

To: House Ways and Means Committee

From: Rep. Erin Brady, Rep. Bridget Burkhardt

Re: Introduction of H.886 (an act relating to creating a cost of competing adjustment)

Purpose (Brady)

We are on the precipice of massive educational change and we have to get it right. There is extraordinary focus on maps in this building and across the state and they are highly visual reminders of the potentially enormous change ahead but we are concerned that we, in this building and across the state, are not as clear about the potentially enormous changes ahead under a foundation formula. We all know there is a long list of outstanding work to make the foundation formula a reality.

We are interested in closely following all of that work and ensuring we fully understand the implications for our schools. We introduced H. 886 to ensure there is further work on regional differences in cost of labor in different regions of our state.

A core purpose of Act 73 is to expand and strengthen educational opportunities for students - just this week this was repeated in the Governor's statement when he talked about the "closing the opportunity gap." Certainly our vision for closing that gap is not to level down opportunities. A funding formula that does not adequately reflect regional cost realities will penalize districts that have already consolidated, operate at the scale, and have already made deep reductions to deliver responsible budgets. Many of the largest districts that operate class and school sizes at or above the goals outlined in Act 73 will have no choice but to reduce opportunities for students.

Policy rationale (Burkhardt)

The geographic variations in Vermont that result in structural cost differences have received an extraordinary amount of discussion and policy work. Some districts are located in sparsely populated areas resulting in higher transportation costs and typically smaller schools. Some schools have so few students that the fixed costs involved in running a school result in higher per-pupil spending. There is extensive ongoing work to ensure we adequately resource schools that are small by necessity.

Similarly, districts in some parts of the state face higher than average labor costs. Act 73 accounted for analysis of certain structural differences between districts in the scope of work for the development of the foundation formula but did not account for regional differences in labor costs.

According to research by APA Consulting, at least 10 other states have recognized the need for regional adjustments to account for differences in 1) cost of labor for districts, 2) cost of living for staff working in districts, and/or 3) cost of doing business for districts in certain areas of a state. See the [memorandum from the Education Commission of the States](#) that describes the methodology different states use to do this.

- Alaska - individual cost factor multiplier applied to average daily enrollment
- Colorado - cost of living factor applied to the base dollar amount
- Maine - regional cost adjustment based on average teacher salaries
- New York - index of salaries from jobs that require similar levels of credentials as teaching in 9 labor market regions meant to reflect ability of districts to attract qualified teachers
- Virginia - 17 school districts near Washington DC receive cost of competing adjustments calculated as percentage increases in salaries of teaching and support staff
- Massachusetts, Florida, New Jersey, Texas, and Wyoming also have regional cost adjustments

We asked the Vermont Association of School Business Officers (“VASBO”), the school employees on the front line of budgeting and resources allocation, for their opinion on adding a regional cost adjustment to the funding formula. While they cannot take a position on a bill until they can see the full proposal, the president of VASBO says that they, “do support the concept of exploring a regional cost adjustment to ensure our funding system more accurately reflects the economic realities faced by school districts across the State.”

If we do not account for regional cost differences, opportunities for students in high-labor-cost areas will suffer. To manage within a funding formula that is based on average labor costs, high-labor-cost districts in the future state would either have to increase student teacher ratios by increasing class sizes, or they would have to cut programming and opportunities in order to reduce the number of teachers and staff. Districts in areas with higher labor costs in Vermont generally operate with class sizes well above the minimums set out in Act 73 and have some of the highest student/teacher and student/staff ratios in the state (see chart below). This makes it more likely that we will require the districts closest to the scale envisioned in Act 73 to make significant cuts from the outset.

Many of these same districts have already been dealing with cuts to their tax capacity under Act 127 that have meant a reduction in opportunities for students. We have talked a lot about a lack of opportunities in districts that are below scale, but we haven’t talked a lot about lack of access for kids in districts at scale that have faced budget cuts. Do high school students really have access if they are warehoused in study hall for multiple periods a week because there aren’t enough sections of classes to fill out their schedules? Just as we erode public support for public education with taxes that are too high and unpredictable, we erode support when we cut

opportunities to the point that families who can choose other options pull their kids out of the system.

Act 73 did not include a mandate to consider regional cost differences in the development of the foundation formula as we heard in testimony from the JFO last week. Last session, Dr. Tammy Kolbe outlined four categories of costs that should be at least considered when designing a foundation formula (see Dr. Kolbe's [presentation](#), March 27, 2025):

- Individual Student Risk – disability status, English language learners
- Social Context of Schooling - concentration of economic disadvantage
- Scale and sparsity – District and school enrollment, grade level, population sparsity, degree of rurality
- Geographic Variation in Input Prices – employee wages, non-personnel resources

Differences in regional labor costs could be addressed in the funding formula through:

1. An adjustment to the base of the foundation formula (“Education Opportunity Payment”)
2. The application of regional multipliers to the base
3. An adjustment to the Supplemental District Spending mechanism (e.g. how weights are used in SDS, adjusting the percentage that can be raised, changing how the SDS tax is raised)
4. Categorical grants

Differences in Labor Costs (Burkhardt)

Education is a people business. Salaries and benefits make up 80% or more of most school districts’ budgets across the state, as they should. Teachers and staff are paid more in certain parts of the state for many reasons. Fully equalizing staff costs across the state is unrealistic and inappropriate and quite frankly, misleading in the Administration’s public discussion of Act 73. If we fully level up so that all teachers are paid the same we will raise costs significantly even as we are trying to rein them in.

The design of a regional cost adjustment and the decision about whether to implement one would require more research on differences in cost of living across the state and the impact of those differences in school districts. Considerations for cost of living differences may include:

1. Home Values – Average home value as of December 31, 2025 (from [Housing Data - Zillow Research](#))
 - Average across Vermont - \$379,669
 - Chittenden County - \$497,901
 - Lamoille County - \$467,389

- Grand Isle - \$428,235
 - Essex County - \$216,021
 - Orleans County - \$276,493
 - Caledonia County - \$280,104
2. Average salary/average home value – Every Chittenden County school district falls below the state average in a comparison of average teacher salary to the average value of a home in their county. See the spreadsheet submitted with this testimony that uses AOE data on salaries and Zillow research data on home values to compare salaries and home values across the state.
 - Average = $\$71,871/\$379,669 = 18.9\%$
 - CVSD = $\$88,168/\$497,901 = 17.7\%$
 - SBSB = $\$91,546/\$497,901 = 18.4\%$
 - Essex North = $\$60,467/\$216,021 = 28.0\%$
 - St. Johnsbury = $\$70,608/\$280,104 = 25.2\%$
 - Orleans Southwest = $\$69,178/\$276,493 = 25.0\%$
 3. Basic needs budget – There are documented differences in costs of living in rural and urban areas in Vermont. Basic needs budget wages are 12.5% higher for a single person with no children living in an urban area than in a rural area of Vermont. For two adults with two children, the gap is 6.8%. (See the [2024 Vermont Basic Needs Budgets and Livable Wage Report](#) for more information.)
 4. Historical negotiations have built upon each other. It is nearly impossible to lower pay for educators in high-labor-cost districts, nor would we want to. We must start from where contracts are today. We are not creating an entirely new education system from scratch - Act 73 will move around real people (students and teachers) and real dollars. Given the structure of contracts, abruptly curtailing wage increases means that earlier career teachers would not earn enough to make ends meet while paying a surcharge into the pension system and paying off student loans.
 5. Furthermore, increasing health care costs have had a bigger impact in some districts than others. While we know that health care costs have risen faster than almost any other education cost, the move to negotiate health care at the state level has exacerbated the impact, particularly in areas that had previously bargained to pay higher salaries and lower contributions to health insurance. Districts once had three levers in negotiations – salaries, healthcare benefits, and working conditions. Many districts had chosen to pay teachers and staff more while requiring them to take on a bigger share of their health care costs. The state then took away districts’ ability to negotiate health care costs and moved those negotiations to the state level. The union has prevailed in statewide health care

negotiations every time since they were removed from individual districts, contributing to the rise in school benefits costs across the state. Districts that had previously made the bargain of higher salaries but lower contribution to health care benefits are now in the position of having to pay high salaries and high healthcare costs.

Teacher workforce (Brady)

Research consistently ranks high-quality teaching as the top school-based variable for student success. The education workforce shortage is a national problem; there has been over a 50% reduction in enrollment in teacher preparation programs in the last 15 years. This is impacting all districts in Vermont although some challenges vary regionally. Just a couple years ago, the legislature started to do some thoughtful work on this important policy area and made modest investments using pandemic funding but those funds are now depleted and we lack a statewide investment in this critical part of our workforce. We lag behind many other states in expanding multiple pathways into a teaching career. In the most rural parts of our state, the most promising work to increase the pool of skilled teachers is “Grow Your Own Programs,” especially in the NEK. Nationally, 80% of support staff live in the communities where they work, and the hope is that these prospective teachers will continue to teach, learn and grow in the district, contributing to a more sustainable and effective teaching workforce.

A foundation formula does not address the sustained work we need to do to encourage more people to become teachers and keep current teachers in the profession in all parts of the state. (See [2022 Education Commission of the States Policy Guide: State Policy Levers to Address Teacher Shortages](#).)

Conclusion

Thank you for this opportunity today. We bring this short form bill to the committee to encourage all of us to move from the theoretical discussions we had last session about education transformation and into conversations about the practical effects of what we passed in Act 73 on our school systems. Systems are made of people and our students, teachers, and school leaders are not just a line that can be moved on a map, or column that can be eliminated in a spreadsheet, without having a real-life impact. The most consequential education reform of a generation must deliver benefits for all Vermonters.

Class Size Averages in Vermont's Largest Districts

| | Class size min in Act 73 | CVSD ¹ | Essex ² | Burlington | South Burlington | Colchester | MMU ³ |
|------------------------------|--------------------------|-------------------|--------------------|-------------------------------|------------------|------------|------------------|
| <i>Total student count</i> | | 3,662 | 3,363 | 2,972 | 2,395 | 2,119 | 2,572 |
| Grade 1 | 10 | 17 | 19.1 | 17.6 | 17.3 | 22.0 | 17.3 |
| Grades 2-5 | 12 | 22 | 21.4 | 18.5 | 17.8 | 21.8 | 17.6 |
| Grades 6-8 | 15 | 22 | 22.3 | Hunt = 16.8 Edmunds = 18.3 | 20.5 | 22.0 | 20.0 |
| Grades 9-12 | 18 | 20 | 18.0 | 18.5 | 19.0 | 18.8 | 19.0 |
| Student/Teacher Ratio | State Average 8.9 | 9.5 | 9.7 | 8.9 | 11.1 | 11.7 | 9.7 |
| Student/Staff Ratio | State Average 3.8 | 4.4 | 4.1 | 4.0 | 5.0 | 4.5 | 3.5 |

Note: Data gathered from district websites (budget presentations) and VT school explorer [map](#).

¹Merged in 2017.

²Merged in 2017. Closed Summit Street School in 2025.

³Merged in 2019.