

Supplemental District Spending

([Sec. 35 in draft 9.1](#) of H.454)

Tax Department Recommendations on Allowable Levels and Equalization Mechanisms

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Our mission is to serve Vermonters by administering our tax laws fairly and efficiently to help taxpayers understand and comply with their state tax obligations.



Allowable Levels

H.454 allows districts to choose to spend an additional 10% above the educational opportunity payment (EOP). This is called Supplemental District Spending (SDS).

SDS Limit	Additional Education Spending (FY25 baseline)
10% over EOP	Up to ~\$190M
5% over EOP	Up to ~\$95M
 5% over Base Amount * Unweighted Pupil Count	Up to ~\$62M

Why the last approach to SDS?

- H.454 *already locks in* current total education spending through its base and weights, so supplemental spending is *additional* spending that would also fall on property taxes absent another source
- The recommended approach gets closer to existing spending levels
- The EOP is already designed to capture the varying costs of educating different student types

Allowable Levels (Examples)

Supplemental District Spending Example Districts						
District	Pupils (LTM)	Weighted Pupils (LTWADM)	EOP	SDS Limit (10%)	SDS Limit (5%)	SDS Limit (Rec)
A	4,000	6,000	\$ 89,220,000	\$ 8,922,000	\$ 4,461,000	\$ 2,974,000
B	4,000	8,000	\$ 118,960,000	\$ 11,896,000	\$ 5,948,000	\$ 2,974,000
				\$ 20,818,000	\$ 10,409,000	\$ 5,948,000
*base amount assumed to be \$14,870						
*10% and 5% limits are of educational opportunity payment						

Note how the two example districts have the same unweighted pupil count and therefore the same SDS limit with the recommended structure

Equalization Mechanisms

Tax's Initial Proposal: The State Guarantee	H.454's Yield Concept	Sen. Chittenden's Yield Concept
Ed. fund matches for districts that are below median grand list per student	Yield is the grand list per student in district with lowest grand list per student	Yield is the average grand list per student in the state
Pro: <ul style="list-style-type: none"> • Match <i>rates</i> known prior to TM day 	Pros: <ul style="list-style-type: none"> • Yield known prior to TM day • Higher spenders don't impact lower spender's tax rates 	Pros: <ul style="list-style-type: none"> • Yield known prior to TM day. • Higher spenders (probably) don't impact lower spender's tax rates • A true "yield" that is easy to understand!
Cons: <ul style="list-style-type: none"> • Absent a revenue source, borne by EF and therefore property taxes. Higher spenders could impact lower spenders' tax rates • Can't know with 100% certainty what the ed fund exposure will be (until budget votes are in) • Cost depends on district configurations 	Cons: <ul style="list-style-type: none"> • Potentially pulls millions in property tax revenue away from EF when tax environment is already looking challenging (needs simulations) • Impact depends on district configurations 	Con: <ul style="list-style-type: none"> • Can't know with 100% certainty if it will raise the right amount, but based on historical patterns it is likely to raise a little extra. Variances would likely be small (needs simulations)