LEGISLATIVE WRAP-UP

2026

Prepared By:

Right for Vermont Foundation

A summary of legislative actions impacting affordability, taxes, energy, housing, healthcare and economic growth

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VERMONT'S AFFORDABILITY CRISIS

Affordability is the defining challenge facing Vermont. The decisions made during the most recent legislative session reflect differing approaches to addressing the crisis. Unfortunately, too often, root causes and logical consequences have been ignored by policymakers.

Across the state, Vermonters are increasingly clear about the pressures they face. Property taxes continue to rise, housing remains out of reach for many working families, and the costs of healthcare, energy, and basic services continue to climb. At the same time, school budgets have grown beyond what taxpayers can sustain, while failing to deliver expected performance outcomes. Meanwhile, communities are confronting aging infrastructure that fails to meet current demands and continues its fall further behind.

As a result, Vermonters are leaving the state. They can no longer afford to stay.

Too often, the policy response in Montpelier has focused on increasing spending, regulation, and taxation rather than structural reform. Those decisions carry long-term implications for affordability, economic competitiveness, and population trends.

The policies enacted now will shape the state's fiscal and economic trajectory for decades to come. Our mission at the Right for Vermont Foundation is to advance a more prosperous and affordable Vermont through fiscally responsible policies rooted in subsidiarity, reduced taxes and regulations, government transparency and accountability, and expanded opportunity for families, businesses, and communities across the state.

We envision a Vermont where residents can thrive in an environment of economic freedom and affordability — where property taxes do not force families to choose between staying in their homes or leaving the state; where regulations support innovation rather than inhibit it; where government operates openly and is held to high standards of accountability; and where every Vermonter has the opportunity to achieve prosperity through hard work, entrepreneurship, and personal responsibility.

This report from the Right for Vermont Foundation provides an overview of the major legislative outcomes from the 2026 session and the potential implications for affordability, freedom, and economic opportunity in the state.

Clara Morrison
Executive Director
Right for Vermont Foundation

RIGHT FOR VERMONT FOUNDATION POLICY PRIORITIES

- **Reforming Vermont's tax system** by providing lasting property tax relief, flattening income tax brackets, lowering the top rate, and indexing brackets to inflation to reward growth rather than penalize success.

- **Championing school choice and education funding reform** so that dollars follow students—not district boundaries—giving every Vermont family access to an education that works for them while helping control long-term education costs.

- **Advocating for healthcare transparency and competition** to expand access to affordable, high-quality care and reduce the costs imposed by Vermont's heavily regulated healthcare system.

- **Supporting an all-of-the-above energy strategy** that prioritizes affordability, reliability, and abundance while rejecting costly mandates that limit consumer choice.

- **Advancing regulatory modernization and land-use reform** to reduce barriers to housing and development, streamline permitting, repeal outdated mandates, and create a predictable environment that encourages investment, innovation, and economic growth.

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EDUCATION & PROPERTY TAXES

Going into the 2026 legislative session, one of the biggest questions was how lawmakers would reform Vermont's education system to provide property tax relief. The current trajectory is unsustainable for taxpayers, as property taxes continue to rise even as student enrollment (and performance) declines. Vermont currently ranks last in the nation for property tax structure, reflecting a system that is both complex and unpredictable. Although lawmakers took steps this session to reduce immediate tax increases and begin restructuring the education system, many of the reforms needed to deliver lasting affordability, such as the implementation of the foundation formula, remain years away, leaving taxpayers to continue shouldering the costs of a system that spends more while serving fewer students. Reform does not have to take that long. States such as Tennessee have demonstrated that major changes to education funding systems can be designed and implemented within just a few years, and Vermont owes it to taxpayers to pursue reform more quickly rather than asking them to wait until the next decade to see whether promised changes deliver results.

Lasting reform must also embrace greater choice, competition, and flexibility within the education system to ensure every family has access to an education that works best for their child, regardless of zip code or income. When families have meaningful educational options, schools are encouraged to innovate, respond to student needs, and use taxpayer dollars more efficiently. Though not achieved this year, expanding education freedom should be a part of any long-term strategy to improve outcomes while bringing costs under control.

EDUCATION REFORM AND YIELD BILL

PASSED

H. 955

H.955 was designed to encourage (but not mandate) school district consolidation, regional coordination, and expanded use of shared service structures through Cooperative Educational Service Areas (CESAs). While the bill establishes a framework for long-term restructuring, its near-term fiscal impact is limited because it does require districts to change. The success of the policy will depend on whether districts choose to consolidate and whether those consolidations generate measurable administrative and operational savings. Any anticipated cost reductions will then occur gradually over several years.

- Near-term education spending growth will continue to be driven largely by local and regional budget decisions.
- Act 73's foundation formula, if upheld by a vote next year, will be implemented in FY2030, meaning fiscally responsible funding shifts are still 4–5 years away.
- District merger votes are expected to take place on Town Meeting Day in March 2028.
- School construction aid ranges from a base 30% state contribution to as much as 75%. Higher subsidy levels are tied to consolidation activity and district size, (specifically districts serving 2,000 students or more)

EDUCATION & PROPERTY TAXES (CONTINUED)

H.949

The annual yield bill provides short-term property tax relief while making several policy changes intended to slow education spending growth during the transition to Vermont's new foundation funding formula. However, without deeper structural reforms to align spending with long-term revenue capacity, taxpayers will face even more property tax pressure in future years as one-time relief expires.

- More than $100 million from the General Fund was used as a one-time buy down to reduce projected property tax increases from 12% to approximately 3.8% this year.
- The excess spending threshold for districts will be gradually reduced from 118% of the statewide average spending level to approximately 113% over several years.
  - Lowering the threshold means more districts will face tax penalties when spending exceeds state benchmarks in an effort to moderate spending growth until the foundation formula is fully implemented.
- Annual tuition increases charged by receiving schools are capped at the prior year's statewide education spending growth rate.

MISSED OPPORTUNITIES TO EXPAND EDUCATION FREEDOM

H.89

H.89 would have Extended Vermont's school choice tradition to every student in the state, empowering families to select the educational environment that best fits their children's needs. School choice is an important part of improving both educational outcomes and system efficiency, so expanding educational freedom should remain a central part of future education reform efforts.

H.616

H.616 would have allowed students to enroll full-time in virtual learning programs. While virtual education is not the right fit for every student, it can provide an important option for families seeking greater flexibility, specialized coursework, alternative learning environments, or accommodations that may not be available in traditional settings. As technology continues to expand educational opportunities, Vermont should embrace policies that allow families to choose the learning environment that works best for their children.

TAXES & SPENDING

Despite this session's focus on affordability (and lawmakers ultimately relying on a General Fund transfer to provide property tax relief) proposals continued to emerge that would increase taxes elsewhere. Legislators approved new taxes and fees to address Transportation Fund shortfalls, while separate efforts to raise income tax rates on high-income earners ultimately failed. Vermont's tax system is already among the most progressive in the country: the top one percent of income tax filers contribute roughly one-third of all state income tax revenue. When such a large share of revenue comes from a relatively small number of taxpayers, even modest outmigration can have significant fiscal consequences. Rather than seeking additional revenue through higher tax rates, Vermont should manage costs strategically in order to restrict spending, and focus on policies that encourage economic growth, attract investment, and retain residents. A more competitive tax structure would broaden the tax base, simplify and flatten tax brackets, lower rates where possible, and index brackets to inflation to create the conditions for more Vermonters to succeed.

TAX AND BUDGET PROPOSALS

PASSED

H.951

Vermont's FY2027 budget was funded at $9.4 billion, a 2.9% increase over the prior year and roughly $14,500 per Vermonter. While this growth is more restrained than in recent years, state spending continues to outpace both inflation and population growth. Without structural reforms to address underlying cost drivers, sustained spending increases will continue to place upward pressure on taxpayers in the years ahead.

PASSED

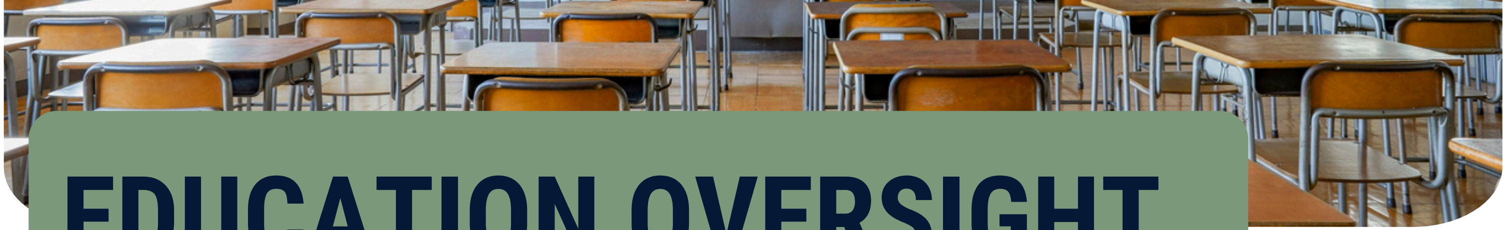
H.944

H.944 established a mileage-based user fee of $0.014 per mile for electric vehicles beginning in 2027, replacing the current flat EV registration fee. While the measure reflects an understandable effort to adapt transportation funding to changing vehicle technology, it is a notable expansion of state government oversight that risks future expansion to include hybrid or other lower-emission vehicles. The tax applies only to Vermont-registered vehicles, as mileage is tracked through the state inspection process. Overall, it adds another layer of complexity to Vermont's already complex tax code.

FAILED

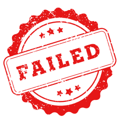
Committee Bill 26-0804

This proposal offered a significant increase in taxes on high-income households, investors, and many small business owners. The original proposal would have raised Vermont's top marginal income tax rate to 13.3% on income above $586,000 for joint filers and $480,000 for single filers, while also imposing an additional 4% surtax on investment income. Had it been enacted, Vermont would have had the highest top marginal income tax rate in the nation, tied only with California (where the top rate does not apply until income exceeds $1.5 million), making the state far less competitive for investment, entrepreneurship, and economic growth.



EDUCATION OVERSIGHT

Vermont's heavily regulated childcare market has made it increasingly difficult to operate a sustainable childcare business in the state. The cumulative burden of regulations and compliance costs has contributed to provider shortages, limiting available options for families, particularly in rural and lower-income communities, to the point where much of Vermont is considered a childcare desert. Unfortunately, rather than pursuing reforms that would reduce barriers to entry and expand the supply of providers, policymakers considered proposals to increase regulatory oversight of early childhood educators. Additional mandates would have imposed new costs and administrative burdens on providers, further straining an already limited childcare system and potentially reducing the affordability and accessibility of care for Vermont families.



S.206

The proposed changes to childcare licensing in S.206 would have established new training, education, and administrative requirements for providers at different licensing tiers under the Office of Professional Regulation.

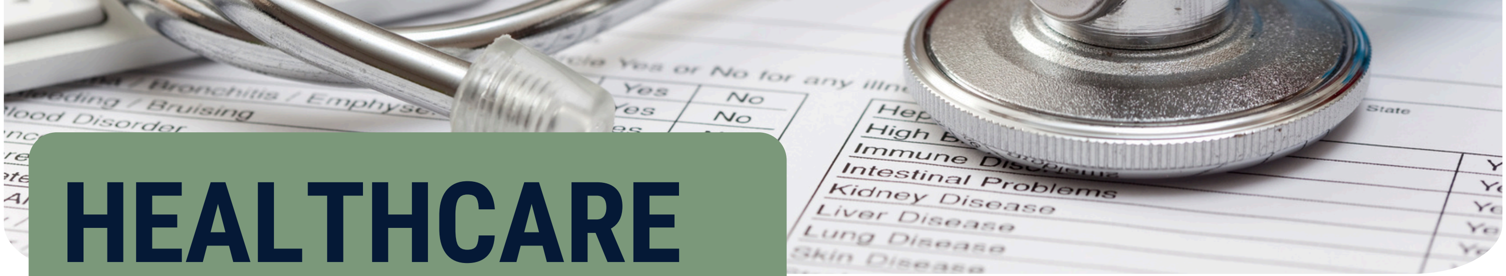
- Required approximately 120 hours of training for entry-level licensure
- Established tiered licensing structure with higher tiers requiring a bachelor's degree
- Imposed annual licensing and renewal fees for providers

In an effort to address chronic absenteeism and improve student outcomes, lawmakers passed legislation that significantly expands the state's authority to enforce school attendance requirements. Under the new law, parents or guardians who, after receiving notice, fail without legal excuse to ensure a child attends school may face financial penalties up to $1,000. While chronic absenteeism is a legitimate concern that can negatively affect educational achievement, the legislation represents a substantial increase in government involvement in family decision-making and raises questions about whether punitive enforcement measures are the most effective way to address the underlying causes of student absenteeism.

H.930

H.930 establishes a statewide framework for identifying and responding to chronic absenteeism while strengthening attendance monitoring and intervention requirements for schools.

- Defines chronic absenteeism as missing 10% or more of school days during an academic year.
- Requires schools to identify chronically absent students and implement attendance intervention plans and expands attendance monitoring, reporting, and coordination efforts between schools, families, and support services.
- Strengthens enforcement mechanisms within Vermont's compulsory attendance laws for cases of persistent noncompliance, including fines on parents or guardians up to $1,000
- A proposed amendment that would have significantly expanded state oversight of homeschooling families was ultimately rejected.



HEALTHCARE

Decades of heavy regulation, price controls, and centralized decision-making have produced a healthcare environment in Vermont where costs continue to rise, competition is stifled, and incentives are misaligned. Instead of fostering an environment that would give patients more affordable choices, the state has created a healthcare system in which dominant providers have no real incentive to lower prices, and interested competitors face red tape that makes it difficult to enter the market. The cost of care reflects these constraints on the market: Vermont has the highest healthcare costs in the nation, with insurance premiums significantly higher than the national average.

This year, lawmakers took important (though narrow) steps to expand provider supply and improve access, particularly in rural areas. But simultaneous expansion of centralized rate-setting and system design authority threatens long-term incentives that could threaten provider sustainability and access to high quality care.

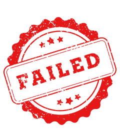
EXPANDING WORKFORCE SUPPLY AND ACCESS TO CARE

S.64

S.64 expands the scope of practice for optometrists, allowing them to provide a broader range of services. Especially in rural areas, where specialist shortages are most acute, this change is expected to improve access to routine eye care, shorten wait times, and allow ophthalmologists to focus on more complex cases.

S.142

S.142 creates a more accessible pathway for internationally trained physicians to enter Vermont's healthcare system. Given persistent physician shortages across the state, this reform helps expand the pipeline of providers and strengthens access to primary and specialty care, particularly in rural communities.



H.771

H.771 would have exempted ambulatory surgical centers from certificate of need requirements, but in a failure to reduce regulatory barriers and expand lower-cost outpatient surgical capacity in Vermont, the bill did not advance.

Certificate of need requirements remain a structural constraint on the development of alternative care settings, limiting competition and slowing the expansion of more efficient delivery models that could help reduce overall system costs.

HEALTHCARE

(CONTINUED)

HEALTHCARE CENTRALIZATION THAT COULD THREATEN AFFORDABILITY AND ACCESS

VETOED

S.190

S.190 would have significantly expanded the authority of the Green Mountain Care Board by granting it power to cap the rates hospitals may charge Qualified Health Plans and VEHI plans, while also prohibiting hospitals from billing patients above state-approved rates. The Board would have been further tasked with ensuring that insurance premiums decline as a result of these pricing controls.

While framed as a cost-containment measure, this approach would have increased reliance on centralized rate-setting in a system already facing significant financial strain. This concern is amplified by the underlying fiscal reality of Vermont's hospital system: in 2025, two-thirds of Vermont hospitals reported operating losses. In that context, broad-based price constraints risk further tightening margins in a sector that is already under pressure, with potential downstream effects on access and capacity.

PASSED

S.197

S.197 directs the development of a framework for implementing universal primary care, including evaluating the Blueprint for Health as a potential delivery mechanism and assessing whether it should serve as the foundation for statewide primary care expansion.

While improving access to primary care is a shared goal, primary care has historically been most effective when grounded in sustained, relationship-based care between patients and physicians. Expanding state-directed frameworks risks shifts the focus toward complex, costly, and burdensome administrative coordination.

Instead of adding complexity to an already complicated healthcare system, lawmakers should focus on reforms that expand consumer choice and support new care models by removing regulatory barriers for independent primary care practices

ENERGY

Vermont's energy policy has become increasingly driven by climate mandates that prioritize emissions targets over affordability, reliability, and the everyday realities facing working families. Through laws like the Global Warming Solutions Act and proposals such as the Clean Heat Standard, the state government has advanced a narrow energy strategy centered on rapid electrification and reduced reliance on traditional fuels, with significant cost and reliability implications for households across the state. Lawmakers are asking Vermonters to absorb higher costs and fewer energy choices in pursuit of emissions reductions that will have little measurable impact on global climate outcomes.

FAILED ATTEMPTS TO REPEAL OR ROLL BACK CLIMATE MANDATES

FAILED

H.62

H.62 would have repealed the Global Warming Solutions act, which, passed in 2020, legally committed Vermont to greenhouse gas reduction targets of 26% below 2005 levels by 2025, 40% by 2030, and 80% by 2050.

FAILED

H.16

H.16 would have repealed Vermont's Clean Heat Standard, a credit-based regulatory system designed to reduce the use of heating oil, propane, and natural gas over time. However, the policy has been effectively stalled after being deemed too costly and unworkable by the Public Utility Commission. The proposed repeal was largely symbolic, indicating a need for change in Vermont's energy framework.

ENERGY REGULATION AND INFRASTRUCTURE

FAILED

H.740

H.740 would have created a new fuel dealer registry and expanded reporting requirements for heating fuel providers, laying the groundwork for additional data collection in support of the state's climate agenda. While Vermont already collects fuel data at a statewide level, this proposal would have moved toward more granular tracking tied to end-use consumption, placing significant new administrative burdens on fuel dealers - particularly smaller, family-owned businesses in rural communities that may not have the capacity to absorb complex compliance requirements.

VETOED

H.710

H.710 would have redefined electricity generating facilities and expanded pathways for renewable energy development, particularly solar projects. Framed as a renewable development measure, the bill would have made it easier to site large-scale solar projects on agricultural and forested land by expanding where such projects can be developed and reducing some existing land-use constraints. Combined with Vermont's existing subsidy structures, it risked incentivizing the conversion of productive farmland and forestland to energy production, creating long-term tradeoffs for Vermont's working landscape.

LAND-USE REGULATION

Vermont is facing significant regulatory barriers in housing and development, with many investments diverted, delayed, or denied due to extensive and often costly land use review requirements. In 2024, lawmakers overrode Governor Scott's veto to enact Act 181, a major update to Vermont's Act 250 framework. Initially promoted as a modernization effort to ease restrictions in designated growth areas and to strengthen protections in sensitive regions, the final bill left many rural communities in a difficult position, with landowners and developers facing even more regulatory hurdles. In the context of a severe housing shortage, persistently low vacancy rates, and rising housing costs statewide (driven primarily by supply constraints rooted in regulatory barriers that increase cost, delay, and uncertainty in new development) lawmakers did make some progress on easing requirements for rural development, but there is still significant work to be done.

S. 325

Advanced targeted reforms to reduce barriers to housing and land development in rural parts of the state by repealing several provisions enacted under Act 181.

- Eliminates the "Road Rule," which would have triggered Act 250 review for homes built on private roads or driveways longer than 800 feet.
- Removes Tier 3 jurisdiction, which would have expanded state-level land use oversight across large areas of undeveloped land.
- A proposed exemption for certain on-farm accessory buildings (including storage, sales, and processing of agricultural products) was removed in conference committee, leaving those permitting issues unresolved.

H.727

Would have imposed one of the nation's most restrictive regulatory frameworks on data center development.

- The Governor's veto preserves a more flexible environment for digital infrastructure investment. Vermont's existing Act 250 framework already limits development, and additional regulation could have further reduced competitiveness in this sector.

H.70

Would have recognized land enrolled in Vermont's Current Use program as contributing toward the state's broader land conservation goals under Act 59, including targets of 30% conserved by 2030 and 50% by 2050.

- Sought to reduce pressure for new regulatory expansion by accounting for privately owned working lands already managed for agriculture and forestry.
- Failed to get a vote, leaving unresolved questions about how Vermont will meet ambitious conservation targets while maintaining a system where roughly 80% of land is privately owned.

RIGHT FOR VERMONT FOUNDATION

A more affordable, competitive Vermont is achievable, but it requires a shift in policy direction.

Next year, an affordability-focused framework should include:

Tax Reform

- Lower and flatter income tax structure
- Property tax reform tied to spending discipline
- Indexing tax brackets to inflation to prevent hidden tax increases

Energy Policy

- An all-of-the-above energy strategy
- Focus on reliability and cost containment alongside environmental goals
- Repeal mandates that increase consumer prices

Regulatory

- Streamlined permitting for housing and infrastructure
- Reduction of duplicative mandates and compliance burdens
- Predictable rules that encourage investment and job creation

Education Freedom

- Expanded school choice and open enrollment options
- Greater flexibility for high-quality alternative providers
- Structural cost containment through consolidation and shared services
- Incentives for fiscal restraint that align spending with outcomes

Healthcare

- Repealing Certificate of Need to reduce barriers to entry
- Increased transparency and competition
- Expanded access to independent Direct Primary Care