

The “State Guarantee” Mechanism

For Elective District Education Spending Above the Foundation Formula

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What is the “State Guarantee”?

- The state guarantee is a mechanism to compensate for different property tax bases between school districts if they chose to raise funds beyond what the state provides through the foundation formula
- Based on Long Term Average Daily Membership and Projected Grand List Values (both available in early January), the tax dept. could communicate to districts what their state guarantee will be in the coming year
- For example, a district would know that if it’s planning to spend \$10M beyond the foundation formula and its match rate is 20%, \$8M would be raised locally and the state would provide \$2M

How Would This Compare to Current Law?

Current Law

- 12/1 Districts get estimate of yield
- December: Districts get weighted student counts from AoE
- April-June: GA sets yield and NHS rate to raise enough money for the EF. Tax dept. calculates district and town rates

Foundation Formula

- 12/1 Districts get estimate of statewide base rate
- December: Districts get weighted student counts from AoE
- December/January: Districts get match rate for state guarantee from tax dept.
- April-June: GA sets statewide base rate to fund foundation formula. Tax dept. calculates district and town rates (base rate + local rate)

Determining the State Guarantee (FY25 Match Rates)

Region	ADM	Net Taxable Grand List*	GL per ADM	Match Rate**
Northeast Region	10,175	9,333,427,460	917,317	28.1%
Southwest Region	12,580	14,859,694,619	1,181,238	7.5%
Champlain Valley Region	34,105	43,535,729,809	1,276,529	median (NA)
Winooski Valley Region	14,660	19,972,073,471	1,362,387	over median
Southeast Region	11,849	22,961,934,044	1,937,837	over median

*the grand list amount shown is equalized and incorporates the proposed homestead exemption

**the match rate reflects the difference between the district's grand list per student and the median district's

State Guarantee Example (FY25 Hypothetical)

Region	Match Rate	Spending Over Foundation	Local Revenue	State Guarantee
Northeast Region	28.1%	\$10,000,000	\$7,190,000	\$2,810,000
Southwest Region	7.5%	\$10,000,000	\$9,250,000	\$750,000
Champlain Valley Region	median (NA)	\$10,000,000	\$10,000,000	NA
Winooski Valley Region	over median	\$10,000,000	\$10,000,000	NA
Southeast Region	over median	\$10,000,000	\$10,000,000	NA

The state guarantee will be paid as an appropriation from the Education Fund

State Guarantee Cost: FY25 with 5% Cap (Median Match)

Region	Match Rate	Spending Over FF Grant*	Local Revenue	State Guarantee	Tax Rate
Northeast Region	28.1%	\$11.2M	\$8.0M	\$3.2M	1.32
Southwest Region	7.5%	\$7.3M	\$6.8M	\$0.5M	1.28
Champlain Valley Region	median (NA)	\$32.1M	\$32.1M	NA	1.31
Winooski Valley Region	over median	\$14.9M	\$14.9M	NA	1.31
Southeast Region	over median	\$12.1M	\$12.1M	NA	1.29
Total		\$77.6M	\$73.9M	\$3.7M	

* Spending limited to 5% above the Foundation Formula Grant

State Guarantee Cost: FY25 with 5% Cap (Full Match)

Region	Match Rate	Spending Over FF Grant*	Local Revenue	State Guarantee	Tax Rate
Northeast Region	52.7%	\$11.2M	\$5.3M	\$5.9M	1.29
Southwest Region	39.0%	\$7.3M	\$4.4M	\$2.9M	1.27
Champlain Valley Region	34.1%	\$32.1M	\$21.1M	\$11.0M	1.29
Winooski Valley Region	29.7%	\$14.9M	\$10.5M	\$4.4M	1.29
Southeast Region	Max (NA)	\$12.1M	\$12.1M	NA	1.29
Total		\$77.6M	\$53.4M	\$24.2M	

* Spending limited to 5% above the Foundation Formula Grant

State Guarantee 12 District Match Rates

District	ADM	Net Taxable Grand List	GL per ADM	Match Rate
Caledonia / Essex	5,170	\$ 4,420,830,332	855,134	60%
Franklin / Grand Isle	9,122	\$ 8,164,601,523	895,007	59%
Orleans	3,744	\$ 3,896,302,274	1,040,690	60%
Orange	3,532	\$ 3,692,625,283	1,045,385	54%
Rutland	7,411	\$ 8,266,579,394	1,115,473	51%
Washington	7,667	\$ 9,172,744,465	1,196,455	48%
Addison	4,536	\$ 5,843,744,298	1,288,386	34%
Chittenden	20,938	\$ 29,942,045,502	1,430,008	32%
Bennington	4,919	\$ 7,070,198,396	1,437,196	42%
Windsor	7,615	\$ 12,374,757,013	1,625,093	30%
Windham	5,222	\$ 9,969,537,383	1,909,255	11%
Lamoille	3,492	\$ 8,012,455,602	2,294,347	0%

State Guarantee: Key Takeaways

- The State Guarantee is an effective mechanism for correcting for tax base disparities between school districts for elective spending beyond the foundation formula
- The tax department could communicate the match rates to districts in January. *District match rates should be VERY similar year over year*
- It works well with five districts but would require more funding with more districts
- It costs less if the state guarantees up to the median capacity than if the state guarantees up to the maximum capacity district
- It costs less if spending beyond the foundation formula is limited to a set percentage such as 5%