



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

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Act 73 (H.454) – An act relating to transforming Vermont’s education governance, quality, and finance systems

As enacted^{1,i,ii}

Bill Summary

This act makes numerous changes to Vermont’s statewide education system and education funding system. It creates a School District Redistricting Task Force, a School District Voting Ward Working Group, requires a review of the State Board of Education’s rules, implements the State Aid for School Construction Program and Advisory Board, and requires the Agency of Education (AOE) to draft a three-year Special Education Strategic Plan. It also initiates a transition of tuition eligibility and amends statute to recalculate the amount of tuition that can be paid to a receiving school.

This act makes numerous and significant changes to Vermont’s statewide education system and education funding system.

The act repeals most of Vermont’s statewide education finance formula and establishes a new funding formula and statewide property tax structure. This includes the creation of a foundation formula with supplemental district spending, a statewide uniform education property with three different property classifications, a repeal of the property tax credit, and the implementation of a homestead exemption. The act also establishes Regional Assessment Districts.

Act 73 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 credits.

The act appropriates funds to support the School District Redistricting Task Force, establish a new permanent position at AOE, support the transition of school boards to new governance models, consultant work, and five limited-service positions.

Fiscal Impact

Act 73 appropriates a total of \$4 million in fiscal year 2026 from the General Fund. Since many sections are effective on July 1, 2026 or later, and rest on future policy decisions, the overall fiscal impact is unclear. Known fiscal impacts of the act are shown in Table 1.

¹ 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 Act 73

Section	Description	FY 2026 Cost	Source of Funds
Fiscal Year 2026 Appropriations Made in the Act			
Section 3: School District Redistricting Task Force	Appropriations to support the Task Force, including hiring one or more consultants; appropriation to provide per diems for the 11 members	\$170,000	<ul style="list-style-type: none"> One-time General Fund appropriation of \$50,000 to the Agency of Administration to support the Task Force, including hiring one or more consultants One-time General Fund appropriation of \$100,000 to the Agency of Digital Services (ADS) to support the Task Force, including hiring one or more consultants One-time General Fund appropriation of \$10,000 to the Agency of Administration for per diems for non-legislative Task Force members One-time General Fund appropriation of \$10,000 to the General Assembly for per diems for legislative Task Force members
Section 4: School District Voting Ward Working Group	Appropriation to provide per diems for members and support the Working Group	\$215,000	<ul style="list-style-type: none"> One-time General Fund appropriation of \$15,000 to the Secretary of State's office for member per diems One-time General Fund appropriation of \$200,000 to the Office of Legislative Counsel for contracting and software resources to support the Working Group
Section 10: State Board of Education rules review	Appropriation to facilitate the revision of the Board's rules	\$200,000	One-time General Fund appropriation of \$200,000 to AOE to contract for resources to support the rules review
Sections 30 and 31: AOE Special Education Strategic Plan (AOE staff)	Appropriation for a new, permanent position at AOE to support Strategic Plan development	\$150,000	Base (ongoing) General Fund appropriation of \$150,000 to AOE
Sections 32 and 33: AOE transformation appropriation; AOE pool positions	Appropriation for AOE to support education transformation. Section 33 includes five limited service positions from the Agency's position pool	\$2,865,000	<ul style="list-style-type: none"> One-time General Fund appropriation of \$200,000 to AOE to support school board transitions One-time General Fund appropriation of \$562,500 to AOE for positions established in Section 33 One-time General Fund appropriation of \$2,102,500 to AOE for contracted services
Section 45a: JFO foundation formula report	Appropriation to JFO to contract for a cost-factor foundation formula report	\$400,000	<ul style="list-style-type: none"> One-time General Fund appropriation of \$400,000 to JFO to hire a consultant for this report
Total Appropriations		\$4,000,000	
Additional Anticipated Costs Not Appropriated in the Act			
Section 13: State Aid for School Construction Program (AOE staff)	Estimated cost for three AOE positions to staff the program (hired prior to program start)	\$450,000	Neither positions nor appropriations made in bill (this would be an ongoing cost)
Section 14: 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)
Total Anticipated Costs Not Appropriated in the Act		\$453,000	
Costs already in Existing Appropriations			
Section 67: Property Valuation hearing officer compensation	Compensation adjustment for part-time hearing officers	\$20,000	Base cost to the Department of Taxes (covered with existing funding)

Background and Details

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

Section 3: School District Redistricting Task Force

Effective on passage, Section 3 creates the School District Redistricting Task Force. The Task Force is charged with proposing new districts, with district membership of between 4,000-8,000 PreK-12 students. The Task Force will propose no more than three new school district boundary options and submit a written report by December 1, 2025, to the House and Senate Committees on Education, the House Committee on Government Operations and Military Affairs, and the Senate Committee on Government Operations.

The Task Force consists of 11 members, including five non-legislative members and six legislative members. The non-legislative members consist of two appointed by the Speaker of the House (one retired or former Vermont superintendent of a supervisory union and one retired or former Vermont school business manager), two appointed by the Committee on Committees (one retired or former Vermont superintendent and one retired or former Vermont school business manager), and one appointed by the Governor (a retired or former Vermont superintendent).

Of the six legislative members, three will be appointed by the Speaker of the House (all current House members and not all from the same political party or school district) and three will be appointed by the Committee on Committees (all current Senators and not all from the same political party or school district).

The Task Force will have the assistance of the Agency of Administration, the ADS' Vermont Center for Geographic Information, and the Department of Taxes. The Task Force will be required to contract for facilitation resources and can retain the services of one or more independent third parties to provide additional services as needed.

The Task Force members are eligible for per diems for up to eight meetings. The member appointed by the Governor will call the first meeting, which occurs on or before August 1, 2025. The Task Force will cease to exist on June 30, 2026.

Section 3 appropriates a total of \$170,000 from the General Fund in fiscal year 2026 for a number of purposes associated with the Task Force: \$50,000 to the Agency of Administration to support the Task Force, including the hiring of one or more facilitation consultants; \$100,000 to ADS for the hiring of one or more consultants; \$10,000 to the Agency of Administration for the per diem and expense reimbursement for the non-legislative members; and \$10,000 to the General Assembly for the per diem and expense reimbursement for the legislative members.

Section 4: School District Voting Ward Working Group

Effective on passage, Section 4 establishes the School District Voting Ward Working Group. This group will create voting wards within new school districts and ensure school board membership has equitable weighting of the votes for school board members. This working group is made up of seven members: the Secretary of State or designee, who would serve as Chair; three members appointed by the Vermont Municipal Clerk Treasurer Association; two members appointed by the Vermont School Boards Association (VSBA); and the Director of ADS' Vermont Center for Geographic Information.

By October 15, 2025, the Working Group is required to consult with School District Redistricting Task Force to understand boundary proposals the Task Force has worked on. Using these boundary proposals, the Working Group is required to begin creating proposed voting wards. If the General Assembly is focused on one boundary proposal, the Working Group will be required to align its work with it. The Working Group will be required to make recommendations to the General Assembly on the optimal number of

members on a school board and the boundaries for voting wards within each of the proposed school districts.

The Working Group will have the assistance of the Secretary of State's office, and ADS' Vermont Center for Geographic Information. The Chair will call the first meeting by October 1, 2025, and the Working Group will cease to exist June 30, 2026. The members of the Working Group are eligible for per diems and expense reimbursement for up to 10 meetings, to be paid by the Secretary of State's office.

This section appropriates \$15,000 from the General Fund to the Secretary of State's office in fiscal year 2026 for the per diems and expense reimbursement. It also appropriates \$200,000 from the General Fund to the Office of Legislative Counsel for contracting and software resources.

Section 6: Class Size Minimums

Effective July 1, 2026, Section 6 establishes class size minimums for grades 1-12 in Vermont public schools. These minimums will apply to most school classes, but there are multiple exclusions for certain types of courses and subjects. The State Board of Education can also grant a waiver if it determines that a school cannot meet the standards due to geographic isolation or if it's developed a plan to meet them. If the Secretary of Education determines a school hasn't met class size minimums over the course of three consecutive years, the Secretary may recommend an action to the State Board of Education.

The average minimum standards are as follows:

- grade 1: 10 students;
- grades 2-5: 12 students;
- grades 6-8: 15 students;
- grades 9-12: 18 students; and
- multiage classrooms for grades K-8 are limited to two grades per classroom.

The fiscal impact of this section cannot be estimated. While implementing average class size minimums may reduce the number of teachers, the extent to which this would take place is unclear and will vary on a case-by-case basis. Class size minimums apply to the number of students within a class and don't necessarily affect student to teacher ratios. The fiscal impact is further unclear due to the potential exemptions to the minimum standards along with the flexibility of enforcement, the Secretary's discretion to make recommendations, and the Board's discretion to act upon them.

Section 8: State Board of Education Rules

Effective July 1, 2025, Section 8 requires the State Board of Education to amend, by August 1, 2026, its Education Quality Standards and the Independent School Program Approval rules as they relate to the class size minimums laid out in Section 6. Additional rulemaking by the Board will set statewide graduation requirements (based on recommendations in Section 9), effective by July 1, 2027. Section 8 also requires the Board to submit, by December 1, 2025, a report to the House and Senate Committees on Education with proposed standards to for schools to be considered "small by necessity" or "sparse by necessity".

Section 9: Agency of Education Report

Effective July 1, 2025, Section 9 requires AOE to submit a report and recommended legislative language by December 1, 2025 to the House and Senate Committees on Education. This report will cover:

- a proposal for statewide financial data and student information systems;
- recommendations for a school construction division within AOE – this would include a description of the positions needed, including duties and salaries, and the role AOE would fill in the State Aid for School Construction Program;
- a progress report regarding the development of guidance for district mergers, including a description of how AOE will provide support with consolidations and an estimate of the costs for this work; and

- recommendations on the need for cooperative education services and oversight of therapeutic schools within the school governance framework.

Section 9 also requires that AOE recommend to the State Board of Education standards for statewide graduation requirements by January 1, 2026. Finally, the Secretary of Education will have to publish a statewide calendar for public schools, beginning with one for school year 2028-2029 due by January 15, 2027.

Section 10: State Board of Education Review of Rules; Appropriation

Effective July 1, 2025, Section 10 requires 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, including the order in which the Board proposes to update them and any associated estimated costs. It also appropriates \$200,000 from the General Fund to AOE in fiscal year 2026 to provide the Board with the contracted resources needed to perform the rule review.

Sections 12 – 20: State Aid for School Construction

Sections 12 through 20 pertain to State aid for school construction. 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 will:

- Create a State Aid for School Construction Program administered by AOE to provide grants of 20% to 40% of debt service costs to schools 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 AOE on the Implementation of the School Construction Program. The Board would sunset on July 1, 2035;
- Create a School Construction Aid Special Fund;
- Transfer school construction rulemaking authority 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 17 will revise – and resume beginning on July 1 2026 – 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 will shift a portion of school construction financing costs out of local school budgets.

Like a similar program in Rhode Island, the aid program will 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.

Additionally, Section 17 will 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 \$100,000.² AOE has indicated that administering the School Construction Aid Program will 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.

² See 16 V.S.A. § 3448(d)

Section 9 requires AOE to submit a report by December 1, 2025 that includes recommended position descriptions and job duties related to school construction. A needs survey that will be required to be conducted at least every five years also likely represents a cost to the General Fund, although this amount is not currently known. The act neither creates nor funds the positions and associated administrative costs. It also doesn't have any appropriations for State aid for school construction.

AOE would be responsible for administering this program. Section 19 transfers rulemaking authority pertaining to school construction and capital outlay from the State Board of Education to AOE. Among other powers, AOE will have the authority to adopt rules that specify a point prioritization methodology and bonus incentive structure for the Program. Section 13 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 14 creates 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) will 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 will meet not more than six times per year and will be supported administratively by AOE. It will be established on July 1, 2025 and repealed on July 1, 2035.

Board members are entitled to per diem compensation and reimbursement of expenses, an estimated annual cost of up to \$3,000 to AOE. There is no appropriation for this cost in the act.

Section 16 creates a School Construction Aid Special Fund administered by AOE to support:

- aid to school construction projects as outlined in the act;
- grants through the Facilities Master Plan Grant Program;³
- administrative costs for the State Aid for School Construction Program; and
- emergency aid as outlined in Section 17 of the act.

The Special Fund will be funded by any amounts transferred to it by the General Assembly and any interest it earns. Monies from the Fund will support aid grants and program costs. There are no transfers made to or from the Fund in this act; those would be made in a future act. Sections 13 and 17 also require AOE to submit an annual school construction funding request as part of its budget.

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 them. The overall needs, however, are substantial. The 2024 School Construction Aid Task Force Report estimated that the current portfolio of school facilities requires \$300 million per year of investment for 20 years to replace systems that have reached the end of their useful life.⁴

Section 21 and 22: Tuition to Approved Schools

Effective July 1, 2025, Section 21 adds qualifiers for permitted payments of tuition – a school district cannot not pay tuition to any entity unless it is at least one of the following criteria:

- a public school in Vermont;
- an independent school in Vermont approved under 16 V.S.A. § 166 as of July 1, 2025 that is:

³ See 16 V.S.A. § 3441

⁴ <https://legislature.vermont.gov/assets/Legislative-Reports/edu-legislative-report-school-construction-aid-taskforce-2024-1.pdf>

- located within a supervisory district that does not operate a public school for one or more grades as of July 1, 2024;
- located within a supervisory union which contains one or more districts which do not operate a public school for one or more grades as of July 1, 2024;
- at least 25% of its student enrollment is composed of students attending on a district-funded tuition basis during the 2023/2024 school year; and
- compliant with the minimum class size requirements (independent schools remain eligible for the same geographic isolation waiver as public schools);
- an independent school meeting education quality standards;
- a tutorial program approved by the State Board of Education;
- an approved education program;
- a public school located in another state; or
- a therapeutic approved independent school located in Vermont or another state or country that is approved under the laws of that state or country.

Section 22 will permit the payment of tuition for students currently enrolled in all independent schools to continue until those students graduate.

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

Section 27: Tuition Calculation

Effective January 1, 2028, provided that the new school districts and foundation formula contemplated by this bill have gone into effect, Section 27 will amend the determination of the amount of tuition a district pays to a receiving school.

The tuition will be equal to the base amount multiplied by the weighted pupil count.⁵ Additionally, Section 27 would allow a receiving school serving students in grades nine through 12 to charge an additional fee of up to 5% of the base amount for each of the students attending the school. This fee is required to be raised through supplemental district spending and must be approved by a vote within each of the districts sending one or more students to the school. A district that does not approve the fee will not be required to pay it. A school has to charge an equal fee to all of the districts tuitioning students to it.

Under Section 27, a district must pay an approved Vermont independent school functioning as a career and technical center (CTE) the full tuition amount charged for its students by the independent school.

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

Section 28a: Tuition Fee Rules

Effective upon passage, Section 28a requires that the State Board of Education adopt rules by July 1, 2027, that govern the approval process for a receiving school to charge the fee proposed under Section 27. The rules must require that the receiving school demonstrate that an additional fee is needed to educate the students charged the fee and is not being used to cover other costs.

Sections 29 – 31: Development of Special Education Strategic Plan

Effective July 1, 2025, Section 29 requires 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. The report must also

⁵ Sections 34 and 35 of the bill outline the base amount and the pupil weights.

include information regarding the current state of special education within Vermont and recommended changes to, among other things:

- improve the delivery of special education and managing extraordinary costs in preparation for the transition from a census block grant to special education weights;
- ensure better, more inclusive services; and
- respond to challenges and lessons learned from implementing Act 173 (2018).

Effective July 1, 2025, Section 30 requires AOE to develop a three-year strategic plan on Special Education in consultation with the State Advisory Panel on Special Education. The plan will have to include unambiguous measurable outcomes, a timeline for implementation, and be designed to ensure successful implementation of Act 173.⁶ It would also need to 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 will be submitted by December 1, 2025. On or before December 1 of 2026, 2027, 2028, and 2029, AOE is 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.

Effective July 1, 2025, Section 31 will establish one new permanent, classified position at AOE to support the development and implementation of the strategic plan. \$150,000 is appropriated from the General Fund to AOE in fiscal year 2026 to fund this position.

Section 32: Agency of Education Transformation Appropriation

Effective upon passage, Section 32 appropriates \$2,865,000 from the General Fund to AOE in fiscal year 2026 to support education transformation work. Of those funds, \$200,000 is to support school boards transitioning to future governance models, \$562,500 is for five new positions established in Section 33, and \$2,102,500 is for contracting services to support school districts with consolidation.

Funds appropriated for contractual services to support school districts with consolidation could include accounting and budget practices and the alignment of curriculum and teaching activities. AOE estimates the cost of contractual services to support school district consolidation would be \$3,050,000 in fiscal year 2026.⁷

Section 33: Agency of Education Transformation Pool Positions

Effective upon passage, Section 33 establishes five classified limited-service positions at AOE to support education transformation work. These positions will be taken from the position pool and would support each of the following areas: business operations, data integration, curriculum and education quality standards, learning and teaching integration, and school facilities. AOE estimates these positions to cost \$750,000 for a full fiscal year. Given the timing of hiring and onboarding, the appropriation in Section 32 is only for \$562,500, which will fund these positions for nine months in fiscal year 2026.

⁶ Act 173 of 2018:

https://legislature.vermont.gov/Documents/2018/Docs/ACTS/ACT173/ACT173%20As%20Enacted.pdf?_gl=1*lok496*_ga*NzQyOTcxNDM5LjE3Mjk1MTg4OTI.*_ga_V9WQH77KLW*MTc0NDQ0MTAmNC4xNjguMC4xNzQ0MDQxMDA2LjA1uMC4w

⁷<https://legislature.vermont.gov/Documents/2026/Workgroups/Senate%20Appropriations/FY%202026%20Budget/General%20Education/W~Zoic%20Saunders~FY26%20Budget%20Request%20Spreadsheet~5-6-2025.pdf>

Sections 34 – 67: Establishment of the New Education Finance Formula and Restructuring of the Statewide Property Tax

Sections 34 through 67 repeal most of Vermont's statewide education finance formula and establish a new funding formula and statewide property tax structure.

In the new funding formula, school districts will receive an “educational opportunity payment,” which is calculated by multiplying the base amount by a district's weighted long-term membership (WLTM).

Statewide education property taxes will continue to support the Education Fund. Revenue from a uniform statewide education property tax rate would be directed to the Education Fund. This uniform rate will be applied against statutory factors for different classifications of property. The act defines three property classifications: homestead, nonhomestead residential, and nonhomestead nonresidential. All classifications have a factor of one in the bill. The Department of Taxes will be required to submit a report on different factors to be applied to the property tax classifications to reduce the liability on homestead property taxpayers. The current law property tax credit will be repealed and replaced with an income-based homestead exemption.

Effective July 1, 2028, sections 34 through 67 establish a new statewide education funding formula and restructure the statewide education property tax.

School districts will be permitted to spend above their educational opportunity payment if approved by local voters, referred to as supplemental district spending. This will be raised through a local supplemental district spending tax rate that would be calculated 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 will result in excess revenues for school districts with greater tax capacity. Excess revenues will be held in a reserve within the Education Fund to be used to decrease the following year's tax rates.

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

Sections 34 and 35: Weighted Long-Term Membership (WLTM) and Education Opportunity Payments

Sections 34 and 35 repeal current law pupil weights and the definitions of “education spending” and “per pupil spending.”

Section 34 includes a base amount of \$15,033 per pupil. The base amount would be adjusted for inflation annually. The base amount would be used to calculate the education opportunity payment by multiplying it by a school 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. Under the current funding formula, these weights 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 it receives. Under the funding formula in the act, the pupil weights established in Section 35 are foundation formula weights and *will* impact the amount of funding a school district receives.

Section 35 repeals all current law pupil weights and establish new weights used in the calculation of WLTM. It will also repeal certain weighting categories, amend certain weighting categories, and add new weighting categories. As mentioned, the weights are foundation formula weights. They will be applied against the base amount and used to determine the amount of funding a school district receives through its education opportunity payment. Like current law, the weights are additive.

The act repeals weights applied to sparse districts, small schools, and grade levels outside of PreK. The act amends weights applied to PreK pupils, English Learner (EL) pupils, and students from economically disadvantaged backgrounds. Finally, it adds weights for Special Education, identified as children with a disability, and distinguishes between categories of disabilities. Table 2 outlines the pupil weighting categories and weight amounts that would be used.

Table 2: Pupil Weighting Categories and Weights in Act 73

General Pupil Weighting Category	Specific Pupil Weighting Categories ⁸	Weighting Amount
PreK student	Student enrolled in PreK	-0.54
English Learner (EL) <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	1.20
	English language proficiency – Level 5 or 6	0.12
	Newcomer or SLIFE	0.42
Child with a disability <i>(Disability weights are mutually exclusive. Disability weights are applicable to students enrolled in grades kindergarten through 12.)</i>	Category A	0.79
	Category B	1.89
	Category C	2.49
Student from economically disadvantaged backgrounds	Family at or below 185 percent of Federal Poverty Level (FPL)	1.02

Section 35 directs 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 choices. Future district configurations have yet to be determined and educational opportunity payments would be calculated based on district-specific parameters. Further, this change wouldn't be implemented until fiscal year 2029, and future pupil demographics and characteristics cannot be accurately estimated.

Section 37: Support Grants for Necessary Small Schools and Necessary Sparse School

Section 37 will establish support grants for small and sparse schools.

Schools will be eligible for a small schools support grant if they have an average two-year enrollment of fewer than 100 pupils and are deemed "small by necessity." The small schools support grant would be calculated by multiplying the two-year average enrollment of an eligible small school by \$3,157 adjusted for inflation annually. This will be paid to the district.

Schools will be eligible for a sparse school support grant if they are located within a sparse area and are deemed "sparse by necessity." A sparse area is defined as a city, town, or village with fewer than 55 people per square mile of land. The grant would be calculated by multiplying the two-year average enrollment of an eligible sparse school by \$1,954, adjusted for inflation annually. This will be paid to the district.

The fiscal impact of this section depends on outstanding policy decisions, including the standards for determining small by necessity schools and sparse by necessity schools. Section 8 will charge the State Board of Education with creating the standards of "small by necessity" and "sparse by necessity."

Section 38: Education Fund Revenues

Section 38 amends the Education Fund revenue sources to include revenue from the supplemental district spending tax outlined in Sections 46 and 47.

⁸ Section 35 of the act includes definitions for each of these specific weighting categories.

Section 41: Ballot Language for Supplemental District Spending

Section 41 amends ballot language to align with the new funding formula and what is voted on locally. As outlined in Sections 46 and 47, school districts are permitted to spend more than what is allocated to them by the State if the spending is approved by local voters – titled supplemental district spending. Section 41 outlines the ballot language for votes on supplemental district spending.

The fiscal impact of the section is unclear since the impact on future local voting decisions is unknown.

Section 42: Repeal of Special Education Census Block Grant

Section 42 repeals education finance provisions of current law that would no longer be applicable.⁹

It also repeals the Special Education census block grant in 16 V.S.A. § 2961 on July 1, 2028, the effective date for the implementation of the weights for students with disabilities. This reflects a shift in the calculation for funding of students receiving Special Education. In fiscal year 2025, the Special Education census block grant from the Education Fund is estimated to be approximately \$191 million.¹⁰ JFO assumes the cost in fiscal year 2030 will be greater. Its repeal must be considered along with the implementation of Special Education funding through pupil weights for children with a disability.

Finally, Section 42 repeals the EL categorical aid outlined in 16 V.S.A. § 4013(d) and the merger support categorical aid outlined in 16 V.S.A. § 4015.

Section 43: Supplemental District Spending Reserve

Section 43 establishes the “Supplemental District Spending Reserve” within the Education Fund. This reserve is funded through recapture, as outlined in Section 43 and defined in Section 46.¹¹

The Reserve will be used by the Commissioner of Finance and Management in cases when a district’s supplemental district spending tax does not raise enough to fully cover its supplemental district spending.¹²

At the close of a fiscal year and after ensuring all districts receive the appropriate supplemental district spending, all funds remaining would be unreserved for the purpose of decreasing the following year’s statewide education property tax rate. The impact of this cannot be estimated as it would depend on future district configurations, taxing capacity, and spending decisions.

Sections 44 – 45a: Reports

Section 44 will require AOE to submit a report on transportation and the Transportation Reimbursement Grant to the House and Senate Committees on Education, the House Committee on Ways and Means, and the Senate Committee on Finance by December 15, 2025.

Section 45 will require JFO to submit a report analyzing inflation indices to be used in Vermont’s education funding system. It also requires JFO to submit a report regarding PreK education, the Child Care Financial Assistance Program (CCFAP), and any other early care and learning systems. Both reports would be due by December 15, 2025.

⁹ Specifically related to unorganized towns and gores and the suspension of excess spending penalty, hold harmless provision and the associated ballot language requirements.

¹⁰ Page 9 of AOE’s testimony on May 9, 2025:

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Education/Special%20Education/W~Zoie%20Saunders~Special%20Education%20Spending%20and%20Education%20Service%20Delivery~5-9-2025.pdf>

¹¹ Recapture refers to revenues raised through the supplemental district spending tax that are greater than the district’s supplemental spending.

¹² This situation is only anticipated to result from calculations based on incomplete data, faulty assumptions, or any miscalculations.

Section 45a requires JFO to contract with one or more contractors to recommend updates to the cost factor foundation formula included in this bill. These recommendations will need to include results of cost savings, changes to special education weights, suitable geographic measures for determining sparsity, the cost of educating a secondary student, and how career and technical education should be included in the foundation formula. This section appropriates \$400,000 from the General Fund to JFO in fiscal year 2026 to hire at least one consultant for the report. The report is due by December 1, 2026.

Section 45b: Transition to Educational Opportunity Payments

Section 45b establishes a transition mechanism to phase in educational opportunity payments from fiscal year 2029 through fiscal year 2032. Each fiscal year of the transition, the “transition gap” will be calculated for each school district by subtracting the educational opportunity payment from the district’s education spending in fiscal year 2025, adjusted for inflation. Depending on the year of the transition, the school district’s transition gap will be multiplied by 0.8, 0.6, 0.4, or 0.2. During each year of the transition, a school district will 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.

Section 45c: Education Fund Advisory Committee

Section 45c changes the date for the first meeting of the Education Fund Advisory Committee from July 1, 2025 to July 1, 2027. This eliminates per diem costs for the Committee in fiscal year 2026.

Sections 46 – 47: Supplemental District Spending Tax and Statewide Education Property Tax

Sections 46 and 47 repeal many current law calculations and adjust education property tax calculations. These sections implement new structures for the statewide education property tax and a supplemental district spending tax.

Under the new funding formula, school districts will have the option for voters to approve supplemental district spending. Upon approval, a school district is permitted supplemental district spending up to 5% of its long-term membership multiplied by the base amount of the same fiscal year.¹³

Supplemental district spending will be raised through a local supplemental district spending tax. The tax rate will 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 will 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 will be calculated by dividing a district’s per pupil supplemental district spending by the supplemental district spending yield. This yield will 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 after removing the value of homestead property estimated to be exempted from the education property tax.¹⁴ As noted, revenue raised above the approved supplemental district spending will go to the Supplemental District Spending Reserve.

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

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

¹³ Interstate districts are exempt from the 5% cap of supplemental district spending.

¹⁴ 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.

There will be three tax classifications for the education property tax – homestead, nonhomestead residential, and nonhomestead nonresidential. Each will have a factor in statute that would adjust the statewide education tax rate for that class. This act will create a factor of one for all classes, meaning the statewide education property tax rate would be uniform across all classes.

Section 46a creates a transition for the amount that a school district would be allowed to approve in supplemental district spending. In fiscal years 2029 through 2033, upon voter approval, a school district is permitted supplemental district spending up to 10% of its LTM multiplied by the base amount of the same fiscal year. The approved percentage will then decrease by 1 percent each year, until fiscal year 2038 when the statutory percentage of 5% would be realized.

The fiscal impact of these sections is unclear and will depend on future demographic and economic changes, as well as outstanding decisions including district configurations, supplemental district spending.

Section 48: December 1 Letter

Section 48 amends the required contents of the December 1 letter to reflect the new funding formula. The December 1 letter will have to include the statewide uniform education property tax rate, the supplemental district spending yield, and school district-specific data. This allows 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.

Section 48a: Tax Rate Transition

Section 48a establishes a transition mechanism to phase in the uniform homestead property tax rate from fiscal year 2029 through fiscal year 2032. The “transition gap” for each school district would be the difference between the homestead property tax rate in fiscal year 2028 and fiscal year 2029 without any discount. Depending on the year, the transition gap will be multiplied by 0.8, 0.6, 0.4, or 0.2 to produce the number of cents that would be used to increase or decrease each districts’ uniform homestead tax rate.

This section will also require the Department of Taxes to submit a report by December 15, 2027, with recommendations and an implementation plan to ensure education property tax rates do not increase as a result of the transition to the new foundation formula.

The fiscal impact of this section depends on future policy decisions that would affect property tax rates.

Section 51 – 52: Homestead Exemption

Sections 51 and 52 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.

The homestead exemption will exempt a certain portion of a claimant’s housesite value from the homestead property tax. All else equal, this will decrease the overall tax liability for a household by decreasing the property value that the tax rate would be applied to. The homestead exemption will 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 and will be adjusted for inflation.

Preliminary estimates using fiscal year 2025 data indicate the homestead exemption will cost approximately \$35 million more than the current law property tax credit in fiscal year 2025. Absent any other changes in policy, this could increase property taxes overall. Outstanding policy decisions, as well as changes to Grand List values and household incomes between fiscal years 2025 and 2029, would affect the fiscal impact of the homestead exemption.

Table 3: Homestead Exemption in Act 73

Household Income	Exemption	Cap on Housesite Value Exemption is Applied Against
\$0 to \$25,000	95%	\$425,000
\$25,000 to \$40,000	90%	\$425,000
\$40,000 to \$50,000	80%	\$425,000
\$50,000 to \$60,000	70%	\$425,000
\$60,000 to \$70,000	60%	\$425,000
\$70,000 to \$80,000	50%	\$425,000
\$80,000 to \$90,000	40%	\$425,000
\$90,000 to \$100,000	30%	\$425,000
\$100,000 to \$110,000	20%	\$425,000
\$110,000 to \$115,000	10%	\$425,000
Greater than \$115,000	0%	\$425,000

Section 53: Department of Taxes Homestead Exemption Proposal

Section 53 requires the Department of Taxes to submit a proposal to the House Committee on Ways and Means and the Senate Committee on Finance by December 15, 2026 that structures the homestead exemption in a way that minimizes property tax impacts for homestead property owners and benefit cliffs. The proposal needs to include recommendations for inflationary measures to be used for the homestead exemption, an analysis of implications of expanding the exemption to households with incomes up to \$175,000, and updates to the homestead declaration form for the purposes of implementing the homestead exemption.

Section 61 and 61a.: Property Classifications

Section 61 establishes three property tax classifications: homestead, nonhomestead nonresidential, and nonhomestead residential.¹⁵ This section will require all property on the Grand List to be assigned at least one of these classifications. There will be one tax rate, which each of the three property classifications will have a factor multiplied against. The act includes a classification factor of “1.0” for each of the classifications.

Section 61a requires the Commissioner of Taxes to create forms for calendar year 2027 that would allow taxpayers to report on the use of their property for the purpose of classification.

The overall fiscal impact of these sections is unclear. According to the Department of Taxes, there may be costs relating to software revisions and new positions to support the work of implementing this section.

Section 61b: Property Classification Implementation

Section 61b requires the Commissioner of Taxes to submit a report by December 15, 2025, studying the implementation of the new property tax classifications and identify further actions required for their implementation. The Commissioner will also need to recommend different sets of multipliers to be applied to the nonhomestead residential property classification – one set of multipliers so that this classification would cover the cost of the homestead property tax exemption and another set of multipliers to mitigate tax increases on homestead property taxpayers.

¹⁵ Section 61 includes the definitions of these categories.

Sections 62 – 64: Regional Assessment Districts

Section 62 establishes 12 Regional Assessment Districts. The member municipalities of each Regional Assessment District will 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) will be required to establish standard guidelines and procedures, and could adopt rules, for Regional Assessment Districts. The Director will 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 63 establishes transition parameters to a regionalized reappraisal system. The section also requires the Commissioner of Taxes to submit a report every January 15 from 2027 to 2030 regarding the progress made in preparing the implementation of the Regional Assessment Districts to the House Committee on Ways and Means and the Senate Committee on Finance.

Section 64 requires 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 fiscal impact for these sections cannot be estimated. If the changes increase the frequency of reappraisals, additional costs may occur. If they increase efficiency of reappraisals, there may be savings.

Section 66: Minimum Threshold for Tax Sale

Section 66 adds 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."¹⁶

This provision protects 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 narrow scope of applicability involved – most towns do not currently initiate tax sales over such small amounts.

Section 67: Property Valuation Hearing Officer Compensation

Section 67 updates 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 applies 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 fiscal year 2026 operating budget.

¹⁶ <https://legislature.vermont.gov/assets/Legislative-Reports/Act-106-2024-Report-Tax-Abatement-and-Tax-Sales.pdf>

Appendix 1: Summary of Effective Dates

(a) On Passage		
Findings and Intent	Sec. 1; Findings, Intent, Plan	
Commission on the Future of Public Education	Sec. 2; Updates to the commission	
School District Redistricting	Sec. 3; School District Redistricting Task Force	
School District Voting Wards Working Group	Sec. 4; School District Voting Ward Working Group	
Calculation of Tuition	Sec. 28a; State Board of Education Tuition Fee Rules	
Agency of Education Transformation Support	Sec. 32, 33; 44, 45, 45a, 45c; Appropriations to AOE, AOE Positions; Transportation Reimbursement Guidelines, JFO Reports and Appropriation; Education Fund Advisory Committee Delay	
Statewide Property Tax Repeal; Homestead Exemption Created	Sec. 53; Tax Department Homestead Exemption Report	
Property Tax Classification	Sec. 61b, 61c, 61d; Property Tax Classification Implementation Report, Tax Classification Intent, Prospective Repeal	
Transition to Regional Assessment Districts	Sec. 63, 64; RAD Transition Progress Report and Working Group	
Miscellaneous Tax	Sec. 65, 66, 68, 69; Miscellaneous Tax Law Updates	
Effective Dates	Sec. 70; Effective Dates	
(b) July 1, 2025		
Class Size Minimums	Sec. 5; Scale and Intent	
Agency and State Board Rules and Report	Sec. 8, 9, 10; SBE Rules, Report, AOE Report, School Calendar, Graduation Requirements, SBE Rule Review, Appropriation	
State Aide to School Construction	Sec. 14, 15; School Construction Advisory Board	
Schools Eligible to Receive Public Tuition	Sec. 21, 22; Tuition Transition, State Level Governance Intent	
State-Level Governance	Sec. 23 - 26; SBE Appointment, Transition	
Special Education	Sec. 29, 30, 31; Special Education Report, Plan, Position and Appropriation	
Miscellaneous Tax	Sec. 67; PVR Hearing Officer Pay	
(c) July 1, 2026		
Class Size Minimums	Sec. 6, 7; Class Size Minimums, Failure to Comply with Minimums	
State Aid to School Construction	Sec. 12, 13, 16-20; School Construction Policy	
(d) July 1, 2027		
Education Property Tax Rate Formula	Sec. 48; December 1 Letter	
(e) January 1, 2027 – contingent on legislation to enact new school district boundaries		
Property Tax Classification	Sec. 61a; Data Collection	
(f) July 1, 2028 – contingent on new school districts and updated cost factor report		
Calculation of Tuition	Secs. 27, 28; 16 V.S.A. § 823(a) and (d), Tuition Repeals	
Agency of Education Transformation Support	Secs. 34-43, 45b; Transition to Cost-Factor Foundation Formula, Educational Opportunity Payment Transition	
Education Property Tax Rate Formula	Sec. 46, 46a, 47, 48a; Statewide Education Tax, Supplemental District Spending, Tax Rate Transition	
Conforming Revisions; Statewide Property Tax	Secs. 49, 50; Conforming Revisions	
Statewide Property Tax Repeal; Homestead Exemption Created	Sec. 51, 52; Property Tax Credit Repeal	
Conforming Revisions; Property Tax Credit Repeal	Secs. 54-56; Creation of the Homestead Exemption	
Education Fund Advisory Committee	Sec. 57; Education Fund Advisory Committee	
Property Tax Classification	Sec. 60, 61; Property Tax Classification	
(g) July 1, 2028 – contingent on new school districts and the cost factor report contains evidence that it costs more to educate students in grades 9-12 but a secondary school weight has not been enacted		
Calculation of Tuition	Sec. 27; 16 V.S.A. § 832(b) and (c)	
(h) January 1, 2029		
Regional Assessment Districts	Sec. 62; Regional Assessment Districts	

ⁱ 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.

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