



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.750 – An act relating to school districts pursuing school construction projects during the moratorium on State aid

As Introduced¹ⁱ

Bill Summary

This bill would exclude all voter-approved bond payments toward principal and interest from education spending for the purpose of calculating excess spending, effective on passage. The bill would also deem any school construction that commences prior to July 1, 2026 to have good cause under the State Aid for School Construction Program, effective July 1, 2026.

Fiscal Impact

Ultimately, the fiscal impact of this bill is unclear. This bill's impact would depend on future local decisions, that the Joint Fiscal Office (JFO) cannot estimate at this time. Assuming this bill would have no impact on voter or school district behavior, this bill would have, on aggregate, a net neutral impact on the Education Fund. Because this bill would amend the excess spending threshold, the bill may impact the share of local homestead property taxes raised from each community but would not impact the total amount of homestead property taxes raised.

JFO cannot estimate if this bill would impact voter or school district behavior regarding school district bonding decisions. Excluding all bond payments from the excess spending adjustment, and determining bonds approved prior to July 1, 2026 to have good cause, may increase future bonding if school districts had previously forgone bonding due to those current law provisions.

Background and Details

Section 1: Excess Spending Adjustment Exemption Changes

The excess spending adjustment impacts education property tax rates, so that districts spending above it are taxed doubly on the excess spending amount. Under current law, voter-approved bond payments toward principal and interest for bonds approved prior to July 1, 2024 are excluded from education spending for the purposes of calculating excess spending. Section 1 of this bill would repeal the deadline condition, so that all bond payments would be excluded from education spending for the excess spending calculation, regardless of when the bond was approved.

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

The excess spending adjustment is a tax mechanism that impacts the amount raised from certain homestead property taxpayers but does not impact the total amount to be raised. Bond payments would still be included in the calculation of education spending and would only be excluded for the purpose of calculating excess spending of a school district. This would result in school districts above the excess spending threshold not receiving a double tax penalty on bond payments, which absent any other changes in policy, would result in other school districts' tax rates increasing to make up for the lack of penalty. In other words, this would spread more of the cost of a school district's debt service across all property taxpayers in the State, and reduce the amount covered by property taxpayers in the school district spending above the threshold.

According to data from the Vermont Bond Bank, there is forecasted to be annually approximately \$11.6 million in additional debt service across 11 school districts that would be eligible for exclusion under this bill. The impact of the exclusion of this debt service from the excess spending penalty would depend on the school districts' education spending approved by voters.

JFO cannot estimate if this bill will impact voter or school district behavior regarding school district bonding decisions. Expanding this exclusion may increase the amount of bonding (along with related costs) if school districts did not pursue a bond because of the excess spending penalty.

Section 2: Eligibility for District Debt Reimbursement

Under current law in the State Aid for School Construction Program, a school district would not be eligible for debt reimbursement unless it had secured final approval before commencing construction. Section 2 would amend this eligibility so that any school district commencing construction before July 1, 2026, would be deemed to have good cause, and would not be barred from reimbursement for debt incurred prior to final approval.

Section 2 would expand the number of school districts that would be eligible to submit for reimbursement, however its fiscal impact is unclear. The impact of Section 2 will depend on outstanding policy decisions related to school construction funding, including reimbursement amounts and revenue sources for school construction. There is currently no funding source identified for school construction or debt reimbursement in this bill.

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