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# Accountable Education Funding Proposal

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## Introduction

The Accountable Education Funding (AEF) Working Group is a citizen led group that was formed to tackle Vermont's interrelated challenges of rising PK-12 education spending and exceptionally high property taxes. With clear intention to meet the state's obligations as expressed in the Vermont Constitution and in Statute, members of the AEF Working Group submit this AEF Proposal for consideration by our legislative representatives and other concerned stakeholders.

This proposal has been created to address the below interrelated challenges associated with our current education funding system. We conclude that these challenges require reforms that address the underlying structural and systemic issues that drive them all.

1. The statewide population of PK-12 students has declined by 20% over the past 15 years, and in some regions far more than that. Despite this population decline, statewide spending has continued to rise across all size schools and districts.
2. Many residential property owners and all commercial property owners face uncommonly high property tax burdens in Vermont. All property tax payers face increasing tax burdens, while median income is flat to declining. Such burdens effectively undermine affordability and economic growth.
3. Despite efforts to equalize education spending through redistributive mechanisms embodied in Acts 60/68, there continues to be significant inequities in access to educational resources and opportunities among Vermont schools.
4. High PK-12 spending undermines funding availability for high ROI early interventions that would reduce costs of education delivery as well as funding for expanding access to higher education vital to broadening economic prosperity.

The AEF Working Group identified principles to guide our consideration of reform options, as many of us came from different backgrounds with different priorities regarding the aforementioned challenges. We maintain that any constructive education funding reform proposal must serve all these principles: simplicity, transparency, equity, value, standards and community.

With these principles in mind, the AEF Working Group defined the following comprehensive list of reform objectives:

1. Provide statewide funding for substantially equal access to excellent education opportunities regardless of where a student resides

2. Establish thresholds for minimum education opportunity and cost effectiveness
3. Cultivate sufficient simplicity and transparency to support effective governance and increase accountability
4. Broaden accountability for expenditure decisions to restore restraint
5. Leverage and promote community engagement in the success of our schools

Based upon a review of effective funding systems in other states and current education finance literature, we conclude that to meet the above objectives our legislature must substantially alter our funding system- both in terms of what the state pays for and how it raises funds to pay for these costs. We conclude that our current system, which requires funds be raised statewide to fund all school budgets approved by local voters no matter how high the spending or the range of opportunity afforded, is unsustainable and, arguably, not meeting the Brigham mandate or provisions of Article 9 of the Vermont Constitution. In its stead, we offer the following proposal.

## **AEF Proposal Framework**

The AEF Proposal provides a three-part framework for school funding reform in Vermont:

1. Establish a data-driven, reasonable cost standard for Vermont public education to target resources and inform voters
2. Increase predictability and expenditure controls with an equitable and sustainable approach to raising and distributing statewide revenue to school districts
3. Establish accountability mechanisms that incent local school districts to provide high quality educational opportunities at a reasonable cost, establish a floor on education opportunity and eliminate unfunded mandates.

We propose that the three core elements of this proposal be implemented in the following manner:

1. Establish a reasonable cost standard for Vermont public education
  - a. Statewide education funding is limited based upon a determination of a reasonable cost to meet the state's commitment to provide an excellent, substantially equal educational opportunity to all students
  - b. The state's education commitment to all Vermont students is no longer vague but expressly defined in phase one of AEF implementation
  - c. Sufficient equity of opportunity and reasonable costs are derived through:
    - i. A transparent and data-driven process that includes all stakeholders, including urban and rural students
    - ii. Project leadership by experts with extensive experience crafting state education finance systems in sustainable operation today
    - iii. Specification of Vermont's baseline education costs and cost adjustments for reasonable, sustainable responses to need-specific, urban and rural education delivery challenges

- d. Annual statewide funding is tied to populations and rates of inflation and not subject to political influence or budget dynamics
  - e. Statewide funding levels are periodically reviewed based upon current Vermont and regional cost data and opportunity reports rather than legislative politics and annual budget pressures
2. Implement an equitable and sustainable approach to raising and distributing statewide revenue to local school districts
    - a. A single statewide property tax rate is set to raise a fixed percent of statewide education funding, while the balance is provided through the General Fund and other dedicated sources
    - b. Income sensitivity protection for residential homesteads is maintained for raising funds up to statewide education funding levels
    - c. Statewide education funds are dedicated exclusively to support PK-12 public education
    - d. Total district education expenditures are still determined by voters, but spending above the reasonable cost standard funded statewide are supported through local taxes with no extension of income sensitivity
  3. Establish accountability mechanisms
    - a. Incentives to target investments, operate cost-effective schools and consolidate where appropriate are established as full responsibility falls to local voters for funding expenditures above the reasonable cost standard
    - b. Where sufficient opportunity is in question, Education Commitment Certification by the AOE or a contracted certification agent (as is currently used to certify independent schools) is required to maintain statewide funding eligibility
    - c. To prevent excessive spending disparities, a tiered luxury tax is applied to local education spending at defined percentages above the reasonable cost standard
    - d. Any legislation that expands the work of schools must include cost analysis and define funding sources

### Targeting Defined Challenges

As noted above, we assert that many of the challenges we face, lingering or newly arisen, are associated with our current education funding system. To ensure that we are offering a constructive alternative to our current system, the following table ties specific AEF parameters to each of our core issues.

Challenge	Solution
Ever higher demand for more education funding despite declining student population and a faltering economic base, undermining our capacity to fund higher ROI supports for students and families	<ul style="list-style-type: none"> <li>• Define an opportunity commitment and reasonable cost and provide statewide funding only to that level</li> </ul>

<p>Excessively high expenditures in districts of all sizes are driving up property taxes</p>	<ul style="list-style-type: none"> <li>• Define an opportunity commitment and reasonable cost and provide statewide funding only to that level</li> <li>• Fund based upon reasonable staffing assumptions and data-driven cost variables, not current staffing levels and cost assumptions</li> <li>• Fix percentage of statewide funding raised through property taxes</li> <li>• Accountability for excessive spending clear as funding for higher spending levels falls to the community that approves it</li> </ul>
<p>Inequity of opportunity and relative tax rates persist across Vermont</p>	<ul style="list-style-type: none"> <li>• Statewide funding tied to educational commitments, not local votes, to ensure support for sufficiently equal opportunities</li> <li>• Disparities in education opportunity discouraged through targeted, adequate statewide funding and a luxury tax mechanism</li> <li>• Economies of scale not ignored by funding formula, equalizing tax burden relative to opportunities provided</li> <li>• Where sufficient opportunity is in question, Education Commitment Certification by AOE or contracted certification agent is required for continued statewide funding eligibility</li> </ul>

**Comparative Analysis**

We note that until such time as Vermont’s education commitment is defined and reasonable costs are determined there is plenty of room for skepticism that funding adequate to deliver the opportunities we want for all our students would contain spending more effectively than today’s system. Likely, there will also be concern regarding the viability of limiting statewide funding and allowing local spending decisions, while supporting the Brigham ruling. There is no substitute for moving forward to complete the study to define our commitments and reasonable costs, but we can certainly address these concerns with some simple logic at this time.

With regard to curtailing spending, we should look to the track record of funding systems similar to the AEF proposal in use in other states and the outcomes associated with those systems. Eight of the top ten performing states budget education spending in such a

manner and all spend significantly less than Vermont does.<sup>1</sup> Further, we note that the analysis that will determine a reasonable cost would not presume the statewide staff to student ratios of 1 to 4.67 in existence in Vermont today. Our staffing levels, in districts large as well as small, are well outside regional and national norms and are the principal reason for our higher costs per student. While funding levels would be varied based upon factors that impact a reasonable cost, they would not be sufficient to perpetuate very inefficient education delivery. Lastly, commitments and reasonable costs would not be determined by politicians but through a structured methodology led by experts in designing sustainable education finance systems.

Regarding Brigham compliance, we acknowledge that many states using similar adequacy funding systems have constitutions that require adequate education funding but not equity to the same degree that the Brigham ruling indicates that the Vermont Constitution requires. Due to this fact, this proposal differs slightly from their funding systems. The AEF proposal requires that we define the range of student opportunities we commit to delivering statewide and provide statewide funding to that level, instead of reverting to a combination of local taxes coupled with annual state aid contributions. It also adds a tiered luxury tax that establishes downward pressure on higher spending in wealthier communities and raises additional funds for expanding opportunities statewide. Further, as beliefs to the contrary are widely held, it must be noted that equal opportunity does not, according to the Brigham ruling, “necessarily prohibit cities and towns from spending more on education if they so choose.” We presume our justices included this phrase for a reason.

For accurate context on the status quo, we are currently using statewide education funds to support large and excessive disparities in student opportunities. As equalized pupil counts in our funding formula presume no economies of scale, larger districts’ higher expenditures are effectively discounted. Despite available economies, they frequently spend no less and in some cases much more than smaller districts, funding a much greater range of opportunities at an equal or lower tax rate. These inequities will continue to be perpetuated until we discontinue use of the unaudited equalized pupil mechanism to differentiate access to resources. If Act 60/68 is not significantly overhauled in the current legislative session, given what we know of its impact at this stage, it should face a constitutional challenge.

This AEF Proposal offers the following key benefits:

- Leverages education finance best practices in successful use in top performing states
- Budgets statewide education funding for greater predictability and balanced investments
- Targets statewide education investments
- Promotes informed decision-making rather than elimination of local representation

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<sup>1</sup> [“These Are The States With The Best And Worst School Systems, According To New Rankings”](#), [Huffington Post](#), Rebecca Klein, August 4<sup>th</sup> 2014.

- Increases equity of opportunity
- Contains externally driven property tax increases
- Establishes voter accountability for approving unreasonably high spending levels
- Aligns incentives for cost effective education delivery: right-sizing staffing and consolidating classrooms, schools and supervisory unions where appropriate

The AEF Proposal proposes a complete overhaul of our education funding system, but one that would ensure sufficient equity of education opportunity funded statewide, more equitable distribution of statewide resources and tax burden, and restoration of a direct relationship between spending decisions that exceed reasonable and sustainable levels and funding accountability. Restoring incentives, rather than issuing prescriptive mandates, facilitates spending restraint and much more effective use of statewide education resources without undermining local voice and community support for our schools. Given its advantages, we hope the legislature will give it due consideration in bill form during the coming legislative session.

Questions on this proposal can be directed to Heidi Spear, the founder and coordinator of the AEF Working group: [heidimspear@gmail.com](mailto:heidimspear@gmail.com)