VERMONT
AGENCY OF EDUCATION

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Excess Spending Threshold Summary and Tax Rate Impact

32 V.S.A. § 5401 (12)

1. The excess spending threshold is reimplemented, effective July 1, 2025 (FY26).
2. The excess spending threshold is rebased to be:
    a. the FY25 average statewide per pupil spending (PPS) multiplied by
    b. 118 percent multiplied by
    c. the New England Economic Project inflation from FY25 to the current FY.

Excess Spending Threshold = PPS_{State} x 118% x $NEEP_{FY25\ to\ current\ FY}$

3. District per pupil spending is defined as:
    a. current year per pupil spending plus
    b. 150% of capital reserve funds more than 5-years old that were previously excluded from excess spending per 24 V.SA. § 2804 (b).

16 V.S.A. § 4001 (6)(B)

1. The statutory exemptions for excess spending were all repealed.
2. A single, new exemption was created for any voter-approved bonds that were approved prior to July 1, 2024.
    a. The principal and interest payments for any such bonds “shall not be included in ‘education spending’ for purposes of calculating excess spending …”.

Tax Rate Impact

1. For any district, the excess spending threshold is compared annually to:
    a. current year education spending plus
    b. any amount required from a capital reserve fund five (5) years or older, minus
    c. any eligible principal and interest exclusions.
2. If the district education spending plus exclusions exceeds the excess spending threshold, the amount over the threshold is added to education spending.
3. The adjusted education spending is divided by long term weighted average daily membership (LTW ADM) to determine the per pupil spending for tax purposes.
4. The exclusion, if applicable, does not decrease unadjusted education spending. The exclusion only adjusts the amount over the threshold to decrease the amount that is double taxed.