VERMONT

**LEGISLATIVE REPORT**

# STATE AID FOR SCHOOL CONSTRUCTION

## Act 73 of 2025

**December 15, 2025**

Issued by the Advisory Board on State Aid for School Construction

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# Introduction

The Advisory Board has an extensive charge to identify a procedure for prioritizing state aid projects but first, the Advisory Board was charged with recommending how to address current debt obligations of schools districts in Vermont. This report is due December 15, 2025. Additional reports will follow this initial work product.

This group did not have sufficient time to make a single recommendation to legislature- however we are reporting out on five (5) considerations with pros and cons for the legislature to consider should there be legislated mergers passed out of this upcoming legislative session.

This group is looking forward to continuing our work in early January 2026 to fulfill the remainder of the charge given to our group.

# Purpose

This report is submitted pursuant to Section 14 of Act 73 of 2025. The Advisory Board shall submit a written report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance on recommendations for addressing the transfer of any debt obligations from current school districts to future school districts as contemplated by Vermont's education transformation.

## Membership

The Advisory Board is comprised of the following members:

Ex officio members:

- Mike Pieciak, State Treasurer
- Wanda Minoli, Commissioner of Buildings and General Services
- Michael Gaughan, Executive Director of the Vermont Bond Bank
- Richard Werner, State Board of Education Designee

Four members, none of whom shall be current members of the General Assembly, who shall serve four-year terms as follows:

- Two members, appointed by the Speaker of the House, each of whom shall have expertise in education or construction, real estate, or finance and one of whom shall represent a supervisory union: Marty Spaulding and Sean McMannon
- Two members, appointed by the Committee on Committees, each of whom shall have expertise in education or construction, real estate, or finance and one of whom shall be an educator: David Epstein and Holly Anderson

## History of School Construction in Vermont

The history of school construction aid in Vermont is characterized by a long-standing program that was **suspended in 2008**, leading to a significant backlog of facility needs, and recent efforts to re-establish a new statewide aid system.

Before 2008, Vermont had a direct state aid program for local school construction.

- Standard Funding: The state typically offered a fixed percentage of funding for approved, allowable costs on school construction projects, usually around 30% of the project's cost.
- Wealth Adjustment: The state also paid a portion of the school district's debt service on the bonds issued for construction, which could be as high as 70%, with the exact percentage often adjusted inversely to the district's property wealth to promote equity.
- The Problem: Over time, the demand for state aid grew and eventually outgrew the state's bonding capacity. This financial strain, compounded by the beginning of the Great Recession, led to the program's suspension.

In 2008, the Vermont General Assembly implemented a moratorium on direct state aid for new school construction projects.

- Reasons for Suspension: The primary reasons were the program's cost exceeding state capacity and the broader financial crisis (Great Recession).
- Resulting Backlog: Vermont became the only New England state with such a moratorium in place. This suspension, along with the aging of the state's school buildings (average age of 61 years), has resulted in a tremendous backlog of deferred maintenance and facility deficiencies across the state.
- Local Struggles: Without state aid, many districts that attempted to pass bond proposals for major renovation or expansion projects saw them fail due to the full burden falling on local taxpayers.

### Act 72 of 2021

Recognizing the widespread and growing infrastructure crisis, the Vermont Legislature initiated steps to develop a new state aid program.

The Legislature passed Act 72, which funded a comprehensive statewide inventory and assessment of all public school buildings. The purpose was to gather data to inform the creation of a new, sustainable state aid program.

- Facilities Condition Index
- **Act 72: School Facilities Assessment**

- **VT School Facilities Assessment Reports**

## Act 78 of 2023 and Taskforce

Following the initial assessment, Act 78 created the School Construction Aid Taskforce to review the findings and formulate recommendations for a renewed, equitable, and sustainable statewide aid program. The Taskforce's findings highlighted the urgent need to address the estimated $300 million annual spending gap required over 20 years just to replace old systems and the significant inequity districts face without state support.

**Recommendations**

- New Debt Service Subsidy Model: The new program is shifting the focus back to a debt-service model, but with a refined formula:
    - Base Aid: The state will provide a base subsidy of 20% of the project's eligible debt service cost.
    - Bonus Incentives: An additional up to 20% of the debt service can be awarded based on priority criteria, bringing the maximum potential aid to 40%.
    - Emergency Aid: The Secretary of Education has discretion to grant emergency aid of up to 30% of the debt service cost, capped at $300,000, for urgent health and safety issues (like a failed boiler).
- Priority Points System: Projects will be evaluated using a priority points system to ensure state funding targets the most critical needs and encourages alignment with state goals. This system is still being finalized but is expected to include:
    - Emergent Needs: Addressing life-safety, health, and building envelope deficiencies.
    - Regional Collaboration: Incentivizing projects that support district consolidation or the creation of regional high schools, which is a major focus of Act 73's education reform.
    - Educational Suitability: Modernizing facilities to support 21st-century learning environments and programs like Career and Technical Education (CTE).
    - Efficiency and Sustainability: Projects that demonstrate energy efficiency (e.g., net-zero ready construction) and maximum utilization of space.
- Centralized Governance: The new program is designed to be administered and managed entirely by the Agency of Education (AOE), simplifying the process from the previous system which involved multiple state entities.

## Act 149 of 2024

Act No. 149 (H.871), effective July 1, 2024, implements several measures to update Vermont's state aid for school construction programs. Key provisions include the creation of the Facilities Master Plan Grant Program, administered by the Agency of Education, to assist supervisory unions in developing master plans, a program that will run for five years and prioritize applicants based on poverty and facility condition scores.

The act also establishes a working group to design a new statewide school construction aid program and raises the bidding threshold for high-cost construction contracts from $500,000 to $2,000,000. For the full text of Act No. 149, consult the legislative source.

## The Future and Act 73 of 2025

Recent legislative action (such as Act 73) aims to establish a new State Aid for School Construction Program to support the overall transformation of Vermont's education governance, quality, and finance systems.

## Background on School Debt in Vermont

The Advisory Group spent considerable time discussing the current levels of school debt outstanding for Vermont school districts. The Advisory Group discussed and reviewed multiple methodologies to understand discrepancies and/or trends in school district debt issuance.

The Vermont Bond Bank (Bond Bank) provided the data for this analysis based on both its portfolio and outside sources for the debt profiles for the Winooski and Burlington School Districts[1]. Notably, data limitations and resource constraints preclude tying specific loans to specific assets or locations for historic records at this time.

The Advisory Group also discussed the nature of debt held by school districts. Principally, that related debt exists outside of the net tax-supported debt of the State of Vermont. The Advisory Group was provided information by the Bond Bank and Treasurer's Office on the limitations surrounding the pay-off of school district debt, which requires sensitivity to rules related to tax-exempt debt as well as the redemption provisions of the bonds issued to finance the school districts.

Overview

Total outstanding debt by school district within Vermont school districts is $480.83 million. Amounts vary by individual school districts significantly from a high of $186 million outstanding for the Burlington School District to $13 thousand for Sharon Town School District.

| Maximum | Minimum | Average | Median | N |
|---|---|---|---|---|
| $186,800,000 | $13,610 | $8,742,361 | $1,760,000 | 55 |

Outstanding debt held by individual school districts is shown in the table below (see footnote).

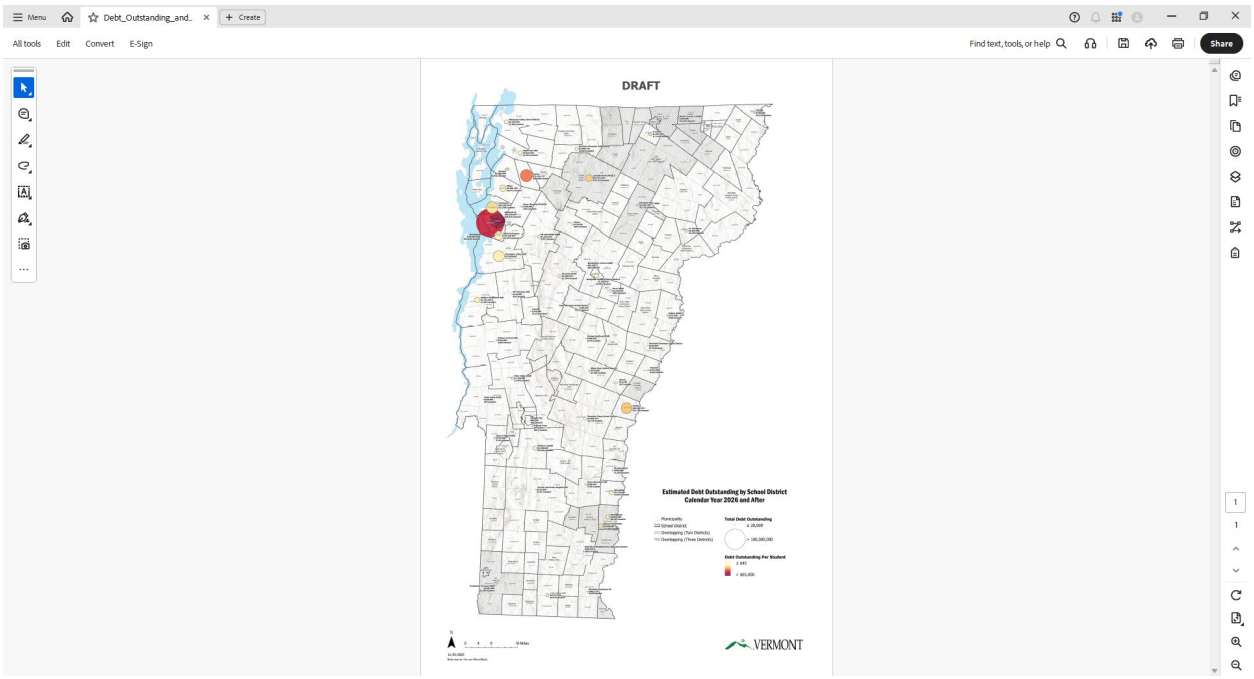
[1] Note, additional debt may exist beyond this analysis that is held with private banks or USDA-Rural Development (excluding Winooski School District). These amounts are believed to be minimal and immaterial to the analysis.

DEBT OUTSTANDING BY SCHOOL DISTRICT (ESTIMATED) - CALENDAR YEAR 2026 AND AFTER

| | | |
|---|---|---|
| | Total | $480,829,857 |
| 1 | Burlington School District (Estimate) | $186,800,000 |
| 2 | Winooski School District | 49,500,000 |
| 3 | Fairfax Town School District | 35,201,727 |
| 4 | Colchester Town School District | 32,352,941 |
| 5 | Champlain Valley School District | 32,058,407 |
| 6 | Hartford Town School District | 28,481,091 |
| 7 | South Burlington School District | 16,465,325 |
| 8 | Lamoille North School District | 10,971,651 |
| 9 | Milton Town School District | 9,656,250 |
| 10 | Addison Northwest SD | 7,221,555 |
| 11 | Patricia A. Hannaford Career Center | 6,885,000 |
| 12 | Montpelier Roxbury School District | 5,295,845 |
| 13 | Springfield Town School District | 5,120,000 |
| 14 | Maple Run Unified School District | 4,635,505 |
| 15 | Mill River Unified Union School District | 3,905,000 |
| 16 | Bellows Falls Union High School District | 3,900,000 |
| 17 | Rockingham Town School District | 3,862,509 |
| 18 | Missisquoi Valley School District | 3,625,000 |
| 19 | Northern Mountain Valley Unified Union School District | 3,098,750 |
| 20 | Coventry Town School District | 3,093,333 |
| 21 | Mountain Views School District | 2,564,167 |
| 22 | Twin Valley Unified Union School District | 2,377,657 |
| 23 | Harwood Unified Union School District | 2,288,059 |
| 24 | St. Johnsbury Town School District | 2,250,000 |
| 25 | Southwest Vermont Union Elementary School District | 2,081,800 |
| 26 | Barre Unified Union School District | 2,016,663 |
| 27 | Mount Mansfield Unified Union School District | 1,823,205 |
| 28 | Otter Valley Unified Union School District | 1,760,000 |
| 29 | Georgia Town School District | 1,680,000 |
| 30 | Mountain View Union Elementary School District | 1,184,748 |
| 31 | Quarry Valley Unified Union School Districts | 770,000 |
| 32 | Canaan School District | 750,000 |
| 33 | Essex Westford Educational UUSD | 720,000 |
| 34 | North Country Union High School District No. 22 | 705,000 |
| 35 | White River Valley Unified School District | 570,000 |
| 36 | Weathersfield Town School District | 560,000 |
| 37 | Addison Central School District | 484,000 |
| 38 | Windham Southeast School District | 483,274 |
| 39 | Green Mountain Unified School District | 438,480 |
| 40 | Stowe School District | 420,000 |
| 41 | West River Modified Union Education District | 390,000 |
| 42 | Rutland Town School District | 347,500 |
| 43 | Orleans Southwest Union Elementary School District | 298,350 |
| 44 | Paine Mountain School District | 280,000 |
| 45 | Oxbow Unified Union School District | 273,000 |
| 46 | Lincoln Town School District | 246,066 |
| 47 | Taconic & Green Regional School District | 215,000 |
| 48 | Thetford Town School District | 187,500 |
| 49 | Rivendell Interstate School District | 130,000 |
| 50 | Mt Abraham Unified School District | 110,000 |
| 51 | Slate Valley Unified Union School District | 105,000 |
| 52 | Rutland City School District | 85,839 |
| 53 | Washington Central Unified Union School District | 64,878 |
| 54 | Middlesex Town School District | 26,172 |
| 55 | Sharon Town School District | 13,610 |

The above amount of outstanding debt will result in an annual debt service payment from the Educational Fund of $61.10 million in calendar year 2026, as shown on the table on the following page.

This represents 3 percent of the Education Payment for Fiscal Year 2026. In comparison, Moody's Investor Services national median for debt service as a percentage of revenue for school districts is 5.4 percent and Vermont's median for individual school districts holding debt is 1.5 percent.


DRAFT
Estimated Debt Outstanding by School District
Calendar Year 2026 and After
VERMONT

ESTIMATED SCHOOL DEBT SERVICE BY COUNTY

| | Addison | Bennington | Caledonia | Chittenden | Essex | Franklin | Lamoille | Orange | Orleans | Rutland | Washington | Windham | Windsor | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $18,867,989 | $2,582,865 | $3,062,113 | $475,982,664 | $897,506 | $73,402,672 | $15,867,041 | $954,402 | $7,019,268 | $8,420,372 | $11,687,443 | $13,398,779 | $47,338,558 | $679,481,670 |
| 2026 | 1,908,067 | 513,807 | 231,840 | 41,501,227 | 66,267 | 4,220,939 | 1,472,697 | 459,955 | 632,239 | 1,036,400 | 1,475,694 | 1,658,151 | 5,919,951 | $61,097,234 |
| 2027 | 1,751,282 | 426,875 | 229,455 | 28,087,980 | 65,787 | 4,089,308 | 1,097,699 | 42,834 | 617,997 | 902,936 | 1,456,488 | 1,457,675 | 5,709,187 | $45,935,504 |
| 2028 | 1,538,605 | 348,493 | 228,160 | 27,324,260 | 65,222 | 4,017,144 | 1,084,905 | 56,847 | 604,821 | 824,576 | 1,161,067 | 1,432,366 | 5,286,937 | $43,973,402 |
| 2029 | 1,500,978 | 338,679 | 225,101 | 26,997,216 | 64,592 | 3,933,429 | 974,156 | 50,792 | 355,237 | 696,565 | 1,074,371 | 1,283,514 | 4,117,984 | $41,612,612 |
| 2030 | 1,463,813 | 328,597 | 221,607 | 26,485,805 | 63,741 | 3,705,612 | 868,877 | 49,523 | 350,978 | 680,786 | 1,067,837 | 1,264,686 | 2,726,372 | $39,278,235 |
| 2031 | 1,351,293 | 318,396 | 217,725 | 26,241,197 | 62,718 | 3,625,743 | 820,958 | 48,173 | 346,719 | 640,841 | 1,053,921 | 1,247,105 | 2,657,680 | $38,632,469 |
| 2032 | 1,317,318 | 308,017 | 213,550 | 25,035,739 | 61,571 | 3,546,025 | 804,084 | 46,799 | 342,459 | 624,722 | 1,035,749 | 1,199,220 | 2,592,038 | $37,127,290 |
| 2033 | 1,233,178 | | 209,114 | 24,582,509 | 60,338 | 3,410,268 | 786,045 | 45,402 | 338,200 | 608,265 | 804,411 | 281,167 | 2,164,132 | $34,523,029 |
| 2034 | 1,186,292 | | 204,374 | 23,917,344 | 59,124 | 3,153,558 | 768,221 | 43,874 | 333,944 | 590,612 | 660,116 | 274,368 | 1,927,988 | $33,119,816 |
| 2035 | 1,011,118 | | 199,442 | 23,550,140 | 57,861 | 3,079,510 | 750,027 | 42,321 | 260,767 | 572,592 | 640,916 | 267,569 | 1,876,234 | $32,308,497 |
| 2036 | 979,507 | | 195,086 | 23,216,800 | 56,556 | 3,005,907 | 701,318 | 23,497 | 187,592 | 505,782 | 602,908 | 260,770 | 1,824,278 | $31,560,000 |
| 2037 | 947,683 | | 190,227 | 22,257,307 | 55,341 | 2,931,382 | 684,122 | 22,630 | 183,332 | 314,267 | 400,169 | 253,971 | 1,698,781 | $29,939,213 |
| 2038 | 915,688 | | 185,273 | 20,892,388 | 54,106 | 2,857,469 | 666,748 | 21,754 | 179,073 | 303,437 | 253,796 | 247,172 | 1,650,238 | $28,227,141 |
| 2039 | 462,267 | | 157,425 | 20,038,897 | 52,851 | 2,639,213 | 646,754 | | 174,814 | 118,591 | | 240,373 | 1,300,097 | $25,831,282 |
| 2040 | 447,950 | | 153,735 | 19,439,974 | 51,435 | 2,285,512 | 627,045 | | 170,555 | | | 233,574 | 1,260,800 | $24,670,579 |
| 2041 | 433,634 | | | 19,226,773 | | 2,025,786 | 495,654 | | 166,296 | | | 226,775 | 1,221,502 | $23,796,419 |
| 2042 | 419,317 | | | 18,523,963 | | 1,972,065 | 478,692 | | 162,036 | | | 219,976 | 1,182,205 | $22,958,254 |
| 2043 | | | | 18,126,991 | | 1,918,304 | 461,731 | | 157,777 | | | 213,177 | 1,142,908 | $22,020,888 |
| 2044 | | | | 6,629,023 | | 1,864,543 | 444,769 | | 153,518 | | | 206,378 | 1,079,246 | $10,377,477 |
| 2045 | | | | 4,071,008 | | 1,810,783 | 427,808 | | 149,259 | | | 99,579 | | $6,558,436 |
| 2046 | | | | 3,971,917 | | 1,757,022 | 410,846 | | 145,000 | | | 96,587 | | $6,381,372 |
| 2047 | | | | 3,872,827 | | 1,623,261 | 393,885 | | 140,740 | | | 93,595 | | $6,124,308 |
| 2048 | | | | 3,766,837 | | 1,572,085 | | | 136,481 | | | 90,603 | | $5,566,005 |
| 2049 | | | | 3,668,013 | | 1,520,909 | | | 132,222 | | | 87,611 | | $5,408,755 |
| 2050 | | | | 3,569,190 | | 1,469,733 | | | 127,963 | | | 84,619 | | $5,251,504 |
| 2051 | | | | 3,470,367 | | 1,418,557 | | | 123,703 | | | 81,627 | | $5,094,253 |
| 2052 | | | | 3,371,543 | | 1,367,381 | | | 119,444 | | | 78,635 | | $4,937,003 |
| 2053 | | | | 1,439,387 | | 1,316,205 | | | 115,185 | | | 75,643 | | $2,946,419 |
| 2054 | | | | 1,381,813 | | 1,265,019 | | | 110,916 | | | 72,651 | | $2,830,398 |
| 2055 | | | | 1,324,230 | | | | | | | | 69,649 | | $1,393,878 |

[Note] Burlington SD includes 2010 qualified bonds that have sinking fund, although full principal payment show above

*Distribution of Debt Among School Districts*

Removing the Burlington and Winooski School Districts results in a remaining total of $244.53 million in debt outstanding. Further removing the top ten largest borrowers results in $72.12 million for which no school district has more than $6.89 million outstanding.

Debt is heavily weighted to Chittenden, Franklin, and Windsor Counties, which combine to account for 86 percent of total debt. This is in contrast to the school age population of the related counties that is 43 percent of the total, as shown in the table below.

AMOUNT OUTSTANDING (ESTIMATED)

| | All School Districts | | Removing 10 Largest Debtors | | Vermont Population | |
|---|---|---|---|---|---|---|
| | $ | % of Total | $ | % of Total | Pop < 18 [1] | % of Total |
| Addison | $14,946,621 | 3.11% | $7,725,066 | 10.71% | 6,046 | 5.19% |
| Bennington | $2,296,800 | 0.48% | $2,296,800 | 3.18% | 6,965 | 5.97% |
| Caledonia | $2,548,350 | 0.53% | $2,548,350 | 3.53% | 5,691 | 4.88% |
| Chittenden | $329,376,128 | 68.50% | $2,543,205 | 3.53% | 29,289 | 25.12% |
| Essex | $750,000 | 0.16% | $750,000 | 1.04% | 1,017 | 0.87% |
| Franklin | $48,240,982 | 10.03% | $13,039,255 | 18.08% | 10,974 | 9.41% |
| Grand Isle | $0 | 0.00% | $0 | 0.00% | 1,283 | 1.10% |
| Lamoille | $11,391,651 | 2.37% | $420,000 | 0.58% | 5,219 | 4.48% |
| Orange | $870,500 | 0.18% | $870,500 | 1.21% | 5,308 | 4.55% |
| Orleans | $4,983,081 | 1.04% | $4,983,081 | 6.91% | 5,360 | 4.60% |
| Rutland | $6,973,339 | 1.45% | $6,973,339 | 9.67% | 10,562 | 9.06% |
| Washington | $9,691,616 | 2.02% | $9,691,616 | 13.44% | 10,859 | 9.31% |
| Windham | $11,013,441 | 2.29% | $11,013,441 | 15.27% | 7,773 | 6.67% |
| Windsor | $37,727,347 | 7.85% | $9,266,256 | 12.85% | 10,232 | 8.78% |
| | $480,809,857 | 100.00% | $72,120,909 | 100.00% | 116,578 | 100.00% |

1 https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-detail.html

*Additional Analysis*

At repeated points, the Advisory Group discussed a counterfactual to a district's "debt burden," which is the "debt advantage" as it is an indication of investment and maintained facilities. Over time, however, the value of the debt related improvement will decrease, meaning that the year the debt was issued is highly relevant to the value of the debt.

The table below shows debt outstanding by the year the debt was originated. Higher amounts in more recent years reflect both the higher volume of school district issuance as well as the lack of amortization in comparison to older loans. The Bond Bank's experience is that schools typically issue debt for between 20 to 25 years.

**DEBT OUTSTANDING BY ORIGINATION YEAR**

| Year | Outstanding | Cumulative | Year | Outstanding | Cumulative |
|---|---|---|---|---|---|
| 2001 | $130,000 | $130,000 | 2014 | $4,770,802 | $46,410,864 |
| 2002 | 0 | 130,000 | 2015 | 1,002,695 | 47,413,559 |
| 2003 | 0 | 130,000 | 2016 | 12,703,500 | 60,117,059 |
| 2004 | 0 | 130,000 | 2017 | 27,106,371 | 87,223,430 |
| 2005 | 0 | 130,000 | 2018 | 20,533,210 | 107,756,640 |
| 2006 | 1,205,000 | 1,335,000 | 2019 | 18,230,265 | 125,986,905 |
| 2007 | 2,400,000 | 3,735,000 | 2020 | 8,043,500 | 134,030,405 |
| 2008 | 3,055,119 | 6,790,119 | 2021 | 11,157,663 | 145,188,068 |
| 2009 | 5,960,000 | 12,750,119 | 2022 | 59,260,000 | 204,448,068 |
| 2010 | 12,324,449 | 25,074,568 | 2023 | 140,105,000 | 344,553,068 |
| 2011 | 2,070,733 | 27,145,301 | 2024 | 92,594,541 | 437,147,609 |
| 2012 | 8,506,964 | 35,652,266 | 2025 | 43,682,248 | 480,829,857 |
| 2013 | 5,987,796 | 41,640,062 | | | |

## State General Obligation Debt Findings (Treasurers office)

Vermont historically funded school construction through the Capital Bill utilizing General Obligation (G.O.) Bonds, representing approximately 20 percent of total capital expenditures—about $10 million annually—until the suspension of this aid program in 2007. The Legislature subsequently extended the suspension several times with the intent of redesigning the State's approach while continuing to meet previously authorized obligations. During the suspension period, the State continued to provide limited emergency aid, as well as financial support for PCB testing and remediation.

The State Treasurer's Office is responsible for managing all State debt obligations, including the issuance and administration of bonds, repayment of principal and interest, monitoring refinancing opportunities, maintaining the State's credit rating, and supporting the work of the Capital Debt Affordability Advisory Committee (CDAAC). Vermont maintains a conservative debt structure composed almost entirely of fixed-rate G.O. Bonds with maturities of 20 years or less, contributing to strong credit ratings and favorable borrowing costs for the State.

CDAAC evaluates debt affordability annually by benchmarking Vermont's debt ratios against those of AAA-rated states and recommending annual bonding levels for legislative and gubernatorial consideration. The FY2026–27 biennium authorization totals $100 million, consistent with the State's decade-long trend of reduced bonding capacity. As of December 1, 2025, the State reported $503,970,000 in General Obligation Bonds outstanding.

In February 2024, the State Aid for School Construction Task Force submitted a report to the Legislature identifying Rhode Island's financing model as a potential framework for Vermont. Under this approach, bonds are issued through a centralized entity, and the State provides debt service subsidies without increasing net tax-supported debt. Act 73 of 2025 established a mechanism for Vermont to employ a similar model. The Task Force also recommended that borrowing eligible for State subsidy be issued through the Vermont Bond Bank, which holds a strong credit rating, maintains a statutory intercept

mechanism to reduce repayment risk, and is closely linked to the State's credit standing.

The Advisory Board's review of outstanding debt held by Vermont school districts produced two central findings: (1) the total debt burden carried by school districts exceeds the State's outstanding General Obligation bond liability, and (2) the preservation of strong State bond ratings is essential to maintaining affordable borrowing costs for both the State and the wider network of public entities whose credit and financing terms are influenced by State rating performance. These entities include municipalities, the Vermont Housing Finance Agency, the Vermont Economic Development Authority, the Vermont Student Assistance Corporation, and school districts.

## Conclusion

This preliminary report focuses on recommendations on addressing the transfer of any debt obligations from current school districts to future school districts as contemplated by Vermont's education transformation.

Without new district maps, the Advisory Board could not make a single recommendation, so instead chose to present five options with pros and cons for the legislature to consider in dealing with legacy debt.

The Board will resume its work on future assistance with capital expenditures in 2026.

## Options for Consideration

**1-Allow the new district to assume prior district debt consistent with the process for consolidation under Act 46 of 2015.**

**PROS**

- Simplicity- straight forward approach consistent with Act 46
- Consistent with how most districts dealt with debt in Act 46
- New entity assumes value of asset-needs to assume liability
- Would not affect States bond ratings
- Known debt instead of unknown if capital improvement needed

**CONS**

- Wealthy/less wealthy districts could cause concerns with affordability
- Disincentivize consolidation between districts with wealth gaps
- New districts assuming debt did not have ability to weigh in on and vote
- Funds received from any source becomes the new districts (pending or future suits or claims: i.e. Monsanto)

**2-Use a ONE-TIME appropriated funds to "cash defease" (i.e. pay-off and legally remove obligation through escrow) outstanding debt of legacy school districts.**

**PROS**

- Facilitates consolidation by removing debt obligation
- Creates a "clean" slate for new district
- Simplicity of administration

**CONS**

- Paying off debt with lower interest rates than higher rates or costs
- Not having funds available for future projects
- By paying some older debt- is it equitable?

**Notes**

- For instance, cash defeasance of up to $5 million per district would remove debt from the balance sheet of all but 13 districts at a cost of $54.82 million.
- Alternatively, debt issued in 2013 and prior totals $41.64 million.
- Based on a numerical threshold- less open ended
- Could affect the state net tax supported calculation
- Should not incur new borrowing to pay off old borrowing

**3-Provide annual debt payment subsidy through reimbursement of debt service payments to school districts**

**PROS**

- Spreads payments over time- instead of lump sum
- Consistent with Rhode Island plan (viewed as a model)
- State support to schools that did not get construction aid
- Facilitate consolidation by reducing debt burden

**CONS**

- Rhode Island model supports debt as retroactive – may not be treated the same by rating agencies
- More support to districts that also got State Aid

**Notes**

- This mechanism mirrors the recommendations in the School Construction Aid Taskforce Report on how to implement state aid for debt
- This avoids the upfront cost of paying off the loans while keeping the debt as an obligation of the school districts (vs. the State of Vermont).
- State reimburses as a subsidy
- Percentage of assistance annually- reimbursement basis (Rhode Island)

**4-Existing district retains the debt**

**PROS**

- Other districts do not assume debt for which they did not approve

**CONS**

- Other districts may share assets without incurring any liabilities
- Control of the asset; if new district is not sharing the debt, do they have a say in decisions on maintenance and use.
- Must retain legal structures that may overlap with new districts and that have taxing authority separate from new school district
- Complicates debt compliance monitoring
- Adds complexity
- Less transparency for residents to understand their tax bills-budgets

**5-New school district established by the State, that new district determines at a local level how to deal with debt through a vote**

**PROS**

Provides for additional local control

**CONS**

- Funding formula challenging- all districts different
- May not be consistent with the state intent- all other districts
- Distract the district from its core mission
- Lengthens the process
- Makes the process more divisive

**General Notes/Questions**

- Other than top five borrowers- debt load is relatively low compared to the overall education fund
- If involuntary- should the members being merged be allowed to vote on the debt?
- Once the new districts are established or proposed the Advisory Board recommends that Joint Fiscal should evaluate the impact of each option on the State and affected districts