



STATE OF VERMONT
OFFICE OF THE STATE
TREASURER

MICHAEL S. PIECIAK
STATE TREASURER

TO: The Chairs and Members of Senate and House Appropriations Committees
FROM: David Scherr, Deputy State Treasurer, Office of the State Treasurer
DATE: January 9, 2026
RE: Vermont State Teachers Retirement System Federal Grants Assessment

Each year, when the Legislature funds the Actuarially Determined Employer Contribution (ADEC) for the Vermont State Teachers Retirement System (VSTRS), it offsets the amounts appropriated from the General Fund and the Education Fund by Federal Grants Assessment (FGA) revenues projected to be received from the school districts.

As COVID-era federal funds like ESSER wind down, federal grant funds to schools (and the associated federal grant assessment revenues) are dropping precipitously.

In funding the FY26 ADEC, FGA revenue was projected to be \$13.375 million. Although still early in the revenue collection cycle for this year, we are now projecting FGA revenues to be half that amount, or approximately \$6.5 million

While a pre-existing appropriation of \$3.8 million was made in last year's budget bill ([ACT027 As Enacted.pdf](#)) to make up for this projected shortfall in FY26 FGA revenue, if current trends hold—described in greater detail below—this appropriation would be exhausted, and we would need an additional \$2.5-3 million in funding in the either the BAA or the Big Bill in order to meet the FY26 ADEC, as well as the plus payment required by Act 114.

Receipts for the FGA are received quarterly, and there is a significant lag between when a quarter ends and when we receive the funds. A majority of the districts have reported for FY2026 Q1 (65%). In Q1, for districts reporting in both FY25 and FY26, receipts have come in at 67% in a Year-over-Year comparison. We think that there is a high probability that the remaining quarters will follow this downward trend. If there is a shortfall in FGA receipts, without a backfill appropriation we will not be able to fully fund the ADEC as well as the plus payment required by Act 114.

We are grateful for the Appropriations Committees' ongoing work and commitment to this issue. We are happy to share prior communications on this matter if it would be helpful.

To ensure that we are able to fully fund the VSTRS ADEC as well as the plus payment required by Act 114 in FY26, it would be prudent to increase the appropriation made in section C.103 of last year's budget bill by \$3 million. Language on below is intended to identify the location of the current appropriation we suggest increasing. We defer to legislative counsel if there is a better way to effectuate this change.

Thank you for your consideration of this request.

Suggested language for the BAA:

Section XXX 2025 Acts and Resolves No. 27, Sec. C.103 is amended to read:

Sec. B.1100 MISCELLANEOUS FISCAL YEAR 2025 ONE-TIME APPROPRIATIONS

* * *

(v) Agency of Administration. In fiscal year 2025, funds are appropriated for the following:

* * *

2) \$3,800,000 \$6,800,000 General Fund to ensure the appropriations made in Secs. B.514 of this act and the fiscal year 2026 appropriations act are sufficient to meet 100 percent of the Vermont State Teachers' Retirement System Actuarially Determined Employer Contribution.

Appropriations made in Secs. B.513 of this act and the fiscal year 2026 appropriations act pursuant to 16 V.S.A. § 1944(c)(13) shall not be considered for the purposes of determining whether the appropriations made in Secs. B.514 of this act and the fiscal year 2026 appropriations act are sufficient to ensure that the Actuarially Determined Employer Contribution requirement is funded at 100 percent in fiscal years 2025 and 2026, respectively. Unexpended appropriations shall carry forward into subsequent fiscal years and remain available for this purpose.