

No. 170. An act relating to next steps in transforming Vermont's education system.

(H.955)

It is hereby enacted by the General Assembly of the State of Vermont:

* * * Legislative Intent * * *

Sec. 1. FINDINGS; LEGISLATIVE INTENT

(a) Findings. The General Assembly finds that:

(1) Implementation of school district consolidation under 2015 Acts and Resolves No. 46 (Act 46) resulted in the creation of larger supervisory unions, supervisory districts, and unified union school districts, which have achieved measurable administrative efficiencies, including reductions in per-pupil central office costs and the elimination of duplicative governance structures, while maintaining or improving student opportunities in many regions.

(2) Regional high schools serving broader geographic areas provide expanded and more equitable access to academic programming, career and technical education, co-curricular opportunities, and specialized staff, which are often not sustainable at smaller scales.

(3) Research demonstrates that closing small elementary schools often yields limited or inconsistent cost savings once transportation, capital adjustments, and community impacts are considered, and may negatively affect student outcomes and family engagement, particularly in rural areas.

(4) In rural states, school district design must account not only for enrollment but also for geographic size, as districts are often measured in

square miles. Larger geographic areas can present barriers to equitable access to educational opportunity, requiring careful balancing of efficiency, transportation time, community connection, and student access to high-quality programming.

(5) Approximately 40 percent of Vermont high school graduates enroll in a two- or four-year degree program. This outcome does not reflect a lack of academic engagement but rather underscores the importance of ensuring that all students graduate with a clear and supported pathway, including high-quality career and technical education, workforce entry, or further education aligned with individual goals and regional economic needs.

(b) Legislative intent.

(1) To ensure each student is provided substantially equal opportunities for an excellent education that will prepare the student to thrive in a 21st-century world, it is the intent of the General Assembly to work strategically, intentionally, and thoughtfully to ensure that each incremental change made to Vermont's public education system provides strength and support to its only constitutionally required governmental service.

(2) The General Assembly recognizes that Vermont's schools anchor local economies and community identity, connecting young persons to their homes while supporting workforce development and long-term stability, and that different regions of Vermont have different needs, challenges, and opportunities. Further, it is the intent of the General Assembly to ensure that

local voice and community input retain an important role in Vermont's evolving education landscape.

(3) It is the intent of the General Assembly to create a statewide education system that encourages and supports local elementary schools, central middle schools, and comprehensive, regional high schools that provide each student with universal access to career technical education.

(4) It is the policy of the State to provide substantially equal educational opportunities for all children in Vermont by authorizing two or more school districts, including an existing union school district, to form a union school district for the purpose of providing for the education of its resident students. It is therefore the intent of the General Assembly that the formation of union school districts shall be designed to encourage and support local decisions and actions that provide substantial equity of educational opportunities statewide, lead students to achieve or exceed the State's Education Quality Standards, maximize operational efficiencies, promote transparency and accountability, and be delivered at a cost that parents, voters, and taxpayers value.

(5) It is further the intent of the General Assembly in the upcoming legislative sessions to leverage the insights of the foundation formula report submitted pursuant to 2025 Acts and Resolves No. 73, Sec. 45a; the prekindergarten education funding reports submitted pursuant to Sec. 21 of this act; and the school transportation report submitted pursuant to Sec. 27b of this

act to update the foundation formula enacted in 2025 Acts and Resolves No. 73 to account for the funding of all components of Vermont's education system.

* * * Cooperative Educational Service Areas * * *

Sec. 2. 16 V.S.A. chapter 10 is amended to read:

CHAPTER 10. ~~BOARDS OF COOPERATIVE EDUCATION SERVICES~~
EDUCATIONAL SERVICE AREAS

§ 601. POLICY

It is the policy of the State to ~~allow and encourage supervisory unions to create boards of cooperative education services~~ educational service areas to provide shared programs and services on a regional and statewide level. ~~Formation of a board of cooperative education services shall be designed to build upon the geographically focused cooperative regions used by Vermont superintendents as of July 1, 2024;~~ It is the intent of the General Assembly that cooperative educational service areas are utilized by member supervisory unions to maximize the impact of available dollars through collaborative funding; reduce duplication of programs, personnel, and services; ensure every middle and high school student has a genuine opportunity to participate fully in and to benefit from career technical education; and contribute to equalizing the equalization of educational opportunities for all pupils.

§ 602. DEFINITIONS

As used in this chapter:

- (1) "Educator" means any:

(A) individual licensed under chapter 51 of this title, the majority of whose employed time in a public school district, supervisory union, or ~~board of cooperative education services~~ educational service area is assigned to furnish to students direct instructional or other educational services, as defined by rule of the Standards Board, or who is otherwise subject to licensing as determined by the Standards Board; or

* * *

(2) “Supervisory union” means an administrative, planning, and educational service unit created by the State Board under section 261 of this title that consists of two or more school districts. ~~This~~ As used in this chapter, this term also means a supervisory district and a regional career technical center school district formed pursuant to the provisions of chapter 37, subchapter 5A of this title.

(3) “Cooperative educational service area” or “CESA” means an association of supervisory unions created pursuant to this chapter to deliver shared programs and services to complement the educational programs of member supervisory unions in a cost-effective manner. A CESA shall be a body politic and corporate with the powers and duties afforded it under this chapter.

§ 603. CREATION OF ~~BOARD OF COOPERATIVE EDUCATION~~

~~SERVICES~~ EDUCATIONAL SERVICE AREAS;

ORGANIZATION; SECRETARY APPROVAL

(a) Establishment of ~~boards of cooperative education services~~ educational service areas. ~~When the boards of two or more supervisory unions vote to explore the advisability of entering into a written agreement to provide shared programs and services, the interested boards shall meet and discuss the terms of any such agreement. At this meeting or a subsequent meeting, the participating boards may enter into a proposed agreement to form an association of supervisory unions to deliver shared programs and services to complement the educational programs of member supervisory unions in a cost-effective manner. An association formed pursuant to this chapter shall be known as a board of cooperative education services (BOCES) and shall be a body politic and corporate with the powers and duties afforded them under this chapter.~~ Supervisory unions are arranged into the following cooperative educational service areas:

(1) The Champlain Valley North CESA is formed of the member supervisory unions of:

(A) Franklin Northeast Supervisory Union, which is composed of the member school districts of the Enosburgh-Richford Unified Union School District and the Northern Mountain Valley Unified Union School District;

(B) Franklin West Supervisory Union, which is composed of the member school districts of the Fairfax School District, the Fletcher School District, and the Georgia School District;

(C) Grand Isle Supervisory Union, which is composed of the member school districts of the Alburgh School District, the Champlain Islands Unified Union School District, and the South Hero School District;

(D) Maple Run Unified Union Supervisory District;

(E) Milton Supervisory District; and

(F) Missisquoi Valley Supervisory District.

(2) The Chittenden Central CESA is formed of the member supervisory unions of:

(A) Burlington Supervisory District;

(B) Colchester Supervisory District;

(C) Essex Westford Educational Community Unified Union Supervisory District;

(D) South Burlington Supervisory District; and

(E) Winooski Supervisory District.

(3) The Champlain Valley South CESA is formed of the member supervisory unions of:

(A) Addison Central Supervisory District;

(B) Addison Northwest Supervisory District;

(C) Champlain Valley Supervisory District;

(D) Lincoln Supervisory District;

(E) Mount Abraham Unified Supervisory District;

(F) Mount Mansfield Unified Union Supervisory District; and

(G) Patricia A. Hannaford Regional Technical School District.

(4) The Southwest CESA is formed of the member supervisory unions of:

(A) Bennington Rutland Supervisory Union, which is composed of the member school districts of the Mettawee School District, the Taconic and Green Regional School District, and the Winhall School District;

(B) Greater Rutland County Supervisory Union, which is composed of the member school districts of the Ira School District, the Quarry Valley Unified Union School District, the Rutland Town School District, and the Wells Spring Unified Union School District;

(C) Mill River Unified Union Supervisory District;

(D) Rutland City Supervisory District;

(E) Rutland Northeast Supervisory Union, which is composed of the member school districts of the Barstow Unified Union School District and the Otter Valley Unified Union School District;

(F) Slate Valley Unified Union Supervisory District;

(G) Southwest Regional Technical Center; and

(H) Southwest Vermont Supervisory Union, which is composed of the member school districts of the Arlington School District, the Mount Anthony Union High School District #14, the North Bennington Graded School District, the Sandgate School District, and the Southwest Vermont Union Elementary School District.

(5) The Vermont Learning Collaborative is formed of the member supervisory unions of:

(A) Mountain Views Supervisory Union, which is composed of the member school districts of the Pittsfield School District and the Mountain Views School District;

(B) Springfield Supervisory District;

(C) Two Rivers Supervisory Union, which is composed of the member school districts of the Green Mountain Unified School District and the Ludlow-Mount Holly Unified Union School District;

(D) Windham Central Supervisory Union, which is composed of the member school districts of the Marlboro School District, the River Valleys Unified School District, the Stratton School District, the West River Modified Union Education District, and the Windham School District;

(E) Windham Northeast Supervisory Union, which is composed of the member school districts of the Bellows Falls Union High School District, the Rockingham School District, the Athens Grafton School District, and the Westminster School District;

(F) Windham Southeast Supervisory Union, which is composed of the member school districts of the Vernon Town School District and the Windham Southeast School District;

(G) Windham Southwest Supervisory Union, which is composed of the member school districts of the Halifax School District, the Readsboro

School District, the Searsburg School District, the Somerset School District, the Stamford School District, and the Twin Valley Unified School District; and

(H) Windsor Southeast Supervisory Union, which is composed of the member school districts of the Hartland School District, the Mount Ascutney School District, and the Weathersfield School District.

(6) The Northeast CESA is formed of the member supervisory unions of:

(A) Caledonia Central Supervisory Union, which is composed of the member school districts of the Cabot School District, the Caledonia Cooperative School District, the Danville School District, the Peacham School District, and the Twinfield Union School District;

(B) Essex North Supervisory Union, which is composed of the member school districts of the Canaan School District, the Essex North Supervisory Union, and the NEK Choice School District;

(C) Hartford Supervisory District;

(D) Kingdom East Supervisory District;

(E) North Country Supervisory Union, which is composed of the member school districts of the Brighton School District, the Charleston School District, the Coventry School District, the Derby School District, the Holland School District, the Jay School District, the Lowell School District, the Morgan School District, the Newport City School District, the Newport Town School District, the North Country Union High School District, the North

Country Union Junior High School Board, the Troy School District, and the Westfield School District;

(F) Orange East Supervisory Union, which is composed of the member school districts of the Blue Mountain Union School District, the Oxbow Unified Union School District, the Thetford Town School District, and the Waits River Valley Union School District #36;

(G) Orleans Central Supervisory Union, which is formed of the member school districts of the Lake Region Union Elementary-Middle School District and the Lake Region Union High School District;

(H) Rivendell Interstate Supervisory District;

(I) SAU 70; and

(J) St. Johnsbury Supervisory District.

(7) The Winooski Valley CESA is formed of the member supervisory unions of:

(A) Barre Unified Union Supervisory District;

(B) Central Vermont Career Center;

(C) Central Vermont Supervisory Union, which is composed of the member school districts of the Echo Valley Community School District and the Paine Mountain School District;

(D) Harwood Unified Union Supervisory District;

(E) Lamoille North Supervisory Union, which is composed of the member school districts of the Cambridge School District and the Lamoille North Modified Unified Union School District;

(F) Lamoille South Supervisory Union, which is composed of the Member School Districts of the Elmore-Morristown Unified Union School District and the Stowe School District;

(G) Montpelier Roxbury Supervisory District;

(H) Orange Southwest Unified Union Supervisory District;

(I) Orleans Southwest Supervisory Union, which is composed of the member school districts of the Craftsbury School District, the Hazen Union School District, the Mountain View Union Elementary School District, the Stannard Town School District, and the Wolcott School District;

(J) Washington Central Unified Union Supervisory District; and

(K) White River Valley Supervisory Union, which is composed of the member school districts of the First Branch Unified School District, the Granville-Hancock Unified District, the Rochester-Stockbridge Unified District, the Sharon School District, the Strafford School District, and the White River Unified District.

~~(b) Articles of agreement Bylaws. Agreements to form a BOCES pursuant to this chapter shall take the form of articles of agreement and shall serve as the operating agreement for a BOCES. Agreements shall include a cost-benefit analysis outlining the projected financial savings or enhanced~~

~~outcomes, or both, that the parties expect to realize through shared services or programs. No agreement or subsequent amendments shall take effect unless approved by the member supervisory union boards and the Secretary of Education. The Secretary shall approve articles of agreement if the Secretary finds that the formation of the proposed BOCES is in the best interests of the State, the students, and the member supervisory unions and aligns with the policy set forth in section 601 of this title, subject to the limitations of subsection (d) of this section.~~ Each CESA shall establish bylaws to serve as the operating agreement of the CESA. At a minimum, the ~~articles of agreement~~ bylaws shall state:

- (1) the names of the participating supervisory unions;
- (2) the mission, purpose, and focus of the ~~BOCES~~ CESA;
- (3) the programs or services to be offered by the ~~BOCES~~ CESA;
- (4) the financial terms and conditions of membership of the ~~BOCES~~ CESA, including any applicable membership fee, which shall be allocated according to the aggregate average daily membership of each member supervisory union;
- (5) the service fees for member supervisory unions and the service fees for nonmember supervisory unions, as applicable, which shall be based on the amount of services actually provided to each supervisory union, as applicable;
- (6) the detailed procedure for the preparation and adoption of an annual budget with carryforward provisions;

(7) ~~the method of termination of the BOCES and the withdrawal of member supervisory unions, which shall include the apportionment of assets and liabilities;~~ [Repealed.]

(8) the procedure for ~~admitting new members and for~~ amending the ~~articles of agreement~~ bylaws;

(9) the powers and duties of the board of directors of the ~~BOCES~~ CESA to operate and manage the association, including:

(A) board meeting attendance requirements;

(B) consequences for failure to attend a board meeting;

(C) a conflict-of-interest policy; and

(D) a policy regarding board member salaries or stipends; and

(10) any other matter not incompatible with law that the member supervisory unions consider necessary ~~to the formation of the BOCES.~~

(c) Board of directors. A ~~BOCES~~ CESA shall be managed by a board of directors, which shall be composed of one person appointed annually by each member supervisory union board. Appointed persons shall be members of a member supervisory union board or the superintendent or designee of the member supervisory union. Each member of the ~~BOCES~~ CESA board of directors shall be entitled to a vote. No member of the board of directors of a ~~BOCES~~ CESA shall serve as a member of a board of directors or as an officer or employee of any related for-profit or nonprofit organization. The board of directors shall elect a chair from its members and provide for such other

officers as it may determine are necessary. The board of directors may also establish subcommittees and create board policies and procedures as it may determine are necessary. The board of directors shall meet not fewer than four times annually. Each member of the board of directors shall provide updates on the activities of the ~~BOCES~~ CESA on a quarterly basis to the member's appointing supervisory union board at an open board meeting.

~~(d) Number of BOCESs. There shall be not more than seven BOCESs statewide. Supervisory unions shall not be a member of more than one BOCES but may seek services as a nonmember from other BOCESs.~~

[Repealed.]

§ 604. POWERS OF ~~BOARDS OF~~ COOPERATIVE EDUCATION
SERVICES EDUCATIONAL SERVICE AREAS

(a) In addition to any other powers granted by law, a ~~BOCES~~ CESA shall have the power to provide educational programs, services, facilities, and professional and other staff that, in its discretion, best serve the needs of its members, including professional development, curriculum coordination and development, and transportation. A ~~BOCES~~ CESA shall follow all applicable State and federal laws in its provision of services, including Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794, and the Individuals with Disabilities Education Act, 20 U.S.C. §§ 1400–1482. At a minimum, a CESA shall offer services in the following areas to its members, when requested and when approved by the CESA board:

(1) special education, including implementation and maintenance of tiered systems of support and the provision of low-incidence, high-cost services;

(2) business, information technology, and administrative services; and

(3) union school district creation consultation and facilitation.

(b) A ~~BOCES~~ may CESA shall employ an executive director who shall serve under the general direction of the board and who shall be responsible for the care and supervision of the ~~BOCES~~ CESA. The board shall annually evaluate the executive director's performance and effectiveness in implementing the programs, policies, and goals of the ~~BOCES~~ CESA. The executive director shall not serve as a board member, officer, or employee of any related for-profit or nonprofit organization.

(c) A ~~BOCES~~ CESA shall be a body politic and corporate and shall have standing to sue and be sued to the same extent as a school district. A ~~BOCES~~ CESA may enter into contracts for the purchase of supplies, materials, and services and for the purchase or leasing of land, buildings, and equipment as considered necessary by the board of directors. Section 559 of this title shall apply to the procurement of services or items with costs that exceed \$40,000.00, as well as high-cost construction contracts, as defined by subsection 559(b) of this title.

(d) The board of directors of a ~~BOCES~~ CESA may apply for State, federal, or private grants, for which a ~~BOCES~~ CESA may be otherwise eligible, to

obtain funds necessary to carry out the purpose for which the ~~BOCES~~ CESA is established. Nothing in this chapter is intended to create an entitlement to federal funds distributed by the Agency of Education to local education agencies.

§ 605. FINANCING, BUDGETING, AND ACCOUNTING

(a) Education cooperative fund. A ~~BOCES~~ CESA shall establish and manage a fund to be known as an education cooperative fund. All monies contributed by the member school districts and all grants or gifts from the federal government, State government, charitable foundations, private corporations, or any other source shall be deposited into the fund.

(b) Treasurer.

(1) A ~~BOCES~~ CESA shall appoint a treasurer who may be a treasurer of a member school district and who shall be sworn in before entering the duties of the office.

(2) The treasurer may, subject to the direction of the board of directors, receive and disburse all money belonging to the board without further appropriation.

(3) The treasurer shall keep financial records of cash receipts and disbursements and shall make those records available to the board of directors upon request.

(4) The board of directors shall ensure that its blanket bond covers a newly appointed treasurer before the treasurer enters upon the duties of the

office. In lieu of a blanket bond, a ~~BOCES~~ CESA may choose to provide suitable crime insurance coverage. The board of directors may pay reasonable compensation to the treasurer for services rendered and shall evaluate the treasurer's performance annually.

(c) Financial accounting system. A ~~BOCES~~ CESA shall use the uniform chart of accounts and financial reporting requirements used by supervisory unions as its financial accounting system.

(d) Audit. Annually, a ~~BOCES~~ CESA shall cause an independent audit to be made of its financial statements consistent with generally accepted governmental auditing standards and shall discuss and vote to accept the audit report at an open meeting of the board. The board shall transmit a copy of each audit to the boards of its member supervisory unions.

(e) Annual statement. Annually, a ~~BOCES~~ CESA shall prepare financial statements, including:

- (1) a statement of net assets; and
- (2) a statement of revenues, expenditures, and changes in net assets.

(f) Budget. A The board of cooperative education services ~~a CESA~~ shall adopt a budget prior to the beginning of the fiscal year for which the budget is adopted.

(g) Loans. A ~~BOCES~~ CESA may, upon approval of its members, negotiate or contract with any person, corporation, association, or company for a loan not to exceed the difference between the anticipated revenues for the current

fiscal year for the budget of the ~~BOCES~~ CESA and the amount credited to date to said budget in order to pay current obligations. Such loan shall be liquidated within six months thereafter from monies subsequently credited to said budget. The total principal, interest, and fees to be paid on such loan shall not exceed the total amount of the authorized budget for the same length of time.

§ 606. ANNUAL REPORT; PUBLIC INFORMATION

(a) The board of a ~~BOCES~~ CESA shall prepare an annual report concerning the affairs of the ~~BOCES~~ CESA and have it printed and distributed to the boards of the member supervisory unions. The annual report shall include, at a minimum:

(1) information on the programs and services offered by the ~~BOCES~~ CESA, including information on the cost-effectiveness of such programs and services and progress made towards achieving the objectives and purposes set forth in the articles of agreement; and

(2) audited financial statements and the independent auditor's report.

(b) A ~~BOCES~~ CESA shall maintain an internet website that makes the following information available to the public at no cost:

(1) a list of the members of the board of directors of the ~~BOCES~~ CESA;

(2) copies of approved minutes of open meetings held by the board of the ~~BOCES~~ CESA;

(3) a copy of the articles of agreement and any subsequent amendments;

and

(4) a copy of the annual report required under subsection (a) of this section.

§ 607. EMPLOYMENT

(a) A ~~BOCES~~ CESA shall be considered to be a public employer and may employ personnel, including educators, to carry out the purposes and functions of the board. Annually, the board of a ~~BOCES~~ CESA shall conduct an area survey of the salaries of the educators and staff employed by the ~~BOCES's~~ CESA's member supervisory unions and school districts.

(b) No person shall be eligible for employment by a ~~BOCES~~ CESA as an educator unless the person is appropriately licensed by the Standards Board for Professional Educators pursuant to chapter 51 of this title.

(c) A person employed by a ~~BOCES~~ CESA as an educator shall be a participant in the Vermont State Teachers' Retirement System pursuant to chapter 55 of this title.

(d) A person who is employed by a ~~BOCES~~ CESA and who is not an educator shall be a participant in the Vermont Municipal Employees' Retirement System pursuant to 24 V.S.A. chapter 125.

(e) Educators employed by a ~~BOCES~~ CESA shall be entitled to organize pursuant to chapter 57 of this title.

(f) Employees employed by a ~~BOCES~~ CESA and who are not educators shall be entitled to organize pursuant to 21 V.S.A. chapter 22.

(g) Educators and employees who are employed by a ~~BOCES~~ CESA shall be provided health care benefits pursuant to chapter 61 of this title.

§ 608. CESA MEMBERSHIP ADJUSTMENT PROPOSALS

(a) The board of a member supervisory union may propose to the General Assembly to adjust the membership of the CESA it belongs to in accordance with the following procedure:

(1) The board of a supervisory union may vote to propose withdrawal from its current CESA in order to become a member of a different CESA.

(2) If a majority of the supervisory union board members vote in favor of withdrawing from one CESA in order to join a different CESA, the supervisory union board shall transmit the results of the membership adjustment proposal vote to the boards of both applicable CESAs.

(3) The board of a supervisory union's current CESA and the board of the CESA the supervisory union has voted to join shall hold separate advisory votes to approve the membership adjustment proposal within 45 days after the results of the supervisory union board vote held pursuant to subdivision (2) of this subsection.

(4) The supervisory union board requesting the membership adjustment shall submit the results of the advisory CESA board votes to the Secretary of Education with the following information:

(A) the minutes recorded by the supervisory union board that detail the origins and intent of the CESA membership adjustment proposal;

(B) copies of the warnings and published notices for any public hearings held to discuss the membership adjustment proposal;

(C) the minutes recorded by the supervisory union board that detail any public hearings held to discuss the membership adjustment proposal, including minutes from the meeting at which the board voted in favor of the CESA membership adjustment proposal; and

(D) the results of the advisory CESA board votes made pursuant to subdivision (3) of this subsection (a).

(b) The Secretary of Education shall deliver copies of the information required pursuant to subsection (a) of this section to the Clerk of the House, the Secretary of the Senate, and the chairs of the committees concerned with CESA membership of both houses of the General Assembly.

(c) The membership adjustment proposal shall become effective upon affirmative enactment of the proposal, either as proposed or as amended by the General Assembly.

Sec. 2a. 16 V.S.A. § 604(a) is amended to read:

(a) In addition to any other powers granted by law, a CESA shall have the power to provide educational programs, services, facilities, and professional and other staff that, in its discretion, best serve the needs of its members, ~~including professional development, curriculum coordination and development, and transportation.~~ A CESA shall follow all applicable State and federal laws in its provision of services, including Section 504 of the

Rehabilitation Act of 1973, 29 U.S.C. § 794, and the Individuals with Disabilities Education Act, 20 U.S.C. §§ 1400–1482. At a minimum, a CESA shall offer services in the following areas to its members, when requested and when approved by the CESA board:

(1) special education, including implementation and maintenance of tiered systems of support and the provision of low-incidence, high-cost services;

(2) business, information technology, and administrative services; ~~and~~

(3) union school district creation consultation and facilitation;

(4) professional development;

(5) curriculum coordination and development;

(6) transportation; and

(7) facilities master planning.

Sec. 2b. VERMONT LEARNING COLLABORATIVE AND RIVER

VALLEY TECHNICAL CENTER MEMBERSHIP

On or before December 15, 2027, the River Valley Technical Center School District and Vermont Learning Collaborative shall propose a membership adjustment pursuant to 16 V.S.A. § 608 to the General Assembly to formally include the River Valley Technical Center as a member of the Vermont Learning Collaborative. Prior to any such membership adjustment being enacted, the Vermont Learning Collaborative shall offer services to the River Valley Technical Center as requested.

Sec. 3. REPEAL

2024 Acts and Resolves No. 168, Sec. 3 (transition; report) is repealed.

Sec. 4. 2024 Acts and Resolves No. 168, Sec. 4, as amended by 2025 Acts and Resolves No. 72, Sec. 7, is further amended to read:

Sec. 4. ~~BOCES~~ CESA GRANT PROGRAM; APPROPRIATION

(a) There is established the ~~Boards of Cooperative Education Services~~ Educational Service Area Start-up Grant Program, to be administered by the Agency of Education, from funds appropriated for this purpose, to award grants to ~~enable the formation of boards of cooperative education services~~ (BOCES) formed pursuant to 16 V.S.A. chapter 10 after July 1, 2024 the CESAs created in 16 V.S.A. § 603(a) to assist with start-up costs. ~~Supervisory unions~~ CESAs shall be eligible for a single ~~\$10,000.00~~ \$15,000.00 grant after ~~two or more boards vote to explore the advisability of forming a board of cooperative education services pursuant to 16 V.S.A. § 603(a).~~ Grants may be used for start-up and formation costs, including the development of ~~proposed articles of agreement~~ bylaws. ~~Grants shall be awarded to only one supervisory union within each group of supervisory unions exploring the formation of a BOCES.~~

(b) Notwithstanding any provision of 16 V.S.A. § 4025 to the contrary, the sum of \$70,000.00 is appropriated from the Education Fund to the Agency of Education in fiscal year 2025 to fund the ~~Boards of Cooperative Education Services~~ Educational Service Area Start-up Grant Program created in

subsection (a) of this section. Unexpended appropriations shall carry forward into the subsequent fiscal year and remain available for use for this purpose.

(c) Of the funds appropriated to the Agency of Education in 2025 Acts and Resolves No. 73, Sec. 32(a)(1), as amended by Sec. C.103 of legislation enacting the budget in fiscal year 2027, \$30,000.00 shall be used to provide additional funding to the Cooperative Educational Service Area Start-up Grant Program created in subsection (a) of this section.

Sec. 5. 16 V.S.A. § 261a is amended to read:

§ 261a. DUTIES OF SUPERVISORY UNION BOARD

* * *

(b) Virtual merger. In order to maximize the impact of available funding and resources, and to reduce duplication of educational programs, personnel, and services, whenever legally permissible, supervisory unions are encouraged to reach agreements with other supervisory unions jointly to provide any service or perform any duty under this section pursuant to section 267 of this title, or to form ~~boards of cooperative education services~~ educational service areas pursuant to chapter 10 of this title. Agreements between supervisory unions are not subject to the waiver requirement of subdivision (a)(8) of this section. Agreements shall include a cost-benefit analysis outlining the projected financial savings or enhanced outcomes, or both, that the parties expect to realize through shared services or programs.

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Sec. 6. 16 V.S.A. § 1691a is amended to read:

§ 1691a. DEFINITIONS

As used in this chapter:

(1) “Administrator” means an individual licensed under this chapter the majority of whose employed time in a public school, school district, supervisory union, or ~~board of cooperative education services~~ educational service area is assigned to developing and managing school curriculum, evaluating and disciplining personnel, or supervising and managing a public school system or public school program.

* * *

(10) “Teacher” means an individual licensed under this chapter the majority of whose employed time in a public school district, supervisory union, or ~~board of cooperative education services~~ educational service area is assigned to furnish to students direct instructional or other educational services, as defined by rule of the Standards Board, or who is otherwise subject to licensing as determined by the Standards Board.

Sec. 7. 16 V.S.A. § 1931(20) is amended to read:

(20) “Teacher” means any licensed teacher, principal, supervisor, superintendent, or any professional licensed by the Vermont Standards Board for Professional Educators who is regularly employed, or otherwise contracted if following retirement, for the full normal working time for the teacher’s position in a public day school or school district within the State, or in any

school or teacher-training institution located within the State, controlled by the State Board of Education, and supported wholly by the State; or in certain public independent schools designated for such purposes by the Board in accordance with section 1935 of this title; or who is regularly employed by a ~~board of cooperative education services~~ educational service area created in accordance with chapter 10 of this title. In all cases of doubt, the Board shall determine whether any person is a teacher as defined in this chapter. It does not mean a person who is teaching with an emergency license.

Sec. 8. 24 V.S.A. § 5051(10) is amended to read:

(10) “Employee” means the following persons employed on a regular basis by a school district, by a supervisory union, or by a ~~board of cooperative education services~~ educational service area for not fewer than 1,040 hours in a year and for not fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for not fewer than 1,040 hours in a year and for not fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union or a ~~board of cooperative education services~~ educational service area in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an “employee” if these criteria are met by the combined hours worked for the supervisory union and school

district. The term also means persons employed on a regular basis by a municipality other than a school district for not fewer than 1,040 hours in a year and for not fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding:

* * *

Sec. 9. 16 V.S.A. § 1981 is amended to read:

§ 1981. DEFINITIONS

As used in this chapter unless the context requires otherwise:

* * *

(8) “School board negotiations council” means, for a supervisory district, its school board, and, for school districts within a supervisory union or ~~board of a cooperative education services~~ educational service area, the body comprising representatives designated by each school board within the supervisory union or ~~board of cooperative education services~~ supervisory union board within each cooperative educational service area and by the supervisory union board or board of ~~a cooperative education services~~ educational service area to engage in professional negotiations with a teachers’ or administrators’ organization.

(9) “Teachers’ organization negotiations council” or “administrators’ organization negotiations council” means the body comprising representatives designated by each teachers’ organization or administrators’ organization

within a supervisory district, supervisory union, or ~~board of cooperative education services~~ educational service area to act as its representative for professional negotiations.

Sec. 10. 21 V.S.A. § 1722 is amended to read:

§ 1722. DEFINITIONS

As used in this chapter:

* * *

(18) “School board negotiations council” means, for a supervisory district, its school board, and, for school districts within a supervisory union or ~~board of a cooperative education services~~ educational service area, the body comprising representatives designated by each school board within the supervisory union or ~~board of cooperative education services~~ supervisory union board within a cooperative educational service area and by the supervisory union board or ~~board of cooperative education services~~ educational service area to engage in collective bargaining with their school employees’ negotiations council.

(19) “School employees’ negotiations council” means the body comprising representatives designated by each exclusive bargaining agent within a supervisory district, supervisory union, or ~~board of cooperative education services~~ educational service area to engage in collective bargaining with its school board negotiations council.

* * *

(21) “Municipal school employee” means an employee of a supervisory union, school district, or ~~board of cooperative education services~~ educational service area who is not otherwise subject to 16 V.S.A. chapter 57 (labor relations for teachers and administrators) and who is not otherwise excluded pursuant to subdivision (12) of this section.

* * *

Sec. 11. 16 V.S.A. § 2101 is amended to read:

§ 2101. DEFINITIONS

As used in this chapter:

* * *

(3) “School employer” means a supervisory union or school district as those terms are defined in section 11 of this title, or a ~~board of cooperative education services~~ educational service area formed pursuant to chapter 10 of this title.

Sec. 12. CESA TRANSITION

(a) Within 30 days following the passage of this act, each member supervisory union board of each CESA created under 16 V.S.A. § 603(a) shall appoint a person to serve on the board of directors of the applicable CESA pursuant to 16 V.S.A. § 603(c).

(b) Within 45 days following the passage of this act, the superintendent of the supervisory union with the highest aggregate average daily membership of each CESA created under 16 V.S.A. § 603(a) shall call a meeting of the

directors of the CESA at which each CESA board shall elect a chair and other necessary officers.

(c) The articles of agreement of the Vermont Learning Collaborative (VTLC) in effect on June 30, 2026, shall serve as the operating agreement of the VTLC unless and until amended.

* * * Union School District Exploration and Formation * * *

Sec. 13. UNION SCHOOL DISTRICT CREATION CONSULTATION AND FACILITATION; MERGER COMMITTEES

(a) Facilitator. On or before September 1, 2026, the Vermont Learning Collaborative (VTLC), a CESA formed pursuant to 16 V.S.A. chapter 10, shall employ or contract for the services of seven union school district formation facilitators (facilitators) who shall be responsible for organizing and facilitating merger committees to study the advisability of forming a unified union school district. The VTLC shall also hire one lead facilitator who, in addition to facilitating merger committees as necessary, shall oversee the work of the seven facilitators. A facilitator shall have knowledge of and experience working in Vermont's public education system. The VTLC shall assign one facilitator to each CESA membership region created pursuant to 16 V.S.A. § 603(a)(1)–(7). Facilitators shall assist merger committees with strength-based asset mapping and with developing and executing a public outreach plan that maximizes public engagement for the merger committee process.

(b) Merger committees.

(1) On or before September 15, 2026, each school district shall identify at least one current member of the board to participate in its assigned merger committee, subject to the participation requirements contained in 16 V.S.A. §§ 706 and 707. A merger committee member shall be a current member of a school board participating in that particular merger committee. If the school board member assigned to a merger committee is no longer a member of the member's appointing school board for any reason, the school board shall appoint a new member to the merger committee.

(2) On or before October 15, 2026:

(A) Each facilitator shall group school districts within the facilitator's assigned CESA region's member supervisory unions together to form merger committees to study the advisability of forming a unified union school district. The facilitator shall consult with school district boards prior to finalizing merger committee membership. Using the suggested school district groupings contained in Sec. 14 of this act as guidance, and taking into consideration grand list values, accounting for the homestead exemption and current education spending, the facilitator shall group school districts together according to the following criteria:

(i) the total average daily membership of school districts forming a merger committee shall be a minimum of 2,000 students, as practical;

(ii) school districts shall be contiguous; and

(iii) school districts on the same merger committee may be members of different supervisory unions.

(B) Each merger committee shall hold its first meeting.

(3) Notwithstanding any provision of law to the contrary, a school district shall participate in good faith in the merger committee it is assigned to by the facilitator.

(4) A merger committee formed pursuant to this section shall adhere to the processes and requirements of 16 V.S.A. chapter 11, subchapter 2, as amended by this section.

(A)(i) If a merger committee identifies a school district as necessary that is not a member of the merger committee or that is not a member of the CESA, or both, the merger committee shall work with the applicable facilitator or facilitators to adjust merger committee membership as necessary.

(ii) A school district may join a different merger committee than the one it was assigned to by a facilitator if a majority of the school board members vote to leave the assigned merger committee and join a new merger committee.

(B) Notwithstanding 16 V.S.A. § 706(b) as it applies to study committee budgets and 16 V.S.A. § 707(a) and (b), a merger committee formed pursuant to this section shall be funded through appropriations made by the General Assembly for this purpose; provided, however, that if a merger committee's needs exceed the appropriations provided, it may elect to increase

its budget according to the processes and procedures established in 16 V.S.A. chapter 11.

(C) In addition to the requirements of 16 V.S.A. chapter 11, subchapter 2, a merger committee shall also explore the advisability and feasibility of a contemplated new unified union school district providing for the education of its resident students through local elementary schools, central middle schools, and comprehensive, regional high schools that provide each student with universal access to career technical education.

(D) A merger committee formed pursuant to this section shall prepare a report with its final recommendations as to whether it is advisable or inadvisable to form a new unified union school district. In addition to the report requirements in 16 V.S.A. § 708(c), the final report of each merger committee formed pursuant to this section shall include the following:

(i) the names of the school districts participating in the merger committee;

(ii) an analysis of the strengths and challenges of the current structures of all “necessary” and “advisable” school districts;

(iii) the merger committee’s final recommendation as to whether it is advisable or inadvisable to propose the formation of a new unified union school district;

(iv) an analysis of how the final recommendation will enable the merger committee member school districts to, under the foundation formula,

maximize operational efficiencies, promote transparency and accountability, and encourage and support local decisions and actions that provide equal opportunities for an excellent education, all at a cost that parents, voters, and taxpayers value; and

(v) if the decision of the merger committee was not unanimous, an analysis of the minority view of the committee, including an analysis of how any school district participating in the merger committee but not recommended to be part of the new unified union school district will, under the foundation formula:

(I) provide excellent educational opportunities that allow students to achieve or exceed the State's Education Quality Standards;

(II) maximize operational efficiencies that allow the district to meet or exceed the State's District Quality Standards;

(III) provide resident students with a genuine opportunity to participate fully and to benefit from career technical education; and

(IV) provide special education services.

(E) Members of a merger committee that determines it is inadvisable to propose the formation of a new unified union school district may form a study committee or committees and may pursue any union school district formation option available under 16 V.S.A. chapter 11 after the merger committee members vote to dissolve the merger committee formed pursuant to this section.

(F)(i) Each merger committee formed pursuant to this section shall consult with area career technical education (CTE) directors and shall document such consultation and any recommendations made by a CTE director in the merger committee’s final report issued pursuant to subdivision (D) of this subdivision (b)(4). The final report shall also include an analysis of how CTE access will be achieved for all students residing within the proposed new unified union school district.

(ii) If a merger committee’s member school districts send their resident students to a regional career technical center school district (regional CTE school district) formed pursuant to 16 V.S.A. chapter 37, subchapter 5A, the final report shall include an analysis of whether the applicable regional CTE school district shall dissolve, and the CTE center operated by the regional CTE school district shall be operated by a new unified union school district formed pursuant to this section. The analysis shall include the position of the regional CTE school district.

(5) On or before September 1, 2027, each merger committee shall complete its final report and transmit it, along with proposed articles of agreement, as applicable, to the school board of each school district that the report identifies as either “necessary” or “advisable” if the merger committee determined it was advisable to form a new unified union school district, or to the school board of each school district participating on the merger committee if the merger committee determined it was inadvisable to form a new unified

union school district. The report shall be transmitted to the Secretary of Education and the State Board of Education at the same time. If a merger committee completes its work before September 1, 2027, the committee may transmit its report to the applicable school boards, the Secretary of Education, and the State Board of Education at any time the report is ready for review, subject to the provisions of subsections (c) and (d) of this section.

(6) Facilitators shall monitor the work of the General Assembly related to education transformation and share the most up-to-date fiscal modeling with the merger committees.

(7) The Agency of Education shall make Agency staff available to assist the facilitators by providing technical assistance to the merger committees, as requested.

(8) Throughout the merger committee process, facilitators and members of merger committees shall work together with their assigned school districts to endeavor to prevent any school district with an average daily membership of fewer than 750 students from becoming isolated by being left out of the formation of a new unified union school district.

(c) Secretary review. The Secretary shall review the report and proposed articles of agreement of any merger committee that determines it is advisable to propose the formation of a new unified union school district and submit a recommendation to the State Board. If the Secretary fails to submit the Secretary's recommendation to the State Board within 30 days following the

receipt of the report and proposed articles of agreement or on or before December 1, 2027, whichever date shall occur first, the State Board shall take action pursuant to 16 V.S.A. § 709(c) regardless of whether the Secretary submits a recommendation regarding the proposed unified union school district.

(d) State Board findings. The State Board shall issue the findings required pursuant to 16 V.S.A. § 709(c)(2) on or before December 15, 2027.

(e) Vote to form a unified union school district. Notwithstanding 16 V.S.A. § 708(b)(2)(B) or any other provision of law to the contrary, if a merger committee formed pursuant to this section determines that it is advisable to propose the formation of a new unified union school district, the voters of each school district that is identified as “necessary” or “advisable” shall vote whether to form the proposed unified union school district, in accordance with 16 V.S.A. § 710, on March 7, 2028.

(f) Merger committee status report. On or before February 1, 2027, the lead facilitator, in consultation with the Agency of Education, shall submit a written report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance and the Agency of Education with information regarding the membership and status of each merger committee formed pursuant to this section.

Sec. 13a. SCHOOL DISTRICT MERGER PROPOSAL; GENERAL

ASSEMBLY APPROVAL

(a) As used in this section, “eligible school district” means a school district that has not successfully merged with a neighboring school district on or before July 1, 2028, pursuant to Sec. 13 of this act.

(b) An eligible school district may propose to the General Assembly to merge the school district with a unified union school district by majority vote of the legal voters of the school district present and voting at any annual or special meeting warned for that purpose in accordance with the following procedure:

(1) The board of an eligible school district may propose a plan to merge (a merger proposal) with a unified union school district created pursuant to Sec. 13 of this act, or a unified union school district already in existence on July 1, 2026, upon either a vote of the board of the eligible school district to propose a merger plan or upon a petition to do so by at least five percent of the voters of the eligible school district. An eligible school district shall only propose a plan to merge with a unified union school district that is contiguous to the eligible school district.

(2) A merger proposal shall include an analysis of the following:

(A) the educational advantages and disadvantages likely to result from both the proposed merger of the eligible school district with the unified union district and the eligible school district remaining a stand-alone school district;

(B) the financial advantages and disadvantages under the foundation formula likely to result from both the proposed merger and the eligible school district remaining a stand-alone school district;

(C) the likely operational and financial viability and sustainability of both the eligible school district remaining a stand-alone school district and the unified union district if the merger plan is approved and the eligible district ceases to exist as a stand-alone school district and becomes part of the unified union school district; and

(D) any other advantages and disadvantages of the merger proposal, including any advantages and disadvantages to the students and taxpayers of the region and the State.

(3) Within 90 days following the board of an eligible school district finalizing a merger proposal, the voters of the eligible school district shall vote on whether to approve the proposed plan of merger. The question shall be determined by Australian ballot and ballots shall be mailed to all active voters, as applicable, not later than 43 days before the election.

(4) Within 45 days after the vote held pursuant to this subsection or 15 days after a vote to reconsider the original vote under 17 V.S.A. § 2661, whichever is later, the clerk of the eligible school district shall certify the results of the vote to the Secretary of State, who shall record the certificate and give notice of the vote to the clerk of the unified union school district that the eligible school district proposes to join and to the Secretary of Education.

(c) The Secretary of Education shall deliver copies of the certified voting results and copies of the following documents to the Clerk of the House, the Secretary of the Senate, and the chairs of the committees concerned with the formation of union school districts of both houses of the General Assembly:

(1)(A) if the merger proposal was initiated by the board of the eligible school district, the minutes recorded by the board that detail the origins of the merger proposal;

(B) if the merger proposal was initiated by voter petition, the body of the petition and evidence of the required number of petition signatures;

(2) the board's analysis required pursuant to this subsection;

(3) copies of the warnings, published notices, and minutes for each of the public hearings held to discuss the merger proposal;

(4) copies of the warnings and published notices for the meeting to vote on the merger proposal; and

(5) a copy of the ballot and the results of the vote on the merger proposal.

(d) The merger proposal shall become effective upon affirmative enactment of the proposal, either as proposed or as amended, by the General Assembly.

Sec. 13b. MORATORIUM ON WITHDRAWAL FROM OR DISSOLUTION
OF UNION SCHOOL DISTRICT

Notwithstanding any provision of law to the contrary, a town or group of towns shall be prohibited from petitioning to withdraw from a union school

district under the provisions of 16 V.S.A. § 724 or 725, as applicable, through fiscal year 2035.

Sec. 13c. SECRETARY OF STATE REPORT; TOWN MEETING DAY
2028 ELECTION RESOURCES

On or before January 15, 2027, the Secretary of State, in consultation with school district clerks, shall submit a written report to the House Committees on Education, on Government Operations and Military Affairs, and on Ways and Means and the Senate Committees on Education, on Government Operations, and on Finance with recommendations for the funding and resources necessary for school district clerks to oversee the elections to form union school districts held pursuant to Sec. 13 of this act on Town Meeting Day 2028, as well as the resources needed to ensure ballots are mailed to all active voters, as applicable. The report shall also identify foreseen challenges and any recommendations for legislative action necessary to support the work of school district clerks.

Sec. 14. GUIDANCE FOR MERGER COMMITTEE GROUPINGS

Facilitators shall use the school district groupings contained in subdivisions (1)–(20) of this section as guidance when forming merger committees pursuant to Sec. 13 of this act. The facilitators shall include advisory representation from the four regional career technical center school districts (CTE school districts) formed pursuant to the provisions of 16 V.S.A. chapter 37, subchapter 5a on any merger committee whose member school districts are served by the CTE school districts. The advisory members appointed from the

CTE school districts shall be nonvoting members of the merger committee.

Facilitators may form merger committees that differ from the guidance contained in this section; provided, however, that a facilitator shall transmit the facilitator's rationale for such choices to the lead facilitator for inclusion in the report required pursuant to Sec. 15 of this act.

(1) Group one: Addison Central School District, Addison Northwest School District, Lincoln School District, and Mount Abraham Unified School District.

(2) Group two: Barstow Unified School District, Ira School District, Mill River Unified Union School District, Otter Valley Unified Union School District, Quarry Valley Unified Union School District, Rutland City School District, Rutland Town School District, and Slate Valley Unified Union School District.

(3) Group three: Mettawee School District, Stratton School District, Taconic and Green Regional School District, Wells Spring Unified Union School District, and Winhall School District.

(4) Group four: Arlington School District, Mount Anthony Union High School District #14, North Bennington Graded School District, Sandgate School District, and Southwest Vermont Union Elementary School District.

(5) Group five: Halifax School District, Readsboro School District, Searsburg School District, Somerset School District, Stamford School District,

Twin Valley Unified School District, Vernon Town School District, and
Windham Southeast School District.

(6) Group six: Athens Grafton School District, Bellows Falls Union
High School District, Marlboro School District, River Valleys Unified School
District, Rockingham School District, West River Modified Union Education
District, Westminster School District, and Windham School District.

(7) Group seven: Green Mountain Unified School District, Ludlow-
Mount Holly Unified Union School District, and Springfield School District.

(8) Group eight: Hartford School District, Hartland School District,
Mount Ascutney School District, Mountain Views School District, Pittsfield
School District, and Weathersfield School District.

(9) Group nine: Echo Valley Community School District, First Branch
Unified School District, Granville-Hancock Unified District, Orange
Southwest Unified Union School District, Rochester-Stockbridge Unified
District, Sharon School District, Stafford School District, and White River
Unified District.

(10) Group 10: Blue Mountain Union School District, Cabot School
District, Caledonia Cooperative School District, Danville School District,
Peacham School District, Oxbow Unified Union School District, Thetford
Town School District, Twinfield Unified School District, and Waits River
Valley Union School District #36.

(11) Group 11: Canaan School District, Essex North Supervisory Union, Kingdom East Unified Union School District, NEK Choice School District, and St. Johnsbury School District.

(12) Group 12: Brighton School District, Charleston School District, Coventry School District, Derby School District, Holland School District, Jay School District, Lake Region Union Elementary-Middle School District, Lake Region Union High School District, Lowell School District, Morgan School District, Newport City School District, Newport Town School District, North Country Union High School District, North Country Union Junior High School Board, Troy School District, and Westfield School District.

(13) Group 13: Mount Mansfield Unified Union School District and Champlain Valley School District.

(14) Group 14: Essex Westford Educational Community Unified Union School District.

(15) Group 15: Cambridge School District, Craftsbury School District, Elmore-Morristown Unified Union School District, Hazen Union School District, Lamoille North Modified Unified Union School District, Mountain View Union Elementary School District, Stannard Town School District, Stowe School District, and Wolcott School District.

(16) Group 16: Enosburgh-Richford Unified Union School District, Northern Mountain Valley Unified Union School District, and Missisquoi Valley School District.

(17) Group 17: Fairfax School District, Fletcher School District, Georgia School District, and Maple Run Unified School District.

(18) Group 18: Burlington School District, South Burlington School District, and Winooski ID.

(19) Group 19: Alburgh School District, Champlain Islands Unified Union School District, Colchester School District, Milton Town School District, and South Hero School District.

(20) Group 20: Barre Unified Union School District, Harwood Unified Union School District, Montpelier Roxbury School District, Paine Mountain School District, and Washington Central Unified Union School District.

Sec. 14a. INTERIM MERGER COMMITTEE REPORTS

(a) On or before January 1, 2028, the lead facilitator employed or contracted by the Vermont Learning Collaborative (VTLC) shall submit a written report to the House and Senate Committees on Education with the final recommendations of each merger committee formed pursuant to Sec. 13 of this act.

(b) On or before January 1, 2028, the Agency of Education, in consultation with the merger committees formed pursuant to this act and the State Board of Education, shall submit a written interim report to the House and Senate Committees on Education with preliminary recommendations for CESA boundary adjustments that take into account the final recommendations of the merger committees formed pursuant to Sec. 13 of this act.

Sec. 15. MERGER COMMITTEE RESULTS AND ANALYSIS;

FACILITATOR REPORT

On or before December 1, 2028, the lead facilitator employed or contracted by the Vermont Learning Collaborative (VTLC) shall submit a written report to the House and Senate Committees on Education with the following:

(1) a determination and identification of any school district that is a bad faith participant in the merger committee process created pursuant to Sec. 13 of this act;

(2) the results of each merger committee overseen by each facilitator employed or contracted by the VTLC; and

(3) information regarding whether, and, if so, how, the following issues impacted or influenced the final outcome for each merger committee overseen by the facilitator, along with recommendations for legislative action needed to remove identified barriers to the formation of new union school districts:

(A) differences in staffing costs and the costs associated with moving from several different collectively bargained agreements to one collectively bargained agreement for applicable staff in the new union school district;

(B) differences in operating structures;

(C) geographic and topographic barriers;

(D) enrollment patterns and projections; and

(E) any other factor the facilitator found to have influenced the final decision of a merger committee.

Sec. 16. CESA BOUNDARIES; AGENCY OF EDUCATION REPORT

On or before December 1, 2028, the Agency of Education, in consultation with the merger committees formed pursuant to this act and the State Board of Education, shall submit a written report to the House and Senate Committees on Education with recommendations for CESA boundary adjustments that take into account the new union school districts formed or proposed to be formed pursuant to this act.

Sec. 16a. ISOLATED SCHOOL DISTRICTS; STATE BOARD OF
EDUCATION REPORT

On or before November 1, 2029, the State Board of Education shall submit a written report to the House and Senate Committees on Education with the name of any school district with an average daily membership of fewer than 750 students that has not successfully merged with a neighboring school district by July 1, 2028, pursuant to Sec. 13 of this act and recommendations for whether, and, if so, how, to merge such school districts with neighboring, larger school districts in order to promote financial and operational viability for school district resources and access to excellent educational opportunities for students.

Sec. 17. MERGER COMMITTEE REIMBURSEMENT GRANTS; CESA
EXECUTIVE DIRECTOR GRANTS; REPORTS; FUNDING

(a) Merger committee reimbursement grant; appropriation.

(1) The Agency of Education shall pay up to \$10,000.00 to a merger committee formed pursuant to Sec. 13 of this act to reimburse participating school districts for legal and other services necessary for the analysis and report required pursuant to 16 V.S.A. § 708(c) and Sec. 13(b)(4)(D) of this act. The merger committee shall forward invoices to the Agency on a quarterly basis. The Agency shall reimburse one-half of the total amount reflected in each set of invoices upon receipt and the remaining one-half upon completion of the final report required pursuant to Sec. 13(b)(4)(D) or (E) of this act, as applicable; provided, however, that no payment shall cause the total amount of funds paid to a merger committee to exceed the \$10,000.00 limit.

(2) Of the funds appropriated to the Agency of Education in 2025 Acts and Resolves No. 73, Sec. 32(a)(1), as amended by Sec. C.103 of legislation enacting the budget in fiscal year 2027, \$210,000.00 shall be used for the purpose of awarding study committee reimbursement grants to the merger committees formed pursuant to Sec. 13 of this act in accordance with subdivision (1) of this subsection.

(b) Facilitator appropriation; reports. Of the funds appropriated to the Agency of Education in 2025 Acts and Resolves No. 73, Sec. 32(a)(1), as amended by Sec. C.103 of legislation enacting the budget in fiscal year 2027, \$442,000.00 shall be granted to the Vermont Learning Collaborative (VTLC) within 45 days following the passage of this act for the purpose of hiring or contracting for seven facilitators and one lead facilitator pursuant to Sec. 13(a)

of this act, as well as for administrative costs associated with contracting for the facilitators. The VTLC may use up to \$32,000.00 of the funds appropriated pursuant to this subsection for administrative costs.

(c) CESA executive director grant; appropriation.

(1) From funds appropriated to the Agency of Education for this purpose, the Agency shall award a grant in the amount of \$50,000.00 to each CESA created in 16 V.S.A. § 603(a) to be used by the CESA to hire an executive director; provided, however, that the VTLC shall not be eligible for a grant under this subsection.

(2) Of the funds appropriated to the Agency of Education in 2025 Acts and Resolves No. 73, Sec. 32(a)(1), as amended by Sec. C.103 of legislation enacting the budget in fiscal year 2027, \$300,000.00 shall be used for the purpose of awarding CESA executive director grants in accordance with subdivision (1) of this subsection

* * * 2025 Acts and Resolves No. 73 * * *

Sec. 18. 2025 Acts and Resolves No. 73, Sec. 70 is amended to read:

Sec. 70. EFFECTIVE DATES

* * *

(d) Sec. 48 (December 1 letter) shall take effect on July 1, ~~2027~~ 2028.

* * *

(f)(1) ~~The following~~ sections enumerated in subdivision (2) of this subsection shall take effect on July 1, ~~2028~~ 2029, provided that the ~~new school~~

~~districts contemplated by this act have assumed responsibility for the education of all resident students and that the expert tasked with developing a cost factor foundation formula has provided to the General Assembly the report pursuant to Sec. 45a to provide the General Assembly an opportunity to enact legislation in consideration of the report~~ following conditions have been met:

(A) the General Assembly has received the following reports:

(i) the foundation formula report submitted pursuant to Sec. 45a of this act; and

(ii) the facilitator report on the results of the merger committee process submitted pursuant to Sec. 15 of legislation enacted by the General Assembly in 2026 that requires each school board to participate in a merger committee to study the advisability of forming a unified union school district; and

(B) legislation has been enacted that expresses clear legislative intent to satisfy this condition by addressing:

(i) each of the following components of the report submitted pursuant to Sec. 45a of this act: CTE, special education funding, sparsity measures, empirically supported secondary student weighting, and geographic cost differences;

(ii) the implementation of a pre-K funding mechanism; and

(iii) measures for satisfying legacy collective bargaining agreements and capital indebtedness held by school districts.

~~(1)(2)(A)~~ In Sec. 27, 16 V.S.A. § 823(a) and (d);

~~(2)(B)~~ Sec. 28 (tuition repeals);

~~(3)(C)~~ Secs. 34–40, 42, and 43 (transition to cost-factor foundation formula);

~~(4)(D)~~ Sec. 45b (educational opportunity payment transition); [Deleted.]

~~(5)(E)~~ Secs. 46, 47, 49, and 50 (statewide education tax; supplemental district spending tax); and

~~(6)(F)~~ Sec. 46a (supplemental district spending tax; cap; transition); [Deleted.]

~~(7)(G)~~ Sec. 48a (tax rate transition); [Deleted.]

~~(8)(H)~~ Secs. 51, 52, and 54–56 (property tax credit repeal; creation of homestead exemption);

~~(9)(I)~~ Sec. 57 (Education Fund Advisory Committee; review of foundation formula); and [Deleted.]

~~(10)(J)~~ Secs. 60 and 61 (property tax classifications). [Deleted.]

(g) In Sec. 27, 16 V.S.A. § 823(b) and (c) shall take effect on ~~July 1, 2028~~ July 1, 2029, provided that the ~~new school districts contemplated by this act have assumed responsibility for the education of all resident students~~ General Assembly receives the facilitator report on the results of the merger committee process submitted pursuant to Sec. 15 of legislation enacted by the General Assembly in 2026 that requires each school board to participate in a merger committee to study the advisability of forming a unified union school district

and that the cost-factor foundation formula report required pursuant to Sec. 45a of this act contains evidence that it costs more to educate students in grades nine through 12 but the General Assembly has failed to enact legislation to add a secondary student weight.

(h) ~~Sec. 62 (regional assessment districts) shall take effect on January 1, 2029.~~ [Deleted.]

Sec. 18a. [Deleted.]

* * * Prekindergarten Education * * *

Sec. 19. PREKINDERGARTEN EDUCATION; FINDINGS

The General Assembly finds that:

(1) despite being colloquially known as the “universal prekindergarten program,” not all children three and four years of age in the State have equal access to a prequalified prekindergarten provider;

(2) Vermont ranks second in the country with regard to access to prekindergarten education by children who are four years of age, with 76 percent of eligible children four years of age receiving prekindergarten education, and Vermont is one of two states in which more than 70 percent of children who are four years of age receive prekindergarten services;

(3) only 11 percent of eligible children are enrolled in prekindergarten services in Essex County;

(4) there is considerable geographic disparity in the State with regard to the number of prekindergarten slots available, and as a result, 95 percent of

eligible children in Windsor and Windham Counties and 93 percent of eligible children in Chittenden County have access to a prequalified prekindergarten provider as compared to 55 percent in Franklin County and 61 percent in Grand Isle County; and

(5) while a substantial portion of states provide a full school day of four or more hours of prekindergarten education daily, less than five percent of Vermont's prequalified prekindergarten providers provide a full day of four or more hours of prekindergarten education.

Sec. 20. LEGISLATIVE INTENT

It is the intent of the General Assembly to:

(1) ensure that prekindergarten education is included as an integral part of Vermont's education system, as the right to education is fundamental for the success of Vermont's children in all grades, prekindergarten through grade 12;

(2) determine a locus of responsibility to ensure there is access to prekindergarten education within all school districts;

(3) provide access to licensed teachers in the classroom of both prequalified public and private providers, including access to support and provisional status; and

(4) equalize financial resources for all prequalified providers of prekindergarten education.

Sec. 21. PREKINDERGARTEN EDUCATION FUNDING; REPORTS;

APPROPRIATION

(a) Legislative intent. It is the intent of the General Assembly to, in the 2027 legislative session, establish a funding structure for prekindergarten education that:

(1) supports achieving access for every prekindergarten child, as that term is defined in 16 V.S.A. § 829, with equitable payments and equitable educational standards for public and private providers;

(2) ensures the cost of prekindergarten education is included in the full cost of education;

(3) increases access and participation in areas of the State where access or participation is limited; and

(4) continues to support a mixed delivery system.

(b) Data and reports.

(1) The Agency of Education, Department for Children and Families, and Building Bright Futures (BBF) shall establish a system to jointly monitor and evaluate prekindergarten education programs to promote optimal results for children that support the relevant population-level outcomes set forth in 3 V.S.A. § 2311 and to collect data that will inform future decisions. BBF, in consultation with the Agency of Education and the Department for Children and Families, shall be required to report annually to the General Assembly in January.

(2)(A) On or before December 1, 2026, BBF, in consultation with the Agency of Education and the Department for Children and Families, shall

submit a written report to the House Committees on Education, on Human Services, and on Ways and Means and the Senate Committees on Education, on Health and Welfare, and on Finance with the following information:

(i) the status of BBF's work under the federal Preschool

Development Grant and data collection;

(ii) the initial or updated data findings, including prekindergarten student demographics and number of hours by prekindergarten program by district;

(iii) outstanding questions or gaps in data; and

(iv) recommendations for legislative action and other considerations.

(B) BBF shall also provide an update on the progress of its work under the federal Preschool Development Grant to the Joint Fiscal Committee on or before October 1, 2026.

(3)(A) The Joint Fiscal Office shall contract with a contractor with expertise in Vermont's education funding system to conduct an updated cost of care analysis to account for the provision of prekindergarten education within Vermont's education finance system. The contractor shall utilize the results of recent cost modeling studies, including the Vermont Early Care and Education Financing Study conducted pursuant to 2021 Acts and Resolves No. 45, Sec. 14; the 2026 Vermont Cost Modeling Report issued by First Children's Finance; and the statewide tuition rate for prekindergarten education, and

collaborate with the Child Development Division, Agency of Education, and BBF to ensure necessary data and appropriate factors are included in financial modeling. This study shall provide estimates for the current full cost of providing prekindergarten education for children three, four, and five years of age, not yet eligible to enroll in kindergarten.

(B) The sum of \$75,000.00 is appropriated to the Joint Fiscal Office from the General Fund in fiscal year 2027 to hire a contractor to make recommendations in accordance with subdivision (A) of this subdivision (b)(3).

(4) The Joint Fiscal Office shall provide the General Assembly with considerations on or before December 15, 2026, regarding different funding mechanisms that may be used to distribute funds for education costs within the new financing formula, including grants, inclusion within the Education Opportunity Payment, and different forms of categorical aid.

Sec. 21a. 16 V.S.A. § 829 is amended to read:

§ 829. PREKINDERGARTEN EDUCATION

* * *

(d) Tuition, budgets, and average daily membership.

* * *

(5) As part of the data reporting process required pursuant to subsection 4010(c) of this title, a district of residence shall also report annually to the Agency of Education the number of hours of prekindergarten education

received by each prekindergarten child for whom it has provided prekindergarten education or on whose behalf it has paid tuition pursuant to this section.

(e) Rules. The Secretary of Education and the Commissioner for Children and Families shall jointly develop and agree to rules and present them to the State Board for adoption under 3 V.S.A. chapter 25 as follows:

* * *

(10) To establish a system by which the Agency of Education ~~and~~ Department for Children and Families, and Building Bright Futures shall jointly monitor and evaluate prekindergarten education programs to promote optimal results for children that support the relevant population-level outcomes set forth in 3 V.S.A. § 2311 and to collect data that will inform future decisions. The Agency and Department shall be required to report annually to the General Assembly in January. At a minimum, the system shall monitor and evaluate:

* * *

* * * Data Collection * * *

Sec. 22. 16 V.S.A. § 4010(c) is amended to read:

(c) Reporting on weighting categories to the Agency of Education. Each school district shall annually report to the Agency of Education by a date established by the Agency the information needed in order for the Agency to compute the weighting categories under subsection (b) of this section for that

district, for all resident students in prekindergarten through grade 12. In order to fulfill this obligation, a school district that pays public tuition on behalf of a resident student (sending district) to a public school in another school district, an approved independent school, ~~or an out-of-state school,~~ or a prequalified private prekindergarten education provider (each a receiving school) ~~may request the receiving school to collect this information on the sending district's resident student, and if requested, the receiving school shall provide this information to the sending district in a timely manner~~ shall require each resident student in prekindergarten through grade 12 on whose behalf the district pays tuition to complete a form or forms developed by the Agency of Education in order to obtain the information needed in order for the Agency to compute the weighting categories under subsection (b) of this section for all students residing in that district, including students that are educated by a receiving school. The form shall be included with any residency verification forms and requests for public tuition funding forms required by a school district.

* * * Special Education Funding * * *

Sec. 23. SPECIAL EDUCATION FUNDING SAFEGUARDS;

LEGISLATIVE INTENT

(a) Maintenance of effort. It is the intent of the General Assembly to ensure that Vermont complies with federal maintenance of effort requirements in any education funding reform. Nothing in 2025 Acts and Resolves No. 73

(Act 73), nor the implementation of Act 73, shall be construed to permit a reduction in State or local funding for special education and related services in a manner that would violate the maintenance of effort requirements of the Individuals with Disabilities Education Act, 20 U.S.C. §§ 1400–1485.

(b) Separate and supplemental funding structure. It is the intent of the General Assembly that the State shall maintain an education funding structure in which:

(1) general education is funded through a formula-based mechanism established by law; and

(2) special education is funded through a supplemental reimbursement, weighted student count, or grant model that reflects eligible special education costs and preserves compliance with federal maintenance of effort requirements.

(c) Protection of educational rights. It is the intent of the General Assembly that implementation of Act 73 or any future education funding reform shall not limit the right of students with disabilities to a Free Appropriate Public Education (FAPE), including access to individualized services in the least restrictive environment as required by federal and State law.

(d) Proportional effects. A school district shall not implement programmatic reductions, staffing changes, or budgetary actions that

disproportionately affect students with disabilities or impair the district's ability to meet its obligations to provide FAPE.

(e) Impact analysis. School districts shall assess and document the impact of significant programming changes on students with disabilities, in accordance with guidance issued by the Agency of Education.

(f) Guidance. The Agency of Education shall issue guidance to ensure school districts implement Act 73 in a manner consistent with this section and with federal special education requirements. The Agency shall also issue guidance regarding the assessment and documentation requirements of subsection (e) of this section.

* * * Tuition * * *

Sec. 24. 16 V.S.A. § 828 is amended to read:

§ 828. TUITION TO APPROVED SCHOOLS; AGE; APPEAL

* * *

(e) A school eligible to receive tuition pursuant to this section shall be prohibited from requiring tuition from a student attending the school, according to the provisions of this chapter, above the amount of tuition paid by a sending school district pursuant to section 823 of this chapter.

Sec. 24a. SCHOOL FEES; REPORT

On or before January 1, 2027, the Agency of Education shall submit a written report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance with the following:

(1) information regarding the fees charged by public schools for both tuitioned students and resident students;

(2) information regarding fees charged by approved independent schools that are eligible to receive public tuition to students attending the school on public tuition; and

(3) recommendations for any guardrails necessary on a school's ability to charge fees to a publicly funded student under the foundation formula.

* * * Union School District Study Committee Budgets * * *

Sec. 25. 16 V.S.A. § 707 is amended to read:

§ 707. APPROVAL OF STUDY BUDGET; APPOINTMENT OF STUDY COMMITTEE; PARTICIPATION

(a) Proposed budget exceeding ~~\$50,000.00~~ \$500,000.00.

(1) If the proposed budget established in section 706 of this chapter exceeds ~~\$50,000.00~~ \$500,000.00, then subject to the provisions of that section the board of each potentially participating school district shall warn the district's voters to meet at an annual or special school district meeting to vote whether to appropriate funds necessary to support the district's financial share of a study committee's costs. The meeting in each school district shall be warned for the same date. The warning in each school district shall contain an identical article in substantially the following form:

“Shall the school district of _____

appropriate funds necessary to support the school district's financial share of a

study to determine the advisability of forming a union school district with some or all of the following school districts:

_____ ,

_____ , and

_____ ? It is estimated that the

_____ school district's share, if all

of the identified school districts vote to participate, will be

\$ _____ . The total proposed budget,

to be shared by all participating school districts is

\$ _____ .”

(2) If the vote in subdivision (1) of this subsection is in the affirmative in two or more school districts, then the boards of the affirming school districts shall appoint a study committee consisting of the number of persons determined pursuant to section 706 (proposed study committee budget and membership) of this chapter. At least one current board member from each participating school district shall be appointed to the study committee. The board of a school district appointing more than one person to the study committee may appoint residents of the school district who are not members of the board to any of the remaining seats.

(3) The sums expended for study purposes under this section shall be considered part of the approved cost of any project in which the union school district, if created, participates pursuant to chapter 123 of this title.

(b) Proposed budget not exceeding ~~\$50,000.00~~ \$500,000.00.

(1) If the proposed budget established in section 706 of this chapter does not exceed ~~\$50,000.00~~ \$500,000.00, then the boards of the participating school districts shall appoint a study committee consisting of the number of persons determined under that section. At least one current board member from each participating school district shall be appointed to the study committee. The board of a school district appointing more than one person to the study committee may appoint residents of the school district who are not members of the board to any of the remaining seats.

(2) The sums expended for study purposes under this section shall be considered part of the approved cost of any project in which the union school district, if created, participates pursuant to chapter 123 of this title.

(c) Additional costs.

(1) If the voters approve a budget that exceeds ~~\$50,000.00~~ \$500,000.00 but the study committee later determines that its budget is likely to exceed the projected, voter-approved amount, then the boards of all participating school districts shall obtain voter approval for the amounts exceeding the previously approved budget in the manner set forth in subdivision (a)(1) of this section before the study committee obligates or expends sums in excess of the initial voter-approved amount.

(2) If a proposed budget does not exceed ~~\$50,000.00~~ \$500,000.00 at the time the school boards appoint members to the study committee, but the study

committee later determines that its total budget is likely to exceed ~~\$50,000.00~~ \$500,000.00, then the boards of all participating school districts shall obtain voter approval for the amounts exceeding ~~\$50,000.00~~ \$500,000.00 in the manner set forth in subdivision (a)(1) of this section before the study committee obligates or expends funds in excess of ~~\$50,000.00~~ \$500,000.00.

(d) Grants. Costs to be paid by State, federal, or private grants shall not be included when calculating whether a study committee's budget or proposed budget exceeds ~~\$50,000.00~~ \$500,000.00.

* * *

* * * Rulemaking, Forms, and Reports * * *

Sec. 26. SMALL AND SPARSE SCHOOLS; STATE BOARD OF
EDUCATION; EDUCATION QUALITY STANDARDS;
RULEMAKING

The State Board of Education shall, unless extended by the Legislative Committee on Administrative Rules, adopt updates to Agency of Education, State Board Rule 2000 Education Quality Standards (CVR 22-000-003) to establish criteria for identifying schools as small by necessity or sparse by necessity, or both, pursuant to 3 V.S.A. § 843 on or before March 31, 2027. Such rules shall be consistent with the work of the Small and Sparse School Committee of the State Board of Education and the recommendations of the Committee dated December 17, 2025.

Sec. 27. INTRADISTRICT BUDGETING; AGENCY OF EDUCATION;

DISTRICT QUALITY STANDARDS; RULEMAKING

The Agency of Education shall, unless extended by the Legislative Committee on Administrative Rules, adopt updates to the district quality standards contained in Agency of Education, District Quality Standards (CVR 22-000-039) to establish criteria for intradistrict budgeting under the foundation formula, pursuant to 3 V.S.A. § 843 on or before June 1, 2028. The criteria shall provide guidelines for intradistrict budgeting that ensure resources are allocated across schools within each district in a way that supports the State's goal that all Vermont children will be afforded opportunities and excellent education that are substantially equal in quality and enable them to achieve or exceed the education quality standards approved by the State Board of Education.

Sec. 27a. 2024 Acts and Resolves No. 183, Sec. 7 is amended to read:

Sec. 7. RESERVE FUND ACCOUNT STANDARDS; DISTRICT
QUALITY STANDARDS; RULEMAKING

On or before ~~January 1, 2025~~ March 31, 2027, the Agency of Education, in collaboration with the Vermont Association of School Business Officials, the Vermont Superintendents Association, and the Vermont School Boards Association, shall ~~initiate~~ complete rulemaking pursuant to 3 V.S.A. chapter 25 to update the District Quality Standards rules contained in Agency of Education, District Quality Standards (CVR 23-020), to include recommended

reserve fund account standards. ~~Prior to initiating rulemaking, the Agency shall consult with local school officials.~~ The Agency shall specifically adopt rules to:

(1) prescribe minimum and maximum balance levels for a reserve fund, taking into consideration revenue predictability and expenditure volatility, exposure to significant one-time expenses, and impact on credit ratings;

(2) specify acceptable conditions that warrant use of the reserve fund and the period within which funds may be used;

(3) establish best practices for replenishing a depleted reserve fund, including the period over which the reserve fund should be replenished;

(4) define appropriate accounting terms to facilitate data consistency and improve data quality across the State; and

(5) identify conditions that may justify deviation from any broadly applicable standards adopted pursuant to this section.

Sec. 27b. SCHOOL TRANSPORTATION GRANTS; REPORT

On or before December 1, 2026, the Agency of Education shall submit a written report to the House Committees on Education, on Transportation, and on Ways and Means and the Senate Committees on Education, on Transportation, and on Finance regarding school transportation. School districts shall comply with requests from the Agency to assist data collections necessary to complete the reporting requirements in this section.

(1) The report shall include information on the following:

(A) the current landscape of education transportation for each school district, including:

(i) the grades operated by the school district;

(ii) the grades for which the school district provides

transportation;

(iii) whether the vehicles used to provide students with

transportation are owned or leased by the school district;

(iv) whether the school district relies on public transportation to provide education transportation to its resident students and, if so, associated costs borne by all parties;

(v) the method by which resident students arrive to and leave from each school a resident student attends, regardless of whether it is a school operated by the school district or a receiving school not operated by the school district, such as whether students rely on school-district-provided transportation, receiving-school-provided transportation, or transportation provided or arranged by a resident family, as well as whether there is any district reimbursement to resident families for privately incurred expenses related to student transportation; and

(vi) bus driver pay and benefits; and

(B) the aggregate cost of the current education transportation system, on a per-school-district basis, including:

(i) the total transportation grant award from the State;

(ii) the total local funds spent on transportation;

(iii) per-mile expenditures for transportation to and from career technical education programming;

(iv) transportation costs associated with the requirements of the McKinney-Vento Homeless Assistance Act, 42 U.S.C. § 11431–11435;

(v) transportation costs associated with extraordinary special education expenditures; and

(vi) transportation costs associated with individualized education programs.

(2) The report shall also include recommendations regarding:

(A) the geographic radius around a school within which a school district shall not be required to provide transportation, for both urban and rural schools;

(B) definitions for the terms “distant students” and “safe walking routes”;

(C) how regionalized transportation services may work under a cooperative educational service area (CESA) model, including with a CESA serving as the fiscal agent for contracts, as well as information regarding the availability of transportation vendors in the CESA regions created in this act;

(D) how cocurricular and afterschool travel could be included in a district’s transportation services and what consistent standards should be proposed for such services statewide;

(E) whether a weighted sparsity categorical grant or a per-mile reimbursement model would be more beneficial to districts or CESAs under a foundation formula, and what the approximate difference in cost would be as compared to the current funding system;

(F) legislative updates to 16 V.S.A. § 4016 (reimbursement for transportation expenditures) and any related rules; and

(G) how to ensure a student who attends a career technical education (CTE) center other than the student's assigned regional CTE center, due to enrollment constraints, program availability, or some other barrier, has access to transportation to the same extent as students attending an assigned CTE center as provided pursuant to 16 V.S.A. § 1541a(a)(2), and the costs associated with any such recommendations.

Sec. 27c. STUDENT PROFILE FORM

On or before September 1, 2026, the Agency of Education, in consultation with school business officials, shall develop a student profile form to be used by school districts to collect the information necessary in order for the Agency to compute the weighting categories under 16 V.S.A. § 4010(b) for students in prekindergarten through grade 12 on whose behalf a school district pays tuition. The student profile form shall be fully accessible to all Vermont families both in paper form and electronically.

Sec. 27d. LENGTH OF SCHOOL DAY; RULEMAKING

The State Board of Education shall, unless extended by the Legislative Committee on Administrative Rules, adopt updates to Agency of Education, 2300 Length of School Day and Year—Specific Program Requirements for Public Schools (CVR 22-000-005) to update the criteria for the length of a school day for each grade, prekindergarten through grade 12, consistent with the definition of school day contained in 16 V.S.A. § 11(41), pursuant to 3 V.S.A. § 843 on or before March 31, 2027.

* * * Small and Sparse Schools * * *

Sec. 28. REPEAL

2025 Acts and Resolves No. 73, Sec. 37 (16 V.S.A. § 4019) is repealed.

Sec. 29. 16 V.S.A. § 4019 is added to read:

§ 4019. SMALL SCHOOLS; SPARSE SCHOOLS; SUPPORT GRANTS

(a) Definitions. As used in this section:

(1) “Average grade size” means the quotient resulting from dividing a school’s two-year average enrollment by the number of grades above prekindergarten operated by the school, rounded downward.

(2) “Enrollment” means the number of students in kindergarten through grade 12 who are enrolled in a school operated by the school district on October 1. A student shall be counted as one whether the student is enrolled as a full-time or part-time student.

(3) “Small school” means a public school that:

(A) has an average grade size of fewer than 12 students; and

(B) has been determined by the Agency of Education, on an annual basis, to be “small by necessity” under standards consistent with State Board of Education rule.

(4) “Sparse area” means a city, town, or incorporated village where the number of persons per square mile residing within the land area of the geographic boundaries of the city, town, or incorporated village as of July 1 of the year of determination is fewer than 55 persons.

(5) “Sparse school” means a public school that:

(A) is within a sparse area; and

(B) has been determined by the Agency of Education, on an annual basis, to be “sparse by necessity” under standards consistent with State Board of Education rule.

(6) “Two-year average enrollment” means the average enrollment of the two most recently completed school years.

(b) Small schools support grant. Annually, the Secretary shall pay a small schools support grant to each school district for each small school operated by the school district in an amount determined by multiplying the two-year average enrollment in the small school by \$3,157.00.

(c) Sparse schools support grant. Annually, the Secretary shall pay a sparse schools support grant to each school district for each sparse school operated by

the school district in an amount determined by multiplying the two-year average enrollment in the sparse school by \$1,954.00.

(d) Inflationary adjustment. Each dollar amount under subsections (b) and (c) of this section shall be adjusted for inflation annually on or before November 15 by the Secretary. As used in this subsection, “adjusted for inflation” means adjusting the dollar amount by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount.

* * * Class Size Minimums * * *

Sec. 29a. 2025 Acts and Resolves No. 73, Sec. 7 is amended to read:

Sec. 7. FAILURE TO COMPLY WITH EDUCATION QUALITY
STANDARDS; STATE BOARD ACTION

(a) Notwithstanding 16 V.S.A. § 165(b)(4) and (5) and any other provision of law to the contrary, the State Board shall be prohibited from ordering school district consolidation or school consolidation if a school fails to comply with class size minimum education quality standards and the resulting consolidation would result in school construction costs in excess of the applicable district’s capital reserve account until the General Assembly establishes new school

district boundaries and takes further action regarding the consequences for failure to meet education quality standards.

(b) Notwithstanding 16 V.S.A. § 165(a)(9)(C) and (b), a school's failure to comply with the class size minimum requirements contained in 16 V.S.A. § 165(a)(9) shall not count towards the three consecutive school years of noncompliance that enables the Secretary to recommend action to the State Board until the State Board adopts updates to the Education Quality Standards rule 2000 series, Agency of Education, Education Quality Standards (22-000-003) to reflect the addition of class size minimums to the education quality standards, or July 1, 2027, whichever date shall come first.

Sec. 29b. 16 V.S.A. § 828 is amended to read:

§ 828. TUITION TO APPROVED SCHOOLS; AGE; APPEAL

(a) A school district shall not pay the tuition of a student except to:

- (1) a public school located in Vermont;
- (2) an approved independent school that:

* * *

(E) complies with the minimum class size requirements contained in subdivision ~~165(a)(9)~~ 165(a)(9)(A) of this title and State Board rule; provided, however, that if a school is unable to comply with the class size minimum standards due to geographic isolation or a school has developed an implementation plan to meet the class size minimum requirements, the school

may ask the State Board to grant it a waiver from this subdivision (E), which decision shall be final;

* * *

* * * Definitions * * *

Sec. 29c. 16 V.S.A. § 11 is amended to read:

§ 11. CLASSIFICATIONS AND DEFINITIONS

(a) As used in this title, unless the context otherwise clearly requires:

* * *

(36) “Average class size” means the total number of students enrolled across all classes included in a grade band or content area, as applicable, divided by the total number of individual classes contained in a grade band or content area, as applicable, calculated separately for each school and each grade band or content area, as specified in subdivision 165(a)(9) of this title; provided, however, that the following shall not be included in the determination of average class size:

(A) prekindergarten, kindergarten, career and technical education, flexible pathways, terminal courses, advanced placement courses, courses that require specialized equipment, and driver’s education classes;

(B) small group services for the purpose of providing special education, supplemental or targeted academic intervention, or English learner instruction; and

(C) specialized or targeted academic opportunities.

(37) “Class” means a group of students, taught by a single teacher or team of teachers, organized for instruction in specific subjects or grade levels, for a defined period during the regular school day. Each course section shall be counted as a separate class. A class with more than one teacher of record shall be counted as a single class.

(38) “Content area” means a grouping of courses aligned to a single educator endorsement area as defined by the Vermont Standards Board for Professional Educators.

(39) “Full-time equivalent class” means the proportion of instructional time relative to a full school year.

(40) “School” means a public or independent educational institution with assigned staff, including teachers and administrators, that serves students within a dedicated building and that is identified by a unique state school identification number assigned by the National Center for Education Statistics.

(41) “School day” means the hours between the latest time at which a student may arrive at school and not be considered late and the time a student is dismissed from school, on a student attendance day.

(42) “Student” means a pupil enrolled in and assigned to a school as of October 1.

(43) “Teacher of record” means the educator primarily responsible for delivering instruction, assessing student learning, and assigning grades for a class, as designated in a school district’s student information system.

* * *

Sec. 29d. DEFINITION RULEMAKING; STATE BOARD OF
EDUCATION

The State Board of Education shall adopt rules pursuant to 3 V.S.A. chapter 25 that establish definitions for the terms contained in 16 V.S.A. § 11(a)(36)–(43). The Board may adopt rules pursuant to this section with definitions for the terms that differ from the definitions contained in statute.

* * * Prospective Repeals * * *

Sec. 29e. PROSPECTIVE REPEALS

(a) 16 V.S.A. § 11(a)(36)–(43) are repealed on the July 1 following the effective date of rules adopted pursuant to Sec. 29d of this act.

(b) 16 V.S.A. § 828(e) shall be repealed on July 1, 2029, if the cost-factor foundation formula report required pursuant to 2025 Acts and Resolves No. 73, Sec. 45a contains evidence that it costs more to educate students in grades nine through 12 but the General Assembly has failed to enact legislation to add a secondary student weight.

* * * Regional Assessment Districts * * *

Sec. 30. 32 V.S.A. chapter 121, subchapter 1A is added to read:

Subchapter 1A. Regional Assessment Districts

§ 3415. LEGISLATIVE INTENT

It is the intent of the General Assembly in adopting this subchapter to create regional assessment districts so that:

(1) properties on grand lists are regularly reappraised;

(2) property data collection is consistent and standardized across the State; and

(3) property valuation is conducted by trained and certified individuals and firms.

§ 3416. REGIONAL ASSESSMENT DISTRICTS; ESTABLISHMENT

(a) Member municipalities of a regional assessment district shall fully reappraise their grand lists every six years pursuant to subsection 3417(b) of this subchapter. Member municipalities may contract jointly with one or more third parties to conduct the reappraisals.

(b) For the first full reappraisal conducted simultaneously by member municipalities as part of a regional assessment district, each municipality may, at its discretion, conduct a reappraisal jointly with one or more other member municipalities. For all subsequent simultaneous full reappraisals by member municipalities as part of a regional assessment district, as determined pursuant to subsection 3417(c) of this subchapter, a municipality shall conduct a reappraisal jointly with one or more other member municipalities.

§ 3417. STANDARD GUIDELINES; PROCEDURES; RULEMAKING

(a) The Director of Property Valuation and Review shall establish standard guidelines and procedures, and may adopt rules, for regional assessment districts, including:

(1) guidelines for contracting with third parties to conduct or assist with reappraisals, including standard reappraisal contract terms;

(2) standards for the collection and recordation of parcel data;

(3) requirements relating to information technology, including standards for data software contracts and computer-assisted mass appraisal systems; and

(4) standardized practices for a full reappraisal, including cases in which physical inspections are unnecessary and how technology is to be utilized.

(b) The Director of Property Valuation and Review shall establish a schedule for each regional assessment district to fully reappraise every six years. The Director, at the Director's discretion, may alter the reappraisal schedule for a regional assessment district or for one or more of a regional assessment district's member municipalities. If a municipality or a regional assessment district fails to reappraise on the schedule established by the Director under this subsection, the State may withhold funds from the municipality until the Director certifies that the municipality or regional assessment district has complied with this subsection.

(c) The Director shall determine when the first simultaneous full reappraisal has been completed by the member municipalities of each regional assessment district.

§ 3418. REGIONAL ASSESSMENT DISTRICT APPEALS BOARD;
ESTABLISHMENT

(a) There are hereby established regional assessment district appeals boards for each regional assessment district established pursuant to section 3416 of this subchapter. A board shall hear appeals of valuations within its regional assessment district. The Division of Property Valuation and Review shall provide training and technical assistance to the board. Other staffing and funding for a board shall be provided by its member municipalities.

(b) All municipalities within the jurisdiction of a board shall be considered municipal members of the board. A board shall contain at least one representative appointed from each member municipality and representatives shall be appointed for a term of three years by the legislative body of such municipality. A municipality may appoint one board member per 1,000 parcels in the municipality, rounded up to the nearest 1,000 parcels. All board members may be compensated and reimbursed by their respective municipalities for necessary and reasonable expenses.

(c) A board shall elect an executive board of five board members to facilitate meetings and oversee operations. The executive board shall have a chair, a vice chair, a secretary, and any other position deemed necessary by a majority vote of the executive board.

§ 3419. APPEALS TO REGIONAL ASSESSMENT DISTRICT APPEALS BOARD

(a) Within 30 days following the date of notice, a person aggrieved by the final valuation decision of an assessing official may appeal in writing to the

district's regional assessment district appeals board. An appeal of a valuation decision conducted pursuant to section 3416 of this subchapter that is erroneously made to a municipality shall be considered timely if it would have been timely if made to the regional assessment district. A municipality shall forward any such erroneously filed appeal to the board within 14 days.

(1) The board shall schedule meetings to hear and determine appeals made under this subsection not later than 30 days after the last date allowed for notice of appeal. Notice of the time and place of the hearing shall be given by posting a warning in three or more public places in each municipality in the district's jurisdiction and by mailing a copy of such warning to the legislative bodies of such municipalities and to all appellants.

(2) Hearings shall be conducted before a panel of three board members. When conducting a hearing under this subsection, the board shall issue a written determination addressing all questions and objections heard. A written determination shall only be issued if approved by a majority of those members present and voting. Unless waived by both parties, the property subject to appeal shall be inspected internally and externally by the three board panelists and an inspection report shall be issued within 30 days following the hearing on appeal and before a final determination is issued.

(A) The appellant shall be provided notice of the inspection and the appeal shall be deemed withdrawn if the appellant refuses to allow an inspection under this subdivision (2).

(B) During a declared state of emergency under 20 V.S.A. chapter 1, a board working within a municipality affected by an all-hazards event shall not be required to physically inspect any property that is the subject of an appeal. If the appellant requests in writing that the property be inspected for purposes of the appeal, the board shall conduct the inspection through electronic means. If the appellant does not facilitate the inspection through electronic means, the appeal shall be deemed withdrawn. As used in this subdivision (B), “electronic means” means the transmittal of video or photographic evidence by the appellant at the direction of the staff conducting the inspection.

(3) The board shall, within 15 days following the time of the inspection report, issue the written determination and shall file it with the clerk of the municipality in which the underlying property is located. At the same time, the board shall send a copy of the determination by certified mail to the appellant. The grand list shall be amended pursuant to the written determination.

(4) Notwithstanding any provision of law to the contrary, if the board does not substantially comply with the requirements of this subsection, and if the appeal is not withdrawn by filing written notice of withdrawal with the board, or deemed withdrawn as provided in subdivision (2) of this subsection, the grand list value of the property subject to appeal shall be set at a value that will produce a tax liability equal to the tax liability for the preceding year.

(b) Not more than two board members shall be panelists for a hearing involving a property located in the municipality for which the members are representatives.

(c) This section shall not be construed to prevent or alter the process for taxpayers to bring and resolve grievances to a municipal assessing official under section 4111 of this title.

(d) Notwithstanding subsection (a) of this section, appeals of valuations conducted by the Division of Property Valuation and Review pursuant to sections 3602a, 3602b, 3602c, and 3621 of this title shall be made directly to the Commissioner or Superior Court pursuant to section 3420 of this subchapter.

§ 3420. APPEALS TO COMMISSIONER OR TO SUPERIOR COURT

(a) A taxpayer or the legislative body of a municipality aggrieved by a written determination of a regional assessment district appeals board under section 3419 of this chapter, or a taxpayer aggrieved by a valuation and bypassed a board decision under subsection 3419(d) of this subchapter, may appeal to either the Commissioner of Taxes or the Superior Court of the county in which the property is located. The appeal to the Superior Court shall be heard without a jury. For an appeal from the board, the appeal shall be commenced by filing a notice of appeal pursuant to Rule 74 of the Vermont Rules of Civil Procedure within 30 days after entry of the decision of the board. For an appeal that bypassed the board, the appeal may be commenced

by filing a notice of appeal pursuant to Rule 74 of the Vermont Rules of Civil Procedure within 30 days following the date of notice of a final valuation decision of an assessing official. The date of mailing of notice of the board's determination to the taxpayer shall be deemed the date of entry of the board's determination. The board shall transmit a copy of the notice to the Commissioner or the Superior Court and shall forward the notice to the applicable municipal clerk, who shall record or attach a copy of the notice in the grand list book. The entry fee for an appeal to the Commissioner is \$70.00; provided, however, that the Commissioner may waive, reduce, or refund the entry fee in cases of hardship or to join appeals regarding the same parcel. If, in the opinion of the Commissioner, an appeal under this subsection involves a complex or unique property or valuation that would be best adjudicated by the Superior Court, the Commissioner may decline to hear the appeal and shall forward the appeal to the Superior Court of the county in which the property is located, where it shall be heard. An appeal forwarded by the Commissioner under this subsection shall be considered timely filed in the Superior Court if it was timely appealed to the Commissioner.

(b) On or before the last day on which appeals may be taken from the determination of the regional assessment district appeals board, an agent designated by the legislative body of the municipality, in the name of the municipality, on written application of one or more taxpayers of the municipality whose combined grand list represents at least three percent of the

grand list of the municipality for the preceding year, shall appeal to the Superior Court from any action of the regional assessment district board of appeal not involving appeals of the applying taxpayers. However, the agent designated by the legislative body shall, in any event, have at least six business days after receipt of such taxpayers' application for appeal in which to take the appeal, and the date for the taking of such appeal shall accordingly be extended, if necessary, until the six business days shall have elapsed. The \$70.00 entry fee shall be paid by the applicants with respect to each individual property thus being appealed that is separately listed in the grand list. Fees collected under subsection (a) of this section or under this subsection shall be credited to a special fund established and managed pursuant to chapter 7, subchapter 5 of this title and shall be available to the Commissioner of Taxes to offset the costs of providing those services.

(c) When a taxpayer, a legislative body of the municipality, or an agent designated by the legislative body of the municipality claims that an appeal to the Commissioner is in any manner defective or was not lawfully taken, on or before 30 days after mailing of the notice of receipt of the appeal by the Director, the taxpayer, agent, or legislative body of the municipality shall file objections in writing with the Commissioner and furnish the appellant or appellant's attorney with a copy of the objections. When the taxpayer, agent, or legislative body so requests, the Commissioner shall thereupon fix a time and place for hearing the objections and shall notify all parties thereof, by mail

or otherwise. Upon hearing or otherwise, the Commissioner shall pass upon the objections and make such order in relation thereto as is required by law. The order shall be recorded or attached in the municipal clerk's office in the book wherein the appeal is recorded.

(d) On application to the Commissioner, an appellant may request leave to withdraw the appellant's appeal at any time before it is heard. When an appeal is withdrawn, the Commissioner shall certify the withdrawal to the clerk of the municipality in which the underlying property is located, and the clerk shall record the certificate of withdrawal of the appeal. At the same time, the Commissioner shall notify the applicable regional assessment district board of appeal. The appraisal from which the appeal was taken shall then become a part of the appraisal or grand list of the taxpayer.

(e) When an appeal to the Commissioner is not withdrawn or forwarded by the Commissioner to the Superior Court pursuant to subsection (a) of this section, the Commissioner shall conduct a hearing in accordance with 3 V.S.A. chapter 25.

(f) The Commissioner or court shall proceed de novo on all appeals and determine the correct valuation of the property as promptly as practicable and determine a homestead and a housesite value if a homestead has been declared with respect to the property for the year in which the appeal is taken. The Commissioner or court shall take into account the requirements of law as to

valuation and the provisions of Chapter I, Article 9 of the Vermont Constitution and the 14th Amendment to the U.S. Constitution.

(1) If the Commissioner or court finds that the listed value of the property subject to appeal does not correspond to the listed value of comparable properties within the municipality, the Commissioner or court shall set the property in the list at a corresponding value. The findings and determinations of the Commissioner shall be made in writing and shall be available to the appellant.

(2) If the appeal is taken to the Commissioner, the Commissioner may order an inspection of the property prior to making a determination. If one of the parties requests an inspection, the Commissioner shall order an inspection of the property prior to making a determination. Within 10 days following the appeal being filed with the Commissioner, the Commissioner shall notify the property owner in writing of the Commissioner's option to request an inspection under this section.

(3) During a declared state of emergency under 20 V.S.A. chapter 1, the Commissioner shall not be required to have any property subject to appeal be physically inspected. If the appellant requests in writing that the property be inspected for purposes of the appeal, the Commissioner shall conduct the inspection through electronic means. If the appellant does not facilitate the inspection through electronic means, then the appeal shall be deemed withdrawn. As used in this subdivision, "electronic means" means the

transmittal of video or photographic evidence by the appellant at the direction of the person conducting the inspection.

(g) The Commissioner or clerk of the court shall forward by certified mail one copy of the determination to the taxpayer, one copy to the applicable regional assessment district board of appeal, and one copy to the town clerk, who shall record the same in the book in which the appeal was recorded under subsection (a) of this section. The appraisal so fixed by the Commissioner or court shall become the basis for the grand list of the taxpayer for the year in which the appeal is taken and, if the appraisal relates to real property, for the next two ensuing years, except that if the real property is enrolled in the use value appraisal program under chapter 124 of this title, the value of enrolled land, prior to its being equalized, shall be the per-acre value set annually by the Current Use Advisory Board multiplied by the number of acres enrolled. The appraisal, however, may be changed in the ensuing two years if the taxpayer's property is materially altered, changed, or damaged or if the regional assessment district of the municipality in which the property is located has undergone a full reappraisal.

Sec. 31. 32 V.S.A. § 4041a is amended to read:

§ 4041a. REAPPRAISAL

* * *

~~(b) If the Director of Property Valuation and Review determines that a municipality's education grand list has a coefficient of dispersion greater than~~

~~20 or that a municipality has not timely reappraised pursuant to subsection (d) of this section, the municipality shall reappraise its education grand list properties. If the Director orders a reappraisal, the Director shall send the municipality written notice of the decision. The municipality shall be given 30 days to contest the finding under procedural rules adopted by the Director or to develop a compliance plan, or both. If the Director accepts a proposed compliance plan submitted by the municipality, the Director shall not order commencement of the reappraisal until the municipality has had one year to carry out that plan. [Repealed.]~~

~~(c) If a municipality fails to submit an acceptable plan or fails to carry out the plan, pursuant to subsection (b) of this section, the State shall withhold the education, transportation, and other funds from the municipality until the Director certifies that the town has carried out that plan. [Repealed.]~~

~~(d) Each municipality shall commence a full reappraisal not later than six years after the commencement of the municipality's most recent full reappraisal unless a longer period of time is approved by the Director. [Repealed.]~~

~~(e) The Director shall adopt rules necessary for administration of this section. [Repealed.]~~

Sec. 32. 32 V.S.A. § 5405 is amended to read:

§ 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY

TAX GRAND LIST AND COEFFICIENT OF DISPERSION

(a)(1) Annually, on or before April 1, the Commissioner shall determine the equalized education property tax grand list and coefficient of dispersion for each municipality in the State; provided, however, that for purposes of equalizing grand lists pursuant to this section, the equalized education property tax grand list of a municipality that establishes a tax increment financing district shall include the fair market value of the property in the district and not the original taxable value of the property, and further provided that the unified towns and gores of Essex County may be treated as one municipality for the purpose of determining an equalized education property grand list and a coefficient of dispersion, if the Director determines that all such entities have a uniform appraisal schedule and uniform appraisal practices.

(2) All municipalities within a regional assessment district shall be treated as a single entity for purposes of the equalization process under this section, provided at least one simultaneous full reappraisal has been completed by the member municipalities of the regional assessment district as determined by the Director under subsection 3417(c) of this title.

* * *

Sec. 33. 32 V.S.A. § 3602c is added to read:

§ 3602c. VALUATIONS; PUBLIC UTILITIES

(a) On or before May 1 of each year, the Division of Property Valuation and Review of the Department of Taxes shall furnish the listers in each town or

city with the valuation of all taxable property of any public utility situated therein as reported by such utility to the Division.

(b) Each public utility shall furnish to the Division on or before March 31 of each year a sworn inventory of all its taxable property in such form as will show the valuation of its property in each town, city, or other municipality.

(c) The Division shall prescribe the form of such report and the officer or officers who shall make oath thereto.

(d) The valuations furnished under this section shall be considered along with any other information as may reasonably be required by listers in determining and fixing the valuations of property for the purposes of property taxation. The Division may require that each municipality use certain valuations furnished under this section. The valuations provided by the Division for property used for the transmission and distribution of electricity shall be used by the listers as the valuations of that property for purposes of property taxation.

Sec. 34. REPEALS

(a) 2025 Acts and Resolves No. 73, Secs. 62 (regional assessment districts) and 63 (transition provisions) are repealed.

(b) 32 V.S.A. chapter 131 (appeals) is repealed.

Sec. 35. 32 V.S.A. § 4041a is amended to read:

§ 4041a. REAPPRAISAL

(a)(1) A municipality shall be paid \$8.50 per grand list parcel per year from the General Fund to be used only for ~~reappraisal and costs related to~~ ~~reappraisal of its grand list properties and~~ for maintenance of the grand list.

(2) During the year in which a municipality is scheduled to fully reappraise pursuant to subsection 3417(b) of this title, a municipality may notify the Commissioner in writing that it is prepared to commence the full appraisal. Within 30 days, the Commissioner shall estimate the cost of the municipality's full reappraisal and transfer to the municipality the lesser of two-thirds of the estimated cost or \$66.00 per grand list parcel in the municipality.

* * *

* * * Tax Sales * * *

Sec. 36. 32 V.S.A. § 5252(b) is amended to read:

(b)(1) If the warrant and levy for delinquent taxes has been recorded pursuant to subsection (a) of this section, the municipality in which the real estate lies may secure the property against illegal activity and potential fire hazards after giving the mortgagee or lien holder of record written notice at least 10 days prior to such action.

* * *

(3) Notwithstanding subsection (a) of this section, the collector of taxes may extend a warrant on land pursuant to subsection (a) of this section when an amount less than \$1,500.00 is owed, provided the parcel has no dwelling

capable of habitation on a year-round basis and the parcel was not declared as part of a homestead pursuant to section 5410 of this title.

* * * Conforming Changes; Repeal of 32 V.S.A. Chapter 131 * * *

Sec. 37. 24 V.S.A. § 3616(d) is amended to read:

(d) Where one of the bases of a rent, rate, or charge is the appraised value and the premises to be appraised are tax exempt, the board may cause the listers to appraise the property, including State property, for the purpose of determining the rates, rents, or charges. The right of appeal from the appraisal shall be the same as provided in 32 V.S.A. ~~chapter 131~~ § 3419. The Commissioner of Finance and Management is authorized to issue warrants for rates, rents, or charges against State property and transmit to the State Treasurer who shall draw a voucher in payment of the rates, rents, or charges. No charge so established and no tax levied under the provisions of section 3615 of this title shall be considered to be a part of any tax authorized to be assessed by the legislative body of any municipality for general purposes but shall be in addition to any such tax so authorized to be assessed.

Sec. 38. 24 App. V.S.A. ch. 3, § 92 is amended to read:

§ 92. BOARD OF TAX APPEALS TO HEAR APPEALS; DEADLINE FOR HEARINGS; MANNER OF CONDUCTING; ~~POSSIBLE BOARD OF CIVIL AUTHORITY REVIEW~~

(a) The Board of Tax Appeals shall meet, hear, and determine all appeals in the manner set forth in this section, notwithstanding 32 V.S.A. § 4404 3419.

All such appeals shall be heard and determined ~~no~~ not later than December 31 of that year. Hearings and inspections of the property shall be conducted by the entire panel as described in this section.

(b)(1) The City Assessor shall have the right to request and the Board shall have the right to issue a subpoena for all records of the taxpayer that are material to a determination of the appeal.

(2) Such records shall be regarded as confidential, shall not be further distributed, and shall be utilized only for the purpose of deciding the appeal, provided that no subpoena shall issue unless and until a taxpayer has appealed to the Board of Tax Appeals.

(3) If the taxpayer fails to provide requested records in response to a subpoena properly issued hereunder or refuses to allow an inspection of ~~his or her~~ the taxpayer's property, the appeal shall be deemed withdrawn or dismissed and no further appeal shall be available to such taxpayer.

(c) The Board shall hear and decide appeals by three member hearing panels, the membership of such panels to be rotated on a periodic basis. All three members must be present and voting, and at least two of the three members of the hearing panel must join in the decision in order for it to be valid.

(d) Either a taxpayer or the City Assessor aggrieved by the decision of the Board of Tax Appeals may file an appeal of a decision of the Board of Tax Appeals directly with the ~~Director of the Division of Property Valuation and~~

~~Review of the Vermont Department~~ Commissioner of Taxes or the Superior Court pursuant to 32 V.S.A. § ~~4461~~ 3420 within 30 days ~~of~~ after the mailing of the Board of Tax Appeals' decision to the taxpayer.

(e) The decision of the Board of Tax Appeals, if not further appealed, shall become the basis for the grand list of the taxpayer for the year in question plus the next two years unless new information of a material nature about the property is discovered, the property is materially changed, or the City undertakes a rolling or complete reevaluation of real estate that includes the property in question.

Sec. 39. 24 App. V.S.A. ch. 3, § 330 is amended to read:

§ 330. BOARD OF TAX APPEALS

A Board of Tax Appeals, constituted in the manner set forth in section 91 of this charter, is created. The Board shall have the same duties and proceed in the same manner to hear and determine tax appeals as a ~~board of civil authority under 32 V.S.A. chapter 131, subchapter 1~~ regional assessment district appeals board under 32 V.S.A. § 3419 except as otherwise provided in this charter.

Appeals from decisions of the Board of Tax Appeals ~~or from the Board of Civil Authority as referenced in section 92 of this charter~~ shall be controlled by 32 V.S.A. ~~chapter 131, subchapter 2~~ chapter 121, subchapter 1A, except that the City Assessor may appeal subject to the approval of the City Board of Finance. The Board shall organize each year by the election of a Chair, Vice-Chair, and Clerk. The manner of removal of Board members and filling of

vacancies shall be as provided in sections 129 and 130 of this charter and the Board members shall, except as otherwise herein expressly provided, be subject to all other provisions of this charter relating to public officers.

Sec. 40. 24 App. V.S.A. ch. 103, § 510(d) is amended to read:

(d) In the case of any property used for both residential and nonresidential purposes within the District as of April 1, the Board of Listers (Board) shall adjust the listed value for the purposes of determining the District tax under this section to exclude the value of that portion of the property used for residential purposes. The Board shall determine the adjusted grand list value of the business portion of the property and give notice of the same as provided under 32 V.S.A. ~~chapter 131~~ § 3419. Any property owner may file a grievance with the Board and appeal the decision of the Board as provided for under 32 V.S.A. ~~chapter 131~~ § 3419; however, the filing of an appeal of the determination of the Board and pendency of the appeal shall not vacate the lien on the property assessed, and the District taxes must be paid and continue to be paid as they become due.

Sec. 41. 24 App. V.S.A. ch. 151, § 507(d) is amended to read:

(d) In the case of any property used for both residential and nonresidential purposes within the District as of April 1, the Department of Assessment shall adjust the listed value for the purposes of determining the District tax under this section to exclude the value of that portion of the property used for residential purposes. The Department of Assessment shall determine the

adjusted grand list value of the business portion of the property and give notice of the same as provided under 32 V.S.A. ~~chapter 131~~ § 3419. Any property owner may file a grievance with the Board and appeal the decision of the Board as provided for under 32 V.S.A. ~~chapter 131~~ § 3419; however, the filing of an appeal of the determination of the Board and pendency of the appeal shall not vacate the lien on the property assessed, and the District taxes must be paid and continue to be paid as they become due.

Sec. 42. 24 App. V.S.A. ch. 151, § 707 is amended to read:

§ 707. APPEALS

A person aggrieved by the final decision of the Department of Assessment under the provisions of section 706 of this charter may appeal in writing under the provisions of 32 V.S.A. ~~chapter 131~~ § 3419.

Sec. 43. 32 V.S.A. § 3613 is amended to read:

§ 3613. APPEAL

The State of Vermont shall have the same right to appeal from the appraisal of the listers and assessors and from the decision of the ~~Board of Civil Authority~~ regional assessment district appeals board as is given to any interested individual as provided by ~~chapter 131~~ section 3419 of this title.

Sec. 44. 32 V.S.A. § 3757(c) is amended to read:

(c) For the purposes of the land use change tax, the determination of the fair market value of the land shall be made by the local assessing officials in accordance with the provisions of subsection (b) of this section and divided by

the municipality's most recent common level of appraisal as determined by the Director. The determination shall be made within 30 days after the Director notifies the local assessing officials of the date that the owner has petitioned for withdrawal from use value appraisal or that the Director or local assessing official has determined that development has occurred. The local assessing officials shall notify the Director and the owner of their determination, and the provisions for appeal relating to property tax assessments in chapter ~~131~~ 121, subchapter 1A of this title shall apply.

Sec. 45. 32 V.S.A. § 3758(d) is amended to read:

(d) Any owner who is aggrieved by a decision of the Department of Forests, Parks and Recreation concerning the filing of an adverse inspection report, a denial of approval of a management plan, or a certification to the Director with respect to land for which a wastewater permit is issued may appeal to the Commissioner of Forests, Parks and Recreation within 60 days ~~of~~ following the filing of the adverse inspection report, the decision to deny approval, or the certification to the Director. An appeal of this decision of the Commissioner may be taken to the Superior Court in the same manner and under the same procedures as an appeal from a decision of a ~~Board of Civil Authority~~ regional assessment district appeals board, as set forth in ~~chapter 131, subchapter 2~~ section 3420 of this title.

Sec. 46. 32 V.S.A. § 3760(a)(2) is amended to read:

(2) The Director of Property Valuation and Review shall determine the amount of the available funds under this section to be paid to each municipality, and a municipality may appeal the Director's decision in the same manner and under the same procedures as an appeal from a decision of a ~~Board of Civil Authority~~ regional assessment district appeals board, as set forth in ~~chapter 131, subchapter 2~~ section 3420 of this title.

Sec. 47. 32 V.S.A. § 3846(d) is amended to read:

(d) Whenever the assessing officials deny in whole or in part any application for classification as farmland or ~~forest land~~ forestland or grant a different classification than that applied for, or fix an erroneous use value appraisal for eligible land, the aggrieved owner may appeal the decision in accordance with the provisions set forth in ~~chapter 131~~ section 3419 of this title. The appeal shall be heard in the same manner and under the same procedures as other appeals relating to real property appraisals and taxation.

Sec. 48. 32 V.S.A. § 4006 is amended to read:

§ 4006. FAILURE TO RETURN INVENTORY

Failure of a taxpayer to make and return a signed, sworn to, or affirmed inventory within 45 days after the mailing of such inventory by the town listers or assessors shall bar the taxpayer from any statutory appeal under this chapter or ~~chapter 131~~ 121, subchapter 1A of this title, unless such failure is due to factors beyond the taxpayer's control. In addition, a taxpayer who fails to

submit an inventory within the time and in the form prescribed may be fined not more than \$100.00 for each violation.

Sec. 49. 32 V.S.A. § 5136(b) is amended to read:

(b) Whenever a municipality votes to collect interest on overdue taxes pursuant to this section, interest in like amount shall be paid by the municipality to any person making any overpayment of taxes occurring as a result of a redetermination of the grand list of the taxpayer on appeal provided by chapter ~~134~~ 121, subchapter 1A of this title.

Sec. 50. 32 V.S.A. § 5409(3)(B) is amended to read:

(B) Persons aggrieved by decisions of the listers or assessors may appeal in the manner provided for property tax appeals in chapter ~~134~~ 121, subchapter 1A of this title, and the Commissioner of Taxes shall have all the powers described in chapter 133 of this title.

Sec. 51. 32 V.S.A. § 5410(j) is amended to read:

(j) A taxpayer may appeal a determination of domicile for purposes of a homestead declaration or an assessment of fraud penalty under this section to the Commissioner in the same manner as an appeal under chapter 151 of this title. A taxpayer may appeal an assessment of any other penalty under this section to the listers within 14 days after the date of mailing of notice of the penalty, and from the listers to the ~~board of civil authority~~ regional assessment district appeals board, and ~~thereafter~~ to the courts or Commissioner, in the same manner as an appraisal appeal under chapter ~~134~~ 121, subchapter 1A of

this title. The legislative body of a municipality shall have authority in cases of hardship to abate all or any portion of a penalty appealable to the listers under this section and any tax, penalty, and interest arising out of a corrected property classification under this section, and shall state in detail in writing the reasons for its grant or denial of the requested abatement. The legislative body may delegate this abatement authority to the board of civil authority or the board of abatement for the municipality. Requests for abatement shall be made to the municipal treasurer or other person designated to collect current taxes, and that person shall forward all requests, with that person's recommendation, to the body authorized to grant or deny abatement.

Sec. 52. 32 V.S.A. § 5412 is amended to read:

§ 5412. REDUCTION OF LISTED VALUE AND RECALCULATION OF
EDUCATION TAX LIABILITY

(a)(1) If a listed value is reduced as the result of an appeal or court action made pursuant to section ~~4461~~ 3420 of this title, a municipality may submit a request for the Director of Property Valuation and Review to recalculate its education property tax liability for the education grand list value lost due to a determination, declaratory judgment, or settlement. The Director shall recalculate the municipality's education property tax liability for each year at issue, in accord with the reduced valuation, provided that:

(A) The reduction in valuation is the result of an appeal under chapter ~~131~~ 121, subchapter 1A of this title to the ~~Director of Property~~

~~Valuation and Review~~ Commissioner or to a court, with no further appeal available with regard to that valuation, or any judicial decision with no further right of appeal, or a settlement of either an appeal or court action if the Director determines that the settlement value is the fair market value of the parcel. The Director may waive the requirement of continuing an appeal or court action until there is no further right of appeal if the Director concludes that the value determined by an adjudicated decision is a reasonable representation of the fair market value of the parcel.

(B) The municipality submits the request on or before January 15 for a request involving an appeal or court action resolved within the previous calendar year.

(C) [Repealed.]

(D) The Director determines that the municipality's actions were consistent with best practices published by the Property Valuation and Review in consultation with the Vermont Assessors and Listers Association. The municipality shall have the burden of showing that its actions were consistent with the Director's best practices.

(2) A determination of the Director made under subdivision (1) of this subsection may be appealed within 30 days by an aggrieved municipality to the Commissioner for a hearing to be held in accordance with 3 V.S.A. §§ 809–813. The Commissioner's determination may be further appealed to Superior Court, which shall review the Commissioner's determination using the record

that was before the Commissioner. The Commissioner's determination may only be overturned for abuse of discretion.

(3) Upon the Director's request, a municipality submitting a request under subdivision (1) of this subsection shall include a copy of the agreement, determination, or final order, and any other documentation necessary to show the existence of these conditions.

(b) To the extent that the municipality has paid that liability, the Director shall allow a credit for any reduction in education tax liability against the next ensuing year's education tax liability.

(c) If a listed value is increased as the result of an appeal under ~~chapter 131~~ 121, subchapter 1A of this title or court action, whether adjudicated or settled, and the Director determines that the settlement value is the fair market value of the parcel with no further appeal available with regard to that valuation, the Director shall recalculate the municipality's education property tax for each year at issue, in accord with the increased valuation, and shall assess the municipality for the additional tax at the same time the Director assesses the municipality's education tax liability for the next ensuing year, unless the resulting assessment would be less than \$300.00. Payment under this section shall be due with the municipality's education tax liability for the next ensuing year.

* * *

* * * Regional Assessment District Transition * * *

Sec. 53. TRANSITION; ANNUAL PROGRESS REPORT

On or before every January 15 from January 15, 2028, to January 15, 2031, the Commissioner of Taxes shall submit a report to the House Committee on Ways and Means and the Senate Committee on Finance relating to the progress made in preparing for the implementation of regional assessment districts pursuant to this act.

Sec. 54. REGIONAL ASSESSMENT DISTRICT BOUNDARIES

(a) The Commissioner of Taxes shall identify and submit proposed geographic boundaries for regional assessment districts that are aligned with school district boundaries and have a minimum of 10,000 parcels to the House Committees on Government Operations and Military Affairs and on Ways and Means and to the Senate Committees on Finance and on Government Operations.

(b) Notwithstanding subsection (a) of this section, the Commissioner may, at the Commissioner's discretion, identify a regional assessment district boundary that includes more than one school district or identify more than one regional assessment district boundary within one school district.

(c) It is the intent of the General Assembly to enact regional assessment district boundaries based on the Commissioner's geographic boundaries proposed under this section.

Sec. 55. [Deleted.]

* * * Valuation of Certain Property in a Limited Equity Cooperative * * *

Sec. 56. [Deleted.]

Sec. 57. 32 V.S.A. § 4152 is amended to read:

§ 4152. CONTENTS

(a) When completed, the grand list of a town shall be in such form as the Director prescribes and shall contain such information as the Director prescribes, including:

* * *

(10) A separate column listing the number of dwelling units, as defined pursuant to subdivision 4152a(c)(2) of this title.

* * *

Sec. 58. 32 V.S.A. § 4152a is added to read:

§ 4152a. PROPERTY TAX CLASSIFICATIONS

(a) Establishment. Each parcel of real estate shall be classified as one or more of the classifications listed under subsection (b) of this section and based on information and guidance provided by the Commissioner of Taxes under this section and rules adopted pursuant section 5410 of this title.

(b) Classifications. A parcel shall be assigned one or more of the following general classes:

- (1) homestead;
- (2) nonhomestead nonresidential; and
- (3) nonhomestead residential.

(c) Definitions. As used in this section:

(1) “Commissioner” means the Commissioner of Taxes.

(2) “Dwelling unit” means a building or part of a building, including a single-family home, a unit within a multifamily building, an apartment, a condominium, or other similar property or structure containing a separate means of ingress and egress that:

(A) is designed or intended to be used for occupancy by one or more persons in a household, including providing living facilities for sleeping, cooking, and sanitary needs; and

(B) is fit for year-round habitation as determined by the Commissioner.

(3) “Homestead” has the same meaning as in subdivision 5401(7) of this title and means a parcel, or portion of a parcel, declared as a homestead on or before October 15 in accordance with section 5410 of this title for the current year.

(4)(A) “Long-term rental” means:

(i) a dwelling unit for which rent is paid for the right of occupancy for periods of at least 30 days;

(ii) a dwelling unit with combined rental periods in the current calendar year that total at least six calendar months, which need not be consecutive; and

(iii) the Commissioner determines there is a bona fide landlord-tenant relationship between the parties. To make this determination, the Commissioner may consider whether the landlord and tenant are related parties, whether the landlord charges the tenant fair market rent, whether the landlord is an entity with a business purpose other than the avoidance of tax, and any other factor the Commissioner deems relevant.

(B) “Long-term rental” also means a dwelling unit used by an employer to house the employer’s employees for at least six calendar months, which need not be consecutive, in the current calendar year. As used in this section, “employee” means an individual who is reported by an employer for purposes of complying with Vermont unemployment compensation law pursuant to 21 V.S.A. chapter 17 or a farm employee as defined by 9 V.S.A. § 4469a(a)(1), without regard for whether the farm employee is reported pursuant to 21 V.S.A. chapter 17.

(5) “Nonhomestead nonresidential” means a parcel, or portion of a parcel, that does not qualify as “homestead” or “nonhomestead residential” under this section.

(6) “Nonhomestead residential” means a parcel, or portion of a parcel, with a dwelling unit that is not:

(A) a homestead;

(B) rented out as a long-term rental;

(C) a mobile home, as defined under 10 V.S.A. § 6201(1), but not including other types of manufactured homes; or

(D) part of a lodging establishment licensed under 18 V.S.A. chapter 85, subchapter 2.

(d) Mixed-use parcels. A parcel with two or more portions qualifying as different classifications shall be classified proportionally as follows:

(1) Buildings shall be classified proportionally based on the percentage of finished floor space used. Improvements and structures on a nonhomestead residential parcel shall be classified as nonhomestead residential unless used for a business purpose.

(2) Underlying land, including improvements or fixtures that lack floor space, shall be classified proportionally based on the same percentage as the finished floor space of the buildings.

(3) Notwithstanding any provision of this subsection to the contrary, the entire parcel of land surrounding a homestead shall be classified as homestead in accordance with subdivision 5401(7) of this title, including any improvements or structures considered part of a homestead under subdivision 5401(7)(F) of this title.

(4) If a portion of floor space is used for more than one purpose, the use for which the floor space is most often used shall be considered the primary use and the floor space shall be dedicated to that use for purposes of tax

classification, except as provided for a homestead under subdivision 5401(7) of this title.

(e) Forms. The Commissioner shall amend existing forms, and publish new forms, as needed to gather the necessary attestations and declarations required under this section.

(f) Use value appraisal. Nothing in this section shall be construed to alter the tax treatment or enrollment eligibility of property as it relates to use value appraisal under chapter 124 of this title.

Sec. 58a. RECOMMENDATIONS; TAX CLASSIFICATIONS APPEALS

On or before December 15, 2027, the Department of Taxes shall submit recommended legislative language to the House Committee on Ways and Means and the Senate Committee on Finance establishing the process for an aggrieved taxpayer to appeal a local or State determination affecting the tax classification of the taxpayer's property under 32 V.S.A. § 4152a, as established by this act.

Sec. 59. 32 V.S.A. § 5410 is amended to read:

§ 5410. DECLARATION OF HOMESTEAD; DWELLING USE

ATTESTATION

* * *

(g) If the property identified in a declaration under subsection (b) of this section is not the taxpayer's homestead ~~or if the owner of a homestead fails to declare a homestead as required under this section,~~ the Commissioner shall

notify the municipality, and the municipality shall issue a corrected tax bill that may, as determined by the governing body of the municipality, include a penalty of up to ~~three~~ five percent of the education tax on the property.

~~However, if the property incorrectly declared as a homestead is located in a municipality that has a lower homestead tax rate than the nonhomestead tax rate or if an undeclared homestead is located in a municipality that has a lower nonhomestead tax rate than the homestead tax rate, then the governing body of the municipality may include a penalty of up to eight percent of the education tax liability on the property.~~ If the Commissioner determines that the declaration or failure to declare was with fraudulent intent, then the ~~municipality~~ Commissioner shall assess the taxpayer a penalty in an amount equal to 100 percent of the education tax on the property, plus any interest and late-payment fee or commission that may be due. Any penalty imposed under this section by a municipality and any additional property tax interest and late-payment fee or commission shall be assessed and collected by the municipality in the same manner as a property tax under chapter 133 of this title.

Notwithstanding section 4772 of this title, issuance of a corrected bill issued under this section does not extend the time for payment of the original bill nor relieve the taxpayer of any interest or penalties associated with the original bill.

If the owner of a homestead fails to declare a homestead as required under this section, the Commissioner shall notify the municipality, and the municipality shall issue a corrected tax bill. If the corrected bill is less than the original bill

and there are also no unpaid current year taxes, interest, or penalties and no past year delinquent taxes or penalties and interest charges, any overpayment shall be reflected on the corrected tax bill and refunded to the taxpayer.

* * *

(i) An owner filing a new or corrected declaration or dwelling use attestation or rescinding an erroneous declaration or dwelling use attestation after October 15 shall not be entitled to a refund resulting from the correct property classification, and any additional property tax and interest that would result from the correct classification shall not be assessed as tax and interest, but shall instead constitute an additional penalty to be assessed and collected in the same manner as penalties under subsection (g) of this section. Any change in property classification under this subsection shall not be entered on the grand list.

(j) A taxpayer may appeal a determination of domicile for purposes of a homestead declaration or an assessment of fraud penalty under this section to the Commissioner in the same manner as an appeal under chapter 151 of this title. A taxpayer may appeal an assessment of any other penalty under this section to the listers within 14 days after the date of mailing of notice of the penalty, and from the listers to the board of civil authority, and thereafter to the courts, in the same manner as an appraisal appeal under chapter 131 of this title. The legislative body of a municipality shall have authority in cases of hardship to abate all or any portion of a penalty appealable to the listers under

this section and any tax, penalty, and interest arising out of a corrected property classification under this section, and shall state in detail in writing the reasons for its grant or denial of the requested abatement. The legislative body may delegate this abatement authority to the board of civil authority or the board of abatement for the municipality. Requests for abatement shall be made to the municipal treasurer or other person designated to collect current taxes, and that person shall forward all requests, with that person's recommendation, to the body authorized to grant or deny abatement.

(k) A municipality may retain any penalties and interest assessed and collected in accord with this section.

(l) "Hardship" under this section means an owner's inability to pay as certified by the Commissioner of Taxes, in the Commissioner's discretion, or means an owner filing an incorrect, or failing to file a correct, homestead declaration or dwelling use attestation due to one or more of the following:

- (1) full-time active military duty of the declarant outside the State;
- (2) serious illness or disability of the declarant;
- (3) serious illness, disability, or death of an immediate family member of the declarant; and
- (4) fire, flood, or other disaster.

(m)(1) Annually, on or before the due date for filing the Vermont income tax return, without extension, each owner of a property with a dwelling unit, as defined under subdivision 4152a(c)(2) of this title, that is not declared as a

homestead pursuant to this section, may file a dwelling use attestation describing how the dwelling unit will be used in the current year for purposes of assigning a tax classification under section 4152a of this title. Properties with a dwelling unit for which no homestead declaration or dwelling use attestation have been filed shall be assigned the tax classification with the highest statewide education tax rate multiplier under section 5402(a) of this title. The Commissioner may collect any additional information through the attestation as required to administer the classification of properties pursuant to section 4152a of this title.

(2) If the Commissioner determines that a filed dwelling use attestation contains errors or omissions but does not find that the filing was made with fraudulent intent, the Commissioner shall notify the municipality, and the municipality shall issue a corrected tax bill that may, as determined by the governing body of the municipality, include a penalty of up to five percent of the education tax on the property. Any penalty imposed under this subdivision and any additional property tax interest and late-payment fee or commission shall be assessed and collected by the municipality in the same manner as a property tax under chapter 133 of this title. The municipality assessing and collecting any fee, interest, or commission under this subdivision shall retain it to pay for municipal services.

(3) If the Commissioner determines that a filed dwelling use attestation contains errors or omissions and further finds that the filing was made with

fraudulent intent, then the Commissioner shall assess the taxpayer a penalty in an amount equal to 100 percent of the education tax on the property, plus any interest and late-payment fee that may be due. The Commissioner shall further notify the municipality, and the municipality shall issue a corrected tax bill. Any penalty imposed under this subdivision and any additional property tax interest and late-payment fee shall be assessed and collected by the Commissioner.

Sec. 60. PROPERTY TAX CLASSIFICATIONS; TRANSITION; DATA
COLLECTION

For calendar year 2028, the Commissioner of Taxes shall amend and create forms so that taxpayers report information on the use of their property for such property to be classified as homestead, nonhomestead residential, nonhomestead nonresidential, or a proportional classification of those uses. The information collected, and classifications determined, shall align with the definitions and requirements of this act. The Commissioner shall use the information to determine and assign a tax classification for every grand list parcel, and on or before October 1, 2028, the Commissioner shall provide that information to the Joint Fiscal Office.

Sec. 61. REPEALS

2025 Acts and Resolves No. 73, Secs. 60 (grand list contents), 61 (property tax classifications), 61a (transition; data collection), 61c (rate multipliers; intent), and 61d (prospective repeal) are repealed.

Sec. 62. TAX CLASSIFICATIONS; RATE MULTIPLIERS; INTENT

It is the intent of the General Assembly that the creation of a tax classification system, and the specific tax classifications to be used by that system, will be reevaluated at the same time as any further amendment of the tax rate multipliers created under 32 V.S.A. § 6066(a) as amended by 2025 Acts and Resolves No. 73.

Sec. 63. PROSPECTIVE REPEALS

In order to ensure the successful implementation of education finance reform as set forth in this act, in the absence of legislative action on or before July 1, 2029, that creates a new tax rate multiplier to be used in a tax classification system, Secs. 58, 59, and 64 of this act are repealed on July 1, 2029.

Sec. 64. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

* * *

(7) “Homestead”:

(A) “Homestead” means the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by a resident individual as the individual’s domicile or owned and fully leased on April 1, provided the property is not leased for more than 182 days out of the calendar year or, for

purposes of the renter credit under subsection 6066(b) of this title, is rented and occupied by a resident individual as the individual's domicile.

(B) The parcel of land surrounding the dwelling shall be determined without regard to any road that intersects the land. If the parcel of land surrounding the dwelling is owned by a cooperative housing corporation incorporated under 11 V.S.A. chapter 14 or owned by a nonprofit land conservation corporation or community land trust with exempt status under ~~26 U.S.C.~~ U.S.C. § 501(c)(3), the homestead includes a pro rata part of the land upon which the dwelling is built, as determined by the cooperative corporation, nonprofit corporation, or land trust.

(C) A homestead may consist of a part of a multidwelling or multipurpose building, including cooperative property occupied as a permanent residence by a member of a cooperative housing corporation incorporated under 11 V.S.A. chapter 14. A mobile home may constitute a principal dwelling for purposes of this chapter.

(D) A dwelling owned by a trust may qualify as a homestead if it meets the requirements of subsection 6062(e) of this title.

(E)(i) A homestead also includes a dwelling on the homestead parcel owned by a farmer as defined under section 3752 of this title and occupied as the permanent residence by a parent, sibling, child, or grandchild of the farmer or by a shareholder, partner, or member of the farmer-owner, provided that the shareholder, partner, or member owns more than 50 percent of the farmer-

owner, including attribution of stock ownership of a parent, sibling, child, or grandchild.

(ii) A homestead further includes the principal dwelling of a widow or widower, provided the dwelling is owned by the estate of the deceased spouse and it is reasonably likely that the dwelling will pass to the widow or widower by law or valid will when the estate is settled.

(F) A homestead also includes any other improvement or structure on the homestead parcel that is not used for business purposes, including a nonprincipal dwelling used exclusively by the owner for domestic purposes as part of the homestead on the same parcel. A homestead does not include that portion of a principal dwelling used for business purposes if the portion used for business purposes includes more than 25 percent of the floor space of the building.

(G) For purposes of homestead declaration and application of the homestead property tax rate, “homestead” also means a residence that was the homestead of the decedent at the date of death and, from the date of death through the next April 1, is held by the estate of the decedent and not rented.

(H) A homestead does not include any portion of a dwelling that is rented, and a dwelling is not a homestead for any portion of the year in which it is rented.

(I) A homestead also includes any dwelling that is used as a homestead without regard for whether it is fit for year-round habitation.

* * *

* * * State Aid for School Construction * * *

Sec. 65. SCHOOL CONSTRUCTION; FINDINGS; INTENT

(a) The General Assembly finds that:

(1) Much of Vermont's school facilities portfolio is at or near the end of its useful life and will require substantial investment to address deferred maintenance and other necessary updates. The school facilities assessments conducted pursuant to 2021 Acts and Resolves No. 72 identified over \$6,000,000,000.00 in total needs over a 21-year period, with an average annual need of \$300,000,000.00 just to achieve replacement in kind. These needs have only grown since their estimation in 2023.

(2) Under Vermont's current education finance system, school construction expenditures are paid from the Education Fund and apply pressure to property taxes. While non-property tax revenues support a share of Education Fund expenditures, property tax revenues make up the bulk of the Education Fund and are expected to make up an even larger share as Education Fund expenditures outpace growth in non-property tax revenues.

(3) Although school construction decision making is controlled at the local level, the costs of that decision making are spread across all property taxpayers in Vermont. A school district's decision to bond for a school construction project increases both the district's homestead property tax rate and the property tax rates of school districts across Vermont.

(4) Vermont's school budgeting process asks school districts and property taxpayers to weigh operating expenditures against capital expenditures within the same budgetary constraints. So long as both costs are borne by the property tax, school districts are disincentivized from taking on school construction projects, and certain communities in Vermont may struggle to support even necessary school construction expenditures.

(5) The foundation formula created in 2025 Acts and Resolves No. 73 did not provide funding for additional capital investment in school facilities. Unless additional revenue sources are utilized or an alternative financing model is identified, new school construction projects will continue to be funded from the Education Fund and will continue to apply pressure to property taxpayers across Vermont.

(b) It is the intent of the General Assembly to:

(1) create greater scale, increase the efficiency of the delivery of education services, and encourage the efficient use of funds by prioritizing school construction projects that align with the creation of the new school governance structures expressed in this act;

(2) address inequities in education funding across the State and remove disincentives to the construction of necessary and educationally appropriate school facilities by offering State aid in the form or forms best suited to a school district's local context and needs;

(3) recognize the urgency and opportunity offered by Vermont's education transformation as expressed in this act and 2025 Acts and Resolves No. 73 by identifying alternative models for funding school construction;

(4) in the short term, catalyze the State Aid for School Construction Program by providing State aid in the form of up to an additional \$50,000,000.00 annually in State bonding capacity to support the construction or renovation of school facilities that support the consolidation of school governance structures and improve access to educational opportunities for public school students;

(5) in the long term, provide State aid in the form of a debt service subsidy to school districts pursuing school construction projects that align with the goals of the State Aid for School Construction Program;

(6) throughout Vermont's education transformation, provide State aid through multiple funding streams until the burden on property taxpayers imposed by school construction expenditures can be reduced; and

(7) leverage the capacities of the Vermont Bond Bank to simplify bond issuances for school districts, increase financing opportunities, and protect the State's credit rating.

Sec. 66. AGENCY OF EDUCATION; SCHOOL CONSTRUCTION
DIVISION; POSITIONS; APPROPRIATION

(a) The establishment of the following new limited service classified positions is authorized in the Agency of Education in fiscal year 2027:

(1) one School Construction Program Director;

(2) one Financial Manager I;

(3) one School Construction Coordinator; and

(4) one Architectural Design Reviewer or Educational Facility Planner.

(b) The sum of \$500,000.00 is appropriated from the General Fund to the Agency of Education in fiscal year 2027 for the positions established in subsection (a) of this section.

(c) The Secretary of Education shall include as part of the Agency's budget submitted to the Governor pursuant to 16 V.S.A. § 212(21) for fiscal year 2028 a request to provide appropriate funding levels for the positions created by this section, and any other positions necessary, to permanently staff the School Construction Division of the Agency.

(d) The School Construction Division shall provide comprehensive technical assistance to the Agency of Education and the State Aid for School Construction Advisory Board on the implementation of the State Aid for School Construction Program.

Sec. 66a. FACILITIES MASTER PLAN GRANT PROGRAM;

APPROPRIATION

The sum of \$800,000.00 is transferred from the General Fund to the School Construction Aid Special Fund in fiscal year 2027 for the purpose of awarding grants through the Facilities Master Plan Grant Program established in 16 V.S.A. § 3441 to supervisory unions for the development of educational

facilities master plans as part of the merger committee process created in Sec. 13 of this act.

Sec. 67. AGENCY OF EDUCATION; STATE AID FOR SCHOOL
CONSTRUCTION; RULEMAKING

On or before March 1, 2028, the Agency of Education, in consultation with the State Aid for School Construction Advisory Board, shall adopt rules on school construction and capital outlay pursuant to 3 V.S.A. chapter 25 and 16 V.S.A. § 3442(2), including rules to address prioritization and bonus incentives that reward school districts for:

(1) consolidating school governance structures, whether through the merger committee process under Sec. 13 of this act or by other voluntary means;

(2) improving access for public school students to excellent educational opportunities, including CTE, shared special education services for high-needs students, and improved comprehensive curricular offerings; and

(3) remediating or eliminating health and safety issues.

Sec. 68. STATE AID FOR SCHOOL CONSTRUCTION ADVISORY
BOARD; IDENTIFICATION OF REGIONAL HIGH SCHOOLS
AND REHABILITATION OPPORTUNITIES; REPORT

(a) On or before December 1, 2026, the State Aid for School Construction Advisory Board shall provide a written report to the General Assembly that:

(1) identifies three to five feasible opportunities for the construction or renovation of regional high schools to promote the consolidation of school governance structures and improve access for public school students to excellent educational opportunities, including CTE, shared special education services for high-needs students, and improved comprehensive curricular offerings; and

(2) provides a preliminary siting study for each identified school construction project that includes the cost, location, and any other factor the Board deems relevant to the General Assembly's consideration of the project.

(b) In developing the Board's report, the Board shall specifically consider how to achieve appropriate scale, given research on school size and travel times, and how to achieve regional comprehensive high schools.

Sec. 68a. STATE AID FOR SCHOOL CONSTRUCTION PROGRAM;

INTENT

It is the intent of the General Assembly to clarify that the State shall not offer aid under the State Aid for School Construction Program under 16 V.S.A. chapter 123 until the General Assembly has received the Capital Debt Affordability Advisory Committee's recommendation under 16 V.S.A. § 3445(a)(6)(C) on total State bonding support and annual debt service subsidies to be awarded under the Program, the Agency of Education has operationalized its School Construction Division and completed rulemaking on school construction and capital outlay, and the General Assembly has

committed to a stable funding source, which may be State bonding support, to support the Program.

Sec. 69. 16 V.S.A. § 3440 is amended to read:

§ 3440. STATEMENT OF POLICY

(a) It is the intent of this chapter to encourage the efficient use of public funds to modernize school infrastructure in alignment with current educational needs. School construction projects supported by this chapter should be developed taking consideration of standards of quality for public schools under section 165 of this title and prioritizing cost, geographic accessibility, 21st century education facilities standards, statewide enrollment trends, and capacity and scale that support best educational practices. Further, it is the intent of this chapter to encourage the use of existing infrastructure to meet the needs of Vermont students. Joint construction projects between two or more school districts and consolidation of buildings within a district where feasible and educationally appropriate are encouraged.

(b) It is further the intent of this chapter to prioritize school construction projects that align with the creation of new school governance structures under legislation enacted by the General Assembly in 2026 that requires each school board to participate in a merger committee to study the advisability of forming a unified union school district. It is the intent of this chapter to leverage additional State bonding capacity to support the construction of these projects

while the State identifies the total school construction need to be supported by State aid offered under this chapter.

Sec. 70. 16 V.S.A. § 3442 is amended to read:

§ 3442. STATE AID FOR SCHOOL CONSTRUCTION PROGRAM

The Agency of Education shall be responsible for implementing the State Aid for School Construction Program according to the provisions of this chapter. The Agency shall be responsible for:

* * *

(2) adopting rules pursuant to 3 V.S.A. chapter 25 pertaining to school construction and capital outlay, including rules to specify a point prioritization methodology and a bonus incentive structure aligned with the legislative intent expressed in section 3440 of this title;

(3) including as part of its budget submitted to the Governor pursuant to subdivision 212(21) of this title its annual school construction funding request, including any projects contemplated under subsection 3440(b) of this chapter for funding through State bonding;

* * *

Sec. 71. 16 V.S.A. § 3443 is amended to read:

§ 3443. STATE AID FOR SCHOOL CONSTRUCTION ADVISORY
BOARD

* * *

(e) Assistance. The Board shall have the administrative, technical, and legal assistance of the Agency of Education, the School Construction Division, and the School Construction Program Director.

* * *

~~(g) Report. On or before December 15, 2025, the Board shall submit a written report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance on recommendations for addressing the transfer of any debt obligations from current school districts to future school districts as contemplated by Vermont's education transformation. [Repealed.]~~

Sec. 72. 16 V.S.A. § 3445 is amended to read:

§ 3445. APPROVAL AND FUNDING OF SCHOOL CONSTRUCTION
PROJECTS

(a) Construction aid.

(1) Preliminary application for construction aid. A school district eligible for assistance under section 3447 of this title that intends to construct or purchase a new school, or make extensive additions or alterations to its existing school, and desires to avail itself of State school construction aid shall submit a written preliminary application to the Secretary. A preliminary application shall include information required by the Agency by rule and shall specify the need for and purpose of the project.

(2) Approval of preliminary application.

(A) When reviewing a preliminary application for approval, the Secretary shall consider:

- (i) regional educational opportunities and needs, including school building capacities across school district boundaries, and available infrastructure in neighboring communities;
- (ii) economic efficiencies;
- (iii) the suitability of an existing school building to continue to meet educational needs; and
- (iv) statewide educational initiatives.

(B) The Secretary may approve a preliminary application if:

- (i)(I) the project or part of the project fulfills a need occasioned by:
 - (aa) conditions that threaten the health or safety of students or employees;
 - (bb) facilities that are inadequate to provide programs required by State or federal law or regulation;
 - (cc) excessive energy use resulting from the design of a building or reliance on fossil fuels or electric space heat; or
 - (dd) deterioration of an existing building; or
- (II) the project results in consolidation of two or more school buildings and will serve the educational needs of students in a more cost-

effective and educationally appropriate manner as compared to individual projects constructed separately;

(ii) the need addressed by the project cannot reasonably be met by another means;

(iii) the proposed type, kind, quality, size, and estimated cost of the project are suitable for the proposed curriculum and meet all legal standards;

(iv) the applicant ~~achieves the level of “proficiency”~~ demonstrates proficiency in the school district quality standards regarding facilities management adopted by rule by the Agency; ~~and~~

(v) the applicant has completed a facilities master planning process that:

(I) engages robust community involvement;

(II) considers regional solutions;

(III) evaluates environmental contaminants; and

(IV) produces a facilities master plan that unites the applicant’s vision statement, educational needs, enrollment projections, renovation needs, and construction projects; and

(vi) if the applicant school district is applying for construction aid for a school building that was constructed or renovated before 1980, the applicant has completed indoor air quality testing for polychlorinated

biphenyls that was conducted according to the Department of Environmental Conservation's standards for testing.

(3) Priorities. Following approval of a preliminary application and provided that the district has voted funds or authorized a bond for the total estimated cost of a project, the Agency, with the advice of the State Aid for School Construction Advisory Board, shall assign points to the project as prescribed by rule of the Agency so that the project can be placed on a priority list based on the number of points received.

(4) Request for legislative appropriation. The Agency shall submit its annual school construction funding request to the Governor as part of its budget pursuant to subdivision 212(21) of this title and shall clearly identify those projects contemplated under subsection 3440(b) of this chapter for funding through State bonding. Following submission of the Governor's recommended budget to the General Assembly pursuant to 32 V.S.A. § 306 and submission of the Governor's recommended capital budget to the General Assembly pursuant to 32 V.S.A. § 309, the House ~~Committee~~ Committees on Education and on Ways and Means and the Senate ~~Committee~~ Committees on Education and on Finance shall recommend a total school construction appropriation for the next fiscal year to the General Assembly for inclusion in the education payment under subsection 4011(a) of this title.

(5) Final approval for construction aid.

(A) Unless approved by the Secretary for good cause in advance of commencement of construction, a school district shall not begin construction before the Secretary approves a final application. A school district may submit a written final application to the Secretary at any time following approval of a preliminary application.

(B) The Secretary may approve a final application for a project provided that:

(i) the project has received preliminary approval;

(ii) the district has voted funds or authorized a bond for the total estimated cost of the project, provided that the district shall not issue the bond until the Secretary notifies the district of its State bonding support;

(iii) the district has made arrangements for project construction supervision by persons competent in the building trades;

(iv) the district has provided for construction financing of the project during a period prescribed by the Agency;

(v) the project has otherwise met the requirements of this chapter;

(vi) if the proposed project includes a playground, the project includes a requirement that the design and construction of playground equipment follow the guidelines set forth in the U.S. Consumer Product Safety Commission Handbook for Public Playground Safety; and

(vii) if the total estimated cost of the proposed project is less than \$50,000.00, no performance bond or irrevocable letter of credit shall be required.

(C) The Secretary may provide that a grant for a high school project is conditioned upon the agreement of the recipient to provide high school instruction for any high school pupil living in an area prescribed by the Agency who may elect to attend the school.

(D) A district may begin construction upon receipt of final approval. However, a district shall not be reimbursed for debt incurred due to borrowing of funds in anticipation of aid under this section.

(6) Award of construction aid.

(A) The base amount of an award shall ~~be 20~~ fund 30 percent of the ~~eligible debt service~~ total approved cost of a project. Projects for which the applicant is a consolidated school district are eligible for additional bonus incentives as specified in rule ~~for~~ to fund up to an additional ~~20~~ 45 percent of the ~~eligible debt service~~ total approved cost.

(B) Construction aid shall be awarded as a debt service subsidy, as support through State bonding, or as a combination of both. Amounts shall be awarded annually and are subject to an annual appropriation for the purposes of the program.

~~(B) As used in subdivision (A) of this subdivision (6), "eligible debt service cost" of a project means the product of the lifetime cost of the bond~~

~~authorized for the project and the ratio of the approved cost of a project to the total cost of the project.~~

(C) Annually, the Capital Debt Affordability Advisory Committee (CDAAC) shall recommend to the House Committees on Education, on Ways and Means, and on Corrections and Institutions and the Senate Committees on Education, on Finance, and on Institutions the annual total State bonding support available for the capital budget and this program and the annual debt service subsidies to be awarded under this chapter. The recommendation shall include an analysis of how the use of State bonding support for school construction under this program affects overall capital budget capacity.

(D) As used in subdivision (A) of this subdivision (a)(6), “consolidated school district” means either of the following:

(i) a school district that results from a merger identified as advisable in a merger committee’s final recommendations offered pursuant to Sec. 13(b) of legislation enacted by the General Assembly in 2026 that requires each school board to participate on a merger committee to study the advisability of forming a unified union school district; or

(ii) a school district with an average daily membership of at least 2,000 students.

(b) Emergency aid. Notwithstanding any other provision of this section, the Secretary may grant aid for a project the Secretary deems to be an

emergency in the amount of 30 percent of eligible project costs, up to a maximum eligible total project cost of \$300,000.00.

(c) Wage requirements. Any contract awarded for school construction that is paid for with State aid shall adhere to the higher of:

(1) the prevailing wage requirements established for State construction projects under 29 V.S.A. § 161(b); or

(2) the prevailing local wage requirements as determined by the U.S. Department of Labor under the Davis-Bacon Act, 40 U.S.C. §§ 3141–3148, and related federal acts and regulations.

Sec. 73. REPEAL

16 V.S.A. § 3454 (deferred maintenance) is repealed.

Sec. 74. 16 V.S.A. § 4033 is added to read:

§ 4033. LEGACY DEBT AID

(a) A school district shall be eligible to receive legacy debt aid pursuant to this section only if the district is not identified as a bad faith participant in the facilitator report submitted pursuant to Sec. 15 of legislation enacted by the General Assembly in 2026 that requires each school board to participate in a merger committee to study the advisability of forming a unified union school district.

(b) An eligible school district's legacy debt aid shall equal 75 percent of the debt service cost of any debt that is approved by the voters of the district

related to facility construction and renovation and for which construction has begun as of December 31, 2024.

(c) Aid shall be awarded annually for annual debt service costs up to a maximum total annual amount of \$45,750,000.00 and is subject to an annual appropriation for the purposes of the legacy debt aid.

(d) On or before February 15, 2029, a school district that is identified as a bad faith participant in the facilitator report submitted pursuant to Sec. 15 of legislation enacted by the General Assembly in 2026 that requires each school board to participate in a merger committee to study the advisability of forming a unified union school district may appeal the facilitator's determination to the Secretary of Education in order to receive aid under this section.

(e) On or before May 15, 2029, the Secretary of Education shall determine whether each school district that has submitted an appeal pursuant to subsection (d) of this section shall receive aid under this section. The Secretary's determination shall be final and shall not be subject to appeal. The Secretary shall develop written policies to implement the appeals process under this section.

Sec. 75. 16 V.S.A. § 4011(a) is amended to read:

(a) Annually, the General Assembly shall appropriate funds for an education payment to pay for statewide education spending ~~and~~, a portion of a base education amount for each adult education and secondary credential

program student, and any other amounts the State is obligated to provide under this chapter or chapter 123 of this title.

Sec. 76. 16 V.S.A. § 4011(a) is amended to read:

(a) Annually, the General Assembly shall appropriate funds for an education payment to pay for each school district's educational opportunity payment and supplemental district spending, as defined in 32 V.S.A. § 5401, the small schools and sparsity support grants under section 4019 of this chapter, ~~and~~ a portion of a categorical base amount for each adult education and secondary credential program student, and any other amounts the State is obligated to provide under this chapter or chapter 123 of this title.

Sec. 77. 32 V.S.A. § 5401(22) is amended to read:

(22) "Supplemental district spending" means the spending that the voters of a school district approve in excess of the school district's educational opportunity payment, as defined in 16 V.S.A. § 4001(17), for the fiscal year, plus the annual debt service costs on any legacy school construction debt not covered by legacy debt aid pursuant to 16 V.S.A. § 4033, provided that the voters of a school district other than an interstate school district shall not approve spending in excess of five percent of the product of the base amount, as defined in 16 V.S.A. § 4001(16), and the school district's long-term membership, as defined in 16 V.S.A. § 4001(7). The cap on supplemental district spending shall not apply to school construction expenditures.

Sec. 77a. 24 V.S.A. § 1758 is amended to read:

§ 1758. CONDUCT OF MEETINGS

(a) Meetings of voters in municipal corporations under this subchapter shall be conducted in the same manner as the annual city and town meetings are conducted. The qualifications of voters at such meetings shall be the same as the qualifications of voters at annual city and town meetings. The vote on the question of issuing bonds for such improvements shall be by Australian ballot. The form of the ballot to be used shall be substantially as follows:

I. Shall the bonds of the of in an amount not to exceed be issued for the purpose of

If in favor of the bond issue, make a cross (x) in this square .

If opposed to the bond issue, make a cross (x) in this square .

In the discretion of the ~~legislative branch~~ Legislative Branch, the form of the ballot may also state the maximum rate of interest to be paid on the bonds, in which case the form of the ballot to be used shall be substantially as follows:

I. Shall bonds of the of in an amount not to exceed bearing interest not to exceed percent, be issued for the purpose of

If in favor of the bond issue, make a cross (x) in this square .

If opposed to the bond issue, make a cross (x) in this square .

(b) If a school board submits to its voters the proposition of incurring a bonded debt to pay for an improvement, the form of the ballot shall be as set forth in subsection (a) of this section, however:

(1) If the entire costs of the improvement are not eligible for State construction aid pursuant to 16 V.S.A. chapter 123 because the costs exceed the maximum allowed by formula established by the ~~State Board of Education~~ Agency of Education, the ballot text set forth in subsection (a) shall be preceded by the following introductory sentences:

The school board proposes to incur bonded indebtedness for the purpose of at the estimated total project cost of \$ It is estimated that percent of the project will not be eligible for State school construction aid because its (unit costs and/or allowable space) cause it to exceed the maximum cost for state participation under the ~~State Board of Education's~~ Agency of Education's formula for school construction. Therefore, the percent of the project that is estimated to be ineligible under the formula shall be built at 100% school district cost without State participation. The cost of the portion of construction which is ineligible under the formula is \$

(2) The ballot may contain language conditioning commencement of the improvement by the school board on receipt of final approval by the ~~State Board of Education~~ Agency of Education for State construction aid under 16 V.S.A. § ~~3448(a)(5)~~ 3445(a)(5).

(3) The warning and ballot shall contain the following set forth in bold-faced type:

State funds may not be available at the time this project is otherwise eligible to receive State school construction aid. The district is responsible for all costs incurred in connection with any borrowing done in anticipation of State school construction aid.

Funds to cover annual debt service costs on the bonds shall be raised through the district's supplemental district spending tax. Any bonded indebtedness incurred for school construction shall constitute an ongoing obligation of the district not subject to annual authorization of supplemental district spending.

(c) A public informational hearing adhering to the requirements of 17 V.S.A. § 2680(g) shall be held to discuss the proposition of a school district incurring a bonded debt to pay for an improvement. At such hearing, the school board shall distribute to the participants a written estimate of the following factors:

(1) ~~the~~ The percentage of the costs of the improvement that will not be eligible for State school construction aid because its unit costs or allowable space, or both, cause it to exceed the maximum cost for State participation under the ~~State Board of Education's~~ Agency of Education's formula for school construction.

(2)(A) The estimated supplemental district spending tax rate that would be required to pay annual debt service costs on the bonds for each of the following aid scenarios:

(i) if the district receives no State aid for the project;

(ii) if the district receives State aid of 30% of the total approved cost of the project; and

(iii) if the district receives State aid of 75% of the total approved cost of the project.

(B) The board shall notify the participants of the following assumptions that shall be made when estimating annual supplemental district spending tax rates to pay annual debt service costs on the bonds:

(i) supplemental district spending yield equal to the current yield;

(ii) long-term membership equal to the district's current long-term membership; and

(iii) supplemental district spending equal to the estimated annual debt service cost on the bond.

(C) The board shall further notify the participants that future supplemental district spending tax rates will vary annually based on the supplemental district spending yield, the district's long-term membership, and any other supplemental district spending that the district approves for the year.

Sec. 78. 16 V.S.A. § 563 is amended to read:

§ 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE

The school board of a school district, in addition to other duties and authority specifically assigned by law:

* * *

(11)(A) Shall prepare and distribute annually a proposed budget for the next school year according to such major categories as may from time to time be prescribed by the Secretary.

(B) [Repealed.]

(C) At a school district's annual or special meeting, the electorate may vote to provide notice of availability of the school budget required by this subdivision to the electorate in lieu of distributing the budget. If the electorate of the school district votes to provide notice of availability, it must specify how notice of availability shall be given, and such notice of availability shall be provided to the electorate at least 30 days before the district's annual meeting. The proposed budget shall be prepared and distributed at least ~~ten~~ 10 days before a sum of money is voted on by the electorate. Any proposed budget shall show the following information in a format prescribed by the Secretary:

(i) all revenues from all sources, and expenses, including as separate items any assessment for a supervisory union of which it is a member and any tuition to be paid to a career technical center; and including the report required in subdivision 242(4)(D) of this title itemizing the component costs of the supervisory union assessment;

(ii) the specific amount of any deficit incurred in the most recently closed fiscal year and how the deficit was or will be remedied;

(iii) the anticipated ~~homestead~~ statewide education tax rate and the percentage of household income used to determine income sensitivity in the district as a result of passage of the budget, including those portions of the tax rate attributable to supervisory union assessments, as adjusted for each tax classification pursuant to 32 V.S.A. § 5402; and

(iv) the definition of “~~education spending~~ supplemental district spending,” the ~~number of pupils and number of equalized pupils in long-term membership of the school district, and the district’s education spending per equalized pupil~~ supplemental district spending in the proposed budget and in each of the prior three years;

(v) the supplemental district spending yield; and

(vi) the annual debt service cost of any outstanding capital indebtedness.

(D) ~~The~~ If the board determines that the district should raise funds to cover expenditures other than annual debt service obligations on outstanding capital indebtedness for school construction, the board shall present ~~the~~ a supplemental district spending budget to the voters by means of a ballot in the following form:

“Article #1 (School Budget):

Shall the voters of the school district approve the school board to expend \$ _____ for expenditures other than annual debt service obligations on any outstanding capital indebtedness, which is the amount the school board has determined to be necessary in excess of the school district's educational opportunity payment for the ensuing fiscal year?

The _____ District estimates that this proposed budget, if approved, will result in per pupil ~~education~~ supplemental district spending of \$ _____, which is _____% higher/lower than per pupil ~~education~~ supplemental district spending for the current year, and a supplemental district spending tax rate of _____ per \$100.00 of equalized education property value.

If these expenditures are not approved, the District estimates a supplemental district spending tax rate of _____ per \$100.00 of equalized education property value to pay for the District's annual debt service obligations on outstanding capital indebtedness."

(E) If the board receives a determination of the district's State aid for school construction pursuant to 16 V.S.A. § 3445(a)(5), prior to issuing any bonds for school construction, the board shall present to the voters for one-time authorization a supplemental district spending budget to cover the annual debt service obligations for school construction by means of a ballot in the following form:

“Article #1 (School Budget):

Shall the voters of the school district approve the school board to expend \$ _____, which is the amount the school board has determined to be necessary to cover the annual debt service obligations on school construction for the ensuing fiscal year?

The _____ District estimates that this proposed budget, if approved, will result in per pupil supplemental district spending of \$ _____, which is _____ % higher/lower than per pupil supplemental district spending for the current year, and a supplemental district spending tax rate of _____ per \$100.00 of equalized education property value.

If the District separately approves supplemental district spending for the ensuing fiscal year to cover expenditures other than the annual debt service obligations on school construction, the total supplemental district spending tax rate provided on the ballot for approval of those expenditures shall reflect the rate required to cover all expenditures, including the annual debt service obligations on school construction.”

* * *

* * * Foundation Formula Transition Measures and Reports * * *

Sec. 79. REPEALS

The following sections of 2025 Acts and Resolves No. 73 are repealed:

(1) Sec. 41 (16 V.S.A. § 563);

(2) Sec. 45b (educational opportunity payment transition);

(3) Sec. 46a (supplemental district spending; cap; transition);

(4) Sec. 48a (tax rate transition); and

(5) Sec. 57 (Education Fund Advisory Committee).

Sec. 80. EDUCATIONAL OPPORTUNITY PAYMENTS; TUITION;

TRANSITION; FISCAL YEARS 2030–2033

(a) Notwithstanding 16 V.S.A. § 4001(17), in each of fiscal years 2030–2033, the educational opportunity payment for a school district shall equal the educational opportunity payment for the school district as calculated pursuant to 16 V.S.A. § 4010(f) plus a yearly adjustment equal to:

(1) in fiscal year 2030, the transition gap multiplied by 0.80;

(2) in fiscal year 2031, the transition gap multiplied by 0.60;

(3) in fiscal year 2032, the transition gap multiplied by 0.40; and

(4) in fiscal year 2033, the transition gap multiplied by 0.20.

(b) Notwithstanding 16 V.S.A. § 823(a), in each of fiscal years 2030–2033, a school district shall pay as tuition to a receiving school for each resident student attending the receiving school an amount equal to the adjusted base multiplied by the sum of one and any weights applicable to the resident student under section 16 V.S.A. § 4010.

(c) As used in this section:

(1) “Adjusted base” means the quotient resulting from dividing the school district’s educational opportunity payment, as adjusted by the yearly

adjustment, by the school district’s weighted long-term membership as defined in 16 V.S.A. § 4001.

(2) “Adjusted for inflation” means adjusting the school district’s education spending by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis, from fiscal year 2025 through fiscal year 2030 and rounding upward to the nearest whole dollar amount.

(3) “Transition gap” means the amount, whether positive or negative, that results from subtracting the school district’s educational opportunity payment as calculated pursuant to 16 V.S.A. § 4010(f) for fiscal year 2030 from the school district’s education spending in fiscal year 2025, as adjusted for inflation. The school district’s education spending shall be adjusted for inflation on or before November 15 by the Secretary of Education.

Sec. 81. SUPPLEMENTAL DISTRICT SPENDING; CAP; TRANSITION;
FISCAL YEARS 2030–2038

Notwithstanding 32 V.S.A. § 5401(22), in each of fiscal years 2030–2038, the voters of a school district other than an interstate school district shall not approve spending in excess of the following percentage of the product of the base amount, as defined in 16 V.S.A. § 4001(16), and the school district’s long-term membership, as defined in 16 V.S.A. § 4001(7):

(1) in fiscal years 2030–2034, 10 percent;

(2) in fiscal year 2035, 9 percent;

(3) in fiscal year 2036, 8 percent;

(4) in fiscal year 2037, 7 percent; and

(5) in fiscal year 2038, 6 percent.

Sec. 82. HOMESTEAD PROPERTY TAX RATE; TRANSITION; FISCAL
YEARS 2030–2033

(a) Notwithstanding 32 V.S.A. § 5402, in each of fiscal years 2030–2033, the homestead property tax rate for a school district shall equal the homestead property tax rate imposed pursuant to 32 V.S.A. § 5402 plus a yearly adjustment equal to:

(1) in fiscal year 2030, the transition gap multiplied by 0.80;

(2) in fiscal year 2031, the transition gap multiplied by 0.60;

(3) in fiscal year 2032, the transition gap multiplied by 0.40; and

(4) in fiscal year 2033, the transition gap multiplied by 0.20.

(b) As used in this section, “transition gap” means the amount, whether positive or negative, that results from subtracting the uniform homestead property tax rate for fiscal year 2030 were it calculated assuming no tax rate transition under this section from the homestead property tax rate for the school district in fiscal year 2029.

Sec. 83. HOMESTEAD PROPERTY TAX RATE; TRANSITION;
REPORT

On or before December 15, 2027, the Department of Taxes, in consultation with the Joint Fiscal Office and the Agency of Education, shall submit a written report to the House Committee on Ways and Means and the Senate Committee on Finance with recommendations and an implementation plan to ensure that homestead education property tax rates do not increase as part of the transition to the new foundation formula.

Sec. 84. 2025 Acts and Resolves No. 73, Sec. 53(b) is amended to read:

(b) On or before December 15, ~~2026~~ 2027, the Department of Taxes, in consultation with the Joint Fiscal Office, shall submit a proposal to the House Committee on Ways and Means and the Senate Committee on Finance designing a homestead exemption structure that minimizes the:

* * *

Sec. 85. 32 V.S.A. § 5414 is amended to read:

§ 5414. CREATION; EDUCATION FUND ADVISORY COMMITTEE

(a) Creation. There is created the Education Fund Advisory Committee to monitor Vermont's education financing system, conduct analyses, and perform the duties under subsection (c) of this section.

(b) Membership. The Committee shall be composed of the following members:

- (1) ~~the Commissioner of Taxes or designee;~~
- (2) ~~the Secretary of Education or designee;~~
- (3) ~~the Chair of the State Board of Education or designee;~~

~~(4)~~ two members of the public with expertise in education financing, who shall be appointed by the Speaker of the House;

~~(5)~~(2) two members of the public with expertise in education financing, who shall be appointed by the Committee on Committees;

~~(6)~~(3) ~~one member~~ two members of the public with expertise in education financing, who shall be appointed by the Governor; and

~~(7)~~ the President of the Vermont Association of School Business Officials or designee;

~~(8)~~(4) one representative from the Vermont School Boards Association (VSBA) with expertise in education financing, selected by the Executive Director of VSBA;

~~(9)~~ one representative from the Vermont Superintendents Association (VSA) with expertise in education financing, selected by the Executive Director of VSA; and

~~(10)~~ one representative from the Vermont National Education Association (VTNEA) with expertise in education financing, selected by the Executive Director of VTNEA.

(c) Powers and duties.

~~(1)~~ Annually, on or before December 15, the Committee shall make recommendations to the General Assembly regarding:

~~(A)~~ updating the weighting factors using the weighting model and methodology used to arrive at the weights enacted under 2022 Acts and

~~Resolves No. 127, which may include recalibration, recalculation, adding or eliminating weights, or any combination of these actions, as necessary;~~

~~(B) changes to, or the addition of new or elimination of existing, categorical aid, as necessary;~~

~~(C) changes to income levels eligible for a property tax credit under section 6066 of this title;~~

~~(D)(1) means to adjust the revenue sources for the Education Fund;~~

~~(E)(2) means to improve equity, transparency, and efficiency in education funding statewide;~~

~~(F)(3) the amount of the Education Fund stabilization reserve;~~

~~(G)(4) school district use of reserve fund accounts;~~

~~(5) enactment of any updates to weights or categorical aid recommended by the Joint Fiscal Office and the Agency of Education;~~

~~(6) the appropriations required to fully fund each school district's educational opportunity payment under the foundation formula established in 16 V.S.A. chapter 133 for the current and upcoming fiscal year; and~~

~~(H)(7) any other topic, factor, or issue the Committee deems relevant to its work and recommendations.~~

~~(2) The Committee shall review and recommend updated weights, categorical aid, and changes to the excess spending threshold to the General Assembly not less than every three years, which may include a recommendation not to make changes where appropriate. In reviewing and~~

~~recommending updated weights, the Committee shall use the weighting model and methodology used to arrive at the weights enacted under 2022 Acts and Resolves No. 127.~~

(d) Assistance. The Committee shall have the administrative, technical, and legal assistance of the Department of Taxes and the Agency of Education.

(e) Meetings.

(1) The Commissioner of Taxes shall call the first meeting of the Committee to occur on or before July 15, ~~2026~~ 2030.

(2) The Committee shall select a chair from among its members at the first meeting.

(3) A majority of the membership shall constitute a quorum.

(f) Compensation and reimbursement. Members of the Committee shall be entitled to per diem compensation and reimbursement of expenses as permitted under section 1010 of this title for up to four meetings per year.

* * * Effective Dates * * *

Sec. 86. EFFECTIVE DATES

This act shall take effect on July 1, 2026, except as follows:

(1) This section, Sec. 18 (Act 73 effective dates), Sec. 27a (rulemaking; reserve guidance), Sec. 27c (student profile form), Sec. 34(a) (repeal of 2025 Acts and Resolves No. 73, Secs. 62 and 63), Sec. 53 (transition provisions), Sec. 61 (repeals), Sec. 62 (rate multipliers), Sec. 63 (prospective repeals), Sec. 79 (transition repeals), Sec. 83 (tax rate transition report), Sec. 84 (homestead

exemption structure report delay), and Sec. 85 (Education Fund Advisory Committee) shall take effect on passage.

(2) Sec. 2a (16 V.S.A. § 604; services offered) shall take effect on July 1, 2027.

(3) Sec. 57 (grand list contents) shall take effect on July 1, 2026, and shall apply to grand lists lodged beginning in calendar year 2027.

(4) Sec. 60 (transition provisions) shall take effect on January 1, 2028, provided that the conditions under 2025 Acts and Resolves No. 73, Sec. 70(f)(1)(A)(i), as amended by this act, have been met.

(5) Sec. 77a (24 V.S.A. § 1758) and Sec. 78 (16 V.S.A. § 563) shall take effect on January 15, 2029, provided that the conditions under 2025 Acts and Resolves No. 73, Sec. 70(f)(1), as amended by this act, have been met.

(6) Sec. 24 (16 V.S.A. § 828(e)), Sec. 29 (16 V.S.A. § 4019), Secs. 58 and 59 (tax classifications), Sec. 64 (homestead definition), Sec. 74 (legacy debt aid), Sec. 76 (education payments), Sec. 77 (supplemental district spending definition), and Secs. 80–82 (foundation formula transitions) shall take effect on July 1, 2029, provided that the conditions under 2025 Acts and Resolves No. 73, Sec. 70(f)(1), as amended by this act, have been met.

(7) Sec. 54 (regional assessment district boundaries) shall take effect and the boundary submission to the General Assembly shall be due on December 15, 2029, provided that the conditions under 2025 Acts and Resolves No. 73, Sec. 70(f)(1)(A)(ii), as amended by this act, have been met.

(8) Sec. 30 (creation of regional assessment districts), Secs. 31–33 (conforming changes for regional assessment), Sec. 34(b) (repeal of 32 V.S.A. chapter 131), and Secs. 37–52 (conforming changes for repeal of 32 V.S.A. chapter 131) shall take effect on January 1, 2031, provided regional assessment district appeals boards shall commence jurisdiction over valuation appeals and notices of changes of valuation on July 1, 2031.

Date Governor signed bill: June 18, 2026