

Testimony on H.949

Vermont School Boards Association (VSBA) & Vermont Superintendents Association (VSA)

Thank you for the opportunity to provide testimony on H.949.

We recognize that Vermonters are under real strain. Rising property taxes, housing costs, and healthcare expenses are putting pressure on families across the state. School leaders feel that same pressure and work every year to balance community impact with maintaining educational quality.

1. Use of One-Time Funds to Buy Down the Tax Rate

We remain deeply concerned about the continued reliance on property tax buydowns.

While this approach may provide short-term relief, it does not support sustainable school district budgeting. Districts do not build budgets and voters do not vote on budgets based on the buydown yield. Instead, it creates an ongoing structural mismatch that makes each subsequent budget cycle more difficult.

This approach:

- Masks the true cost of the education system
- Perpetuates a cycle of instability for districts and voters

At a broader level, this policy approach continues to avoid real drivers of cost pressure, including:

- Demographic shifts and an aging population
- Housing shortages limiting enrollment stability
- Rising healthcare costs
- Declining enrollment
- Inflationary pressures

These pressures have built over time. Continuing to rely on short-term buydowns does not address them and shifts the burden onto local communities.

Our Asks:

- Do not use all of the one-time funds for property tax buydowns.
- Redirect even a portion of these funds toward long-term cost drivers, including:
 - School construction aid to support regionalization and efficient use of facilities
 - Incentives for locally driven, research-based consolidation

2. Excess Spending Penalty – Reduction to 112%

We appreciate elements of the current framework in H.949, including:

- The use of an excess spending threshold instead of hard caps
- Establishing moderate “hold harmless” provisions to mitigate the most severe impacts of the spending penalty

However, we are very concerned with the proposal to reduce the threshold from 118% to 112% in a single year. Reducing the threshold from 118% to 112% on such an accelerated timeline will have harmful consequences.

Districts are currently operating from an FY25 baseline, and the projected threshold is approaching the proposed foundation formula level. Lowering the threshold this quickly risks forcing rapid reductions in spending that are disconnected from thoughtful system redesign.

Impact of a Rapid Reduction

- Accelerated cuts to student programming and staff
- Disproportionate impacts on districts with structural cost constraints, such as tuitioning
- Reduced educational opportunity on a faster timeline than the broader education reform transition

Cost Drivers and Structural Pressures

This policy also does not address the primary drivers of rising costs:

- **Healthcare:** Up ~35% in three years; approaching ~15% of school budgets
- **Inflationary pressures:** Fuel, materials, and supply chain volatility
- **Collective bargaining agreements:** Fixed obligations that cannot be adjusted mid-cycle
- **Mental health responsibilities:** Increasing expectations placed on schools
- **Construction costs:** Largely unsupported at the state level for nearly two decades

At the same time, it is important to acknowledge that not all cost pressures sit outside of the system.

Vermont’s education system includes structural factors that contribute to overall spending, including the number of districts, schools, and staffing levels relative to enrollment.

Vermont has one of the lowest student-to-staff ratios in the nation, and despite significant staffing reductions over the past several years, that ratio has remained stagnant, and in some cases, declined further. This reflects a fundamental reality: cuts cannot outpace enrollment decline.

Districts are reducing staff, but enrollment is falling at a rate that continues to drive per-pupil costs upward. Continuing to push reductions under these conditions will not solve the problem—it will simply erode student opportunity.

At a certain point, additional cuts mean:

- Fewer course offerings
- Reduced student supports
- Loss of programs and opportunities for students

These are not theoretical risks. They are already happening.

This is not a question of whether districts are willing to make difficult decisions. Those decisions have been ongoing for several years.

It is a question of whether policy recognizes the limits of those reductions and the consequences for students.

The following examples reflect real scenarios shared by superintendents. While anonymized, they are presented as described to illustrate the direct impact of decreasing the excess spending threshold to 112%.

- A district with full high school choice would need to reduce approximately \$1.5 million to meet the threshold. While there has been discussion of requiring students to attend a single in-system high school to reduce costs, this would represent a significant shift away from longstanding community expectations around choice.
- One K–6 district, where approximately 55% of its budget is tied to tuition and special education costs for students tuitioning primarily to an independent school, would need to cut approximately \$1.5 million. The district has no control over the high school tuition rates (\$25,000 per student for FY26), yet those costs are fully included in the calculation.
- A small rural district serving two elementary schools—one already operating with multi-grade classrooms—would need to reduce \$570,000, or just under 9% of its budget. The district is already sharing specialists such as library and counseling staff. The two towns are connected primarily by mountain roads, including dirt roads, making consolidation impractical. With nearby school closures in recent years, further consolidation would require even PreK students to travel 30 minutes or more, often in difficult winter conditions. In the same supervisory union, three non-operating districts would experience little to no impact under the penalty, as they have minimal discretionary spending. At the same time, they continue to receive small school or sparsity weighting, creating what was described as an unfair advantage over operating districts that must make programmatic cuts.
- One district reported a 4% decline in weighted student count (LTWADM) spread across grade levels. Because the decline is not concentrated, the district cannot reduce staffing in a targeted way. It has reduced staff for FY27 to meet class size minimums. Due to some of the districts being non-operational for some grades, it would disproportionately

impact K-8 students. Under the proposed threshold, the supervisory union would need to cut approximately:

- \$4 million total
- 32.6 FTEs (11% of staff)
- All transportation
- Athletics, field trips, extracurriculars, enrichment, and related arts programs
- One district's reported that at the 112% level the district would need to:
 - Cut approximately 40 positions
 - Athletics and performing arts would face "crushing" reductions
 - World language programs, interventionists, and instructional coaches would be cut
 - Reductions would extend to related arts, counselors, mental health clinicians, and nurses
- Another district outlined likely reductions across grade spans:
 - K–8: elimination of band, chorus, visual arts, drama, technology education, world languages, and library services
 - 9–12: reduced electives and Advanced Placement offerings, with more study hall time and less classroom instruction
- In a district within a supervisory union that allows school choice after elementary school, three towns would need to cut approximately \$500,000 from their elementary schools alone to meet the threshold.
- In a small district that has already closed two schools and now operates only one remaining school, approximately \$320,000 in cuts would still be required. The district tuitions students for grades 7–12 to multiple receiving schools, including out of state, limiting its ability to control costs. A neighboring district in the SU tuitions all high school students, consists of one school, and would need to cut approximately \$285,000, despite having limited control over tuition-driven costs. The supervisory union expanded PreK to meet community needs and state goals. However, because of how spending is calculated, this expansion—while "good for the community"—has artificially inflated per-pupil spending, perversely pushing us closer to the penalty threshold. In addition, the district is seeing discrepancies in the state data for LTWADM.
- One modified unified district, after already reducing its budget this year with stable enrollment, would need to make an additional \$450,000 reduction to meet the 112% threshold. This represents roughly a 3% cut, with reserves nearly exhausted. As described, "there is no meat left" to cut.

Structural Inequities Within the Penalty

Additionally, the current structure creates inequitable impacts:

- **Tuition-Dependent Districts:**
Some districts have limited flexibility, with a significant portion of spending tied to tuition. These districts have very few levers to adjust budgets and will be forced to reduce core programming to their elementary grades.

- **PreK Expansion:**
The state continues to emphasize PreK as a critical investment for quality and equity, yet districts expanding PreK may be penalized for doing so. One district reported that expanding a clearly needed PreK program would trigger the excess spending penalty, while not expanding would avoid it. This is a direct misalignment of policy and priorities.
- **Capital Bonding Inequity:**
H.949 excludes voter-approved bonds prior to July 1, 2024 from excess spending calculations, creating inequity between districts based on timing rather than need. Including some bond payments but not others will require some districts to make dramatic cuts that harm students, while others will be held harmless.

Our Asks:

We urge the Legislature to:

- Implement a gradual phase-down of the excess spending penalty aligned with the foundation formula timeline, coupled with a graduated spending floor
- Address structural issues alongside any penalty, including:
 - Restrictions or guardrails on tuition
 - Excluding PreK spending from the excess spending calculation and commit to fully funding it at 1.0 FTE
 - Correcting [known issues with weights based on existing research](#)
 - Ensuring equitable treatment of capital construction across districts
- Pair any spending control mechanism with action on cost drivers, rather than applying it in isolation
 - Hold districts harmless for increases in health insurance premiums above an appropriate inflationary index

Closing

An [Agency of Education FY27 school district budget update](#) yesterday shows that the anticipated increase in education spending is now 3.9%, demonstrating that school districts are doing the difficult work of balancing taxpayer impact while maintaining educational quality.

What is needed now is not additional short-term pressure, but a coordinated approach that:

- Addresses real cost drivers
- Recognizes structural realities
- Aligns policy with stated priorities
- Supports a stable transition to a new funding system

We urge you to focus on solutions that are sustainable, equitable, and centered on student opportunity.