LEGISLATIVE REPORT

STATE AID FOR SCHOOL CONSTRUCTION

Act 73 of 2025

December 15, 2025

Issued by the Advisory Board on State Aid for School Construction

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Introduction

The Advisory Board has an extensive charge to identify a procedure for prioritizing state aid projects but first, the Advisory Board was charged with recommending how to address current debt obligations of schools districts in Vermont. This report is due December 15, 2025. Additional reports will follow this initial work product.

This group did not have sufficient time to make a single recommendation to legislature- however we are reporting out on five (5) considerations with pros and cons for the legislature to consider should there be legislated mergers passed out of this upcoming legislative session.

This group is looking forward to continuing our work in early January 2026 to fulfill the remainder of the charge given to our group.

Purpose

This report is submitted pursuant to Section 14 of Act 73 of 2025. The Advisory Board shall submit a written report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance on recommendations for addressing the transfer of any debt obligations from current school districts to future school districts as contemplated by Vermont's education transformation.

Membership

The Advisory Board is comprised of the following members:

Ex officio members:

- Mike Pieciak, State Treasurer
- Wanda Minoli, Commissioner of Buildings and General Services
- Michael Gaughan, Executive Director of the Vermont Bond Bank
- Richard Werner, State Board of Education Designee

Four members, none of whom shall be current members of the General Assembly, who shall serve four-year terms as follows:

- Two members, appointed by the Speaker of the House, each of whom shall have expertise in education or construction, real estate, or finance and one of whom shall represent a supervisory union: Marty Spaulding and Sean McMannon
- Two members, appointed by the Committee on Committees, each of whom shall have expertise in education or construction, real estate, or finance and one of whom shall be an educator: David Epstein and Holly Anderson

History of School Construction in Vermont

The history of school construction aid in Vermont is characterized by a long-standing program that was **suspended in 2008**, leading to a significant backlog of facility needs, and recent efforts to re-establish a new statewide aid system.

Before 2008, Vermont had a direct state aid program for local school construction.

- Standard Funding: The state typically offered a fixed percentage of funding for approved, allowable costs on school construction projects, usually around 30% of the project's cost.
- Wealth Adjustment: The state also paid a portion of the school district's debt service on the bonds issued for construction, which could be as high as 70%, with the exact percentage often adjusted inversely to the district's property wealth to promote equity.
- The Problem: Over time, the demand for state aid grew and eventually outgrew the state's bonding capacity. This financial strain, compounded by the beginning of the Great Recession, led to the program's suspension.

In 2008, the Vermont General Assembly implemented a moratorium on direct state aid for new school construction projects.

- Reasons for Suspension: The primary reasons were the program's cost exceeding state capacity and the broader financial crisis (Great Recession).
- Resulting Backlog: Vermont became the only New England state with such a moratorium in place. This suspension, along with the aging of the state's school buildings (average age of 61 years), has resulted in a tremendous backlog of deferred maintenance and facility deficiencies across the state.
- Local Struggles: Without state aid, many districts that attempted to pass bond proposals for major renovation or expansion projects saw them fail due to the full burden falling on local taxpayers.

Act 72 of 2021

Recognizing the widespread and growing infrastructure crisis, the Vermont Legislature initiated steps to develop a new state aid program.

The Legislature passed Act 72, which funded a comprehensive statewide inventory and assessment of all public school buildings. The purpose was to gather data to inform the creation of a new, sustainable state aid program.

- Facilities Condition Index
- **Act 72: School Facilities Assessment**

- **VT School Facilities Assessment Reports**

Act 78 of 2023 and Taskforce

Following the initial assessment, Act 78 created the School Construction Aid Taskforce to review the findings and formulate recommendations for a renewed, equitable, and sustainable statewide aid program. The Taskforce's findings highlighted the urgent need to address the estimated $300 million annual spending gap required over 20 years just to replace old systems and the significant inequity districts face without state support.

Recommendations

- New Debt Service Subsidy Model: The new program is shifting the focus back to a debt-service model, but with a refined formula:
  - Base Aid: The state will provide a base subsidy of 20% of the project's eligible debt service cost.
  - Bonus Incentives: An additional up to 20% of the debt service can be awarded based on priority criteria, bringing the maximum potential aid to 40%.
  - Emergency Aid: The Secretary of Education has discretion to grant emergency aid of up to 30% of the debt service cost, capped at $300,000, for urgent health and safety issues (like a failed boiler).
- Priority Points System: Projects will be evaluated using a priority points system to ensure state funding targets the most critical needs and encourages alignment with state goals. This system is still being finalized but is expected to include:
  - Emergent Needs: Addressing life-safety, health, and building envelope deficiencies.
  - Regional Collaboration: Incentivizing projects that support district consolidation or the creation of regional high schools, which is a major focus of Act 73's education reform.
  - Educational Suitability: Modernizing facilities to support 21st-century learning environments and programs like Career and Technical Education (CTE).
  - Efficiency and Sustainability: Projects that demonstrate energy efficiency (e.g., net-zero ready construction) and maximum utilization of space.
- Centralized Governance: The new program is designed to be administered and managed entirely by the Agency of Education (AOE), simplifying the process from the previous system which involved multiple state entities.

Act 149 of 2024

Act No. 149 (H.871), effective July 1, 2024, implements several measures to update Vermont's state aid for school construction programs. Key provisions include the creation of the Facilities Master Plan Grant Program, administered by the Agency of Education, to assist supervisory unions in developing master plans, a program that will run for five years and prioritize applicants based on poverty and facility condition scores.

The act also establishes a working group to design a new statewide school construction aid program and raises the bidding threshold for high-cost construction contracts from $500,000 to $2,000,000. For the full text of Act No. 149, consult the legislative source.

The Future and Act 73 of 2025

Recent legislative action (such as Act 73) aims to establish a new State Aid for School Construction Program to support the overall transformation of Vermont's education governance, quality, and finance systems.

Background on School Debt in Vermont

The Advisory Group spent considerable time discussing the current levels of school debt outstanding for Vermont school districts. The Advisory Group discussed and reviewed multiple methodologies to understand discrepancies and/or trends in school district debt issuance.

The Vermont Bond Bank (Bond Bank) provided the data for this analysis based on both its portfolio and outside sources for the debt profiles for the Winooski and Burlington School Districts[1]. Notably, data limitations and resource constraints preclude tying specific loans to specific assets or locations for historic records at this time.

The Advisory Group also discussed the nature of debt held by school districts. Principally, that related debt exists outside of the net tax-supported debt of the State of Vermont. The Advisory Group was provided information by the Bond Bank and Treasurer's Office on the limitations surrounding the pay-off of school district debt, which requires sensitivity to rules related to tax-exempt debt as well as the redemption provisions of the bonds issued to finance the school districts.

Overview

Total outstanding debt by school district within Vermont school districts is $480.83 million. Amounts vary by individual school districts significantly from a high of $186 million outstanding for the Burlington School District to $13 thousand for Sharon Town School District.

Maximum	Minimum	Average	Median	N
$186,800,000	$13,610	$8,742,361	$1,760,000	55

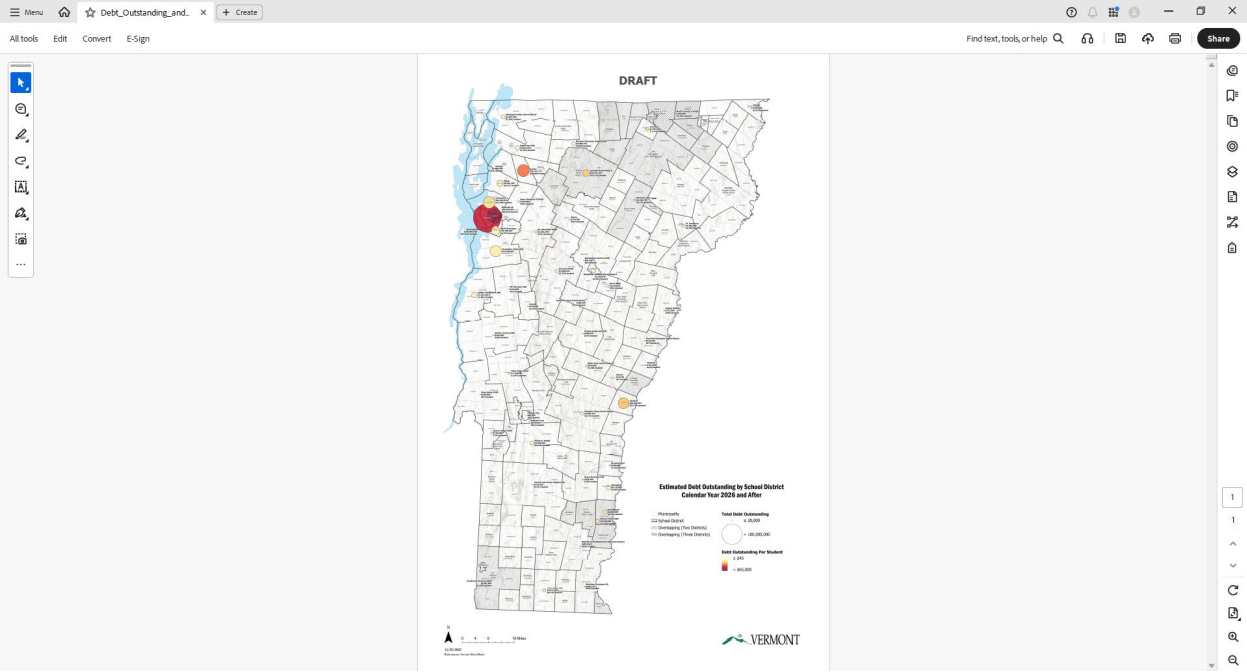
Outstanding debt held by individual school districts is shown in the table below (see footnote).

[1] Note, additional debt may exist beyond this analysis that is held with private banks or USDA-Rural Development (excluding Winooski School District). These amounts are believed to be minimal and immaterial to the analysis.

DEBT OUTSTANDING BY SCHOOL DISTRICT (ESTIMATED) - CALENDAR YEAR 2026 AND AFTER		
	Total	$480,829,857
1	Burlington School District (Estimate)	$186,800,000
2	Winooski School District	49,500,000
3	Fairfax Town School District	35,201,727
4	Colchester Town School District	32,352,941
5	Champlain Valley School District	32,058,407
6	Hartford Town School District	28,481,091
7	South Burlington School District	16,465,325
8	Lamoille North School District	10,971,651
9	Milton Town School District	9,656,250
10	Addison Northwest SD	7,221,555
11	Patricia A. Hannaford Career Center	6,885,000
12	Montpelier Roxbury School District	5,295,845
13	Springfield Town School District	5,120,000
14	Maple Run Unified School District	4,635,505
15	Mill River Unified Union School District	3,905,000
16	Bellows Falls Union High School District	3,900,000
17	Rockingham Town School District	3,862,509
18	Missisquoi Valley School District	3,625,000
19	Northern Mountain Valley Unified Union School District	3,098,750
20	Coventry Town School District	3,093,333
21	Mountain Views School District	2,564,167
22	Twin Valley Unified Union School District	2,377,657
23	Harwood Unified Union School District	2,288,059
24	St. Johnsbury Town School District	2,250,000
25	Southwest Vermont Union Elementary School District	2,081,800
26	Barre Unified Union School District	2,016,663
27	Mount Mansfield Unified Union School District	1,823,205
28	Otter Valley Unified Union School District	1,760,000
29	Georgia Town School District	1,680,000
30	Mountain View Union Elementary School District	1,184,748
31	Quarry Valley Unified Union School Districts	770,000
32	Canaan School District	750,000
33	Essex Westford Educational UUSD	720,000
34	North Country Union High School District No. 22	705,000
35	White River Valley Unified School District	570,000
36	Weathersfield Town School District	560,000
37	Addison Central School District	484,000
38	Windham Southeast School District	483,274
39	Green Mountain Unified School District	438,480
40	Stowe School District	420,000
41	West River Modified Union Education District	390,000
42	Rutland Town School District	347,500
43	Orleans Southwest Union Elementary School District	298,350
44	Paine Mountain School District	280,000
45	Oxbow Unified Union School District	273,000
46	Lincoln Town School District	246,066
47	Taconic & Green Regional School District	215,000
48	Thetford Town School District	187,500
49	Rivendell Interstate School District	130,000
50	Mt Abraham Unified School District	110,000
51	Slate Valley Unified Union School District	105,000
52	Rutland City School District	85,839
53	Washington Central Unified Union School District	64,878
54	Middlesex Town School District	26,172
55	Sharon Town School District	13,610

The above amount of outstanding debt will result in an annual debt service payment from the Educational Fund of $61.10 million in calendar year 2026, as shown on the table on the following page.

This represents 3 percent of the Education Payment for Fiscal Year 2026. In comparison, Moody's Investor Services national median for debt service as a percentage of revenue for school districts is 5.4 percent and Vermont's median for individual school districts holding debt is 1.5 percent.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Estimated Debt Outstanding by School District
Calendar Year 2026 and After
Municipality
School District
Overlapping (Two Districts)
Overlapping (Three Districts)
Total Debt Outstanding
Debt Outstanding Per Student
VERMONT

ESTIMATED SCHOOL DEBT SERVICE BY COUNTY

	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor	Total
	$18,867,989	$2,582,865	$3,062,113	$475,982,664	$897,506	$73,402,672	$15,867,041	$954,402	$7,019,268	$8,420,372	$11,687,443	$13,398,779	$47,338,558	$679,481,670
2026	1,908,067	513,807	231,840	41,501,227	66,267	4,220,939	1,472,697	459,955	632,239	1,036,400	1,475,694	1,658,151	5,919,951	$61,097,234
2027	1,751,282	426,875	229,455	28,087,980	65,787	4,089,308	1,097,699	42,834	617,997	902,936	1,456,488	1,457,675	5,709,187	$45,935,504
2028	1,538,605	348,493	228,160	27,324,260	65,222	4,017,144	1,084,905	56,847	604,821	824,576	1,161,067	1,432,366	5,286,937	$43,973,402
2029	1,500,978	338,679	225,101	26,997,216	64,592	3,933,429	974,156	50,792	355,237	696,565	1,074,371	1,283,514	4,117,984	$41,612,612
2030	1,463,813	328,597	221,607	26,485,805	63,741	3,705,612	868,877	49,523	350,978	680,786	1,067,837	1,264,686	2,726,372	$39,278,235
2031	1,351,293	318,396	217,725	26,241,197	62,718	3,625,743	820,958	48,173	346,719	640,841	1,053,921	1,247,105	2,657,680	$38,632,469
2032	1,317,318	308,017	213,550	25,035,739	61,571	3,546,025	804,084	46,799	342,459	624,722	1,035,749	1,199,220	2,592,038	$37,127,290
2033	1,233,178		209,114	24,582,509	60,338	3,410,268	786,045	45,402	338,200	608,265	804,411	281,167	2,164,132	$34,523,029
2034	1,186,292		204,374	23,917,344	59,124	3,153,558	768,221	43,874	333,944	590,612	660,116	274,368	1,927,988	$33,119,816
2035	1,011,118		199,442	23,550,140	57,861	3,079,510	750,027	42,321	260,767	572,592	640,916	267,569	1,876,234	$32,308,497
2036	979,507		195,086	23,216,800	56,556	3,005,907	701,318	23,497	187,592	505,782	602,908	260,770	1,824,278	$31,560,000
2037	947,683		190,227	22,257,307	55,341	2,931,382	684,122	22,630	183,332	314,267	400,169	253,971	1,698,781	$29,939,213
2038	915,688		185,273	20,892,388	54,106	2,857,469	666,748	21,754	179,073	303,437	253,796	247,172	1,650,238	$28,227,141
2039	462,267		157,425	20,038,897	52,851	2,639,213	646,754		174,814	118,591		240,373	1,300,097	$25,831,282
2040	447,950		153,735	19,439,974	51,435	2,285,512	627,045		170,555			233,574	1,260,800	$24,670,579
2041	433,634			19,226,773		2,025,786	495,654		166,296			226,775	1,221,502	$23,796,419
2042	419,317			18,523,963		1,972,065	478,692		162,036			219,976	1,182,205	$22,958,254
2043				18,126,991		1,918,304	461,731		157,777			213,177	1,142,908	$22,020,888
2044				6,629,023		1,864,543	444,769		153,518			206,378	1,079,246	$10,377,477
2045				4,071,008		1,810,783	427,808		149,259			99,579		$6,558,436
2046				3,971,917		1,757,022	410,846		145,000			96,587		$6,381,372
2047				3,872,827		1,623,261	393,885		140,740			93,595		$6,124,308
2048				3,766,837		1,572,085			136,481			90,603		$5,566,005
2049				3,668,013		1,520,909			132,222			87,611		$5,408,755
2050				3,569,190		1,469,733			127,963			84,619		$5,251,504
2051				3,470,367		1,418,557			123,703			81,627		$5,094,253
2052				3,371,543		1,367,381			119,444			78,635		$4,937,003
2053				1,439,387		1,316,205			115,185			75,643		$2,946,419
2054				1,381,813		1,265,019			110,916			72,651		$2,830,398
2055				1,324,230								69,649		$1,393,878

[Note] Burlington SD includes 2010 qualified bonds that have sinking fund, although full principal payment show above

Distribution of Debt Among School Districts

Removing the Burlington and Winooski School Districts results in a remaining total of $244.53 million in debt outstanding. Further removing the top ten largest borrowers results in $72.12 million for which no school district has more than $6.89 million outstanding.

Debt is heavily weighted to Chittenden, Franklin, and Windsor Counties, which combine to account for 86 percent of total debt. This is in contrast to the school age population of the related counties that is 43 percent of the total, as shown in the table below.

AMOUNT OUTSTANDING (ESTIMATED)						
	All School Districts		Removing 10 Largest Debtors		Vermont Population	
	$	% of Total	$	% of Total	Pop < 18 [1]	% of Total
Addison	$14,946,621	3.11%	$7,725,066	10.71%	6,046	5.19%
Bennington	$2,296,800	0.48%	$2,296,800	3.18%	6,965	5.97%
Caledonia	$2,548,350	0.53%	$2,548,350	3.53%	5,691	4.88%
Chittenden	$329,376,128	68.50%	$2,543,205	3.53%	29,289	25.12%
Essex	$750,000	0.16%	$750,000	1.04%	1,017	0.87%
Franklin	$48,240,982	10.03%	$13,039,255	18.08%	10,974	9.41%
Grand Isle	$0	0.00%	$0	0.00%	1,283	1.10%
Lamoille	$11,391,651	2.37%	$420,000	0.58%	5,219	4.48%
Orange	$870,500	0.18%	$870,500	1.21%	5,308	4.55%
Orleans	$4,983,081	1.04%	$4,983,081	6.91%	5,360	4.60%
Rutland	$6,973,339	1.45%	$6,973,339	9.67%	10,562	9.06%
Washington	$9,691,616	2.02%	$9,691,616	13.44%	10,859	9.31%
Windham	$11,013,441	2.29%	$11,013,441	15.27%	7,773	6.67%
Windsor	$37,727,347	7.85%	$9,266,256	12.85%	10,232	8.78%
	$480,809,857	100.00%	$72,120,909	100.00%	116,578	100.00%

1 https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-detail.html

Additional Analysis

At repeated points, the Advisory Group discussed a counterfactual to a district's "debt burden," which is the "debt advantage" as it is an indication of investment and maintained facilities. Over time, however, the value of the debt related improvement will decrease, meaning that the year the debt was issued is highly relevant to the value of the debt.

The table below shows debt outstanding by the year the debt was originated. Higher amounts in more recent years reflect both the higher volume of school district issuance as well as the lack of amortization in comparison to older loans. The Bond Bank's experience is that schools typically issue debt for between 20 to 25 years.

DEBT OUTSTANDING BY ORIGINATION YEAR					
Year	Outstanding	Cumulative	Year	Outstanding	Cumulative
2001	$130,000	$130,000	2014	$4,770,802	$46,410,864
2002	0	130,000	2015	1,002,695	47,413,559
2003	0	130,000	2016	12,703,500	60,117,059
2004	0	130,000	2017	27,106,371	87,223,430
2005	0	130,000	2018	20,533,210	107,756,640
2006	1,205,000	1,335,000	2019	18,230,265	125,986,905
2007	2,400,000	3,735,000	2020	8,043,500	134,030,405
2008	3,055,119	6,790,119	2021	11,157,663	145,188,068
2009	5,960,000	12,750,119	2022	59,260,000	204,448,068
2010	12,324,449	25,074,568	2023	140,105,000	344,553,068
2011	2,070,733	27,145,301	2024	92,594,541	437,147,609
2012	8,506,964	35,652,266	2025	43,682,248	480,829,857
2013	5,987,796	41,640,062			

State General Obligation Debt Findings (Treasurers office)

Vermont historically funded school construction through the Capital Bill utilizing General Obligation (G.O.) Bonds, representing approximately 20 percent of total capital expenditures—about $10 million annually—until the suspension of this aid program in 2007. The Legislature subsequently extended the suspension several times with the intent of redesigning the State's approach while continuing to meet previously authorized obligations. During the suspension period, the State continued to provide limited emergency aid, as well as financial support for PCB testing and remediation.

The State Treasurer's Office is responsible for managing all State debt obligations, including the issuance and administration of bonds, repayment of principal and interest, monitoring refinancing opportunities, maintaining the State's credit rating, and supporting the work of the Capital Debt Affordability Advisory Committee (CDAAC). Vermont maintains a conservative debt structure composed almost entirely of fixed-rate G.O. Bonds with maturities of 20 years or less, contributing to strong credit ratings and favorable borrowing costs for the State.

CDAAC evaluates debt affordability annually by benchmarking Vermont's debt ratios against those of AAA-rated states and recommending annual bonding levels for legislative and gubernatorial consideration. The FY2026–27 biennium authorization totals $100 million, consistent with the State's decade-long trend of reduced bonding capacity. As of December 1, 2025, the State reported $503,970,000 in General Obligation Bonds outstanding.

In February 2024, the State Aid for School Construction Task Force submitted a report to the Legislature identifying Rhode Island's financing model as a potential framework for Vermont. Under this approach, bonds are issued through a centralized entity, and the State provides debt service subsidies without increasing net tax-supported debt. Act 73 of 2025 established a mechanism for Vermont to employ a similar model. The Task Force also recommended that borrowing eligible for State subsidy be issued through the Vermont Bond Bank, which holds a strong credit rating, maintains a statutory intercept

mechanism to reduce repayment risk, and is closely linked to the State's credit standing.

The Advisory Board's review of outstanding debt held by Vermont school districts produced two central findings: (1) the total debt burden carried by school districts exceeds the State's outstanding General Obligation bond liability, and (2) the preservation of strong State bond ratings is essential to maintaining affordable borrowing costs for both the State and the wider network of public entities whose credit and financing terms are influenced by State rating performance. These entities include municipalities, the Vermont Housing Finance Agency, the Vermont Economic Development Authority, the Vermont Student Assistance Corporation, and school districts.

Conclusion

This preliminary report focuses on recommendations on addressing the transfer of any debt obligations from current school districts to future school districts as contemplated by Vermont's education transformation.

Without new district maps, the Advisory Board could not make a single recommendation, so instead chose to present five options with pros and cons for the legislature to consider in dealing with legacy debt.

The Board will resume its work on future assistance with capital expenditures in 2026.

Options for Consideration

1-Allow the new district to assume prior district debt consistent with the process for consolidation under Act 46 of 2015.

PROS

- Simplicity- straight forward approach consistent with Act 46
- Consistent with how most districts dealt with debt in Act 46
- New entity assumes value of asset-needs to assume liability
- Would not affect States bond ratings
- Known debt instead of unknown if capital improvement needed

CONS

- Wealthy/less wealthy districts could cause concerns with affordability
- Disincentivize consolidation between districts with wealth gaps
- New districts assuming debt did not have ability to weigh in on and vote
- Funds received from any source becomes the new districts (pending or future suits or claims: i.e. Monsanto)

2-Use a ONE-TIME appropriated funds to "cash defease" (i.e. pay-off and legally remove obligation through escrow) outstanding debt of legacy school districts.

PROS

- Facilitates consolidation by removing debt obligation
- Creates a "clean" slate for new district
- Simplicity of administration

CONS

- Paying off debt with lower interest rates than higher rates or costs
- Not having funds available for future projects
- By paying some older debt- is it equitable?

Notes

- For instance, cash defeasance of up to $5 million per district would remove debt from the balance sheet of all but 13 districts at a cost of $54.82 million.
- Alternatively, debt issued in 2013 and prior totals $41.64 million.
- Based on a numerical threshold- less open ended
- Could affect the state net tax supported calculation
- Should not incur new borrowing to pay off old borrowing

3-Provide annual debt payment subsidy through reimbursement of debt service payments to school districts

PROS

- Spreads payments over time- instead of lump sum
- Consistent with Rhode Island plan (viewed as a model)
- State support to schools that did not get construction aid
- Facilitate consolidation by reducing debt burden

CONS

- Rhode Island model supports debt as retroactive – may not be treated the same by rating agencies
- More support to districts that also got State Aid

Notes

- This mechanism mirrors the recommendations in the School Construction Aid Taskforce Report on how to implement state aid for debt
- This avoids the upfront cost of paying off the loans while keeping the debt as an obligation of the school districts (vs. the State of Vermont).
- State reimburses as a subsidy
- Percentage of assistance annually- reimbursement basis (Rhode Island)

4-Existing district retains the debt

PROS

- Other districts do not assume debt for which they did not approve

CONS

- Other districts may share assets without incurring any liabilities
- Control of the asset; if new district is not sharing the debt, do they have a say in decisions on maintenance and use.
- Must retain legal structures that may overlap with new districts and that have taxing authority separate from new school district
- Complicates debt compliance monitoring
- Adds complexity
- Less transparency for residents to understand their tax bills-budgets

5-New school district established by the State, that new district determines at a local level how to deal with debt through a vote

PROS

Provides for additional local control

CONS

- Funding formula challenging- all districts different
- May not be consistent with the state intent- all other districts
- Distract the district from its core mission
- Lengthens the process
- Makes the process more divisive

General Notes/Questions

- Other than top five borrowers- debt load is relatively low compared to the overall education fund
- If involuntary- should the members being merged be allowed to vote on the debt?
- Once the new districts are established or proposed the Advisory Board recommends that Joint Fiscal should evaluate the impact of each option on the State and affected districts