

Governor Scott's Education Transformation Proposal

FUNDING FORMULA EXPLAINED

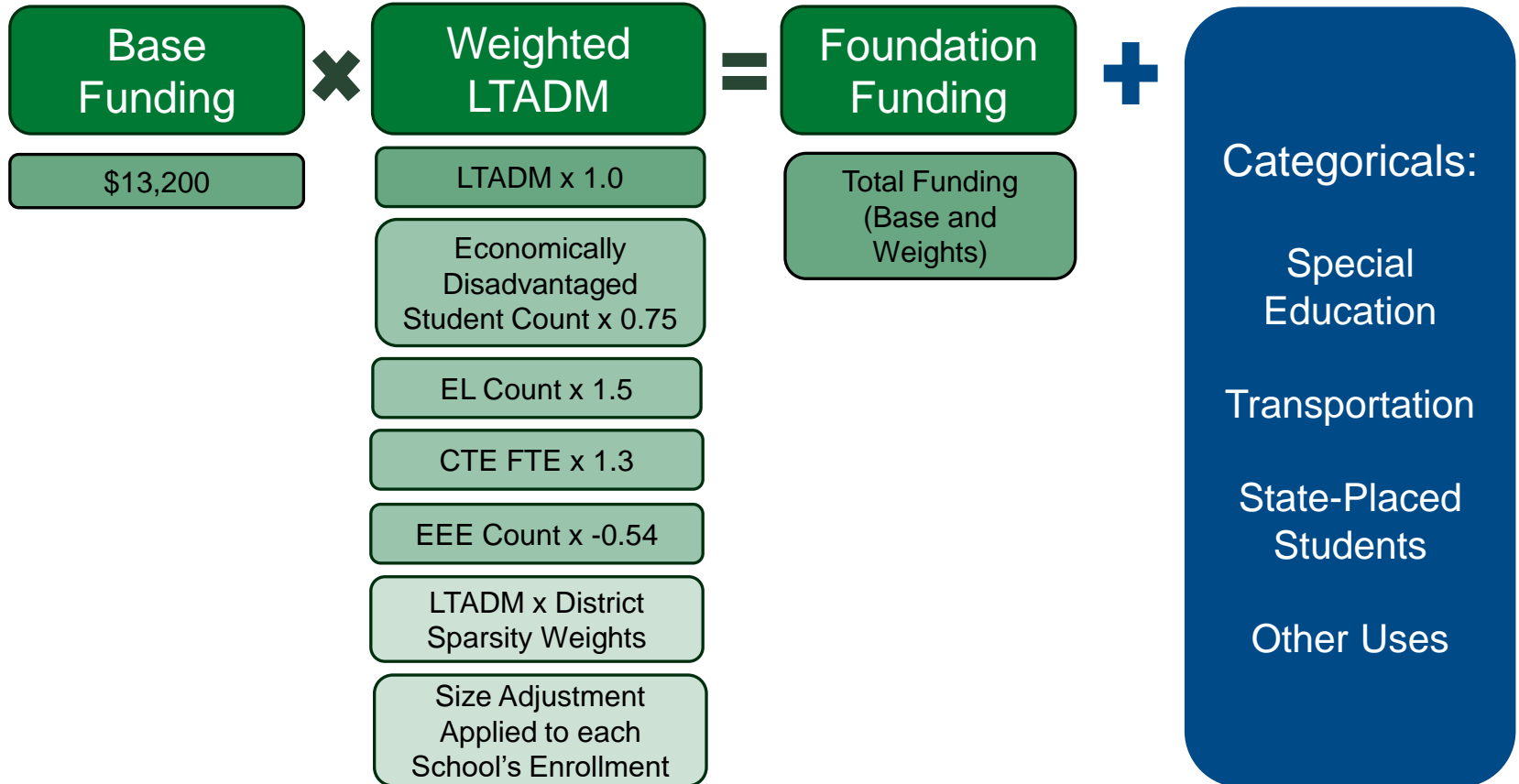
Overview

- Situating funding policy change within a plan for comprehensive education transformation
- Policy decisions
 - Base
 - Weights
 - Categoricals
- Funding formula estimates by new districts
- Comparison to FY25 appropriations

Summary

- The foundation funding formula:
 - Uses an evidence-based base model that has been adjusted to the Vermont context and resourced to deliver on Vermont's explicit policy objectives, and includes weights for student need, school scale and district sparsity
 - Separate additional categorical funding for special education and transportation
 - Will result in a funding system that will be more transparent, understandable, and predictable for schools, districts, families, taxpayers, and the state
 - Will ensure that resources are distributed fairly across the state and that students receive the same level of resources to meet their needs, regardless of where they live
- This plan delivers a robust education that is generous compared to other state funding models while reducing overall spending by \$183.6 million
 - Initial estimated cost savings assume no changes to the current school portfolio though additional savings could be achieved in the future

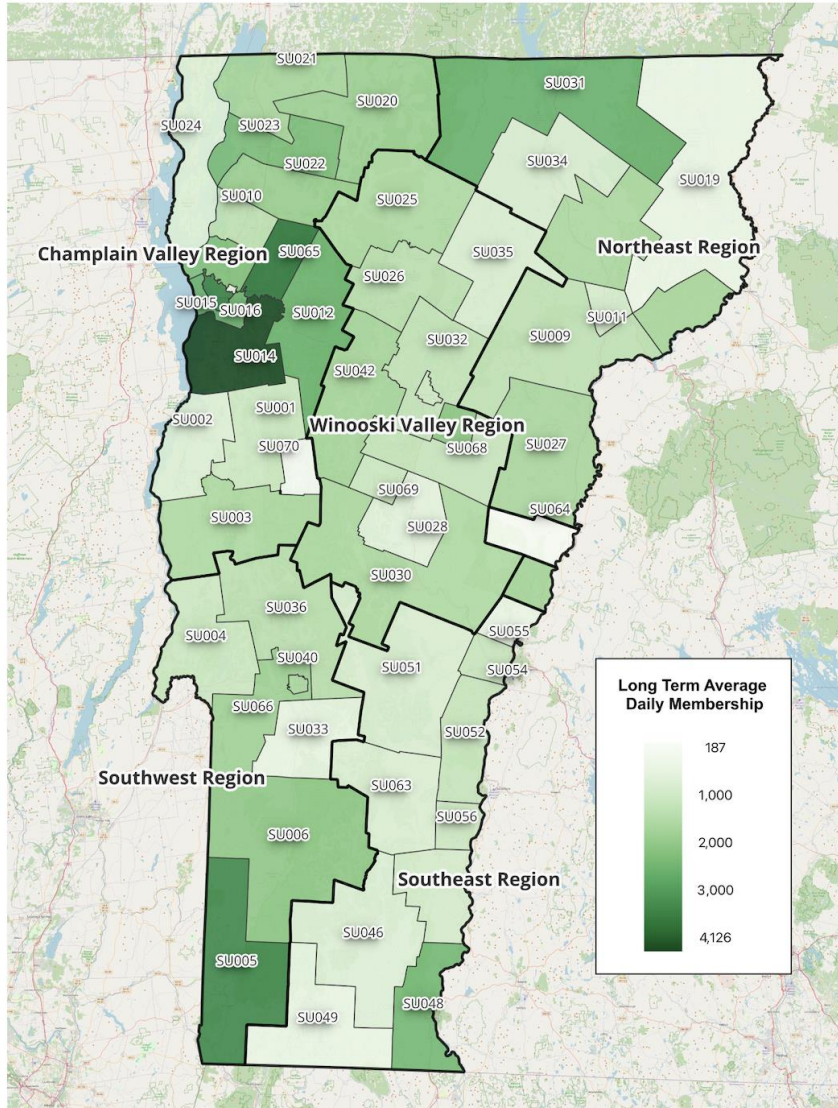
Summary: Proposed Funding Formula



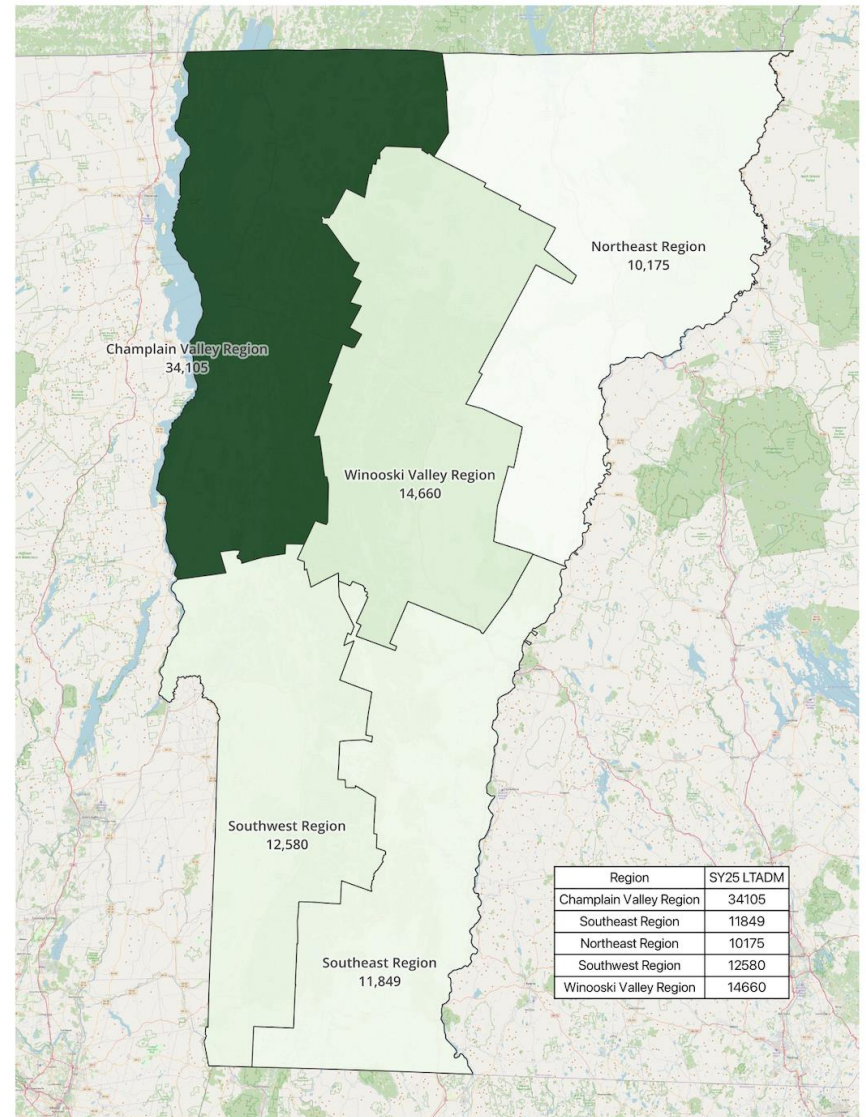
Situating Funding Policy Change within a Comprehensive Plan

- The proposed funding model is one part of a comprehensive education transformation proposal that includes changes to funding, governance, and education quality as put forth in the January 22, 2025, Education Transformation Policy Brief.
- Proposed changes to funding formula require change in other areas including a move to fewer districts; 5 districts proposed based on regions
 - Benefits:
 - Lower administrative overhead at the district level, both by reducing the number of districts with separate central offices and having districts that operate at an efficient scale
 - Improved staffing efficiencies by being able to share staff across schools in a district and achieving evidence-based class sizes
 - Potential reduced costs in purchasing and centralized service contracts and fees
 - Increased equity between districts in terms of student need and community property wealth

Long Term Average Daily Membership by SU (SY25)



Long Term Average Daily Membership by Region (SY25)



Proposed Districts: ADM, Demographics and Wealth

District	Two-Year Average ADM	FRL %	EL %	Net GL/ADM
Champlain Valley Region	34,104.77	36%	4%	1,276,529
Southwest Region	12,579.76	51%	1%	1,181,238
Northeast Region	10,174.70	55%	0%	917,317
Winooski Valley Region	14,659.62	45%	1%	1,362,387
Southeast Region	11,849.26	47%	1%	1,937,837
State	83,368.11	43%	2%	\$1,327,400

Policy Recommendations

Base Cost

- **Policy recommendation:** \$13,200
- **Rationale:** EB Model with adjustments to fit VT context and priorities, including:
 - Increased college and career opportunities
 - Expanded electives/specials
 - Additional student mental health
 - Higher teacher salaries
 - Rolling flexible pathways funding into base

Weights for Student Needs

- **Recommendations:** provide the following weights for to address student need:
 - 0.75 for economically disadvantaged students
 - 1.5 for English Learners
 - 1.3 for CTE students
 - Funding paid to single CTE BOCES (incl. \$8,000 in lieu of payment from sending districts who keep remaining \$5,200 of base funding)
 - Fund preschool students as 1.0 ADM (vs. -0.54)
 - Keep current EEE weight of -0.54
- **Rationale:** based on figures from available research in Vermont on needed resources levels and national comparison; EEE weight based on current until further research possible

Additional Categorical Funding

- **Recommendations:** provide additional funding for special education and transportation through categoricals, maintain categoricals at current funding levels for state-placed students, and other categories: VSTRS Pension Normal Cost, VSTRS OPEB Normal Cost and Other Uses (Accounting & Auditing, CMF transfer, Financial Systems), and eliminate categoricals for technical education, EL services and small schools (would now be in foundation funding)
 - For special education, estimating an additional \$70 million needed to fund difference between current spending and available funding from state and federal sources
 - For transportation, estimating an additional \$25 million needed to cover full cost of reimbursement (currently covers up to 50%)
- **Rationale:** census block approach was an effort to contain special education costs so keeping this funding separate, transportation often funded separately in other states, and keeping or eliminating other categoricals based on if covered by foundation formula funding

Weights for School and District Characteristics

- **Recommendations:** adjust for school scale and district sparsity, but not district size, through the following adjustments:
 - School size adjustment = $-0.158 \times \log(\text{school enrollment}) + 0.964$ (floor of 0)
 - Based on 2019 AIR/UVM Study weights, with modifications to implementation
 - Applied to all schools based on enrollment initially, then just those that are determined to be "necessarily small"
 - District sparsity: use current weights of $<36 \text{ pop/mi}^2 = 0.15$, $36 \leq \text{pop/mi}^2 < 55 = 0.12$; $55 \leq \text{pop/mi}^2 < 100 = 0.07$
- **Rationale:** schools face higher costs due to scale, and more sparsely populated, rural areas face higher costs of doing business; adjusted EB model at different scale points supports existing weights and sparsity would need further study; districts all larger than EB model efficiency size

Cost Estimates and Comparisons

FY25 FIGURES

LTWADM by District

District/Entity	Two-Year Average ADM	FRL WADM	EL WADM	CTE WFTE	EEE WADM	Sparsity WADM	School Size WADM
Champlain Valley Region	34,104.77	9,131.12	2,180.99	-	(184.25)	1,019.42	1,089.00
Southwest Region	12,579.76	4,822.88	166.73	-	(44.08)	705.79	784.00
Northeast Region	10,174.70	4,167.36	49.28	-	(37.84)	1,121.39	771.00
Winooski Valley Region	14,659.62	4,924.38	222.50	-	(60.36)	1,043.56	1,060.00
Southeast Region	11,849.26	4,147.81	190.13	-	(43.99)	661.04	1,108.00
CTE BOCES	-	-	-	3,987.04	-	-	-
State Total	83,368.11	27,193.55	2,809.61	3,987.04	(370.52)	4,551.20	4,812.00

Formula Funding Estimates by District (millions of dollars)

District/Entity	Base Funding	Econ. Disadvant. Funding	EL Funding	CTE Center Funding incl. in lieu of payment	EEE Funding	Sparsity Funding	School Size Funding
Champlain Valley Region	450.2	120.5	28.8	(8.3)	(2.4)	13.5	14.4
Southwest Region	166.1	63.7	2.2	(3.5)	(0.6)	9.3	10.3
Northeast Region	134.3	55.0	0.7	(4.0)	(0.5)	14.8	10.2
Winooski Valley Region	193.5	65.0	2.9	(4.3)	(0.8)	13.8	14.0
Southeast Region	156.4	54.8	2.5	(2.9)	(0.6)	8.7	14.6
CTE BOCES	0.0	0.0	0.0	75.5	0.0	0.0	0.0
Total	1,100.5	359.0	37.1	52.6	(4.9)	60.1	63.5

Comparison to FY25 Appropriations (millions of dollars)

Appropriations (millions of dollars)	FY2025	Proposed Funding Policy
Education Payment/Foundation Formula	1,893.3	1,667.8
Special Education Aid	264.6	334.6
State-Placed Students	20.0	20.0
Transportation Aid	25.3	50.0
Technical Education Aid	17.9	0.0
Small School Support/Merger Support	1.8	0.0
Essential Early Education Aid	8.7	8.7
Flexible Pathways	10.4	0.0
Universal School Meals	20.4	0.0*
English Learners Services	2.3	0.0
VSTRS Pension Normal Cost	36.0	36.0
VSTRS OPEB Normal Cost	19.1	19.1
Other Uses (Accounting & Auditing, CMF transfer, Financial Systems)	6.0	6.0
Total	2,325.8	2,142.2

How Proposed Funding Formula Compares to Other States

- Compared the proposed funding formula for Vermont to other states utilizing foundation formulas in the areas of base funding, economically disadvantaged/at-risk funding, and EL funding
 - Proposed funding elements are generous compared to other states and will still save taxpayers money

	Vermont Proposed	Minimum, Other States	Maximum, Other States
Base amount per Student	\$13,200	\$4,015	\$14,668
At-risk weight-generated funding per student	\$9,900	\$108	\$7,559
EL weight-generated funding per student	\$19,800	\$155	\$8,956

Questions?

