

Education Fund Growth

Senate Committee on Finance

Julia Richter, Principal Fiscal Analyst, Joint Fiscal Office

February 19, 2026



The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



Outline

- Education Fund over time
- Looking forward



Education Fund Over Time



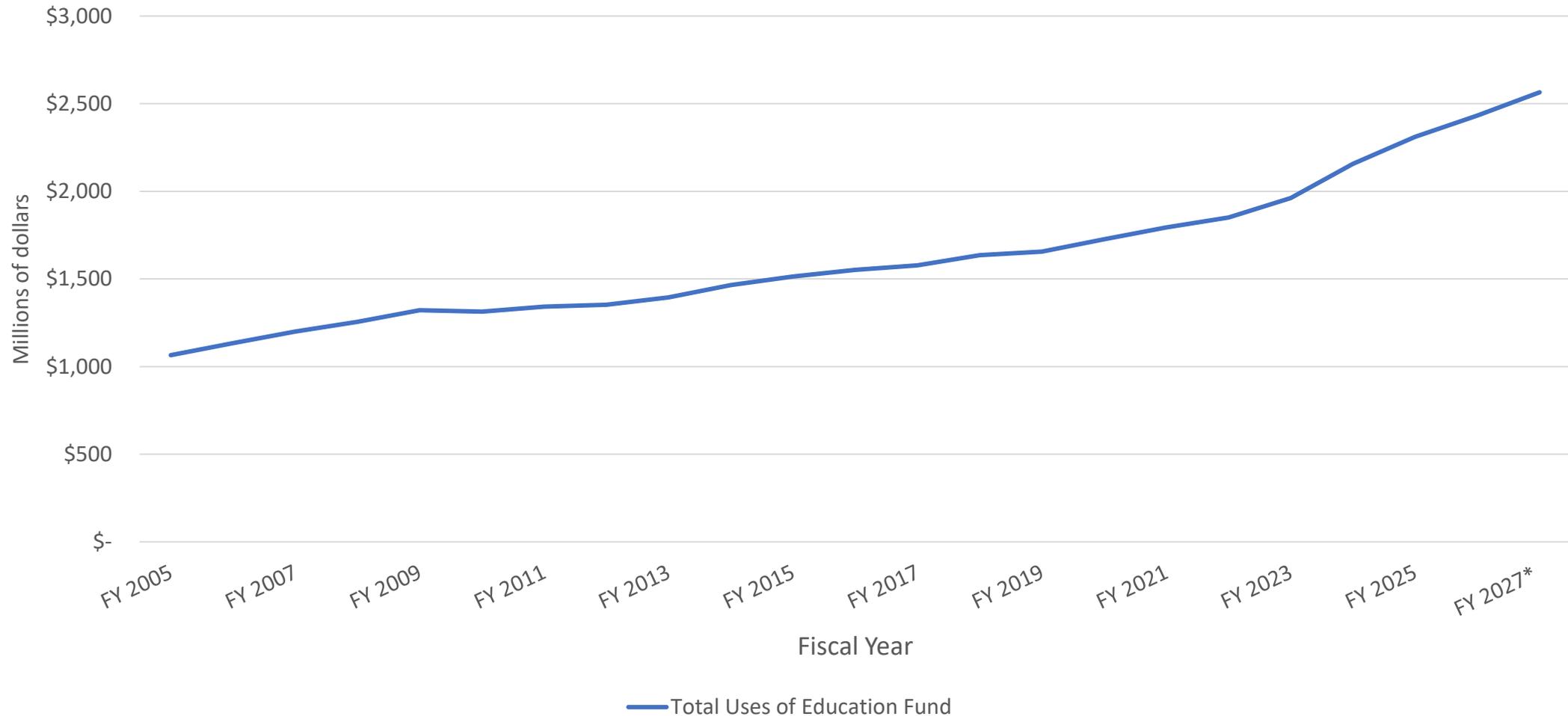
Analyzing Growth in Education Fund Uses Over Time

- Uses from the Education Fund have grown at different rates over time
 - Choosing the years of analysis will impact the growth rate
- There are many factors impacting the growth in Education Fund uses, including:
 - Inflation and cost changes
 - Federal decisions on policy and funding
 - State decisions on policy and funding
 - Local decisions on policy and funding
- Compound Annual Growth Rate (CAGR) and Average Annual Growth Rate (AAGR) are different ways to measure changes over time:
 - CAGR calculates smoothed annual changes over time
 - AAGR averages the relative changes of each year in the sample
- Percentage change is always relative to the base against which it is being compared

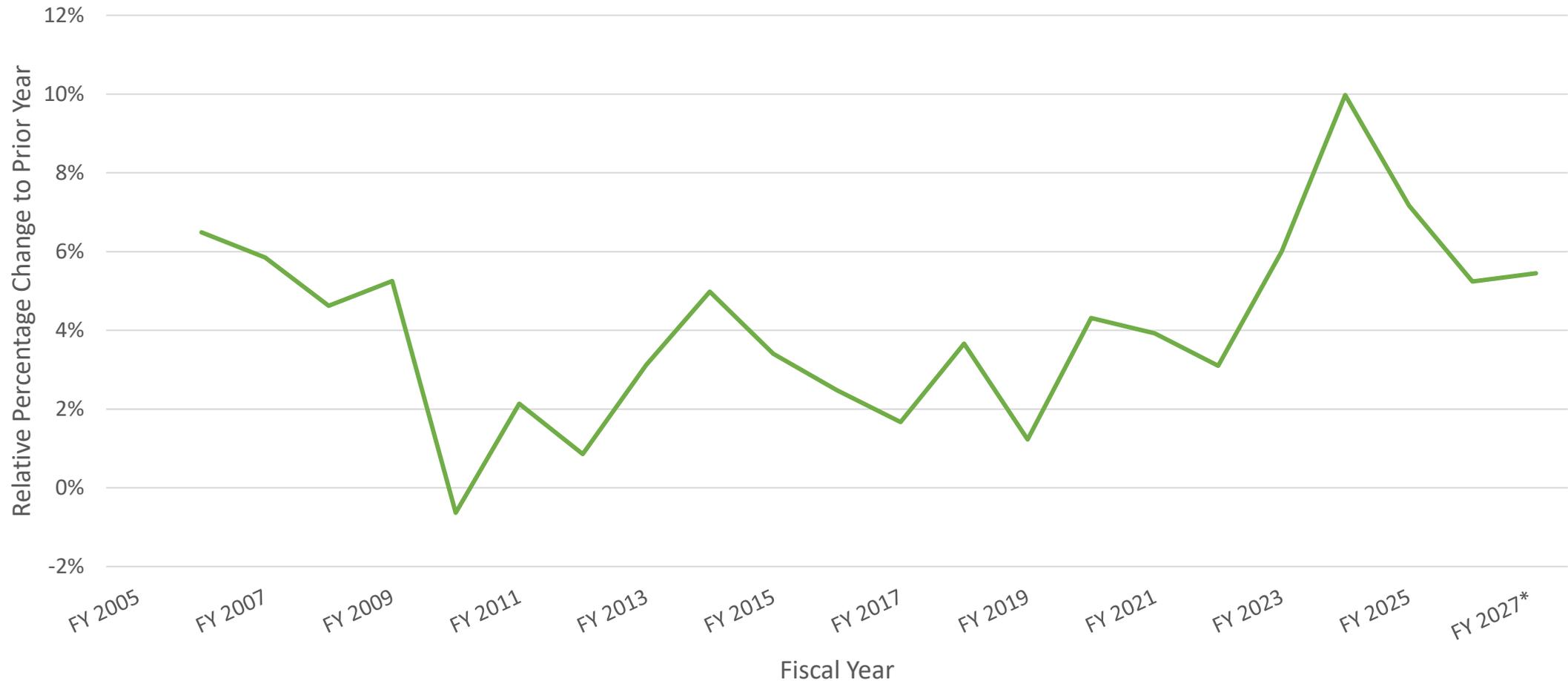


Total Uses of Education Fund Over Time

(not adjusted for inflation)



Relative Percentage Change in Education Fund Uses Compared to Prior Year



Estimating “Average” Growth in Education Fund Uses Over Time

- Education Fund uses have grown at a higher rate in recent years
 - This means Education Fund uses have grown at a faster rate in the past 5 years, than the rate over the past 10 and 20 years
- This increasing rate is in addition to an increasing base against which the rate is applied

Changes in Education Fund Uses Over Time

Years of Measurement	Compound Annual Growth Rate (CAGR)	Average Annual Growth Rate (AAGR)
FY 2007 to FY 2027	3.9%	4.0%
FY 2017 to FY 2027	5.0%	4.7%
FY2022 to FY2027	6.8%	6.2%



Growth in Education Fund Non-Property Tax Revenues

- Education Fund non-property tax revenues are growing at a slower rate than Education Fund uses

**TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND¹ REVENUE FORECAST UPDATE**
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Consensus JFO and Administration Forecast - January 2026

CURRENT LAW BASIS

Source: General and Transportation

Fund taxes allocated to or associated with the Education Fund only

	FY2022	%	FY2023	%	FY2024	%	FY2025	%	FY2026	%	FY2027	%	FY2028	%	FY2029	%	FY2030	%	FY2031	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Preliminary)	Change	(Forecast)	Change										
GENERAL FUND																				
Meals and Rooms	\$54.2	50.8%	\$59.4	9.6%	\$61.5	3.5%	\$71.6	16.3%	\$73.6	2.8%	\$76.0	3.3%	\$78.7	3.6%	\$81.8	3.8%	\$85.0	4.0%	\$88.3	3.8%
Sales & Use ²	\$545.2	7.4%	\$584.0	7.1%	\$595.2	1.9%	\$609.7	2.4%	\$625.0	2.5%	\$640.9	2.5%	\$658.7	2.8%	\$678.4	3.0%	\$698.2	2.9%	\$717.7	2.8%
Interest	\$0.3	169.1%	\$5.8	1892%	\$5.8	0.3%	\$2.5	-57.6%	\$1.5	-38.9%	\$1.1	-26.7%	\$1.3	18.2%	\$1.4	7.7%	\$1.4	0.0%	\$1.4	0.0%
Lottery	\$30.8	-5.2%	\$32.1	4.3%	\$36.0	12.1%	\$30.6	-14.9%	\$32.0	4.5%	\$33.4	4.4%	\$34.7	3.9%	\$36.0	3.7%	\$37.3	3.6%	\$38.6	3.5%
TRANSPORTATION FUND																				
Purchase and Use ³	\$45.7	2.3%	\$47.4	3.7%	\$48.3	1.9%	\$48.3	0.1%	\$50.0	3.4%	\$51.9	3.7%	\$53.5	3.2%	\$55.2	3.1%	\$56.8	2.8%	\$58.3	2.7%
TOTAL EDUCATION FUND	\$676.2	8.9%	\$728.77	7.8%	\$746.8	2.5%	\$762.7	2.1%	\$782.1	2.5%	\$803.3	2.7%	\$827.0	2.9%	\$852.8	3.1%	\$878.7	3.0%	\$904.3	2.9%

1) Includes only General and Transportation Fund taxes allocated to the Education Fund.

This Table excludes all Education Fund property taxes, which are updated in October/November of each year and are the largest Education Fund tax sources.

2) Includes Telecommunications Tax; Includes \$1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors;

Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14 and to 100.0% beginning in FY19;

Includes Cannabis Sales tax revenues beginning in FY23 and the first 8-1/2 months of FY24, but then excludes them in FY25 and beyond

3) Includes Motor Vehicle Rental revenues, restated

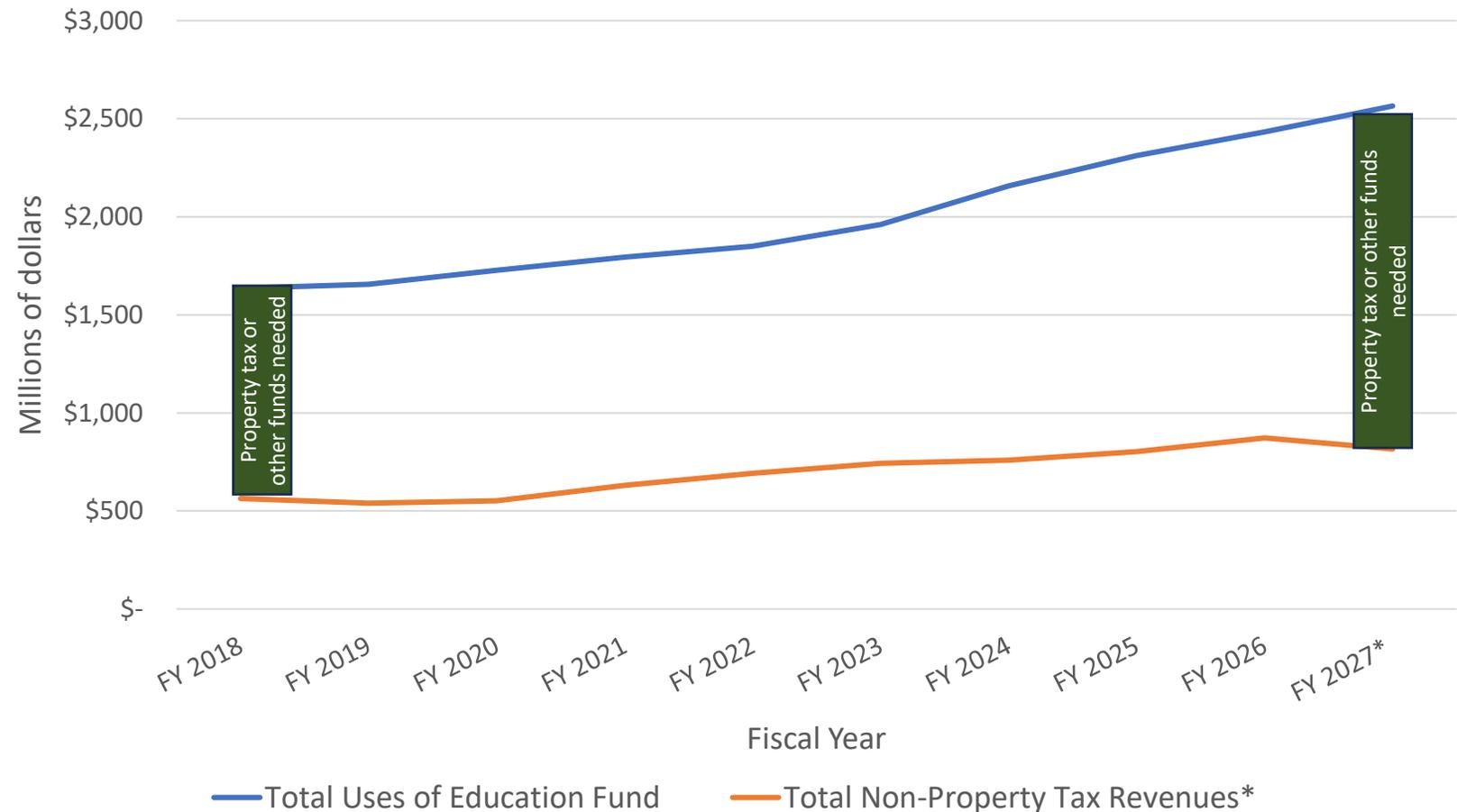
Source: [2026 January Economic Review and Revenue Forecast](#)



Education Fund's Total Uses and Total Non-Property Tax Revenues Over Time

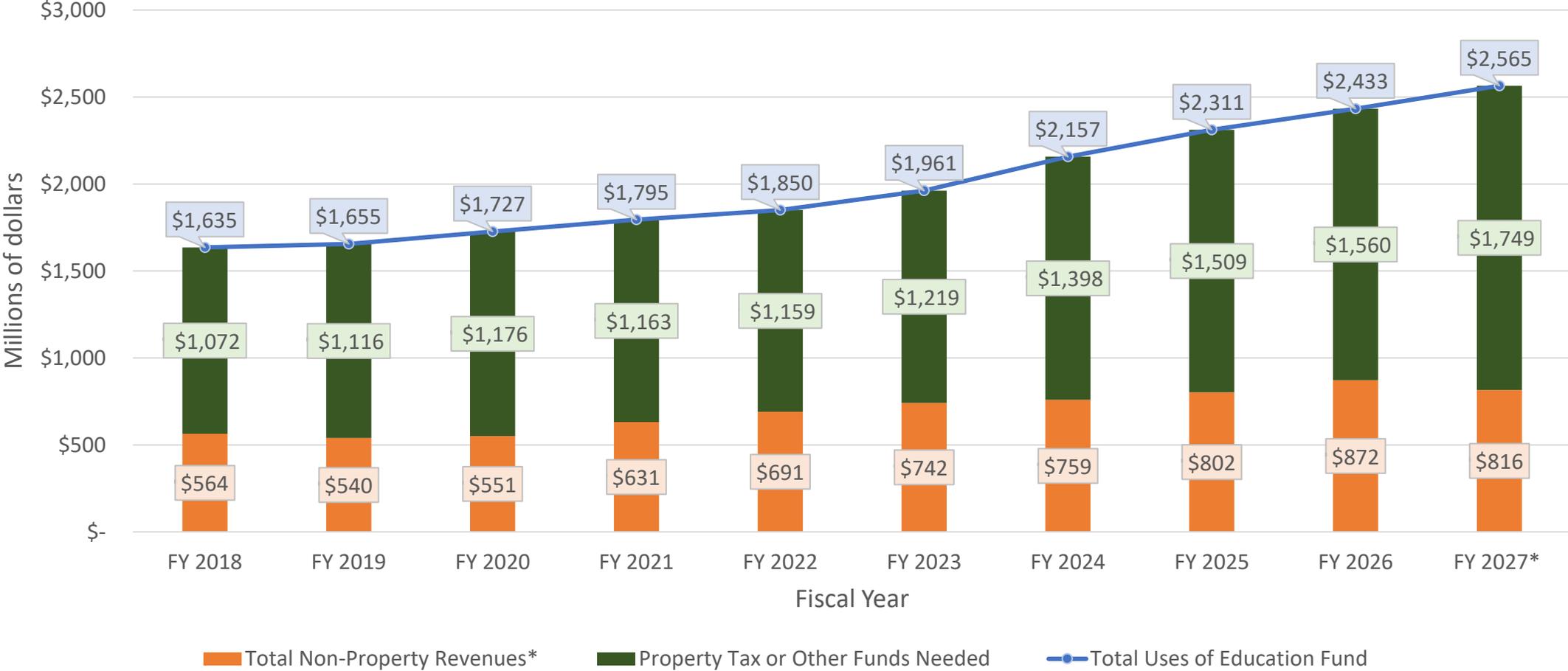
(not adjusted for inflation)

- As Education Fund uses grow at a faster pace than total non-property tax revenues, property taxes (or other funds) must make up a larger share of Education Fund revenues



Education Fund's Total Uses and Total Non-Property Tax Revenues Over Time

(not adjusted for inflation)



*notes: 1) fiscal year 2027 amounts are projections. 2) total non-property tax revenues in fiscal years 2025 and 2026 include one-time General Fund transfers.



Looking Forward



Disclaimer

- The following charts are meant to be illustrative and are ***not*** an official projection or forecast of Vermont's Education Fund
- These charts examine the Education Fund at the aggregate level, and do not illustrate varied impacts across types of property taxpayers



Forecasting of the Education Fund, Future Property Tax Growth, and Impact of Future “Buy Down” Is Challenging

- Property taxes are set to ensure the Education Fund is fully funded, meaning that all components of the Education Fund impact property taxes
 - This includes federal changes, State and local decisions, and performance of non-property tax revenues
- Analyzing future Education Fund uses and property tax liabilities should be approached with caution as these analyses require multiple significant assumptions



Prior-year “Buy Down” of Property Taxes Puts Upward Pressure on Future Year Property Tax Changes

- The more one-time money used to buy down property taxes in one year, the bigger the difference to make up the following year
- Last session, approximately \$118 million was used to buy down property taxes for fiscal year 2026:
 - \$77.2 million of one-time General Fund
 - \$41 million of Education Fund surplus



Assumptions

- The following charts use multiple significant assumptions, including:
 - Assume Education Fund uses will grow by 5% based on analysis summarized earlier in this slide deck
 - Assume non-property revenue forecast from the consensus revenue forecast,
 - Assume no Education Fund surplus or one-time General Fund money in future years unless it has been reserved
 - Assume no reversions
 - Assume no new contributions to Stabilization Reserve in future years,
 - Assume no changes to Federal or State policy that would impact funding
 - Assume no impact from Act 73 in fiscal year 2029
 - Assume else equal



No Buy Down: Growth of Total Property Tax Revenue

- Using the earlier assumptions, and assuming no buy down, property taxes would grow by approximately 13% in fiscal year 2027, approximately 7% in fiscal year 2028, and 4% in fiscal year 2029

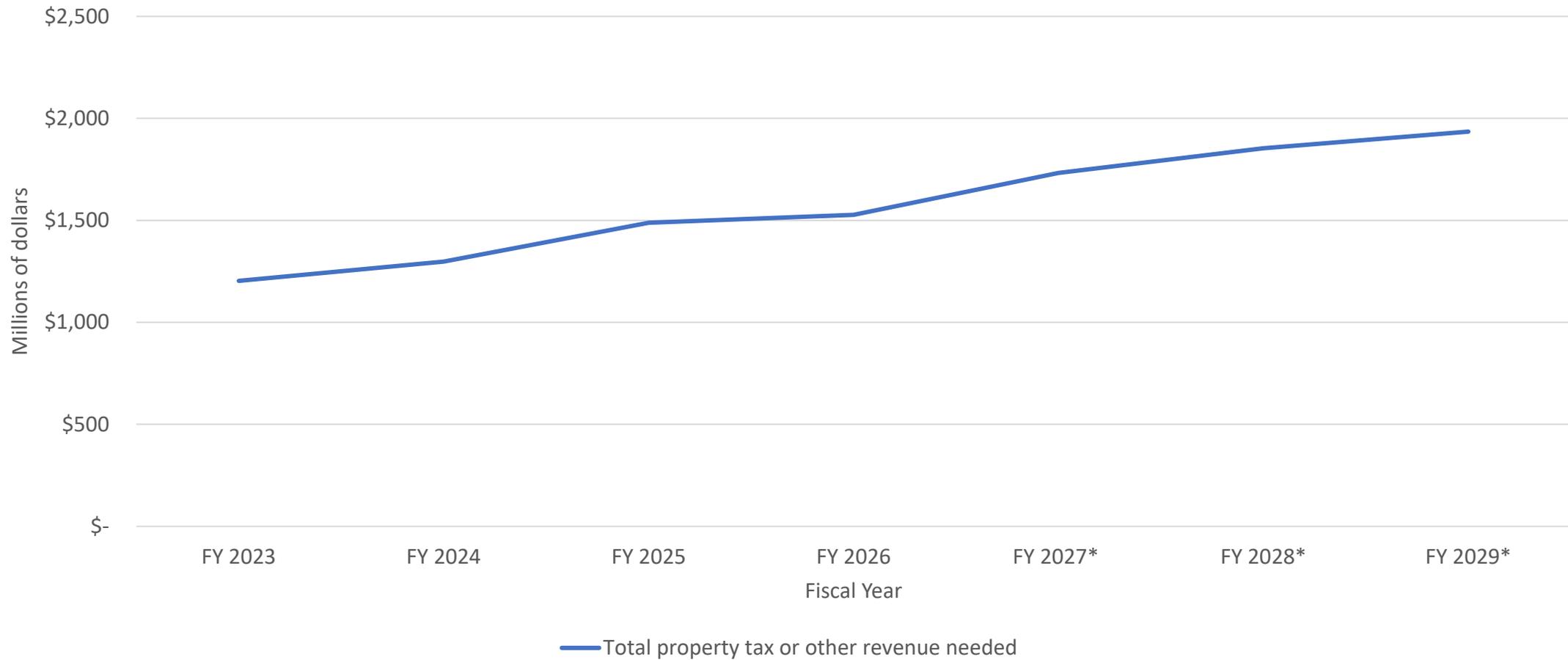
Estimated Changes in Property Taxes Over Time

	FY 2025	FY 2026	FY 2027*	FY 2028*	FY 2029*
Estimated total property tax or other revenue needed (<i>\$ in millions</i>)	\$1,489	\$1,528	\$1,733	\$1,853	\$1,935
Estimated relative percentage change year-over-year	15%	3%	13%	7%	4%

**note: this table was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.*



No Buy Down: Estimated Total Property Tax or Other Revenue Needed Over Time for Education Fund



**note: this chart was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.*



Growth of Total Property Tax Revenue Using \$104.9 Million in One-Time General Fund to Decrease Property Taxes in Fiscal Year 2027

- Using the earlier assumptions, and assuming \$104.9 million in one-time General Fund and all projected Education Fund surplus to decrease property taxes in fiscal year 2027, property taxes would grow by approximately 5% in fiscal year 2027, 15% in fiscal year 2028, and 4% in fiscal year 2029

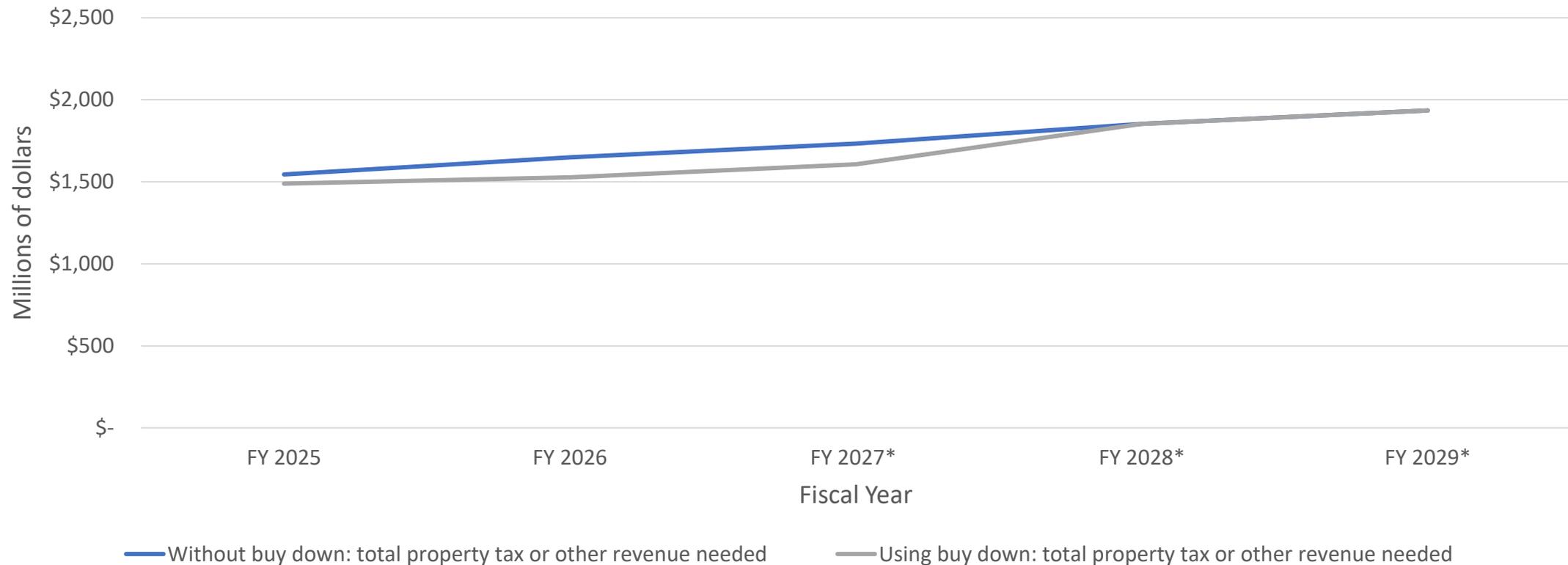
Estimated Changes in Property Taxes Over Time if \$104.9 Million in One-Time General Fund Is Used to Buy Down Fiscal Year 2027 Property Taxes

<i>(dollars in millions)</i>	FY 2025	FY 2026	FY 2027*	FY 2028*	FY 2029*
Without buy down: total estimated total property tax or other revenue needed <i>(millions)</i>	\$1,545	\$1,648	\$1,733	\$1,853	\$1,935
Total one-time buy down <i>(Includes one-time GF and EF surplus)</i>	\$56	\$121	\$126	\$0	\$0
Using buy down: Total property tax or other revenue needed	\$1,489	\$1,528	\$1,606	\$1,853	\$1,935
Estimated relative percentage change year-over-year		3%	5%	15%	4%

*note: this table was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.



Growth of Total Property Tax Revenue Using \$104.9 Million in One-Time to Buy Down Property Taxes in Fiscal Year 2027



**note: this chart was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.*



Growth of Total Property Tax Revenue Using \$104.9 Million in One-Time GF to Buy Down Property Taxes Over Three Years

- Using the earlier assumptions, and assuming \$104.9 million in one-time General Fund to decrease property taxes over three years and all projected Education Fund surplus to decrease property taxes in fiscal year 2027, property taxes would be estimated to grow by approximately 10% in fiscal year 2027, 8% in fiscal year 2028, and 5% in fiscal year 2029

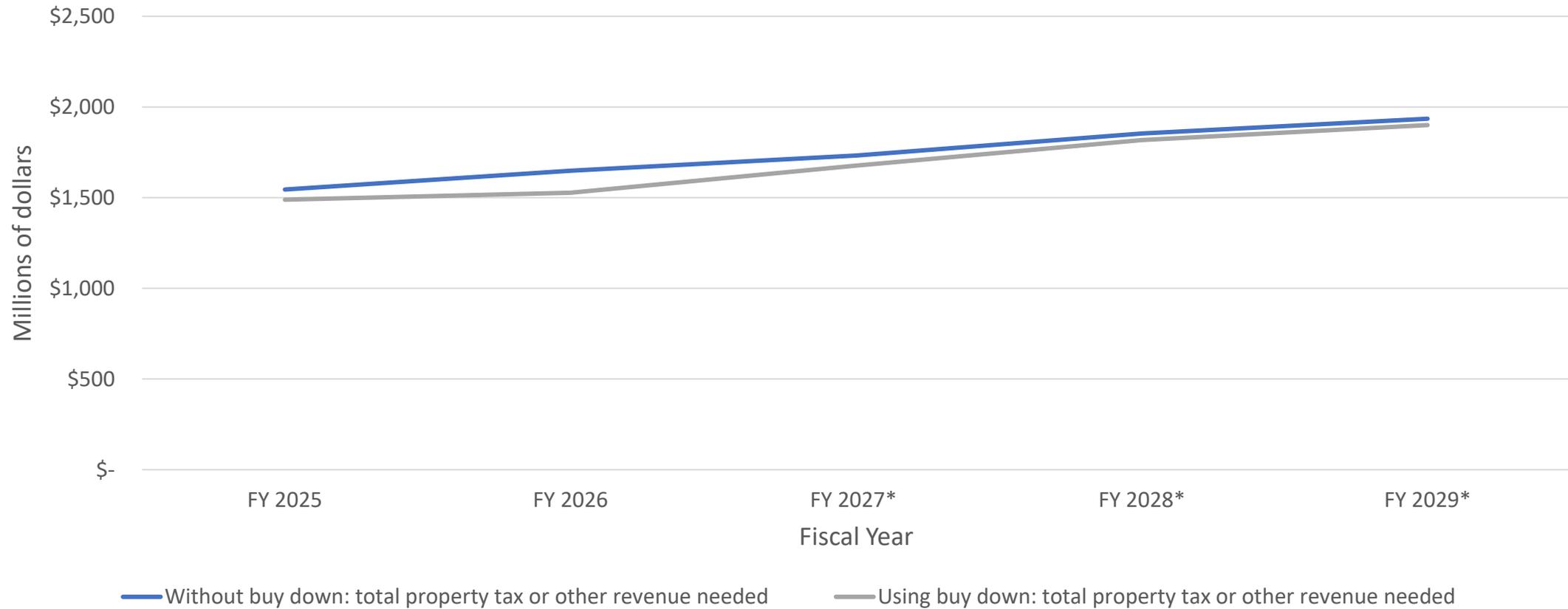
Estimated Changes in Property Taxes Over Time if \$104.9 Million in One-Time General Fund Is Used to Decrease Property Taxes Over Three Years

<i>(dollars in millions)</i>	FY 2025	FY 2026	FY 2027*	FY 2028*	FY 2029*
Without buy down: Total estimated total property tax or other revenue needed <i>(millions)</i>	\$1,545	\$1,648	\$1,733	\$1,853	\$1,935
Total one-time buy down <i>(Includes one-time GF and EF surplus)</i>	\$56	\$121	\$56	\$35	\$35
Using buy down: Total property tax or other revenue needed	\$1,489	\$1,528	\$1,676	\$1,818	\$1,900
Estimated relative percentage change year-over-year		3%	10%	8%	5%

*note: this table was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.



Growth of Total Property Tax Revenue Using \$104.9 Million in One-Time General to Decrease Property Taxes Over Three Years



**note: this chart was created for illustrative purposes using significant assumptions for unforecastable variables; it does not represent an accurate or official forecast.*



Considerations

- “Buy down” of property taxes in one year puts upward pressure on the following year’s property tax changes
 - The more one-time money used to buy down property taxes in one year, the bigger the difference to make up the following year
- This analysis reviewed aggregate tax growth, and did not provide insight into how different property taxpayers would be impacted
- If Education Fund uses continue to grow faster than non-property tax revenues, property taxes (or a different revenue stream) will need to continue to make up a larger share of the Education Fund and continue to increase



Questions?

