



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

## Fiscal Note

May 14, 2026

Julia Richter, Principal Fiscal Analyst, Ezra Holben, Fiscal Analyst,  
and Ted Barnett, Senior Fiscal Analyst

### **H.955 – An act relating to next steps in transforming Vermont’s education system**

As recommended by the Senate Committee on Finance<sup>1,i</sup>

#### **Bill Summary**

**T**his bill would modify the mechanism for supervisory unions to provide regional and statewide services. H.955 would replace Boards of Cooperative Education Services (BOCES) with Cooperative Educational Service Areas (CESAs) and assign the State’s supervisory unions to seven CESAs.<sup>2</sup> This bill would specify the minimum shared services CESAs would offer. Additionally, it would require school districts to participate in committees to study forming unified union school districts. This bill would also amend contingent effective dates within Act 73 (2025), create guidelines for special education funding safeguards, initiate education policy rulemaking, and create systems and reporting on prekindergarten (PreK) administration and costs. This bill would establish regional assessment districts in statute, further establish property classifications, and significantly amend the State Aid for School Construction Program.

Effective dates and contingencies of this bill vary by section. Appendix 1 of this fiscal note outlines the effective dates and associated contingencies of each section.

#### **Fiscal Impact**

**The overall fiscal impact of this bill is unclear. Impacts would depend on outstanding policy decisions at the State and local levels.** The “Background and Details” section of this fiscal note outlines all potential and known fiscal implications by section. Known fiscal impacts include:

- amending the uses of funds previously appropriated from the Education and General funds for education transformation;
- appropriating \$75,000 from the General Fund to the Joint Fiscal Office (JFO) in fiscal year 2027 to hire a contractor to help determine an appropriate funding amount for PreK students.
- appropriating \$500,000 from the General Fund to the Agency of Education (AOE) in fiscal year 2027 to fund four positions established by this bill; and
- transferring \$1 million from the General Fund to the School Construction Aid Special Fund in fiscal year 2027 for awarding grants through the Facilities Master Plan Grant Program.

<sup>1</sup> *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.*

<sup>2</sup> A Board of Cooperative Education Services is outlined in 16 V.S.A. Chapter 10 as a mechanism for supervisory unions to provide shared programs and services on a regional and statewide level.

Table 1: Known Fiscal Year 2027 Fiscal Impacts in H.955

Section	Description	Amount	Source of Funds
<b>Costs Funded Through Existing Appropriations</b>			
<b>Section 4</b> CESA Grant Program	Funding to issue grants to CESAs. Intended to assist with start-up costs. Funded by two existing appropriations	\$90,000	<ul style="list-style-type: none"> <li>\$30,000 previously appropriated from the General Fund to AOE in fiscal year 2026.</li> <li>\$60,000 previously appropriated from the Education Fund to AOE in fiscal year 2025.</li> </ul>
<b>Section 17</b> Study Committee Reimbursement Grants	Funding to reimburse union school district study committees for incurred expenses.	\$210,000	\$210,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
Study Committee Facilitators; Administrative Expenses	Funding to hire eight facilitators for the study committees. The Vermont Learning Collaborative (VTLC) may retain up to \$32,000 for administrative costs.	\$442,000	\$442,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
CESA Executive Director Grants	Funding to issue grants to assist with hiring CESA Executive Directors.	\$300,000	\$300,000 previously appropriated from the General Fund to AOE in fiscal year 2026.
<b>Total Costs Funded Through Existing Appropriations</b>		<b>\$1,042,000</b>	
<b>New Appropriations</b>			
<b>Section 21</b> PreK Financing Report	Appropriation to JFO to hire a contractor to complete a cost of care analysis that would provide estimates for the current full cost of providing PreK education.	\$75,000	One-time appropriation from the General Fund to JFO in fiscal year 2027.
<b>Section 66</b> School Construction Division	Appropriation to AOE to fund four limited service classified positions.	\$500,000	One-time appropriation from the General Fund to AOE in fiscal year 2027.
<b>Total Costs Funded Through New Appropriations</b>		<b>\$575,000</b>	
<b>Fund Transfers</b>			
<b>Section 66a.</b> Facilities Master Plan Grant Program	Transfer to the School Construction Aid Special Fund for awarding grants through the Facilities Master Plan Grant Program.	\$1,000,000	One-time transfer from the General Fund to the School Construction Aid Special Fund in fiscal year 2027.
<b>Total Transfers from General Fund</b>		<b>\$1,000,000</b>	

## Background and Details

### Sections 2-2a: Cooperative Educational Service Areas (CESAs)

Effective July 1, 2026, Section 2 would amend statute to replace Boards of Cooperative Education Services (BOCES) with Cooperative Educational Service Areas (CESAs). A CESA would be a group of supervisory unions (SUs), intended to provide members with shared programs and services in a cost-effective manner. A CESA would be a distinct entity, with a governing board, budget, and employees.

Section 2 would create seven CESAs in statute and specify their member SUs, including the existing Vermont Learning Collaborative (VTLC). Member SUs could propose to the General Assembly to adjust the membership of the CESA to which it belongs.

CESAs would create their own bylaws; these would include the programs or services offered by the CESA, the financial terms of the CESA, and the required fees for members allocated according to the services provided to each member SU.

CESA staff would include, initially, an executive director who reports to the CESAs board. The need for additional staff and administrative resources would depend on the services offered. At a minimum, a CESA would offer services related to special education, business and administrative services, and facilitate union school district creation.

Effective July 1, 2027, Section 2a would expand the services offered by a CESA to include professional development, curriculum coordination and development, transportation, and facilities master planning. Participation in services offered by a CESA would be voluntary.

The total fiscal impact of this section is currently unclear. If CESAs offered cost-effective services that member SUs shared, there may be cost savings. However, potential cost savings are unclear, due to outstanding unknowns including the range of services offered, their cost compared to services they are replacing, and participation in services.

The creation and operation of CESAs would necessitate additional expenditures, including the hiring of staff. Total staffing levels are unknown and would likely depend on the services operated by a CESA. In addition to staff, there would likely be non-personnel operating costs for a CESA and its programs.

### Section 3: Report Repeal

Effective July 1, 2026, Section 3 would repeal Act 168's (2024) transition report from the Secretary of Education because it would no longer be relevant. This section is not expected to have a fiscal impact.

### Section 4: CESA Start-Up Grant Program

Effective July 1, 2026, Section 4 would amend Act 168's BOCES grant program so that CESAs would be eligible to receive start-up grants. Each CESA could receive a grant from AOE for \$15,000. This grant could offset a CESA's initial costs, such as creating articles of agreement or bylaws.

This section would make \$90,000 available from existing appropriations for providing grants to CESAs in fiscal year 2027. Grants would be partly funded by a fiscal year 2025 Education Fund appropriation to AOE (\$60,000). The remaining \$30,000 would be funded by a fiscal year 2026 appropriation to AOE in Act 73 (2025), as amended by Sec. C.103 of the fiscal year 2027 appropriations act as passed by the Senate.

### Sections 5 – 11: CESA Language

Effective July 1, 2026, Sections 5 through 11 would amend statute to replace the term Boards of Cooperative Education Services with Cooperative Educational Service Area. These sections would have no fiscal impact.

**Section 12: CESA Transition**

Effective July 1, 2026, Section 12 would establish CESA board creation and the timing for the first board meeting. This section would have no fiscal impact.

**Section 13: Union School District Study Committees, Reports**

Effective July 1, 2026, Section 13 would set the process for establishing study committees to explore forming unified union school districts (“union district”). This process would take place between October 1, 2026 and November 7, 2028.

By October 1, 2026, VTLC would be required to hire eight individuals as union school district facilitators. The facilitators would be charged with organizing school districts into study committees to explore forming a unified union school district (“union district”). When creating study committees, the facilitators would use the school district groupings in Section 14 of this bill as guidance and would consider districts’ net grand list values and current education spending when establishing the final committees. A study committee’s member districts would have a combined average daily membership of at least 1,500 students. School districts would be required to participate in the committees, and committees would first meet by December 1, 2026.

By December 1, 2027, each study committee would complete and submit a final report outlining whether it found it advisable to form a union district. The report would be submitted to the school boards of districts considered “necessary” or “advisable” to creating the new district. If the committee chose not to form a union district, the report would be issued to the participating districts’ school boards. The boards would have until February 1, 2028, to review the submitted report and any articles of agreement.

If the committee advises forming a union district, its report would be sent to the Secretary of Education. The Secretary would submit the report, along with their recommendation on the proposed union district, to the State Board of Education (SBE) by April 1, 2028. The SBE would have until June 1, 2028, to review and issue its findings on the proposed district. Following the SBE’s review, voters of the districts considered “necessary” or “advisable” for the proposed district’s creation would vote on unification by November 7, 2028.

By February 1, 2027, the AOE must, with facilitator input, submit a report to the House Committees on Education and Ways and Means, and the Senate Committees on Education and Finance. The report would detail the membership and status of the study committees.

The total fiscal impact of this section is unclear. Funds for hiring the facilitators and reimbursing some study committee expenditures are detailed in Section 17. Beyond these funds, committee expenses above the reimbursement grant would be funded by the member districts. All else equal, additional expenditures by school districts would increase statewide Education Spending. If Education Spending increases, the homestead property tax rates and/or the nonhomestead property tax rate would need to be raised.

**Section 14: Union School District Groupings**

Effective July 1, 2026, Section 14 outlines the 18 district groupings that the facilitators should consider when forming study committees. This section has no fiscal impact.

**Section 14a: Interim Study Committee Reports**

Effective July 1, 2026, Section 14a would require the lead facilitator to submit a report with updates on the status of the Union School District study committees. Section 14a would also charge AOE with submitting an interim report on preliminary recommendations for SU and CESA boundary adjustments based on the study committees’ recommendations.

Both reports would be due by January 1, 2028 and would be submitted to the House and Senate Committees on Education. This section has no fiscal impact.

**Section 15: Study Committee Results, Facilitator Reports**

Effective July 1, 2026, Section 15 would require VTLC's lead facilitator to submit a report to the House and Senate Committees on Education by January 1, 2029 detailing the final results of each study committee, including factors that impacted the committee's deliberation, along with a determination and identification of any school district that participated in bad faith in the study committee process. This section has no fiscal impact.

**Section 16: AOE Report on Boundaries**

Effective July 1, 2026, Section 16 would require AOE to submit a report to the House and Senate Committees on Education by January 1, 2029. This report would make recommendations for adjusting SU and CESA boundaries to account for any union districts formed by the study committees. This section has no fiscal impact.

**Section 17: Grants and Appropriations**

Effective July 1, 2026, Section 17 would create several grants to be administered by AOE to assist study committees and CESAs in their work. This section makes the funds associated with these grants an allowable use of the appropriation made in Act 73, as amended by Sec. C.103 of the fiscal year 2027 appropriations act as passed by the Senate. All appropriations referenced in this section are already accounted for in that bill.

Under this section AOE would reimburse legal and technical expenses of study committees. Each study committee would be eligible for up to \$10,000 in reimbursement grants. The total \$210,000 would be an allowable use of the appropriation in Act 73 as amended.

The \$442,000 grant to VTLC in fiscal year 2027 to hire the study committee facilitators outlined in Section 13 would be an allowable use of the Act 73 appropriation as amended. VTLC could retain up to \$32,000 for administrative costs.

Finally, Section 17 would create CESA executive director grants. These grants would each equal \$50,000 and would be awarded by AOE to six of the CESAs outlined in this bill; VTLC would be ineligible for these grants. This section would make \$300,000 for these grants an allowable use of the Act 73 appropriation as amended.

The fiscal impact of this section would be a net-neutral shift of \$952,000 General Fund appropriated in fiscal year 2026. JFO expects that many of these funds would be expended in fiscal year 2027, but some expenditures like the study committee reimbursement grants could occur in fiscal year 2028.

**Section 18: Amending Act 73 Effective Dates and Contingencies**

Effective on passage, Section 18 would amend effective dates and contingencies for some Act 73 sections. This section would include new contingencies and would push back the timeline for many sections of Act 73 by two years. The revised effective dates and contingencies are summarized in Appendix 1.

The implementation of many education and finance policy sections would still only take effect if certain contingencies are met; this section would amend those contingencies to include:

- school districts have had an opportunity to study the advisability of forming a new union school district, and the clerk of each school district voting on a union district proposal has certified the vote's results;
- JFO has provided the General Assembly with an analysis comparing total State funds appropriated to school districts under current law to the funds districts would have received under Act 73 by December 15, 2029; and

- the General Assembly has enacted legislation that addresses:
  - suitable geographic measurements for sparsity;
  - whether it costs more to educate secondary students, and if so, the appropriate weight;
  - how to account for Career and Technical Education in Act 73's funding formula;
  - how to account for differences in operating costs in different regions of the state; and
  - how to fund special education, school construction, transportation, and PreK.

These contingencies would be in addition to the contingency already created by Act 73 that the expert tasked in Section 45a of Act 73 has provided its report to the General Assembly.

The fiscal impact of this section is unclear. JFO cannot estimate the overall impact of implementing these sections of Act 73, as there are several outstanding policy decisions.

### **Section 21: PreK and JFO Financing Considerations**

Effective on July 1, 2026, Section 21 would mandate several reports on PreK education administration and costs:

- AOE, the Department for Children and Families (DCF), and Building Bright Futures (BBF) would establish a system to jointly monitor and evaluate prekindergarten education programs and collect data that will inform future decisions. Annually in January, BBF would report to the General Assembly on this system and data collection.
- On or before December 1, 2026, BBF would submit a report on the status of its work on its federal Preschool Development Grant, including information about student demographics and the number of hours offered by PreK programs by district. The report would also include data gaps, outstanding questions, and recommendations for legislative action. BBF would provide a progress report to Joint Fiscal Committee (JFC) on or before October 1, 2026.<sup>3</sup>
- JFO would contract to conduct an updated cost of care analysis for the provision of PreK education within Vermont's education system. The contractor would reference previous cost of care analyses and collaborate with AOE, DCF, and BBF to ensure necessary data and appropriate factors are included in financial modeling. It would provide estimates for the current full cost of providing PreK education.

In addition to these reports, this section would also require JFO to provide the General Assembly with a report on the considerations associated with different funding mechanisms that may be used to distribute funds for education costs within the new financing formula.

This section would appropriate \$75,000 from the General Fund to JFO in fiscal year 2027 to hire a contractor to provide this cost of care analysis.

### **Section 21a: Annual PreK Data Collection**

Effective on July 1, 2026, Section 21a would mandate districts to report annually to AOE on the number of hours of PreK education received by the district's students, whether from the district or from another provider or district that received tuition to educate the district's students. The fiscal impact of this section is unknown. If additional staff resources are needed in districts for this data collection, that cost would be included in school district budgets.

---

<sup>3</sup> More information on the \$12.7 million Preschool Development Grant from the U.S. Department of Health and Human Services can be found [here](#). Overall, the grant contains three goals: reconcile fragmented elements (including PreK) into a unified system; expand childcare program availability, quality, and viability; and align and share information and data systems.

**Section 22: Data Collection**

Effective July 1, 2026, Section 22 would require each student who receives tuition for public education to complete forms used to collect information on all weighting categories.

JFO cannot estimate the impact of this section. If this results in additional weighting data being captured by school districts, then this could result in an increase in the overall weighted student count which would shift tax capacity under current law and increase funding levels under the foundation formula.

**Section 23: Special Education Funding**

Effective July 1, 2026, Section 23 would prohibit school districts from reducing staff, programs, or funding which would disproportionately affect students with disabilities. It would require AOE to issue guidance for districts on implementing Act 73 while complying with this section and federal requirements. Districts would be required to follow this guidance and document how significant program changes would affect students with disabilities.

The fiscal impact of this section is unclear. If future special education funding systems do not provide sufficient funding, school districts would be unable to significantly reduce special education services. This could require a district, all else equal, to reduce services for non-special education students; alternatively, a district would need to find additional funding sources to maintain special education services.

**Section 25: Study Committee Budget Approval**

Effective July 1, 2026, Section 25 would increase the threshold of a union district study committee's budget before voter approval is needed. Under current law, if the committee budget exceeded \$50,000 it must be approved by the member districts' voters. Under this section, the threshold to trigger a vote would be raised to \$500,000.

The fiscal impact of this section is unknown. If every study committee created budgets up to the new threshold, this would result in approximately \$9.5 million in additional spending. As budgets would ultimately flow from the Education fund, any increase in spending from this section would require an adjustment to the homestead and/or nonhomestead property tax rates. JFO cannot predict how study committees would respond to this change.

**Section 26: Small and Sparse School Rulemaking**

Effective July 1, 2026, Section 26 would require the SBE to update its rules for Education Quality Standards to define criteria for schools to be considered "small by necessity" or "sparse by necessity". Rules would need to be consistent with prior recommendations made by the SBE and would be required by March 31, 2027.

The fiscal impact of this section is unknown. Defining "small by necessity" and "sparse by necessity" would impact how many school districts receive school support grants under Act 73. JFO cannot determine the impact until rulemaking is complete.

**Sections 27 – 27d: Agency of Education and State Board Rulemaking**

Under these sections, AOE and the SBE would be charged with initiating education policy rulemaking.

Effective July 1, 2026, Section 27 would require AOE to update the District Quality Standards (DQS) to include guidance on how resources are budgeted within a district under the foundation formula. This would be due by December 31, 2028.

Effective on passage, Section 27a would require AOE, in consultation with stakeholders, to update DQS with recommended reserve fund standards. These standards would include minimum and maximum reserve balances, acceptable uses of reserves, and best practices for replenishing them. These would be due by March 31, 2027.

Effective July 1, 2026, Section 27b would require AOE to submit a report on statewide school-transportation and financing. This report would be due by December 31, 2026.

Effective on passage, Section 27c would require AOE, in consultation with school business officials, to develop a statewide student profile form. This would be used by districts to collect student weighting information for students grades PreK-12 whom the State pays tuition for. This form would be due by September 1, 2026.

Effective July 1, 2026, Section 27d would require the SBE to update its rules for the length of a school day for each grade.

JFO cannot determine the fiscal impact of these sections. Any potential impacts would depend on the revised rules and how they would be implemented. Under Section 27c, all else equal, districts' long-term weighted membership could increase. If this form resulted in additional weighting data being captured by school districts, then this could result in an increase in the overall weighted student count, which would shift tax capacity under current law and increase funding levels under the foundation formula.

### **Sections 28 – 29: Small Schools and Sparse Schools**

Effective July 1, 2026, Section 28 would repeal the small school and sparse school language Act 73 (2025), Sec. 37 and reintroduce the language with clarifying changes under this bill's Section 29.

Contingently effective July 1, 2030, Section 29 would amend the eligibility criteria of the small school support grant. Under this bill, a school would be considered a "small school" if the average number of students per grades K-12 operated at the school was less than 12. The school would also have to be deemed "small by necessity".

Section 29 would also charge AOE with annually determining if a school meets the criteria of "small by necessity" and/or "sparse by necessity". Determinations would be made using the SBE's rules on small or sparse by necessity.

JFO cannot estimate the fiscal impact of these sections. The fiscal impact would depend on the rules developed by the SBE, how they are implemented by AOE, and how districts may respond

### **Section 29a: Compliance with Class Size Minimums**

Effective July 1, 2026, Section 29a. would hold public and approved independent schools harmless from class size minimum requirements until the foundation formula is in effect and any foundation formula contingencies have been met. Approved independent schools that do not meet class size minimums would remain eligible for public tuition prior to the foundation formula taking effect as long as they meet all other requirements.

The fiscal impact of this section is unclear, as it would depend on future rulemaking and implementation of class size minimums.

### **Sections 30 – 57: Regional Assessment Districts**

Sections 30 – 57 would establish regional assessment districts and associated provisions. The following outlines significant sections of the bill related to regional assessment districts that may have fiscal implications.

Ultimately, the overall fiscal impact for establishing regional assessment districts cannot be estimated. If the changes increase the frequency of reappraisals, additional costs may occur. If they increase efficiency of reappraisals, there may be savings. Further, Section 35 would establish that the State would provide a payment for full reappraisals. The annual fiscal impact of this section would depend on the estimated full cost of reappraisals and the timing of reappraisals.

Unless noted otherwise, the sections focused on regional assessment districts would take effect on January 1, 2031.

*Section 30: Establishment of Regional Assessment Districts*

Section 30 would establish guidelines and requirements regarding regional assessment districts. Member municipalities of a regional assessment district would be required to fully reappraise their grand list every six years. This section would also require the Director of Property Valuation and Review (PVR) to establish standard guidelines and procedures for regional assessment districts and a reappraisal schedule for each regional assessment district. This section would also establish a valuation appeals process. Finally, it would create regional assessment district appeals boards to hear appeals for valuations within its district as the first step of a grievance process.

*Section 32: Grand List Equalization Process*

Section 32 would clarify that all municipalities within a regional assessment district would be treated as a single entity for the grand list equalization process.

*Section 35: State Payment for Full Reappraisals*

Effective July 1, 2026, Section 35 would establish a State payment for full reappraisals. When a municipality is scheduled to reappraise, the municipality may notify the Commissioner of Taxes that it is prepared to commence reappraisal. Within 30 days, the Commissioner will estimate the full cost of the reappraisal and transfer to the municipality the lesser of two-thirds of the estimated cost or \$66 per grand list parcel.

This section would result in an increased cost to the State, however the scale and scope of these costs in a single year is unclear. There would be no payments under this provision until the year after regional assessment districts begin. For context, in fiscal year 2027, there were a total of 340,280 parcels in the State that could be eligible for this payment. The cost to reappraise all of these parcels would result in a maximum cost of approximately \$22.5 million, which would not be incurred until regional assessment districts are in place, and the cost will likely be spread over the first six years and into the future.

*Section 36: Tax Sales*

Section 36 would permit the collector of taxes to put a tax lien on parcels when less than \$1,500 is owed, as long as the parcel does not have a dwelling capable of habitation on a year-round basis nor was it declared a homestead. JFO cannot estimate the fiscal impact of this section.

*Section 53: Transition to Regional Assessment Districts*

Section 53 would require the Commissioner of Taxes to submit a report annually through 2031 on the progress of implementing regional assessment districts.

*Section 54: Proposed Boundaries*

Section 54 would require the Commissioner of Taxes to submit proposed geographic boundaries for regional assessment districts.

This section would be effective December 15, 2029, contingent on school districts having had an opportunity to study the advisability of forming a union district.<sup>4</sup>

**Section 58 - 64: Property Tax Classifications**

Sections 58 – 64 would establish property tax classifications and associated provisions. The following outlines significant sections of the bill related to property tax classifications that may have fiscal implications.

---

<sup>4</sup> The full contingency is included in Section 18 of this bill, which amends 2025 Acts and Resolves No. 73, Sec. 70(f)(1)(A).

The overall fiscal impact of these sections is unclear and will depend on outstanding policy choices, including tax rate multipliers.

The implementation of the tax classifications would take effect on July 1, 2030, if all contingencies in Section 18 have been met and if tax rate multipliers have been set as discussed in Section 63.

*Sections 58: Establishing Property Classes*

Section 58 would establish three property tax classes: homestead, nonhomestead nonresidential, and nonhomestead residential. This section would also establish the definitions for these classes, as well as other definitions to be used for property classification.

*Section 58a: Appeals Recommendations*

Section 58a would require the Department of Taxes to submit recommended legislative language to establish a process for tax classification appeals.

*Section 59: Errors or Omissions in Filed Dwelling Use Attestation*

Section 59 includes provisions relating to instances where the Commissioner determines that a filed dwelling use attestation contains errors or omissions. If the Commissioner determines the error was not made with fraudulent intent, the municipality would be permitted to include a penalty of up to 5% of the education tax on the property. If the Commissioner determines the error was made with fraudulent intent, the Commissioner would impose a penalty equal to 100% of the education property tax and any interest of late payment that was due.

This section would also establish a dwelling use attestation which would be used to describe how a dwelling unit will be used in the current year for purposes of assigning a tax classification. It would also establish that properties with a dwelling unit that has no homestead declaration or dwelling use attestation would be assigned the tax classification with the highest statewide education tax rate multiplier.

*Section 60: Collection of Property Classification Data*

Section 60 would establish the collection of property tax classification data for calendar year 2029 and would require that data to be submitted to JFO by October 1, 2029.

*Section 63: Prospective Repeal*

Section 63 would create a prospective repeal. If new tax rate multipliers for a tax classification system are not established by July 1, 2030, this section would repeal the sections establishing the property classification.

**Sections 65 – 78: School Construction**

Sections 65 – 78 would amend the State Aid for School Construction Program to expand State aid to include general obligation bonding. The following outlines significant sections of the bill related to school construction that may have fiscal implications.

The overall fiscal impact of these sections is unclear and will depend on outstanding policy and funding decisions. Any future impacts to the State's general obligation debt service costs would be directly related to any increase in bonded indebtedness and market conditions at the time of the debt issuance. Additionally, any material increase in general obligation debt service would, per statute, impact the calculation of the General Fund transfer to the Cash Fund for Capital and Essential Investments.

Per 32 V.S.A. § 1001b(b)(1)(A), the General Fund transfer to the Cash Fund is calculated at 4% or less of the last completed fiscal year's General Fund appropriations, less the amount necessary to fund the State's general obligation debt service in the year for which the transfer is being made. When all else is equal, an increase in general obligation debt service, due to increased bonding for things such as school construction, would reduce the amount available to transfer to the Cash Fund.

Unless noted otherwise, the sections on school construction would take effect on July 1, 2026.

*Section 66: AOE School Construction Division*

Section 66 would establish four limited service, classified positions in AOE, and appropriate \$500,000 from the General Fund to AOE in fiscal year 2027 for them. AOE would be required to include funding for the positions in its fiscal year 2028 budget request.

*Section 66a: School Construction Aid Special Fund Transfer*

Section 66a would transfer \$1 million from the General Fund to the School Construction Aid Special Fund in fiscal year 2027 for awarding grants through the Facilities Master Plan Grant Program.

*Section 67: Rules on School Construction and Capital Outlay*

Section 67 would require AOE to adopt rules on school construction and capital outlay by March 31, 2028. Rules would have to address prioritization and bonus incentives that reward school districts for:

1. consolidating school governance structures;
2. improving access to educational opportunities for public school students; and
3. remediating or eliminating health and safety issues.

*Section 68: Report on School Construction Opportunities*

Section 68 would require the State Aid for School Construction Advisory Board to submit a report to the General Assembly identifying three to five opportunities for school construction or renovation of regional high schools by December 1, 2026. The report would be required to identify opportunities and provide a full siting study for each opportunity including cost and location.

*Section 70: State Bonding in Budget Request*

Section 70 would require AOE to include in its annual budget submitted to the Governor any projects contemplated for funding through State bonding.

*Section 72: School Construction Projects, Debt Service Subsidy and State Bonding*

Section 72 would amend the approval and funding of school construction projects. This section would require AOE to identify projects for funding through general obligation bonding in its request for appropriations. It would also require the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance to recommend a total annual school construction appropriation for inclusion in an aggregate education payment.

This section would amend the award provisions of the Program to provide aid of 30-75% of the total approved cost of a project in the form of a debt service subsidy, State bonding, or a combination of both. It would remove the requirement for bond authorization before prioritization and final approval so that a school district's bond authorization reflects the amount of State aid it will receive. The amounts would be awarded annually, be subject to annual appropriation, and only be released once the applicant has voted to fund or authorized a bond for the total estimated cost of the project.

Section 72 would also require the Treasurer, in consultation with the Capital Debt Affordability Advisory Committee (CDAAC), to recommend the annual total State bonding support available and the annual debt subsidies to be awarded.

*Section 73: Repeal Prohibition on Aid Resulting from Deferred Maintenance*

Section 73 would repeal the prohibition on State aid for school construction projects where “the need for the project or construction has arisen in whole or in part from significant deferred maintenance” under 16 V.S.A. § 3454. While repealing this prohibition would expand aid to a broader pool of projects, JFO cannot estimate the fiscal impact of this section.

*Section 74: Legacy Debt Aid Program*

Section 74 would establish a legacy debt aid program for school districts that incurred debt for costs related to facility construction and renovation and began construction on or before December 31, 2025, and were not identified as a bad faith participant in the facilitator report required by Section 15. Districts would be eligible to receive aid equal to 75% of the debt service cost on this indebtedness. The maximum total annual amount of aid would be \$46 million. Legacy debt aid would be subject to an annual appropriation, and it is unclear from which fund. Assuming the legacy debt aid is awarded, this would have a fiscal impact to whichever fund from which the appropriation is made.

Under current law, all school district debt service costs are included in a district's education spending and thus the annual Education Payment appropriation from the Education Fund. If the appropriation for these costs was instead made directly from the Education Fund, this would not increase costs to the Education Fund but would shift property tax burden, so all property taxpayers are equally covering the cost of legacy debt regardless of where the property is located.

#### *Sections 75 and 76: Education Payment*

Sections 75 and 76 would require the General Assembly to appropriate funds for an Education Payment that includes the amount obligated to provide for school construction.

#### *Sections 77 and 78: Supplemental District Spending and School Construction*

Effective July 1, 2030 assuming all contingencies are met, Section 77 would exempt all school construction expenditures from the cap on supplemental district spending. The school board of a district would be required to submit for authorization supplemental district spending to cover debt service costs for school construction only at the initial authorization of indebtedness.

The fiscal impact of this section is unclear as it will depend on district decisions. However, it is likely this section would result in increased supplemental district spending because it would expand the total amount of supplemental district spending that would be permitted.

#### **Sections 79 – 83: Foundation Formula Transitions**

Sections 79 – 83 would amend the foundation formula transition mechanisms in Act 73 to align with the effective dates that would be established by this bill.

Because these transition mechanisms were already established by Act 73, and this section would only amend the dates, there is no estimated fiscal impact of these sections.

**Appendix 1: Effective Dates**

<b>On Passage</b>	
Effective dates	Sec. 18; Amends contingencies and effective dates for Act 73 and underlying bill
Rulemaking	Sec. 27a; Reserve guidance from AOE
Student Profile Form	Sec. 27c; Student profile form developed by AOE
Technical Repeals	Sec. 34(a), 61, 79
Regional Assessment Districts	Sec. 53, 56; Regional assessment district transition report , Guidance
Property Classification	Sec. 62, 63; Tax rate multiplier intent, Prospective repeal of property classifications
Timing adjustments	Sec. 83, 84; Change timing for reports
Education Fund Advisory Committee	Sec. 85; Amendment to membership and charge
<b>July 1, 2026</b>	
Intent and Findings	Sec. 1, 19, 20, 65, 69; General legislative intent, PreK findings and intent, School construction findings and intent
CESAs	Sec. 2, 3, 5-12; Creation of CESAs
Appropriations	Sec. 4, 17; Amends appropriations for CESAs, Amends appropriations for study committees
Study Committees	Sec.13 - 16, 25; Formation of study committees, consultation and facilitation, guidance, report, budget approval
PreK	Sec. 21, Sec. 21a.; Reports regarding PreK, PreK data collection
Data collection and reports	Sec. 22, 27b; Requires data collecting for all resident students and weighting categories, transportation report
Special Education	Sec. 23; Maintenance of effort
Rulemaking	Sec. 26, 27, 67; Intradistrict budgeting, Small and sparse school, School construction
Technical and Clarification	Sec. 28, 29; Amends and clarifies small and sparse school language
Definitions	Sec. 29a; Establish definitions
Regional Assessment Districts	Sec. 35, 55; State payment of full reappraisals, municipal abatement
School Construction	Sec. 66, 68, 70-73,75; School construction division, report, program, Advisory Board, approval and funding
<b>July 1, 2027</b>	
Grand list	Sec. 57; Grand list contents

**Appendix 1 continued: Effective Dates**

<b>January 1, 2029</b>	
<b>Contingent On:</b>	
<ul style="list-style-type: none"> <li>- School districts having an opportunity to study the advisability of forming a new unified union school district and the clerk of each school district voting on a union district proposal has certified the vote’s results,</li> <li>- The cost-factor foundation report has been provided to the General Assembly, and</li> <li>- JFO has provided an analysis comparing current law education funding and funding under the foundation formula.</li> </ul> <p><i>(Full contingencies outlined in Sec. 18 of the bill)</i></p>	
Property Classification	Sec. 60; Data collection for property classification
<b>December 15, 2029</b>	
<b>Contingent On:</b> School districts having an opportunity to study the advisability of forming a new unified union school district and the clerk of each school district voting on a union district proposal has certified the vote’s results,	
<i>(Full contingency outlined in Sec. 18 of the bill)</i>	
Regional Assessment Districts	Sec. 54; Regional assessment district boundaries
<b>July 1, 2030</b>	
<b>Contingent on:</b>	
<ul style="list-style-type: none"> <li>- School districts having an opportunity to study the advisability of forming a new unified union school district and the clerk of each school district voting on a union district proposal has certified the vote’s results,</li> <li>- The cost-factor foundation report has been provided to the General Assembly,</li> <li>- JFO has provided an analysis comparing current law education funding and funding under the foundation formula, and</li> <li>- Legislation has been enacted addressing sparsity, whether it costs more to educate a secondary student, CTE, regional differences in operating costs, and how to fund school construction, transportation, and universal prekindergarten</li> </ul> <p><i>(Full contingencies outlined in Sec. 18 of the bill)</i></p>	
Tuition	Sec. 24; Tuition fee prohibition
Property Classification	Sec. 58, 59, 64; Establishing property classes, Dwelling use attestation errors, Homestead definition
Education Payment	Sec. 76; Defining education payment
School Construction	Sec. 74, 77, 78; Legacy debt aid, Supplemental district spending cap and budget vote
Foundation Formula Transitions	Sec. 80-82; Aligning transitions with timeline
<b>January 1, 2031</b>	
Regional Assessment Districts	Sec. 30-33, 34(b), 37-52; Creation of regional assessment districts

<sup>i</sup> 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.