$11 million
- Contingent one-time GF transfer of \$2.1 million in FY2013 is assumed

Expenditures -

- FY2013 budget adjustment reversion of \$5.4M

Stabilization Reserve -

- Full stabilization reserve with \$23 million revenue surplus available for use in FY2014 (1.6% of total revenues)

FY2014 Estimates

Revenue -

- Statewide equalized property values are down 1.5%
- Sales tax allocation to the EF increased to 35%

Expenditures – likely to exceed 5%

- Teacher and staff salary increase estimated to be 2.5%
- VEHI health insurance premium increase of 10% to 15%; awaiting the final increase from DFR
- Special education increase of 7% to 9% based on service plans

Stabilization Reserve -

- To cover expenditures and fully fund the stabilization reserve, base education tax rates will need to increase

Two-Vote Requirement -

- School budgets must be divided into two questions when:
 - * Proposed per-pupil spending exceeds the prior-year statewide average (\$12,787);
 - * Growth in the proposed budget exceeds the rate of inflation plus 1% (3.2%).
- This provision sunsets in FY2014, but may affect a higher number of school districts than in the past four years.

On December 1st, the tax commissioner will recommend to the legislature the FY2014 base education tax rates needed to cover education spending and fill the stabilization reserve to 5%.

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