



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

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### **H.949 – An act relating to property tax yields, the nonhomestead property tax rate, and technical changes to education finance**

**As passed by the House of Representatives<sup>1i</sup>**

#### **Bill Summary**

**T**his bill would set the property dollar and income dollar equivalent yields for the purpose of setting the homestead education property tax rates. It also would set the nonhomestead property tax rate. The bill would reserve funds within the Education Fund to be used to offset education property tax rate increases in fiscal year 2028. It would transfer funds to the City of Barre for an overpayment of education property tax increment and adjust the special education census grant for inflation.

#### **Fiscal Impact**

This bill would set the property yield and rates at a level estimated to fully fund the Education Fund in fiscal year 2027, reserve funds to decrease fiscal year 2028 property taxes, transfer funds to the City of Barre for an overpayment of education property tax increment and adjust the special education census grant for inflation. Specifically:

- *Section 1:* Set the property dollar equivalent yield income dollar equivalent yield and nonhomestead property tax rate. The Joint Fiscal Office (JFO) estimates that these yields and rates will correspond with an average increase of approximately 7.0% for homestead property tax bills, income education tax bills, and nonhomestead property tax bills. These yields and rates are set at a level estimated to be sufficient to fully fund the Education Fund.
- *Section 2:* Reserve \$52.45 million within the Education Fund to offset education property tax rate increases in fiscal year 2028.
- *Section 4:* Transfer \$150,576 from the Education Fund to the City of Barre to compensate for the city's overpayment of property taxes to the Education Fund resulting from miscalculations in their Tax Increment Financing (TIF) district in prior years.
- *Section 5:* Set the Special Education census grant's uniform base amount at \$2,350 for fiscal year 2027 and would adjust the census grant for inflation in fiscal year 2028 and future fiscal years.

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<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.*

## Background and Details

### Section 1: Setting of the Yields and Rates

Section 1 sets the property dollar equivalent yield at \$9,170, income dollar equivalent yield at \$12,576, and the nonhomestead property tax rate at \$1.698 for fiscal year 2027. JFO estimates that these yields and rates will correspond with an average increase of approximately 7.0% for homestead property tax bills, income education tax bills, and nonhomestead property tax bills. These yields and rates are set at a level estimated to be sufficient to fully fund the Education Fund.

The yields and tax rate have been set to fund the Education Fund according to the most recently available school district budget data and according to the following parameters:

- \$104.9 million of one-time General Fund is transferred to the Education Fund for fiscal year 2027;
- \$52.45 million is reserved within the Education Fund to offset education property tax rate increases in fiscal year 2028; and
- The yields, tax rates, and reserve were calculated assuming changes associated with legislation that is still being considered by the General Assembly.

### Section 2: Property Tax Rate Offset Reserve

Section 2 of the bill would reserve \$52.45 million within the Education Fund to offset education property tax rate increases in fiscal year 2028. This represents 50% of the assumed one-time General Fund transfer of \$104.9 million in fiscal year 2027.

### Section 3: Technical Correction for Statewide Adjustment

Section 3 includes a necessary technical correction for the application of Statewide Adjustment.

### Section 4: Property Tax Overpayment Refunds to the City of Barre

Section 4 would appropriate \$150,576 from the Education Fund to the Department of Taxes in fiscal year 2027 for a payment to the City of Barre to compensate for the city's overpayment of property taxes to the Education Fund resulting from miscalculations in their Tax Increment Financing (TIF) district in fiscal years 2021 through 2024.

This appropriation is estimated to have a de minimis impact to the Education Fund. However, absent other changes in policy, the statewide homestead property yield and/or nonhomestead property tax rate may need to be adjusted to account for the cost.

### Section 5: Inflation Adjustment to Special Education Census Grant

The special education census grant is statutory categorical aid that is funded annually from the Education Fund to supervisory unions based on their long-term membership. Section 5 would set the special education census grant's uniform base amount at \$2,350 for fiscal year 2027 and would adjust the census grant for inflation in future fiscal years. This uniform base amount would be consistent with the uniform base amount the Agency of Education (AOE) projected in the fiscal year 2027 Governor's recommended budget.

This section would also impact the Extraordinary Special Education Reimbursement calculation. In general, as the uniform base amount increases, the cost of the Extraordinary Reimbursement decreases.

The fiscal impact of this section in future years is unclear as the impact is dependent on outstanding factors such as changing long-term membership (LTM) and inflation factors.

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<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.