

# FAQs

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- Does Vermont spend a lot more than most other states on public education?
- Is education spending out of control?
- Is local control driving education spending higher?

## Questions about the governor's Education Transformation Proposal

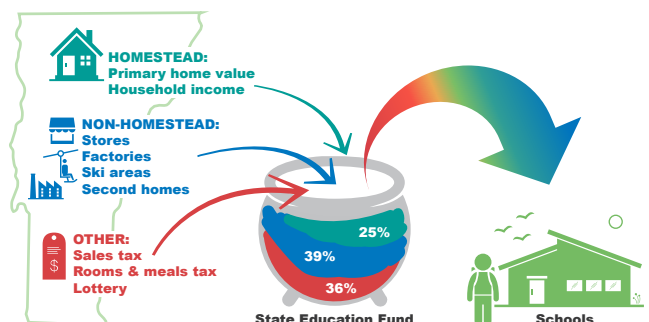
- Will a foundation system make education funding in Vermont more equitable?
- Is it better to have the state or communities decide on how much to spend on schools?
- Would a foundation system like the governor's plan mean we spend more or less on schools?
- How would moving to fewer districts affect Vermonters' ability to have a say in their local schools?
- Would the governor's plan increase the use of vouchers/school choice?
- How will we vote on school budgets under the governor's plan?
- Does school consolidation save money?

## **Education Funding 101: How the system works now**

### **How does school funding work in Vermont now?**

In Vermont, unlike most states, school funding is not dependent on the wealth of the town. Instead, Vermont has one shared statewide pot that all districts draw on to fund their schools. This is important for two reasons: first, it means that we've been able to narrow the disparities in education spending across communities. Second, it means that your tax rate is determined by your per-pupil spending, not your town's property wealth. Finally, for many Vermont homeowners, school taxes are based on income, which better reflects their ability to pay and continues a policy that Vermont adopted more than 50 years ago. (more on that below). [PAI 101 resources](#)

**All school taxes go into a single pot—the state Education Fund** Resources available to a school are not based on the dollars generated by the community



Data source: Joint Fiscal Office, FY25  
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## What is income sensitivity and how does it work?

While it's calculated as a property tax credit, income sensitivity essentially allows low- and middle-income Vermonters to pay their school taxes based on income, which is a better measure of their ability to pay. Up to \$47,000 in household income, school taxes are capped at 2% of income. Between \$47,000 and \$90,000, homeowners pay a local income rate, which is based on their town's spending per pupil. But at \$90,000 or above, taxpayers must also pay a property tax on any portion of their home value above \$225,000. The problem is that none of these thresholds have been raised in decades (that \$47,000 hasn't changed in at least 40 years), meaning that fewer Vermonters qualify and those that do get less help.

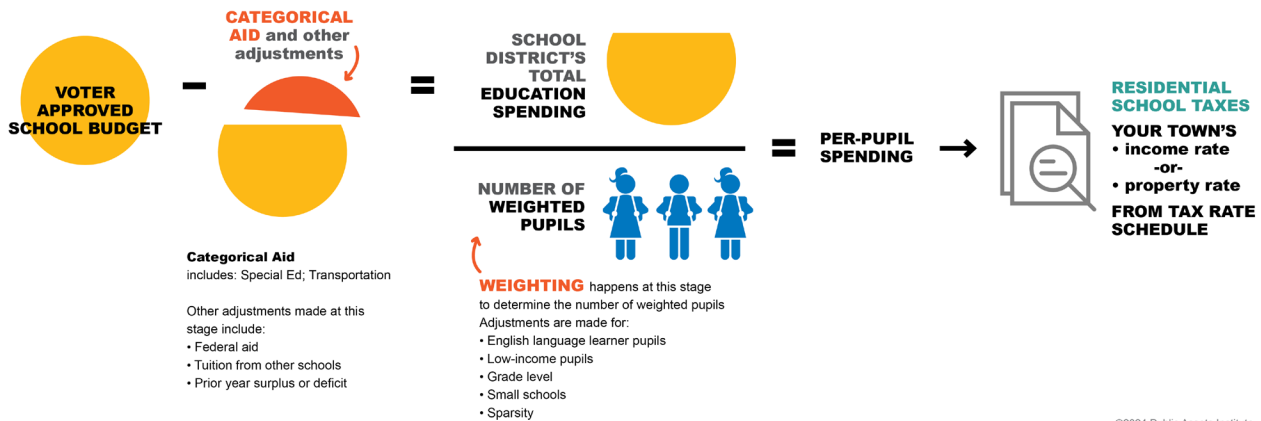
## How school taxes are calculated on housesites now

Household income	School taxes on:	
\$0 - \$47,000	Capped at .5 to 2% of income	+ Property value over \$400,000
\$47,001-\$89,999	HH income (FY25 rates 2.0%-3.3%*)	+ Property value over \$400,000
\$90,000+	<b>The lower of:</b> HH income + property value over \$225,000      OR      Entire property value	

\*Note: The income and homestead property tax rates vary by town based on per-pupil spending.  
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## How is per-pupil spending calculated?

## From budget to tax bill: How Vermont's school taxes are calculated

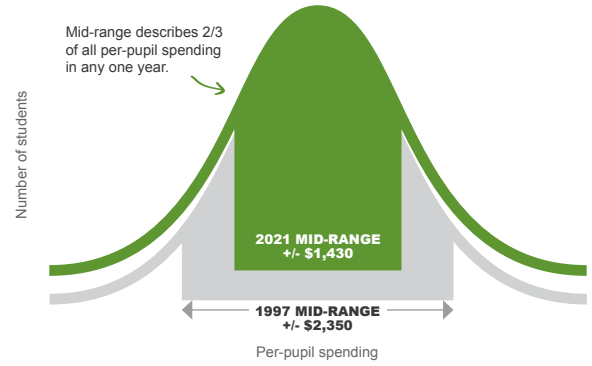


## How is it different from the foundation system we had before?

Before the *Brigham* case declared the state's [foundation system](#) unconstitutional, there were stark disparities between rich and poor towns because rich towns could raise and spend as much as they wanted above the foundation amount. The foundation amount essentially acted as a ceiling for poor towns and a floor for rich towns. In fact, the system we have now succeeded in narrowing the disparity among towns, and making things fairer for taxpayers by ensuring they get the same per-pupil spending for the same tax rate.

## Our current funding system narrowed the spending disparities Vermont had before 1997

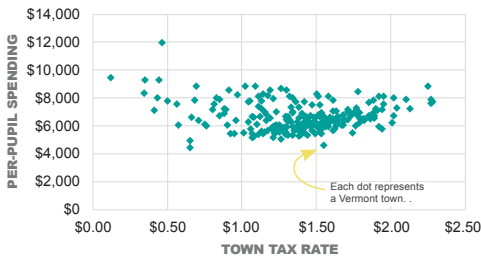
Mid-range per-pupil spending, FY2021 and FY1997



Data source: Vermont Agency of Education  
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### BEFORE 1997

**From town to town, tax rates had no relationship to spending** Per-pupil spending and equalized school tax rates by town, with trend line, FY1997



Data source: Vermont Agency of Education  
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### AFTER 1997

**Tax rates are now proportional to spending** Per-pupil spending and homestead property tax rates by town, FY2023



Data source: Vermont Agency of Education  
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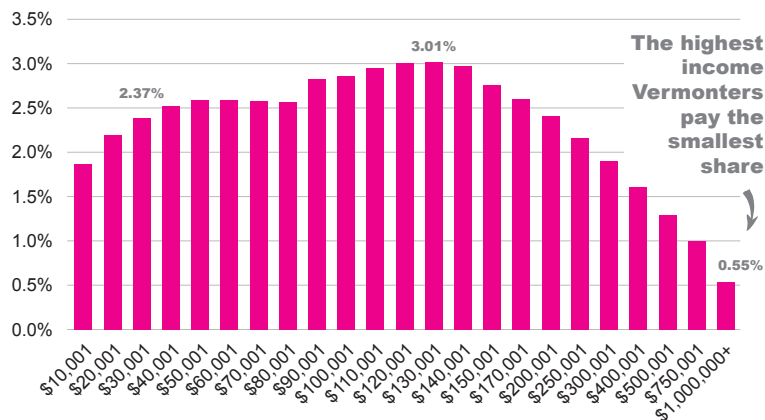
## How to fix the unfairness in who pays school taxes now

### What's unfair about who pays now?

Two things: low- and middle-income Vermonters pay a bigger share of their income in school taxes than higher-income Vermonters and they face tax cliffs that can cause big jumps in their bills even if their district's spending hasn't changed.

### An unfair system: Low- and middle-income Vermonters pay more of their income in school taxes than the richest Vermonters

Education tax as a percentage of household income, 2017



Data source: Vermont Joint Fiscal Office  
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### \$1 more in income nearly doubles tax bill on a \$350,000 house

Education tax bill on a median priced Vermont home, by income, FY25



INCOME	SCHOOL TAXES	% OF INCOME
\$89,999	\$2,304	2.56%
\$90,000 \$89,999 + \$1	\$3,943	4.38%

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## What are these tax cliffs everyone’s talking about?

Many Vermonters—and the share is growing—pay a combination of income and property taxes. When homeowners’ incomes or house values pass certain thresholds they have to pay both, creating sudden jumps in taxes even when school spending doesn’t change. Property values have been going up in many parts of the state, but these thresholds have not been changed for decades. Updating them for inflation and changes in property values would ensure low- and middle-income Vermonters benefit from income sensitivity.

### How school taxes are calculated on housesites now

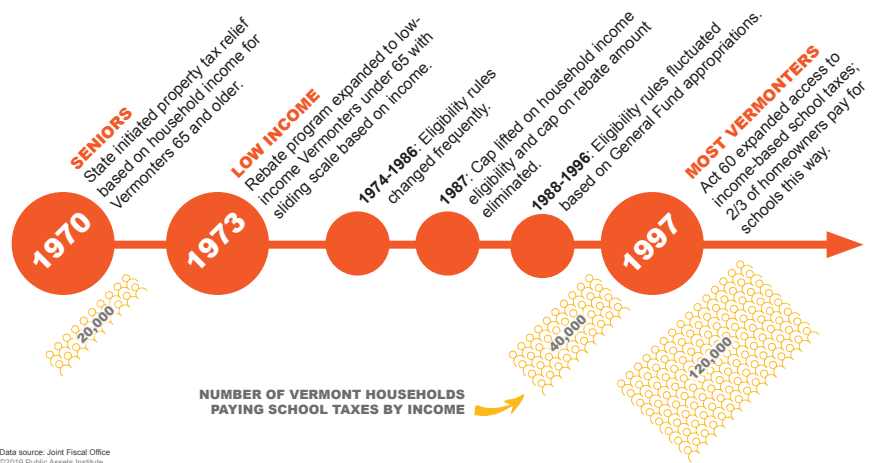
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## Why should we move to income-based taxes for schools?

When we first started our public education system, property was the best measure of Vermonters’ ability to pay. Land, cows, sheep—these were indicators of wealth. But that’s changed now. Most Vermonters have income from jobs, and they don’t sell a cow or part of their house to pay their school taxes—they pay taxes out of their income. Income is now a much better measure of ability to pay. But don’t take our word for it—the Tax Structure Commission wrote the book ([actually a long report](#)) about it. And income-based taxes aren’t a new idea—we’ve been doing it for 50 years.

### Vermont has been moving toward income-based school taxes for 50 years



## What happened in FY25

### Why did my education tax bill go up so much more last year?

The primary cost drivers in recent years would have hit no matter how many districts we have or who decides how much to spend. The Agency of Education identified the [main reasons](#) for the FY25 spending increase: inflation; health insurance; the growing need for mental health services for students; and the loss of Covid-era federal funds. All of these pressures were unavoidable and affected other states as well. So most of the tax increase was driven by cost increases, not the funding system. And if you lived in a town where property values increased more than average, that could push taxes up even further. Another significant change was in how the state calculates per-pupil spending: New pupil weights also took effect in FY25, so towns with more kids in weighted categories could spend more without as big an increase in taxes, while towns with fewer weighted kids saw higher rates than they would have before the changes.

## Does Vermont spend a lot more than most other states on public education?

A better question to get at whether we're spending the right amount is to ask if Vermont is meeting the needs of all kids with the resources it provides. Most educators and parents would say schools need more resources, not fewer. But to answer the question directly:

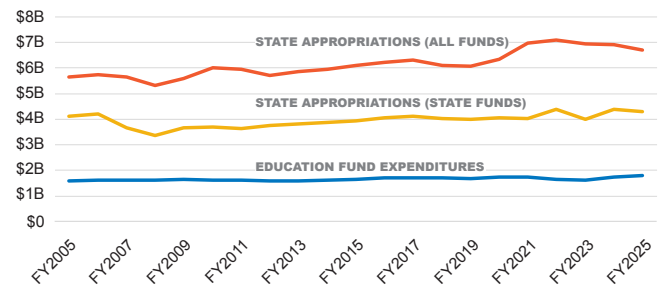
- Vermont has been one of the higher spenders by these comparisons for decades as have the other Northeast states, reflecting regional differences in spending on education. Vermont has been consistent in the share of state resources dedicated to public education.
- Many states that spend less on education than Vermont often do so because they underfund poor districts and underpay teachers while allowing wealthy communities to concentrate resources in their local schools; they have lower statewide spending per pupil because they operate a less equitable system.
- In recent years, Vermont has in fact had slower growth than many states—we're right in the middle. That's because the cost drivers that hit Vermont so hard in FY25—mental healthcare costs for kids, increasing healthcare costs for staff, inflation and the loss of Covid funds—all hit other states too.
- Total education spending has been flat for 20 years after adjusting for inflation, just like the rest of the state budget. And per-pupil spending has grown about 1% a year after adjusting for inflation. And that's taking into account increased costs for mental healthcare, information technology, and school security.

### Is education spending out of control?

Education spending has been flat for 20 years after adjusting for inflation, just like the rest of the state budget. And that's taking into account increased costs for mental healthcare, information technology, and school security.

#### Education spending has been flat for 20 years

State appropriations and education spending, adjusted for inflation (2020\$), FY2005-FY2025



Data source: Vermont Joint Fiscal Office  
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### Is local control driving education spending higher?

The system was designed to give local voters the authority to decide how much to spend on schools and therefore how much to tax themselves. Generally, other districts' choices have only very modest impacts on another town's tax rate. But when there are significant cost pressures across the whole system, like in FY25 when virtually all districts faced increases outside their control, tax bills go up for everyone. The Agency of Education identified the [main reasons](#) for the FY25 spending increase: inflation; health insurance; the growing need for mental health services for students; and the loss of Covid-era federal funds. All of these were unavoidable and affected other states. In spite of these pressures, FY25 showed that local control does restrain spending: 1/3 of districts sent their school boards back to the drawing board until they came back with lower budgets.

## Questions about the governor's [Education Transformation Proposal](#)

### **Will a foundation system make education funding in Vermont more equitable?**

A foundation funding system sets a fixed base amount of spending for all districts—a one size fits all approach. But the problem that Vermont had with its foundation system before 1997—and most other states still have—is that richer towns could raise more money if they wanted. That resulted in stark disparities in funding. The foundation amount essentially acted as a ceiling for poor towns and a floor for rich towns. Then the Brigham family sued the state over those disparities and the [State Supreme Court agreed the foundation system was unconstitutional](#) because kids didn't have equal access to educational resources. Money in the statewide Education Fund is now available to benefit all schoolchildren in the state. And another challenge with a fixed amount approach is that schools aren't starting from the same place: some schools have older HVAC systems and higher heating costs; other schools have already made drastic cuts to allied arts.

### **Is it better to have the state or communities decide on how much to spend on schools?**

Local voters are only responsible for school budgets and they know what's going on for kids in their communities, so are more focused on what their local kids and local schools need. Lawmakers in Montpelier are responsible for the entire state budget, which is complex and many steps removed from the needs of individual kids and schools. And because pre-K-12 education is the biggest thing the state does, even small tweaks to the foundation amount multiplied by 80,000 kids add up to big cost savings—or big cost increases. There would be constant pressure to underfund inflationary increases or lower the foundation amount to balance the budget. And in fact, that did happen in the past in Vermont: When a portion of education funding had to be appropriated from the General Fund, lawmakers waited until the rest of the state budget was funded before deciding what to transfer for education.

### **Would a foundation system like the governor's plan mean we spend more or less on schools?**

While not all the details are available yet, the foundation amount the governor is suggesting is pretty close to the state average spending per pupil. That means for some districts it will be more than they spend now, while higher-spending districts would likely face cuts. Different schools have different needs. If the concern is getting lower-spending districts additional funds, we can do that without forcing others to make big cuts. A foundation plan would either force higher-spending districts lower, or increase disparities by allowing them to spend above the foundation amount.

### **How would moving to fewer districts affect Vermonters' ability to have a say in their local schools?**

Vermonters have a long tradition of participating in decision-making about their schools. Moving to fewer districts would make it harder for local communities to have a say in their school budgets and priorities. School boards are a great way for community members to get engaged in schools and public policy. Many state and community leaders get their start serving on school boards. There's not necessarily a right answer about how many boards we should have, but Vermonters should have a say in that decision.

## **Would the governor's plan increase the use of vouchers/school choice?**

While the details of the governor's [plan for a choice lottery](#) for all kids are still emerging, this administration has consistently supported school choice. Vermont has a long history of tuitioning kids to go to schools outside their districts. But there are a lot of concerns about increasing the use of vouchers because private schools are not subject to the same requirements as public schools and the funding often goes to well-off families that can afford to send their kids to private schools and would whether they received public money or not. And since the ruling in [Carson v. Makin](#) that declared religious schools could not be excluded from choice systems, we're seeing more public money go to private schools that aren't subject to the same rules as public schools, including religious schools and schools out of state.

## **How will we vote on school budgets under the governor's plan?**

It's not yet clear how large consolidated districts would work. The governor is proposing moving from 119 school districts to 5, with just 5 school boards responsible for much larger districts. There are still a lot of questions about how school budgets will be determined, how the funds will be distributed among schools within districts, and who would make these decisions. But the concern is that the administration's plan would erode public involvement in two significant ways: take away choice on Town Meeting Day about how much to spend on our local schools; and increase the use of vouchers through school choice, which diverts public money to private schools and out of state.

## **Does school consolidation save money?**

Act 46 of 2015 resulted in a number of mergers across the state. Although the Agency of Education has not done a comprehensive evaluation of the effort, [other research](#) has found limited cost savings or improvement in outcomes from the mergers and [raised concerns](#) about the effects of Act 46 mergers on communities.