



Act 73 Recap: Education Finance

Jon Gray, Legislative Counsel

January 7, 2026

(3) one Curriculum and Education Quality Standards Integration

Specialist;

(4) one Learning and Teaching Integration Specialist; and

(5) one School Facilities Field Support Specialist.

* * * State Funding of Public Education * * *

Sec. 34. 16 V.S.A. § 4001 is amended to read:

Where are we in Act 73?

Education finance begins at [Sec. 34 \(p.67\)](#)

As used in this chapter:

(1) “Average daily membership” of a school district or (if needed in order to calculate the appropriate homestead tax rate, of the municipality as defined in 32 V.S.A. § 5401(9); in any year means:

* * *

(6) “Education spending” means the amount of the school district budget, any assessment for a joint contract school, career technical center payments made on behalf of the district under subsection 1561(b) of this title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is paid for by the school district, but excluding any portion of the school budget paid for from any other sources such as endowments, parental fundraising, federal funds, nongovernmental grants, or other State funds such as special education funds paid under chapter 101 of this title.

(A) [Repealed.]

(B) For all bonds approved by voters prior to July 1, 2024, voter-approved bond payments toward principal and interest shall not be included in “education spending” for purposes of calculating excess spending pursuant to 32 V.S.A. § 5401(12). [Repealed.]

* * *

(13) “Base education Categorical base amount” means a number used to equalize categorical grants awarded under this title that is equal to \$6,800.00 per qualified pupil, adjusted as required under section 4011 of this title.

(15) “Per-pupil education spending” of a school district in any school year means the per-pupil education spending of that school district as determined under subsection 4010(f) of this title. [Repealed.]

* * *

(16) “Base amount” means a per pupil cost-factor amount of \$15,033.00, which shall be adjusted for inflation annually on or before November 15 by the Secretary of Education. As used in this subdivision, “adjusted for inflation” means adjusting the base dollar amount by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount.

Subchapter 1: GENERAL PROVISIONS

§ 4000. Statement of policy

§ 4001. Definitions

§ 4002. Payment; allocation

§ 4003. Conditions

Subchapter 2: GENERAL STATE FUNDING OF PUBLIC EDUCATION

§ 4010. Determination of weighted long-term membership and per-pupil education opportunity payment [Effective July 1, 2028 if contingency met; see also 16 V.S.A. § 4010 effective until contingency met, set out above]

§ 4010. Determination of weighted long-term membership and per-pupil education spending [Effective until contingency met; see also 16 V.S.A. § 4010 effective July 1, 2028 if contingency met, set out below]

§ 4011. Education payments

§ 4011a. Repealed. 2017, No. 49, § 31, effective May 23, 2017.

§ 4012. State-placed students

§ 4013. [Reserved for future use.]

§ 4013. English learners services; State aid

§ 4014. Early education

§ 4015. Merger support for merged districts [Repealed July 1, 2028 if contingency met]

§ 4015. Merger support for merged districts [Repealed effective July 1, 2028]

§ 4016. Reimbursement for transportation expenditures

§ 4017. Universal meals supplement

§ 4018. Repealed. 2023, No. 87 (Adj. Sess.), § 99, eff. March 13, 2024.

§ 4019. Small schools; sparse schools; support grants [Effective July 1, 2028 if contingency met]

§ 4025. Education Fund

§ 4025. Education Fund budget stabilization reserve [Effective July 1, 2028 if contingency met, see also 16 V.S.A. § 4026 effective until contingency met, set out above]

§ 4026. Education Fund budget stabilization reserve, creation and purpose [Effective until contingency met; see also 16 V.S.A. § 4026 effective July 1, 2028 if contingency met, set out below]

§ 4027. Education Fund transfer amounts

§ 4028. Fund payments to school districts

§ 4029. Use of funds for education

§ 4030. Data submission; corrections

§ 4031. Unorganized towns and gores [Repealed effective July 1, 2028]

§ 4031. Unorganized towns and gores [Repealed July 1, 2028 if contingency met]

§ 4032. Supplemental District Spending Reserve [Effective July 1, 2028 if contingency met]

Where are we in the V.S.A.?

Title 16: Education; Ch. 133: State Funding of Public Education

Overview of Secs. 34–45c

pp.67–92

34	Sets base amount; creates EOP	42	Repeals
35	Updates pupil weighting	43	Creates SDS Reserve
36	Conforming changes	44	Report: transportation reimbursement
37	Creates support grants	45	Report: inflation; prekindergarten
38	Updates Ed Fund	45a	Report: foundation formula
39	Technical cleanup	45b	EOP transition FYS 2029–2032
40	Conforming changes	45c	EFAC delay
41	Changes budget vote		

Effective Dates of Secs. 34–45c

Sec. 70 (p.143)

34	Contingently effective July 1, 2028	42	Contingently effective July 1, 2028
35	Contingently effective July 1, 2028	43	Contingently effective July 1, 2028
36	Contingently effective July 1, 2028	44	Passage (July 1, 2025)
37	Contingently effective July 1, 2028	45	Passage (July 1, 2025)
38	Contingently effective July 1, 2028	45a	Passage (July 1, 2025)
39	Contingently effective July 1, 2028	45b	Contingently effective July 1, 2028
40	Contingently effective July 1, 2028	45c	Passage (July 1, 2025)
41	Contingently effective July 1, 2028		

(12) Sec. 26 (16 V.S.A. § 162);

(13) Sec. 29 (special education report);

(14) Sec. 30 (AOE special education strategic plan);

(15) Sec. 31 (AOE position); and

(16) Sec. 67 (PVR hearing officer pay).

(c) The following sections shall take effect on July 1, 2026:

(1) Sec. 4 (f) The following sections shall take effect on July 1, 2028, provided that the new :

(2) Sec. 7 plemental

(3) Sec. 1 school districts contemplated by this act have assumed responsibility for the education of

(4) Sec. 1 all resident students and that the expert tasked with developing a cost-factor foundation sition);

(5) Sec. 1 formula has provided to the General Assembly the report pursuant to Sec. 45a to provide ation of

(6) Sec. 1 the General Assembly an opportunity to enact legislation in consideration of the report: r of foundation

(7) Sec. 1 formula); and

(8) Sec. 20 (repeals).

(9) Sec. 20 (repeals).

(10) Secs. 60 and 61 (property tax classifications).

(d) Sec. 48 (December 1 letter) shall take effect on July 1, 2027.

(e) Sec. 61a shall take effect on January 1, 2027, provided that the General Assembly has enacted new school district boundaries between the enactment of this act and January 1, 2027.

(f) The following sections shall take effect on July 1, 2028, provided that the new school districts contemplated by this act have assumed responsibility for the education of all resident students and that the expert tasked with

(g) In Sec. 27, 16 V.S.A. § 823(b) and (c) shall take effect on July 1, 2028, provided that the new school districts contemplated by this act have assumed responsibility for the education of all resident students and that the cost-factor foundation formula report required pursuant to Sec. 45a contains evidence that it costs more to educate students in grades nine through 12 but the General Assembly has failed to enact legislation to add a secondary student weight.

Foundation Formula

Base & Weights

pp.67–77

34	Sets base amount; creates EOP	42	
35	Updates pupil weighting	43	
36		44	
37		45	
38		45a	
39		45b	
40		45c	
41			

Foundation Formula

Base & Weights

pp.67–77

Sec. 34 amends 16 V.S.A. § 4001 to:

- Create a **base amount** per pupil of **\$15,033**, to be adjusted for inflation
- Create an **educational opportunity payment, (EOP)** which is the payment a school district receives for its students, determined by multiplying the base amount by the district's WLTM
- Repeal and update current education funding concepts for the new foundation formula

Sec. 35 amends 16 V.S.A. § 4010 to:

- Repeal **grade-level weights** other than prekindergarten
- Update the **economic disadvantage weight**
- Refine **EL weights** distinguished by both proficiency level and formal education level
- Add **special education weights** distinguished by disability cost
- Repeal **small school & sparsity weights**

Support Grants

Small Schools & Sparse Schools

pp.79–81

34	Sets base amount; creates EOP	42	
35	Updates pupil weighting	43	
36		44	
37	Creates support grants	45	
38		45a	
39		45b	
40		45c	
41			

Support Grants

Small Schools & Sparse Schools

pp.79–81

Sec. 37 adds 16 V.S.A. § 4019 to:

- Create a **small schools support grant** of **\$3,157** per enrolled student at each small school within a school district, to be adjusted for inflation
- A **small school** must have:
 - **<100 pupils** in two-year average enrollment
 - been annually determined by the SBE to be **small by necessity** under standards established in Sec. 8(b)
- Create a **sparse schools support grant** of **\$1,954** per enrolled student at each sparse school within a school district, to be adjusted for inflation
- A **sparse school** must:
 - be in a city, town, or incorporated village with **<55 persons per square mile** residing within the land area
 - have been annually determined by the SBE to be **sparse by necessity** under standards established in Sec. 8(b)

Repeals

p.87

34	Sets base amount; creates EOP	42	Repeals
35	Updates pupil weighting	43	
36		44	
37	Creates support grants	45	
38		45a	
39		45b	
40		45c	
41			

Repeals

p.87

Sec. 42 repeals:

- 16 V.S.A. § 4031 (unorganized towns and gores)
- 2022 Acts and Resolves No. 127, Sec. 8 (suspension of excess spending penalty, hold harmless provision, and ballot language requirement)
- 16 V.S.A. § 2961 (census grant; special education)
- 16 V.S.A. § 4013(d) (English learners services; State aid; categorical aid)
- 16 V.S.A. § 4015 (merger support for merged districts)

Technical, conforming & other

pp.77–79, 82–85, 92

34	Sets base amount; creates EOP	42	Repeals
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36	Conforming changes	44	
37	Creates support grants	45	
38		45a	
39	Technical cleanup	45b	
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41			

Technical, conforming & other

pp.77–79, 82–85, 92

Secs. 36 and 40 amend 16 V.S.A. §§ 4011 and 4028, respectively, to:

- Make conforming changes to the payments sections of Ch. 133 to pick up the new concepts of EOP and SDS

Sec. 39 amends 16 V.S.A. § 4026 to:

- Cleanup outdated language

Sec. 45c amends 32 V.S.A. § 5414 to:

- Delay the first meeting of the **Education Fund Advisory Committee** by one year to July 15, 2026

Impacts of SDS

Ed Fund, Budget Vote, & SDS Reserve

pp.81–82, 85–87

34	Sets base amount; creates EOP	42	Repeals
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41	Changes budget vote		

Impacts of SDS

Ed Fund, Budget Vote, & SDS Reserve pp.81–82, 85–87

Sec. 38 amends 16 V.S.A. § 4025 to:

- Add any revenue generated from the **supplemental district spending (SDS) tax** to the **Ed Fund**

Sec. 41 amends 16 V.S.A. § 563 to:

- Replace existing vote on school budgets, now supplanted by provision of EOP, with a **vote on SDS**
- Budget votes would show the resulting SDS tax rate for voters

Sec. 43 adds 16 V.S.A. § 4032 to:

- Create a **Supplemental District Spending Reserve** within the Ed Fund
- Any **recapture** produced by the SDS tax is reserved to:
 - offset any FY miscalculations
 - decrease following year statewide education property tax rate

Reports

pp.88–91

34	Sets base amount; creates EOP	42	Repeals
35	Updates pupil weighting	43	Creates SDS Reserve
36	Conforming changes	44	Report: transportation reimbursement
37	Creates support grants	45	Report: inflation; prekindergarten
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39	Technical cleanup	45b	
40	Conforming changes	45c	EFAC delay
41	Changes budget vote		

Reports

pp.88–91

Sec. 44 tasks AOE with:

- Reporting by 12/15/25 on guidelines for minimum transportation to be provided and covered by **transportation reimbursement grant**

Sec. 45 tasks JFO with:

- Reporting by 12/15/25 on:
 - **inflationary measures**
 - funding for **preK/early care**

Sec. 45a tasks JFO with contracting with one or more contractors to:

- Recommend by 12/1/26 updates to the cost-factor **foundation formula** to:
 - move away from special education weights to a reliance on special education services
 - update any other weights
- Examine suitable **sparsity** measures
- Examine cost of **secondary students**
- Account for **CTE** within formula

EOP Transition

pp.91–92

34	Sets base amount; creates EOP	42	Repeals
35	Updates pupil weighting	43	Creates SDS Reserve
36	Conforming changes	44	Report: transportation reimbursement
37	Creates support grants	45	Report: inflation; prekindergarten
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EOP Transition

pp.91–92

Sec. 45b:

- Establishes a **transition** for **FYS 2029–2032** for each school district to fully move off voted education spending and onto EOP by FY 2033
- For each school district, a **transition gap** is identified by subtracting the district's FY29 EOP from the district's FY25 education spending
- Each school district will then receive a **yearly adjustment** to the district's EOP calculated by prorating the transition gap over the transition period
 - FY29: 80% of transition gap
 - FY30: 60% of transition gap
 - FY31: 40% of transition gap
 - FY32: 20% of transition gap

Summary of Secs. 34–45c

Secs. 34–45c produce an education finance system with:

- A **foundation formula** with a **base amount** of **\$15,033** per pupil + updated **weights** (preK, special education, economic disadvantage, EL)
- **EOPs** to school districts based on WLTM
- Supplementary **support grants** for **small schools** and **sparse schools**
- Budget votes exclusive to **SDS**, displaying the required **SDS tax rate**

* * * Education Property Tax Rate Formula * * *

Sec. 46. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

* * *

(8) “Education spending” means “education spending” as defined in 16

V.S.A. § 4001(6). [Repealed.]

* * *

Where are we in Act 73?

Education property tax changes begin at [Sec. 46 \(p.93\)](#)

(A) The per pupil spending amount of the district’s education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a capital construction reserve fund under 24 V.S.A. § 2804(b).

(B) In excess of 118 percent of the statewide average district per pupil education spending increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date. As used in this subdivision, “increased by inflation” means increasing the statewide average district per pupil education spending for fiscal year 2025 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2025 through the fiscal year for which the amount is being determined. [Repealed.]

(13)(A) “Education property tax spending adjustment” means the greater of one or a fraction in which:

(i) the numerator is the district’s per pupil education spending plus excess spending for the school year, and

(ii) the denominator is the property dollar equivalent yield for the school year, as defined in subdivision (15) of this section, multiplied by the statewide adjustment.

(B) “Education income tax spending adjustment” means the greater of one or a fraction in which the numerator is the district’s per pupil education spending plus excess spending for the school year, and the denominator is the income dollar equivalent yield for the school year, as defined in subdivision (16) of this section. [Repealed.]

* * *

(15) “Property dollar equivalent yield” means the amount of per pupil education spending that would result in a district having a homestead tax rate of \$1.00 per \$100.00 of equalized education property value. [Repealed.]

(16) “Income dollar equivalent yield” means the amount of per pupil education spending that would result in a district having an income percentage in subdivision 6066(a)(2) of this title of 2.0 percent. [Repealed.]

(17) “Statewide adjustment” means the ratio of the aggregate education property tax grand list of all municipalities to the aggregate value of the equalized education property tax grand list of all municipalities.

Where are we in the V.S.A.?

Title 32: Taxation and Finance; Ch. 135: Education Property Tax

Overview of Secs. 46–59

pp.93–131

46	SDS definitions	51	HSE statutory purpose
46a	SDS cap transition FYS 2029–2037	52	Replace PTC with HSE
47	Property tax rates	53	Report: HSE
48	December 1 letter	54	Conforming changes
48a	HS rate transition FYS 2029–2032	55	Conforming changes
49	Conforming changes	56	Conforming changes
50	Conforming changes	57	EFAC directive
		58-9	[Deleted.]

Effective Dates of Secs. 46–59

Sec. 70 (p.143)

46	Contingently effective July 1, 2028	51	Contingently effective July 1, 2028
46a	Contingently effective July 1, 2028	52	Contingently effective July 1, 2028
47	Contingently effective July 1, 2028	53	Passage (July 1, 2025)
48	July 1, 2027	54	Contingently effective July 1, 2028
48a	Contingently effective July 1, 2028	55	Contingently effective July 1, 2028
49	Contingently effective July 1, 2028	56	Contingently effective July 1, 2028
50	Contingently effective July 1, 2028	57	Contingently effective July 1, 2028
		58-9	N/A

(12) Sec. 26 (16 V.S.A. § 162);

(13) Sec. 29 (special education report);

(14) Sec. 30 (AOE special education strategic plan);

(15) Sec. 31 (AOE position); and

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(6) Sec. 1 the General Assembly an opportunity to enact legislation in consideration of the report: r of foundation

(7) Sec. 1 formula); and

(8) Sec. 20 (repeals).

(9) Sec. 20 (repeals).

(10) Secs. 60 and 61 (property tax classifications).

(d) Sec. 48 (December 1 letter) shall take effect on July 1, 2027.

(e) Sec. 61a shall take effect on January 1, 2027, provided that the General Assembly has enacted new school district boundaries between the enactment of this act and January 1, 2027.

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(g) In Sec. 27, 16 V.S.A. § 823(b) and (c) shall take effect on July 1, 2028, provided that the new school districts contemplated by this act have assumed responsibility for the education of all resident students and that the cost-factor foundation formula report required pursuant to Sec. 45a contains evidence that it costs more to educate students in grades nine through 12 but the General Assembly has failed to enact legislation to add a secondary student weight.

Supplemental District Spending

Definitions

pp.93–96

46	SDS definitions	51	
46a		52	
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48		54	
48a		55	
49		56	
50		57	
		58-9	

Supplemental District Spending

Definitions

pp.93–96

Sec. 46 amends 32 V.S.A. § 5401 to:

- Replace current funding formula language with new definitions for SDS
- **Supplemental district spending** is the spending voters of a district may approve above EOP, up to a cap of **5%** of the district's unweighted foundation amount
- The **SDS tax** is imposed uniformly across districts: to raise SDS, a district must impose the rate that would be required to raise those funds in the **lowest taxing capacity district**
- SDS is raised entirely locally
- Benchmarks rates to the **SD with the lowest taxing capacity**: the district* anticipated to have the lowest GL/LTM in the upcoming fiscal year
- **SDS yield** translates this concept into action: it identifies how much revenue per LTM would be raised in the **lowest taxing capacity district** at a rate of \$1.00 per \$100.00 of equalized education property value
- Leads to **recapture** (excess revenue)

Supplemental District Spending

Cap; Transition FYS 2029–2037

p.96

46	SDS definitions	51	
46a	SDS cap transition FYS 2029–2037	52	
47		53	
48		54	
48a		55	
49		56	
50		57	
		58-9	

Supplemental District Spending

Cap; Transition FYS 2029–2037

p.96

Sec. 46a:

- Establishes a **transition** for **FYS 2029–2037** to permit greater SDS in the early years of the foundation formula rollout.
 - **FYS 2029–2033: 10% cap**
 - **FY 2034: 9% cap**
 - **FY 2035: 8% cap**
 - **FY 2036: 7% cap**
 - **FY 2037: 6% cap**

Statewide property & SDS taxes

pp.96–107

46	SDS definitions	51	
46a	SDS cap transition FYS 2029–2037	52	
47	Property tax rates	53	
48	December 1 letter	54	
48a		55	
49	Conforming changes	56	
50	Conforming changes	57	
		58-9	

Statewide property & SDS taxes

pp.96–107

Sec. 47 amends 32 V.S.A. § 5402 to:

- Replace VT's existing property tax mechanism to fully fund locally voted school budgets, accounting for local variation in spending through varying homestead rates, with a **statewide education tax**
- The statewide education tax will be adjusted by **statutory factors** (TBD) to assign liabilities to different property tax classifications (HS, NHS-N, NHS-R)
- Imposes a local **SDS tax**

Sec. 48 amends 32 V.S.A. § 5402b to :

- Repeal recommendations for yields in the Dec. 1 letter
- Task Tax with recommending:
 - a statewide education property tax rate to fund spending from the EF
 - the **SDS yield**

Secs. 49 and 50 amend 32 V.S.A. §§ 5404a(b)(1) and 5405(g), respectively, to:

- Make conforming changes to Ch. 135 to pick up rate changes

Homestead rate transition

pp.105–106

46	SDS definitions	51	
46a	SDS cap transition FYS 2029–2037	52	
47	Property tax rates	53	
48	December 1 letter	54	
48a	HS rate transition FYS 2029–2032	55	
49	Conforming changes	56	
50	Conforming changes	57	
		58-9	

Homestead rate transition

pp.105–106

Sec. 48a:

- Establishes a **transition** for **FYS 2029–2032** for each school district to ease the transition off locally varying homestead rates
- For each school district, a **transition gap** is identified by subtracting the FY29 statewide HS rate from the district's FY28 HS rate
- Each school district will then receive a **yearly adjustment** to the statewide HS rate calculated by prorating the transition gap over the transition period
 - FY29: 80% of transition gap
 - FY30: 60% of transition gap
 - FY31: 40% of transition gap
 - FY32: 20% of transition gap

PTC Repeal; Homestead Exemption

New Income Sensitivity Measures

pp.107–128

46	SDS definitions	51	HSE statutory purpose
46a	SDS cap transition FYS 2029–2037	52	Replace PTC with HSE
47	Property tax rates	53	Report: HSE
48	December 1 letter	54	
48a	HS rate transition FYS 2029–2032	55	
49	Conforming changes	56	
50	Conforming changes	57	
		58-9	

PTC Repeal; Homestead Exemption

New Income Sensitivity Measures

pp.107–128

Sec. 52 amends 32 V.S.A. Ch. 154 to:

- Repeal the **property tax credit** (PTC)
- Create a **homestead property tax exemption (HSE)** that reduces the amount of housesite value subject to any education taxes
- Introduces new **income sensitivity measures** for households with **not more than \$115,000** in household income, providing an HSE from **10-95%** of the first **\$425,000** in housesite value

Sec. 51 amends 32 V.S.A. § 5400 to :

- Codify the purpose of the HSE: to reduce property tax liability for Vermont households with low and moderate household income

Sec. 53 tasks the Dept of Tax with:

- Reporting by 12/15/26 on an **alternative homestead exemption structure**, including an analysis of implications of moving to income sensitivity that provides benefits to households of up to \$175,000 in household income

Conforming & other

pp.128–131

46	SDS definitions	51	HSE statutory purpose
46a	SDS cap transition FYS 2029–2037	52	Replace PTC with HSE
47	Property tax rates	53	Report: HSE
48	December 1 letter	54	Conforming changes
48a	HS rate transition FYS 2029–2032	55	Conforming changes
49	Conforming changes	56	Conforming changes
50	Conforming changes	57	EFAC directive
		58-9	[Deleted.]

Conforming & other

pp.128–131

Secs. 54–56 amend 11 V.S.A. § 1608 and 32 V.S.A. §§ 3102(j) and 3206(b), respectively, to:

- Make conforming changes to update references from the PTC to the HSE

Sec. 57 amends 32 V.S.A. § 5414 to:

- Update the directives of the **Education Fund Advisory Committee** to address updates for the foundation formula rollout and HSE

Summary of Secs. 46–59

Secs. 46-59 reform VT's education property tax system to:

- Replace locally varying homestead rates with a **statewide education tax**, to be adjusted for tax classifications
- Impose a **SDS tax** for districts to raise funds locally for any voted SDS, with equalization measures
- Repeal the **PTC**
- Create an **HSE** with new income sensitivity measures

Act 73 Act Summary

A hand-drawn maze in white chalk on a black background. The maze is rectangular with a complex internal structure of paths and dead ends. Two arrows, also drawn in white chalk, point towards the maze: one from the top right and one from the bottom left. A large white rectangular box is superimposed over the center of the maze.

Questions?