

Act 73 Review

Senate Committee on Finance
Julia Richter, Principal Fiscal Analyst
January 8, 2026



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



Outline of talk

- Brief review of Act 73
- Deeper review of:
 - Foundation formula
 - Supplemental district spending
 - Property classification and property tax calculations
 - Homestead exemption
 - Fiscal transition mechanisms

Note: this presentation is not an exhaustive review of Act 73 and focuses on specific education finance areas relating to the Act.



Brief Review of Act 73



Education Quality and Governance Changes in Act 73

- With varying effective dates and contingencies, the Act:
 - Implements class size minimums
 - Creates the structure of the State Aid for School Construction Program
 - Narrows criteria for independent schools that may receive tuition
 - Changes the appointing authority for two State Board of Education members
 - Appropriated funds to the Agency of Education to support education transformation and established 5 limited-service positions



Education Funding Changes in Act 73

- Contingently effective July 1, 2028:
 - Creates a foundation formula that will provide a base amount per student that is adjusted annually for inflation
 - Students and schools with additional needs will receive additional funding
 - The foundation formula replaces Vermont's existing education funding system
 - Allows for limited “supplemental district spending”
 - Districts can spend above the foundation amount if approved by local voters; voters will know impact on tax rates when they vote
 - Changes general special education funding from a census block grant model to a weighted funding model
 - Implements transition mechanism to phase in school funding



Education Tax Changes in Act 73

- Contingently effective July 1, 2028:
 - Replaces the property tax credit with a capped homestead exemption
 - The exemption's parameters are adjusted by inflation and the exemption is forecasted to lower tax bills of Vermont households with lower household incomes
 - Establishes a new property tax classification
 - Implements transition mechanism to phase in education tax changes
- Creates regional assessment districts for reappraisals across the state



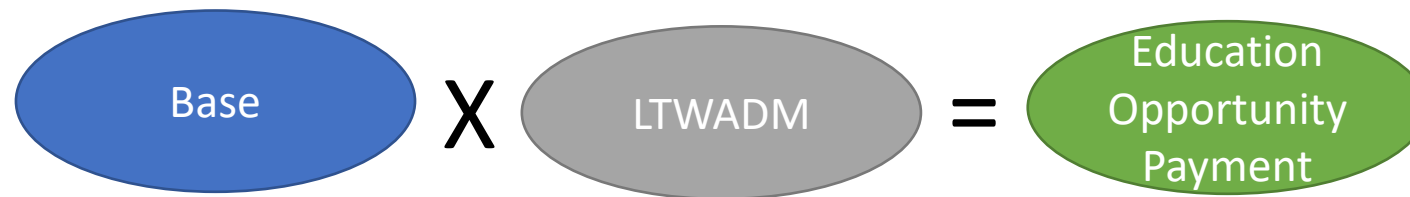
Establishment of Foundation Formula

Contingently effective July 1, 2028



Foundation Formula Funding Calculation

- Broadly, foundation formulas apply a base and weights, typically based on students' characteristics, to a student population to determine funding to a school or district
 - Foundation funding is calculated as follows:



Foundation Formula Established in Act 73

- Base amount of \$15,033 per LTADM
 - Student may also receive weights based on their demographics
- **Weights:**
 - Weights are based on the Kolbe & Baker memo from April 3, 2025
 - Replaces special education census block grant with tiered weights
 - Act 73 implements Small School and Sparsity as grants**

Pupil Weighting Categories and Weights in Act 73

General Pupil Weighting Category	Specific Pupil Weighting Categories*	Weighting Amount
PreK student	Student enrolled in PreK	-0.54
English Learner (EL) <i>(Across levels, English language proficiency weights are mutually exclusive. Newcomer or SLIFE weights are additive to level weights.)</i>	English language proficiency – Level 1	2.11
	English language proficiency – Level 2 or 3	1.41
	English language proficiency – Level 4	1.20
	English language proficiency – Level 5 or 6	0.12
	Newcomer or SLIFE	0.42
Child with a disability <i>(Disability weights are mutually exclusive. Disability weights are applicable to students enrolled in grades kindergarten through 12.)</i>	Category A	0.79
	Category B	1.89
	Category C	2.49
Student from economically disadvantaged backgrounds	Family at or below 185 percent of Federal Poverty Level (FPL)	1.02

*Section 35 of the Act includes definitions for each of these specific weighting categories.

**Sparsity and small school support was previously provided as a weight. See next slide for further detail.

Note: for further detail on the memo, please visit https://ljfo.vermont.gov/assets/Subjects/H-454-As-recommended-by-House-Ways-and-Means-Draft-4-1/weighting-update-memo-to-JFO-revised-4_8_25.pdf



Small School and Sparsity Support Grants

- Act 73 implements Small School and Sparsity as support grants:
- Small Schools support grant criteria:
 1. Their average enrollment over two years is fewer than 100 pupils
 2. They are considered “small by necessity” (currently undefined)*
- Sparse School support grant criteria:
 1. The school is in a city, town, or village with a population of fewer than 55 people per square mile
 2. The school is deemed “sparse by necessity” (currently undefined)*

Support Grant Categories and Amounts in Act 73

Support Grant Category	Specific Support Grant Criteria	Grant Amount
Small School support grant	• School with fewer than 100 enrolled pupils (based on two-year average) • Is “small by necessity”	\$3,157 per pupil (two-year average enrollment)
Sparse School support grant	• School is in a sparse location • Is “sparse by necessity”	\$1,954 per pupil (two-year average enrollment)

**Both “small by necessity” and “sparse by necessity” need to be defined by the Agency of Education. For details, visit link [here](#)*

Note: for further detail on the memo, please visit https://ljfo.vermont.gov/assets/Subjects/H-454-As-recommended-by-House-Ways-and-Means-Draft-4-1/weighting-update-memo-to-JFO-revised-4_8_25.pdf



Creation of Supplemental District Spending

Contingently effective July 1, 2028



Creation of Locally Approved Supplemental District Spending

- School districts would have the option to ask voters to approve “supplemental district spending”
 - Supplemental district spending are voter-approved funds in addition to the foundation formula amount and other categorical aid
- Upon approval, a school district would be permitted supplemental district spending up to 5% of its long-term membership multiplied by the base amount of the same fiscal year



Creation of a Local Property Tax and Recapture for Locally-voted Supplemental District Spending

- Supplemental district spending would be raised through a local property tax that would be equalized across the State
 - All school districts could raise the same amount at the same tax rate, regardless of their property wealth
 - The supplemental district tax rate would correspond with the amount the district with the lowest property wealth would be able to raise
- All funds a district raises above what it has approved would be recaptured by the State and flow to the Supplemental District Spending Reserve
 - The Supplemental District Spending Reserve would be used in the following year to lower the uniform property tax rate



Changes to Property Classifications and Property Tax Calculations

Contingently effective July 1, 2028



Establishment of New Property Tax Classifications

- Prior to Act 73, Vermont had two property classifications subject to differing education property tax rates:
 - **Homestead**: property that is a principal dwelling and surrounding acreage
 - **Nonhomestead**: all other taxable property
- Act 73 established three property classifications:
 - **Homestead**: consistent with previous definition – principal dwelling and surrounding acreage
 - **Nonhomestead residential**: property that is a residential property but is not a homestead
 - **Nonhomestead nonresidential**: all other taxable property
- Act 73 required the Department of Taxes to study, recommend, and make rules regarding these changes to property classification
 - The Department published the [Property Tax Classifications Implementation Report](#) in response to this charge



Creation of a Uniform Statewide Property Tax Rate Adjusted by Different Factors and Property Classifications

- Under current law, the two property tax bases were subject to differing statewide education property tax rates
 - The equalized nonhomestead property tax rate is set annually and uniform across the state
 - Homestead property tax rates are set annually and proportional to district per pupil spending decisions
- Act 73 created a structure in which a uniform statewide education property tax rate is set annually, and then multiplied by statutory factors for each property classification
 - All property classifications currently have a factor of one, meaning the rate would be uniform absent future policy changes
 - To have varied rates across different property tax classifications factors would need to be adjusted
 - The Act required the Department of Taxes to recommend factors that could be applied to the different classifications
 - The Department published the [Property Tax Classifications Implementation Report](#) in response to this charge, Part 2 addresses these factors



Establishment of Homestead Exemption and Repeal of Property Tax Credit

Contingently effective July 1, 2028



Establishment of Homestead Exemption in Place of a Property Tax Credit

- Under previous law, most homestead property taxpayers were eligible for a property tax credit based on income and housesite value
- Contingently effective, Act 73 repealed the property tax credit and established the homestead exemption
 - Exempts a certain portion of a claimant's housesite value from the homestead property tax
 - Would only be permitted against the first \$425,000 of the housesite value
 - The homestead exemption is tiered based on household income, where households with lower incomes can exempt more



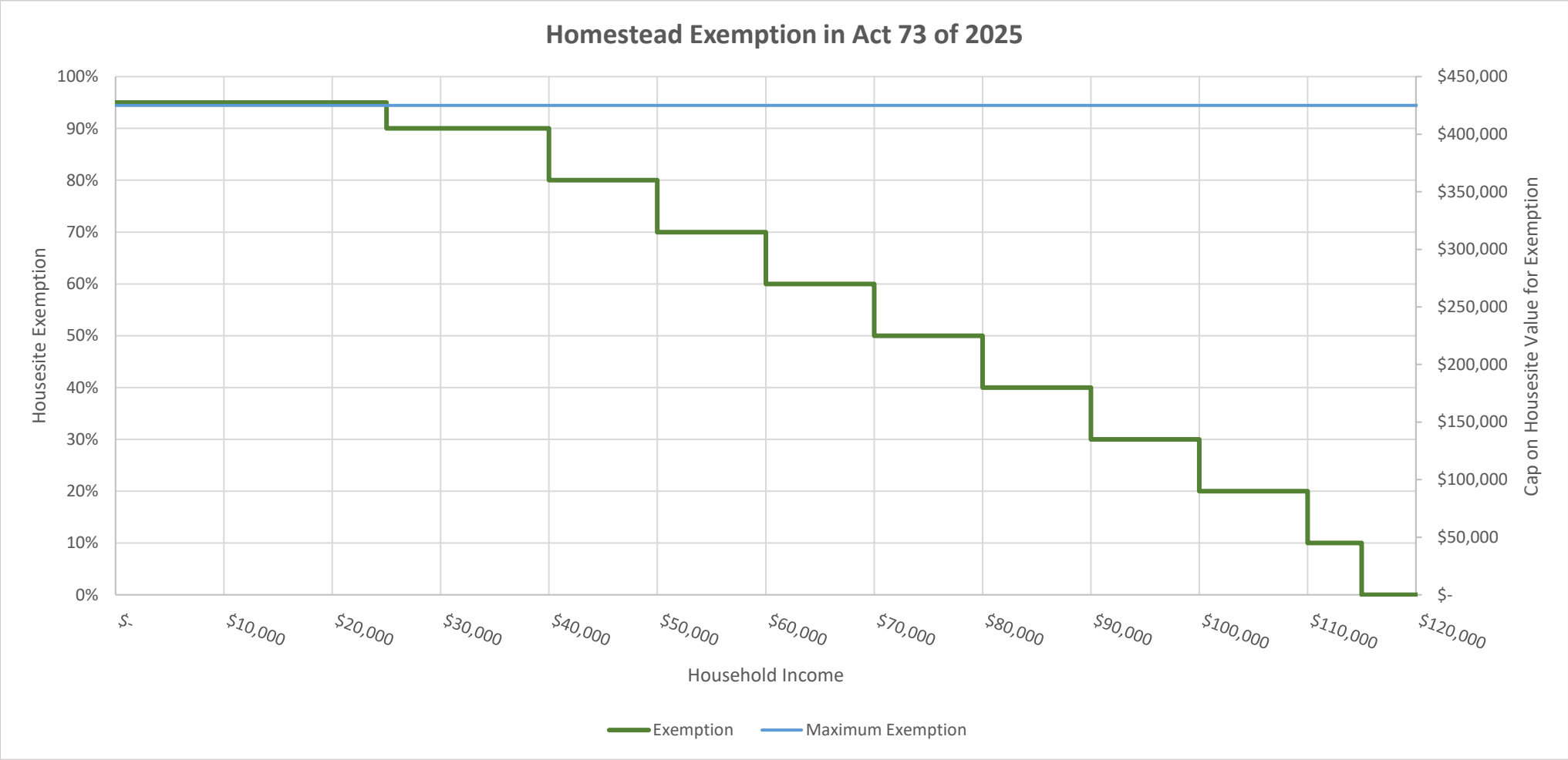
Homestead Exemption in Act 73

- This proposal was estimated to cost approximately \$35 million more than current law property tax credit in fiscal year 2025
- Statutory dollar amounts associated with homestead exemption will be increased annually by inflation

Household Income	Exemption	Cap on Housesite Value Exemption is Applied Against
\$0 to \$25,000	95%	\$425,000
\$25,000 to \$40,000	90%	\$425,000
\$40,000 to \$50,000	80%	\$425,000
\$50,000 to \$60,000	70%	\$425,000
\$60,000 to \$70,000	60%	\$425,000
\$70,000 to \$80,000	50%	\$425,000
\$80,000 to \$90,000	40%	\$425,000
\$90,000 to \$100,000	30%	\$425,000
\$100,000 to \$110,000	20%	\$425,000
\$110,000 to \$115,000	10%	\$425,000
Above \$115,000	0%	-



Homestead Exemption in Act 73



Homestead Exemption Modeling Assumptions

- Modeling was complex and necessitated multiple assumptions regarding mechanics and levers at play, including:
 - Used fiscal year 2025 data
 - Included only those filers who qualified for a property tax credit in fiscal year 2025
 - Disregarded the property tax credit lag
 - Assumed the credit earned in fiscal year 2025 also applied to fiscal year 2025 bills
 - Projected 2024 income based on consensus growth equations
 - Assumed all else was held equal



Filer Groups Used in Homestead Exemption Modeling

Estimated number of housesites with a household income under \$115,000 in fiscal year 2025 under current law

Household Income	Equalized Housesite Value Group											
	\$0 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$150,000	\$150,000 to \$200,000	\$200,000 to \$250,000	\$250,000 to \$300,000	\$300,000 to \$350,000	\$350,000 to \$400,000	\$400,000 to \$450,000	\$450,000 to \$500,000	Above \$500,000	Grand Total
0 to \$5,000	40	70	90	130	110	70	50	40	***	***	80	730
5,000 to \$10,000	70	120	200	200	150	100	60	40	***	***	20	970
10,000 to \$15,000	200	350	480	490	310	220	130	90	50	20	60	2,390
\$15,000 to \$20,000	260	410	620	700	520	330	210	100	70	50	70	3,320
\$20,000 to \$25,000	230	360	670	830	600	430	280	160	90	50	80	3,780
\$25,000 to \$30,000	220	410	680	900	770	490	350	200	150	60	110	4,350
\$30,000 to \$35,000	240	430	730	920	830	570	380	230	140	80	130	4,670
\$35,000 to \$40,000	250	380	780	1,110	920	600	410	280	160	90	130	5,100
\$40,000 to \$45,000	220	380	760	1,160	1,020	690	480	290	180	90	180	5,440
\$45,000 to \$50,000	190	330	740	1,210	1,130	770	570	340	180	110	190	5,760
\$50,000 to \$55,000	190	350	760	1,180	1,140	890	580	420	210	130	190	6,030
\$55,000 to \$60,000	140	240	720	1,180	1,150	830	650	390	220	130	210	5,860
\$60,000 to \$65,000	130	240	670	1,110	1,180	930	710	410	220	160	260	6,020
\$65,000 to \$70,000	100	190	580	1,100	1,140	880	700	460	260	150	270	5,810
\$70,000 to \$75,000	100	170	500	1,000	1,150	860	700	500	290	190	330	5,770
\$75,000 to \$80,000	70	170	460	970	1,070	890	680	450	270	180	300	5,510
\$80,000 to \$85,000	60	140	370	860	940	870	670	490	320	200	340	5,250
\$85,000 to \$90,000	50	130	400	770	990	870	750	490	310	190	360	5,290
\$90,000 to \$95,000	40	120	340	790	890	790	650	490	310	210	340	4,960
\$95,000 to \$100,000	50	80	330	710	860	800	660	520	300	170	360	4,830
\$100,000 to \$105,000	40	90	290	630	780	740	660	510	290	200	360	4,570
\$105,000 to \$110,000	30	60	210	580	760	740	660	500	330	200	360	4,420
\$110,000 to \$115,000	20	60	180	500	750	710	590	490	350	200	360	4,210

Notes: 1) numbers of households have been rounded to the nearest 10. 2) cells with *** represent the data that have been suppressed.



Modeled Filer Groups' Average Net Education Property Tax Liability

Estimated average net education property tax of housesites with a household income under \$115,000 in fiscal year 2025 under current law

Household Income	Equalized Housesite Value Group											
	\$0 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$150,000	\$150,000 to \$200,000	\$200,000 to \$250,000	\$250,000 to \$300,000	\$300,000 to \$350,000	\$350,000 to \$400,000	\$400,000 to \$450,000	\$450,000 to \$500,000	Above \$500,000	Average
0 to \$5,000	\$0	\$10	\$10	\$0	\$10	\$10	\$10	\$40	\$380	\$1,210	\$4,810	\$570
5,000 to \$10,000	\$0	\$30	\$40	\$40	\$40	\$40	\$40	\$80	\$410	\$960	\$6,980	\$180
10,000 to \$15,000	\$80	\$180	\$190	\$190	\$190	\$190	\$190	\$250	\$610	\$1,280	\$3,150	\$270
\$15,000 to \$20,000	\$100	\$250	\$260	\$260	\$260	\$260	\$270	\$300	\$650	\$1,270	\$3,640	\$340
\$20,000 to \$25,000	\$130	\$310	\$340	\$340	\$340	\$340	\$340	\$370	\$700	\$1,390	\$3,200	\$410
\$25,000 to \$30,000	\$180	\$520	\$550	\$550	\$550	\$550	\$550	\$560	\$850	\$1,540	\$4,330	\$650
\$30,000 to \$35,000	\$180	\$590	\$650	\$650	\$650	\$650	\$650	\$650	\$990	\$1,640	\$3,830	\$740
\$35,000 to \$40,000	\$190	\$660	\$740	\$750	\$750	\$750	\$750	\$760	\$1,070	\$1,710	\$3,900	\$820
\$40,000 to \$45,000	\$180	\$730	\$840	\$850	\$850	\$850	\$850	\$850	\$1,150	\$1,810	\$3,990	\$940
\$45,000 to \$50,000	\$300	\$870	\$1,060	\$1,090	\$1,100	\$1,110	\$1,130	\$1,130	\$1,460	\$2,100	\$4,250	\$1,190
\$50,000 to \$55,000	\$370	\$990	\$1,280	\$1,290	\$1,320	\$1,360	\$1,360	\$1,360	\$1,670	\$2,340	\$4,650	\$1,410
\$55,000 to \$60,000	\$410	\$980	\$1,390	\$1,420	\$1,450	\$1,470	\$1,490	\$1,480	\$1,820	\$2,440	\$4,280	\$1,540
\$60,000 to \$65,000	\$390	\$1,020	\$1,470	\$1,530	\$1,580	\$1,600	\$1,610	\$1,630	\$1,920	\$2,600	\$4,730	\$1,690
\$65,000 to \$70,000	\$400	\$1,000	\$1,540	\$1,660	\$1,700	\$1,720	\$1,740	\$1,750	\$2,100	\$2,760	\$4,900	\$1,830
\$70,000 to \$75,000	\$400	\$1,000	\$1,570	\$1,780	\$1,820	\$1,830	\$1,860	\$1,870	\$2,190	\$2,860	\$4,930	\$1,980
\$75,000 to \$80,000	\$410	\$1,020	\$1,610	\$1,900	\$1,950	\$1,970	\$1,980	\$2,010	\$2,320	\$3,030	\$5,140	\$2,110
\$80,000 to \$85,000	\$380	\$1,020	\$1,610	\$2,000	\$2,060	\$2,100	\$2,120	\$2,130	\$2,460	\$3,140	\$5,700	\$2,290
\$85,000 to \$90,000	\$360	\$1,010	\$1,600	\$2,120	\$2,180	\$2,230	\$2,260	\$2,250	\$2,570	\$3,250	\$5,390	\$2,390
\$90,000 to \$95,000	\$400	\$1,010	\$1,590	\$2,150	\$2,360	\$3,010	\$3,680	\$4,300	\$5,040	\$5,670	\$8,020	\$3,390
\$95,000 to \$100,000	\$400	\$1,040	\$1,620	\$2,210	\$2,530	\$3,130	\$3,810	\$4,460	\$5,110	\$5,820	\$8,180	\$3,550
\$100,000 to \$105,000	\$410	\$1,020	\$1,640	\$2,220	\$2,620	\$3,250	\$3,940	\$4,570	\$5,280	\$5,990	\$7,950	\$3,690
\$105,000 to \$110,000	\$450	\$1,040	\$1,620	\$2,200	\$2,760	\$3,360	\$4,030	\$4,720	\$5,350	\$6,090	\$8,180	\$3,900
\$110,000 to \$115,000	\$390	\$1,040	\$1,580	\$2,210	\$2,830	\$3,490	\$4,150	\$4,810	\$5,540	\$6,170	\$8,340	\$4,050

Note: 1) average liabilities have been rounded to the nearest 10.



Estimated Average Impact of Homestead Exemption on Filing Groups' Education Property Tax Liability

Household Income	Equalized Housesite Value Group											
	\$0 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$150,000	\$150,000 to \$200,000	\$200,000 to \$250,000	\$250,000 to \$300,000	\$300,000 to \$350,000	\$350,000 to \$400,000	\$400,000 to \$450,000	\$450,000 to \$500,000	Above \$500,000	Total
0 to \$5,000	\$52	\$39	\$72	\$116	\$136	\$175	\$209	\$199	-\$61	-\$250	-\$158	\$69
5,000 to \$10,000	\$41	\$22	\$42	\$71	\$104	\$145	\$177	\$177	-\$62	-\$94	-\$129	\$73
10,000 to \$15,000	-\$62	-\$133	-\$109	-\$77	-\$43	-\$9	\$24	\$4	-\$245	-\$286	-\$249	-\$80
\$15,000 to \$20,000	-\$80	-\$198	-\$182	-\$151	-\$118	-\$82	-\$48	-\$44	-\$278	-\$351	-\$340	-\$144
\$20,000 to \$25,000	-\$114	-\$262	-\$254	-\$225	-\$193	-\$156	-\$123	-\$118	-\$346	-\$415	-\$221	-\$208
\$25,000 to \$30,000	-\$145	-\$417	-\$387	-\$326	-\$257	-\$190	-\$119	-\$65	-\$246	-\$320	-\$268	-\$274
\$30,000 to \$35,000	-\$143	-\$490	-\$488	-\$429	-\$362	-\$291	-\$223	-\$158	-\$352	-\$411	-\$391	-\$367
\$35,000 to \$40,000	-\$155	-\$560	-\$581	-\$529	-\$461	-\$391	-\$326	-\$257	-\$436	-\$520	-\$491	-\$458
\$40,000 to \$45,000	-\$106	-\$525	-\$515	-\$400	-\$271	-\$126	\$8	\$143	\$34	-\$57	-\$12	-\$256
\$45,000 to \$50,000	-\$226	-\$670	-\$740	-\$644	-\$522	-\$392	-\$277	-\$148	-\$284	-\$311	-\$281	-\$492
\$50,000 to \$55,000	-\$260	-\$692	-\$797	-\$628	-\$454	-\$274	-\$78	\$122	\$73	\$21	\$14	-\$393
\$55,000 to \$60,000	-\$283	-\$679	-\$905	-\$752	-\$580	-\$397	-\$213	-\$10	-\$66	-\$106	-\$103	-\$501
\$60,000 to \$65,000	-\$229	-\$611	-\$827	-\$645	-\$415	-\$165	\$96	\$359	\$372	\$315	\$322	-\$276
\$65,000 to \$70,000	-\$240	-\$599	-\$898	-\$765	-\$543	-\$287	-\$30	\$223	\$228	\$172	\$229	-\$369
\$70,000 to \$75,000	-\$200	-\$500	-\$767	-\$674	-\$376	-\$63	\$265	\$586	\$659	\$625	\$673	-\$111
\$75,000 to \$80,000	-\$205	-\$507	-\$791	-\$787	-\$503	-\$185	\$136	\$474	\$531	\$486	\$518	-\$225
\$80,000 to \$85,000	-\$153	-\$401	-\$636	-\$668	-\$335	\$37	\$430	\$826	\$959	\$933	\$937	\$66
\$85,000 to \$90,000	-\$141	-\$399	-\$632	-\$766	-\$459	-\$78	\$310	\$701	\$813	\$779	\$832	-\$28
\$90,000 to \$95,000	-\$111	-\$300	-\$458	-\$598	-\$362	-\$493	-\$694	-\$868	-\$1,071	-\$1,079	-\$1,089	-\$641
\$95,000 to \$100,000	-\$119	-\$312	-\$482	-\$640	-\$493	-\$616	-\$814	-\$1,003	-\$1,167	-\$1,219	-\$1,222	-\$748
\$100,000 to \$105,000	-\$82	-\$195	-\$317	-\$431	-\$311	-\$382	-\$522	-\$653	-\$756	-\$759	-\$737	-\$485
\$105,000 to \$110,000	-\$89	-\$203	-\$318	-\$429	-\$444	-\$509	-\$643	-\$776	-\$872	-\$905	-\$926	-\$601
\$110,000 to \$115,000	-\$39	-\$95	-\$129	-\$208	-\$232	-\$279	-\$347	-\$394	-\$465	-\$498	-\$458	-\$316

Note: cells highlighted in blue represent household groups that would have an average decrease in estimated liability; cells in white represent household groups that would have an average increase in estimated liability.



Creation of Transition Mechanisms

Contingently effective July 1, 2028



Act 73 Fiscal Transition Mechanisms

- **Transition from a district's Education Spending to its Education Opportunity Payment (EOP)**
 - Calculated for each school district and narrows the gap between the school district's fiscal year 2025 education spending (adjusted for inflation) and its EOP over multiple years
- **Transition of the permitted cap of supplemental district spending**
 - Decreases the amount a school district is permitted to spend in supplemental district spending over time
- **Transition for homestead property tax rates**
 - Calculated for each school district and narrows the difference between a school district's homestead property tax prior to the implementation of Act 73 tax rates over multiple years



Education Spending to Educational Opportunity Payment (EOP) Transition

- For each fiscal year of the EOP transition, the transition gap will be calculated for each school district
 - May be positive or negative
- The transition gap will be calculated for each school district by subtracting the EOP from the district's education spending in fiscal year 2025, adjusted for inflation:

$$\text{EOP Transition Gap} = \text{Inflation Adjusted FY 2025 Education Spending} - \text{EOP}$$

- Depending on the year of the transition, the school district's transition gap will be multiplied by 0.8, 0.6, 0.4, or 0.2
- During each year of the transition, a school district will receive its EOP plus its factor-adjusted transition gap

EOP Transition in Act 73

Year of transition	School district foundation formula payment
FY 2029	$= \text{EOP} + 0.8(\text{Transition Gap})$
FY 2030	$= \text{EOP} + 0.6(\text{Transition Gap})$
FY 2031	$= \text{EOP} + 0.4(\text{Transition Gap})$
FY 2032	$= \text{EOP} + 0.2(\text{Transition Gap})$
FY 2033	$= \text{EOP}$



Supplemental District Spending Transition

- The amount a school district is allowed in supplemental district spending will decrease over time
- In fiscal years 2029 through 2033, upon voter approval, a school district is permitted supplemental district spending up to 10% of its LTM multiplied by the base amount of the same fiscal year
- The maximum percentage will then decrease by 1% each year, until fiscal year 2038 when the statutory percentage of 5% would be realized

SDS Transition in Act 73

Year of transition	Permitted SDS Percentage
FY 2029	10%
FY 2030	10%
FY 2031	10%
FY 2032	10%
FY 2033	10%
FY 2034	9%
FY 2035	8%
FY 2036	7%
FY 2037	6%
FY 2038	5%



Homestead Property Tax Rate Transition

- For each fiscal year of the tax transition, the tax transition gap will be calculated for each school district
 - May be positive or negative
- The tax transition gap for each school district would be the difference between the homestead property tax rate in fiscal year 2028 and the rate in fiscal year 2029 absent the gap:

$$\text{Tax Transition Gap} = \text{FY2028 HS Tax Rate} - \text{Assumed FY2029 HS Tax Rate}^*$$

- Depending on the year, the transition gap will be multiplied by 0.8, 0.6, 0.4, or 0.2 to produce the number of cents that will be used to increase or decrease each districts' uniform homestead tax rate

Tax Transition in Act 73

Year of transition	School district Homestead (HS) Tax Rate
FY 2029	$= \text{HS Tax Rate} + 0.8(\text{Tax Transition Gap})$
FY 2030	$= \text{HS Tax Rate} + 0.6(\text{Tax Transition Gap})$
FY 2031	$= \text{HS Tax Rate} + 0.4(\text{Tax Transition Gap})$
FY 2032	$= \text{HS Tax Rate} + 0.2(\text{Tax Transition Gap})$
FY 2033	$= \text{HS Tax Rate}$

*Note: to calculate the transition gap, the fiscal year 2029 tax rate is calculated assuming no tax rate transition.



Considerations



Considerations

- Many pieces of Act 73 are contingently effective on outstanding policy work, including new school district boundaries and an updated cost function report
 - This means for those pieces to come into effect, further policy work is required
- In addition to the follow-up work that has already been produced, Act 73 requires follow-up work from various entities in the coming years
- Additional ongoing work on areas of educational quality, governance, and finance, include:
 - Special education
 - Statewide school calendar
 - School district voting wards
 - Recommended updates to the foundation formula
 - Homestead exemption
 - Property tax classification
 - Regional assessment districts



Questions?



Resources

- [Act 73 Fiscal Note](#)
- [Overview of Supplemental District Spending in Act 73](#)
- [Slides of Homestead Exemption in Act 73](#)

