



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

December 1, 2025

Rep. Krowinski, Speaker of the House
Sen. Baruth, President Pro Tempore
Vermont State House
115 State Street
Montpelier, VT 05633-0004

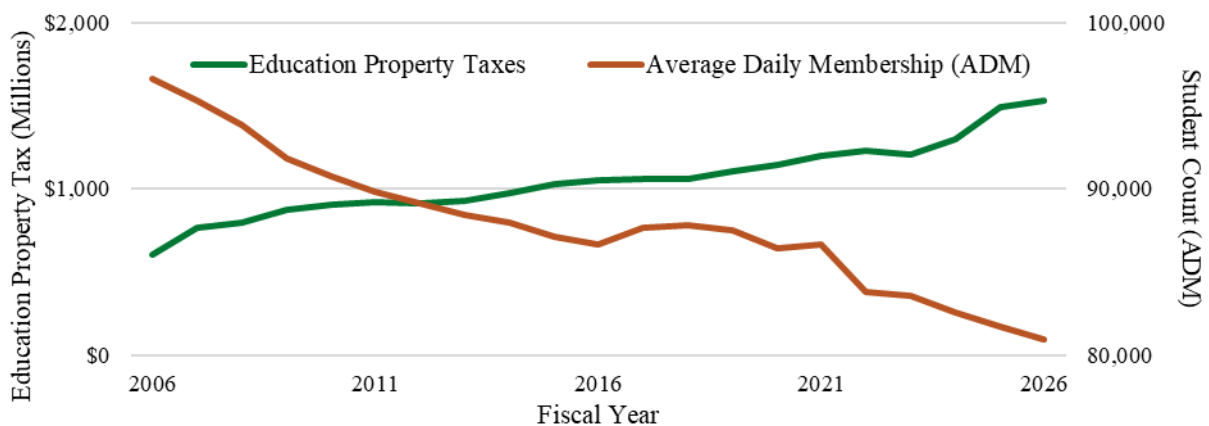
Dear Speaker Krowinski and President Pro Tempore Baruth:

For years the Governor and his team have been the leading voice in a growing consensus across Vermont that our education funding system cannot continue as it is. Vermonters are asked to pay significantly more, year after year, to educate fewer students. As the nation's top education spender, our state's considerable investment does not achieve the quality education Vermonters expect.

As part of an administration deeply committed to making Vermont a more affordable place to live and work, I have predictably bad news to report. After completing the calculations required in 32 V.S.A. § 5402b the Department of Taxes forecasts an unacceptable 12% average increase to Vermont property taxes next year.

If this increase takes effect, Vermonters' property taxes for education will have gone up nearly 41% over the past five years.

Net Education Property Taxes and Student Count: FY06 - FY26ⁱ



In FY26, Vermont's Education Fund cost taxpayers \$924M more than it did 20 years ago, yet today's system is educating 15,650 (16%) fewer kids.



If we allow this landscape to persist, we cannot seriously expect young and growing families to buy homes and settle in Vermont; local voters to approve budgets; or seniors on fixed incomes to retire comfortably in Vermont.

Vermont is at a crossroads with the urgent need to choose: We can continue to painfully cut our education costs to maintain our outdated and expensive system – which we hear from school leaders is already happening as costs outside of their control continue to rise. Or we can follow through on last year's agreement to transform that system into the best in the nation, so it is sustainable and equitable and provides a world-class education for Vermont's kids, regardless of what town they live in.

The Legislature and Administration committed to that transformation in Act 73 of the 2025 session. Act 73 lays out a new funding formula that guarantees equitable distribution of state dollars to every student across Vermont, while ensuring the annual cost of the system doesn't outpace inflation. It's our best – and currently only – path towards a sustainable, high-quality education system for Vermont kids.

The big challenge, of course, is that new funding system will not work until we follow through on the critically necessary work of creating fewer and larger school districts.

The Administration remains ready to follow through with this work with you. We can build a system where life in Vermont is more affordable, *and* our kids can receive a world-class education. Preservation of the current system is not compatible with either of these goals. We look forward to working on it together.

Sincerely,

A handwritten signature in blue ink, appearing to read 'WCS', followed by a stylized flourish.

William C. Shouldice, IV
Commissioner, Vermont Department of Taxes

cc: Sarah Clark, Secretary, Agency of Administration
Zoie Saunders, Secretary, Agency of Education
Adam Greshin, Commissioner, Department of Finance and Management
Rep. Emilie Kornheiser
Sen. Ann Cummings
Rep. Peter Conlon
Sen. Seth Bongartz
Catherine Benham, Chief Fiscal Officer, Joint Fiscal Office

5402b(a)(2) Mandated Forecast

In the statutorily mandated calculation and recommendation under 32 V.S.A. § 5402b, the Commissioner must assume the following:

1. The homestead base tax rate is \$1.00 per \$100.00 of equalized education property value;
2. The applicable percentage under 32 V.S.A. § 6066(a)(2) is 2.0;
3. The statutory reserves under 16 V.S.A. § 4026 are maintained at five percent; and
4. The percentage change in the average education tax bill applied to homestead property, non-homestead property, and taxpayers who claim a property tax credit is the same.

The values in the FY27 column in the following table meet the parameters of the required calculation. Vermont property owners would see an estimated average increase of 11.9% in their education tax liabilities if these yields and non-homestead rate were adopted. Please note that this statistic is only a statewide average and there is considerable variation from town to town based on district (per-pupil) education spending levels and the relationship of town grand list value to fair market value.

	FY26	FY27
Homestead Property Yield	\$8,596	\$8,849
Income Yield	\$12,172	\$12,154
Statewide Non-homestead Property Rate	\$1.703	\$1.785

To assist school districts with tax rate modeling for their member towns, the Tax Department has once again posted preliminary Common Levels of Appraisal (CLAs) and the statewide adjustment on its website at tax.vermont.gov/ed-rates. Of note, those districts that receive a “penny discount” from the pupil re-weighting transition laid out in Act 84 of 2024 will continue to receive a reduced discount in FY27.ⁱⁱ

Average Actual Education Tax Rates

The estimated average actual statewide 2026-2027 (FY27) education tax rates would be as indicated in the table below if the yields and nonhomestead rate in this letter were enacted. Again, these are statewide averages and there will be substantial variation from town to town based on levels of appraisal and per pupil education spending (for homestead rates). The income rate impacts the credit amount for those income-eligible homesteads who will receive credit to their FY28 property tax bills based on their FY27 property taxes and 2026 household income.

	FY26	FY27
Average Actual Homestead Property Rate	\$1.56	\$1.74
Average Actual Non-homestead Property Rate	\$1.62	\$1.81
Average Income Rate	2.27%	2.43%

Education Spending Growth

On a per (weighted) pupil basis, the expected growth in spending is forecast to be 6.8% on average.

	FY26	FY27	Rate of Growth
Total Education Spending (\$ Millions)	\$1,988.4	\$2,103.8	5.8%
Long Term Weighted Average Daily Membership (LTWADM)	142,564	141,273	-0.91%
Average Per Pupil Spending	\$13,947	\$14,892	6.8%

For the current 2025-2026 school year (FY26), the range of per (weighted) pupil spending among districts that operate at least one school is \$10,846.46 to \$19,089.92.

Acknowledgments

The Commissioner of Taxes thanks the teams at the Department of Taxes, Agency of Education, Legislative Joint Fiscal Office, and Department of Finance and Management for their collaborative efforts in gathering and analyzing the data necessary for this year's forecast. Their dedication and expertise are greatly appreciated.

The analysts who collaborated on this forecast put together an addendum explaining the sources of the data and their methodology. It is available on the [Legislative Joint Fiscal Office website](#).

ⁱ Net Education Property Tax refers to the sum of homestead and nonhomestead property taxes minus property tax credits and reflects nominal annual data. Average Daily Membership (ADM) actuals through FY25, projected FY26.

ⁱⁱ For impacted districts, the approximate amount of the FY27 rate discount will be the FY25 discount reduced by 40%, then divided by 70% to reflect the statewide adjustment. Final "penny discount" amounts for each district, along with final CLAs for each town, will be available by the end of the year on the Department website.