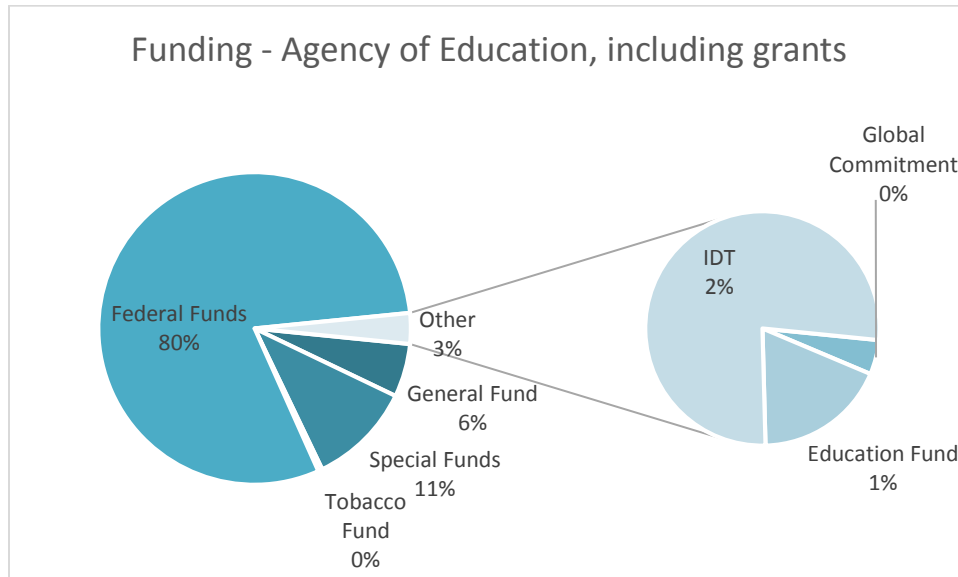


## Agency of Education FY 2019 Budget Highlights

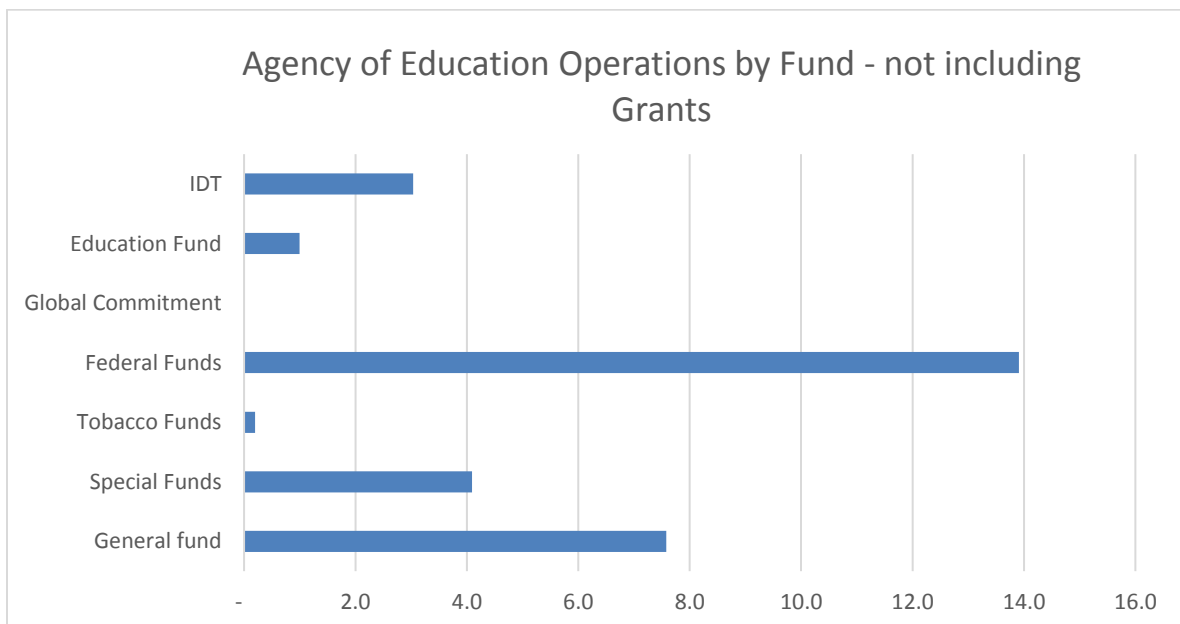
In FY 2019 the budget for the Agency of Education (and excluding the Education Fund expenditures) is reflected in Sections B.500 Finance and Administration and B.501 Education Services. These two appropriations support all work that is done by the Agency of Education to support the implementation of 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).

\$171.7M is appropriated in these two sections. The following chart shows the distribution of these funds by funding source:



Of the \$171.7M appropriated to the Agency, only \$29.8M supports operating and personnel, or about 17% of the two appropriations. If dollars spent on Agency operations are compared to the dollar value of grants included in the operating budget, as well as all education fund grants, the cost of the Agency's total operations reflects 1.5% of the total \$1,970.7M appropriated for 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	9.5	5.5%	7.6	25.4%	1.90
Special Funds	18.5	10.8%	4.1	13.7%	14.39
Tobacco Fund	0.8	0.4%	0.2	0.7%	0.55
Federal Funds	137.5	80.1%	13.9	46.7%	123.61
Global Commitment	0.3	0.2%	-	0.0%	0.26
Education Fund	1.0	0.6%	1.0	3.3%	-
IDT	4.2	2.4%	3.0	10.2%	1.17
<b>Total</b>	<b>171.7</b>		<b>29.8</b>		<b>141.9</b>

### General Funds to Support Education

Vermont invests substantially in education. A FY 2019 Summary of General Fund appropriations indicates that nearly 30% of the General Fund is appropriated to support education related activities (\$456.7M). The 30% dedicated to education includes the cost of the General Fund transfer to the Education Fund (\$322.7M), as well as costs related to the teachers' pension system and retired teachers' health care (\$123.9M), and costs to support Adult Education (\$600K). The remaining funds, \$9.5M or 2% 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)		
		FY2019
		Gov Rec
Total		456.7
Less Transfer to the Education Fund		322.7
Less Teachers' Pension/Healthcare		123.9
Less support for Adult Education		0.6
Total Non-Agency GF funding for Education		447.2
Remainder for AOE		9.5
Finance & Administration		3.8
Education Services		5.7
Total Agency General Funds		9.5
AOE percentage Education GF		2%

General Fund at the Agency: the General Fund supports the following activities:

- The Secretary's office and the State Board of Education,
- Our 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.

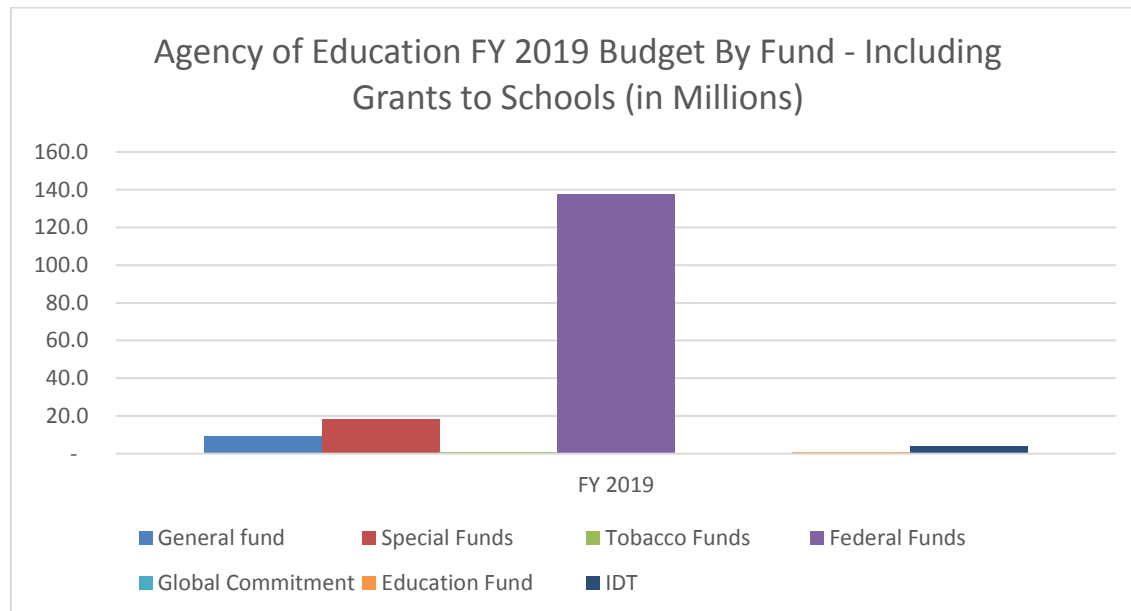
## Education Fund and Agency Operations

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

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.

### Federal Funds

Federal dollars fund almost all education initiatives at the AOE, including AOE staff for support of Career and Technical Education, Accountability, Education Quality and School Improvement, Farm-to-School, and nutrition support for day cares, PKs, schools and adult care programs. Of the dollars appropriated to the Agency, approximately 80% of the two operating appropriations comprises federal funds.



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.