

December 1 Letter

House Committee on Ways and Means
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The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations

Purpose and Context of December 1 Letter

- Includes 2 pieces: mandated forecast and policy commentary
 - This presentation only discusses the mandated forecast required by 32 V.S.A. § 5402b
- Helps school boards understand general tax implications of their budgets
- Forecasts **potential** tax rates, average tax bill changes, and Education Fund inputs based on statutory modeling parameters

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5402b(a)(2) Mandated Forecast

In the statutorily mandated calculation and recommendation under 32 V.S.A. § 5402b, the Commissioner must assume the following:

1. The homestead base tax rate is \$1.00 per \$100.00 of equalized education property value;
2. The applicable percentage under 32 V.S.A. § 6066(a)(2) is 2.0;
3. The statutory reserves under 16 V.S.A. § 4026 are maintained at five percent; and
4. The percentage change in the average education tax bill applied to homestead property, non-homestead property, and taxpayers who claim a property tax credit is the same.

The values in the FY27 column in the following table meet the parameters of the required calculation. Vermont property owners would see an estimated average increase of 11.9% in their education tax liabilities if these yields and non-homestead rate were adopted. Please note that this statistic is only a statewide average and there is considerable variation from town to town based on district (per-pupil) education spending levels and the relationship of town grand list value to fair market value.

	FY26	FY27
Homestead Property Yield	\$8,596	\$8,849
Income Yield	\$12,172	\$12,154
Statewide Non-homestead Property Rate	\$1.703	\$1.785

To assist school districts with tax rate modeling for their member towns, the Tax Department has once again posted preliminary Common Levels of Appraisal (CLAs) and the statewide adjustment on its website at tax.vermont.gov/ed-rates. Of note, those districts that receive a “penny discount” from the pupil re-weighting transition laid out in Act 84 of 2024 will continue to receive a reduced discount in FY27.ⁱⁱ

Average Actual Education Tax Rates

The estimated average actual statewide 2026-2027 (FY27) education tax rates would be as indicated in the table below if the yields and nonhomestead rate in this letter were enacted. Again, these are statewide averages and there will be substantial variation from town to town based on levels of appraisal and per pupil education spending (for homestead rates). The income rate impacts the credit amount for those income-eligible homesteads who will receive credit to their FY28 property tax bills based on their FY27 property taxes and 2026 household income.

	FY26	FY27
Average Actual Homestead Property Rate	\$1.56	\$1.74
Average Actual Non-homestead Property Rate	\$1.62	\$1.81
Average Income Rate	2.27%	2.43%



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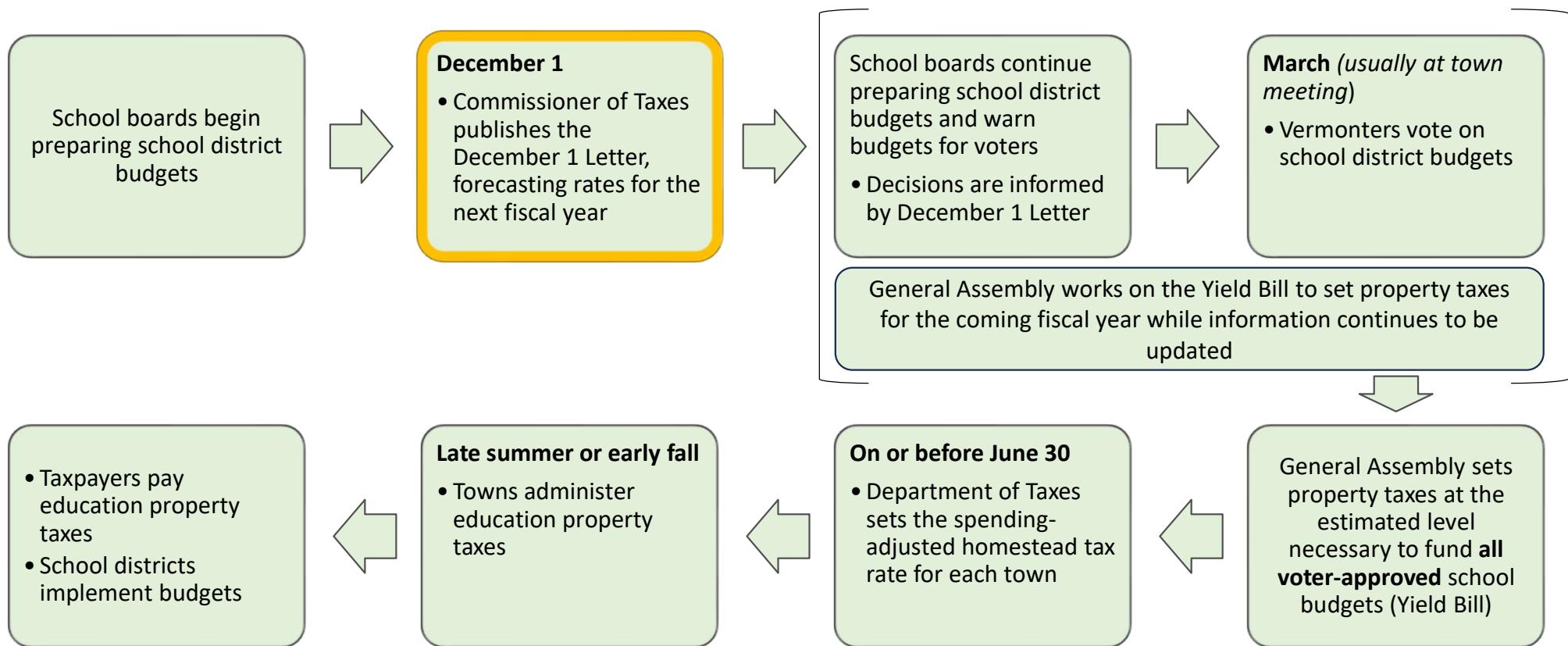
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The December 1 Letter Provides Insight Into the Education Fund

- Provides first consensus estimate of the coming year's Education Fund and property tax changes
- Serves as a *starting point* for Education Fund deliberations
- Informs policymakers of pressures on the Education Fund and property taxes



Education Finance Timeline



What the December 1 Letter *Does* Tell Us

- Provides **preliminary** projections for growth in education expenditures, pupil counts, and the Grand List based on best estimates of budget pressures and growth
- Using these projections, provides an **estimate** – an average property tax bill increase of 11.9% for the coming fiscal year

Vermont property owners would see an estimated average increase of 11.9% in their education tax liabilities if these yields and non-homestead rate were adopted.

- Provides range of per (weighted) pupil spending of the prior fiscal year

For the current 2025-2026 school year (FY26), the range of per (weighted) pupil spending among districts that operate at least one school is \$10,846.46 to \$19,089.92.



What the December 1 Letter Does Not Tell Us

- It does **not** present:
 - Final property tax rates or property tax bill growth
 - Final education expenditures or appropriations
 - Final education revenues
- While it provides preliminary projections, final numbers depend on local and State decisions*

*Note: While Federal decisions also impact education funding decisions, this presentation is focused on the State level and does not explore Federal funds.

Inputs to the December 1 Letter

- December 1 Letter is the product of extensive consensus modeling between the Department of Taxes, the Agency of Education, and the Joint Fiscal Office
- Estimates for the Education Fund for fiscal year 2027, using many inputs including:
 - Non-property revenues
 - Education spending and appropriations
 - Grand List growth
 - Prior-year policy decisions
- The Joint Fiscal Office published a document outlining major inputs and assumptions used in this year's December 1 letter modeling



Next steps

- The underlying modeling and data will continue to be updated
- Data to be updated include:
 - Grand list data,
 - Non-property tax revenue,
 - School district budgets,
 - Weighted pupil counts (Long Term Weighted Average Daily Membership (LTWADM)), and
 - Legislative policy decisions.

December 1 Letter Resources

- [December 1 Letter \(2025\)](#)
- [December 1 Letter Education Fund Outlook \(2025\)](#)
- [Modeling Assumptions for the December 1 Letter \(2025\)](#)
- [All December 1 Letters](#)
- [Annotated Guide to the Education Fund Outlook](#)

