

What Happens When a School Budget Doesn't Pass?

Vermont Agency of Education

May 21, 2024

Education Fund Payments

- [16 V.S.A. § 4028](#)
- FY2025 base amount is \$13,063
- Each payment made to a district is 25% of the base amount multiplied by Long Term Weighted Average Daily Membership (LTWADM)

LTWADM	1000		
25% Base Education Amount	3265.75		
Without Voter Approved Budget	Sep 10	Dec 10	April 30
Payment from Ed Fund	3,265,750	3,265,750	3,265,750

Once a voter approved budget is passed, true up will occur

Categorical Aid

Eligible categorical aid will be paid as usual

- Categorical aid is state aid to school districts* for specific purposes
- Existing State categorical aid includes:
 - State placed students
 - Transportation
 - Technical Education
 - Merger Support Grants (used to be small schools)
 - Essential early education
 - Flexible pathways
 - Special education aid
 - English Language Learner aid

Note: * Technically, categorical aid is state aid to school districts, supervisory unions, or schools

Source: [Introduction to Categorical Aid - Joint Fiscal Office](#)

Categorical Aid

Categorical aid is paid at different intervals during the school year

Payment Dates for Categorical Aid:

- **State placed students:** Dec 15, Feb 15, May 15 and Sept 15
- **Transportation:** Sept 10, Dec 10, April 30
- **Merger Support:** Sept 10, Dec 10, April 30
- **Early essential education:** Aug 15, Dec 15
- **Flexible Pathways:** Various subprograms with different payment dates
- **Extraordinary Reimbursement:** Dec 15, Feb 15, May 15, Sept 15
- **Census Block Grant:** Aug 15, Dec 15, April 15
- **English language learner:** Nov 1

Categorical Aid

Payment Dates for Technical Education:

- **Technical Transportation:** Dec 1, June 10
- **Salary Assistance:** Dec 10
- **Tuition Reduction:** Dec 10, April 30
- **On-behalf Payments:** Sept 10, Dec 10, April 30

Tax Rates

- [32 V.S.A. § 5402.](#)
- For districts without a passed budget, tax bills of \$1.00 adjusted for CLA will go to member towns as an interim tax rate
- Tax rates are released June 30 each year
- Taxpayers will see an increase in tax bills when the revised bills are sent out once a budget is approved.

Temporary Budget

- [16 V.S.A. § 566](#)
- Districts may borrow sufficient funds so that they have 87% of the prior year budget after accounting for other ed fund cash receipts
- Intended to be a bridge to keep districts operating
- **Voting shall continue until a budget is passed**

Examples of Borrowing Capacity

	District A:	District B:
• FY24 Voter Approved Budget	20,000,000.00	28,056,400.00
• Operating 87% Prior Year Budget	17,400,000.00	24,409,068.00
• Education Base	13,063.00	13,063.00
• 25% Base Amount	3,265.75	3,265.75
• Weighted Pupils FY25	1,450.00	2,355.43
• Ed Fund Cash (1/3 each payment)	14,206,012.50	23,076,736.57
• Categorical Aid	1,000,000.00	3,394,060.00
• Total Ed Fund Cash	15,206,012.50	26,470,796.57
• Actual Ed Fund Cash Payment Without Budget	76.0%	94.3%
• Authority to Borrow	2,193,987.50	-----

This sample assumes a full year passed without a voter approved budget

*** A district may be able to borrow to cover operating expenses in the early part of the year. However, they may find themselves unable to borrow at the end of the year to pay expenses incurred, because their cash receipts exceed 87% of the prior year budget and no budget has passed.

Other Considerations

- [16 V.S.A. § 515](#)
- Borrowing has a cost that is paid by taxpayers
- **Districts keep voting until a budget is passed**

Citations

16 V.S.A. § 4028. Fund payments to school districts

(a) On or before September 10, December 10, and April 30 of each school year, one-third of the adjusted education payment under section 4011 of this title shall become due to school districts, except that districts that have not adopted a budget by 30 days before the date of payment under this subsection shall receive one-quarter of the base education amount and upon adoption of a budget shall receive additional amounts due under this subsection.

32 V.S.A. § 5402. Education Property Tax Liability

A statewide education tax is imposed on all nonhomestead and homestead property at the following rates:

(b)(3) If a district has not voted a budget by June 30, an interim homestead education tax shall be imposed at the base rate determined under subdivision (a)(2) of this section, divided by the municipality's most recent common level of appraisal, but without regard to any spending adjustment under subdivision 5401(13) of this title. Within 30 days after a budget is adopted and the deadline for reconsideration has passed, the Commissioner shall determine the municipality's homestead tax rate as required under subdivision (1) of this subsection.

16 V.S.A. § 566. Authority to borrow

Notwithstanding the provisions of subdivision 562(9) of this title, if a budget for the support of schools for the ensuing year has not been approved on or before June 30 of any year, the school board may borrow funds necessary to enable it to operate the schools on a budget of up to 87 percent of the most recently approved school budget. If the school board borrows money under this section, it shall determine how all funds shall be expended

16 V.S.A. § 515. Payment of a Deficit

When a demand is made upon a district for the payment of an execution issued against it and the district has no available funds to pay the same, the prudential committee shall borrow funds sufficient to pay such execution and related charges and shall add the debt to the following year's adopted budget pursuant to 24 V.S.A. § 1523(b).