



# VERMONT LEGISLATIVE Joint Fiscal Office

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## Fiscal Note

May 15, 2025

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### **H.454 – An act relating to transforming Vermont’s education governance, quality, and finance systems**

**As recommended by the Senate Committee on Finance, Draft 2.1<sup>1,i,ii</sup>**

#### **Bill Summary**

**T**his bill would make numerous changes to Vermont’s statewide education system and education funding system. It would create a legislative school district boundary Task Force, establish transitional school boards for future districts, require a review of the State Board of Education’s rules, implement the State Aid for School Construction Program and Advisory Board, and require the Agency of Education (AOE) to draft a three-year Special Education Strategic Plan. It would also implement a transition of tuition eligibility and amend statute to recalculate the amount of tuition that can be paid to a receiving school.

***This bill would make numerous and significant changes to Vermont’s statewide education system and education funding system.***

The bill would repeal most of Vermont’s statewide education finance formula and establish a new funding formula and statewide property tax structure. This would include the creation of a foundation formula with supplemental district spending, a statewide uniform homestead education property tax and a statewide uniform nonhomestead education property tax, a repeal of the property tax credit, and the implementation of a homestead exemption. The bill would also establish Regional Assessment Districts.

The bill also contains several administrative provisions related to minimum thresholds for tax sales (as recommended by the Act 106 (2024) Working Group on Vermont’s Abatement and Tax Sale Processes), property valuation hearing officer compensation, and a technical correction regarding property tax credit late fees.

#### **Fiscal Impact**

Since much of the bill is effective on July 1, 2027, and rests on future policy decisions, its overall fiscal impact is unclear. However, implementation of many provisions will likely have fiscal impacts in future years.

There are some known fiscal impacts of the bill. Table 1 shows the direct fiscal impacts of the bill in fiscal year 2026.

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<sup>1</sup> *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

**Table 1: Fiscal Year 2026 Fiscal Impacts in H.454**

Sections	Description	FY 2026 Cost	Source of funds
<b>Section 3:</b> School District Boundary Task Force	Per diems for the eight members, an appropriation to hire one or more consultants	\$133,000	Cost of \$33,000 to the General Assembly for per diems; One-time General Fund appropriation of \$100,000 to Legislative Counsel for one or more consultants
<b>Sections 15 and 16:</b> State Board of Education rules review	Appropriation to facilitate the revision of the Board's rules	\$200,000	One-time General Fund appropriation to AOE
<b>Sections 5 and 9:</b> State Aid for School Construction Program (AOE staff)	Estimated cost for three AOE positions to staff the program (hired prior to program start). These costs require an on-going appropriation	\$450,000	Neither positions nor appropriations made in bill
<b>Section 6:</b> School Construction Advisory Board	Per diems for the eight board members for a maximum of six meetings	\$3,000	Cost to AOE (no appropriation made in bill)
<b>Sections 19 and 20:</b> AOE Special Education Strategic Plan (AOE staff)	Appropriation for a new, permanent position at AOE to support Strategic Plan development. This is an on-going cost.	\$150,000	Base General Fund appropriation to AOE
<b>Section 55:</b> Property Valuation hearing officer compensation	Compensation adjustment for part-time hearing officers.	\$20,000	Base cost to Department of Taxes
<b>Total Costs</b>		<b>\$956,000</b>	
<b>Total Appropriations Made</b>		<b>\$450,000</b>	

## Background and Details

The following sections may have a fiscal impact or fiscal considerations. The following is organized by section number of the bill.

### Section 3: School District Boundary Task Force

Effective on passage, Section 3 would create the School District Boundary Task Force. The Task Force would be charged with recommending not less than one school district and supervisory union boundary proposal to the General Assembly by December 15, 2025. The Task Force would also be charged with making recommendations for an “alternative process to encourage and incentivize school districts to move towards larger, consolidated, and sustainable models of education governance” if the General Assembly does not enact new boundaries before January 31, 2026. The Task Force would convene for up to 16 meetings. The Office of Legislative Counsel would call the first meeting, which would occur on or before July 15, 2025.

The Task Force’s members would consist of eight members of the General Assembly (four members from each body, not all from the same party or the same school district). The Task Force would have the assistance of the Office of Legislative Operations, Office of Legislative Counsel, the Joint Fiscal Office (JFO), and the Agency of Digital Services (ADS) Vermont Center for Geographic Information. The Task Force could choose to retain the services of one or more independent third parties to provide facilitation and mediation services.

The eight Task Force members would be eligible for per diems and expense reimbursement pursuant to 32 V.S.A. § 1010. JFO estimates this would cost \$33,000 in fiscal year 2026 and come from monies appropriated to the General Assembly. Additionally, Section 3 would appropriate \$100,000 from the General Fund in fiscal year 2026 to the Office of Legislative Counsel for the hiring of one or more consultants.

### **Section 3a: Transitional School Boards**

Section 3a would establish transitional school boards for each new school district that would be created by the General Assembly during the 2026 session. The transitional school boards would be formed on or before January 1, 2027 and assume all responsibilities of current school boards until new school district school board members are sworn in following initial elections in March 2028.

Each transitional school board would be eligible to receive a transition facilitation grant from the Education Fund that would be calculated as the lesser of 5% of the base amount multiplied by the student count of the forming districts as of October 1, 2026, or \$250,000.

The fiscal impact of this section would depend on the configurations of new school districts and cannot be estimated until they are formed.

### **Sections 4 – 12: State Aid for School Construction**

Sections 4 through 12 pertain to State aid for school construction.<sup>2</sup> Act 149 (2024) created a State Aid for School Construction Working Group to study and design a plan for a statewide school construction aid program. These sections reflect many of the Group's recommendations. They would:

- Create a State Aid for School Construction Program administered by AOE to provide grants to schools within the range of 20% to 40% of debt service costs for eligible construction activity, plus emergency aid grants (up to 30% of a project costing \$300,000);
- Create a State Aid for School Construction Advisory Board to advise the Agency on the Implementation of the School Construction Program. The Board would sunset on July 1, 2035;
- Create a School Construction Aid Special Fund;
- Transfer rulemaking authority pertaining to school construction from the State Board of Education to AOE; and
- Repeal the existing, dormant school construction aid program that was previously funded with general obligation bonds through the Capital Bill.

Section 9 would revise the State Aid for School Construction Program by adopting a debt service subsidy model, where the State would provide grants of 20% to 40% of a school's annual debt service amortization payments (principal plus interest) for eligible construction expenses. This would shift a portion of the costs associated with school construction financing out of local school budgets.

Like a similar program in Rhode Island, the proposed aid program would generally work as follows:

- A school issues bonds to finance school construction activity and is responsible for paying debt service costs;
- The State provides grants to a school as a percentage of each year's debt service payments for the proportion of the cost attributed to eligible projects;
- Grants would reduce cost of debt service that would otherwise be reflected in local school budgets and paid for through property taxes; and
- Grants would be funded through appropriations from the School Construction Aid Special Fund, not through general obligation bonds.

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<sup>2</sup> Sections 4, 5, 8-12 are effective July 1, 2026; Sections 6 and 7 are effective July 1, 2025.

Additionally, Section 9 would permit the Secretary of Education to grant aid for a project deemed to be an emergency in the amount of 30% of eligible project costs, up to a maximum eligible total project cost of \$300,000 (for a maximum grant of \$90,000). Under current law, the maximum total project cost is \$100,000.<sup>3</sup>

AOE has indicated that administering the School Construction Aid Program would likely require three full-time positions, which JFO estimates would likely cost the General Fund approximately \$400,000 to \$450,000 annually, plus potential additional resources to fulfill the responsibilities assigned to the Program. Section 17 would require AOE to submit a report by December 1, 2025 that would include, among other things, recommended position descriptions and job duties related to school construction. A needs survey that would be required to be conducted at least every five years would also likely represent a cost to the General Fund, although this amount is not currently known. The bill neither creates nor funds the positions and associated administrative costs to implement the program. It also does not carry any appropriations for State aid for school construction.

AOE would be responsible for administering this program. Section 11 would transfer rulemaking authority pertaining to school construction and capital outlay from the State Board of Education to AOE. Among other powers, AOE would have the authority to adopt rules that specify a point prioritization methodology and bonus incentive structure for the Program. Section 5 outlines numerous administrative responsibilities for AOE, including conducting the aforementioned needs survey at least every five years to ascertain construction, reconstruction, maintenance, and other capital needs for all public schools.

Section 6 would create an eight-member State Aid for School Construction Advisory Board charged with advising AOE on the implementation of the Program, including the adoption of rules, setting of statewide priorities, criteria for project approval, and recommendations for project approval and prioritization. Four ex-officio members (or their designees) would serve on the Advisory Board: the State Treasurer, the Commissioner of Buildings and General Services, the Executive Director of the Vermont Bond Bank, and the Chair of the State Board of Education. Additionally, four public members serving four-year terms would be appointed by the General Assembly. The Board would meet not more than six times per year and would be supported administratively by AOE. Section 7 would repeal the Board on July 1, 2035.

Board members would be entitled to per diem compensation and reimbursement of expenses as permitted under 32 V.S.A. § 1010. This would result in an estimated annual cost of up to \$3,000 to AOE. There is no appropriation for this cost in the bill.

The School Construction Advisory Board would be established on July 1, 2025, while the State for School Construction Program would resume on July 1, 2026.

Section 8 would create a School Construction Aid Special Fund, to be administered by AOE. Monies from the Fund would be used to support:

- Aid to school construction projects as outlined in the bill;
- Grants through the Facilities Master Plan Grant Program;<sup>4</sup>
- Administrative costs for the State Aid for School Construction Program; and
- Emergency aid as outlined in Section 9 of the bill.

The Special Fund would be funded by any amounts transferred to it by the General Assembly, the excess funds from the Supplemental District Spending Reserve, and any interest it earns.

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<sup>3</sup> See 16 V.S.A. § 3448(d)

<sup>4</sup> See 16 V.S.A. § 3441

Monies from the Fund would support aid grants and program costs. There are no transfers made to or from the Fund in this bill; those would be made in future annual appropriations acts (“Big Bills”). Sections 5 and 9 would, among other things, require AOE to submit an annual school construction funding request as part of its budget submitted to the Governor.

Future costs for State aid for school construction will be determined by the specific projects that are awarded aid through the Program and the cost and structure of the bond amortization schedules to finance specific projects. The overall needs of school facilities, however, are substantial and significant. The 2024 School Construction Aid Taskforce Report estimated that the current portfolio of school facilities required \$300 million per year of investment for 20 years to replace systems that have reached the end of their useful life.<sup>5</sup>

### Sections 13 and 14: Tuition to Approved Schools

Effective July 1, 2025, Section 13 would add qualifiers for permitted payments of tuition – a school district could not pay tuition to any entity unless it is:

- a public school located in Vermont;
- an approved independent school that:
  - is located in Vermont;
  - is approved under 16 V.S.A. § 166 on or before July 1, 2025;
  - is located within either a supervisory district that does not operate a public school for some or all grades as of July 1, 2024 or a supervisory union with one or more member school districts that does not operate a public school for some or all grades as of July 1, 2024; or
  - had at least 25% of its Vermont resident student enrollment composed of students attending on a district-funded tuition basis during the 2023/2024 school year;
- a public school located within 25 miles of the Vermont border in a bordering state or province that is approved under the laws of that state or province and complies with the reporting requirement under 16V.S.A. § 4010(c);
- an independent school located within 25 miles of the Vermont border in a bordering state or province that is approved under the laws of that state or province and had at least one or more Vermont resident students enrolled in grades nine through 12 on a district-funded tuition basis during the 2023/2024 school year, and complies with the reporting requirement under 16 V.S.A. § 4010(c); or
- a therapeutic approved independent school located in Vermont or another state or country approved under the laws of that state or country.

Section 14 would permit the payment of tuition for students enrolled in approved independent schools as of school year 2024/2025, or who has been accepted for enrollment for the 2025/2026 school year to continue until they graduate.

Because any fiscal impact would depend on future behavior and decisions, JFO cannot estimate the potential costs or savings of this section.

### Section 15: State Board of Education Rules

Effective July 1, 2025, Section 15 would require the State Board of Education to initiate rulemaking by August 1, 2026 to ensure compliance with the statutory requirements for approved independent schools.

On or before December 1, 2025 the State Board of Education would need to submit a written report to the House and Senate Committees on Education with proposed standards for a school to be deemed “small by necessity.”

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<sup>5</sup> <https://legislature.vermont.gov/assets/Legislative-Reports/edu-legislative-report-school-construction-aid-taskforce-2024-1.pdf>

## Section 16: State Board of Education Appropriation

Effective July 1, 2025, Section 16 would require the State Board of Education to submit a report by December 1, 2026, to the House and Senate Committees on Education with its recommendation for rules to eliminate and a plan for updating rules that are still necessary. This would include the order in which the Board proposes to update the rules and any associated estimated costs.

This section would also appropriate \$200,000 from the General Fund to AOE in fiscal year 2026 to provide the Agency with resources to review and update the Board's rules.

## Section 17: Agency of Education Report

Effective July 1, 2025, Section 17 would require AOE to submit a number of reports and recommendations, including:

- a written report on standards for graduation requirements;
- a proposed implementation plan for statewide financial data and student information systems;
- recommendations for a school construction division within AOE;
- a progress report regarding development of guidance needed to facilitate mergers into larger consolidated districts;
- an analysis of how education payments are allocated within districts and, if necessary, recommended changes; and
- a report with recommendations for increasing Flexible Pathways opportunities.

## Sections 18 – 20: Development of Special Education Strategic Plan

Section 18 would require AOE to submit a report to the House and Senate Committees on Education, the House Committee on Ways and Means, and the Senate Committee on Finance by September 1, 2025, on the factors contributing to growth in extraordinary Special Education costs.

Section 19 would require AOE to develop a three-year strategic plan on Special Education in consultation with the State Advisory Panel on Special Education. The strategic plan would have to include unambiguous measurable outcomes, a timeline for implementation, and be designed to ensure successful implementation of Act 173 (2018)<sup>6</sup>. It must also outline the supports and processes necessary for the transition to a weighted funding formula for Special Education to succeed, including a suggested transition timeline and benchmarks for success.

The plan would have to be submitted on or before December 1, 2025. On or before January 15 of 2026, 2027, 2028, and 2029, AOE would be required to submit a detailed update on the strategic plan's implementation and any recommendations for legislative changes needed to ensure a successful transition to a weighted funding model and continued successful implementation of Act 173.

Section 20 would establish one new permanent classified position at AOE to support the development and implementation of the strategic plan. The bill would appropriate \$150,000 from the General Fund to AOE in fiscal year 2026 to fund this position.

## Section 21 – 22: Tuition

Section 21 would amend the determination of the amount of tuition a district pays to a receiving school. The tuition would be equal to the base amount multiplied by the school's weighted pupil count.<sup>7</sup>

<sup>6</sup> Act 173 of 2018:

[https://legislature.vermont.gov/Documents/2018/Docs/ACTS/ACT173/ACT173%20As%20Enacted.pdf?\\_gl=1\\*lk496\\*\\_ga\\*NzQyOTcxNDM5LjE3Mjk1MTg4OTI.\\*\\_ga\\_V9WQH77KLW\\*MTc0NDQ0MTAwNC4xNjgyMC4xNzQ0MDQxMDA2LjA1uMC4w](https://legislature.vermont.gov/Documents/2018/Docs/ACTS/ACT173/ACT173%20As%20Enacted.pdf?_gl=1*lk496*_ga*NzQyOTcxNDM5LjE3Mjk1MTg4OTI.*_ga_V9WQH77KLW*MTc0NDQ0MTAwNC4xNjgyMC4xNzQ0MDQxMDA2LjA1uMC4w)

<sup>7</sup> Sections 23 and 24 of the bill outline the base amount and the pupil weights.

It would also repeal most statutory calculations for tuition on July 1, 2027.

JFO cannot estimate the fiscal impact of this section due to data limitations and outstanding policy decisions. The fiscal impact will depend on future district configurations and the number of students tuitioned to receiving schools.

## Sections 23 – 42: The Establishment of the New Education Finance Formula and Restructure the Statewide Property Tax

Sections 23 through 42 would repeal most of Vermont's statewide education finance formula and establish a new funding formula and statewide property tax structure. Unless otherwise noted, these sections take effect on July 1, 2027.

***Effective July 1, 2029, sections 23 through 42 would establish a new statewide education funding formula and restructure the statewide education property tax.***

In the new funding formula, school districts would receive an “Educational Opportunity Payment,” which would be calculated by multiplying the base amount by a district's weighted long-term membership (WLTM).

Statewide education property taxes would continue to fund the Education Fund. Amending current law, a uniform homestead property tax rate and a uniform nonhomestead property tax would be set to fund the Education Fund. Taxes to submit a report about the establishment of a system for property tax classifications that would allow for different tax rates on different classes of property. The current law property tax credit would be repealed and replaced with an income-based homestead exemption.

School districts would be permitted to spend above their educational opportunity payment if approved by local voters, referred to as “supplemental district spending.” This would be raised through a local supplemental district spending tax rate that would be calculated in a manner so that all districts could raise the same amount above the foundation formula at the same rate, regardless of their property wealth. This equalization of taxing capacity would result in excess revenues for school districts with greater tax capacity. Those excess revenues would be “recaptured” and held in a reserve for eventual deposit in the School Construction Aid Special Fund.

**The fiscal impact of these changes is unclear and will be impacted by multiple outstanding policy decisions and future demographic and economic changes.**

### **Sections 23 – 26 : Weighted Long-Term Membership (WLTM) and Educational Opportunity Payments**

Sections 23 and 24 would repeal current law pupil weights and the definitions of “education spending” and “per pupil spending.”

Section 23 includes a base amount of \$14,541 per pupil. The base amount would be adjusted for inflation annually and be used to calculate the educational opportunity payment by multiplying it by a district's WLTM.

Under current law, pupil weights are applied to each district's Long-Term Membership (LTM) to account for potentially higher costs associated with differing demographic and district circumstances. In Vermont's current law funding formula, these are “tax capacity” weights, meaning they impact the amount of funding a school district can raise at a specific tax rate, rather than the amount of funding a school district receives.

Section 24 would repeal all current law pupil weights and establish new pupil weights used in the calculation of WLTM. It would also repeal certain weighting categories in current law, amend certain weighting categories, and add new weighting categories. Pupil weights in the bill *would* be foundation formula weights that *would* be applied against the base amount to determine the amount of funding a school district receives through its educational opportunity payment. Like current law, the weights would be additive.

Specifically, the bill repeals weights applied for sparse districts. The bill amends weights for grade levels, English Learner (EL) pupils, students from economically disadvantaged backgrounds, and students at small schools.

Section 25 would add a Career Technical Education (CTE) weight contingent on legislation being enacted to reflect the governance and policy assumptions underlying the CTE weight.

Table 2 outlines pupil weighting categories and pupil weights that would be used in the foundation formula.

**Table 2: Pupil Weighting Categories and Weights in H.454 As Recommended by the Senate Committee on Finance**

General Pupil Weighting Category	Specific Pupil Weighting Categories <sup>8</sup>	Additional Weighting Amount
<b>Grade level</b>	Grade 6 – 8	0.02
	Grade 9 – 12	0.10
<b>English Learner (EL)</b> <i>(Across levels, English language proficiency weights are mutually exclusive. Newcomer or SLIFE weights are additive to level weights)</i>	English language proficiency – Level 1	2.11
	English language proficiency – Level 2 or 3	1.41
	English language proficiency – Level 4	1.2
	English language proficiency – Level 5 or 6	0.12
	Newcomer or SLIFE	0.42
<b>Students from economically disadvantaged backgrounds</b>	Family at or below 185% of Federal Poverty Level (FPL)	1.02
<b>Small School</b>	Students attend a school with an average two year enrollment of less than 100 pupils, and in a district with fewer than 55 people per square mile	0.21
<b>Career and Technical Education</b>	Applied to every Full Time Equivalent (FTE) pupil <i>(Weight is contingent on the enactment of CTE legislation)</i>	1.0

Section 25 would direct the Secretary of Education to annually determine each school district's educational opportunity payment by multiplying the school district's WLTM by the base amount.

The fiscal impact of this section is unclear for multiple reasons, including data limitations and outstanding policy decisions. Future district configurations are still to be determined, and educational opportunity payments would be calculated based on district-specific parameters. Further, this funding change would not be implemented until fiscal year 2030, and future pupil demographics and characteristics cannot be estimated at this time.

### Section 26: Technical Amendment

Section 26 would repeal pieces of the current law funding formula and make technical amendments to align statute with the new funding formula. It would amend statute to direct the General Assembly to annually appropriate educational opportunity payments.

The fiscal impact of this section is dependent on the calculation of the educational opportunity payments.

### Section 26a: Transition to Educational Opportunity Payments

Section 26a would establish a transition mechanism to phase in educational opportunity payments from fiscal year 2028 through fiscal year 2031. Each fiscal year of the transition, the "transition gap" would be calculated for each school district by subtracting the educational opportunity payment from the school district's education spending in fiscal year 2025 adjusted for inflation. Depending on the year of the transition, the school district's transition gap would be multiplied by 0.8, 0.6, 0.4, or 0.2. During each year of the transition, a school district would receive its educational opportunity payment plus its factor-adjusted transition gap.

The fiscal impact of this section is unclear, as it will depend on policy decisions like district boundaries.

<sup>8</sup> Section 35 of the bill includes definitions for each of these specific weighting categories.

**Section 27: Education Fund Revenues**

Section 27 would amend Education Fund revenue sources to include revenue from the supplemental district spending tax outlined in Section 36 of the bill.

**Section 30: Ballot Language for Supplemental District Spending**

Section 30 amends ballot language to align with the new funding formula and what is voted on locally. As outlined in Section 36, school districts are permitted to spend more than what is allocated to them by the State if the spending is approved by local voters – supplemental district spending. Section 30 outlines the ballot language for votes on supplemental district spending.

The fiscal impact of the section is unclear. JFO cannot estimate if or how this ballot language may impact local voting decisions on supplemental district spending.

**Section 32: Supplemental District Spending Reserve**

Section 32 would establish the “Supplemental District Spending Reserve” within the Education Fund. This reserve would be funded through recapture, as defined in Section 35.<sup>9</sup>

The Reserve would be used by the Commissioner of Finance and Management in cases where a district’s supplemental district spending tax does not raise enough to fully cover its supplemental district spending.<sup>10</sup>

At the close of a fiscal year, after ensuring all districts receive the appropriate supplemental district spending, all funds remaining in the Reserve would be deposited into the School Construction Aid Special Fund.

The fiscal impact of the Reserve and the amount it contributes to the School Construction Aid Special Fund will depend on future district configurations, including taxing capacity and spending decisions.

**Section 34: JFO Reports**

Section 34 would require two reports from JFO by December 15, 2025.

This section would require JFO to submit a report analyzing inflation indices to be used in Vermont’s education funding system. It would also require JFO to submit a report regarding PreK education, the Child Care Financial Assistance Program (CCFAP), and any other early care and learning systems.

This section is estimated to have no fiscal impact.

**Section 35: Education Fund Advisory Committee**

Section 35 would change the date for the first meeting of the Education Fund Advisory Committee from July 1, 2025 to July 1, 2027. This would eliminate per diem costs for the Committee in fiscal year 2026.

**Sections 36 and 37: Statewide Education Property Tax and Supplemental District Spending Tax Rate**

Sections 36 and 37 would repeal many current law calculations and make adjustments to education property tax calculations. These sections would implement new structures for the statewide education property tax and a supplemental district spending tax rate.

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<sup>9</sup> Recapture refers to revenues raised through the supplemental district spending tax that are greater than the district’s supplemental spending.

<sup>10</sup> This situation is only anticipated to result from calculations based on incomplete data, faulty assumptions, or any miscalculations.

Under the proposed structure, the General Assembly would annually set a statewide uniform homestead property education tax rate and a statewide uniform nonhomestead education property tax rate at levels sufficient to ensure the Education Fund is fully funded after accounting for non-property tax revenue sources.

Under the new funding formula, school districts would have the option for voters to approve supplemental district spending. Upon approval, a school district would be permitted supplemental district spending up to 10% of its long-term membership multiplied by the base amount of the same fiscal year<sup>11</sup>.

Supplemental district spending would be raised through a local supplemental district spending tax rate. This rate would be calculated in a manner so that all school districts could raise the same amount above the foundation formula at the same tax rate, regardless of their property wealth. As a result, the rate would be set so that all districts have the same taxing capacity as the district with the lowest property wealth.

Specifically, the supplemental district spending tax rate would be calculated by dividing a district's per pupil supplemental district spending by the supplemental district spending yield. This yield would be calculated as the amount of property tax revenue per LTM that would be raised in the school district with the lowest taxing capacity at a rate of \$1 per \$100 of equalized education property value<sup>12</sup>. Outlined in Section 32, revenue raised from the supplemental district spending tax rate above the approved supplemental district spending would go to the Supplemental District Spending Reserve.

Like the collection of education property taxes under current law, municipalities could retain 0.00225% of the tax collected to cover the administrative costs of tax collection on behalf of the State.

The fiscal impact of these sections is unclear and will depend on outstanding policy decisions regarding district configurations and supplemental district spending.

### **Section 38: December 1 Letter**

Section 37 would amend the required contents of the December 1 letter to reflect the new education funding formula. The December 1 letter would have to include the statewide uniform homestead property education tax rate and a statewide uniform nonhomestead education property tax rate, the supplemental district spending yield, and school district specific data. This would allow school districts to understand the estimated upcoming tax rate, as well as calculate a supplemental district spending tax rate at any level of supplemental district spending.

This section has no direct fiscal impact.

### **Section 39: Tax Rate Transition**

Section 39 would establish a transition mechanism to phase in the uniform homestead property tax rate from fiscal year 2028 through fiscal year 2031. The "transition gap" for each school district would be the difference between the homestead property tax rate in fiscal year 2027 and fiscal year 2028 without any discount. Depending on the year of the transition, the transition gap would be multiplied by 0.8, 0.6, 0.4, or 0.2. This will result in a number of cents that will be used to increase or decrease each districts' uniform homestead tax rate.

### **Section 42: Homestead Exemption**

Section 42 would repeal the statewide education property tax credit and implement a homestead property tax exemption based on household income. The municipal property tax credit would remain unchanged.

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<sup>11</sup> Interstate districts are exempt from the 10% cap of supplemental district spending.

<sup>12</sup> The district with the lowest taxing capacity is defined as the school district anticipated to have the lowest aggregate equalized education property tax grand list of its municipal members per LTM.

The homestead exemption would exempt a certain portion of a claimant's housesite value from the homestead property tax. All else equal, this would decrease the overall tax liability for a household by decreasing the property value that the tax rate would be applied to. The homestead exemption would only be permitted to be applied against a certain amount of housesite value and depend on household income.

Table 3 shows the structure of the homestead exemption. Household income groups listed in the table and the bill are in fiscal year 2025 amounts but would be adjusted for inflation.

The fiscal impact of this section is unclear and depends on outstanding policy decisions, as well as changes to Grand List values and household incomes between fiscal years 2025 and 2030.

Preliminary estimates using fiscal year 2025 data indicate the homestead exemption would cost approximately \$1.6 million less than the current law property tax credit in fiscal year 2025. Absent any other changes in policy, this savings may slightly decrease property taxes overall.

**Table 3: Homestead Exemption in H.454**

Household Income	Exemption	Cap on Housesite Value Exemption is Applied Against
\$0 to \$10,000	99%	\$425,000
\$10,000 to \$15,000	97%	\$425,000
\$15,000 to \$25,000	95%	\$425,000
\$25,000 to \$40,000	90%	\$425,000
\$40,000 to \$45,000	85%	\$425,000
\$45,000 to \$50,000	80%	\$425,000
\$50,000 to \$55,000	75%	\$400,000
\$55,000 to \$60,000	65%	\$400,000
\$60,000 to \$65,000	55%	\$400,000
\$65,000 to \$70,000	45%	\$400,000
\$70,000 to \$75,000	35%	\$400,000
\$75,000 to \$80,000	25%	\$400,000
\$80,000 to \$85,000	20%	\$400,000
\$85,000 to \$90,000	15%	\$400,000
\$90,000 to \$95,000	10%	\$400,000
\$95,000 to \$100,000	5%	\$400,000
Above \$100,000	0%	-

### Section 43: Homestead Declaration Form

Section 43 would require the Department of Taxes to suggest changes to the homestead declaration form for the purposes of implementing the homestead exemption.

There is no estimated fiscal impact of this section.

#### **Section 44: Homestead Exemption Report**

Section 44 would require the Department of Taxes, in consultation with JFO, to submit a proposal to the General Assembly designing a homestead exemption structure that would minimize property tax impacts for homestead property owners, benefit cliffs, and the aggregate fiscal impact.

There is no estimated fiscal impact of this section.

#### **Section 49: Property Classifications Study**

Section 49 would require the Department of Taxes to submit a report about the establishment of a system for property tax classifications that would allow for different tax rates on different classes of property.

There is no estimated fiscal impact of this section.

#### **Sections 50 – 52: Regional Assessment Districts**

Section 50 would establish 12 Regional Assessment Districts. The member municipalities of each Regional Assessment District would be required to contract jointly with one or more third parties to conduct full reappraisals of their grand lists every six years.

The Director of Property Valuation and Review (PVR) would be required to establish standard guidelines and procedures, and could adopt rules, for Regional Assessment Districts. The Director would also be required to establish a reappraisal schedule for each Regional Assessment District, which they could alter for a particular district or for one or more of its member municipalities if necessary.

Section 51 would establish transition parameters to a regionalized reappraisal system. The section also requires the Commissioner of Taxes to submit a report every January from 2027 to 2030 regarding the progress made in preparing the implementation of the Regional Assessment Districts.

Section 52 would require the Department of Taxes, in consultation with relevant stakeholders, to submit recommendations to the House Committee on Ways and Means and the Senate Committee on Finance on the implementation of the Regional Assessment Districts by January 15, 2026.

The estimated fiscal impact for these sections cannot be estimated. If this section increases the frequency of reappraisals, additional costs may occur in future years. If this section increases efficiency of reappraisals, there may be savings.

#### **Section 54: Minimum Threshold for Tax Sale**

Section 54 proposes to add a provision to statute to require a \$1,500 minimum amount of tax debt for town or municipal tax collectors to begin the tax sale process. This is consistent with a recommendation of the Act 106 (2024) Working Group on Vermont's Abatement and Tax Sale Processes, which was created "to assess how Vermont may balance fairness for delinquent taxpayers with the needs of municipalities."<sup>13</sup>

This provision would protect delinquent property owners who owe relatively small amounts of tax debt (e.g., mobile homes, camps, lots) from the possibility of tax sale. There is no minimum amount in current law, which has led to inconsistent treatment of nominal tax delinquencies among towns.

Due to data limitations, the fiscal impact of this section cannot be forecasted but is likely to be minimal due to the relatively small amounts and narrow scope of applicability involved – most towns do not currently initiate tax sales over such small amounts.

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<sup>13</sup> <https://legislature.vermont.gov/assets/Legislative-Reports/Act-106-2024-Report-Tax-Abatement-and-Tax-Sales.pdf>

**Section 55: Property Valuation Hearing Officer Compensation**

Section 55 would update the pay for property valuation hearing officers. Current law sets this pay at a sum not to exceed \$150 per day wherein hearings are held. This section would change the pay to \$38 per hour plus a cost-of-living adjustment (COLA) in an amount equal to any adjustment approved for exempt employees by the Secretary of Administration. This provision would apply to three to four part-time hearing officers in any given year, at an additional cost of approximately \$20,000. The Department of Taxes has factored this expense into its operating budget.

## Appendix 1: Summary of Effective Dates

<b>(a) On Passage</b>		
	Findings and Intent	Sec. 1; Findings, Intent, Plan
	Commission on the Future of Public Education	Sec. 2; Updates to the commission
	School District Boundaries	Sec. 3; School District Boundary Task Force
	State Funding of Public Education	Sec. 33, 34; Transportation Reimbursement Guidelines, JFO Reports on Inflation and PreK
	Education Fund Advisory Committee	Sec. 35; Delay first meeting until July 1, 2027
	Statewide Property Tax Credit; Homestead Exemption, Report	Sec. 43; Homestead Declaration Sample Form and Exemption Report
	Homestead Exemption Report	Sec. 44; Homestead Exemption Report
	Grand List Parcel Data	Sec. 49; Report and Study on Property Tax Classification
	Transition to Regional Assessment Districts	Sec. 51, 52; RAD Transition and Working Group
	Miscellaneous Tax	Sec. 53, 54; Miscellaneous Tax Law Updates
	Property Tax Credit Late Fee	Sec. 56; Property Tax Credit Late Fee
	Effective Dates	Sec. 57; Effective Dates
<b>(b) July 1, 2025</b>		
	School Construction	Sec. 6, 7; School Construction Advisory Board
	Tuition	Sec. 13, 14, 22; Tuitioning Requirements, Transition, Repeals
	Rules	Sec. 15, 16; SBE Rules and Report
	Reports	Sec. 17; AOE Report Proficiency Based Graduation
	Special Education	Sec. 18, 19, 20; Special Education Report, Plan, Position and Appropriation
	Tuition Repeals	Sec. 22; Tuition Repeals
	Grand List Parcel Data	Sec. 48; Definitions
	Miscellaneous Tax	Sec. 55; PVR Hearing Officer Pay
<b>(c) July 1, 2026</b>		
	School Construction	Sec. 4, 5, 8-12; School Construction Program, Fund
	Education Property Tax Rate Formula	Sec. 38; December 1 Letter
<b>(d) July 1 2026 – contingent on new school district boundaries</b>		
	Transitional School Board	Sec. 3a, Transitional School Boards and Grants
<b>(e) July 1, 2027</b>		
	Tuition	Sec. 21; Tuition Calculations
	State Funding of Public Education	Sec. 23, 24, 26, 26a, 27-32; Transition to a Foundation Formula
	Education Property Tax Rate Formula, Statewide Property Tax Rate	Sec. 36, 37, 39, 40; Statewide Education Tax, Supplemental District Spending Tax
	Statewide Property Tax Credit Repeal; Homestead Exemption Created	Sec. 41, 42, 45-47; Creation of Homestead Exemption
<b>(f) January 1, 2027 – contingent on legislation amended the CTE weight</b>		
	State Funding of Public Education	Sec. 25; CTE weight
<b>(g) January 1, 2030</b>		
	Regional Assessment Districts	Sec. 50; Intent to Establish Regional Assessment Districts

<sup>i</sup> The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.

<sup>ii</sup> Relevant modeling and slide decks can be found on JFO's website at the following link: <https://lifo.vermont.gov/subjects/education/b-454-education-transformation-bill-materials>