

TESTIMONY

Testimony To: Senate Committee on Finance

Respectfully Submitted by: Heather Bouchey, Ph.D., Interim Secretary of Education
Nicole Lee, Director of Education Finance

Subject: **School Finance Cost Drivers**

Date: February 27, 2024

Thank you for the opportunity to provide an update on School Finance Cost Drivers.

Background

The committee asked for an overview of what is driving \$200+ million Education Fund increase for FY 2025 compared to FY 2024. This data is based on self-reported budget data from Vermont School Districts. This excludes unorganized towns and gores.

Disclaimer

The Agency of Education, specifically the School Finance team, is aware that the two items presented today February 27th tell two different stories for similar data points. The data underlying these estimates are different. The intent of both is to quantify some of the primary drivers for a \$200M plus ed spend increase from FY 2024 to FY 2025.

The legislative survey data (provided to House Ways and Means) is a collection of responses from over 80% of supervisory unions.

The FY 2025 preliminary summary (provided to Senate Finance) includes other sources such as the state auditor's office, a February 26, 2024 updated education spending statewide projection, and estimates based on average inflation at a statewide level.

FY 2025 District Budgets Preliminary Summary

Background Information:

- Number of Budgets expected: **119**
- Number of Budgets received: **95**
- Percent of district budgets received: **79.8%**
- FY 2024 Budget and Ed Spending Data
 - total budgets (statewide): **\$2,095,027,162**
 - percent of total FY 2024 budgets responding: **82.2%**
 - FY 2024 education spending (statewide): **\$1,709,697,481**
 - percent of total FY 2024 Education spending responding: **82.8%**



Reported Budget Data:

As of Feb. 27, 2024	FY 2025	FY 25 vs FY 24	FY 2024	FY 24 vs FY 23	FY 2023	
Expenditures	1,888,076,841	9.64%	1,722,143,333	6.67%	1,614,480,805	
Offsetting Revenues	280,181,208	-8.35%	305,707,563	-0.82%	308,232,588	
Initial Ed Spending	1,607,895,633	13.52%	1,416,435,770	8.44%	1,306,248,217	
Pupil**	119,417.21	83.6% of tot LTWADM	110,678.73	83.8% of tot LTWAD	71,412.66	83.2% of total EP
ES / Pupil	13,464.52	5.21%	12,797.72	-30.03%	18,291.55	

**Pupil: LTWADM restated unofficial FY24, LTWADM in FY25, Equalized Pupils FY23

Top 3 districts by LTW ADM that have not yet submitted FY25 preliminary data

As of Feb. 27, 2024	FY 2025 Long-Term Weighted ADM	FY 2024 Education Spending
Mt. Mansfield USD	3,675.93	46,294,670
Rutland City	3,377.57	38,670,000
Harwood USD	2,647.61	38,511,662

The total FY 2024 Education Spending for top three not submitted: **\$123,476,332**. This is 7.2% of the total FY 2024 education spending.

District Cost Drivers

Based on 27 districts where the weighted increases of other district responses are applied.

Model A: Assuming “normal” spending growth trends

This model assumes spending growth trends similar to what we see in a “normal” year, e.g. 3% increase in salary and benefits.

Drivers	Estimated Cost	Notes
Health Insurance	42,000,000	16% increase from prior year, calculated by state auditors office
ESSER*	25,000,000	this total is underreported because it represents 75% of SU/SDs
Salary/benefits**	43,668,142	relies of salary and benefits being 75% of school budgets and a 3% increase
Inflation	9,704,032	estimates 2% inflation on the remaining 25% of school budgets that is not salary/benefits
Total:	120,372,174	

Model B: Based on Observed Trends

This model extrapolates observed cost trends (e.g. 6% increase in salary and benefits, increase capital construction costs) to project statewide education spending growth.

Drivers	Estimated Cost	Notes
Health Insurance	42,000,000	16% increase from prior year, calculated by state auditors office
ESSER*	31,250,000	assumes 100% response based on what 80% responded
Salary/benefits**	87,336,285	relies of salary and benefits being 75% of school budgets and a 6% increase
P&I capital Construction	50,000,000	this total represents the change from FY24 to FY25, assumes 100% response based on what 80% responded
Inflation	29,112,095	estimates 6% inflation on the remaining 25% of school budgets that is not salary/benefits
Total:	239,698,380	

- Current Estimate of Education Spending: **1,940,806,327**
 - This estimate applies weighted averages to those who did not responds.
- Year over year growth **\$231,108,846**