

Education Finance: The Education Fund Outlook and Yields

House Committee on Education
Ezra Holben, Fiscal Analyst, Joint Fiscal Office
April 24, 2026



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Outline

- Overview of Vermont's Education Fund
- Overview of Vermont's Education Fund Outlook
- Education expenditures in the Education Fund Outlook
- Education sources in the Education Fund Outlook
- Education sources property taxes
- What is the Yield?



Overview of Vermont's Education Fund

- Vermont's education funding system is unique and difficult to compare to other states
 - Vermont's education funding system doesn't have a "state share" and a "local share"
 - Vermont's Education Fund is a statewide fund and is affected by statewide *and* local spending decisions*
- Property tax rates are set to ensure all education expenditures are fully funded after accounting for non-property revenues
 - In other words, the amount of revenue raised is driven by total education expenses – not the other way around



*Note, Vermont receives federal funds for education. This presentation focuses on State funds



Overview of Vermont's Education Fund Outlook



Overview of Vermont's Education Fund Outlook

(millions of dollars)	a.	b.	c.	
	FY 2025 Actual	FY 2026 Preliminary - BAA	FY 2027 H.949 - As Introduced Applying half of \$104.9M of one-time GF to uniformly lower property taxes, and reserving the remainder (Budget data as of 2/21/26)	
a	Average Homestead Property Tax Rate ²	\$1.303	\$1.593	\$1.589
b	Average Tax Rate on Household Income	2.33%	2.33%	2.27%
c	Uniform Nonhomestead Property Tax Rate ²	\$1.391	\$1.703	\$1.698
d	Property Yield Per Pupil ¹	\$9,893	\$8,596	\$9,170
e	Income Yield Per Pupil ¹	\$10,110	\$12,172	\$12,576
f	Total Long Term Weighted Average Daily Membership (LTWADM)	142,810	142,564	141,298
g	Average Percentage Bill Change Compared to Prior Year (HS/Inc/NHS)	Uniform: 13.8%	Uniform: 1.1%	Uniform: 7.0%
h	Statewide Education Spending Growth	10.7%	5.5%	4.2%
i	Statewide Education Grant List Growth	14.3%	14.1%	10.4%
j	Statewide Adjustment	100.0%	72.4%	70.3%
Sources				
1a	Homestead Education Property Tax ²	759.3	765.4	813.2
1b	Property Tax Credit	(167.3)	(141.1)	(134.2)
2	Nonhomestead Education Property Tax ²	896.6	903.3	970.4
3	Sales & Use Tax	609.7	625.0	640.9
4	Purchase & Use Tax - Less than one-third of total (H.933)	48.3	50.0	41.9
5	Meals & Rooms Tax - More than one-quarter of total (H.933)	71.6	73.6	86.0
6	Lottery Transfer	30.6	32.0	33.4
7	Medicaid Transfer	11.0	9.0	9.5
8	One-time GF transfer	25.0	77.8	104.9
9	Other Sources (Wind & Solar, Fund Interest)	6.2	5.0	4.3
10	Total Sources	2,291.1	2,400.0	2,570.3
Appropriations				
11	Education Payment	1,882.3	1,991.1	2,075.4
12	Special Education Aid	264.6	270.7	276.7
13	State-Placed Students	19.0	17.2	18.3
14	Transportation Aid	25.3	26.1	26.9
15	Technical Education Aid	17.9	18.7	19.6
16	Small School Support/Merger Support	1.8	1.8	1.8
17	Essential Early Education Aid	8.7	9.0	9.6
18	Flexible Pathways	10.7	10.6	10.8
19	Universal School Meals	17.5	17.5	18.3
20	English Learners Services	2.3	2.3	2.5
21	VSTRS Pension Normal Cost	36.0	38.8	42.2
23	VSTRS OPEB Normal Cost	19.1	22.0	28.2
24	Other Uses (Accounting & Auditing, CMF transfer, Financial Systems)	6.2	5.7	5.4
25	Total Uses	2,311.4	2,431.5	2,535.6
Allocation of Revenue				
26	Revenue Surplus/(Deficit)	(20.3)	(31.5)	34.7
27	Prior-year Reversions	24.3	13.2	-
28	Transfer (to)/from Stabilization Reserve	(5.0)	(2.5)	(3.7)
29	Transfer (to)/from Additional Reserves	13.0	-	(52.5)
30	Transfer (to)/from Unreserved/Unallocated	(12.0)	20.7	21.5
Stabilization Reserve				
31	Prior-year Stabilization Reserve	47.0	52.1	54.5
32	Current-year Stabilization Reserve	52.1	54.5	58.3
33	Percent of Prior-year Net Appropriations	5.0%	5.0%	5.0%
34	Reserve Target	52.1	54.5	58.3
Additional Reserve				
35	Tax Rate Offset Reserve	13.0	-	52.5
Available Funds				
36	Prior-year Unreserved/Unallocated	31.09	43.07	22.33
37	Current-year Unreserved/Unallocated	43.07	22.33	0.83

Notes: 1) FY 2026 is the first year with the Statewide Adjustment CLA, so FY 2025 property rates and yields are not directly comparable to prior years.
2) Property tax amounts for FY 2025 and FY 2026 reflect amounts in the year they were collected.
3) The Outlook assumes a technical correction in the FY 2026 BAA to unreserve the \$18 million of the Tax Rate Offset Reserve within the Education Fund.

- Vermont's Education Fund Outlook provides the General Assembly with a snapshot of the Education Fund's:
 - a) Average tax rates and the yields
 - b) Sources (the Fund's revenues)
 - c) Appropriations (the Fund's expenditures)
 - d) Allocation of revenues
 - e) Stabilization Reserve
 - f) Additional reserves
 - g) Remaining available funds
- The following slides detail the expenditures and revenues within the Education Fund Outlook



*Note, the Outlook presented is reflective of the Yield bill as passed by the House

Expenditures in the Education Fund Outlook



Expenditures in the Education Fund – Local Level

- Each school district builds an annual budget that requires local voters’ approval
 - While built at the local level, budgets are funded with State and federal funds
- From a high-level perspective, budgets have two primary parts: education expenditures and offsetting revenues
 - The *net* of these two parts results in a district’s education spending

Local School Budget			
Education Expenditures <ul style="list-style-type: none"> • All expenditures at the school district • Includes personnel costs, tuition payments, and construction costs 	-	Offsetting Revenues <ul style="list-style-type: none"> • State and federal categorical aid (Special Education census block grant, transportation aid, etc.) • Tuition revenues (to the school district) • Prior year surpluses/deficits and reserves (of the school district) 	=
			Education Spending <ul style="list-style-type: none"> • All funds a school district spends, net of the offsetting revenues it receives



Expenditures in the Education Fund Outlook – State Level

- In general, there are two buckets of Education Fund expenditures: the statewide Education Payment and all other expenditures

Education Fund Expenditures

Education Payment

- Aggregated amount of all school districts' **education spending**
- The Education Payment is where Education Spending appears on the Education Fund Outlook

All Other Expenditures

- Categorical aid (Special Education, transportation aid, etc.)
- One-time appropriations
- Other operating and administrative costs at the State level



Expenditures in the Education Fund Outlook

- The Education Fund Outlook captures statewide education appropriations and contemplated policy decisions
 - This includes Education Spending, known as the “Education Payment”
- Property tax rates are set to ensure all education appropriations and contemplated policy decisions are fully funded after accounting for non-property tax revenues



Expenditures in the Education Fund Outlook

Appropriations

11	Education Payment		1,882.3	1,991.1	2,075.4
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24	Other Uses (Accounting & Auditing, CMF transfer, Financial Systems)		6.2	5.7	5.4
25	Total Uses		2,311.4	2,431.5	2,535.6

- The Education Payment makes up about 80% of the Education Fund’s total appropriations
 - These are the “Total Uses” on the Education Fund Outlook

Notes:

Annotated Guide to Education Fund Outlook: <https://ljfo.vermont.gov/assets/Subjects/Annotated-Guide-to-the-Education-Fund-Outlook/Annotated-Guide-to-Education-Fund-Outlook-2026.pdf>

*Note, the Outlook presented is reflective of the Yield bill as passed by the House



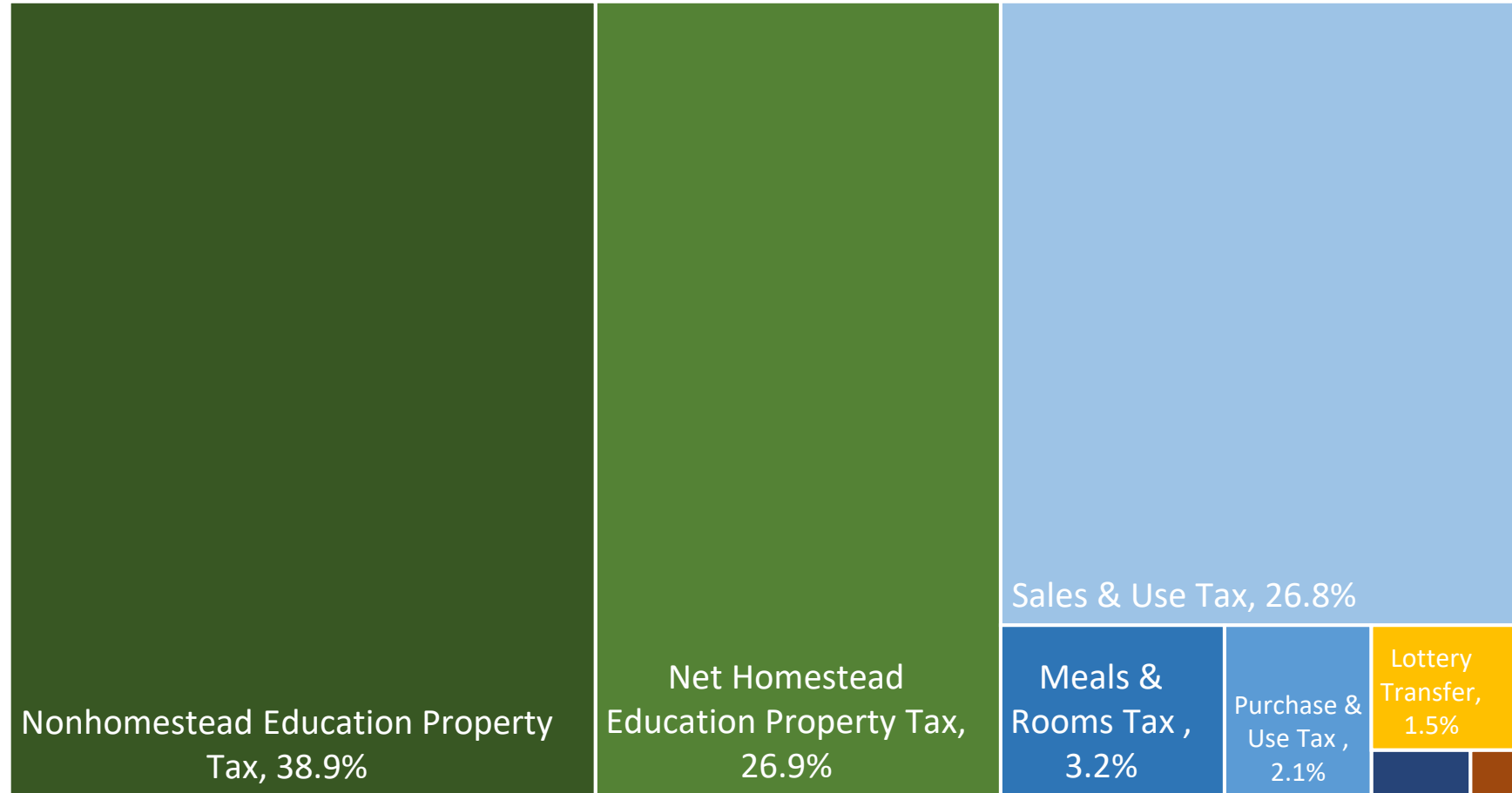
Sources in the Education Fund Outlook



Recurring Education Fund Sources (Fiscal Year 2026)

Recurring Education Fund Sources, Projected Fiscal year 2026

- The Education Fund has two primary buckets of funding
 - Property tax sources
 - Non-property tax sources
- In recent years, the General Assembly has used one-time funding to buy down property tax rates
 - In fiscal year 2026, \$77 million was used from the General Fund
 - An additional \$43 million of Ed. Fund surplus was also used
 - These were excluded from this analysis



Note: net homestead education property tax includes the cost of the property tax credit

Data Source: [Education Fund Outlook for FY 2026](#)



Sources in the Education Fund Outlook

- The Education Fund Outlook captures statewide education sources and contemplated policy decisions around funding
- This includes one-time funding decisions (i.e. General Fund transfers)
- Sources also includes the Property Tax Credit, which can be thought of as a “tax expenditure”
- Again, property tax rates are set to ensure all education appropriations and contemplated policy decisions are fully funded after accounting for non-property revenues



Sources in the Education Fund Outlook

Sources

1a	Homestead Education Property Tax ²		759.3	765.4	813.2
1b	Property Tax Credit		(167.3)	(141.1)	(134.2)
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5	Meals & Rooms Tax - More than <i>one-quarter of total (H.933)</i>		71.6	73.6	86.0
6	Lottery Transfer		30.6	32.0	33.4
7	Medicaid Transfer		11.0	9.0	9.5
8	One-time GF transfer		25.0	77.8	104.9
9	Other Sources (Wind & Solar, Fund Interest)		6.2	5.0	4.3
10	Total Sources		2,291.1	2,400.0	2,570.3

- Recall, the majority of the Education Fund's revenues (termed "Sources" in the Outlook) come from property taxes



Note: *Note, the Outlook presented is reflective of the Yield bill as passed by the House

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1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

Education Sources – Property Taxes



Nonhomestead Property Tax

- Tax applied to all taxable real property that doesn't qualify as a homestead or isn't exempt*
- Properties are varied and include parking lots, commercial buildings, apartment buildings, etc.
- The equalized nonhomestead property tax rate is uniform across towns**
 - The nonhomestead property tax rate is set annually in the Yield Bill, *separately* from the homestead property yield
 - For fiscal year 2026, the nonhomestead property tax rate is \$1.703 per \$100 of property value

Notes:

*see 32 V.S.A. § 5401(10) for full definition of nonhomestead property

**equalized tax rates are comparable across all towns and are prior to the application of the common level of appraisal



Homestead Property Tax

- Tax on all taxable real property that qualifies as a homestead*
- The homestead property tax rate in each town is dependent on its **locally-approved education spending per (weighted) pupil**
 - By statute, the minimum equalized tax rate is at least \$1 per \$100 of homestead property value
- Ultimately, the homestead property tax rate depends on three factors:
 1. District's education spending – local budget, offsetting revenues
 2. District's weighted pupils – local enrollment, statewide weights
 3. Statewide property yield – aggregated local decisions, statewide policy decisions, performance of non-property revenues, and other factors**

*Homestead, per **32 V.S.A. § 5401**, means *“the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by a resident individual as the individual's domicile...”*

**The statewide property yield is set annually in the Yield Bill



What is the Yield?



What is the Yield?

- There are two yields*:
 - The property dollar equivalent yield (property yield); and
 - The income dollar equivalent yield (income yield)
 - The income yield is used for calculating the Property Tax Credit (PTC)
- Both are set in the Yield Bill by the General Assembly to ensure that the Education Fund is fully funded
- The following slides focus on the property yield

*Both are defined in **32 V.S.A. § 5402b**



Fully Funding the Education Fund

- Under current law, all else equal, an increase in education spending means **all** statewide property tax rates must increase
- Annually, the homestead property yield per pupil, the income yield, and nonhomestead property tax rates are set in the Yield Bill*
 - Nonhomestead property tax rates are set uniformly across the state
 - Based on the property yield, homestead property tax rates change across the state, but changes are **not** uniform
 - All else equal, school districts with increased per (weighted) pupil education spending see the most significant homestead property tax rate increases



*note, the Yield Bill for fiscal year 2027 is H.949

What is the Property Yield?

- Essentially, the property yield is the per weighted pupil spending amount a district can spend to receive an equalized tax rate of \$1 per \$100 of homestead property value
- In fiscal year 2026, the property yield is \$8,596
 - If a district spent \$8,596 per weighted pupil, its equalized tax rate would be \$1.00
- As a district spends above that, its equalized tax rate proportionally increases
- We will walk through an example on the next slide

*Homestead means *“the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by a resident individual as the individual's domicile...”*

**The statewide property yield is set annually in the Yield Bill



Calculating a District's Homestead Property Tax Rate

- The homestead property tax rate is calculated based on the district's education spending, weighted pupils, and the statewide property yield:

$$\text{District's equalized homestead property tax rate} = \$1.00 \times \frac{\left(\frac{\text{District's Education Spending}}{\text{District's Weighted Pupils}} \right)}{\text{Statewide Property Yield}}$$



Example of Calculating a District's Homestead Property Tax Rate

- Recall, the homestead property tax rate is calculated based on the district's education spending, weighted pupils, and the statewide property yield
- As a hypothetical example:
 - If a district spent \$15,000 per weighted pupil and the property yield was \$10,000, the equalized homestead tax rate would be \$1.50

$$\$1.50 = \$1.00 \times \frac{\$15,000}{\$10,000}$$



Questions?



Additional Resources

- Introduction to Education Finance in Vermont
 - <https://ljfo.vermont.gov/subjects/education/education-finance-101>
- Joint Fiscal Office Education Finance Resources
 - <https://ljfo.vermont.gov/subjects/education>
- State Aid for School Construction Report, 2025
 - <https://legislature.vermont.gov/assets/Legislative-Reports/edu-act-73-state-aid-for-school-construction-advisory-board-2025.pdf>
- State Aid for School Construction Working Group
 - <https://legislature.vermont.gov/committee/document/2024/403/Date#documents-section>



Pupil Weights and Long Term Weighted Average Daily Membership (LTWADM)

- Pupil weights are in statute and are used to adjust student counts to address different student needs or circumstances
- After Long Term Average Daily Membership (LTADM) is reported, weights are applied to certain types of students to account for the potential higher costs to school districts to educate these students
- These weights are added to the LT ADM to calculate the Long Term *Weighted* Average Daily Membership (LTWADM)

Current Law Pupil Weights by Weighting Category

Weighting category		Weight
Grade level weights	PreK/Essential Early Education (EEE)	-0.54
	K-5	0
	6-8	0.36
	9-12	0.39
Economically deprived background weight		1.03
English language learners (EL) weight		2.49
Sparsity weight <i>(Number of people in district)</i>	< 36 persons	0.15
	36 – 54 persons	0.12
	55 – 100 persons	0.07
Small school <i>(Only applicable for districts also receiving sparsity weight <55 persons)</i>	< 100 pupils	0.21
	100 – 249 pupils	0.07



Review of Calculating Property Tax Credits

Household income	Housesite (HS) value	Calculation of amount that would be paid under income	Calculation of the property tax credit
			<i>The property tax credit is the amount paid for property taxes minus...</i>
≤ \$47,000	< \$400,000	$income * income\ rate$...the lesser of:
	≥ \$400,000	$(income * income\ rate) + \left(\frac{HS\ value - \$400,000}{100}\right) * HS\ rate$	<ul style="list-style-type: none"> the amount that would be paid based on income OR <ul style="list-style-type: none"> the statewide education tax rate multiplied by the equalized value of the housesite, reduced by \$15,000, in the taxable year
\$47,001 - \$90,000	< \$400,000	$income * income\ rate$...the amount that would be paid based on income
	≥ \$400,000	$(income * income\ rate) + \left(\frac{HS\ value - \$400,000}{100}\right) * HS\ rate$	
≥ \$90,000	< \$225,000	$income * income\ rate$...the amount that would be paid based on income
	≥ \$225,000	$(income * income\ rate) + \left(\frac{HS\ value - \$225,000}{100}\right) * HS\ rate$	
>\$115,000*	<i>Households above this income will never qualify for a property tax credit and will always pay solely based on property value</i>		

**This amount is not set in statute, but is determined as a mathematical exercise after the yields have been set*

