



To: Vermont House Ways and Means Committee

From: Heather Bushey, President of Vermont Association of School Business Officials; Chelsea Myers, Executive Director of the Vermont Superintendents Association

Date: March 26, 2025

RE: Testimony on Vermont Education Funding Formula Reform

Thank you for the opportunity to provide testimony on Vermont's education funding formula reform.

The Vermont Superintendents Association (VSA) and the Vermont Association of School Business Officials (VASBO) are committed to exploring alternative funding models that ensure equitable and adequate resources for all Vermont students. The current system, which results in significant disparities in weighted per-pupil spending across districts, is not equitable and needs reform. Thank you for your committed and thoughtful attention to this issue.

Cost Drivers

We must acknowledge that without addressing key cost drivers—such as health insurance, mental health services, and facility infrastructure—districts will be forced to make reductions in other areas, often at the expense of student opportunities and learning. Approximately 80% of district operating funds are allocated to salaries and benefits. With health insurance costs rising 16.4% in FY25 and another 11.9% in FY26, it is imperative to address this issue to control education spending in Vermont. Additionally, many Vermont schools face significant facility infrastructure needs that will require substantial investment.

Foundation Formula and Staffing

Any foundation formula must be based on staffing assumptions that align with existing state and federal mandates. For example, Vermont's commitment to Multi-Tiered Systems of Support (MTSS), a legally required initiative, necessitates a certain level of staffing to be implemented effectively. Legislative mandates have also driven staffing levels, and it is critical to clarify which laws will be maintained or repealed to align with the new funding.

Several key concerns and lessons from the Governor's proposed Education Funding Proposal remain:

- The Governor's model assumes a benefit rate of 36.1%, while a recent VASBO survey of FY26 district budgets indicates an actual benefit rate closer to 41%—a figure likely to increase unless health insurance costs are controlled.

- Average salaries used in the funding model are significantly lower than actual salaries in some regions, which could create an unrealistic foundation amount and force staffing reductions, negatively impacting instructional quality.
- Any large-scale district consolidation will likely lead to "leveling up" of salaries through collective bargaining agreements. While achieving pay parity is a worthy goal, it is unlikely to generate the cost savings that have been suggested. The transition costs, coupled with minimal savings from central office consolidation (which currently accounts for only about 5% of total costs), mean that large-district consolidation could be a costly endeavor. Therefore, any such reform must be guided by a clear vision for Vermont's education system.

Initial Comments and Questions on the Education Finance Proposal

Given that some key details—such as the base amount and weights—are still missing, a full analysis of the proposal is challenging. However, we offer the following initial comments and questions:

1. Base Amount Adjustments:

- Does the five-year review cycle and professional judgment panel for the base amount prevent significant fluctuations, particularly decreases, due to economic and political changes?

2. Service Contracts and Liabilities:

- How will current service contracts and district liabilities be handled in the transition to a new funding and delivery model?

3. Transportation:

- What assumptions are being made regarding transportation reimbursement? Redistricting efforts will likely increase transportation costs, especially if expanded school choice is introduced. The same applies to the provision of special education services.

4. Excess Spending:

- Will there be a cap on excess spending in local districts?
- We appreciate the linkage between excess spending and School Construction Aid.

5. Independent Choice Schools:

- If an independent choice school's tuition exceeds the base amount plus weights, how will the difference be managed?
- What equity concerns arise if families must cover the difference, potentially limiting access?
- If a community does not approve excess spending, how will tuition costs be covered without leaving public schools underfunded?
- Will the amount of funding provided per student for public schools be the same for publicly funded students at independent schools? If services, such as transportation and special education, are still being provided by the sending district, how will that be accounted for?

6. Tax Impact:

- What will be the tax impact on districts currently spending below the base amount plus weights?

7. Implementation Timeline:

- We appreciate the alignment of the implementation timeline with other reform efforts.

8. Special Education Funding:

- Any education funding reform must be coupled with consideration of how special education costs will be funded. Under the current system, many districts rely on the education fund to cover special education costs that exceed available funding from other sources. Transitioning to a foundation formula will place financial strain on districts to fund their special education needs unless an alternative funding plan is created to ensure adequate support for special education services.

Planning for the Federal Landscape

As previously stated in testimony by VSA, we urge the legislature to address expected decreases in federal funding at a statewide level rather than shifting the burden onto individual districts. Without this, districts most reliant on federal funds will experience significant shortfalls, impacting critical student supports.

We appreciate the opportunity to provide this testimony and look forward to further discussions.