



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

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### **H.955 – An act relating to next steps in transforming Vermont’s education system**

As passed by the House and Senate<sup>1,2,i</sup>

#### **Bill Summary**

This bill would modify the mechanism for supervisory unions to provide regional services. H.955 would replace Boards of Cooperative Education Services (BOCES) with Cooperative Educational Service Areas (CESAs) and assign the State’s supervisory unions to seven CESAs.<sup>3</sup> This bill would specify the minimum shared services CESAs would offer. Additionally, it would require school districts to participate in committees to study forming unified union school districts. This bill would also amend contingent effective dates within Act 73 (2025), create guidelines for special education funding safeguards, initiate education policy rulemaking, create systems and reporting on prekindergarten (PreK) administration and costs, and update the definition of “small school”. Finally, this bill would establish regional assessment districts in statute, further establish property classifications, and significantly amend the State Aid for School Construction Program.

Effective dates and contingencies of this bill vary by section. Appendix 1 of this fiscal note outlines the effective dates and associated contingencies of each section.

#### **Fiscal Impact**

**The overall fiscal impact of this bill is unclear. Impacts would depend on outstanding policy decisions at the State and local levels.** The “Background and Details” section of this fiscal note outlines all potential and known fiscal implications by section. Known fiscal impacts include:

- amending the uses of funds previously appropriated from the Education and General funds for education transformation;
- appropriating \$75,000 from the General Fund to the Joint Fiscal Office (JFO) in fiscal year 2027 to hire a contractor to help determine an appropriate funding amount for PreK students;
- appropriating \$500,000 from the General Fund to the Agency of Education (AOE) in fiscal year 2027 to fund four positions established by this bill; and
- transferring \$800,000 from the General Fund to the School Construction Aid Special Fund in fiscal year 2027 for awarding grants through the Facilities Master Plan Grant Program.

<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.*

<sup>2</sup> The underlying bill can be found at the following link: <https://legislature.vermont.gov/Documents/2026/Docs/BILLS/H-0955/H-0955%20Senate%20Proposal%20of%20Amendment%20Unofficial.pdf>.

<sup>3</sup> A Board of Cooperative Education Services is outlined in 16 V.S.A. Chapter 10 as a mechanism for supervisory unions to provide shared programs and services on a regional and statewide level.

**Table 1: Known Fiscal Year 2027 Fiscal Impacts in H.955**

Section	Description	Amount	Source of Funds
<b>Costs Funded Through Existing Appropriations</b>			
<b>Section 4</b> CESA Grant Program	Funding to issue grants to CESAs. Intended to assist with start-up costs. Funded by two existing appropriations	\$90,000	<ul style="list-style-type: none"> <li>\$30,000 previously appropriated from the General Fund to AOE in fiscal year 2026.</li> <li>\$60,000 previously appropriated from the Education Fund to AOE in fiscal year 2025.</li> </ul>
<b>Section 17</b> Merger Committee Reimbursement Grants	Funding to reimburse merger committees for incurred expenses.	\$210,000	\$210,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
Merger Committee Facilitators; Administrative Expenses	Funding to issue a grant to the Vermont Learning Collaborative (VTLC) to hire eight facilitators for the merger committees. VTLC may retain up to \$32,000 for administrative costs.	\$442,000	\$442,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
CESA Executive Director Grants	Funding to issue grants to assist with hiring CESA Executive Directors.	\$300,000	\$300,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
<b>Total Costs Funded Through Existing Appropriations</b>		<b>\$1,042,000</b>	
<b>New Appropriations</b>			
<b>Section 21</b> PreK Financing Report	Appropriation to JFO to hire a contractor to complete a cost of care analysis that would provide estimates for the current full cost of providing PreK education.	\$75,000	One-time appropriation from the General Fund to JFO in fiscal year 2027.
<b>Section 66</b> School Construction Division	Appropriation to AOE to fund four limited service classified positions.	\$500,000	One-time appropriation from the General Fund to AOE in fiscal year 2027.
<b>Total Costs Funded Through New Appropriations</b>		<b>\$575,000</b>	
<b>Fund Transfers</b>			
<b>Section 66a</b> Facilities Master Plan Grant Program	Transfer to the School Construction Aid Special Fund for awarding grants through the Facilities Master Plan Grant Program.	\$800,000	One-time transfer from the General Fund to the School Construction Aid Special Fund in fiscal year 2027.
<b>Total Transfers from General Fund</b>		<b>\$800,000</b>	

## Background and Details

### Sections 2 – 2b: Cooperative Educational Service Areas (CESAs)

Effective July 1, 2026, Section 2 would amend statute to replace Boards of Cooperative Education Services (BOCES) with Cooperative Educational Service Areas (CESAs). A CESA would be a group of supervisory unions (SUs) and a regional career technical center school district, intended to provide members with shared programs and services in a cost-effective manner. A CESA would be a distinct entity, with a governing board, budget, and employees.

Section 2 would create seven CESAs in statute and specify their membership, including the existing Vermont Learning Collaborative (VTLC). Member SUs could propose to the General Assembly to adjust the membership of the CESA to which it belongs.

CESAs would create their own bylaws; these would include the programs or services offered by the CESA, the financial terms of the CESA, and the required fees for members. Membership fees would be allocated based on the average daily membership of the member entities, whereas service fees would be based on the services members used.

CESA staff would include, initially, an executive director who reports to the CESA board. The need for additional staff and administrative resources would depend on the services requested and offered. At a minimum, a CESA would offer services related to special education, business and administrative services, information technology, and facilitating union school district creation.

Effective July 1, 2027, Section 2a would expand the services offered by a CESA to include professional development, curriculum coordination and development, transportation, and facilities master planning. Participation in services offered by a CESA would be voluntary.

Effective July 1, 2026, Section 2b would amend the membership of the VTLC to include the River Valley Technical Center School District. A formal membership adjustment would be proposed to the General Assembly by December 15, 2027.

The total fiscal impact of these sections is currently unclear. If CESAs offered cost-effective services that members shared, there may be cost savings. However, potential cost savings are unclear, due to outstanding service unknowns including their range, cost compared to existing services, and participation.

The creation and operation of CESAs would necessitate additional expenditures, including the hiring of staff. Total staffing levels are unknown and would likely depend on the services operated by a CESA. In addition to staff, there would likely be non-personnel operating costs for a CESA and its programs.

### **Section 3: Report Repeal**

Effective July 1, 2026, Section 3 would repeal Act 168's (2024) transition report from the Secretary of Education because it would no longer be relevant. This section is not expected to have a fiscal impact.

### **Section 4: CESA Start-Up Grant Program**

Effective July 1, 2026, Section 4 would amend Act 168's BOCES grant program so that CESAs would be eligible to receive start-up grants. Each CESA could receive a grant from AOE for \$15,000. This grant could offset a CESA's initial costs, such as creating articles of agreement or bylaws.

This section would make \$90,000 available from existing appropriations for providing grants to CESAs in fiscal year 2027. Grants would be partly funded by a fiscal year 2025 Education Fund appropriation to AOE (\$60,000). The remaining \$30,000 would be funded by a fiscal year 2026 appropriation to AOE in Act 73 (2025), as amended by Sec. C.103 of the fiscal year 2027 appropriations act as passed by the Senate.

### **Sections 5 – 12: CESA Language, Transition**

Effective July 1, 2026, Sections 5 through 11 would amend statute to replace the term Boards of Cooperative Education Services with Cooperative Educational Service Area.

Effective July 1, 2026, Section 12 would establish timelines for CESA board creation and the first board meeting. These sections would have no fiscal impact.

### **Sections 13 – 13c: Merger Committees, Moratorium, Reports**

Sections 13, 13a, 13b, and 13c would be effective July 1, 2026. Section 13 would set the process for establishing merger committees to explore forming unified union school districts ("union district"). This process would take place between September 1, 2026, and March 7, 2028.

By September 1, 2026, VTLC would be required to hire eight individuals as union school district formation facilitators. The facilitators would be charged with organizing school districts into merger committees to explore forming a union district. When creating merger committees, the facilitators would use the school district groupings in Section 14 of this bill as guidance and would consider districts' net grand list values and current education spending when establishing the final committees. A merger committee's member districts

would have a combined average daily membership of at least 2,000 students and must be contiguous. Each member district would assign a current school board member to the merger committee. School districts would be required to participate in the committees, and committees would first meet by October 15, 2026.

Section 13 also creates a process for a school district to join a merger committee other than the one it was originally assigned, so long as it is approved by a majority of the members of the school board.

By September 1, 2027, each merger committee would complete and submit a final report outlining whether it found it advisable to form a union district. The report would be submitted to the school boards of districts considered “necessary” or “advisable” to creating the new district. If the committee chose not to form a union district, the report would be issued to the participating districts’ school boards.

The committee’s report would be sent to the Secretary of Education and the State Board of Education (SBE). The Secretary would have until December 1, 2027, to submit their recommendation on a proposed union district to the SBE. The SBE would have until December 15, 2027, to review and issue its findings on the proposed district. Following the SBE’s review, voters of the districts considered “necessary” or “advisable” for the proposed district’s creation would vote on unification by March 7, 2028.

By February 1, 2027, the lead facilitator would have to, with AOE input, submit a report to the House Committees on Education and Ways and Means, and the Senate Committees on Education and Finance. The report would detail the membership and status of the merger committees.

Section 13a would create the process for a district that has not successfully merged under Section 13 by July 1, 2028, to propose a merger plan to the General Assembly. A majority of the petitioning district’s voters would need to approve the proposal, which would then need to be approved by the General Assembly.

Section 13b would place a moratorium on towns withdrawing from a union district until fiscal year 2035.

Section 13c would charge the Secretary of State with submitting a written report to the committees of jurisdiction.

Due by January 15, 2027, the report would include recommendations for the funding and resources necessary for school district clerks to oversee the union district elections detailed in Section 13. The report would detail the resources needed to mail ballots to all active voters. The report would also identify foreseen challenges and recommendations to support the school district clerks.

The total fiscal impact of these sections is unclear. Funds for hiring facilitators and reimbursing some study committee expenditures are detailed in Section 17. Beyond these funds, committee expenses above the reimbursement grant would be funded by the member districts. All else equal, additional expenditures by school districts would increase statewide Education Spending. If Education Spending increases, the homestead property tax rates and/or the nonhomestead property tax rate would need to be raised.

### **Sections 14 – 14a: Merger Committee Groupings; Interim Merger Reports**

Effective July 1, 2026, Section 14 outlines the 20 district groupings that the facilitators should consider when forming merger committees. Committees would include nonvoting representatives from the four regional career technical center school districts if their membership includes the latter’s member district(s).

Effective July 1, 2026, Section 14a would require the lead facilitator to submit a report on the final recommendations of the merger committees. Section 14a would also charge AOE with submitting an interim report on preliminary recommendations for CESA boundary adjustments based on the merger committees’ recommendations. Both reports would be due by January 1, 2028, and would be submitted to the House and Senate Committees on Education. These sections have no fiscal impact.

**Section 15: Merger Committee Results, Facilitator Reports**

Effective July 1, 2026, Section 15 would require VTLC's lead facilitator to submit a report to the House and Senate Committees on Education by December 1, 2028 detailing the final results of each merger committee, including factors that impacted the committee's deliberation, along with a determination and identification of any school district that participated in bad faith in the committee process. This section has no fiscal impact.

**Sections 16 – 16a: AOE Report on Boundaries; SBE report on Isolated School Districts**

Effective July 1, 2026, Section 16 would require AOE to submit a report to the House and Senate Committees on Education by December 1, 2028. This report would make recommendations for adjusting CESA boundaries to account for any union districts formed by the merger committees.

Effective July 1, 2026, Section 16a would charge the SBE with reporting to the House and Senate Committees on Education any "isolated school districts". Due by November 1, 2029, this report would include districts with an average daily membership of fewer than 750 students that have not successfully merged with a neighboring school district by July 1, 2028.

The report would include recommendations on whether the district(s) should be merged with a larger neighboring school district to increase financial and operational viability. The report would also include recommendations on how to accomplish these mergers. Sections 16 and 16a have no fiscal impact.

**Section 17: Grants and Appropriations**

Effective July 1, 2026, Section 17 would create several grants to be administered by AOE to assist merger committees and CESAs in their work. This section makes the funds associated with these grants an allowable use of the appropriation made in Act 73, as amended by Sec. C.103 of the fiscal year 2027 appropriations act as passed by the General Assembly. All appropriations referenced in this section are already accounted for in that bill.

Under Section 17, AOE would reimburse legal and technical expenses of merger committees. Each committee would be eligible for up to \$10,000 in reimbursement grants. Up to \$210,000 would be an allowable use of the appropriation in Act 73 as amended.

This section would also create a grant of \$442,000 for VTLC in fiscal year 2027 to hire the union school district formation facilitators outlined in Section 13 and would be an allowable use of the Act 73 appropriation as amended. VTLC could retain up to \$32,000 for administrative costs.

Finally, Section 17 would create CESA executive director grants. These grants would each equal \$50,000 and would be awarded by AOE to six of the CESAs outlined in this bill; VTLC would be ineligible for these grants. This section would make \$300,000 for these grants an allowable use of the Act 73 appropriation as amended.

The fiscal impact of this section would be a net-neutral shift of \$952,000 General Fund appropriated in fiscal year 2026. JFO expects that many of these funds would be expended in fiscal year 2027, but some expenditures like the study committee reimbursement grants could occur in fiscal year 2028.

**Section 18: Amending Act 73 Effective Dates and Contingencies**

Effective on passage, Section 18 would amend effective dates and contingencies for some Act 73 sections. This section would include new contingencies and would push back the timeline for many sections of Act 73 by one year. The revised effective dates and contingencies are summarized in Appendix 1.

The implementation of many education and finance policy sections would still only take effect if certain contingencies are met; this section would amend those contingencies to include:

- the General Assembly has received the foundation formula report required by Section 45a of Act 73, and the facilitator report on the results of the merger committee process; and
- the General Assembly has enacted legislation that expresses clear legislative intent that addresses:
  - each of the following components of the Section 45a report: CTE, special education funding, sparsity measures, empirically supported secondary student weighting, and geographic cost differences;
  - the implementation of a PreK funding mechanism; and
  - measures for satisfying legacy collective bargaining agreements and capital indebtedness of school districts.

The fiscal impact of this section is unclear. JFO cannot estimate the overall impact of implementing these sections of Act 73, as there are several outstanding policy decisions.

### **Section 21: PreK and JFO Financing Considerations**

Effective on July 1, 2026, Section 21 would mandate several reports on PreK education administration and costs:

- AOE, the Department for Children and Families (DCF), and Building Bright Futures (BBF) would establish a system to jointly monitor and evaluate prekindergarten education programs and collect data that will inform future decisions. Annually in January, BBF would report to the General Assembly on this system and data collection.
- On or before December 1, 2026, BBF would submit a report on the status of its work on its federal Preschool Development Grant, including information about student demographics and the number of hours offered by PreK programs by district. The report would also include data gaps, outstanding questions, and recommendations for legislative action. BBF would provide a progress report to Joint Fiscal Committee (JFC) on or before October 1, 2026.<sup>4</sup>
- JFO would contract to conduct an updated cost of care analysis for the provision of PreK education within Vermont's education system. The contractor would reference previous cost of care analyses and collaborate with AOE, DCF, and BBF to ensure necessary data and appropriate factors are included in financial modeling. It would provide estimates for the current full cost of providing PreK education.

In addition to these reports, this section would also require JFO to provide the General Assembly with a report on the considerations associated with different funding mechanisms that may be used to distribute funds for education costs within the new financing formula.

This section would appropriate \$75,000 from the General Fund to JFO in fiscal year 2027 to hire a contractor to provide this cost of care analysis.

### **Section 21a: Annual PreK Data Collection**

Effective on July 1, 2026, Section 21a would mandate districts to report annually to AOE on the number of hours of PreK education received by the district's students, whether from the district or from another provider or district that received tuition to educate the district's students. The fiscal impact of this section is unknown. If additional staff resources are needed in districts for this data collection, that cost would be included in school district budgets.

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<sup>4</sup> More information on the \$12.7 million Preschool Development Grant from the U.S. Department of Health and Human Services can be found [here](#). Overall, the grant contains three goals: reconcile fragmented elements (including PreK) into a unified system; expand childcare program availability, quality, and viability; and align and share information and data systems.

**Section 22: Data Collection**

Effective July 1, 2026, Section 22 would require each student who receives tuition for public education to complete forms used to collect information on all weighting categories.

JFO cannot estimate the impact of this section. If this results in additional weighting data being captured by school districts, then this could result in an increase in the overall weighted student count which would shift tax capacity under current law and increase funding levels under the foundation formula.

**Section 23: Special Education Funding**

Effective July 1, 2026, Section 23 would prohibit school districts from reducing staff, programs, or funding which would disproportionately affect students with disabilities. It would require AOE to issue guidance for districts on implementing Act 73 while complying with this section and federal requirements. Districts would be required to follow this guidance and document how significant program changes would affect students with disabilities.

The fiscal impact of this section is unclear. If future special education funding systems do not provide sufficient funding, school districts would be unable to significantly reduce special education services. This could require a district, all else equal, to reduce services for non-special education students; alternatively, a district would need to find additional funding sources to maintain special education services.

**Section 24 – 24a: Additional Tuition Prohibition, Fees Report**

Contingently effective on July 1, 2029, Section 24 would prohibit any school that receives tuition from a sending school district from requiring any additional tuition above the amount paid by the sending school.

Effective July 1, 2026, Section 24a would charge the AOE with submitting a report on fees charged by public and approved independent schools to students, with recommendations for any guardrails needed on a school's ability to charge fees to students funded under the foundation formula. The report would be due by January 1, 2027, to the House Committees on Education and on Ways and Means, and the Senate Committees on Education and on Finance.

The fiscal impact of these sections is unclear. If a receiving school or school district decides to increase its overall tuition in the absence of the ability to charge additional tuition, this section could result in an increase in tuition payments, and thus education costs.

**Section 25: Study Committee Budget Approval**

Effective July 1, 2026, Section 25 would increase the threshold for a merger committee's budget before voter approval is needed. Under current law, if the committee budget exceeded \$50,000 it must be approved by the member districts' voters. Under section 25, the threshold to trigger a vote would be raised to \$500,000.

The fiscal impact of this section is unknown. Merger committees could build larger budgets before requiring voter approval. As budgets would ultimately flow from the Education fund, any increase in spending from this section would require an adjustment to the homestead and/or nonhomestead property tax rates. JFO cannot predict how study committees would respond to this change.

**Section 26: Small and Sparse School Rulemaking**

Effective July 1, 2026, Section 26 would require the SBE to update its rules for Education Quality Standards to define criteria for schools to be considered "small by necessity" or "sparse by necessity". Rule updates would be due by March 31, 2027, and must be consistent with prior recommendations made by the SBE.

The fiscal impact of this section is unknown. Defining "small by necessity" and "sparse by necessity" would impact how many school districts receive school support grants under Act 73. JFO cannot determine the impact until rulemaking is complete.

**Sections 27 – 27d: Agency of Education and State Board Rulemaking**

Under these sections, AOE and the SBE would be charged with initiating education policy rulemaking.

Effective July 1, 2026, Section 27 would require AOE to update the District Quality Standards (DQS) to include guidance on how resources are budgeted within a district under the foundation formula. This would be due by June 1, 2028.

Effective on passage, Section 27a would require AOE to update DQS with recommended reserve fund standards. These standards would include minimum and maximum reserve balances, acceptable uses of reserves, and best practices for replenishing them. Standards would be due by March 31, 2027.

Effective July 1, 2026, Section 27b would require AOE to submit a report on statewide school transportation and financing. This report would be due by December 31, 2026.

Effective on passage, Section 27c would require AOE, in consultation with school business officials, to develop a statewide student profile form. This would be used by districts to collect weighting information for students in grades PreK-12 whom the State pays tuition for. This form would be due by September 1, 2026.

Effective July 1, 2026, Section 27d would require the SBE to update its rules for the length of a school day for each grade. This would be due by March 31, 2027.

JFO cannot determine the fiscal impact of these sections. Any potential impacts would depend on the revised rules and how they would be implemented. Under Section 27c, all else equal, districts' long-term weighted membership could increase. If this form resulted in additional weighting data being captured by school districts, then this could result in an increase in the overall weighted student count, which would shift tax capacity under current law and increase funding levels under the foundation formula.

**Sections 28 – 29: Small Schools and Sparse Schools**

Effective July 1, 2026, Section 28 would repeal the small school and sparse school language Act 73 (2025), Sec. 37, and reintroduce the language with clarifying changes under this bill's Section 29.

Effective July 1, 2029, if the contingencies in Section 18 are met, Section 29 would amend the eligibility criteria of the small school support grant. Under this bill, a school would be considered a "small school" if the average number of students per grades K-12 operated at the school was less than 12. The school must also be deemed "small by necessity".

Section 29 would also charge AOE with annually determining if a school meets the criteria of "small by necessity" and/or "sparse by necessity". Determinations would be made using the SBE's rules on small or sparse by necessity.

JFO cannot estimate the fiscal impact of these sections. The fiscal impact would depend on the rules developed by the SBE, how they are implemented by AOE, and how districts may respond.

**Section 29a: Compliance with Class Size Minimums**

Effective July 1, 2026, Section 29a would hold schools harmless from class size minimum requirements until the SBE has updated the Education Quality Standards for class size minimums, or July 1, 2027, whichever comes first.

The fiscal impact of this section is unclear, as it would depend on future rulemaking and implementation of class size minimums.

**Sections 29c – 29d: Definitions**

Effective July 1, 2026, Section 29c would establish definitions for a number of terms used in Title 16. Effective July 1, 2026, Section 29d would charge the SBE with adopting rules that establish definitions for the terms contained in Section 29c. The SBE may define the terms in Section 29c differently from statute. These sections have no fiscal impact.

**Section 29e: Prospective Repeals**

Effective July 1, 2026, Section 29e would repeal Section 29c on July 1 of the year following the adoption of rules under Section 29d.

Section 29e would also repeal the prohibition of additional tuition outlined in Section 24 if the cost-factor foundation formula report from Sec. 45a of Act 73 contains evidence that it costs more to educate students in grade 9-12 but the General Assembly has failed to enact legislation to add a secondary weight.

**Sections 30 – 57: Regional Assessment Districts**

Sections 30 – 57 would establish regional assessment districts and associated provisions. The following outlines significant sections of the bill related to regional assessment districts that may have fiscal implications.

Ultimately, the overall fiscal impact for establishing regional assessment districts 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. Further, Section 35 would establish that the State would provide a payment for full reappraisals. The annual fiscal impact of this section would depend on the estimated full cost of reappraisals and the timing of reappraisals.

Unless noted otherwise, the sections focused on regional assessment districts would take effect on January 1, 2031.

*Section 30: Establishment of Regional Assessment Districts*

Section 30 would establish guidelines and requirements regarding regional assessment districts. Member municipalities of a regional assessment district would be required to fully reappraise their grand list every six years. This section would also require the Director of Property Valuation and Review (PVR) to establish standard guidelines and procedures for regional assessment districts and a reappraisal schedule for each regional assessment district. This section would also establish a valuation appeals process. Finally, it would create regional assessment district appeals boards to hear appeals for valuations within its district as the first step of a grievance process.

*Section 32: Grand List Equalization Process*

Section 32 would clarify that all municipalities within a regional assessment district would be treated as a single entity for the grand list equalization process.

*Section 35: State Payment for Full Reappraisals*

Effective July 1, 2026, Section 35 would establish a State payment for full reappraisals. When a municipality is scheduled to reappraise, the municipality may notify the Commissioner of Taxes that it is prepared to commence reappraisal. Within 30 days, the Commissioner will estimate the full cost of the reappraisal and transfer to the municipality the lesser of two-thirds of the estimated cost or \$66 per grand list parcel.

This section would result in an increased cost to the State, however the scale and scope of these costs in a single year is unclear. There would be no payments under this provision until the year after regional assessment districts begin. For context, in fiscal year 2027, there were a total of 340,280 parcels in the State that could be eligible for this payment. The cost to reappraise all these parcels would result in a maximum cost of approximately \$22.5 million, which would not be incurred until regional assessment districts are in place, and the cost will likely be spread over the first six years and into the future.

*Section 36: Tax Sales*

Effective July 1, 2026, Section 36 would permit the collector of taxes to put a tax lien on parcels when less than \$1,500 is owed, as long as the parcel does not have a dwelling capable of habitation on a year-round basis nor was it declared a homestead. JFO cannot estimate the fiscal impact of this section.

*Section 53: Transition to Regional Assessment Districts*

Effective on passage, Section 53 would require the Commissioner of Taxes to submit a report annually through 2031 on the progress of implementing regional assessment districts.

*Section 54: Proposed Boundaries*

Section 54 would require the Commissioner of Taxes to submit proposed geographic boundaries for regional assessment districts. This section would be effective December 15, 2029, contingent on school districts having had an opportunity to study the advisability of forming a union district.<sup>5</sup>

**Section 58 – 64: Property Tax Classifications**

Sections 58 – 64 would establish property tax classifications and associated provisions. The following outlines significant sections of the bill related to property tax classifications that may have fiscal implications. Unless otherwise noted, the following sections would take effect on July 1, 2029, if all contingencies in Section 18 have been met and if tax rate multipliers have been set as discussed in Section 63. This includes the implementation of the tax classifications

The fiscal impact of these sections will depend on outstanding policy choices, including tax rate multipliers.

*Sections 58: Establishing Property Classes*

Section 58 would establish three property tax classes: homestead, nonhomestead nonresidential, and nonhomestead residential. This section would also establish the definitions for these classes, as well as other definitions to be used for property classification.

*Section 58a: Appeals Recommendations*

Effective July 1, 2026, Section 58a would require the Department of Taxes to submit recommended legislative language to establish a process for tax classification appeals by December 15, 2027.

*Section 59: Errors or Omissions in Filed Dwelling Use Attestation*

Section 59 includes provisions relating to instances where the Commissioner determines that a filed dwelling use attestation contains errors or omissions. If the Commissioner determines the error was not made with fraudulent intent, the municipality would be permitted to include a penalty of up to 5% of the education tax on the property. If the Commissioner determines the error was made with fraudulent intent, the Commissioner would impose a penalty equal to 100% of the education property tax and any interest of late payment that was due.

This section would also establish a dwelling use attestation which would be used to describe how a dwelling unit will be used in the current year for purposes of assigning a tax classification. It would also establish that properties with a dwelling unit that has no homestead declaration or dwelling use attestation would be assigned the tax classification with the highest statewide education tax rate multiplier.

*Section 60: Collection of Property Classification Data*

Contingently effective January 1, 2028, Section 60 would establish the collection of property tax classification data for calendar year 2028 and would require that data to be submitted to JFO by October 1, 2028<sup>6</sup>.

<sup>5</sup> The full contingency is included in Section 18 of this bill, which amends 2025 Acts and Resolves No. 73, Sec. 70(f)(1)(A).

<sup>6</sup> Contingency detailed in 2025 Acts and Resolves No. 73, Sec. 70(f)(1)(A)(i).

*Section 63: Prospective Repeal*

Effective on passage, Section 63 would create a prospective repeal. If new tax rate multipliers for a tax classification system are not established by July 1, 2029, this section would repeal the sections establishing the property classification.

**Sections 65 – 78: School Construction**

Sections 65 – 78 would amend the State Aid for School Construction Program to expand State aid to include general obligation bonding. The following outlines significant sections of the bill related to school construction that may have fiscal implications.

The overall fiscal impact of these sections is unclear and will depend on outstanding policy and funding decisions. Any future impacts to the State's general obligation debt service costs would be directly related to any increase in bonded indebtedness and market conditions at the time of the debt issuance. Additionally, any material increase in general obligation debt service would, per statute, impact the calculation of the General Fund transfer to the Cash Fund for Capital and Essential Investments.

Per 32 V.S.A. § 1001b(b)(1)(A), the General Fund transfer to the Cash Fund is calculated at 4% or less of the last completed fiscal year's General Fund appropriations, less the amount necessary to fund the State's general obligation debt service in the year for which the transfer is being made. When all else is equal, an increase in general obligation debt service, due to increased bonding for things such as school construction, would reduce the amount available to transfer to the Cash Fund.

Unless noted otherwise, the sections on school construction would take effect on July 1, 2026.

*Section 66: AOE School Construction Division*

Section 66 would establish four limited service, classified positions at AOE, and appropriate \$500,000 from the General Fund to AOE in fiscal year 2027 for them. AOE would be required to include funding for the positions in its fiscal year 2028 budget request.

*Section 66a: School Construction Aid Special Fund Transfer*

Section 66a would transfer \$800,000 from the General Fund to the School Construction Aid Special Fund in fiscal year 2027 for awarding grants through the Facilities Master Plan Grant Program.

*Section 67: Rules on School Construction and Capital Outlay*

Section 67 would require AOE to adopt rules on school construction and capital outlay by March 31, 2028. Rules would have to address prioritization and bonus incentives that reward school districts for:

1. consolidating school governance structures;
2. improving access to educational opportunities for public school students; and
3. remediating or eliminating health and safety issues.

*Section 68: Report on School Construction Opportunities*

Section 68 would require the State Aid for School Construction Advisory Board to submit a report to the General Assembly identifying three to five opportunities for school construction or renovation of regional high schools by December 1, 2026. The report would be required to identify opportunities and provide a full siting study for each opportunity including cost and location.

*Section 70: State Bonding in Budget Request*

Section 70 would require AOE to include in its annual budget submitted to the Governor any projects contemplated for funding through State bonding.

*Section 72: School Construction Projects, Debt Service Subsidy and State Bonding*

Section 72 would amend the approval and funding of school construction projects. This section would require AOE to identify projects for funding through general obligation bonding in its request for appropriations. It would also require the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance to recommend a total annual school construction appropriation for inclusion in an aggregate education payment.

This section would amend the award provisions of the Program to provide aid of 30-75% of the total approved cost of a project in the form of a debt service subsidy, State bonding, or a combination of both. The base amount of the award would be 30% of the total approved cost of the project. “Consolidated districts” – districts that result from a merger identified as advisable in a merger committee’s final recommendation – or districts that have an average daily membership of at least 2,000 students, would also be eligible for bonus incentives to fund up to an additional 45% of total approved cost.

This section would also remove the requirement for bond authorization before prioritization and final approval so that a school district’s bond authorization reflects the amount of State aid it will receive. The amounts would be awarded annually, be subject to annual appropriation, and only be released once the applicant has voted to fund or authorized a bond for the total estimated cost of the project.

Section 72 would also require the Capital Debt Affordability Advisory Committee (CDAAC) to recommend the annual total State bonding support available and the annual debt subsidies to be awarded.

*Section 73: Repeal Prohibition on Aid Resulting from Deferred Maintenance*

Section 73 would repeal the prohibition on State aid for school construction projects where “the need for the project or construction has arisen in whole or in part from significant deferred maintenance” under 16 V.S.A. § 3454. While repealing this prohibition would expand aid to a broader pool of projects, JFO cannot estimate the fiscal impact of this section.

*Section 74: Legacy Debt Aid Program*

Contingently effective July 1, 2029, Section 74 would establish a legacy debt aid program for school districts that incurred debt for costs related to facility construction and renovation and began construction on or before December 31, 2024, and were not identified as a bad faith participant in the facilitator report required by Section 15.

Districts would be eligible to receive aid equal to 75% of the debt service cost on this indebtedness. The maximum total annual amount of aid would be \$45.75 million. Legacy debt aid would be subject to an annual appropriation, and it is unclear from which fund. Assuming the legacy debt aid is awarded, this would have a fiscal impact to whichever fund from which the appropriation is made.

Under current law, all school district debt service costs are included in a district’s education spending and thus the annual Education Payment appropriation from the Education Fund. If the appropriation for these costs was instead made directly from the Education Fund, this would not increase costs to the Education Fund but would shift property tax burden, so all property taxpayers are equally covering the cost of legacy debt regardless of where the property is located.

*Sections 75 and 76: Education Payment*

Sections 75 and 76 would require the General Assembly to appropriate funds for an Education Payment that includes the amount obligated to provide for school construction.

*Sections 77 and 78: Supplemental District Spending and School Construction*

Contingently effective July 1, 2029, Section 77 would exempt all school construction expenditures from the cap on supplemental district spending. The school board of a district would be required to submit for authorization supplemental district spending to cover debt service costs for school construction only at the initial authorization of indebtedness.

The fiscal impact of this section is unclear as it will depend on district decisions. However, it is likely this section would result in increased supplemental district spending because it would expand the total amount of supplemental district spending that would be permitted.

**Sections 79 – 83: Foundation Formula Transitions**

Sections 79 – 83 would amend the foundation formula transition mechanisms in Act 73 to align with the effective dates that would be established by this bill.

Because these transition mechanisms were already established by Act 73, and this section would only amend the dates, there is no estimated fiscal impact of these sections.

### Appendix 1: Effective Dates

On Passage	
Effective dates	Sec. 18; Amends contingencies and effective dates for Act 73 and underlying bill
Rulemaking	Sec. 27a; Reserve guidance from AOE
Student Profile Form	Sec. 27c; Student profile form developed by AOE
Technical Repeals	Sec. 34(a), 61, 79
Regional Assessment Districts	Sec. 53; Regional assessment district transition report
Property Classification	Sec. 62, 63; Tax rate multiplier intent, Prospective repeal of property classifications
Timing adjustments	Sec. 83, 84; Change timing for reports
Education Fund Advisory Committee	Sec. 85; Amendment to membership and charge
July 1, 2026	
Intent and Findings	Sec. 1, 19, 20, 24, 65, 68a, 69; General legislative intent, PreK findings and intent, Tuition intent, School construction findings and intent
CESAs	Sec. 2, 2b, 3, 5-12; Creation of CESAs
Appropriations and Transfers	Sec. 4, 17, 66a; Amends appropriations for CESAs, Amends appropriations for study committees, Transfer to School Construction Aid Special Fund
Merger Committees	Sec.13 - 16, 16a, 25; Formation of merger committees, consultation and facilitation, guidance, reports, budget approval
PreK	Sec. 21, 21a.; Reports regarding PreK, PreK data collection
Data collection and reports	Sec. 22, 27b, 57, 58a; Requires data collecting for all resident students and weighting categories, transportation report, Grand list contents
Special Education	Sec. 23; Guidance on Maintenance of Effort and the foundation formula
Rulemaking	Sec. 26, 27 - 27d, 29d, 67; Intradistrict budgeting, Small and sparse school, Length of school day, School construction, SBE Definitions
Technical and Clarification	Sec. 28, 29c; Repeals small and sparse school language, Definitions
Class Size Minimums	Sec. 29a, 29b; Amend class size minimum standards for compliance
Regional Assessment Districts	Sec. 35, 36, 57; State payment of full reappraisals, Tax sales, municipal abatement
School Construction	Sec. 66, 68, 70-73,75; School construction division, report, program, Advisory Board, approval and funding
Tuition and Fees	Sec. 24, 24a, 29e; Prohibition on paying additional tuition above paid tuition, Report on fees in schools, Prospective repeal of tuition prohibition
July 1, 2027	
CESA	Sec. 2a; CESA service provision

**Appendix 1 continued: Effective Dates**

<b>January 1, 2028</b>	
<b>Contingent On:</b>	
<ul style="list-style-type: none"> <li>The General Assembly has received the foundation formula report required by Section 45a of Act 73.</li> </ul>	
Property Classification	Sec. 60; Data collection for property classification
<b>January 15, 2029</b>	
<b>Contingent On:</b>	
<ul style="list-style-type: none"> <li>The General Assembly has received the foundation formula report required by Section 45a of Act 73 and the facilitator report on the results of the merger committee process; and</li> <li>the General Assembly has enacted legislation that expresses clear legislative intent that addresses:                             <ul style="list-style-type: none"> <li>each of the following components of the Section 45a report:</li> <li>CTE, special education funding, sparsity measures, empirically supported secondary student weighting, and geographic cost differences;</li> <li>the implementation of a PreK funding mechanism; and</li> <li>measures for satisfying legacy collective bargaining agreements and capital indebtedness of school districts.</li> </ul> </li> </ul>	
School Construction	Sec. 77a, 78; Supplemental district spending vote
<b>July 1, 2029</b>	
<b>Contingent on:</b>	
<ul style="list-style-type: none"> <li>The General Assembly has received the foundation formula report required by Section 45a of Act 73 and the facilitator report on the results of the merger committee process; and</li> <li>the General Assembly has enacted legislation that expresses clear legislative intent that addresses:                             <ul style="list-style-type: none"> <li>each of the following components of the Section 45a report:</li> <li>CTE, special education funding, sparsity measures, empirically supported secondary student weighting, and geographic cost differences;</li> <li>the implementation of a PreK funding mechanism; and</li> <li>measures for satisfying legacy collective bargaining agreements and capital indebtedness of school districts.</li> </ul> </li> </ul>	
Grants	Sec. 29; Small and sparse school grants
Property Classification	Sec. 58, 59, 64; Establishing property classes, Dwelling use attestation errors, Homestead definition
Education Payment	Sec. 76; Defining education payment
School Construction	Sec. 74, 77; Legacy debt aid, Supplemental district spending
Foundation Formula Transitions	Sec. 80-82; Aligning transitions with timeline
<b>December 15, 2029</b>	
<b>Contingent On:</b>	
<ul style="list-style-type: none"> <li>The General Assembly has received the facilitator report on the results of the merger committee process.</li> </ul>	
Regional Assessment Districts	Sec. 54; Regional assessment district boundaries
<b>January 1, 2031</b>	
Regional Assessment Districts	Sec. 30-33, 34(b), 37-52; Creation of 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.