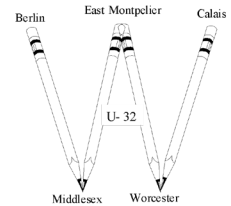


Washington Central Unified Union School District

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1130 Gallison Hill Road
Montpelier, VT 05602
Phone (802) 229-0553
Fax (802) 229-2761



WCUUSD Finance Committee Meeting Agenda 12.12.23 8:30-9:30 AM Central Office, 1130 Gallison Hill Rd. Montpelier Via Video Conference

Virtual Meeting Information

<https://tinyurl.com/449rut5b>

Meeting ID: 867 7331 3223

Password: 017920

Dial by Your Location: 1-929-205-6099

1. Call to Order
2. Approve Minutes of 11.14.23, 11.15.23 – pg. 3
3. Informational Reports
 - 3.1. Monthly Reflections - pg. 8
4. Discussion/Action
 - 4.1. Award Doty Generator Bid - pg. 10
 - 4.2. FY 24 Fund Balance Projections - Capital Fund – pg. 11
 - 4.3. Review FY 25 Preliminary Tax Rate Projections – pg. 13
 - 4.4. Review Budget Parameters Language
 - 4.5. Budget Communication Planning
5. Future Agenda Items
 - 5.1. Next Configuration Meeting: December 20, 2023
 - 5.2. Next Regular Meeting: January 9, 2023
 - 5.3. Review and Accept the Final FY 2022-23 Audit Report
 - 5.4. Review and Discuss FY 2024-25 Budget
6. Adjourn

WCUUSD Board Norms - Adopted November 18, 2020

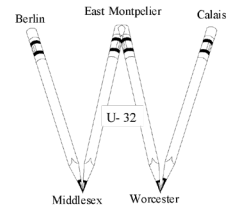
- **Public input** – Notify the community about public forums and opportunities for public comment at board meetings.
- **Community involvement during regular meetings of the board** – Every meeting will include at least one opportunity for public comment. Public comment is an opportunity for board members to listen and ask clarifying questions. If a board member feels a concern raised in public comment warrants further board discussion, they may request that the issue be added to a future agenda.
- **Community dialogue** – The board may periodically schedule community forums that allow for dialogue, questions and answers from the board or the district leadership team.
- **Stay on time** – Start and end on time. The chair may appoint a time-keeper.
- **All voices will be heard** – Every board member gets a chance to speak. Some topics warrant having each board member speak in turn to ensure full representation.
- **Reflection** – To allow time for reflection, the chair and agenda steering committee will plan time for complex or contentious issues to be discussed at more than one meeting before the board votes, except where a decision is urgent.
- **Announcements in reports** – Announcements from the administration will appear in the reports and not as discussion items.
- **Role of the board** – At the end of each board meeting reflect on whether the board remained focused on its policy-making and oversight role during the meeting, rather than operational details that are the responsibility of leadership team.
- **Respect each other** – Listen, allow others to be heard, share concerns, assume positive intentions, be present, celebrate successes.

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Meagan Roy
Interim Superintendent



WCUUSD Finance Committee Meeting Minutes 11.14.23 8:30-9:30 AM Virtual

Present: Flor Diaz Smith, Meagan Roy, Susanne Gann, Kari Bradley, Zach Sullivan, Ursula Stanley, Daniel Keeney

1. **Call to Order:** Flor Diaz Smith called the meeting to order at 8:31 a.m. Meagan asked to add agenda item 3.5 in regards to PCB's.

2. **Approve Minutes of 10.18.23:** Kari Bradley motioned to approve the minutes from 10.18.23. Ursula seconded and the motion passed.

3. Discussion/Action

3.1. Review and Approve Pre-Qualification Criteria for 2024 Capital Improvement Projects:

A memo was provided referencing Vermont bid law prequalification criteria that contractors must meet to be included on a selected list of pre-qualified bidders for the 2024 Combined Capital Projects. **Ursula motioned that the Board establish the recommended prequalification criteria that contractors must meet to be included on a selected list of pre-qualified bidders for the 2024 Combined Capital Projects. Zach seconded.** There was some discussion. **The motion passed.**

3.2. Review and Approve Scope and Budget for Berlin Fire Alarm Panel: The school board authorized the development of the scope and budget for capital projects at the June 21, 2023 meeting. This included the replacement of the Berlin fire alarm panel. The estimate for the project, developed in 2019 was \$100,000. Engineering Services of Vermont was engaged to provide the preliminary scope and an updated budget. The updated estimate including soft costs and contingency is \$113,894. The additional \$13,894 is within the current amount reserved in the Capital Improvement Fund Balance through FY 24-25. **Ursula motioned to recommend that the Board authorize an additional allocation of \$13,894 from the capital reserve funds for the replacement of the Berlin Fire Alarm panel to be completed in FY 2024-2025 and approve the District moving forward with bid document development and bidding as necessary. Daniel seconded. The motion passed.**

3.3. Review and Discuss FY 2024-25 Budget Draft # 1: A memo was provided regarding the FY 25 General Fund Budget Draft # 1. The Board participated in a budget training on October 18th to review the budget process, and Vermont education finance and to provide an early estimate of the local education spending for FY 24-25 which was expected to increase 12.89% to \$35,782,907. The Board held a Community Input Session on Nov. 1st and the memo highlighted the focus of the presentation and discussion.

The board parameters were included in the memo and the proposed FY 24-25 budget Draft # 1 recommendations from the Leadership Team with direction from the Board and input received from Community and Staff as well as the next steps in the process. There was discussion and questions.

3.4. Discuss Budget Parameter # 5: Meagan spoke about the process of how they approached decision-making for a financial parameter. The parameter they focused on was what would keep us below 10%, maintaining programming for students and staying within education quality standards. ESSER funding is going away. Some recommendations were based on class size. Meagan spoke about the configuration study that is currently underway. Susanne gave a highlight of the budget draft. Daniel asked what the cuts represent in savings. Susanne advised approximately \$850,000. There was some discussion about Act 173, Ed Quality Standards, and configuration. Kari suggested removing the parameter around the inflation rate. Finance agreed to bring this suggestion forward to the Board.

3.5. PCB's: Meagan gave an update on PCB testing and advised that more information would be forthcoming.

4. Future Agenda Items

4.1. Next Regular Meeting: December 12, 2023

4.2. Next Regular Meeting: December 15, 2023-Configuration Study

4.3. Review and Accept the Final FY 2022-23 Audit Report

4.4. Review and Discuss FY 2024-25 Budget

4.5. Prepare for Community Presentation, December 17, 2023

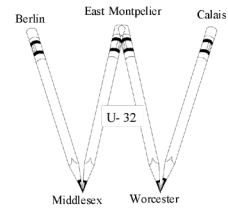
5. Adjourn: the meeting was adjourned by consensus at 9:30 a.m.

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Meagan Roy
Interim Superintendent



**WCUUSD Finance Committee
Meeting Minutes
11.15.23 4:30-6:00 PM
In-Person
U-32
930 Gallison Hill Rd
Montpelier, VT**

Present: Flor Diaz Smith, Ursula Stanley, Kari Bradley, Superintendent Roy, Susanne Gann, Zach Sullivan, Jeannie Phillips, Daniel Keeney, Mckalyn Leclerc, Mark Kline, Steven Dellinger-Pate, Alicia Lyford

1. **Call to Order:** Flor Diaz Smith called the meeting to order at 4:35 p.m. Flor Diaz Smith spoke about perseverance in the context of budget discussion as well as configuration discussions.
2. **Discussion/Action**
 - 2.1. **Configuration Study- Brainstorming Discussion:** Jeannie Phillips reviewed the outcomes for today's meeting. Superintendent Roy had shared a memo for pre-reading to support this brainstorming, based on previous committee discussions. Jeannie Phillips opened with a connecting activity: What is one thing you pulled from the memo that feels especially relevant to today's conversation?

Zach - much of this is about non-financial aspects and non-financial politics.

Mckalyn - helpful to reframe the discussion through the outline of the memo - agrees with the idea of the topics being less about financial aspects.

Ursula- the theme of making decisions based on quality programming and student data.

Flor - the theme of opportunities for students - it is clear that people want to see opportunities for students.

Kari - this is the first time that people are suggesting to him that we should consider consolidation, not just for financial aspects but for quality of education. This might be the right time to do it.

Diane N-F - because of the rural aspect and the locations of our schools, the idea of reconfiguration does not necessarily translate to financial aspects. Diane asked - how many comments contributed to each of the bulleted items on the memo. Superintendent Roy explained how these themes were created based on previous gatherings and discussions, and surveys. Diane N-F - would be interesting to know the number attributed to the comments.

Jeannie Phillips - the feedback and quotes that were relevant to this work around configuration, that came from the community engagement opportunities around strategic planning and budget considerations regarding the current configuration - but these did not result from directly asking people to provide thoughts around the idea of configuration. Jeannie Phillips summarized committee members' reactions:

- this isn't just about money; it's about rich opportunities for students' reconfiguration that might not lead to financial savings
- reconfiguration might be around student opportunities
- tension between configuration and all schools staying open
- we have been talking about this for quite some time; the time is right to do this (in fact people are coming to the board and suggesting reconfiguration for the first time)
- the real goal is to be sure to offer quality educational opportunities to students

Affinity Mapping activity: Jeannie Phillips facilitated an activity that resulted in lists and other permanent documents to include in the meeting minutes/ records

Question: Given our focus on robust student programming, sustainability, and keeping the broader community in mind, how might we creatively imagine configurations for the future?

After the activity, committee members reacted to the ideas that came from the activity:

- building capacity
- what is the evidence re: EQS?
- what are the impacts on students?
- financial analysis
- list of cost/ benefit also implications on programming
- capacity/ costs/ community needs/ sustainability
- transportation/ child care/ child pick up - how does this affect sustainability? (re siblings at two different schools)
- before/ aftercare
- after school activities

Kari: is there any research about this kind of activity? people are going to want to know, if this has been tried, what happened? The committee debriefed the process:

- starting piece to whole and it is a different approach
- appreciated the silent think time
- surprised at how many new things emerged
- feels safe to do it in this manner, just putting ideas out there
- felt safe and scared at the same time
- feels rushed; the process feels rushed
- in a way we are voting on "apples and oranges"
- would there be value in doing this with the full board?

2.2. Discussion of Timeline:

Meagan Roy - December 6th was a placeholder to present something - would it make sense to do this activity with the full board on December 6th instead?

Alicia Lyford - doing this on December 6th would slow down things (in a good way) - give us time to think about what transpired tonight.

Meagan Roy - would allow more time to collect all the data that we have discussed.

Zach Sullivan - want to make sure that we stay on the timeline, and don't delay the decision-making; it's almost like we have a one-time pot of money to help bridge this big change.

Meagan Roy - Jan - May focuses on community input. Don't think we are too far off the timeline if we bring the board into the conversation in December.

Steven - sounds like the committee wants the whole board to go through the affinity piece of it so they can see what we all just saw.

Ursula - scary, we have a lot of community members who have fears about the unknown - but being able to see us go through this will help make it more transparent.

Diane N-F - if we come up with additional ideas for data in the meantime is it ok to reach out? Jeannie – yes

Meagan Roy - idea that (December 6) the board does this activity and the community watches. Will we have a mechanism - survey as they leave - so they have a part in it? Idea: world café

Alicia Lyford - unless it is really well communicated, people will feel like they did not have an opportunity to contribute. At our Dec 20 meeting, we can debrief and be able to come back to the full board to share something - does not feel like we are pushing back our timeline.

Diane N-F - provide info to the community about what this activity will look like.

Zach - will be important to share what they will see/ what they might miss if they participate online

Meagan - could be an in-person meeting without a virtual option.

Jeannie - sometimes in large groups, we have more than one smaller group of people doing the affinity mapping

An overview of the activity from tonight to share out:

- The committee brainstormed ideas related to possible configuration
- would like the board to go through the affinity mapping activity
- considered what information would be helpful

3. Future Agenda Items

3.1. Next Regular Meeting: December 20, 2023

3.2. Configuration Study Meeting: December 20, 2023

4. Adjourn: The committee adjourned at 5:54

Respectfully submitted,

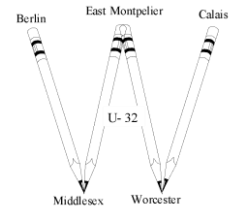
Lisa Grace, Committee Recording Secretary

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Meagan Roy Ed.D.
Superintendent



TO: WCUUSD Finance Committee & School Board
FROM: Susanne D. Gann, WCUUSD Business Administrator
RE: Monthly Reflections
DATE: December 8, 2023

November and the beginning of December included a significant amount of work attributed to wrapping up negotiations with the Educational Support Personnel (ESP) and implementing changes to Teacher salaries resulting from the ratified collective bargaining agreement with Teachers.

Teacher contracts have been updated in the HR software, printed, distributed and rolled into payroll. Teachers saw those changes in their paychecks on November 24th and payments to apply the increases retroactively to July 1st were made on December 1st. Each teacher received an individual breakdown of their retro payment to help them understand how it was calculated. We would like to celebrate the completion of this body of work and congratulate everyone that played a role in it. Thank you to Carla for the review and updates to contracts in the HR software and issuing those contracts for distribution to employees. Thanks to Renee and Melissa for their support with the distribution to employees and a so much gratitude to Holly for the review and updates in payroll and issuing the retro paychecks.

The updates to ESP contracts are proceeding, first with a review of each individual's category placement to ensure accuracy. Once placements are audited thoroughly, the changes will be made in HR, contracts printed, distributed and changes rolled into the payroll software. We estimate the process will be completed by January 12, 2023.

Open Enrollment information was distributed to all eligible employees on October 30, 2023. Employees were asked to return the required information to Melissa Tuller by Monday, November 13, 2023. Early notification should help ensure that all employees are able to use their selected benefits beginning January 1, 2024.

Thank you to Melissa and Holly Poulin for all of their work getting this information to employees. Plan changes or changes to flexible spending and dependent care account

Monthly Reflections

contributions will go into effect on the January 5th payroll. Anyone with questions regarding the enrollment information can reach out to Holly at hpoulin@u32.org.

Holly Poulin and Carla Messier attended a training for payroll and HR on December 6th hosted by our software vendor. This training was highly valuable, especially with the coverage provided on the changes to 1099s and W-2s which go into effect this year.

The first draft of the FY 2022-2023 Annual Audit Report was received from the School District accountants, RHR Smith & Company. The AOE has sent a change in Special Ed revenues which needed to be recorded to the prior year, which will require a change to the audit report, and another draft. After we review the draft and any other necessary changes are made, the auditors will provide us with a final draft. We anticipate having the final draft for the January 24, 2024 Board meeting.

An amendment to the ARP ESSER grant was approved by the AOE November 16, 2023. This amendment reallocated savings realized from the final FY 2022-23 salaries and benefits to increases in expenditures for:

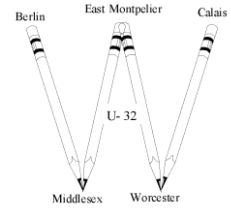
- instructional staff training for PD to address learning loss.
- classroom supplies for addressing learning loss.
- the allocation toward the cost of the replacement of 7 energy recovery units at U-32 middle and high school.

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Meagan Roy Ed.D.
Superintendent



TO: WCUUSD Finance Committee & School Board
FROM: Susanne D. Gann, Business Administrator
Chris O'Brien, Director of Facilities
RE: Award Doty Generator Project Bid
DATE: December 8, 2023

Summary: The invitation to bid for the Doty generator project was sent to seven contractors and advertised for two weeks in the Times Argus and ConstructConnect. The District received two bids on November 30, 2023 both within the Board approved budget for the project. This means the District will request a bid waiver from the AOE after Board approval.

| Bidders | Local Electric, LLC | Selectric |
|--|---------------------|-----------|
| Base bid | \$74,000 | \$ 76,300 |
| Substantial completion date provided by bidder | 8/15/2024 | 8/15/2024 |
| Total Cost Plus 10% Contingency: | \$81,400 | \$83,930 |

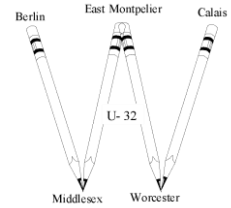
Recommended Board Action: The Board approve awarding the Doty Generator Project contract to Local Electric, LLC in an amount not to exceed \$81,400.

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Meagan Roy Ed.D.
Superintendent



TO: WCUUSD Finance Committee & School Board
FROM: Susanne D. Gann, Business Administrator
Chris O'Brien, Director of Facilities
RE: FY 24 Fund Balance Projections – Capital Fund
DATE: December 8, 2023

Summary: The beginning balance for the Capital Improvement Fund this fiscal year was \$4,180,517. After the budgeted transfer from the general fund budget, projected interest income and possible grant funding revenue, the fund balance is estimated at \$5,927,661. Fiscal year to date expenditures for open FY 23 and FY 24 projects have been \$2,926,423. Current projections for future expenditures necessary to close those projects total \$1,057,288. The projected ending Capital Improvement Fund Balance for FY 24 is now \$1,943,950 including a \$629,481 reserve for East Montpelier Elementary School. The projected Capital Improvement Fund Balance Available for Future Projects at the end of this fiscal year is \$1,314,469.

This is an improvement of \$890,576 in the projected fund balance from May 2023, which was \$1,053,374 (including EMES reserves). The change in the projected fund balance is driven by a combination in increases in offsetting revenues and project expenditures under budget. The EMES Boiler project, U-32 Boiler project, Calais Boiler project, U-32 paving project, U-32 boiler project and U-32 HVAC projects are projected to complete under budget. We also received an unanticipated Efficiency Vermont grant of \$25,000 for boiler upgrades.

Washington Central Unified Union School District
Five-year Capital Improvement Budget Projection - Updated 12-7-23
FY 2023 - 2024 through FY 2028 - 2029

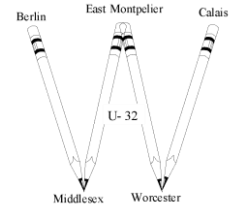
| Capital Fund Balance | Updated Budget FY 2023-2024 | Budget FY 2024-2025 | Budget FY 2025-2026 | Budget FY 2026-2027 | Budget FY 2027-2028 |
|---|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Beginning Capital Fund Balance | \$ 4,180,517 | \$ 1,943,950 | \$ 1,735,803 | \$ 1,602,889 | \$ 1,763,519 |
| Plus General Fund Transfers to the Capital Reserve Fund | \$ 901,234 | \$ 1,022,017 | \$ 1,225,000 | \$ 1,225,000 | \$ 1,225,000 |
| Plus Interest Income | \$ 25,409 | \$ 14,830 | \$ 14,804 | \$ 14,139 | \$ 14,943 |
| Plus Possible Grant Funding | \$ 820,501 | \$ - | \$ - | \$ - | \$ - |
| Subtotal Fund Balance & Revenues | \$ 5,927,661 | \$ 2,980,797 | \$ 2,975,607 | \$ 2,842,029 | \$ 3,003,461 |
| Less Actual Expenditures to Date | \$ 2,926,423 | \$ - | \$ - | \$ - | \$ - |
| Subtotal Fund Balance | \$ 3,001,238 | \$ 2,980,797 | \$ 2,975,607 | \$ 2,842,029 | \$ 3,003,461 |
| Less Current Outstanding | \$ 1,057,288 | \$ 1,244,994 | \$ 1,301,000 | \$ 1,019,500 | \$ 655,700 |
| Less 5% Inflationary Factor on Future Projects | \$ - | \$ - | \$ 71,718 | \$ 59,010 | \$ 39,850 |
| Projected Ending Capital Fund Balance | \$ 1,943,950 | \$ 1,735,803 | \$ 1,602,889 | \$ 1,763,519 | \$ 2,307,911 |
| Less East Montpelier Capital Reserve Funds | \$ 629,481 | \$ 609,481 | \$ 509,481 | \$ 509,481 | \$ 509,481 |
| Projected Capital Fund Balance Available for Future Projects | \$ 1,314,469 | \$ 1,126,322 | \$ 1,093,408 | \$ 1,254,038 | \$ 1,798,430 |

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Meagan Roy Ed.D.
Superintendent



TO: WCUUSD Finance Committee & School Board
FROM: Meagan Roy, Superintendent
Susanne Gann, WCUUSD Business Administrator
RE: Review FY 25 Preliminary Tax Rate Projections
DATE: December 8, 2023

Review: The Board participated in a budget training October 18th, followed it up with a Community Input Session on November 1st, and received the first draft of the FY 2024-25 General Fund Budget on November 15th. The Board asked administration to provide additional information to illustrate service delivery in each school next year, inclusive of the proposed personnel changes.

Update: The Leadership Team is preparing the requested information to present to the Board at the meeting on December 20th along with any necessary changes to revenues and expenditures resulting from firmer revenue and expenditure information. The Tax Commissioner's letter was received, which included the estimated Property Yield for FY 2024-25 tax rate projections. The AOE has also provided the updated Long-term Weighted Average Daily Membership for the District.

Tax Rate Projections: The December 1 letter from the Tax Commissioner provided a preliminary estimate for the property yield at \$9,452, based upon a 12.8% average expected growth in per pupil spending across the state.

- Initial long-term weighted average daily membership (LTW ADM) estimate provided by the AOE is an increase of 9.13% from 2,184.51 to 2,383.89. To put this into perspective using equalized pupils, last year we experienced a decrease of 3.01% from 1,423.57 to 1,380.71.
- The state Excess Spending Per Equalized Pupil is suspended through FY 2029. The FY 2024-25 Spending per LTW ADM will be compared to the FY 2023-24 Spending per LTW ADM. If the District increases the Spending/Pupil by more than 10%, the tax rate will be subject to review by a committee.

- The local spending per equalized pupil is a 3.5% increase over FY 2023-24 from \$14,510 to \$15,020. This would not make us subject to a tax rate review.
- The equalized tax rate, using \$9,452 as the property yield, is an increase of \$.0982 or 6.59% from \$1.4908 in FY 2023-24 to \$1.589 in FY 2024-25.
- The estimated increases per \$100,000 house value range from \$115 per year to \$123 per year.

FY 2024-25 Budget Draft #1 Tax Rate Projection – Equalized Tax Rate = \$1.589

| Towns | Common Level of Appraisal | Post Legislative Session Tax Rates FY 23-24 | Estimated Tax Rates FY 24-25 | Increase (Decrease) | Increase per \$100,000 House Value |
|------------------------|----------------------------------|--|-------------------------------------|----------------------------|---|
| Berlin | 85.96% | \$1.734 | \$1.849 | \$.115 | \$115 |
| Calais | 79.99% | \$1.864 | \$1.987 | \$.123 | \$123 |
| East Montpelier | 82.97% | \$1.797 | \$1.915 | \$.118 | \$118 |
| Middlesex | 81.78% | \$1.823 | \$1.943 | \$.120 | \$120 |
| Worcester | 85.46% | \$1.744 | \$1.859 | \$.115 | \$115 |

- Common Level of Appraisal for each town is not available until December 31st. The CLA used to calculate the estimated tax rates are from the current year and will change in January.
- The final property yield is set by the legislature based on reports state-wide as we progress in the budget development process, and may change post-legislative session.



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

Agency of Administration

November 30, 2023

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:

The Commissioner of the Vermont Department of Taxes, after consultation with the Agency of Education, the Secretary of Administration, and the Joint Fiscal Office, is required by 32 V.S.A. § 5402b to calculate and forecast a property dollar equivalent yield, an income dollar equivalent yield, and a non-homestead tax rate by December 1. This forecast is calculated as prescribed in statute and with the information that is available to date. Because of this, there are always variables or uncertainties that might result in a different outcome than what is forecasted. The Department of Taxes, Department of Finance and Management, Agency of Education, and the Joint Fiscal Office prepared consensus forecasts on various components of the Education Fund Operating Statement for Fiscal Year 2025 (FY25) so that the required analysis could be performed. I extend my thanks to the collaborative multi-agency team who gathered and analyzed the data to be able to publish this forecast.

5402b(a)(2) Mandated Forecast

In the 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 FY25 column in the following table satisfy the mandated parameters of the recommendation. As required by statute, the FY25 column assumes the nearly \$24 million in forecasted unreserved/unallocated funds from FY24 as well as \$13 million that was reserved in Sec. 2 of Act 52 of 2023 are applied towards offsetting FY25 property tax rate increases. Taxpayers would still see an average increase of 18.5% in their education tax liabilities if these yields and non-homestead rate were adopted.



| | FY24 (for comparison) | FY25 |
|---------------------------|----------------------------------|-----------------|
| Homestead Property Yield | \$15,443 | \$9,452 |
| Income Yield ¹ | \$17,537 | \$10,300 |
| Non-homestead Property | \$1.391 | \$1.442 |

Please note the significant decrease in the homestead property and income yields from FY24 to FY25. A large part of that decrease is driven by the new pupil weighting formula. That formula not only changes the weights, but it also stops using equalized pupils as the pupil count for the tax rate calculation and uses long-term weighted average daily membership (“LTWADM”) instead. Because LTWADM is a much larger number than equalized pupils, district per pupil spending amounts will be much lower than last year. For that reason, the yield needs to be lowered to raise enough revenue for the Education fund.

Average Homestead Rates

If the forecasted yields and rate in the table above were adopted, the average 2024-2025 (FY25) education tax rate for resident households would be as indicated in the table below. Equalized property rates are before the adjustment factor for the town level of appraisal.

| | FY24 (for comparison) | FY25 |
|---|----------------------------------|---------------|
| Average Homestead Rate (equalized) ² | \$1.31 | \$1.36 |
| Average Income Rate | 2.33% | 2.67% |

Average Actual Property Tax Rates

The average actual 2024-2025 (FY25) education property tax rates would be as indicated in the table below. Actual property rates are what taxpayers see on their bills and reflect both the locally voted school budget (for the homestead rate) and the adjustment factor for the town level of appraisal.

| | FY24 (for comparison) | FY25 |
|-------------------------------------|----------------------------------|---------------|
| Average Homestead Rate ² | \$1.54 | \$1.80 |
| Average Non-homestead Rate | \$1.60 | \$1.86 |

¹ Income yield and rates are calculated without regard to the 5% rate cap limitation in Act 127

² Homestead rates do reflect the 5% district level cap limitation in Act 127

Education Spending Growth

On a per-pupil basis, the expected growth in spending is forecast to be 12.8%, on average.

| | FY24 (for comparison) | FY25 | Rate of Growth |
|---|----------------------------------|-------------|-----------------------|
| Total Education Spending (\$Millions) | \$1,709.7 | \$1,915.0 | 12.01% |
| Long Term Average Daily Membership ³ | 84,009 | 83,433 | -0.68% |
| Average Per Pupil Spending | \$20,351 | \$22,953 | 12.8% |

Key Considerations from the Administration's Point of View

For Vermonters and policymakers concerned about property taxes, housing affordability, or overall tax burden, this letter should sound a major alarm.

Even applying a projected \$37 million surplus (including \$13 million set aside from last year's surplus) to help offset rates this year in the Education Fund, **this forecast indicates average property tax bills will increase by approximately 18.5 percent for FY25.** Without the surplus, average property tax bills would be projected to increase by about 20 percent.

It is driven predominately by an estimated 12% increase in school spending. Information gathered by the Agency of Education in its survey of school districts indicates this estimated increase in school spending can primarily be attributed to:

1. The ending of one-time Federal ESSER funds – Many districts used those one-time funds to add new services and personnel to recover from the pandemic. A large portion of those districts believe these services continue to be necessary. That requires replacing those one-time federal dollars with state education funds.
2. A 16%+ increase in health care benefits – The vast majority of school employees receive health benefits. An increase of that magnitude in the cost of those benefits is approximately 3% in overall education spending for a district alone.
3. Overall inflation increasing the price of operating, living, and working in Vermont – fuel, electricity, buses, equipment, supplies, etc.
4. Debt service to new capital projects or renovations – Vermont's aging fleet of schools is becoming more expensive to maintain and repair as they continue to age.

³ Long Term Average Daily membership is an unweighted count of students. This figure is comparable to "equalized pupils," which was used to calculate per pupil spending and tax rates prior to Act 127 of 2022. Starting in FY25, long term weighted average daily membership will be used for calculating per pupil spending and tax rates.

For comparison, between FY19-22, the highest single year rate of growth in actual education spending was 4%. In FY23, we saw an increase in education spending of 5.35%. Last year in the December 1 letter, school spending was projected to increase by 8.5%, and increased by 8.44%.

| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|
| Ed. Spending (\$Millions) | 1,371.4 | 1,426.2 | 1,482.0 | 1,496.6 | 1,576.7 | 1,709.7 | 1,915.0 |
| Rate of Growth | 1.70% | 4.00% | 3.91% | 0.98% | 5.35% | 8.44% | 12.01% |

Last year's prediction of an 8.5% increase rightfully generated affordability concerns among policymakers. Offsetting such increases in school spending over the last two fiscal years, however, were unprecedented \$78 million and \$137 million surpluses in the Education Fund, respectively. In last year's December 1 letter, I wrote that such enormous surpluses were extraordinary and therefore could not be taken for granted as a long-term solution to affordability challenges. This year, over the first four months of the fiscal year, the non-property tax Education Fund revenues are tracking close to forecast, and we do not have reason to anticipate a large revenue upgrade at the January Emergency Board meeting. The current trend of increasingly large spending growth while revenues cool is not sustainable.

This year is also the first year of using the new pupil weights from Act 127 of 2022.⁴ When Act 127 became law, one of the concerns the Governor and Administration flagged was that the bill would increase overall costs in the Education Fund at a time when other substantial cost pressures were already being placed on it. Certain districts would gain tax capacity (the tax rate for a given level of per pupil spending) because of the pupil reweighting, and they were expected to use it. Meanwhile, those districts that lost tax capacity were not expected to be able to reduce spending enough to offset the new spending in the "winner" districts. Not surprisingly, based on current estimates from the Agency of Education, this dynamic appears to be playing out. In addition, consensus modeling suggests that the majority of school districts are projected to trigger the five percent equalized rate cap put in place to phase-in Act 127's reweighting impacts, which may have further education spending ramifications going forward.

If the forecasts in this letter come to pass, the property taxes on a \$250,000 home would increase by about \$650 next year. The increase in the non-homestead rate will likely put upward pressure on rents as well. Keep in mind that most taxpayers who get an income-based credit pay an income rate that moves proportionally with property tax rates, and all credits applied to FY25 tax bills are based on prior year income and taxes paid. Because of this lag in property tax credits, all Vermont property taxpayers would experience the increases forecast in this letter in FY25 should it come to pass – regardless of income.

The Governor has long been concerned about Vermont's demographics. Among the most significant impediments to reversing our demographic trends is access to quality, affordable homes for working families. While this is an issue that the Administration and Legislature have discussed before, the Administration recently highlighted for the Joint Fiscal Committee [the](#)

⁴ More information about pupil weights and the impacts of Act 127 are available in [this issue brief](#) from the Joint Fiscal Office

[scope of the housing unit gap Vermont is experiencing](#), and Secretary Kurrle and Secretary Samuelson have outlined the [Administration's perspective](#) on how to move forward.

Coupling a historically unaffordable housing market with an 18.5% average property tax increase will only worsen the housing affordability problem for Vermonters. At a time when residents are paying more for everything, the Governor has tasked the Administration with working with the Legislature to address our housing affordability problems and to find ways to restore sustainable growth and transparency in the Education Fund.

Sincerely,



Craig Bolio
Commissioner, Department of Taxes

cc: Kristin Clouser, Secretary, Agency of Administration
Heather Bouchey, Secretary, Agency of Education
Adam Greshin, Commissioner, Department of Finance and Management
Rep. Emilie Kornheiser
Sen. Ann Cummings
Rep. Peter Conlon
Sen. Brian Campion
Catherine Benham, Joint Fiscal Office
Jennifer Carbee, Office of Legislative Counsel