



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

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

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

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

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

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

4           (4) in the short term, catalyze the State Aid for School Construction  
5           Program by providing State aid in the form of up to an additional  
6           \$50,000,000.00 annually in State bonding capacity to support the construction  
7           of regional high schools or other projects that result in the consolidation of  
8           school governance structures;

9           (5) in the long term, provide State aid in the form of a debt service  
10           subsidy to school districts pursuing school construction projects that align with  
11           the goals of the State Aid for School Construction Program by leveraging the  
12           capacities of the Vermont Bond Bank; and

13           (6) throughout Vermont’s education transformation, provide State aid  
14           through multiple funding streams until the burden on property taxpayers  
15           imposed by school construction expenditures can be reduced.

16           **Sec. 2. AGENCY OF EDUCATION; SCHOOL CONSTRUCTION**

17           **DIVISION; POSITIONS**

18           (a) The following permanent classified positions are created in the Agency  
19           of Education:

20           (1) one School Construction Program Director;

21           (2) one Financial Manager I;

1           (3) one School Construction Coordinator; and

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

3           (b) The Secretary of Education shall include as part of the Agency’s budget  
4           submitted to the Governor pursuant to 16 V.S.A. § 212(21) for fiscal year 2028  
5           a request to provide appropriate funding levels for the positions created by this  
6           section, and any other positions necessary, to staff the School Construction  
7           Division of the Agency. The Division shall provide comprehensive technical  
8           assistance to the Agency and the State Aid for School Construction Advisory  
9           Board on the implementation of the State Aid for School Construction  
10          Program.

11          **Sec. 3. AGENCY OF EDUCATION; STATE AID FOR SCHOOL**  
12          **CONSTRUCTION; RULEMAKING**

13          (a) On or before December 31, 2026, the Agency of Education, in  
14          consultation with the State Aid for School Construction Advisory Board, shall  
15          adopt rules on school construction and capital outlay pursuant to 3 V.S.A.  
16          chapter 25 and 16 V.S.A. § 3442(2), including rules to address:

17               (1) prioritization and bonus incentives that:

18                       (A) support the creation of regional high schools or other projects  
19                       that result in the consolidation of school governance structures; and

1           (B) direct greater construction aid to school districts with lesser  
2           wealth as measured by the aggregate equalized education property tax grand  
3           list of its municipal members per weighted long-term membership; and

4           (2) the treatment of school districts’ outstanding capital indebtedness as  
5           of December 31, 2025.

6           (b) The Agency of Education shall adopt these rules as an emergency rule  
7           and concurrently propose them as a permanent rule. The emergency rule shall  
8           be deemed to meet the standard for the adoption of emergency rules pursuant  
9           to 3 V.S.A. § 844(a).

10           **Sec. 4. STATE AID FOR SCHOOL CONSTRUCTION ADVISORY**

11           **BOARD; IDENTIFICATION OF REGIONAL HIGH SCHOOLS**

12           **AND REHABILITATION OPPORTUNITIES; REPORT**

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

15           (1) identifies opportunities for the construction of regional high schools  
16           and rehabilitation of existing school facilities that align with the creation of  
17           new governance structures under this act;

18           (2) provides a full siting study for each identified school construction  
19           project that includes the cost, location, and any other factor the Board deems  
20           relevant to the General Assembly’s consideration of the project; and

1           (3) analyzes the compatibility of each identified school construction  
2 project with other projects and evaluates different statewide scenarios for  
3 pursuing multiple opportunities for consolidation across Vermont.

4           **(b) In developing the Board’s report, the Board shall specifically consider**  
5 **how to achieve the greatest scale possible and how to achieve regional**  
6 **comprehensive high schools with integrated CTE.**

7 **Sec. 5. 16 V.S.A. § 3440 is amended to read:**

8 § 3440. STATEMENT OF POLICY

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

20           **(b) It is further the intent of this chapter to prioritize school construction**  
21 **projects that align with the creation of new school governance structures under**

1 legislation enacted by the General Assembly in 2026 that requires each school  
2 board to participate on a study committee to study the advisability of forming a  
3 unified union school district. It is the intent of this chapter to leverage  
4 additional State bonding capacity to support the construction of these projects  
5 while the State identifies the total school construction need to be supported by  
6 State aid offered under this chapter.

7 Sec. 6. 16 V.S.A. § 3442 is amended to read:

8 § 3442. STATE AID FOR SCHOOL CONSTRUCTION PROGRAM

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

12 \* \* \*

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

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

21 \* \* \*

1 **Sec. 7. 16 V.S.A. § 3443 is amended to read:**

2 § 3443. STATE AID FOR SCHOOL CONSTRUCTION ADVISORY

3 BOARD

4 \* \* \*

5 (b) Membership.

6 (1) Composition. The Board shall be composed of the following ~~eight~~  
7 nine members:

8 (A) ~~four~~ five members who shall serve as ex officio members:

9 (i) the State Treasurer or designee;

10 (ii) the Commissioner of Buildings and General Services or  
11 designee;

12 (iii) the Executive Director of the Vermont Bond Bank or  
13 designee; ~~and~~

14 (iv) the Chair of the State Board of Education or designee; and

15 (v) the School Construction Program Director of the Agency of  
16 Education; and

17 (B) four members, none of whom shall be a current member of the  
18 General Assembly, who shall serve four-year terms as follows:

19 (i) two members, appointed by the Speaker of the House, each of  
20 whom shall have expertise in education or construction, real estate, or finance  
21 and one of whom shall represent a supervisory union; and

1 (ii) two members, appointed by the Committee on Committees,  
2 each of whom shall have expertise in education or construction, real estate, or  
3 finance and one of whom shall be an educator.

4 \* \* \*

5 (e) Assistance. The Board shall have the administrative, technical, and  
6 legal assistance of the Agency of Education and the Agency's School  
7 Construction Division.

8 \* \* \*

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

15 Sec. 8. 16 V.S.A. § 3445 is amended to read:

16 § 3445. APPROVAL AND FUNDING OF SCHOOL CONSTRUCTION  
17 PROJECTS

18 (a) Construction aid.

19 (1) Preliminary application for construction aid. A school district  
20 eligible for assistance under section 3447 of this title that intends to construct  
21 or purchase a new school, or make extensive additions or alterations to its

1 existing school, and desires to avail itself of State school construction aid shall  
2 submit a written preliminary application to the Secretary. A preliminary  
3 application shall include information required by the Agency by rule and shall  
4 specify the need for and purpose of the project.

5 (2) Approval of preliminary application.

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

8 (i) regional educational opportunities and needs, including school  
9 building capacities across school district boundaries, and available  
10 infrastructure in neighboring communities;

11 (ii) economic efficiencies;

12 (iii) the suitability of an existing school building to continue to  
13 meet educational needs; and

14 (iv) statewide educational initiatives.

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

16 (i)(I) the project or part of the project fulfills a need occasioned  
17 by:

18 (aa) conditions that threaten the health or safety of students  
19 or employees;

20 (bb) facilities that are inadequate to provide programs  
21 required by State or federal law or regulation;

1 (cc) excessive energy use resulting from the design of a  
2 building or reliance on fossil fuels or electric space heat; or

3 (dd) deterioration of an existing building; or

4 (II) the project results in consolidation of two or more school  
5 buildings and will serve the educational needs of students in a more cost-  
6 effective and educationally appropriate manner as compared to individual  
7 projects constructed separately;

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

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

13 (iv) the applicant achieves the level of “proficiency” in the school  
14 district quality standards regarding facilities management adopted by rule by  
15 the Agency or, if the applicant is a newly formed school district, the applicant  
16 will achieve the level of “proficiency” in the school district quality standards  
17 regarding facilities management adopted by rule by the Agency at its initial  
18 performance evaluation under the school district quality standards; and

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

21 (I) engages robust community involvement;

- 1 (II) considers regional solutions;
- 2 (III) evaluates environmental contaminants; and
- 3 (IV) produces a facilities master plan that unites the applicant’s
- 4 vision statement, educational needs, enrollment projections, renovation needs,
- 5 and construction projects.

6 (3) Priorities. Following approval of a preliminary application ~~and~~

7 ~~provided that the district has voted funds or authorized a bond for the total~~

8 ~~estimated cost of a project~~, the Agency, with the advice of the State Aid for

9 School Construction Advisory Board, shall assign points to the project as

10 prescribed by rule of the Agency so that the project can be placed on a priority

11 list based on the number of points received.

12 (4) Request for legislative appropriation. The Agency shall submit its

13 annual school construction funding request to the Governor as part of its

14 budget pursuant to subdivision 212(21) of this title and shall clearly identify

15 those projects contemplated under subsection 3440(b) of this chapter for

16 funding through State bonding. Following submission of the Governor’s

17 recommended budget to the General Assembly pursuant to 32 V.S.A. § 306

18 and submission of the Governor’s recommended capital budget to the General

19 Assembly pursuant to 32 V.S.A. § 309, the House ~~Committee~~ Committees on

20 Education, on Ways and Means, and on Corrections and Institutions and the

21 Senate ~~Committee~~ Committees on Education, on Finance, and on Institutions

1 shall recommend a total school construction appropriation for the next fiscal  
2 year to the General Assembly.

3 (5) Final approval for construction aid.

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

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

11 (i) the project has received preliminary approval;

12 ~~(ii) the district has voted funds or authorized a bond for the total~~  
13 ~~estimated cost of the project; [Repealed.]~~

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

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

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

19 (vi) if the proposed project includes a playground, the project  
20 includes a requirement that the design and construction of playground

1 equipment follow the guidelines set forth in the U.S. Consumer Product Safety  
2 Commission Handbook for Public Playground Safety; and

3 (vii) if the total estimated cost of the proposed project is less than  
4 \$50,000.00, no performance bond or irrevocable letter of credit shall be  
5 required.

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

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

13 (6) Award of construction aid.

14 (A) The base amount of an award shall be fund 20 50 percent of the  
15 eligible debt service total approved cost of a project. Projects are eligible for  
16 additional bonus incentives as specified in rule for to fund up to an additional  
17 20 45 percent of the eligible debt service total approved cost.

18 (B) Construction aid shall be awarded as a debt service subsidy, as  
19 support through State bonding, or as a combination of both. Amounts shall be  
20 awarded annually, and are subject to an annual appropriation for the purposes  
21 of the program, and shall be released only once the applicant has voted funds

1 or authorized a bond for the total estimated cost of the project to be covered by  
2 the applicant.

3 (B) As used in subdivision (A) of this subdivision (6), “eligible debt  
4 service cost” of a project means the product of the lifetime cost of the bond  
5 authorized for the project and the ratio of the approved cost of a project to the  
6 total cost of the project.

7 (C) Annual total debt service subsidies awarded under this chapter  
8 shall not exceed \$XX.00, and annual total State bonding support awarded  
9 under this chapter shall not exceed \$50,000,000.00.

10 (b) Emergency aid. Notwithstanding any other provision of this section,  
11 the Secretary may grant aid for a project the Secretary deems to be an  
12 emergency in the amount of 30 percent of eligible project costs, up to a  
13 maximum eligible total project cost of \$300,000.00.

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

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

18 (2) the prevailing local wage requirements as determined by the U.S.  
19 Department of Labor under the Davis-Bacon Act and related federal acts and  
20 regulations.

1 Sec. 9. REPEAL

2 16 V.S.A. § 3454 (deferred maintenance) is repealed.

3 Sec. 10. 16 V.S.A. § 4033 is added to read:

4 § 4033. LEGACY DEBT AID

5 A school district shall be eligible to receive aid of 100 percent of the debt  
6 service cost of the district’s outstanding indebtedness as of December 31,  
7 2025. Aid shall be awarded annually for annual debt service costs up to a  
8 maximum total annual amount of \$XX.00 and is subject to an annual  
9 appropriation for the purposes of the legacy debt aid.

10 Sec. 11. 32 V.S.A. § 5401(22) is amended to read:

11 (22) “Supplemental district spending” means the spending that the  
12 voters of a school district approve in excess of the school district’s educational  
13 opportunity payment, as defined in 16 V.S.A. § 4001(17), for the fiscal year,  
14 provided that the voters of a school district other than an interstate school  
15 district shall not approve spending in excess of five percent of the product of  
16 the base amount, as defined in 16 V.S.A. § 4001(16), and the school district’s  
17 long-term membership, as defined in 16 V.S.A. § 4001(7). The cap on  
18 supplemental district spending shall not apply to school construction  
19 expenditures.

20 Sec. 12. EFFECTIVE DATES

1        This act shall take effect on July 1, 2026, except that Sec. 11 (32 V.S.A.  
2        § 5401(22)) shall take effect on July 1, 2030, provided that the following  
3        conditions have been met:

4            (1) the clerk of each school district voting on the proposal to form a  
5        unified union school district on or before November 7, 2028, pursuant to this  
6        act, has certified the results of that vote to the Secretary of Education pursuant  
7        to 16 V.S.A. § 713(a);

8            (2) the expert tasked with developing a cost-factor foundation formula  
9        has provided to the General Assembly the report required pursuant to Sec. 45a  
10       of 2025 Acts and Resolves No. 73;

11           (3) the Joint Fiscal Office has provided the legislature with an analysis  
12       that shows the combined approved fiscal 2027 education spending for the  
13       school districts consolidated into each new school district compared with the  
14       estimated educational opportunity payment under the revised proposed  
15       foundation formula for each district; and

16           (4) legislation has been enacted that addresses:

17            (A) suitable geographic measures for determining sparsity within the  
18        foundation formula;

19            (B) whether it costs more to educate a secondary student than an  
20        elementary student in Vermont and, if so, an appropriate weight to capture the  
21        cost differential of educating secondary students;

1           (C) how to account for the provision of career and technical  
2           education within Vermont’s foundation formula;

3           (D) how to account for regional differences in operating costs,  
4           including those driven by regional differences in cost of living and legacy  
5           collective bargaining agreements within the foundation formula;

6           (E) how to fund special education services; school construction,  
7           renovation, and repayment of school district debt; transportation; and universal  
8           pre-kindergarten; and

9           (F) any other aspect of the foundation formula the General Assembly  
10          deems prudent to address.

DRAFT