



Dear Local School Officials,

For many school districts, communities, and taxpayers, the FY25 school district budgeting cycle was the most challenging in anyone's memory. In fact, it is not over. As property tax bills arrive in mailboxes across Vermont, the reality of steep increases in those bills will sink in.

The Vermont education funding system is complex. Local decreases in spending don't always result in decreased local taxes. However, if overall education spending declines statewide and the legislature does not place additional burdens on the Education Fund, the overall tax burden will be reduced. For most local school officials, responding to taxpayer concerns regarding the increased costs of public education while providing high-quality, equitable educational opportunities for students and their families is an ongoing effort.

Vermont cannot endure an FY2026 budget cycle like FY2025. Without successful efforts to significantly reduce the rate of increase in school district spending proposals for FY2026 as compared to FY2025, more budgets could fail, leading to statewide proposals designed to suppress spending rather than address costs. This would likely result in increased disparities in education funding across the state.

The Vermont Commission on the Future of Public Education recently began its work on what we expect will be a historic effort to improve the education delivery system through better organization, greater affordability, and more equity. The Commission's work will extend through December 2025, but we can anticipate that a legislative response will continue into the 2026 session.

In the meantime, the challenges of FY2026 lie before local education leaders. With that framing, the Vermont School Boards Association, the Vermont Superintendents Association, and the Vermont Association of School Business Officials are providing you with support as you prepare your FY2026 budget. The accompanying resource is our first step in that effort.

Thank you,

Sue Ceglowski, Executive Director, Vermont School Boards Association  
Chelsea Myers, Executive Director, Vermont Superintendents Association  
Heather Bushey, President, Vermont Association of School Business Officials

# FY2026 School District Budgeting Resource

## August 2024

### ***Background:***

Budgeting for FY2025 brought unprecedented challenges for Vermont's school districts, with approximately a third of budgets voted down on Town Meeting Day in 2024. Rising costs of healthcare and special education, deferred maintenance, and increased salary and benefit costs, among other factors, contributed to steep budget increases and expanding concerns about the cost of education in Vermont. All the while, student needs, particularly in mental health, and statewide initiatives continue to grow and place demands on the Education Fund and taxpayers.

Despite efforts by local school officials to address fiscal pressures while attending to increasing student needs in FY25, school districts will face continued cost pressures in FY26. This document serves as a resource to provide indicators to aid in early budgeting efforts.

### ***Urgency:***

It is paramount that school district officials (school board members, superintendents, business managers, and principals) understand as much as possible about the FY26 budget cycle. We urge districts to begin their budgeting cycles as early as possible using the information provided in this resource.

### ***Cost Drivers:***

In order to respond to fiscal pressures, it is important to have a solid understanding of cost drivers.

#### Cost of Personnel

The majority of school district expenses are personnel costs. In simple terms, the factors that contribute to personnel costs are:

- 1) The number of personnel employed. This factor is most significantly within local control.
- 2) The salaries and wages paid to those employees and the rate of annual growth of those wages and salaries.

- 3) The costs of benefits provided to employees and the rate of annual growth in these costs.

Table 3: Pupils enrolled per staff in the public school system (2019)

	Count (#)	National Rank
US Average	7.45	-
Northeast Average	6.1	-
Connecticut	5.3	48
Maine	4.8	50
Massachusetts	6.9	36
New Hampshire	5.5	47
New York	6.2	43
Rhode Island	6.9	35
Vermont	4.4	51

Data source: Digest of Education Statistics<sup>44</sup>; Analysis by JFO

<sup>44</sup>National Center for Education Statistics (2019). "Digest of Education Statistics, Table 203.72, Table 213.2". [https://nces.ed.gov/programs/digest/current\\_tables.asp](https://nces.ed.gov/programs/digest/current_tables.asp)

### *Collective Bargaining Agreement (CBA) Increases*

FY2023 spending on salaries and wages totaled \$991 million. Assuming this increased by 6% in FY24 and FY25, every 1% increase in salaries and wages in FY2026 would result in an additional \$11.1 million of cost to the State's Education Fund. That is a significant contributor to increased education spending across the state.

It is critical that school boards and administrators view collective bargaining in the context of their essential work - what boards are trying to achieve for both students and taxpayers. To be successful in any negotiation, a board needs to be clear about where it wants to go and why. Boards and negotiating councils should understand and be able to clearly articulate any barriers within the current contract that make it difficult for the administration to achieve the district's instructional and financial goals. For more information, see the VSBA's [Negotiation Toolkit](#), [Guide to Collective Bargaining](#), and [this excerpt from \*The Essential Work of Vermont School Boards\*](#).

## *Health Insurance*

Given that no structural changes are expected to happen with the VEHI plans in the coming year, we anticipate that FY26 will bring another year of double-digit rate increases similar to last year.

Spending on health insurance premiums (only) was \$211 million in FY2023. Assuming this increased by 12.5% in FY2024 and 16.4% in FY25, then a 17% increase in FY2026 would cost an additional \$42 million to the State Education Fund.

## Inflation

Based on current data on the New England consumer price index from the Bureau of Labor Statistics, inflation is about 4%.

For comparative purposes, the New England Economic Project (NEEP) price index for the last several years is presented below.

- 2023 = 3.4%
- 2024 = 3.0%
- 2025 = 3.2%

## Special Education Costs

Special education costs have been increasing nationally and in Vermont. According to [a compilation of survey data from the Agency of Education](#) for a report to the General Assembly on February 27, 2024, special education costs were predicted to increase by approximately \$40 million between FY2024 and FY2025.

FY2026 represents the continued transition set forth in Act 173 to the Uniform Base Amount for the Census Block Grant for Special Education. Along with a fiscal transition from a reimbursement model to a block grant model, Act 173 outlined a number of best practices that school districts were tasked with implementing. These best practices include:

- ensure core instruction meets most needs of most students;
- provide additional instructional time outside core subjects to students who struggle, rather than providing interventions instead of core instruction;
- ensure students who struggle receive all instruction from highly skilled teachers;
- create or strengthen a systems-wide approach to supporting positive student behaviors based on expert support; and

- provide specialized instruction from skilled and trained experts to students with more intensive needs.

## Facilities

Containing costs associated with facilities and operations will also be challenging, given significant deferred maintenance needs in most of Vermont's schools. In [a report to the Vermont House Education Committee](#) in January 2024, the Agency of Education stated that immediate facilities needs for the state totaled \$228,613,264 and placed total costs at \$6,352,324,952. These figures, according to the Agency, are likely an underestimate.

Given the cost pressures ahead in FY2026 and short and long-term facilities needs, local school officials will likely be faced with decisions around the pros and cons of reducing, maintaining, or increasing investment in facilities in the upcoming budget year. These decisions will be made more challenging since we will not have seen the recommendations from the State Aid for School Construction Working Group established by Act 149 of 2024 nor will the School Facilities Master Plan Program established by the Act have been initiated. Additionally, the work of the Commission on the Future of Public Education which on a larger scale will inform state policy around the number of school buildings operated, will not be completed until December of 2025.

## Tuition

Tuition represents a significant portion of costs for some districts. When districts are trying to reduce costs, it is not an area with flexibility.

According to statewide data, districts paid a total of \$83.3 million in tuition to approved private providers (excluding pre-k providers) and another \$14.3 million went to out-of-state schools in FY23. Overall tuition costs increased 5% from FY2022 to FY2023. For every student educated outside the public education system, it drives up the cost per pupil within the system. This directly increases property tax rates.

The statewide average announced tuition of Vermont union high schools for 2024-2025 is \$19,774. Districts must pay the full tuition of approved independent schools in Vermont functioning as an approved area career technical center, or an independent school meeting education quality standards, which may exceed the average announced tuition.

**Components of [Act 183 of 2024 \(H.887\)](#) Impacting FY26 Budgeting:**

In 2024, the Vermont General Assembly passed the yield bill which contained two primary levers that will impact budgeting in FY2026. The first is the way in which the Common Level of Appraisal (CLA) is applied and the second is the reinstatement of the excess education spending threshold.

Common Level of Appraisal

Section 13 -15 of Act 183 adjust the application of the Common Level of Appraisal (CLA) in FY2026. The intention is to make the pre-CLA property tax rates closer to the post-CLA property tax rates. The ultimate tax rates will not change, except in cases when a district has a per pupil spending below the yield.

The new legislation moves the CLA calculation from this:

$$Actual\ local\ homestead\ property\ tax\ rate = \frac{District's\ per\ pupil\ spending}{HS\ yield} / Local\ CLA$$

To this:

$$Actual\ local\ homestead\ property\ tax\ rate = \frac{District's\ per\ pupil\ spending}{(HS\ yield * Statewide\ Average\ CLA)} / \left( \frac{Local\ CLA}{Statewide\ Average\ CLA} \right)$$

[Image Credit: Joint Fiscal Office]

For more information about this change: [Overview of CLA Change in the Yield Bill from the Joint Fiscal Office](#)

What does this mean for your community? All things being equal, this change will increase the district (pre-CLA) tax rate, but leave the local homestead rate (post-CLA) rate the same. The presentation linked above shows an example of the change in rates.

Act 183 specifies that the Secretary of Education, in consultation with the Commissioner of Taxes, shall provide outreach to the field and the general public about the new CLA adjustment on or before September 1, 2024.

Excess Education Spending - 32 V.S.A. § 5401(12)

The excess education spending threshold has been reinstated beginning in FY2026. The excess spending threshold in FY2026 will be 118% of the statewide average district per pupil education spending for FY2025 plus NEEP inflation.

Section 20 of Act 183 repeals the exemption of voter-approved bond payments from the excess spending threshold. For all bonds approved by voters prior to July 1, 2024, voter-approved bond payments toward principal and interest will not be included in education spending for purposes of calculating the excess spending threshold. This means that for any bonds approved after July 1, 2024, voter-approved bond payments toward principal and interest will be included in education spending for purposes of calculating the excess spending threshold.

The Vermont Agency of Education’s August 1, 2024 estimate of the excess spending threshold is:

Estimated Excess Spending Threshold for FY26		
Using FY25 estimated ed spending		
& FY25 NEEP inflation adjustment		
	Statewide average FY25 ed spending	13,229.01
	Estimated NEEP Inflation	3.19%
	NEEP Inflated FY25 est ed spnd	13,651.02
	2024 Act 183 defined 118%	118%
	Estimated FY26 Excess Spending Threshold	<b>16,108.20</b>

The penalty for exceeding the excess spending threshold is double taxation of the amount above the per-pupil excess spending threshold. [32 VSA Section 5401(12)]

Ballot Language

Per Act 183, ballot language will shift in FY26 to:

“Shall the voters of the school district approve the school board to expend \$ \_\_\_\_\_, which is the amount the school board has determined to be necessary for the ensuing fiscal year? The \_\_\_\_\_ District estimates that this proposed budget, if approved, will

result in per pupil education spending of \$\_\_\_\_\_, which is \_\_\_\_\_% higher/lower than per pupil education spending for the current year.”

### Commission on the Future of Public Education

Act 183 of 2024 (H.887) established the Commission on the Future of Public Education. The law states the purpose of the Commission as:

“The Commission shall study the provision of education in Vermont and make recommendations for a statewide vision for Vermont’s public education system to ensure that all students are afforded substantially equal educational opportunities in an efficient, sustainable, and stable education system. The Commission shall also make recommendations for the strategic policy changes necessary to make Vermont’s educational vision a reality for all Vermont students.”

The Commission met for the first time on July 15, 2024, and the Steering Committee, composed of six members of the Commission, met for the first time on July 23, 2024.

Act 183 requires several reports from the Commission until it sunsets on December 31, 2025. The following are the deadlines:

- September 15, 2024 - a formal, written work plan, which shall include a communication plan to maximize public engagement
- December 15, 2024 - a written report containing its preliminary findings and recommendations, including short-term cost containment considerations for the 2025 legislative session
- December 1, 2025 - a written report containing its final findings and recommendations for a statewide vision for Vermont’s public education system and the policy changes necessary to make that educational vision a reality
- December 15, 2025 - proposed legislative language to advance any recommendations for the education funding system

The Commission members are:

Zoie Saunders, Interim Secretary of Education\*

Jennifer Samuelson, State Board Chair\*

Craig Bolio, Tax Commissioner\*

Senator Ann Cummings, Senate appointee\*

Representative Peter Conlon, House appointee\*

Nicole Mace, Vermont School Boards Association representative\*

Jay Nichols, Vermont Principals' Association representative



Michael Lechlitter, Vermont Superintendents Association representative  
Jeff Fannon, Vermont-NEA representative  
Elizabeth Jennings, Vermont Association of School Business Officials representative  
Meagan Roy, Census-Based Funding Advisory Group representative  
John Castle, Vermont Rural Education Collaborative representative  
Oliver Olsen, Vermont Independent Schools Association representative

\*Steering Group

### *Resources and Strategies:*

Many districts have embarked on cost-mitigation measures while maintaining high-quality and equitable education for students. The following resources might be helpful to district leadership and governance teams as you prepare for the upcoming budget season.

#### Board and Superintendent Roles and Responsibilities in Budgeting

School boards play a key role in ensuring the school system has sufficient resources to achieve its goals and make progress toward the district's vision. The board must propose a budget and ensure its approval by the electorate. In light of the challenging budget season ahead, we offer you a list of best practices for boards and superintendents to consider:

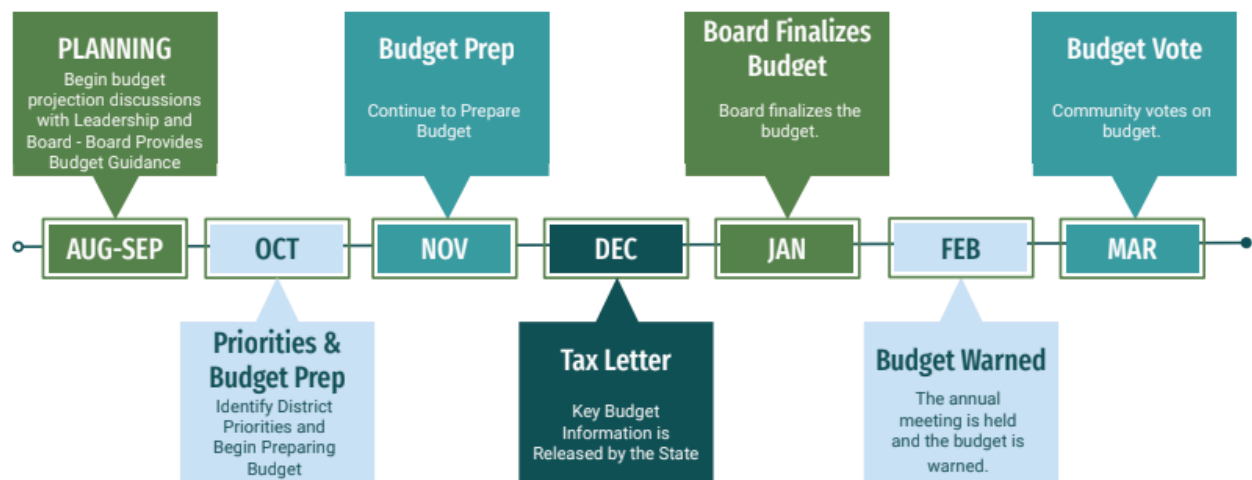
- The board provides the superintendent with high-level budget guidance or budget parameters, including previously stated district priorities and goals.
- The superintendent works with district and school leaders to draft a budget that meets board guidance/parameters.
- The superintendent informs the board of the staffing and operational changes made to produce the draft budget that aligns with the board's guidance or parameters.
- The superintendent educates the board as to how the draft budget will meet the stated district priorities and/or goals for the coming year.
- The board is responsible for assuring that the final proposed budget will meet the district's priorities and is fiscally responsible.

For more information see this [Excerpt from \*The Essential Work of Vermont School Boards\*](#) on proposing a budget and securing voter approval.

Questions that board members may want to focus on when reviewing and approving the budget include:

1. Does the budget spending meet the district's stated priorities and/or goals?
2. Does the budget include class sizes that are within the district's class size policy and procedures and state guidelines?
3. Does this budget allow the district to meet [Education Quality Standards](#) and [District Quality Standards](#)?
4. Are we appropriately addressing facility needs?
5. Does proposed spending on staff costs (salaries and benefits) achieve the district's stated priorities and/or goals?
6. How does our cost per student compare to other similar districts in our region?
7. How does this budget impact tax rates in our communities?

Here is an example of a high-level budget timeline:



### Staffing and Enrollment

Vermont faces continued declining enrollment with one of the lowest staff-to-student ratios in the country. The following tools might support your discussion and analysis of enrollment trends and staffing levels:

[Staffing and Enrollment Trends Tool from Edunomics](#)

[Example Enrollment Report - Kingdom East School District](#)

[AOE Memo: Managing Staff Attrition](#) (Please note: this resource was published in 2017, but still has relevant information.)

## Class Size Policy

Vermont law currently does not set minimum class sizes; however, pursuant to [Act 153 of 2010](#) all school districts must have minimum and optimal average class sizes policies. “The policies may be supervisory union-wide, may be course- or grade-specific, and may reflect differences among school districts due to geography or other factors.”

A Class Size Model Policy can be found in the Vermont School Board Association’s Model Policy Manual D6. Local school districts have adapted this model to include their own minimum, ideal, and maximum class sizes (see, for example, [Barre Unified Union School District](#)). The example provided is in line with the maximum class sizes adopted by the State Board of Education in 2014 (20 for K-3; 25 for 4-12).

Ensuring that you have a Class Size Policy and that it has been updated is an important tool for budgeting. It allows for consistency in practice across the system and revisiting the policy engages the school board and community in an important dialogue on quality and efficiency.

## School Configuration and School Size

We anticipate that challenging conversations will surface about the number of schools operated in Vermont as a whole and in local school districts. Great care must be taken to involve your community, understand the specific processes unique to your district around reconfiguration or school closure, and put student learning first. Any decisions should be grounded in your district’s core beliefs and be clear on what the district wants for its students. Meaningful engagement with the community requires a clear process, transparency, and data-informed decisions.

Some school districts have already begun this process for FY2026. For example, Washington Central Unified Union School District has conducted enrollment analyses, presented a series of options, and started community conversations. Learn more about their process in this [detailed board packet](#) that includes an FAQ for the community.

## Administrative Costs

Given the central office’s function to fulfill state bureaucratic requirements and school district operational requirements, the demands on the central office are relatively consistent from district to district, irrespective of student enrollment. When administrative positions are cut from budgets, some of their responsibilities are often

federal and statewide requirements. Cutting administrative personnel can mean that more responsibilities are placed on principals and teachers.

We suggest reviewing the necessity of any specific position(s) not according to where in the school system they are situated.

### Collaborative Professional Learning

October 9 & 10 - The Vermont Superintendents Association and Vermont Association of School Business Officials will be conducting their second annual joint training on October 9 & 10 at the Killington Grand. Superintendents and business managers are encouraged to attend together to strengthen the business manager/superintendent partnership, collaborate on strategies to address cost mitigation, understand trends nationally and locally, and work on strengthening skills in communication with the public.

October 24 & 25 - The Vermont Superintendents Association and the Vermont School Boards Association will host the annual conference on October 24 & 25 at the Lake Morey Resort. A pre-conference workshop will be available on October 24 for school board officers and superintendents to learn more about anticipated fiscal trends and to collaborate on strategies to address cost mitigation. Workshops will be available on October 25 that focus on effective communication and equitable budgeting practices.