

MEMORANDUM

TO: House Ways & Means and Education Committees
FROM: Jeff Fannon, Vermont-NEA Executive Director
DATE: March 26, 2025
RE: Comments on the Foundation Formula Proposal—Draft 1.1

Thank you for inviting Vermont-NEA to submit written preliminary thoughts about draft bill 1.1 of a foundation formula system with which to fund public education. While there are some dramatic changes to current law contained in the draft bill, thank you for not throwing out the baby with the bath water, as the bill doesn't change a lot of current law, and schools right now are in need of stability, so thank you for not trying to change too much all at once.

Allow me a moment to elaborate on the conditions of Vermont's publicly funded schools. The conversations outside of Vermont's public schools have led to tough inside the schoolhouse conditions.

- The chaos at the federal level has educators in a fight or flight mode, and given their nature, most educators are looking to leave the education system if they have a better alternative. That goes for teachers, bus drivers, para-educators, etc.
 - o The federal chaos also means the state stands to lose \$119 million of federal funds; the effects of the chaos in DC will have an impact on 15,500 Vermont students; and more than 1,000 educators whose positions are funded, in whole or in part, with federal funds. While the US Department of Education was created by an act of Congress and can only be abolished by another act of Congress, the recent layoffs at the DOE have demonstrated that the functioning of the Department is no longer possible, which is to say these above outlined numbers (funds, students, and educators) already are hurting Vermont schools.

- The noise emanating from Montpelier also is having an effect on Vermont educators.
 - o We estimate that between 300-400 educators have or soon will receive an unemployment notice from their current school employer by virtue of the 92% of the school budgets that passed on Town Meeting Day.
 - o This large a number of layoffs will affect the state's unemployment rate, and yet, educators are not hearing any support for them
 - o Layoffs will not help students or improve the quality of Vermont's schools
 - o Layoffs will not address the increasing cost drivers associated with:
 - Spiraling health care cost increases¹

¹ "What concerns me, is that our only in-state insurance company, Blue Cross Blue Shield, is on the ropes at the same time when the health center is seeing profits hit record highs," said former Gov. Jim Douglas.

- Student mental health costs that have been shifted onto the education fund from the General Fund
 - Running a dual education system—public schools and private schools that are publicly funded
- Student behaviors still have not recovered from the pandemic.
 - Students in need of mental health services have skyrocketed since the pandemic, and the state’s solution has been to merely shift that cost from the general fund to the education fund. Last year, the administration estimated the one-year increase in education costs in student mental health costs to be in the \$50-\$60 million range

That said, Vermont schools are one of the top performing public education systems in the country.

- For several years now, policymakers incorrectly have asserted that Vermont’s publicly educated students aren’t making the grade. This is just rhetoric and isn’t true. For example, for three decades, Vermont’s 4th and 8th graders have outperformed their peers by 10 points nationally on the National Assessment of Student Performance. Forbes Magazine ranked Vermont in the top five best public school systems. The World Population Review for 2025 ranked Vermont’s schools as the 4th best school system in the country. And, at the high school level, Vermont’s SAT scores have exceeded the national average for two decades, and our high school graduation rates are among the nation’s best. In short, Vermont’s schools are doing extremely well and should be lauded for their success not dismantled.

With that backdrop, as for draft bill 1.1, while we appreciate the work and belief that further school governance must change before the funding system changes, we have some preliminary thoughts to improve bill draft 1.1.

We have concerns with a political appointee adjusting the formula amount, even with the guardrails that are in place, as is found in section 1 of draft bill 1.1. For example, there is no appeal process if a school district believes the inflator isn’t what it should be, and even if a district or any interested party believed the amount wasn’t accurate, the language gives the Secretary the authority to set the inflation rate and a court likely would give the language “by the Secretary of Education” its full intended meaning. Moreover, relying on the US Department of Commerce for data, right now more than ever, is a mistake.

(16) “Base amount” means a per pupil cost-factor amount of \$XX,XXX.00, which shall be adjusted for inflation annually on or before November 15 by the Secretary of Education. As used in this subdivision, “adjusted for inflation” means adjusting the base dollar amount by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis, from fiscal year 2025 through the fiscal year for which the amount is being determined.

That same concern over a political appointee having authority to set student weights in Section 2 remains a concern. A neutral education funding entity, such as has been discussed in this committee previously and perhaps the Education Fund Advisory Committee established in

section 24, should be created to ensure education funding doesn't become out-of-balance and is updated incrementally to maintain stable education funding formula. This committee has discussed a more regular check-in about any education formula, and we support that concept.

With regard to section 4, 16 VSA § 4011(b), our concerns with the reliance on the Secretary and the US Department of Commerce remain.

Section 10's establishment of a school construction fund is wise and necessary, as school construction financial assistance is a necessary precedent to any school consolidation initiatives, and the funding needs to be permanent. We know this will be difficult, but it is the right thing to do as you consider adjusting governance structures.

As for section 12's residential home value numbers, we very much appreciate this construction. Those numbers, however, should also be adjusted annually for inflation so that we don't have the "cliff" problem we now have under the current income sensitivity system, and that would include adjusting them now and not just going forward.

We still need to review further and learn more about section 13's excess spending provisions. As such, we have no opinion yet about that section.

The omissions in section 14 are critical, and as such, we have no comment yet about that section.

If we understand this correctly, section 20's, 32 VSA § 6066(k), exemption cap at \$115,000 is still less than the inflated income sensitivity amount under the current law, and it should be increased to at least equal what was previously allowed.

The newly established Education Fund Advisory Committee found in section 24, is a good stabilizing idea on which school districts can rely.

Again, thank you for the opportunity to give preliminary comments about draft bill 1.1., and we appreciate the work that went into this draft.