



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

MEMORANDUM

To: General Assembly
From: Ezra Holben, Fiscal Analyst, Joint Fiscal Office
Date: December 1, 2025
Subject: Modeling Assumptions for the December 1 Letter

The Department of Taxes and the Joint Fiscal Office (JFO) follow consistent modeling parameters and assumptions to determine the consensus December 1 Letter average statewide tax yields and rates. Some of these are laid out in statute, while others are determined during the modeling process. This memo outlines the significant modeling parameters and assumptions used for the modeling conducted for the December 1st Letter published in 2025 that forecasts Fiscal Year 2027.

<i>Table 1: Statutory December 1 Modeling Assumptions</i>	
Statutory Instruction	Statute Citation
Assume that the homestead base tax rate is \$1.00 per \$100.00 of equalized education property value	32 V.S.A. subdivision 5402(a)(2)
Assume the applicable percentage when determining property taxes based on income is 2% of household income	32 V.S.A. subdivision 6066(a)(2)
Assume that the Education Fund's Stabilization Reserve is maintained at 5% (5% of prior year Education Fund appropriations minus funds distributed from municipalities to schools)	16 V.S.A. § 4026
Assume a uniform percentage change in the average education tax bill for: 1. nonhomestead property, 2. homestead property, and 3. the average education tax bill for taxpayers who claim a credit based on income	32 V.S.A. subdivision 6066(a)
Assume the equalized education Grand List is multiplied by the statewide adjustment in calculating the property dollar equivalent yield	32 V.S.A. § 5402b (a)(5)
Assume the nonhomestead rate is divided by the statewide adjustment	32 V.S.A. § 5402b (a)(6)

Table 2: Other December 1 Modeling Assumptions and the Entity Providing Data

Data Providing Entity	Data Provided	Description of Data Provided	Assumptions Within Data	Date Data is Frozen
Department of Taxes	Equalized Education Grand List (EEGL)	<p>The EEGL includes town-level grand lists and aggregated “sales ratios”</p> <p>The sales ratio is the total listed value of the sold properties divided by their total sales price</p> <p>This is used in advance of towns’ CLAs until the equalization study is completed</p>	Assumes that the sales ratio will be reflective of the finalized equalization study (completed late December)	10/28/2025
	Property Tax Credits (PTC)	<p>The estimate of Property Tax Credits that will be distributed in fiscal year 2027</p> <p>Major inputs include:</p> <ul style="list-style-type: none"> • tax year 2025 homestead declarations • town-level fiscal year 2026 education tax rates on property and income • town-level fiscal year 2026 housesite value limits • tax year 2025’s grand list <p>Consensus estimate with JFO</p>	Assumes that income (which determines eligibility and size of a credit) grows as estimated by the State’s economists	Inputs frozen on 10/28/2025 (consensus reached with JFO on 11/19/2025)
Agency of Education	Estimated Education Spending	District-provided data on Education Spending for the current fiscal year and projected spending for the upcoming fiscal year	<p>Received responses from 67% of districts</p> <p>Assumes that the remaining districts’ estimated Education Spending is equal to the average growth rate of respondents</p>	11/15/2025
	Long-Term Weighted Average Daily Membership (LTW ADM)	The prior year’s approximately 1% decline in statewide enrollment is applied uniformly to each district’s LTW ADMs	<p>Assumes that each district’s LTW ADM count changed by the statewide average rate from the prior year</p> <p>Assumes the same mixture of weighting at the district level as the prior year</p>	11/15/2025

Note: This table outlines significant inputs used in the December 1 modeling process and is not an exhaustive list of all inputs Data and inputs will be updated over the course of the year as more information is available.

Table 2 Continued: Other December 1 Modeling Assumptions and the Entity Providing Data

Data Providing Entity	Data Provided	Description of Data Provided	Assumptions Within Data	Date Data is Frozen
Agency of Education (cont.)	Categorical Aid	Estimated allocations for the categorical aid programs funded by the Education Fund.	Assumes that the allocations are adjusted by a variety of factors, such as estimated district spending, estimated student population, and inflation factors	10/31/2025
	Education Fund Reversions	Amount of the prior year's allocated Education Fund that was not spent and will be reverted to the Education Fund. This balance is considered available to the Education Fund going forward.	Assumes that the amount of the reversions is correct and will not be further revised.	10/31/2025
Office of Finance and Management	Other Sources of Revenues	Estimate of revenues generated by Uniform Capacity Taxes, taxes on wind-powered electricity generating facilities, Education Fund interest, and Land Use Change Tax	Assumes that revenues generated will be in line with the prior year's actual receipts	6/30/2025
	Stabilization Reserve Target Balance	Amount required in stabilization reserve to meet the 5% target (5% of prior year Education Fund appropriations minus funds distributed from municipalities to schools)	Assumes that the reserve is fully filled to 5%	7/31/2025
Joint Fiscal Office and Treasurer's Office	Vermont State Teachers' Retirement System (VSTRS) Pension Normal Cost	Amount that the Education Fund will contribute toward the VSTRS pension normal cost, minus the federal grants assessment (FGA)	Assumes that the FGA's contribution will lower the Education Fund's cost by \$1.58 million	11/20/2025
	VSTRS OPEB Normal Cost	Amount that the Education Fund will contribute towards the VSTRS OPEB normal cost, minus the New Teacher Assessment (NTA)	Assumes that the NTA's contribution will lower the Education Fund's cost by \$2.8 million	11/20/2025

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Table 2 Continued: Other December 1 Modeling Assumptions and the Entity Providing Data

Data Providing Entity	Data Provided	Description of Data Provided	Assumptions Within Data	Date Data is Frozen
The State's Economists	Non-property Tax Revenues	Tax revenues from sources other than property taxes (such as purchase and use tax, sales and use tax, etc.)	Assumes that the consensus revenues forecast from the 7/31 Emergency Board hold true	7/31/2025
	Income growth equation	Equation that estimates growth in household income for the purpose of calculating the property tax credit estimates	Assumes the income equation scales for real 2024 income growth, and grows nominally for each future year	10/31/2025

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