
MEMORANDUM

TO: House Committee on Ways and Means
FROM: Cassandra Ryan, CFO
Ted Gates, Senior Fiscal Analyst
SUBJECT: H.949 (Yield, Excess Spending, etc.)
DATE: April 30, 2026

Sec. 1 – Setting of yield amounts:

- AOE has no comment

Sec. 2 House version – Ed Fund reserve for FY28:

- AOE has no comment

Sec. 2 Senate version – Include (all) voter approved bond P&I (vs. prior to 7/1/24):

- AOE has no objections to this. As a reminder, the previous process of Agency review is no longer included in the language. (see examples below)

Sec. 2a Senate version – S.220 changes to Excess Spending formula:

- Using FY27 budgets for testing these changes, the number of districts over the threshold would grow 4-fold, from 8 to 32. (5 of these 32 voted down their FY27 budgets on Town Meeting Day). 87 districts would not be impacted by the statutory change. The Ed Spending per LTWADM (ESPP) amounts over the threshold would range from \$5 to \$2900. In order to avoid the excess spending penalty (in the absence of any hold harmless provisions), these districts would have to reduce their ESPP by those same amounts, which equate to 0% to 18% decreases, (with most districts at 5% or less). (For reference, only 19 districts had 0% or less growth in ESPP from FY26 to FY27).
 - **AOE Position:** The AOE does not object to a decrease of the rate from 118 to 112.
 - Interesting to note that the threshold increases by the rate of inflation where it may be that the historic rate of growth of Ed Spending is higher than (historic) inflation meaning that the threshold may naturally become more limiting over time (assuming ‘normal’ rates of inflation in future years).

- AOE recommends striking the section below.

(12) “Excess spending” means: (A) The per pupil spending amount of the district’s education spending, as defined in 16 V.S.A. § 4001(6), ~~plus any amount required to be added from a capital construction reserve fund under 24 V.S.A. § 2804(b).~~

- **3 hold-harmless provisions:** As a form of relief for the districts currently significantly over, or near the threshold, if they were to keep either their Ed Spending or their ESPP amounts flat or less compared to the prior year, they would not be penalized for being over the threshold. Alternatively, a panel of ‘experts’ under the Secretary of Education would determine if the excess spending was for ‘good cause’.
 - **AOE position:** These new provisions potentially dilute or ‘litigate’ the intended goals of the Excess Spending mechanism, and forgive, to a degree, those districts currently over the threshold. AOE does not support the third provision as drafted. (Also, mathematically, if a district maintains flat Ed Spending over a long period with declining enrollments, at some point their ESPP will continue to increase).

Current exemption process from Excess Spending Penalty – Principal and Interest payments on voter approved bonds prior to 7/1/24.

Some examples: (FY27 threshold = \$16,470)

1. District A has ESPP of \$17,470 and no excess spending exclusions. \$1000 is over the threshold. The overage is ‘double-taxed’ – the \$1000 gets added back onto the ESPP of \$17,470, making their new ESPP \$18,470 which gets divided by the Property Yield of \$8,849 as the first step of calculating their tax rate.
2. District B also has ESPP of \$17,470 but has \$1,000 (PP) in bond payment exclusions (from before 7/1/24) resulting in a net ESPP of \$16,470 which is not over the threshold so nothing is double-taxed. \$17,470 is divided by the Yield of \$8,849.
3. District C again has ESPP of \$17,470 and bond payments of \$1,000 but they are on a voter-approved bond from FY25 or FY26 which are not allowed as exclusions. They are double-taxed and their new ESPP is like District A - \$18,470 divided by the Property Yield of \$8,849.

Interstate Districts:

The Agency defers to legislative counsel for a legal interpretation of this, but we can confirm that historically the Agency has not applied excess spending to the interstate districts.